



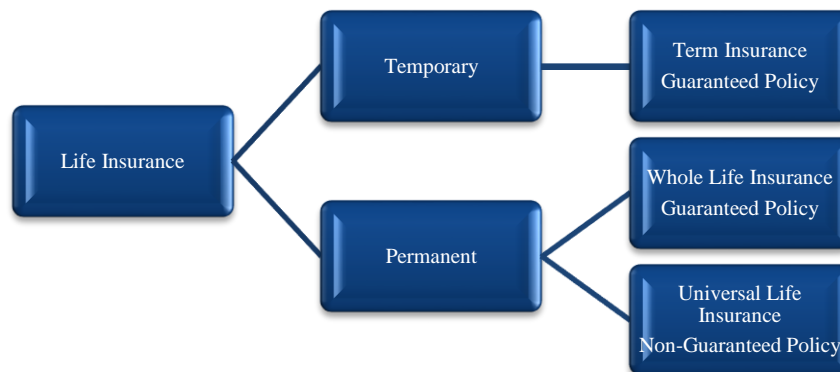
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# Life Insurance Products with Guaranteed and Non-Guaranteed Elements

Life insurance, in its most basic form, provides a death benefit upon the death of an insured during the period that the coverage is in effect. It is designed to meet different risk profiles and provides financial security to the policyholder by managing the risk that the insured dies prematurely and leaves unfulfilled financial commitments, or outlives his or her assets.

## *Classifications of Life Insurance Policies*

- Temporary policies - provides coverage for a specific term
- Permanent policies - provides coverage for the entire life of the insured
- Guaranteed policies - insurer assumes all the risk and contractually guarantees the death benefit in exchange for a set premium payment
- Non-guaranteed policies - the policy owner assumes much of the investment risk in exchange for a lower premium, higher return, and the right for the insurer to increase policy fees



### *Term Life - Characteristics*

- Death benefit is fixed
- No cash value accumulation
- Less expensive than permanent insurance
- Majority of group insurance is term insurance
- Typically used as income replacement or safety-net for beneficiary

### *Whole Life - Characteristics*

- Guaranteed premiums, cash value, and death benefit
- Most conservative type of permanent coverage

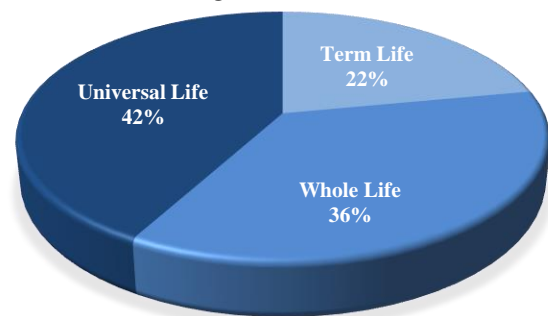
### *Universal Life - Characteristics*

- Timing and amount of premiums are flexible but must be sufficient to maintain a positive cash value
- Typically part of estate planning strategy to help preserve wealth to be transferred to beneficiaries

### *Non-Guaranteed Elements*

- Cost components of the life insurance policy that can be changed in the future
- Primary elements making up the cost of insurance charge (COI) applied to a non-guaranteed life insurance policy: mortality, interest, expenses

**Life Insurance Market Share  
3rd Quarter 2017<sup>1</sup>**



<sup>1</sup> LIMRA: "New U.S. Retail Life Insurance Premium Fell 2 Percent in the Third Quarter 2017"