INSURANCE

What Is Insurance?

In simple terms, insurance lets you pay a little now to cover future major expenses due to illness, death, accident, or theft.

Buying insurance is like storing grain for the winter months (Proverbs 6:6-8). When it's used properly, insurance is a wise investment, especially if you're protecting yourself against the cost of a catastrophic illness, which can devastate a family's finances.

Unfortunately, insurance has become a means to "protect" against every possible contingency and a few that aren't even possible. This misuse of insurance can lead to greed, slothfulness, waste, and fear. But, worse than that, it can lead to dependence on insurance instead of on God.

Is Insurance Scriptural?

Insurance is neither good nor bad, moral nor immoral. However, when we become so fearful of the future that we overspend on insurance, it consumes money that should be going to other needs. This robs God, who owns everything we have, and it represents a lack of trust in Him.

Overspending on insurance also represents an extreme view that is all too common among Christians. Some say you need enough insurance so your family will never have a financial need.

Others go to the opposite extreme: They believe you should depend totally on God and have no insurance at all. However, with few exceptions, a lack of insurance does not reflect greater faith; rather, it is slothfulness and a lack of planning. It is the same attitude that causes families to live "by faith," have no savings, and continue to accumulate debt.

Obviously, God may convict an individual to have no insurance with the assurance that He will provide. However, the truth of this must be evidenced by the individual's total trust.

Contrary to what some might believe, *insurance* is never mentioned in the Bible, but the principle of future provision is. As already noted, insurance is like storing grain for the winter. No one knows for sure how severe a particular winter will be. That's why it's best to be prepared. In the same way, owning insurance doesn't necessarily reflect a lack of dependence on God.

Current Attitudes

Americans have developed an "insurance ethic" that often justifies cheating insurance companies. Even committed Christians will use insurance funds to do things they would never consider doing with their own money. Why?

For one thing, they view the insurance company as impersonal. They don't really know anyone there, so it's not like they're cheating an actual person.

They also view the insurance company as wealthy, and many people believe the wealthy acquired their money dishonestly. Therefore, the company is fair game.

In addition, most Christians expect too much from insurance. They literally expect the insurance company to protect them from any and every loss.

Desperation, brought on by fear, also can prompt a Christian to cheat his or her insurer. This fear results when a Christian starts trying to protect his or her family, rather than provide for them.

God wants us to provide for our families (1 Timothy 5:8). It is Satan who tells us we must protect them. He then uses the resulting fear to direct us into his plan for our lives.

Biblical Perspective

If Christians understood and accepted their various responsibilities, there would be little need for insurance. Whenever a family is in want, other families should respond. *"At this present time your abundance being a supply for their need, that their abundance also may become a supply for your need, that there may be equality; as it is written, 'He who gathered much did not have too much, and he who gathered little had no lack' "* (2 Corinthians 8:14-15). Unfortunately, most Christians are not at this point and most likely won't be for a while.

As long as there's a need for insurance, it is most important in those situations in which a potential loss would be great. This is especially true when another's loss must be considered, as in automobile liability coverage. *"A prudent man sees evil and hides himself, the naive proceed and pay the penalty"* (Proverbs 27:12).

Choosing an Agent

Much care is needed in the selection of an insurance agent. Before choosing your agent, review the types of insurance available, what they cover, and what you can afford. Then select your agent based on the following conditions.

1. As a first level of screening, ask the agent for references. Second, check the agent's level of experience. Don't deal with a nonprofessional agent or one who sells insurance part time. Also check to see if the agent has earned a professional designation, such as CLU (Chartered Life Underwriter), ChFC (Chartered Financial Consultant), CFP (Certified Financial Planner), CPCU (Chartered Property and Casualty Underwriter), or RHU (Registered Health Underwriter). These designations won't guarantee that a particular agent is best for you but, at the very least, they do show that the agent has completed a disciplined course of study.
2. Expect cooperation. Be sure your agent thoroughly analyzes your insurance needs. Don't tolerate an agent who tries to pressure you into buying more insurance than you can afford or need.
3. Proverbs 1:5 says that *"a man of understanding will acquire wise counsel."* When it comes to insurance, the source of wisest counsel should be a knowledgeable, experienced Christian agent.

The average novice in the area of insurance will need the very best counsel possible. Although there are many good insurance companies not listed in the "top 20," dealing with a company in the top 20 usually is best for the inexperienced person.

Thoroughly read everything that the company asks you to sign. If you don't understand it, require the agent or company to write it out in language you can understand.

Also be sure you understand your policy before you buy it. Find out how much coverage it provides and if it has any exclusions. Don't wait until you file a claim to find out what your policy covers.

Choosing an Insurance Company

One of the most important insurance decisions you must make is choosing an insurance company. After all, the timely payment of your benefits depends on that company's stability. Listed below are some questions you should ask when evaluating a prospective company.

1. *What year did the company begin operations?* A young company's operating ratios may look good, but keep in mind that a company less than 25 years old hasn't proved itself through a series of business cycles.
2. *What is the company's form of corporation?* Insurance companies fall into two major categories: mutual companies and stock companies. Mutual companies are owned by the policyholders, who share in the company's profits. These companies have been more inclined to provide better products for the consumer than stock companies, whose earnings may go to shareholders or to a parent holding company.
3. *What company assets and insurance are in force?* Bigger isn't necessarily better. However, a very small company may have difficulty in a period of adversity. In addition, it may lack the expertise needed to handle a large case.
4. *How has the company fared with the rating services?* There are several rating services that rate insurance companies and financial institutions.

A.M. Best—Located in Oldwick, New Jersey, A.M. Best rates over 4,000 U.S. companies. It is an independent research service that publishes an annual review of those companies. Ratings range from F (the lowest) to A++ (the highest) and represent a company's financial solvency.

A.M. Best assigns a special set of numbers to each company it rates. When you call, you will need to know the number of the company you're inquiring about. One way to obtain this number is to call A.M. Best's main office at (908) 439-2200. The Web site is ambest.com.

Another way to obtain this number is to check with your local library, which may have a copy of Best's book of ratings. This book shows the numbers assigned to each company. It also shows the rating given to the company at the time the book was published. However, your local library may have an older version of the book. If you want the latest rating, you'll have to call Best.

Duff and Phelps—Located in Chicago, Duff and Phelps rates 195 insurance companies. Ratings range from AAA (the highest) to D (the lowest). Like A.M. Best, Duff and Phelps has a special phone number for insurance company ratings. That number is (312) 697-4600.

Moody's Investors Service—Located in New York City, Moody's bases its ratings on a company's ability to discharge the obligations and claims of policyholders. The ratings range from AAA (the highest) to C (the lowest). Numbers from 1 to 3 (with 1 being the highest) are added to these ratings to further divide them. Moody's ratings are an opinion of the company's ability to meet its policy obligations over a long-term period. To contact Moody's rating service, call (212) 553-0377. At last report, Moody's was rating a total of 65 insurance companies.

Standard and Poor's Corporation—Located in New York City, Standard and Poor's Corporation rates 110 companies and assigns ratings from AAA (the highest) to D (the lowest). These ratings are an assessment of the company's ability to meet its obligations under the most adverse circmstances. Call (212) 621-3607.

Weiss Research—Located in West Palm Beach, Florida, Weiss is extremely conservative and gives top ratings like "A" and "B" to less than 20 percent of the companies it rates. Its ratings range from A+ (the highest) to F (the lowest). However, different raters follow different approaches, and that's why it's best to obtain ratings from several rating services. Weiss provides ratings over the phone at 1-800-289-9222.

