

## How to Get Life Insurance

Acquiring life insurance can be a complicated issue. There are many factors involved when purchasing insurance that the policyholder may or may not be aware of. Let's take a look at a few of the factors that determine whether or not a life insurance policy can be acquired.

**Life Insurance Application** - Everything begins here. An applicant must fill out a form and provide accurate, complete information to the insurer. Also, information regarding other existing life insurance policies must be disclosed on the application.

**Insurable Interest** - This is required by law and without it a policy is unenforceable. But what exactly is Insurable Interest? It can be found in many forms but we'll try to summarize with a single sentence: An Insurable Interest can be found when financial gains and/or financial loss can be expected from the proposed insured's death. This could mean loss of income or even existing financial debt. It's important to note that the amount insured should relate closely to the Insurable Interest - a person can't simply purchase an overly high life insurance policy without having a relatively equal Insurable Interest. Generally speaking, the Insurable Interest only needs to exist when the policy is issued and not at the time a death benefit is issued. However, some states vary. Check with your insurance professional to determine your particular state's requirements.

**Incontestable Clause** - The insurer can void a contract on grounds of concealment, misrepresentation, and or fraud within a period of two years from issuance. After two years, the policyholder is protected from the insurer voiding or otherwise refusing to payout a policy based on such a scenario.

**Suicide Clause** - If the insured commits suicide within a specified time period from policy issuance, the insurer may cancel the policy and return the premiums. This is typically in the hands of the insurer to determine.

**Jurisdiction** - The state or local government that is most closely related to the insured individual typically has jurisdiction over life insurance policies. "Closely related" can be interpreted as "where does the person reside the majority of the time?" If a particular state has favorable life insurance laws, it would not be of benefit to an individual to cross the border merely for the sole purpose of purchasing it if that same individual did not reside in the same state.

**Date of issuance** - Acquiring a receipt or an actual copy of the policy is required before a life insurance policy is considered "officially" issued. Payment should always be accompanied by a life insurance application submittal.

**Reinstatement Clause** - Should a policyholder fail to pay an insurance premium, they are given a grace period to reinstate the life insurance policy. In most cases, the policyholder simply has to pay overdue premiums to reinstate the policy. Sometimes the policyholder may have to provide evidence of insurability before reinstatement can occur.

**Grace Period** - This protects the insured in case of a missed payment. The insurer is required to accept premiums for a certain period after they are considered late without requiring the insured to provide proof of insurability again. This grace period is typically 30 to 60 days. During that time, the life insurance policy is considered active. If a policyholder were to die during the grace period, the insurer is allowed to deduct the overdue premiums plus interest from any premium proceeds past due.

## About the Author

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