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聯合保險業務公司

Personal life insurance: the basics

What's the purpose of life insurance?

Life insurance is usually purchased by individuals to cover loss of income in case of death and to assist with subsequent expenses such as medical and funeral bills, child care costs, college expenses, and the costs associated with day-to-day living, such as mortgage and rental payments. Death is not always necessary for an insurer to pay the value of an insurance policy, however; some policies contain features providing retirement income and cash savings. Life insurance may offer both protection and savings.

What types of life insurance are available?

There are many varieties of life insurance policies, but most can be divided into three basic types: term, whole life and endowment.

1) Term life insurance offers protection for a set number of years at a fixed premium and generally offers no savings feature or cash surrender value. The face amount of a term life insurance policy is generally payable only if the insured person dies during the period during which he or she is covered by the policy. Term life premiums are usually the least expensive, but at the end of the policy term, the policy usually may be renewable at the insured person's current age and at a higher rate. Some term life insurance policies contain a "convertible" feature, whereby the term policy can be converted to a whole life policy, usually without a medical examination.
2) Whole life insurance (also known as straight life or ordinary life) provides lifetime protection with limited savings values. Premium rates are generally constant throughout the life of the policy contract, and the premiums are payable as long as the insured person lives. Full payment of benefits is made upon the death of the insured person, or at attainment of age 97, 98, 99 or 100, depending on the insurance company.

   Whole life insurance provides good protection at relatively low cost. The insurer retains the policy's accumulated savings, but the policy has a cash surrender value, against which the insured person may borrow or which he or she may receive if the policy is allowed to lapse.

   "Limited-payment life insurance" is a variation of whole life insurance; premiums are paid for a set number of years, such as 20 or 30 years, or to age 65, after which protection continues for life without further payments. The face value of the policy is paid upon the death of the insured person.

3) Endowment life insurance policies are issued for varying periods of time (10, 20 or 30 years, for example) and emphasize savings rather than protection. If the insured person lives longer than the endowment period, he or she receives the face value of the policy. If he or she dies during the policy period, the face amount is paid to his or her beneficiary or estate. Endowment life insurance usually costs more than term or whole life insurance. It is commonly used to provide retirement income.

What is variable life insurance?

Variable life insurance is designed to address inflation. Variable life insurance policies guarantee a minimum amount will be paid upon death, but they might pay more, as the insurer invests reserve monies from insurance policies. The cash value of the policy at its maturity depends upon the value of the investments made by the insurer.

How are life insurance premiums determined?

In addition to being based on the type of policy issued, premiums are determined by insurers through the use of mortality tables. These tables are statistical analyses of the deaths of a given group of individuals, beginning at birth and extending until all members of the group are dead.

For example, a mortality table will show the likelihood of death in terms of the number of deaths per thousand persons and in terms of the expectation of death at each age. So your age is a top factor in determining your life insurance premium. Other factors include your health, occupation and hobbies. There are many life insurance plans available. For the policy that best meets your needs, contact our agency.

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