

Insurance shouldn't be confusing. If you're interested in leaving the jargon behind, read on to learn about life insurance in clear, plain language.

What is life insurance and why do I need it?

Life insurance provides financial protection for a set period. If you die before the termination age, your beneficiary receives the death benefit—which can be used however needed without restrictions.

If you have a spouse, children, or other family members depending on you, life insurance can be an affordable way to help make sure money is available to cover their expenses after you're gone. This can include helping pay for things like final expenses, mortgages, tuition costs, car payments, and groceries.

How does life insurance work and how much do I need?

When applying for insurance, information is often needed about your health and financial background. Health information may be collected online through data sources (with your permission), or through phone calls and/or a visit with a medical professional.

After the insurance company receives and reviews your information, you'll receive a decision approving or declining the insurance you applied for. Once approved, if you remain eligible and keep payments up to date, the life insurance company will pay a benefit when you die to the person(s) or entity (a trust, foundation, or charity) you name as your beneficiary.

So how much do you need? Experts recommend having life insurance equal to 10 to 15 times your annual salary so there's enough benefit money to cover any debts and daily expenses for those you leave behind.*

Use this [calculator](#) to help figure out how much insurance you should consider.

Glossary of Commonly Used Terms

Though we try to make understanding insurance as easy as possible for our members, there are still industry-specific terms you may be unfamiliar with. Here are some of the most common.

Accelerated Death Benefit: A portion of a life insurance death benefit that can be paid to the insured person while living. The purpose is to help with costs associated with severe chronic or terminal illnesses.

Beneficiary: The person(s) or trust, foundation, or charity named to receive payment of an insurance death benefit.

Claim: Notification to the insurance company to receive payment of an insurance benefit. A claim form is provided requiring details needed to process the claim.

Death Benefit: Money paid when an insured person dies.

Exclusion: Conditions or terms not covered by insurance. For example, suicide within two years of purchase is an exclusion for life insurance.

Group Term Life Insurance: A type of term insurance offered through a group such as an employer or association. Employer insurance typically offers a fixed benefit set as a portion

of the employee salary and often ends when employment ends. Associations offer amounts the individual can choose and can be kept across jobs and into retirement.

Level Term Life Insurance: Insurance in which premium payments are scheduled to remain the same, or level, for a specific term.

Premium: The cost of insurance for attained coverage that is due in scheduled payments of an insured's choosing such as monthly, quarterly, semi-annually, or annually.

Rate Class: The categories of health and other factors of an applicant which impacts the cost of the insurance offered.

Term Life Insurance: Life insurance that lasts for a set period or term. At the end of the term, the insurance either ends or converts to a new term.

Underwriting: The process used to decide if and at what rate class an applicant will be offered insurance and the cost.

Next Steps

We hope this was a helpful primer on how life insurance works and why it's important.

If you're unfamiliar with our offerings, the ACS Member Insurance Program has three life insurance products: Group Term Life Insurance, Group 10-Year Level Term Life Insurance, and Group 20-Year Level Term Life Insurance. If you're interested in learning more about the protection you can get through ACS Member Insurance Program life policies, [visit us online](#).

*Shih, Amanda and Gambhir, Nupur. "How much life insurance do I need?" *Policy Genius*, 2022