Please note that rating services may charge you for information. Therefore, before you inquire about a particular insurance company, you may want to ask first if there's a fee and how much it is. The chart in the Appendix on page 30 shows all the ratings assigned by major rating services and what those ratings mean. As an insurance consumer, it's very important for you to be aware of any changes in your company's ratings.

5. *What are the company's operating ratios?* These ratios are important when evaluating a company's investment products. The ratios include net investment yield, lapse ratio, mortality, and renewal expense ratio. A company with better results in these areas is more likely to sustain favorable long-term returns.

Net yield is the overall return the company earned on its invested assets. The higher the number, the better the return. If a company says it's paying 10 percent but you find that the company has earned only an 8 percent investment net yield, chances are it's going to be difficult to pay the consumer a 10 percent return on that investment product.

Lapse ratio represents the amount of insurance terminated by lapse or surrender. High levels of lapse ratio usually mean increased expenses and may indicate customer dissatisfaction. Lower numbers mean less lapse activity and may indicate greater consumer satisfaction.

Mortality represents the dollar amount of claims the company paid in relation to the amount of insurance in force. A lower number means the company is experiencing better mortality costs. This is usually an indication of quality underwriting.

Renewal expense ratio is a ratio of expenses to insurance in force. It represents the operating efficiency of a company. A lower number means lower expenses.

Finally, in summary, look at exactly how the client has been treated after being considered an old client. Many companies feel that old clients should be treated as fairly as new clients, which means that if there are substantial changes in new policies, the old policies are upgraded. This is extremely important, because the day after you buy any product you are an old client.

Section 1

PROPERTY AND CASUALTY INSURANCE

Home Owner's Insurance

A *home owner's insurance* policy covers everything that could happen to your home and its contents. It also covers liability from almost anything—fire, theft, hail. Usually, a home owner's policy is the least expensive way to insure a dwelling.

When you buy *home owner's insurance,* you need to be aware of the difference between *actual cash value* insurance and *guaranteed* [true] *replacement value.*

Actual cash value refers to the depreciated value of the items; *guaranteed replacement* means your contents and structure will be 100 percent replaced.

Guaranteed replacement is worth considering when you buy home owner's insurance, even though it increases your premium.

Dwelling Insurance

Dwelling insurance is not as comprehensive as *home owner's insurance* but often it is just as expensive. Because of age, condition, or location, these dwellings and homes are not insurable under *home owner's* policies. There are three basic forms of a *dwelling* policy: basic, broad, and special.

Renter's Insurance

Renters insurance covers the value of your furniture for replacement. It also provides liability coverage if someone is hurt as a result of your negligence or the negligence of your children. An example of this is someone falling over a toy or slipping outside of the home.

Any type of insurance needs to be balanced on a need-versus-cost basis. Obviously, you don't need *renter's insurance* if you can afford to replace all your household furniture or cover a liability suit resulting from negligence.

In addition to insurance for your home, there are other insurance plans for condominiums, mobile homes, and apartment complexes. See your agent for more details about the type of policy that best fits your needs.

Private Mortgage Insurance

Usually, *private mortgage insurance* is required for loans greater than 80 percent of the purchase price. This type of insurance can be misleading to borrowers, who might believe they are buying coverage for themselves. Instead, it is designed to protect the lenders in case the borrowers default on the loans.

The premium is usually a percentage of the loan value, broken down into monthly increments. It is determined by the insurance company's loss-experience ratio.

Umbrella Liability Insurance

An *umbrella liability* policy gives you extra coverage not provided by your auto and home owner's policies.

Risk and balance are major factors in considering this type of policy. You must balance your trust in God against the risk of being sued as the result of an auto accident or injuries sustained on your property.

The probability of being sued is fairly high in our society, but there's no way we can insure against every contingency. First, it's too costly and, second, it's not trusting God to provide. So where is the balance?

Statistically, very few home owners are going to be sued for $1 million and lose. But if you have a large net worth and your occupation is one with a lot of public exposure, it may be wise to cover yourself for additional limits in our sue-happy society. A great many automobile drivers run a higher risk of being sued for $1 million than home owners do.

You can usually buy an *umbrella liability* policy with a $1 million limit for less than the annual premium on your *home owner's insurance.* To qualify, you are normally required to increase your *auto* and *home owner's* liability limits first. If you have a lot of assets and don't want to risk them, this premium is not too much to pay for a million dollars' worth of coverage.

Automobile Insurance

Most states require you to carry *liability insurance* on your car. This type of insurance covers the other person's costs if there's an accident.

Even if your state does not require it, you should at least carry *liability insurance.* Whether you realize it or not, your potential liability is great, and the cost of *liability insurance* is relatively small.

One "at fault" accident can put you in debt for the rest of your life. Remember Proverbs 22:3 and be prudent.

Full Coverage

Full coverage on a vehicle includes all basic coverages: bodily injury, liability, property damage, medical payments, uninsured motorists, collisions, and comprehensive.

If you have a new car, you should consider having *full coverage.* If you're getting a loan to buy the car, the lender may actually require you to have it.

Full coverage may be purchased in conjunction with your auto loan or separately from your insurance agent. Usually, it's best to obtain this coverage apart from the loan.

Bodily Injury Liability

This type of insurance pays for injuries to other people or for their death as the result of an accident involving your car, for which you are legally liable.

"Covered persons" include people in other vehicles, guests in your car, and pedestrians. The coverage is effective whether you are the driver or someone else is driving your car with your permission.

Coverage under this type of policy is referred to in terms like "15/30." The first number is the amount in thousands that the policy will pay for one person. The second number is the amount in thousands that it will pay for all persons involved in an accident.

Property Damage Liability

This portion of the insurance policy covers damage to property caused by your car. Covered property includes such things as houses, buildings, fences, livestock, and any other property belonging to someone else.

The terms of coverage are expressed as "15/30/10." Each number represents thousands and is the maximum the insurance company will pay. The first number is the amount paid for each person injured, the second number is for each accident, and the third number is for property damage.

Personal Injury Protection

This will pay benefits to injured persons for medical expenses, lost wages, substitute services (if someone is unable to take care of his or her household), and death, no matter whose fault the accident was.

The protection is in effect whether a person is riding in or on your vehicle, getting in or out of it, or is struck as a pedestrian.

Medical Payments Coverage

This covers medical expenses that result from accidental injury to anyone riding in your vehicle or to anyone struck as a pedestrian.

Collision Insurance

Collision insurance pays for damages to your vehicle if you are involved in a collision. It does not cover the vehicles of anyone else involved in the accident.

Usually, a deductible is written with this coverage. And the company will pay only the market value of your car if there's an accident.

For example, suppose you have a six-year-old compact car with a market value of $1,000. You're involved in an accident, which causes $2,500 in damages to your car. But if its market value is only $1,000, you will receive $1,000 less your deductible, not $2,500.

Therefore, if your vehicle is an older model (more than three years old), you can save on car insurance by dropping collision coverage, which is relatively expensive.

Depending on your financial situation, you may be able to "self-insure" an older model car. Just set aside the value of the car into an interest-bearing savings account—to be used in the event your car is damaged.

Comprehensive Physical Damage Insurance

This provides for the replacement of glass and losses that result from anything but collision, such as fire, theft, vandalism, and hail. It is relatively inexpensive.

