

Insurance Made Simple

A guide to Universal Life Insurance



Universal life is permanent insurance that can make a world of difference.

With the ability to combine death protection with savings, universal life insurance is a great tool for those clients seeking added security from their policy. Premiums pay for more than just the cost of insurance. The life insurance company invests amounts over the actual policy premium and the return is paid into the policy as interest earnings.

Another interesting thing about universal life: such policies are transparent. By reviewing the Annual Statement, the policyholder can actually monitor the cash value growth in the policy. As long as the cash surrender value is sufficient to pay the annual costs of insurance, a policyholder can actually skip a premium, or reduce or increase the premium.

Full load vs. Low Load: What does that mean?

Universal life insurance policies (full load) typically load first-year premiums to cover commissions, marketing, sales, and administrative expenses. Plus, full load policies have no cash value in the early years, and typically require surrender charges until the 12th to 15th policy year. Conversely, Low Load insurance policies have greatly reduced expenses and high cash values in the early years with no surrender charges.

The two most common types of universal life are AUL and GUL.

Each policy has a face amount, scheduled premiums, and pays earnings to the policyholder. Here's where they differ:

Accumulation Universal Life (AUL): This policy has flexible premiums and can be funded with minimum premiums, but is typically used to build up cash surrender values as a form of savings. The growth of the cash value depends upon the insurance company interest crediting rate. AUL policies have a minimum guaranteed interest rate and a maximum guaranteed cost of insurance.

Guaranteed Universal Life (GUL): The next generation in universal life, GUL policies have flexible premiums and an accumulation value, and are designed so that both the death benefit and the premiums are guaranteed. The cash values are lower because more of the premiums are used to fund the reserves required by law. Such extra reserves are needed to pay for long-term guarantees. GUL policies are ideal for people who want guarantees but are not interested in cash value accumulation. Any change, such as a policy loan or missed premium, in GUL policies could result in a higher premium when recalculated.

Monitor your policy with In Force Illustrations.

Illustrations are projections based on current costs of insurance, current interest rates and scheduled premiums. Insurance companies require signed illustrations with every application for permanent case value insurance. With the exception of GUL policies, if actual performance is less than the original illustration, more premiums may be required. In Force Illustrations can be requested from the insurance company each year to compare to the illustration signed at the time of application.

A look at death benefit options.

The initial face amount is the death benefit at the time of policy issue. There are three options available to policyholders:

Option 1 or Level: The death benefit until age 100 and beyond is equal to the face amount.

Option 2 or Increasing: The death benefit until age 100 is equal to the face amount plus the cash surrender value.

Option 3 or Face Amount Plus Premium: The death benefit is equal to the face amount plus total premiums less partial withdrawals.

What happens if you cash your policy in early?

When policyholders cash in a loaded policy early, they will face what's known as surrender charges. A surrender charge reduces the policy's gross cash values if the policyholder cancels a policy or withdraws cash values. Surrender charges are designed to discourage early cancellations or early loans. Plus, surrender charges relate directly to commissions paid on selling full load policies. Low Load policies do not have surrender charges.

The requirements of underwriting.

After your application and new business forms submittal, every applicant for universal life insurance must complete a paramedical exam. This includes blood and urine tests, and in some cases an EKG. The results will be strictly confidential, and the insurance company pays for the exam. The insurance company will also request medical records and personal financial information such as annual income, assets, liabilities and net worth.

Everything you need is at your fingertips.

Simply call us toll-free at 877-254-4429, fax us or visit us online at www.llis.com. We can provide quotes without sales pressure, and find just the right policies for your clients. After all, we're here for you – the financial advisor. It's our job to protect your clients' wealth and security.

Confidentiality is paramount. All information obtained during the underwriting process is strictly confidential. This information will be used solely to determine your eligibility for the insurance applied for, and will not be released to any other party without your permission.

