

Types of Life Insurance

There are two main types of life insurance. Your choice should be based on your needs and what you can afford:

• **Term Insurance:** Covers you during a specific period of time (Term) and awards a death benefit if you die during that term. Term insurance may offer the largest dollar amount of insurance protection for your premium; however, it does not increase in cash value that you can utilize in the future. Some of the common types of Term Life Insurance are:

• **Renewable:** You can renew these term insurance policies for one or more terms even if your health has changed although the premium you will pay could increase. You may lose the right to renew the policy at some age.

• **Guaranteed Renewable:** For a higher premium, some companies will give you the right to keep the policy in force for a guaranteed period. At the end of that period you may need to pass a physical examination to continue coverage, and premiums may increase.

• **Convertible:** Some term policies have an option to convert to a cash value policy during a conversion period – even if you are not in good health.

• **Cash Value Life Insurance:** Is a type of policy where the premiums charged are higher at the beginning than they would be for the same amount of term insurance; however, these policies do increase in cash surrender value. You may borrow against the policy's cash value to keep insurance in force, to purchase additional insurance, or to increase your income in retirement. Cash value life insurance may be one of several types:

• **Whole Life Insurance:** Covers you for as long as you live (whole life) if your premiums are paid. You generally pay the same amount in premiums for as long as you live. When you first take out the policy, premiums can be several times higher than you would pay initially for the same amount of term insurance. Some whole life policies let you pay premiums for a shorter period such as 20 years or until age 65.

• **Universal Life Insurance:** A flexible (universal) policy that lets you vary your payments subject to a premium minimum. You can also adjust the face amount of your coverage. Increases may require proof that you qualify for the new death benefit. Part of the premiums you pay go into a policy account that earns interest.

• **Variable Life Insurance:** Is where the selected death benefits and cash values depend (variable) on the investment performance of one or more separate accounts, that are invested as allowed under the policy. Be sure to get the prospectus from the company when buying this kind of policy, **STUDY IT CAREFULLY**, and ask an agent to provide examples of possible results. You may pay an extra premium for a guaranteed death benefit.

• **Variable Universal Life:** Is a blending of both universal and variable life insurance which offers tax free long-term investment opportunities as well as the flexibility of a universal plan. Be sure to get the prospectus from the company when buying this kind of policy and **STUDY IT CAREFULLY**. You may pay an extra premium for a guaranteed death benefit.

A Consumer's Guide to Life Insurance



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