

## SAMPLE WHOLE LIFE POLICY

Insured: Joe Adams Start Date: July 1, 1980

Policy #                      Face Amount: \$25,000      Age of Insured: 25

### GENERAL PROVISIONS

The Contract - This policy and the application are the contract.

Owner - The owner may use all contract rights while the insured person is alive. These include the right to: 1) change the beneficiary; 2) change the owner; 3) assign this contract; 4) receive benefits; and 5) elect options. (COMMENT: The Owner and the Insured may be the same person or they may be two different people.)

Beneficiary - Unless changed by the owner, the beneficiary named in the application is the person to whom death proceeds are to be paid.

Change of Owner or Beneficiary - The owner may change the owner or beneficiary while the insured person is still alive. To make a change simply write to the insurance company to request it.

Premiums - The owner may decide whether to pay the premiums on a monthly, quarterly, semi-annual or annual basis. Once the decision is made, however, the premiums must be paid by their due date. If a premium is not paid on time, the Company will allow a grace period of 31 days. This policy will be in force during the grace period. If the premium is not paid by the end of the grace period, this contract will stop - unless other provisions of policy are exercised.

Mis-statement of Age or Sex - If the insured's age or sex shown on the application is wrong, the company will correct it. Any payments will always be made based on the correct age or sex. (COMMENT: The younger the insured person is when the policy is purchased, the lower the premiums will be. This is because younger people have a lower risk of mortality than older people. Premiums will be lower for females than males because females have a longer life expectancy.)

Incontestability - The Company may not contest this contract once it has been in force while the insured is alive for two years from its start date. (COMMENT: If during the first two years of the policy the Company finds out that any of the answers given on the application concerning medical history were not truthful and if the Company would not have issued the policy had it had the correct information, the Company may refuse to pay any death proceeds. It must refund all premiums paid though.)

Suicide or Self-destruction - If the insured dies by suicide while sane, or by self-destruction while insane, within two years from the start date: 1) the Company will only pay a refund of premiums paid; and 2) this policy will stop.

**CASH VALUES**

The table below shows the cash values at the end of a policy year if all due premiums have been paid.

Number of Years Policy Has Been In Force	Accumulated Cash Value
1	0
2	0
3	0
4	250
5	500
10	1,875
15	3,500
20	5,350

**LOANS** - This contract will stop if and when you ask us to pay you the cash value. We will deduct all loans and interest from the cash value we pay you.

The loan value is the amount which equals the cash value at the end of the policy month in which the loan is made. You may have a loan if you assign this contract to us as sole security. If you take out a loan on your cash values, you must pay interest on it. Any interest not paid when due is added to the amount of the loan and bears interest at the same rate.

You may pay back your loans and interest at any time. If you do not pay back your loan and interest, we will deduct them from the death proceeds if the insured dies.

If your loan and interest exceed the cash value, this contract will stop. The Company must mail a notice to you at least 31 days before it stops this contract.

**SETTLEMENT OF POLICY PROCEEDS** - The person to receive the policy proceeds may choose one of the three methods below by which the proceeds will be paid.

**Optional Method No. 1** - Six Year Installment. The Company will pay all or any part of the proceeds of this policy in a fixed number of monthly installments. The Company reserves the right to limit each installment to an amount of not less than \$10.

**Optional Method No. 2** - Life Income. The Company will pay all or any part of the proceeds of this policy in equal monthly installments continuously during the lifetime of the payee, according to the life installment table for the sex and age at the nearest birthday of the payee on the date this option becomes effective.

**Optional Method No. 3** - Fixed Amounts Installment. The Company will pay all or any part of the proceeds of this policy in specified annual, semiannual, quarterly, or monthly installments until the new proceeds are exhausted. (COMMENT: These options are available to the Owner if he or she has asked for the cash value or to the Beneficiary if the Insured Person has died.

**LIFE INSURANCE CASE STUDIES**

Joe Adams bought the whole life insurance policy that you just finished reading. The policy has a face amount or death proceeds of \$25,000. Joe is both the owner and the insured person on the policy. On the application Joe named his wife, Nancy Adams, as the beneficiary of the policy. Now answer the questions below.

