

Life Insurance Glossary

Beneficiary

The person named in a life insurance policy as the recipient of the insurance money in the event of the insured person's death.

Cash surrender value

The amount available in cash upon the policy owner's termination of a permanent life insurance policy before it matures or becomes payable by death.

Claim

The demand by an individual to recover losses covered under an insurance policy.

Death benefit

The amount of money the insurance company pays to a beneficiary when a person insured under a policy dies.

Permanent life insurance

Permanent insurance provides lifelong protection and the ability to accumulate cash value on a tax-deferred basis, similar to assets in most retirement and college savings plans. Unlike term insurance, a permanent insurance policy will remain in force for as long as you continue to pay your required premiums. The main types of permanent life insurance are Whole, Universal and Variable. (See definitions below.)

Policy

The contract or agreement made between the insurer and the insured.

Premium

The payment to the insurance company for insurance coverage.

Term life insurance

Term insurance provides protection for a specific period of time and pays a benefit only if you die during the "term." Term periods typically range from one year to 30 years, with 20 years being the most common. Because it's temporary, term insurance is considerably cheaper than permanent insurance when initially purchased. It is often a good choice for people in their family-formation years, especially if they're on a tight budget, because it allows them to buy high levels of coverage when the need for protection is often greatest.

Universal life

A permanent policy that gives the owner the right to vary premium payments and the death benefit within certain prescribed limits. The rate of return on the accumulation account fluctuates according to investment performance but will not fall below a guaranteed minimum rate of return, such as four percent.

Variable life

A permanent policy under which the cash value of the policy may fluctuate according to the investment performance of a separate account fund. Most variable life policies guarantee that the death benefit will not fall below a specified minimum.

Whole life

A permanent policy designed to last for life and for which premiums stay level.