Generally, things covered by this type of policy are the same, regardless of the car's age. Make the decisions about this type of insurance on the basis of your budget. If the cost is very high for your income, you should carry liability only.

Uninsured Motorists

This covers injuries to you and your family caused by a hit-and-run driver or one who doesn't have *liability insurance.*

Other Coverages

Death and dismemberment insurance covers you or your family if there's a death or loss of a limb in an automobile accident.

Towing insurance pays part or all of the towing charges if your car breaks down.

Rental car reimbursement provides you with a car while yours is being repaired.

No Automobile Insurance—Faith or Foolishness?

Proverbs 27:12 has the answer to this question. It says, *"A prudent man sees evil and hides himself, the naive proceed and pay the penalty."* If you don't look ahead to see the evil and protect yourself, you will end up paying a penalty.

In most states, driving without *liability insurance* is not just bad judgment; it's illegal. You can go to jail for it, and your house and car can be taken if you hit somebody and can't pay the damages.

The choice is to obey the law or willfully to disobey the law. When you drive without insurance, you are willfully disobeying the law and God's Word. *"Every person is to be in subjection to the governing authorities. For there is no authority except from God, and those which exist are established by God"* (Romans 13:1).

Liability insurance protects those who might be injured as the result of an accident you caused. In reality, it is the other people who are living by faith, not the person driving without insurance, because they are the ones taking the risk.

Automobile Insurance for Teens

Whether a teenager owns a car or not, the issue of insurance must be addressed. Almost every insurance company will raise parents' insurance rates as soon as their sons or daughters are 16 and become licensed.

Remember what Proverbs 29:17 says, *"Correct your son, and he will give you comfort; he will also delight your soul."*

Most parents use their teenagers to shuttle other children back and forth. If you do the same, you need to set some very fundamental rules for the use of the car, for buying the insurance, and for maintenance.

Don't wait until your children become teenagers. It's an issue that should be faced while your children are young.

How to Save on Automobile Insurance Costs

We've already seen that the age of your car and your ability to "self-insure" can reduce insurance costs. But taking advantage of *discounts* will also reduce the cost of the insurance.

Discounts are offered for:

1. good students with a *B* average or above
2. successfully completing a driver's education course
3. taking advantage of a car pool
4. multicar families
5. students away at college
6. air bags
7. antitheft devices
8. senior citizens
9. farmers
10. defensive drivers
11. nonsmokers or nondrinkers
12. females age 30 to 64 who are the sole drivers.

You should check with your insurance agent to see if you qualify for any of these discounts.

It's also much cheaper for you to add a teenager to your insurance policy than to buy a separate policy. Limiting teenagers to a small percentage of the total use of the family car can lower your rates.

A family can save money by avoiding traffic violations. Speeding or ignoring traffic signs puts points on your driving record and adds dollars to your premiums.

In addition, the type of automobile you drive affects your premiums. If you drive a sporty or fancy car, you can expect to pay higher premiums.

Be sure to let your agent know immediately when circumstances change within your family. Review your coverage annually.

Other Types of Insurance Coverage

Nursing Home Insurance

The enormous expense of nursing home care is a common problem these days. The majority of older people live in retirement homes or in their own homes because they are able to take care of themselves.

Very few older people need to be confined to nursing homes. The cost of *nursing home insurance* must be weighed against your ability to pay the premiums and the probability that you'll need such insurance.

You should consider some alternatives. If an indigent person needs nursing home care, the state will care for him or her with our tax dollars. But the Lord says we are to honor our fathers and mothers.

The word "honor" implies financial help. The long-term solution for our society is for us to take care of our older family members (1 Timothy 5:8).

Remember, if you can't afford insurance, then you have to believe God will take care of your needs another way.

There are two free booklets to help you shop wisely.

- *Before You Buy: A Guide to Long-Term Care Insurance Publication D12893*

To receive a copy of this booklet, write to:

AARP Fulfillment
601 E St NW
Washington DC 20049
(202) 434-2277

- *The Consumer's Guide to Long-Term Care Insurance*

To receive a copy of this booklet, write to:

Health Insurance Association of America
555 13th St NW Ste 600E
Washington DC 20004-1109
(202) 824-1600

(Please include a self-addressed, stamped envelope when you write for these booklets.)

Funeral and Burial Insurance

The best plan in existence to reduce burial costs is called the *National Memorial Society.* When a family member dies, the Society guarantees burial at a very low cost.

The plan offered is through a standard funeral home. For information about a *memorial society* in your area, send a self-addressed, stamped, #10 business-type envelope to:

National Memorial Society
PO Box 10
Hinesburg VT 05461

Memorial societies are nonprofit entities operated by volunteers. If possible, they ask that you enclose a small donation with your request to help cover costs. For $2 you can receive a list of the wholesale costs of a large variety of caskets.

A second way to reduce burial costs is to visit your local funeral home in advance of death and prepay the funeral expenses. If you have a burial plot and pay for it before death, the cost is much less.

A third way to reduce burial costs is to donate your body to a medical school. The medical school will use the corpse for experiments and will provide burial at no cost.

Section 2

HEALTH INSURANCE

Today, health insurance is a basic need. Few families can afford the cost of even one single hospital stay. So, medical insurance represents good, logical planning for most of us. It also makes good health care possible for families that otherwise couldn't afford it.

Health insurance is too complex to be discussed thoroughly in this pamphlet. But we can provide brief and general information to help you determine what type of coverage fits your needs.

There are two basic types of health insurance:

1. *Basic coverage*
2. *Major medical.*

Basic coverage includes hospital, surgical, and general medical expenses. Each type of *basic* insurance covers different health care expenses. The benefits paid are limited to a certain amount.

Major medical and comprehensive insurance offer broad coverage and high maximum benefits. There is usually a deductible paid by the insured.

Following is a more detailed look at the types of health insurance.

Hospitalization—Covers daily and miscellaneous expenses when a person is in the hospital. Daily expenses include room and board and nursing charges. Miscellaneous expenses cover services such as X rays, drugs, lab examinations, dressings, and physical therapy.

Surgical expense—Covers fees for operations performed in or out of the hospital. Some policies pay only a maximum amount, which is based on a "relative value table." However, if you have a *preferred* policy, it will pay according to the usual, customary, and reasonable expense. Surgeons charge different rates. Your policy should pay the rates charged in your community.

General medical—Covers any doctor's visits in or out of the hospital that do not involve surgery. Diagnostic and laboratory tests also may be included. A *general medical* policy is limited. Find out how much it pays per visit, how many visits it covers, and whether the policy covers house calls and office visits.

Major medical—Pays a major share of treatment costs. Basically, it is designed to cover the huge expense of a catastrophic illness. It includes hospital, surgical, and other medical treatment not covered by basic policies. A *major medical* policy normally covers a percentage (70 to 90) of all expenses after you pay a deductible. The deductible is the amount of medical expenses you must pay before your insurance company starts paying. The remaining 10 to 30 percent of the expenses are paid by you. This is commonly called coinsurance, because you help pay the bill. This should encourage you to keep costs at a minimum.

A policy may feature a "stop-loss" provision that limits the amount you have to pay. For example, your policy may state that after you've paid $1,500 of your own (out-of-pocket) money the insurer will pay the rest of your bill.

On the other hand, a policy may cover only a limited amount of your expenses each year. In some policies, a part of the benefits is reinstated if the patient goes 6 to 12 months without a recurrence of the particular illness.

