

How to buy life insurance. Let me count the ways

By Sheryl Smolkin



(<https://savewithspp.files.wordpress.com/2015/04/28may-lifeinsurancejpg.jpg>)

If you asked me how to go about buying life insurance, only two thoughts would come to mind: directly from a life insurance salesman or an online purchase. Therefore I was interested in a recent column on insureye (https://insureye.com/news_and_insights/view/buying-life-insurance-6-different-ways-with-pros-and-cons) which discussed the pros and cons of purchasing life insurance in several other ways.

Here are five of the most common ways of purchasing life insurance noted in the article you will likely encounter, plus I've added one of my own.

1. Captive Agents

Buying through an insurance agent is the familiar way to buy life insurance. You talk to an agent who represents an insurance company, you get a quote and you purchase your policy.

PROS	CONS
You might know an agent personally because somebody from your family has already dealt with him/her.	Captive agents work for one company and can sell only the products of that company. If an agent's compensation is linked to sales performance, he/she may try to sell you as much as possible. Captive agents often have

	pre-determined sales quotes. They cannot compare offers across different providers so you may lose out on policy features or a better price point that an independent broker can offer.
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2. Banks

Though banks were not significant vendors of insurance in the past, they currently sell a variety of insurance products. As required by law, their insurance business is separate from banking activities.

PROS	CONS
You know the brand and already trust the bank with your money.	Limited to the bank's products and will not compare features, price against other offerings. May only offer simple products like term life. Do not also offer complimentary products like disability or critical illness insurance.

3. Insurance Brokers and Financial Planners

Insurance brokers and financial planners typically offer products from multiple providers since they work for many companies and can compare rates and products across multiple providers.

PROS	CONS
Independent insurance brokers work for multiple companies and are less motivated to sell products from only one company. Find out how many companies the broker works with. Depending on your health, their knowledge of companies with special offerings for pre-existing conditions, poor health etc. may be more robust.	Not all brokers are created equal you're your research and get references or opinions from past clients before you commit to a broker

4. Online aggregators

Online platforms allow you to get life insurance quotes across multiple providers, and subsequently connect you with insurance providers or insurance brokers.

PROS	CONS
Available 24/7. You can easily compare different quotes and find out the best offer, or change your criteria to see how that affects the policy and the price. It is important to find out how many providers an aggregator works with since comparison across three companies is not the same as	Lack of personal advice. Aggregator platforms offer online tools, but not all offer online chat or personal assistance. However, in most cases, aggregators connect customers to insurance brokers who can respond to any questions or concerns.

comparison against 30.

5. Direct Call

In most cases, purchase of insurance consists of several steps: the initial quote, medical tests (including blood and urine), a questionnaire, and the policy purchase (potentially for an adjusted price that reflects your health condition). In some cases, you can purchase insurance directly via a telephone call, without any further interactions. Generally however, the product would be a guaranteed issue or simplified issue insurance policy. These products do not require medical tests.

PROS	CONS
Easy and fast. You call, in some cases answer a few questions and you are done. That is much simpler than have a nurse visit your home, conduct your health check and take your fluids.	Since there are almost no insurance checks, an insurer automatically assumes that you are a high-risk customer (e.g. pre-existing conditions) and thus will charge you more than other customers who agree to medical tests. A telephone call will get you only a limited amount of coverage e.g. \$10,000 or \$20,000. Do not expect coverage of \$1,000,000 of coverage in guaranteed or simplified issue policies.

6. Group insurance

If you are employed, some group life insurance may be offered as part of your employee benefit package. Since employer-paid life insurance premiums are a taxable benefit, you may be required to pay all or part of the premiums via payroll deduction. You may also be offered additional optional group life insurance for you and family members.

PROS	CONS
Because group life insurance is easy and often fully or partially paid for by your employer, it's a "no-brainer" for most people. An added advantage is that for the basic amount, no medical examination is required.	Term insurance only. If you need coverage for an extended period, group insurance premiums are often more expensive than individual rates since group rates tend to increase annually or on an age-banded basis while individual life premiums remain the same for a specified period. If you leave your employer you must arrange new coverage. "Follow me" policies that do not require medical evidence are available from most carriers but they may be more expensive than comparable individual coverage.

For the pros and cons of optional group life insurance, see Should you buy extra life insurance at work? (<http://savewithspp.com/2014/03/20/should-you-buy-extra-life-insurance-at-work/>)

However you choose to purchase life insurance, it is important to ensure your family is adequately covered. You can calculate how much life insurance you need here (<http://www.life-insurance-quotes.ca/term-life-calculator.aspx>).

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