

## **Finished refinancing? Check your life insurance policy**

By Gregory Karp  
Allentown Morning Call  
November 27, 2005

Consumers have had a fabulous opportunity in recent years to refinance their home mortgage because of historically low interest rates. But the opportunity is fading as mortgage rates rise.

Now the time is right to "refinance" your term life insurance.

Term life rates, which have been falling sharply, are expected to drop another 3 percent in 2006, according to the Insurance Information Institute.

A term policy that in 1994 cost \$1,300 will cost just \$641 next year, according to AccuQuote.com, an online rate comparison service. The biggest savings will come for people who have term policies started before 1999, when rates were significantly higher.

Do the math. If you didn't refinance a 1994 rate and kept paying premiums for another 20 years, you would have wasted \$13,180.

"It's been a remarkable drop," said Byron Udell, founder and chief executive of AccuQuote. "If you bought your policy before 1999, you should be looking at it."

Term life insurance is pretty simple to understand. It pays out a certain amount of money, say \$500,000, if you die during a certain time period, say over the next 20 years. Life insurance is an especially important protection in case the family's primary breadwinner dies prematurely and the bills won't get paid without that income.

For most people, term life insurance is the best and only type of life insurance they need. Insurance that has an investment component just doesn't make good sense, many financial experts say.

You have to decide for yourself what dollar figure of coverage you need and for how long. Consider such factors as your income, mortgage balance and college expenses for kids. A general rule of thumb is 6 to 10 times your gross annual income.

Now is the perfect time to buy term life insurance, upgrade the policy you have, or get a lower rate. Below are questions you might be asking yourself about switching term policies:

### **What will it cost me?**

The beauty of buying a new term policy and canceling the old one is it's free. There are no transaction costs like the closing costs you typically pay when refinancing a mortgage.

With term insurance, the new insurance company picks up the cost of any medical exams and paperwork, and canceling an old policy costs nothing. The only "cost" is the hassle of filling out paperwork and submitting to a medical exam.

"There's no reason not to do it," Udell said. "None."

### **How do I do it?**

Do things in the correct order. It's crucial to activate your new life insurance policy before canceling the old one. Nobody knows for sure if they might flunk a medical exam for a new policy

and, therefore, not qualify. So you need the safety net of your current policy until a new one is active.

### **What are my choices?**

Because rates are lower, you could opt to pay roughly the same premium but get a longer term, say 30 years instead of 20. Or you could get a policy that covers you for the balance of the original term and pocket the saved money each month.

For example, if you bought a 30-year policy a decade ago, you might be able to refinance to a 20-year policy and use the monthly savings for something else, whether it's getting out of debt, saving, even splurging. Although you're 10 years older, which makes a policy more expensive, the drop in overall prices should more than compensate for age.

### **How do I compare prices?**

You could go the traditional route of calling several life insurance companies. But it's more efficient to use online comparison services, including AccuQuote.com, Term4Sale.com, InsWeb.com, Insure.com and YouDecide.com. Quotes can also be obtained from [www.fjplife.com](http://www.fjplife.com).

### **Does the insurance company matter?**

Not if you're choosing among highly rated companies. Term life insurance is a straightforward contract, so the brand name doesn't matter much. Shop by price and check reports at a rating agency, such as A.M. Best ([www.ambest.com](http://www.ambest.com)). Reports are free, just for registering.

"If you get a policy from TransAmerica or GE or Prudential, it doesn't make any difference which company you write your check to," Udell said. "They're all going to pay the claim. They're all going to pay it on time."

But the companies may use different criteria to qualify policyholders for certain rates. For example, companies may differ on what your weight or cholesterol readings must be to qualify for a lower rate.

Don't assume a policy through your employer is the best deal.

### **What if I bought a policy after 1999?**

You still could save money by shopping around. Rates among insurance companies can vary by hundreds of dollars for the same term policies. "People buy uncompetitively priced policies all the time," Udell said.

And if you lost weight or stopped smoking since getting your policy, you may now qualify for lower rates.

### **Are there downsides?**

There are few reasons not to trade in a policy, unless you have a recent one and you consider the savings too small to warrant the trouble of researching rates and swapping policies.

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