1. Joe died of old age in 1999. Who would receive the death proceeds (face amount) from the policy? How much would they receive?

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2. After Joe had owned the policy for ten years, he decided that he wanted Susie, his daughter, to be the beneficiary rather than Nancy. Could Joe change the beneficiary? What would he have to do?

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3. When Joe bought the policy in 1980, he decided to pay premiums on a yearly basis. His premiums were due July 1 of every year. Joe paid his premiums on time each year until 1987 when he got very busy and forgot. On July 15, 1987, Joe Adams died. Would his beneficiary receive \$25,000 in death proceeds?

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4. In 1980, when Joe bought his policy he had to fill out an application. On the application was a question, "Have you had any heart attacks that you know of?" Joe answered the question with a "no." In 1981 Joe Adams died. The insurance company found out from Joe's doctors that, in fact, Joe had suffered five heart attacks since 1970. The company refused to pay the death proceeds to Nancy, the beneficiary under the policy. Was the company right?

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5. In 1985 Joe Adams committed suicide. The company refused to pay the death proceeds. Was the company correct?



### LIFE INSURANCE CASE STUDIES

Joe Adams bought the whole life insurance policy that you just finished reading. The policy has a face amount or death proceeds of \$25,000. Joe is both the owner and the insured person on the policy. On the application Joe named his wife, Nancy Adams, as the beneficiary of the policy. Now answer the questions below.

1. Joe died of old age in 1999. Who would receive the death proceeds (face amount) from the policy? How much would they receive?

Nancy Adams, the beneficiary specified in the policy, would receive \$25,000.

2. After Joe had owned the policy for ten years, he decided that he wanted Susie, his daughter, to be the beneficiary rather than Nancy. Could Joe change the beneficiary? What would he have to do?

Yes, Joe could change beneficiaries by notifying his insurance agent or company representative. They would in turn submit a change request form to the insurance company to change the beneficiary.

3. When Joe bought the policy in 1980, he decided to pay premiums on a yearly basis. His premiums were due July 1 of every year. Joe paid his premiums on time each year until 1987 when he got very busy and forgot. On July 15, 1987, Joe Adams died. Would his beneficiary receive \$25,000 in death proceeds?

If no payment of premium was received, the company would not be responsible for honoring the claim. However, individual insurance companies may view this situation differently, since they may have different "grace periods".

4. In 1980, when Joe bought his policy he had to fill out an application. On the application was a question, "Have you had any heart attacks that you know of?" Joe answered the question with a "no." In 1981 Joe Adams died. The insurance company found out from Joe's doctors that, in fact, Joe had suffered five heart attacks since 1970. The company refused to pay the death proceeds to Nancy, the beneficiary under the policy. Was the company right?

The company was correct in denying the claim since Joe misrepresented himself on the original application.

5. In 1985 Joe Adams committed suicide. The company refused to pay the death proceeds. Was the company correct?

The company was in error, since the suicide or self-destruction clause only applies to the policy for two years from the start date of the policy.

## LIFE INSURANCE

- A. What are you Insuring? (Future earnings; economic value of life concept)
- B. Needs Approach to Buying Life Insurance (based on each person's situation)
  - 1. Examples of needs:
    - a. Burial
    - b. Estate taxes
    - c. Support for dependents
    - d. Retirement of debt
    - e. Education fund for children and/or spouse
- C. Basic Approaches to Buying Life Insurance
  - 1. Term Life Insurance
    - a. Purchased for a specific period of time
    - b. Level or decreasing face value
    - c. Lower initial premium – goes up at renewals
    - d. Initially, maximum protection for lowest premium
  - 2. Permanent (Whole) Life Insurance
    - a. Permanency – usually purchased for “life” of insured
    - b. Higher initial premium – usually stays level
    - c. Reserves alias cash values
  - 3. Universal (Variable) Life Insurance
    - a. Allows insured to buy term insurance and invest an additional amount with the insurance company
    - b. More flexibility of premium payments than traditional permanent (whole) life
    - c. Ability to earn a greater return when interest rates rise.