Most health insurance policies include a deductible. It may be any amount, from $100 to $1,000. The higher the deductible, the less you pay in premiums.

So, if you can't afford the health insurance you'd like, it would be wise to buy a *major medical* policy with a high deductible and low premium payments. This would at least cover you for a serious illness or accident. And the money you'd save on premiums could be used for minor health care.

Group or Individual Policy?

Many people buy health insurance through a *group* plan offered by their employers. You can also buy an *individual* policy from an insurance company.

Employers offer *group* coverage to their employees as a fringe benefit. Premiums under a *group* plan are usually lower than those for *individual* coverage. And the employer may pay all or part of the premium.

With *individual* health insurance policies, you have the opportunity to choose the benefits you want. Premiums will be based on your age, sex, and physical condition, as well as the amount of coverage you choose.

Shopping around for cost and value is very important with health insurance. Costs for almost identical policies may vary as much as 50 percent from one major insurance company to another.

Managed Care Plans

In recent years we have seen a major movement to *managed-care*-type plans. The goal of these plans, which are offered by many different insurance companies, is to cut costs by negotiating with physicians and hospitals a reduced charge for services rendered. These plans are more commonly known as Health Maintenance Organizations *(HMOs),* Preferred Provider Organizations *(PPOs),* and Point of Service plans *(POSs).* As *managed care* continues to evolve, we will see many variations of these managed care plans.

Health Maintenance Organizations *(HMOs)—HMOs* negotiate with major employers to take care of all their health care needs—from surgery to minor care. But the employers must use the *HMO's* doctors, hospitals, and clinics.

The employer or individual enrolls as a member of the *HMO* by paying a fee. This fee covers all medical expenses—from office visits to long-term hospitalization.

HMO charges are extremely low, making it possible for members to get minor care without having to put it off. Delaying minor care can eventually result in a need for major care, which is much more expensive.

Preferred Provider Organizations *(PPOs)—PPOs* are similar to *HMOs* from the standpoint of negotiated charges. The main difference is that you can choose the physician you want to see. There are member and nonmember physicians and hospitals. If you choose a member provider, then your out-of-pocket expenses will be less than if you choose a nonmember provider.

Point of Service Plans *(POSs)*—These plans allow an insured to choose his or her primary physician. This physician will have agreed to discounted fees for services rendered. The insured then would have to see this physician for all ailments first in order to receive the highest discount. If the insured decides to see a specialist on his or her own, the out-of-pocket expenses will be greater.

Medicaid

Medicaid pays medical bills for low-income people who can't afford the costs of medical care. It is a government sponsored program with strict guidelines for eligibility. To find out if you qualify, contact your local public health or welfare office.

Before considering this type of health insurance, each Christian needs to examine his or her convictions about government welfare. Due to the high cost of medical care, many *Medicaid* patients are actually being forced to leave the hospital before they are well.

Doctors are pressured by the government to move a patient out of the hospital when his or her *Medicaid* benefits run out. This is poor medicine. We are basically getting what we pay for, and when the government pays for health care, in many cases, the patient gets inadequate treatment.

Welfare is clearly biblical, but the fact that the government has assumed the job of caring for the poor does not cancel our responsibility. With the best of intentions, our government welfare system traps people at the lowest economic level by indiscriminate giving.

On the other hand, biblical welfare meets needs and always looks toward restoring the individual to productivity. When we allow the needy to become dependent on the government, they will stop looking to God to supply their needs.

Medicare

Medicare is a government sponsored health insurance program for most people who are 65 or older. Some disabled people also qualify.

It is a two-part program. *Part A* provides hospital benefits for short-term illness. It also provides some benefits for care in a skilled nursing facility or at home.

Individuals 65 or older who don't qualify for *Medicare* can still receive it by paying a monthly premium, which is adjusted each year.

Part B of *Medicare* is optional medical insurance, which is available for a small fee each month. You may have the premium automatically deducted from your Social Security benefit check, if you receive one. *Part B* pays most of your medical and surgical fees. It is an excellent value because it is so inexpensive.

Is Medicare Supplemental Insurance a Good Buy?

Medicare supplemental insurance is designed to take up where *Medicare* leaves off. It is a relatively new type of health insurance that is often misunderstood.

Medicare supplemental insurance is relatively inexpensive for the amount of coverage it provides. For instance, heart surgery could cost well above $50,000. The difference between what *Medicare* pays and the cost of the operation may be over $10,000, which could wipe out a patient's savings. Therefore, it may be worth $50 per month, or $600 per year, to have this type of insurance.

A good supplemental insurance policy should cover the whole range of health problems. Using a number of policies to cover specific illnesses is usually more expensive.

When buying health insurance, be sure your agent lists all preexisting conditions. This will help you avoid being disqualified when and if you file a claim.

Your supplemental policy should provide for long-term custodial care, such as nursing home care or care at home. In addition, it should give you the option of using facilities other than those approved by *Medicare.*

Also look for a shorter deductible period and a shorter waiting period for preexisting conditions. As always, compare policies and prices before you buy anything.

What If You Can't Afford Insurance?

This is a major concern when it comes to any type of insurance—but especially health insurance. Some people aren't covered by a *group* health plan, and they can't afford an *individual* plan or *major medical* plan. Their basic needs have to be met by God's people. This doesn't mean God can't provide, but He sometimes provides through His people.

If you don't have insurance at work and can't afford to buy it yourself, consider doing the following. Look for an inexpensive *major medical* plan with a high deductible that will pay for catastrophic illnesses. You may consider taking this plan to your Christian employer and asking if the company will pick up the cost.

If not, go to your church fellowship and present the plan as a legitimate need. If they don't respond, then you and your spouse should pray about it and decide if you are where God wants you to be.

Another option is to pay your own medical and dental bills. Most medical professionals will be happy to work something out with you.

You may be able to clean their offices or find another way to work off what is owed. Do not avoid or run away from medical bills. God will help you find a way to handle them.

Summary

When planning your health insurance program, be sure the coverage fits your needs and your budget. Examine your policy carefully. Know which expenses are covered by your insurance and which are not.

Don't duplicate coverage. Some companies won't pay if you have another policy for the same coverage.

Look over your policy every few years to be sure it fits your family's current needs. Be sure you are covered against major expenses when funds are limited. Compare policies and costs. They vary greatly from one company to another.

Disability Insurance

Psalm 37:25 says, *"I have been young and now I am old, yet I have not seen the righteous forsaken or his descendants begging bread."*

As we've learned, you must maintain a balance when buying insurance. Trying to insure yourself against every contingency can cost a fortune, which robs God and robs your family of needed funds. Still, the possibility of being disabled and unable to work is a situation you should address.

Depending on your level of disability, you may qualify for *disability benefits* from Social Security. Like other Social Security benefits, *disability* is based on the amount of Social Security taxes you've paid into the system.

Social Security has a fairly strict definition of disability, which may disqualify you even if you qualify for disability payments from another program. According to that definition, you must have a physical or mental impairment that is expected to keep you from doing any "substantial" work for at least a year. (Monthly earnings of as little as $500 or more are generally considered substantial.) Or you must have a condition that's expected to result in your death. Thus, Social Security's program is not aimed at temporary disabilities.

Among all Social Security programs, *disability* is one of the most complicated. Therefore, it would be wise to become more familiar with the program by obtaining a free copy of the booklet *Disability* from your local Social Security office.

