# Types of Life Insurance

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| Policy Type: | Permanent | | Term to 100 | Term |
|---|---|---|---|---|
| | Whole Life | Universal Life | | |
| **Period of Coverage** | Life | Life | To Age 100 | Depends on term in contract. Often renewable for additional terms but usually not past age 80 or 85 |
| **Premium** | Guaranteed.<br>Usually remain level. | Flexible.<br>Can be increased or decreased by policyholder within certain limits. | Guaranteed.<br>Usually remain level. | Guaranteed and remain level for term of policy (e.g. 1 year, 5 years, 10 years, etc.). Increase with each new term. |
| **Death Benefits** | Guaranteed in contract.<br>Remain level. Dividends may be used to enhance death benefits in participating policies. | Flexible.<br>May increase or decrease according to fluctuations in cash value fund. | Guaranteed in contract.<br>Remain level. | Guaranteed in contract. |
| **Cash Values** | Guaranteed in contract. | Flexible. May increase or decrease according to fluctuations in cash value fund. | Usually none. See below. | Usually none. See below. |
| **Other Non-forfeiture Options** | Guaranteed in contract. | Guaranteed in contract. | Some long term policies have a small cash value or other non-forfeiture value. | |
| **Dividends** | Payable on "participating" policies.<br>Not guaranteed. | Most policies are "non-participating" and do not pay dividends | Most policies are "non-participating" and do not pay dividends | Most policies are "non-participating" and do not pay dividends |
| **Advantages** | • Provides protection for your entire lifetime – if kept in force.<br>• Premium cost usually stays level, regardless of age or health problems.<br>• Has cash values that can be borrowed, used to continue protection if premiums are missed, or withdrawn if the policy is no longer required.<br>• Other non-forfeiture options allow the policyholder various possibilities of continuing coverage if premiums are missed or discontinued.<br>• If the policy is participating, it receives dividends that can be taken in cash, left to accumulate at interest, or used to purchase additional insurance. | | • Provides protection to age 100 – if kept in force.<br>• Premium cost usually stays level, regardless of age or health problems.<br>• Premium cost is lower relative to traditional permanent policies. | • Suitable for short term insurance needs, or specific liabilities like a mortgage.<br>• Provides more immediate protection because, initially, it is less expensive than permanent insurance.<br>• Can be converted to permanent insurance without medical evidence (if it has a convertibility option), often up to ages 65 or 70. |
| **Disadvantages** | • Initial cost may be too high for sufficient amount of protection for your current needs.<br>• May not be an efficient means of covering short term needs.<br>• Cash values tend to be small in the early years. You have to hold the policy for a long time, say over 10 years, before the cash values become sizeable. | | • Usually no cash values and no or limited non-forfeiture values. | • If renewed, premiums increase with age and at some point higher premium costs may make it difficult or impossible to continue coverage.<br>• Renewability of coverage will terminate at some point, commonly age 65 or 75<br>• If premium is not paid, the policy terminates after 30 days and may not be reinstated if health is poor.<br>• Usually no cash values and non non-forfeiture options. |