

INSURANCE FAQS

LIFE INSURANCE

WHO CAN TAKE OUT A POLICY ON MY LIFE?

An insurable interest is required to obtain a life insurance policy on another. You, individuals closely related by blood or law to you, such as a spouse or children, have an insurable interest on your life. In some circumstances, a person with a substantial economic interest, such as certain employers or a business partner, may have an insurable interest.

MUST MY BENEFICIARY HAVE AN INSURABLE INTEREST?

No. If you buy a policy on your own life, you become the owner of the policy. As the owner, you can name anyone as beneficiary, including your estate, a charity, friend or a stranger.

I JUST LEARNED THAT EVEN THOUGH MY WHOLE LIFE INSURANCE POLICY IS ACCUMULATING CASH VALUE AND I HAVE NEVER BORROWED AGAINST THE POLICY, MY BENEFICIARY WILL ONLY GET THE FACE AMOUNT OF THE POLICY AND WILL NOT RECEIVE THE CASH VALUE THAT THE POLICY ACCUMULATED. IS THAT TRUE?

A beneficiary will receive the death benefit in the policy. However, some whole life policies may pay both the policy amount and the cash value. You should inquire about this provision with your insurance professional before purchasing a whole life insurance policy.



WE'RE NO LONGER MARRIED SO MY EX-SPOUSE NO LONGER HAS AN INSURABLE INTEREST. HOW DO I GET MY LIFE INSURANCE POLICY BACK?

Insurable interest is determined at the time of policy inception. If your spouse legally took out the policy while you were married, and your spouse is the owner when you divorce, your ex-spouse remains the owner. Your ex-spouse can transfer ownership to you or another person with insurable interest.

IF I TAKE A LOAN OUT AGAINST MY LIFE INSURANCE POLICY, WILL I HAVE TO PAY TAXES ON THIS LOAN?

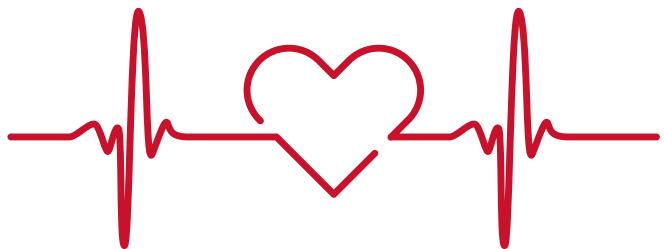
In general, taking out a loan against your life insurance policy does not count as taxable income. There may be tax consequences if the policy lapses. You should consult your insurance professional and tax adviser.

MY GRANDMOTHER RECENTLY PASSED AWAY AND I WAS A BENEFICIARY TO HER LIFE INSURANCE POLICY. WILL I HAVE TO PAY TAXES ON THE MONEY THAT I RECEIVED FROM THE POLICY?

Generally, life insurance proceeds you receive as a beneficiary are not included in gross income. However, there are situations where interest earned under a policy may be taxable. Consult your tax professional for information specific to your situation.

MY MOTHER HAS PAID MORE INTO HER LIFE INSURANCE POLICY THAN THE DEATH BENEFIT THAT WILL BE PAID OUT. IS THIS LEGAL?

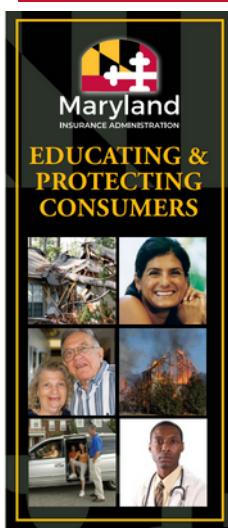
Life insurance premiums are based on the likelihood that someone will die before reaching a predicted age. The insurer may refund excess premium or the policy may provide an increase in cash value. Check with your tax advisor to learn if there are tax consequences from payment of excess premium.



I TOOK OUT A LIFE INSURANCE POLICY ON MY CHILD WHO IS NOW GROWN AND THE INSURANCE COMPANY IS SAYING I CANNOT CHANGE THE BENEFICIARY. CAN THEY DO THAT?

A typical child policy is a term life policy or rider that covers a child to a certain age. These policies terminate automatically at a certain age, often 25, and may be converted to a whole life insurance policy. If your adult child converts the policy to a permanent life insurance product, your adult child will be the owner and will pay the premiums. Your ability to make changes to the named beneficiary is governed by the terms of the policy.

ABOUT THE MARYLAND INSURANCE ADMINISTRATION



The Maryland Insurance Administration (MIA) is the state agency that regulates the business of insurance in Maryland. If you feel that your insurer or insurance producer acted improperly, you have the right to file a complaint. The MIA can investigate complaints that an insurer or insurance producer has:

- Denied or delayed payment of all portions of a claim
- Improperly terminated your insurance policy
- Raised your insurance premiums without proper notice or in excess of what the law allows
- Made false statements to you in connection with the sale of insurance or the processing of insurance claims
- Overcharged you for services, including premium finance charges

Contact the Maryland Insurance Administration at:

200 St. Paul Place, Suite 2700

Baltimore, Maryland 21202

410-468-2000 | 800-492-6116 | 800-735-2258 TTY

<https://insurance.maryland.gov/Consumer/Pages/FileAComplaint.aspx>



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