Types of Life Insurance Policies

Term Insurance

Term Insurance, as the name suggests, provides life insurance only for a limited period of time, or term (i.e., 10, 15, 20 or 30 years). Term insurance provides only pure protection and does not have the cash value feature typically found in most permanent life insurance policies. Term life insurance is suitable for financial obligations which remain constant for a short or intermediate period of time.

Whole Life (WL)

Whole Life insurance provides permanent life insurance protection with guaranteed premiums, cash values and death benefits. The base policy death benefit is guaranteed*[1] to be paid at the insured's death, provided that the contract premium is paid when due.

Whole Life contracts classified as "participating" offer the possibility of policy "dividends." Such policy dividends are not guaranteed, and represent a return to the policy owner of part of the premium paid. A dividend may be taken as cash or a policy may offer a number of other ways the dividend might be used:

- To reduce current premium payments;
- To buy additional, completely paid-up insurance (known as paid-up additions);
- To be retained by the insurer, earning interest for the policyholder;
- To purchase one-year term insurance;
- To be added to the policy's cash value;
- To "pay up" the policy earlier than originally scheduled.

Universal Life (UL)

Universal Life insurance provides level or adjustable premiums and coverage, with cash value. Cash values may increase based on the performance of certain assets held in the company's general account. Universal Life provides the added flexibility to modify the policy face amount or premium, in response to changing needs and circumstances. This type of policy is most suitable for long-term obligations or sinking-fund needs; estate liquidity, estate taxes, charitable gifts, retirement needs, etc.

Guaranteed Universal Life (GUL)

Guaranteed Death Benefit/Premium Universal Life contracts offer the same flexibility and options as the standard *Non-guaranteed* universal life products; *however,* it provides you the valuable added protection of a death benefit and premium guarantee (i.e., Secondary Guarantees).

These secondary guarantees provide that the death benefit is contractually guaranteed to last the designated time frame (usually the lifetime of the insured), provided premiums are paid as specified on the compliance ledger by the due date, and that loans and withdrawals are not taken. Regardless of the interest crediting rate fluctuations, premiums may not be increased during the lifetime of the insured.

Indexed Universal Life (IUL)

Indexed Universal Life insurance also offers the flexibility of Universal Life in regard to premiums and death benefit options. The primary difference is that the policy owner is allowed to allocate cash value amounts to either a fixed account or an equity index account, such as the S & P 500 or multiple indices. The index movement is generally calculated as a point-to-point percentage gain, but numerous other methods exist. It is important to note you are not directly investing into the market or an index.

Variable Universal Life (VUL)*[2]

Variable Universal Life offers similar features as Universal Life, with the added component of premium investment allocation. A VUL contract permits the policy owner to allocate a portion of each premium to one or more investment options through separate accounts. As with Universal Life, the death benefit and premium structure may be modified to meet changing needs.

For those policy owners who are more risk averse, VUL policies offer a Fixed Account as an investment option. The fixed account credits an interest rate, typically between 3% and 5%, with a guaranteed minimum of 2% to 3%.

Private Placement Variable Universal Life (PPVUL)

Private Placement Insurance Products are non-registered contracts that are offered exclusively to high net worth individuals. PPVUL is a non-registered U.S. tax compliant flexible premium life insurance policy that provides the same income tax-exempt death benefits as other variable life insurance policies. Premiums, less charges and fees, are invested into various investment options inside the insurer's separate account. PPVUL provides flexible investment options (with some non-registered investments within asset classes that are not available in other life insurance policies) and flexible premium payments.

Hedge funds complement a traditional portfolio of stocks and bonds. Since hedge fund returns are often independent of the overall direction of the stock and bond market, these funds can provide diversification[3] to the total portfolio.

[1]All guarantees are subject to the claims-paying ability of the issuing insurance company. Guarantees do not apply to the investment performance of any variable accounts, which are subject to market risk.

[2]Variable insurance products will fluctuate in value. In addition, there is no guarantee that any variable investment option will meet its stated objectives. Variable life insurance has fees and charges associated with it that include costs of insurance that vary, and additional charges for riders. The sub-accounts in variable insurance products fluctuate with market conditions and when surrendered the principal may be worth more or less than the original amount invested. The prospectuses contain complete details on investment objectives, risks, fees, charges, and expenses, as well as other information about the investment company. Please advise your clients to carefully read the prospectuses which contain this and other information on the product and the underlying portfolios and consider these factors carefully before investing.

[3]Using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss of principal due to changing market conditions.