

BENEFITS INSIGHTS

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Understanding Different Types of Life Insurance

Life insurance is one of the most common employer-provided benefits. This article covers the basics of life insurance and the different types employers can offer to employees.

Types of Life Insurance

Life insurance is divided into two categories: **term** and **permanent** (also sometimes referred to as **whole**).

1. *Term life insurance*

Term life insurance has a specified coverage period (term), but can usually be renewed or converted into a permanent policy at the end of the term. Premiums are generally affordable initially, but can increase substantially when renewed.

2. *Whole life insurance*

Whole life insurance is a type of permanent insurance that offers life-long coverage combined with a cash-value savings component. This type of policy has higher premiums than term life. Premiums remain constant throughout the policy and a portion is invested by the company, which becomes the cash value of the policy. Whole life insurance pays a fixed amount upon death.

3. *Universal life insurance*

Universal life insurance is another type of permanent insurance policy that combines term insurance with the ability to earn interest on the cash value, paying a market rate of return. Cash value grows tax-deferred, and can be withdrawn or borrowed from the policy. It is more flexible than whole life insurance as it also allows you to change your premium payments and death benefit, within limits.

Rates for life insurance policies will vary. Women typically pay less than men, due to their longer life expectancy, and rates increase with age. Also, smokers pay more than nonsmokers.



4. *Variable life insurance*

Variable life insurance is similar to universal life insurance in terms of flexibility and an investment aspect. However, instead of simply earning interest on the accumulated cash value, policy owners have more control over how to invest that cash. The ability to invest in professionally managed investment options allows for the potential to accumulate cash value while providing death benefits protection. However, there is greater risk for loss due to this benefit.

Employer-sponsored Coverage

Employers can offer a term policy, permanent coverage or both. Cost-sharing also varies, as some employers cover the full cost, while some require employees to pay the full premium (or a portion of it).

Premium Amounts

Rates for life insurance policies will vary. Women typically pay less than men, due to their longer life expectancy, and rates increase with age. Also, smokers pay more than nonsmokers.

Below is a chart that highlights the premium differences between whole life and term life insurance. Please remember that these are only estimates and that premiums are subject to change based on locality, the underwriter and individual health factors that include family history, occupational risk and hazardous hobbies.

\$100,000 policy for a 50 year-old nonsmoker in good health		
Whole Life	Male	\$707 per month
	Female	\$590 per month
20-year Term Life	Male	\$115 per month
	Female	\$100 per month

*Group rates may be less expensive.

For a better idea of the rates you can expect to pay for life insurance, contact Duley | Bolwar | Pederson today.