

Understanding The Different Types Of Life Insurance Policies

The number and different types of life insurance policies available on the market can be overwhelming and confusing to choose from, especially if you have never purchased a life insurance policy before. Understanding what types of policies are available to you and what they can offer, even before beginning the search, can make it easier and less time consuming. Here is some basic information about the types of life insurance policies that you can purchase, and how to select the one that is right for you.

Types Of Policies

There are two general categories of life insurance policies: temporary and permanent. They both include coverage in the form of a payout to your chosen beneficiary in the event of your death, but the additional benefits these policies can offer you differ, namely from their investment possibilities to providing coverage for an inexpensive premium.

Temporary Life Insurance

The most common type of temporary life insurance policy is more commonly known as term life insurance. This type of insurance offers you death benefit protection for the term of the policy, typically 10 or 25 years. At the time the term expires, so does the policy, though many offer renewal options at an increased premium. The benefit of term life insurance is that it offers maximum payout for the lowest premiums. This is especially true the younger you are.

Permanent Life Insurance

Whereas there is really only one type of temporary insurance policy, there are a number of different options in the permanent life insurance market.

Whole Life Coverage-This includes guaranteed death benefits, guaranteed cash values, and the security of a fixed annual premium.

Universal Life Coverage-This option provides you with greater flexibility in both premiums and potential return. It still offers both a payout in the form of life insurance coverage and the potential of a cash value to increase with the term of the policy.

Limited Pay-This is basically permanent and term life insurance combined in that you only pay premiums for a specific term; however, you still receive the death benefit after the term expires, though usually at a reduced rate.

Endowment-This type of policy, which is similar to annuities, acts more as an investment than does traditional life insurance. The principal is protected and a payout is guaranteed, but the premiums are much higher than those of other types of life insurance.