The U.S. Supreme Court has determined that Social Security is social welfare provided by the government—not an insurance plan. Therefore, your acceptance of Social Security *disability benefits* will depend on your convictions about government welfare.

Many employers provide a form of disability protection through a *group* plan. Find out if your employer offers this coverage.

Normally, *group* disability benefits are paid on a percentage of the insured person's regular gross income. Most policies require that you be totally disabled to qualify for benefits. However, you may receive benefits for a partial disability, if it is followed by a period of total disability that is a result of the same cause.

When reviewing a policy, determine its definition of disability, since each policy contains its own definition. The best definition of disability would be one that states that you are unable to perform the main duties of "your occupation." The worst definition would state "any occupation."

Other policy options provide for payments to begin after a specific waiting period, such as 60 days. These waiting periods start after the beginning of the disability. The longer they are, the lower your premiums will be.

During these waiting periods, money may become a critical issue, depending on factors like the amount of savings you have to live on, your spouse's income, help from your church and family members, and your level of debt.

However, some employers will continue to pay 100 percent of your salary for a certain period of time after you have become disabled. This can help you get by until your disability insurance begins to pay. It's important to know if your employer would continue paying your salary in the event of a disability. Also find out how long it would pay or if it wouldn't pay at all. This information will help you determine how much you need to keep in an emergency reserve fund in the event a disability takes place.

When planning for the prospect of disability, you also must choose whether your insurance benefits will be paid for one year, two years, five years, or up to age 65. Again, the shorter the time of disability coverage, the lower your premiums.

Section 3

LIFE INSURANCE

The purpose of life insurance is to continue providing for your dependents if you die. Unfortunately, some Christians don't take death seriously. They never get around to buying the right amount of insurance, even though they could afford it. At the same time, they may not have enough savings to provide for their families if they died.

At the opposite extreme are Christians with far more insurance than they really need. They buy a policy from every insurance agent who contacts them.

When it's not used excessively, any kind of insurance has benefits, provided it is the type of insurance that suits your needs. But along with the benefits there are some liabilities. Therefore, you must make good decisions when choosing a policy, and you must be able to evaluate your needs in light of the costs.

The Benefits of Owning Insurance

First, you can use insurance to provide for unexpected costs that you couldn't pay alone. For instance, most men need the greatest amount of life insurance when they're young. That's because they have a wife and children at home who probably couldn't support themselves without a husband and father.

Insurance is used to produce the needed income, and in that way it becomes a substitute for the breadwinner. To repeat Proverbs 27:12, *"A prudent man sees evil and hides himself, the naive proceed and pay the penalty."* The insured is looking ahead, seeing a potential problem and providing before it occurs.

Second, insurance frees surplus funds. Let's assume that a husband makes $25,000 a year. If he dies, the family will need a $25,000 income. Let's further assume that Social Security will provide $10,000 a year for dependent care. The family is still $15,000 a year short. Where will the funds come from? It would take about $150,000 in assets, invested at 10 percent, to provide the $15,000 that the family still needs to survive.

These funds can be provided in either of two ways:

1. By saving $150,000, in which case insurance is not necessary, or
2. By purchasing life insurance.

Even if a couple has $150,000, they may want to use the money to buy a home. If so, buying insurance would free the money for that purpose.

The Liabilities of Owning Insurance

One liability of insurance is that it costs money, so you must reduce current spending in order to provide for the future.

Another liability of insurance, as previously mentioned, is that it can divert your dependency from God. Solomon wrote, *"Trust in the Lord with all your heart and do not lean on your own understanding. In all your ways acknowledge Him, and He will make your paths straight"* (Proverbs 3:5-6). That doesn't mean to avoid insurance, but it does mean that God, not insurance, should be the object of our trust.

Term Life Insurance

Term insurance provides coverage for a specific period of years. This period of years is known as a "term," and when the term ends coverage must be renewed.

Most *term* policies do not build any cash reserves, but they provide the greatest amount of death protection for your dollar. *Term insurance* is strictly for protection. In order for it to pay benefits, the policy must be in effect when you die.

Term premiums are based on your age. The cost goes up as your age goes up. For example, if you're 50 or 60, term insurance will be much more expensive.

If you develop medical problems before the term ends, you may have difficulty renewing your policy, unless it is *guaranteed renewable.* This means that you can continue your insurance at the end of each term without a medical examination. All you have to do is pay an increased premium.

In most cases, *guaranteed renewable term* policies can be continued until a certain age, such as 70, 80, or even 100, when all coverage stops.

Insurance companies also offer *convertible term* insurance, which lets you change your policy from *term* to *whole life.*

There are basically three types of term insurance: (1) *decreasing term,* (2) *annual renewable term,* and (3) *level term.*

Decreasing term premiums remain the same, but the death benefit drops year to year.

Annual renewable term premiums increase annually, but the death benefit remains constant.

Level term policies are designed for a specific time frame: 5, 10, 15, or 20 years. During the contract period the premium and death benefit remain the same.

Which is best for the average family? If your need for insurance is not decreasing at a predictable rate, then you'd be safer with *annual renewable* or a *level term* policy.

Choose a policy that meets the time frame of your specific need.

Term insurance contracts may contain one or more of the following provisions.

Guaranteed premiums—This means the premiums won't increase during the term of the policy, but they may be decreased by the insurance company.

Current assumption—This usually means the premiums are guaranteed for a certain number of years. After that, they may be raised or lowered, depending on the findings of the insurance company.

Reentry term provision—This means that the insurance company requires a physical after a certain period of time, such as 10 years. If the insured is healthy, he or she will qualify to be covered again. If the insured is turned down, he or she may lose coverage or pay premiums at a much higher rate. This provision may require a physical every 5 or 10 years, depending on the policy.

If you're going to buy *term insurance*, remember these four things.

1. Buy only what you need.
2. Be sure the policy is renewable to at least age 90.
3. Be sure it won't be canceled because of your bad health.
4. Compare its cost for a 20-year period to other kinds of insurance, such as *whole life.*

If you find that *term insurance* is best for your needs, seek counsel about the various policies before buying one from a professional Christian insurance agent.

Cash Value Insurance

Cash value insurance is known by a variety of names, including *whole life, universal life, variable life, single premium life,* and *variable adjustable life.* It is usually purchased for an individual's lifetime and, as more and more premiums are paid, the policy builds a cash value.

Interest is earned on the cash value, just like money invested in a bank. Many times the policy also will pay dividends (cash returns), which can be used to offset the cost of insurance.

The most basic type of *cash value insurance* is *whole life.* A young person buying *whole life,* or some other type of *cash value insurance,* would pay higher premiums than for *term insurance.* However, the benefit of some *cash value* policies is that the premium never changes.

In the previous section on *term insurance,* it was noted that *decreasing term* premiums also do not change. But as a consequence the value of the benefit drops.

In contrast, no benefits are sacrificed in *cash value* policies with steady premiums.

For young families on a tight budget, *cash value insurance* can be a major expense. At worst, it can be so costly that these families don't buy enough coverage at a time when their need is greatest.

Like a *term* policy, a *cash value* policy may include a *waiver of premium disability benefit.* This benefit provides that the company will pay your premiums if you become permanently disabled and unable to pay. Usually, the disability must last for at least six months to be considered permanent.

