

TYPES OF LIFE INSURANCE

Group	Individual	Ordinary	Industrial	Permanent	Term
<ul style="list-style-type: none"> • One master policy • Policy owned by organization and represents the group and sponsors the coverage • Individuals insured are not the policy owners nor are they parties to the contract 	<ul style="list-style-type: none"> • Single owner owns the policy on the insured, and possibly additional insured 	<ul style="list-style-type: none"> • Individual coverage in a variety of term or permanent plans, in any face amount • The individual owner pays premiums based on a preset schedule • Flexible options 	<ul style="list-style-type: none"> • Individual coverage in small amounts • No medical exam to qualify • Frequently paid premiums • Generally, insurance agents collect premium 	<ul style="list-style-type: none"> • Lasting until the insured dies or until the insured is 120 years old • Guaranteed death benefit • Higher premiums than term. Premiums remain level. 	<ul style="list-style-type: none"> • Temporary coverage, applying for a limited time • Policy expires at the end of term • No money accumulates in the policy (no cash value)

Participating	Non Participating	Fixed	Variable
<ul style="list-style-type: none"> • Owner is eligible for dividends if and when declared by the insurance company • Dividends are a return of excess premiums 	<ul style="list-style-type: none"> • Policy does not produce dividends 	<ul style="list-style-type: none"> • The insurer guarantees a fixed death benefit and a minimum rate of return (interest crediting) on the policy's cash value • Insurer assumes all risk for premiums and collecting enough money for cash value 	<ul style="list-style-type: none"> • Premiums are invested in investment sub-accounts selected by the policy owner • Insurer guarantees a minimum death benefit • Cash value and death benefit rise and fall based on sub-accounts. Cash value is not guaranteed.

LIFE INSURANCE POLICY CHARACTERISTICS

Types	Term Life	Whole Life	Universal Life	Variable Life	Variable Universal Life
Coverage for Life	May be Renewable				
Premiums	Fixed	Fixed	Flexible	Fixed	Flexible
Low Monthly Premium		Higher Premiums	Higher Premiums	Higher Premiums	Higher Premiums
Death Benefit	Fixed Guaranteed	Fixed Guaranteed	Flexible Not Guaranteed	Variable Minimum Benefit Guaranteed	Variable Not Guaranteed
Invested in Market	No	No	No		
Cash Value	No Cash Value	Guaranteed Cash Value	Interest Based Not Guaranteed	Investment Based Not Guaranteed	Investment Based Not Guaranteed
Access Cash Value	Not applicable	No Withdrawals, Loans allowed	Withdrawal Allowed, No Loans	No Withdrawals, Loans allowed	Withdrawal Allowed, No Loans
Tax Advantages	Tax-Free Death Benefit	Tax-Free Death Benefit and Cash Value Growth	Tax-Free Death Benefit and Cash Value Growth	Tax-Free Death Benefit and Cash Value Growth	Tax-Free Death Benefit and Cash Value Growth

TYPES OF ANNUITIES

Fixed	Variable	Equity Indexed	Market Value Adjusted
<ul style="list-style-type: none"> The insurer guarantees both the annuity principal and a specified rate of interest to be credited to the contract 	<ul style="list-style-type: none"> The insurer makes no guarantee as to the annuity principal or the credited interest rate Variable annuity premiums and contract values are invested in the insurer's separate accounts instead of its general account 	<ul style="list-style-type: none"> Allow contract owners to participate in some of the growth in the stock market while avoiding possible losses to principal 	<ul style="list-style-type: none"> Fixed annuity that offers an interest rate adjustment feature that lets the owner take advantage of interest crediting changes in response to market conditions at the time he or she withdraws funds

LIFE INSURANCE BENEFICIARY LEVELS

<i>Beneficiary Level</i>	<i>Sample Beneficiary Designation</i>
Primary	Spouse
Contingent	If the spouse is deceased, the surviving children will receive the death benefit
Tertiary	If the spouse and surviving children are deceased, the alma mater will receive the death benefit

PAYOUT OPTIONS COMPARISON CHART

Life Contingent Payout Options	Annuity Certain Payout Options
Straight (Pure) Life Income	Fixed Period
Life Income with Refund	Fixed Amount
Refund in Lump Sum	
Refund as Continuing Payments	
Life Income with Term Certain (10-yr, 20-yr, etc)	
Joint Life Income	
Joint and Last Survivor (100%, 75%, 50%, etc)	
Pure Joint Life	

BUSINESS USES FOR LIFE INSURANCE

Uses of Business Life Insurance	Who the Policy Benefits	What the Policy Covers	Additional Information
Buy-Sell Agreement	Business Owners	Enables existing business owners to continue owning the business when a business owner dies	Either a Entity Plan or Cross-Purchase
Cross-Purchase Buy-Sell Agreement	Business Owners	A deceased business owners interest	Business plays no part in this agreement
Entity Plan	Business	Business purchased the business interest of a deceased business owner	
Key Person	Business	Loss, through death, of a key employee	The business owns the policy on the key person, and is the beneficiary
Non-Qualified Deferred Compensation	Employee	Delay of receiving current compensation until a certain time	Often use permanent life insurance policy as a funding vehicle
Split Dollar	Employer & Employee	Permanent life insurance policy on the life of a key employee. Benefits and premiums are split between employer and employee	Owner of policy may be employee or employer
Business Debts	Business Owners	Life insurance policy that ensures the business debts of a business owner or key employee upon death	This is a common use for key person life insurance
Corporate-Owned Life Insurance	Employer	Covers the lower level employees who are ensured on behalf of the business	Employer is policy owner and beneficiary

COMMON LIFE INSURANCE OPTIONS AND RIDERS:

- **Non-forfeiture Options (Cash Surrender, Extended Term, Paid-Up):** How to distribute cash value upon policy surrender
- **Policy Loan and Withdrawal Provision:** Cash value loans for whole life; withdrawals for universal life
- **Dividend Options:** Participating whole life policies only
- **Settlement Options:** How to distribute death benefit
- **Disability Riders:** Continues policy if owner becomes disabled
- **Accelerated Living Benefit:** Allows partial death benefit if insured is permanently disabled or dying
- **Additional Insureds Rider:** Covers additional family members with term life insurance