What are Life Insurance Types?

Worksheet

The three main life insurance types are term life (cheapest, fixed duration), whole life (permanent, builds cash value), and universal life (flexible, adjustable premiums and benefits).

Questions

1. Term life insurance is best for...
A) Retirees
B) Young families with mortgages
C) People wanting maximum cash value
D) Those with no dependents

2. After 10 years of whole life, the cash value is $50,000. If you surrender, you get...
A) Full death benefit ($500,000)
B) Only the cash value ($50,000)
C) $50,000 + partial death benefit
D) Nothing — it's forfeited

3. Why is whole life more expensive?
A) Higher risk
B) Permanent coverage + cash buildup
C) Longer payment term
D) Tax exemptions

4. Universal life differs from whole life in that...
A) Cost is lower
B) Premiums are fixed
C) Premiums and benefits are flexible
D) Death benefit is larger

5. A 30-year-old buys a 20-year term life policy for 500,000 at40/month. What happens at age 50?

6. A 40-year-old purchases whole life insurance with 1,000 annual premium. After 10 years, the cash value is12,000. Can they use it?

7. Compare: 30/month term vs.200/month whole life (same $300,000 death benefit). After 30 years, which is better?

8. Define: What is term life insurance?

9. Define: What is whole life insurance?

10. Define: What is universal life insurance?

Answer Key

1. B) Young families with mortgages — Term is affordable and covers the high-risk years of child-rearing and mortgage debt.

2. B) Only the cash value ($50,000) — Surrendering means you give up the death benefit and receive the accumulated cash value.

3. B) Permanent coverage + cash buildup — Whole life has lifetime risk and a built-in investment/savings component.

4. C) Premiums and benefits are flexible — UL allows adjusting both premiums and death benefit; whole life has fixed premiums.

5. The 20-year term ends at age 50. Coverage expires; no death benefit is paid if they pass away (unless converted). Monthly payments stop.

6. Yes, the policy holder can: 1. Withdraw cash (reduces death benefit) 2. Borrow against cash value (policy stays active) 3. Surrender policy for cash value

7. Term total paid: $30 \times 360 = 10{,}800$ (no cash value) Whole life total paid: $200 \times 360 = 72{,}000$ (cash value ~$90,000) Whole life person has equity; term person paid insurance, not an investment.

8. Coverage for a fixed period (10–30 years); expires after the term, no cash value.

9. Permanent coverage lasting a lifetime; builds cash value; premiums are fixed and higher.

10. Flexible permanent insurance; premiums and death benefit can be adjusted; cash value accrues.