

# What is Term Insurance?

Term insurance is a low cost life insurance appropriate to cover life insurance needs for a fixed number of years. It is generally offered as an annually renewable, increasing premium product or as a fixed term, level premium product with durations of 10, 15, 20 and 30 years most commonly.

One's attained age will determine how long of a fixed term is available with a 70 year old likely to be limited to a 10 year contract. A 60 year old may be able to obtain a 20 year contract and a 55 year old may be able to obtain a 30 year contract.

At younger ages, a guaranteed universal life policy may be built to act like a longer lasting term life policy. For example, a 30 year old may be interested in life insurance to 70. 40 year level term insurance is not available but a GUL contract could be built to last for 40 years.

Term insurance is often spread-sheeted and commoditized but this is not a good idea as the features of varying contracts can differ substantively. Different carriers offer conversion features to different ages. The products one can convert to may be very limited with some carriers with other carriers offering conversion to their full portfolio. Options in the policy, such as reducing the death benefit, splitting the contract, converting only a portion of a policy, etc may be available by contract with one carrier and only by practice, which may change, with another.

Even term insurance should be managed. Too often a policyowner is many years into an annually increasing premium product when a level term policy would have been much less expensive. After the level term period many products automatically renew at a tremendously greater premium which is sometimes missed, especially in corporate owned situations, and much money is wasted.

Many associations offer simplified issue term insurance. While convenient and inexpensive at younger ages, those who could otherwise favorably qualify individually will experience more attractive pricing.

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## Life Insurance Consulting