Cash value and *term* policies also may have an accidental death benefit that pays double if you die as the result of an accident. This benefit often is called *double indemnity.*

Remember, however, that if your policy includes a *waiver of premium benefit* or an accidental death benefit, the cost of that policy will be higher.

Premiums for *cash value* policies are classified as either *participating* (par) or *non-participating* (nonpar).

Policies with *participating* premiums are sold by stock insurance companies and mutual insurance companies, which may offer dividends to policyholders.

These dividends represent a rebate on your premium. They may vary from year to year, depending on the company's expenses and earnings.

Universal Life

Universal life is sometimes called "complete" and "total" life insurance. It is known by various names, including *adjustable life* and *flex life. Universal life* is a combination of *term insurance* and a tax-deferred savings account that pays a flexible interest rate.

That interest rate usually reflects current market rates. Therefore, it will be much higher than the savings rate of traditional insurance policies.

Universal life is broken down into three parts:

1. The death benefit,
2. Administrative costs, and
3. The savings portion of the policy.

Universal life premiums may be paid at any time and in any amount, as long as that amount is greater than a minimum established by the insurance company.

Premiums also may be flexible or level. As more and more premiums are paid, the savings portion of the policy will continue to grow. Eventually, it may grow large enough to pay the mortality and administrative costs for the life expectancy of the insured person. In that case, premiums may not be required.

Some agents emphasize how much savings you will accumulate by age 65. These agents are promoting the investment side of the plan. Be sure the policy is one that meets your goals, which may not be accumulation but maximum death benefit.

Due to some estate planning requirements, you may need life insurance in your post-retirement years. If so, a *universal life* policy may be better for you than *term insurance.* As already noted, the price of term goes up with age.

Stated returns on your *universal life* policy will not begin to show until you have been paying on it for 15 to 20 years. If you cancel the policy before this time, it will cost you dearly, compared to buying *term insurance* and investing the difference in a tax-deferred vehicle.

Single Premium Life Insurance

In the past, *single premium life insurance* was a very popular tax-deferred savings vehicle. That has drastically changed as a result of tax law changes.

However, *single premium life* still may be useful as a tax-deferred accumulation vehicle with some death benefits. Contact your insurance agent about the tax law consequences of this policy and whether it meets your insurance needs.

The insurance industry is constantly changing in response to tax law revisions. New products will be created to reflect those revisions.

If you want to research all types of policies on the market, contact your insurance agent. This information only provides a brief summary of the most popular types of insurance policies available.

Modified Endowment Contracts

As already noted, *single premium life* used to be a very popular tax-deferred savings vehicle. It was heavily promoted as a “tax-sheltered investment.” But Congress eliminated the ability to borrow against these policies without paying income tax.

Under current law, a policy that is paid up with less than seven level annual premiums is referred to as a *modified endowment contract.* This applies to any policy issued (or materially changed) on or after June 21, 1988.

Once a contract becomes a *modified endowment,* it will remain so for the life of the contract.

Withdrawals from these *modified endowment contracts* (including loans) will be taxed as current income until all of the policy earnings have been taxed.

There is also a 10 percent penalty tax if the owner is under age 59½, unless the payments are due to disability or they are annuity type payments.

Variable Life Insurance

Several types of insurance, including *universal life, whole life,* and *adjustable life,* may also take the form of a *variable life insurance* policy.

A *variable life* policy is considered a security and is sold by prospectus. The death benefit and cash value go up or down depending on the investment vehicles chosen inside the policy. A *variable life* policy offers loan privileges, optional riders, and surrender and exchange rights, just as any other *cash value* policy does.

These new policies offer higher returns, but they also mean greater risk for policyholders. Returns can drastically change from year to year.

Sometimes the product that suits your needs best is actually a combination of things. That’s what you get with *variable life.* It combines traditional insurance provisions with flexible administrative procedures. It also has investment features that compare with what’s being offered on the market.

Most importantly, *variable life* provides a guaranteed death benefit for the insured person’s lifetime—as long as he or she pays her premiums. In this way, it is similar to conventional *whole life* insurance.

When buying this type of insurance, be sure your policy has adjustment features that will let you tailor the policy to your needs. Later, these features will let you adjust the policy as your insurance needs change.

When you select an insurance plan, be sure to ask for flexibility and a guaranteed death benefit for life.

Variable life gives you a choice of several investment portfolios. This will allow you to diversify the investment of your cash value, which increases the potential for higher investment earnings.

The investment portfolios are similar to investing in different types of mutual funds. There's a broad selection, including aggressive growth stock, bond funds, mortgage accounts, international accounts, and a fixed account.

When you examine the portfolios available, use the same criteria you would use for the selection of a mutual fund.

The broad range of investment choices allows you to diversify and control your cash value. You choose the portfolios that fit your own investment style. One of the benefits of *variable life* is that you can have unlimited, no-cost transfers between portfolios on a tax-free basis.

Like traditional life insurance policies, *variable life* offers liquidity, which is provided in two ways: withdrawals and policy loans. It also combines the tax benefits of traditional life insurance with investment flexibility. Policyholders can pay their premiums monthly or quarterly, which lets them utilize the investment strategy of dollar-cost averaging.

Only you can determine whether variable life is right for you. This type of plan is designed for people with:

- A need for life insurance protection that is both guaranteed and flexible
- A desire to earn potentially higher rates of return by diversifying assets—an opportunity unavailable in traditional life insurance policies
- A desire for tax advantages
- The ability to make a long-term financial commitment.

The Concept of Survivorship Life Insurance or Second-to-Die Life Insurance

Thanks to the Economic Recovery Tax Act of 1981, a husband and wife can postpone estate taxes until after they both die. This is done through a provision known as the Unlimited Marital Deduction.

This provides couples with increased flexibility during their lifetime. But in many cases, it places a substantial tax burden on their estate and its beneficiaries.

Survivorship life insurance is designed to address this need. Unlike traditional life insurance, which covers the life of one person, *survivorship life* covers two lives, with proceeds payable at the second death.

Compared to individual coverage, *survivorship life* offers some advantages:

- Lower premiums, which make this type of coverage more cost-effective than having two individual policies
- Easier medical underwriting standards, which are possible because of the second death payout
- A lower "economic benefit" reportable for income taxes in Split Dollar Plans (often 10 times lower).

For people with potential estate tax problems, third-party ownership of a *survivorship life* policy is usually best. This third party may be adult children or an irrevocable life insurance trust.

The policy may sometimes be transferred out of the estate after the first insured person dies. If the survivor lives three years after the gift, the full face amount should be out of his or her estate.

Reducing your estate tax burden is not the only use for a *survivorship life* policy. Other uses include the following.

- Key person insurance. This would apply to cases in which an employer could self-insure or absorb the loss of one key individual but not two.
- Business buyout. One example of this is the purchase of a family business from aging parents. A child working in the business owns the policy on the parents.
- Charitable gift replacement. This provides heirs with replacement cash when assets are used to fund a Charitable Remainder Trust.

Is Insurance a Good Way to Save?

One argument for *cash value* policies is that they "force" you to save money. After all, you must pay your premiums to keep the policy going, and the more you pay the more you save.

This is true to some extent, but people have a tendency to borrow from the cash value in their policies, which reduces the death benefit. As a result, dependents may be left with inadequate funds if the policyholder dies.

Don't borrow from your policy, unless you know the remaining cash value will provide a death benefit that is adequate for your family.

If you're considering insurance as a way to save money, you need to know two things about the interest rate of a *cash value* policy. First, there is an actual guaranteed rate, which is typically between 3 and 5 percent. Second, there is a projected rate or dividend, which is not guaranteed.

