



Life Insurance and Annuities

The purchase of life insurance is an important decision for both you and your family. There are many reasons why life insurance policies or annuity contracts are purchased, but these reasons should be based on your financial planning needs.

Life Insurance

Your need for life insurance will vary with your age and responsibilities. The amount of insurance you buy should depend on the standard of living you wish to assure for your dependents. You should consider the amount of assets and sources of continuing income available to your dependents when you pass away. Simply stated, you should choose an amount of life insurance that is determined necessary to meet the needs you are trying to satisfy.

Steps to Determine How Much Life Insurance You Need:

- Determine how much life insurance you need based on the factors mentioned above.
- Decide how much money you can afford to pay.
- Choose the type of life insurance policy that meets your coverage goals and current family budget. Fitting these two factors together will move you toward a successful overall financial plan.

Once you have completed these steps, you will be able to move ahead and contact several life insurance companies (through an agent or broker) to shop for the right type of policy for you.

There are two basic types of life insurance:

Term Life Insurance and Cash Value Life Insurance. There are many policy variations between these two types of life insurance. Term Policies provide life insurance for a specified period of time. This period could be as short as one year or provide coverage for a specific number of years such as 5, 10, 20 years or to a specified age.

You can research more information on life insurance policies or annuity contracts by

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checking with a licensed life insurance agent or a licensed life insurance company. You can also visit your public library for material or books on financial planning. Life insurance or annuity information is also available on the Internet. In addition, the California Department of Insurance (CDI) has a toll-free Hotline telephone number and website that can provide further information and assistance on life insurance policies and annuity contracts.

Annuities

While life insurance proceeds are paid at the time of death of the insured, the proceeds of an annuity can provide you with an income for as long as you live.

There are two types of annuities:

- The first is when you pay a lump sum to a life insurance company, and they pay it out to you right away in periodic installments. This type is known as an immediate annuity — the payments to you start immediately.
- The second, and more common, is where money paid by you accumulates with interest over a period of time. If you choose, the accumulated amounts will then be paid out to you in periodic installments, usually when you retire, in order to supplement your retirement income. This type is known as a deferred annuity — the payments to

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you are deferred for a number of years. Currently, a deferred annuity may have tax advantages, in that the interest credited to your funds is deferred from current taxation. That is to say, income tax is not owed until you start receiving distributions from the annuity.

- Both types of annuities offer you certain options for receiving your income. It is usually paid to you monthly.

Deferred Annuities

In recent years, there has been an increasing emphasis on deferred annuities. If you are going to make an informed choice when you buy a deferred annuity, you need to understand which kinds are available. If one type does not seem to fit your needs, find out about the other contracts that are described in the full guide available on the California Department of Insurance's website.

Agents

Life insurance agents are licensed by the State, and may represent one or more companies. If you use an agent, choose carefully. Agents earn a commission on your business, and should do more for you than just sell you a life insurance policy or annuity contract. They should assess your individual needs, answer your insurance questions, and help you establish your goals. If you are considering the purchase of a variable annuity, the agent should have an insurance license and a registration with the Financial Industry Regulatory Authority (FINRA) to sell variable products, which are considered to be securities. You should receive a prospectus describing the investment alternatives available to you.



Led by Insurance Commissioner Ricardo Lara, the California Department of Insurance is the consumer protection agency for the nation's largest insurance marketplace and your best resource for honest and impartial answers to insurance questions. Knowledgeable insurance professionals are available through our consumer hotline. Call 1-800-927-HELP (4357) or visit www.insurance.ca.gov to view all of our consumer information guides and insurance resources. These tools are available to consumers free of charge.

In Summary

The California Department of Insurance (CDI) cannot make recommendations concerning life insurance or annuity products. However, you may contact the CDI for informational guides on all types of insurance such as Auto, Home, Life, Annuities, and Health. The CDI can assist you with any insurance question, concern, or problem. You can reach us toll-free at 1-800-927-4357 or www.insurance.ca.gov.

The full guide is intended to address some of the more common issues faced by consumers when making life insurance decisions. However, it does not address all the issues which may affect someone intending to purchase, replace, or change a life insurance policy or annuity.

Filing a Complaint (Request for Assistance)

CDI is committed to protecting your rights. Many questions can be answered over the phone. If we are unable to resolve the issue over the phone, you have the option of filing a Request for Assistance against the insurer or the agent/broker by mail or on-line on our website. The system will allow you to attach copies of all necessary documents, such as policies, canceled checks and correspondence. Some examples of the issues the Department may be able to help with include:

- Improper Denial of Claim
- Cancellation or non-renewal of a policy
- Delay in settlement
- Alleged misappropriation of premiums paid
- Alleged misrepresentation by an Agent/Broker or solicitor
- Unfair underwriting practices
- Dishonest or deceptive insurance sales tactics

Contact Us

Consumer Assistance Hotline:

1-800-927-4357

TTY 1-800-482-4833

Visit us on the web at:

www.insurance.ca.gov

To order additional materials contact

Community Relations & Outreach at:

crob@insurance.ca.gov