

COMMON TERMS

Here are some common life insurance terms.

1 Death Benefit:

The amount of money that is paid out to the beneficiaries when the insured person passes away. It is typically tax-free and can be used to provide financial protection to the insured's loved ones.

2 Premium:

The amount you pay to the insurance company for your life insurance coverage. Premiums can be paid periodically, such as monthly or annually.

3 Policy:

The legal contract between you and the insurance company that outlines the terms and conditions of your life insurance coverage, including the death benefit, premiums, and any riders or endorsements.

4 Beneficiary:

The person or entity that you designate to receive the death benefit from your life insurance policy upon your passing. You can choose one or multiple beneficiaries, and you can change them over time.

5 Term Life Insurance:

A type of life insurance that provides coverage for a specified term, such as 10, 20, or 30 years. If the insured person passes away during the term, the death benefit is paid out to the beneficiaries. If the term expires, the coverage ends without any payout.

6 Whole Life Insurance:

A type of permanent life insurance that provides coverage for the entire lifetime of the insured, as long as the premiums are paid. It also includes a cash value component that grows over time and can be used for various purposes, such as borrowing against it or withdrawing.

7 Cash Value:

The savings component of a permanent life insurance policy, which grows over time with interest or investment returns. It can be accessed during the policyholder's lifetime through policy loans or withdrawals, but it may affect the death benefit and premiums.

8 Riders:

Optional additions or modifications to a life insurance policy that provide additional coverage or benefits. Examples include riders for accidental death, disability, or critical illness.

9 Underwriting:

The process that life insurance companies use to assess the risk of insuring an individual and determining the premium rates. It typically involves evaluating the individual's age, health, lifestyle, and other factors.

10 Lapse:

When a life insurance policy terminates due to non-payment of premiums. If a policy lapses, it will no longer provide coverage and the premiums paid may be lost.

11 Convertible:

A feature of some term life insurance policies that allows the policyholder to convert the policy to a permanent life insurance policy without undergoing additional underwriting or medical exams.

12 Grace Period:

The period of time after a premium payment is due during which the policy remains in force, even if the premium is not paid. If the premium is not paid by the end of the grace period, the policy may lapse.