



Basic Types of Life Insurance

You choose what's right for you

There are essentially two types of life insurance: term insurance and permanent insurance. The difference between the two is similar to the difference between renting and owning. The choice you make will depend upon your financial situation and your goals. Your financial professional can help.

Term life insurance: “renting”

- Offers protection for a specified period of time — the term of the policy
- Requires the policyholder to pay only for the protection against death
- Does not enable policyholder to build cash value.
- Death benefit is paid if the Insured dies during the specified period
- Premiums generally remain level or increase throughout the specified period
- It can be considerably less expensive initially than permanent insurance and gives policyholders the alternative of using the savings to invest on their own

Permanent life insurance: “owning”

- Offers the opportunity for protection for the entire life of the Insured
- Allows you to potentially grow the cash value of the policy
- Comprises four main types: whole life, variable life, universal life, and variable universal life
- Each type may offer different premium payment methods, death benefit features, investment options, and degrees of flexibility

term insurance example

A married couple want to insure the life of the primary wage earner, age 45, until the mortgage on their house is paid off. So they purchase a 10-year level term life insurance policy.

After 10 years, the couple may have up to three options: they can renew their policy at a higher cost, convert to permanent insurance for a higher premium without having to provide evidence of insurability, or, if they no longer need the protection, they can end the policy and walk away with no cash.

important note

All guarantees are subject to the claims-paying ability of the issuing life insurance company.

Death Benefit Differences:

Death benefit options include the option to use non-guaranteed dividends to purchase additional death benefits for traditional whole life. Interest-sensitive whole life has level and variable death benefit options.