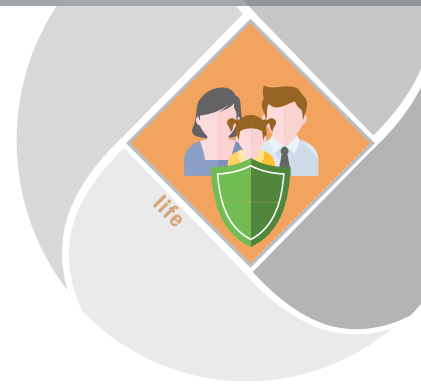


LIFE 101

Universal Life Insurance



Universal life (UL) insurance was introduced in the late 1970s as an alternative to term and whole life (WL) and has gone on to become one of the most popular forms of life insurance in the market.* While term is designed for temporary insurance needs, UL and WL are designed for permanent life insurance needs in individual or survivorship situations. UL differs from WL by being designed for premium payment and death benefit flexibility while having a transparent charge structure that breaks out the charges, loads, fees, etc. in the contract.

Going a little deeper into UL's flexibility, UL policies generally allow policyholders to:

- Set the initial premium (within product limits), such as paying a modest premium for life, an ongoing higher premium with the goal of ceasing payments after a number of years, or paying a large lump sum
- Increase or decrease the premium as circumstances change
- Make lump sum payments
- Adjust the death benefit

Depending on the design of the individual product, UL has the potential for non-guaranteed, tax-advantaged cash value build-up. The cash value growth in UL is determined by the premiums paid, the interest rate credited, and the policy charges that are deducted. The cash values can be accessed via policy loans or withdrawals, or used for other purposes as well, such as exchanging the policy for another policy via a 1035 exchange.

- *IRC Section 1035 allows*
- *a life insurance policy to*
- *be exchanged for another*
- *on a tax-free basis, as*
- *long as it is on the same*
- *insured and owned by the*
- *same owner.*

Today's UL products can be lumped into the following broad categories:

no-lapse guarantee UL (GUL), current assumption UL (CAUL), indexed UL (IUL), and variable UL (VUL).

No-lapse guarantee UL is designed primarily for lifetime death benefit guarantees. Current assumption UL, indexed UL, and variable UL products run the gamut of those designed for low-cost, long-term (even lifetime) death benefit guarantees to cash accumulation vehicles designed to provide supplemental retirement income. When determining which type of UL to offer, it's important to do a thorough analysis to identify the client's specific needs and which products may be a good fit.

Contact your Crump representative to learn more!

* LIMRA "U.S. Retail Individual Life Insurance Sales Technical Supplement, Q1 2021

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