

Types of Life Insurance Policies

1. Permanent Policies

- a. Coverage up to age 100 – Policy matures (Endows) – Cash value = Face amount
- b. Living Benefits – Cash Value (Non-Forfeiture Value)
- c. Have a Guaranteed Minimum Interest Rate – Usually 3% - 4%
- d. Takes 3 years to build cash value

2. Whole Life

- a. Guaranteed Minimum Interest Rate
- b. Level or Fixed Premium
- c. Straight Life – Premiums scheduled up to age 100
- d. Limited Pay – Premiums paid up in a shorter amount of time
 - i. Builds Cash Value faster than a Straight Life
 - ii. 20 Pay Whole Life
 - iii. Life Paid Up at 65
 - iv. Still Endows at age 100
- e. Single Premium – can build cash value immediately

3. Adjustable Life

- a. Guaranteed Minimum Interest Rate
- b. Allows insured to adjust:
 - i. face amount, premiums or period of protection
 - ii. Face amount cannot be increased beyond original amount without proof of insurability
- c. Sold to clients that have a **fluctuating income**

4. Universal Life – Interest or Market Sensitive Product

- a. Guaranteed Minimum Interest Rate
- b. Flexible premium

- i. Minimum – covers cost of insurance – Annually Renewable Term (ART) – Keeps policy in force for a year
- ii. Target – covers cost of insurance + builds cash value – Keeps policy in force until maturity
- c. Two Components – Insurance(ART) and Cash Account
- d. Death Benefit Options
 - i. Option A – Level Death Benefit – Beneficiary collects only original death benefit
 - 1. IRS Corridor Gap
 - ii. Option B – Increasing Death Benefit – Beneficiary collects both death benefit and cash value from policy

5. Interest Sensitive Whole Life

- a. Guaranteed Minimum Interest Rate
- b. Level Premium

6. Equity Indexed Whole Life

- a. Tied to an index like Standard & Poors 500 (S&P 500)
- b. Guaranteed Minimum Interest Rate
- c. Level Premium
- d. Not invested directly in the index...only tied to it
- e. **Seeks higher returns**

7. Variable Life Insurance

- a. Must have a Securities License
 - i. Registered with FINRA (NASD)
 - ii. SEC is the oversight to all products
- b. Insured picks investment vehicle (Sub Account)
 - i. Underlying Investment – Bonds, Stocks, Real Estate
- c. No Guarantees of a Return
- d. Funds kept in a Separate Account – not the company's General Account
- e. Hedge Against Inflation
- f. Minimum Death Benefit Guaranteed (\$100k) -could go higher though

8. Term Life Insurance

- a. Temporary protection
- b. Pure Death Protection

1. No cash value
- a. Level, Increasing or Decreasing Term – All about the Death Benefit – NOT the premium
 1. Level – Death benefit stays the same throughout the term
 2. Increasing – Death benefit increases – ROP Rider
 3. Decreasing – Death benefit decreases – Credit Life
- b. Annually Renewable Term
 1. Purest form of term insurance
 2. Premium goes up every year during the term
 1. Based on your Attained Age
 2. Proof of insurability not required each year
 3. Lowest premium in the early years
 3. Group Life insurance is always ART
- c. Issue Age Premiums
 1. Premium based on the date policy was issued and does not change during term
 2. Only thing that could affect the premiums would be to **increase the benefits**
- d. Renewable Provision
 1. Policy can be renewed for another term – without proof of insurability
 2. Premiums will be based on Attained Age
- e. Convertible Provision
 1. Can be converted to a permanent policy – without proof of insurability
 2. Premiums will be based on Attained Age

1. Annuities

- a. Are not life insurance
- b. Life insurance creates an immediate estate
- c. Life insurance has a death benefit
- d. Annuities are for the liquidation of an estate

- e. Annuities do not have a death benefit
- f. Owner -Person,Corp, Trust
- g. Annuitant - Person only
- h. Used mainly for retirement purposes (think 401k)
- i. Most have a Surrender Charge (Early withdrawal penalty)
- j. Funding an annuity (Paying for it) – Single, Level or Flexible
- k. When will payout begin
 - i. Immediate – after 1st month but within the 1st year of purchase
 - ii. Deferred – after the 1st year of purchase
- l. Accumulation Period – Pay in period (Funding your annuity)
- m. Annuitization Period – Pay out period (Providing you an income)
- n. Payments are designed to be for the life of the annuitant
 - i. Straight Life – income you can't outlive
 - 1. Die too soon – insurer keeps the rest
 - ii. Life Income with Period Certain – Pays for the life of the annuitant
 - 1. Will have a Period Certain (20 years) for a beneficiary
 - 2. Annuitant dies during this time – beneficiary gets remainder of the time left
 - iii. Life Income with Refund
 - 1. Annuitant dies too soon – remainder will be refunded to a beneficiary
 - iv. Joint Life – Payments for 2 people – stop after 1st one dies
 - v. Joint and Survivor – Payments for 2 people – stop after 2nd one dies
- o. All annuities are considered to be fixed
 - i. Guaranteed Minimum Interest Rate
 - ii. Except for Variable
- p. Variable Annuities – Same as we saw with Variable Life
 - i. Accumulation Period – Accumulation Units
 - 1. Level premium

2. # of units not known in advance (Underlying Investment)
3. No guarantees of return

ii. Annuitization Period – Annuity Units

1. Determined on the date of annuitization
2. Begin withdrawing units
3. Exact monthly benefit not known in advance (Underlying Investment)
4. No guarantees of return

p. Equity Indexed – Tied to S&P 500

- i. Life license only needed to sell
- ii. Guaranteed Minimum Interest Rate

2. Combination Life Plans

a. Joint Life Policy

- i. One policy, covering 2 lives
- ii. Death benefit gets paid after the first one dies
- iii. No coverage after that

b. Joint and Survivor Policy

- i. One policy, covering 2 lives
- ii. Death benefit gets paid after the 2nd dies