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Life insurance types and options

Four major types of non-variable life insurance coverage are:

- Term Life
- Whole Life
- Guarantee Universal Life
- Index Universal Life

Each of these provides a death benefit, but they can differ significantly in length of coverage, premium flexibility, accumulation and distribution of cash values, as well as other factors. While specific policies vary by company, these general descriptions can help you understand the basic differences.

	Term Life	Whole Life	Guarantee Universal Life	Index Universal Life
Coverage needs	Temporary period of time 10-30 years	Lifetime	Up to lifetime	Up to lifetime
Cash value accumulation	No cash value	Guaranteed cash value	Interest crediting rate set by the insurance company	Interest crediting rate can be linked to the percentage change of an index
Premium flexibility	Fixed for an initial period	Fixed	Flexible	Flexible
Guaranteed death benefit	For length of term period coverage	Lifetime	Lifetime coverage or "dialed down" to any length of coverage	Guarantees typically range from 10-30 years

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Index Universal Life Insurance

Index universal life (IUL) insurance includes the premium flexibility and adjustable death benefit that typical UL (universal life) coverage provides. Plus, IUL can provide the potential for greater policy value growth than UL, with less risk to you than a Variable Universal Life policy.

IUL policies link the growth of policy value to the percentage change of one or more widely-followed financial market indices such as the S&P 500® Index, Nasdaq-100®, or Dow Jones Industrial Average. As a rule, IUL policies also include a fixed-rate interest crediting option.

With IUL, your policy value can be credited with higher interest rates than whole life and UL policies typically provide. You may have greater downside protection than Variable Universal Life, but, compared to Variable Universal Life, the upside potential is more limited.

Insurers offering IUL policies credit interest at rates that are linked to the percentage change of a selected index. These companies typically provide a "crediting rate zone" with a cap that represents the maximum crediting rate and a floor that represents the minimum crediting rate. Based on the percentage change in the index, interest will be credited between the cap and floor.

Index Universal Life Insurance coverage is typically purchased for one of two reasons:

A death benefit index UL product solution is designed to provide affordable death benefit guarantees with the opportunity for cash value growth to provide financial flexibility.

A cash accumulation index UL product solution provides a death benefit, and is also designed to accumulate policy value that can be used to supplement income, either as a withdrawal or policy loan, on an income tax-free basis later in life.