Also remember that the quoted interest is probably before administrative fees and commissions are subtracted. Therefore, your net earnings will not be as much.

In addition, the interest rates of these policies are adjusted annually, if not more frequently.

Most of God's people should be disciplined enough to save what they need for emergencies or future needs. As a short-term investment, the savings in most insurance policies draw less than half the interest that can be earned elsewhere. It is a high price to pay for a lack of discipline.

Proverbs 19:20-21 tells us, *"Listen to counsel and accept discipline, that you may be wise the rest of your days. Many are the plans in a man's heart, but the counsel of the Lord, it will stand."*

Conclusions

A good way to determine the type of insurance you need is to consider two things:

1. The amount of insurance you need, and
2. The amount you can afford to pay.

Obviously, you need to consider the current annual cost of a policy. But you also need to consider the cost of that policy during the next 20 years.

Shop for the best policy that fits your individual needs at the lowest cost. You may get the best value if you buy *term insurance* and save the difference in a deferred or tax-free investment.

However, the practical truth is that most people don't save the difference; they spend it. At the same time, their *term insurance* premiums increase as they grow older. Eventually, these premiums may become too expensive for them to afford.

In conclusion, buy term if you can't afford *whole life.* However, if you haven't been disciplined enough to save the difference by age 35, convert to a *whole life* plan.

How Much Insurance Is Enough?

"There is a grievous evil which I have seen under the sun: riches being hoarded by their owner to his hurt" (Ecclesiastes 5:13). Today, some 3,000 years after Solomon wrote this verse, people are still suffering the consequences of hoarding. One form of hoarding is overspending on insurance, which consumes money that should be going to meet other needs.

That's why it's very important, especially for young families with children, to determine the proper amount of insurance for their needs. (See the Life Insurance Needs Worksheet at the end of this document.) It's a difficult question to answer, but there are guidelines to help you make your decision.

For one thing, you need to consider the ages of your children. The younger they are, the longer they'll need to be supported if you die.

The income capability of the surviving spouse also needs to be considered. This is a major factor, particularly if the wife is not working.

Also consider existing debts, current lifestyle, income, and any other sources of after-death income besides life insurance.

One person may want to supply enough insurance so that his or her family can live on the interest income. Another may wish to provide enough for a specific number of years. These decisions are important and should be made together by husband and wife.

A typical family's insurance needs begin when the first child is conceived. Those needs reach a maximum amount when the last child is conceived.

Another period when there's a greater need for insurance is when the children are grown and out of the home but the wife has not reached 60 years of age.

Unless she is disabled, the wife won't qualify for Social Security *survivor's benefits* until age 60. Even then, the benefits will be reduced, because full benefits aren't paid until age 65.

If the wife qualifies as disabled (based on Social Security's definition of "disabled") she can receive *survivor's benefits* as early as age 50.

Budgeting for Insurance

Once you've decided how much insurance you need, you must decide how much you can afford. Insurance should take no more than 5 percent of your Net Spendable Income (NSI). Net Spendable Income is the amount you have left after you've paid your tithe and taxes.

The 5 percent figure above does not include house or automobile insurance. It does include life insurance, health insurance, and disability coverage. Still, a 5 percent allotment for all these insurance needs is not very much. But we're assuming that you have health insurance as part of a *group* plan. Many people receive *group* health coverage through their employers, who pay a portion of the premiums, thereby reducing the cost to the employees.

If you're not part of a *group* health insurance plan, this percentage of your budget will increase. For that reason, you'll have to be very "choosy" about your life and health insurance plans.

If you increase the insurance area of your budget from 5 to 10 percent, then there is no alternative but to decrease another area of your budget to make the total of percentages be 100.

Should Wives Have Life Insurance?

In recent decades, the wife has become almost an equal wage earner in most families. When a family depends on the wife's salary, she probably needs to be insured. If she died or became injured, the family would be in deep financial trouble, possibly losing their home, cars, and virtually everything else they own.

Families should determine if they can afford to insure the wife. If funds are limited, efforts should first be made to insure the primary wage earner, which is usually the husband.

If there is a sufficient amount of money, it may be very logical to insure the wife. Typically, the earnings of a wife will be critical to the family while small children are at home. Therefore, the older she gets, the less the need for insurance.

Should Children Have Life Insurance?

There are two logical reasons to have insurance on your children:

1. For burial expenses, and
2. To guarantee that they will be insurable in later years.

However, the only necessary reason is burial expenses. Making your children insurable is not usually necessary, since only a small fraction of people are uninsurable at the time they marry.

Policy Provisions

When you buy a life insurance policy, the company agrees to pay a certain amount of money to someone when you die or retire. In turn, you agree to pay a specified premium on a regular basis.

If you can't make a particular premium payment on time, you still have 30 days to do so without paying a penalty. This is known as a grace period.

In some cases, a temporary lack of money may keep you from paying for so long that your policy lapses. The policy may be put back in force, or reinstated, if it has not been turned in for cash. To reinstate a policy, the policyholder must again qualify as an acceptable risk and pay overdue premiums with interest.

An important provision in every policy is naming a *beneficiary.* The person you want to receive the insurance proceeds at your death is known as the *primary beneficiary.*

Of course, this individual may die before you do. You can allow for this situation by naming *contingent beneficiaries,* who will receive the proceeds if you outlive your *primary beneficiary.*

Your right to change *beneficiaries* should be included in your application for the policy.

Things to Avoid When Buying Life Insurance

Many times we're sold what we don't want instead of buying what we need. This generally happens because we don't know what to avoid. So, if you're in the process of buying life insurance, consider the following advice.

1. Avoid the *double indemnity* clause, which pays double if you die in an accident. This is an extra expense for something you probably won't need. Most people die from causes other than accidents. If you're counting on *double indemnity* to provide enough insurance, you're gambling with your family's future. You should be sure you have enough insurance, regardless of how you die.
2. Forget *premium waivers.* They represent a large expense for a very small benefit.
3. Don't be pressured into buying insurance; be intelligent. Learn to buy what you need, rather than what the agent wants you to have.

Pointers for Policyholders

1. Keep your company informed of your address. Each year a number of policyholders move without notifying their insurance companies. When you do this, you're taking a chance on having your policy lapse.
2. Read your life insurance policy. Your agent should be willing to help you. Be sure you understand the basic provisions and benefits.
3. Keep your policy in a safe place. You can get a duplicate policy if yours is lost or destroyed by fire but not without some inconvenience and delay.

   As an additional safeguard, keep a separate record of your policies. Be sure that your beneficiary knows where a copy of your policy is kept. Generally, policies must be sent to the company when you file for benefits.
4. Discuss your insurance program with your family or other beneficiaries.
5. Review your life insurance program with your agent once a year or when a major event occurs (birth, death, marriage, divorce).

No Insurance

God may direct some people not to have life insurance or any other after-death provision. However, both the husband and wife should agree on this decision—after they've prayed together and sought God's peace. If you have any doubts, go ahead and buy the insurance. You can always cancel it later.

Credit or Mortgage Life Insurance

Credit or *mortgage life* insurance is sold in connection with home, auto, or other credit extensions. It is the same as *decreasing term* insurance, which offers a steady premium but declining benefits.

This type of policy is designed to relieve survivors of economic strain by paying off the outstanding loan balance of the deceased. *Credit disability insurance* also covers monthly payments if you are disabled.

