CONSUMER HOW-TO

CHOOSE THE RIGHT INSURANCE COMPANY

Contacting the Ratings Companies

* A.M. Best Company
www.ambest.com
(908) 439-2200

* Standard and Poor's
www.standardandpoors.com
(212) 438-2400

* Moody's Investor Service
www.moodys.com
(212) 553-0377

* Fitch
www.fitchratings.com
(800) 893-4824

* Weiss Ratings
www.weissratings.com
(800) 289-9222

Insurance companies in the United States range from industry giants with tens of millions of policies in force to small companies that sell only a few hundred policies each year. So once you've made the decision to purchase a policy, how do you know if the company you choose is the right one. Here are some tips to guide you through the process:

Doing some homework is always a good idea Generally speaking, life insurance companies are in excellent financial health. All the same, you want to be sure you can rely on the company you choose. So even though insurance companies are required by law to maintain large reserves to guarantee they can meet their future obligations to their customers, it's always smart to do some homework before completing a purchase.

Check out a company's ratings The best way to check the financial health of a company is by looking at its "rating." Several private companies conduct financial analyses of insurance companies and their reports can typically be accessed online, via the phone or by visiting your local library. Some will provide their ratings for free and others will charge a small fee. Keep in mind that not all agencies use the same ratings system. For instance, AAA is the top rating at Moody's, but A++ is the best ranking at A.M. Best. So be careful when comparing information from different ratings agencies. Also remember that a company's rating is just one of several factors to look at when considering a purchase. If you're evaluating two policies and one is underwritten by a company with an A.M. Best rating of B+ ("good") and the other is from a company with an A rating ("excellent"), don't automatically assume you should buy from the higher-rated company. If the policy from the other company has more of the features you're looking for, it might be the better choice.

Does size matter? Yes and no Most of the largest insurance companies have been in business for decades and some date all the way back to the mid-1840's. When a company has been in business that long, you can be fairly certain that it understands the complexities of the insurance business, knows how to manage risk and grow assets, and has a history meeting long-term financial obligations. But that's not to say that you shouldn't consider doing business with smaller companies. There are hundreds of small- to medium-sized insurance companies, and many have been around just as long (and meeting financial obligations just as long) as their larger counterparts.

Check for complaints against a company Life insurance companies are regulated by state departments of insurance, which track complaints filed by consumers. Though the type and quality of complaint information will vary from state to state, it is another measure you may want to consider when choosing a company. To look up complaints against a particular company, visit the National Association of Insurance Commissioners' searchable database.

Seek assistance from an insurance professional Most people buy life insurance through agents or brokers, and for good reason: Determining how much and what kind of insurance to buy is one of the most important financial decisions you'll ever make, but it's also one of the most complicated. A qualified insurance professional will conduct a thorough insurance needs analysis and provide you with policy recommendations that are based not just on knowledge of company ratings, but on personal dealings with the companies he or she is recommending.

The Bottom Line
The "right company" for you is the one that provides you with appropriate recommendations, products and prices, has a record of outstanding customer service, and the financial capacity to meet its financial obligations to you and your beneficiaries when they come due.

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On Your Side

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