Don't buy several of these small, relatively expensive policies. It's better to include these needs in your overall life and disability insurance and purchase a single policy.

Other Questions About Life Insurance

After you buy life insurance, you must decide how the proceeds will be handled when they're paid to the *beneficiary.*

These proceeds won't be subject to income taxes. However, if they're put into your estate, they may be subject to estate taxes. This depends on the total value of your estate and the ownership of the life insurance policy.

Proceeds from the policy may be paid in a lump sum. If they're broken down into a series of payments, interest is included in each payment. The interest portion is taxable.

If the proceeds are invested, income from that investment may be subject to federal and state income tax. That's true for any form of generated income. But it depends on your total taxable income and where the proceeds are invested.

Families with large estates need to seek estate planning help from a good estate planning professional. This ensures that estate taxes and probate costs will be minimized.

Estate planning help is especially valuable when the husband and wife die in a common accident. This causes probate costs and inheritance taxes to be maximized, unless the couple has planned for such an event.

You can use a simple *testamentary trust* to handle your assets in the event of a common death. These trusts are set up in your will. One possible use for a testamentary trust is to direct how insurance proceeds are invested after the death of the insured.

Should a Husband Leave His Life Insurance in Trust for His Wife?

A husband and wife should talk about after-death preparation. This includes what the wife will do with proceeds from her husband's life insurance policy.

Some husbands are concerned that someone will trick their wives out of their money. Therefore, they leave the money in a trust. The money is invested, and only the income from those investments can be spent. In addition, that income can be used only for the wife's personal benefit.

There are two things wrong with this logic. First, it shouldn't be necessary to protect the wife. If she doesn't understand finances, she should learn.

It doesn't matter that she doesn't want to learn or that her husband doesn't want her to learn. God says she should learn.

Husbands and wives are to be one in the Lord. In order to give good counsel to her husband, the wife has to have a knowledge of finances.

Wives outlive their husbands 85 percent of the time. When a husband doesn't train his wife to manage money, he's simply sticking his head in the sand. A wife must be trained in finances and be fully aware of the couple's financial situation.

This doesn't mean that trusts aren't useful. As already noted, they shouldn't be used to protect a wife who's not trained in finances. But they can be used as a good financial planning tool.

For example, suppose a husband is killed in an accident. His assets are in a trust that pays income to his wife after his death, and those payments continue as long as his wife is living.

When the wife dies, or if she was killed in her husband's accident, payments are made to the children. However, if the entire family is killed in a common accident, the trust assets go to the Lord's work.

This particular trust arrangement covers a broad range of possible events, and it could save estate taxes.

Be careful about committing your assets, including the investment income, to a trust that can be used only for your wife. This is unscriptural.

If the wife remarries, she is bound to her new husband, and they are to be one. Whatever assets she has should also be available to him. If they are to be one, there can be no barrier between them.

Is Life Insurance a Good Way to Leave Money to a Church?

Many Christian insurance agents are advising fellow believers to buy an insurance policy and give it to their local church.

Premium payments on these *cash value* policies are deductible, and when the believer dies the face value of the policy is paid to the church. Of course, money used to pay premiums could be given to the church now.

Let's examine this type of giving from two perspectives: assets and liabilities.

One asset is that it forces you to save in order to leave something to the church. The second asset is that if you died fairly soon, the church would get the money without you having to make a lot of premium payments. The third asset is that the policy provides the life insurance agent with an income.

Now what are the liabilities? First, the insurance company is going to make a profit off the insurance you buy. Therefore, you're giving part of the church's money to an insurance company.

Relatively speaking, this is also a high-cost method of leaving money to a church. Furthermore, there's no guarantee that any church will be the same in 10 or 20 years, if you live that long.

Proverbs 27:1 says, *"Do not boast about tomorrow, for you do not know what a day may bring forth."* In other words, if you're going to give to the church, do your giving now. Don't put the money into an insurance policy with the church as the beneficiary.

What About Life Insurance for Singles?

Single people with no financial dependents probably don't need life insurance. Remember, the purpose of life insurance is to continue providing for dependents after your death.

Final Note

This information is designed to cover basic biblical principles that apply to insurance. Although your specific question may not have been addressed, you can still take these principles and apply them to your particular situation.

It may be that your insurance company has not provided satisfactory answers to your questions. Perhaps you've been wronged by the company or you have a general dispute with the company. If so, you may contact your state insurance commissioner's office for assistance.

If you have additional questions about insurance, contact a Christian insurance agent in your community.

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APPENDIX

LIFE INSURANCE NEEDS WORKSHEET

Read each category below and determine the amount to be listed on the line that corresponds to each category.

PRESENT INCOME PER YEAR ____________
Line 1

PAYMENTS NO LONGER REQUIRED
Estimated Living Cost (for husband) ____________
Life Insurance ____________
Savings ____________
Investments ____________
Taxes ____________
______________________________ ____________
______________________________ ____________
Total = ____________
Line 2

INCOME REQUIRED TO SUPPORT FAMILY (Line 1 + Line 2) = ____________
Line 3

INCOME AVAILABLE
Social Security ____________
Wife's Income ____________
Retirement Plans ____________
Investments ____________
______________________________ ____________
______________________________ ____________
Total = ____________
Line 4

ADDITIONAL INCOME REQUIRED
TO SUPPORT FAMILY (Line 3 + Line 4) = ____________
Line 5

INSURANCE REQUIRED TO PROVIDE
NEEDED INCOME (Invested at 10% interest) (Line 5 x 10) = ____________
Line 6

LUMP SUM REQUIREMENTS
Debt Payments ____________
Funeral Costs ____________
Estate Tax and Settlement Costs ____________
Education Costs ____________
__________________________________ ____________
Total = ____________
Line 7

TOTAL FUNDS REQUIRED (Line 6 + Line 7) = ____________
Line 8

ASSETS AVAILABLE
Real Estate ____________
Stocks and Bonds ____________
Savings ____________
__________________________________ ____________
Total = ____________
Line 9

TOTAL INSURANCE NEEDED (Line 8 + Line 9) = ____________

WHAT THE RATINGS MEAN

	A.M. BEST	MOODY'S	STANDARD & POOR'S DUFF & PHELPS	WEISS
Superior Smallest degree of risk	A++, A+	Aaa	AAA	A+
Excellent Capacity to meet obligations differs only slightly from highest-rated category	A, A-	Aa1, Aa2, Aa3	AA+, AA, AA-	A, A-
Good Strong financial security but somewhat more susceptible to adverse changes in the economy	B++, B+ (very good), B, B-	A1, A2, A3	A+, A, A-	B+, B, B-
Fair, adequate Financially secure, but may be at risk in the future	C++,C+	Baa1, Baa2, Baa3	BBB+ BBB, BBB-	C+, C, C-
Vulnerable, weak Below average, judged to have speculative elements	C,C-, (marginal)	Ba1, Ba2, Ba3	BB+, BB, BB-	D+ D, D-
Very weak High vulnerability to adverse economic conditions	D	B1, B2, B3	B+, B, B-	E+, E, E-
Failed, near Nonviable, ability to meet obligations is highly questionable	E	Caa, Ca, C	CCC+, CCC, CCC-	F
Failure	F		CC, C, D	

Sources: A.M. Best Co., Moody's Investors Service Inc., Standard & Poor's Corp., and Weiss Research Inc.