Life 101:

The Purpose of Life Insurance

Life insurance is a unique financial and risk management product, but over 100 million adult Americans still live without it.[1] The flexibility that life insurance can provide is often misunderstood. Some think it's designed simply to pay for funerals while others believe it is overly complex. That's why it's critical for you, an insurance industry professional, to understand and demonstrate the value of life insurance and how it can work in many different situations.

One of the guiding principles of life insurance is that it recognizes "...*the value of a human life and the possibility of indemnification for the loss of that value."*[2]

What kind of value does each human life have?

- Each person is unique
- Special to other people
- Contributes to his or her family and society

A portion of that value is the earnings potential that each person has shown over their life. Part of the purpose of life insurance is to indemnify (or make whole) in the event of a loss.

Who is made whole? The insured's beneficiaries are made whole, to a degree, when the insured passes away and they receive the policy's death benefit.

Those with no life insurance think it's 3X *more expensive than it actually is.*[1]

Life insurance advantage: The death benefit is paid out income tax free

What are the uses of life insurance?

There are many uses but the most common fall into three categories:

Personal	Estate Planning	Business
Income replacement Supplemental income Final expenses Paying off debts LTC/Chronic Illness benefits	Wealth transfer Charitable giving	Key person[3] Buy-sell[4]

[1] 2015 Insurance Barometer Study, Life Happens and LIMRA
[2] F. C. Oviatt, Economic Place of Life Insurance and Its Relation to Society, p. 181
[3] Using life insurance to keep a key employee with a company, either for the death benefit or the income that can be taken from the policy's cash values
[4] An arrangement to handle the succession of a business when one owner dies or is disabled. The life insurance proceeds can be used to cover the cost of the transfer of the business.

Life 101:

Term Insurance

Term insurance is typically the most basic and affordable form of life insurance. It is designed to provide pure death benefit protection for a stated period of time, usually between one - 30 years.

Almost 40% of term policies sold are 20 year term[2]

ROP Term is usually at least four times more expensive than level premium term[3]

Term insurance will only pay the death benefit if the client passes away during the term period. If the client is still alive when the level premium period ends and wants to keep the same coverage, premiums will usually increase significantly each year thereafter.[1]

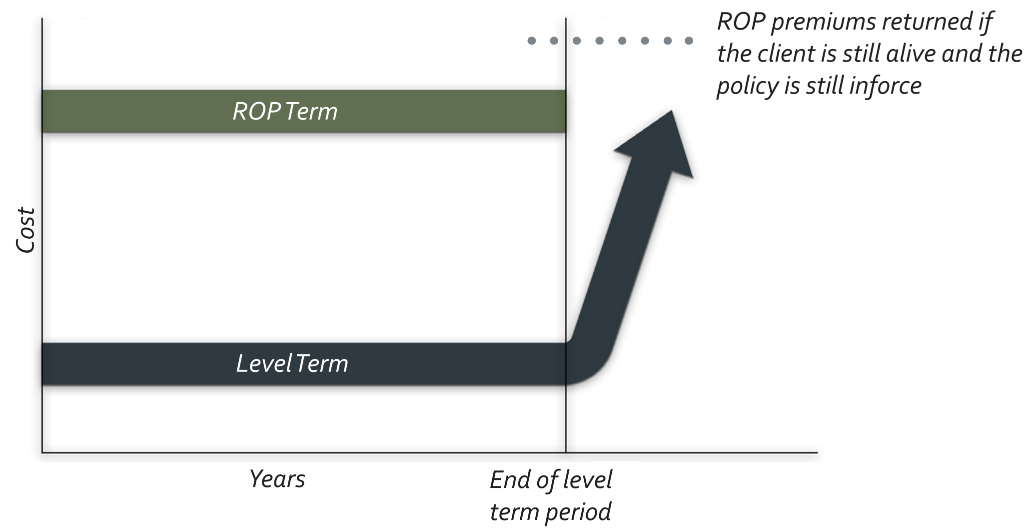
Many term products may be convertible to permanent insurance without going through additional medical underwriting; however, the conversion periods and products available for conversion will vary by carrier.

Term insurance lacks premium and death benefit flexibility and generally does not accumulate cash value. In general, term insurance is well-suited for:

- Temporary protection needs (i.e., until children graduate college, to pay-off mortgage, etc.)
- Those who need a large amount of insurance at the lowest cost

Another type of term insurance is Return of Premium Term. ROP Term provides a return of premiums paid at the end of the term period if the client is still alive and the policy is still in-force.

Often, ROP Term is used for business cases where cost recovery is the goal.



[1] There are exceptions to this where certain products may allow for the premium to remain level while the face amount decreases, but in general expect the premium to increase by a large amount.
[2] LIMRA's U.S. Individual Life Insurance Sales Survey (2016)
[3] Based on current best available carrier illustrations, subject to change

Life 101:

Whole Life Insurance

Whole Life (WL) insurance provides permanent life insurance protection for the insured's entire life. Its primary foundation is comprised of two guaranteed elements: Guaranteed Rates and Guaranteed Values.

Guarantees for the life of the contract are what characterize Whole Life insurance.

Whole Life is designed to endow at maturity, which means that when the policy matures, at age 100 or 121 or some other age, the guaranteed cash values will equal the guaranteed death benefit.

There are many different whole life product designs, which are usually distinguished by the amount of years it will take to pay-up the policy. The most common designs are:

- Level Pay Whole Life (paid-up at maturity)
- 10 Pay Whole Life
- 20 Pay Whole Life
- Paid-up at Age 65 Whole Life
- Single Pay Whole Life

Whole Life is generally well-suited for those who want reliable, predictable performance in their life insurance policy due to its guaranteed nature and are comfortable with it having the highest initial cost among life insurance products. Be aware that it is generally less flexible to premium payment changes than a typical universal life (UL) policy, particularly in early years.

TERMS & DEFINITIONS

Guaranteed Rates:
Mortality Rates, Interest Rates, Company Expenses

Guaranteed Values: Premium, Death Benefit, Cash Values

Participating Whole Life:
Policyowners may be eligible to receive dividends if the insurance company's actual mortality, interest, and expense experience is more favorable than the guaranteed rates and charges in the policy.

Non-Participating Whole Life:
Does not provide dividends, but may offer non-guaranteed interest credits if the company's actual experience is more favorable than the guaranteed rates and charges.

What is a dividend ?

Participating Whole Life policies offer additional value in excess of their guarantees through dividends. Premiums are paid based on conservative interest, mortality, and expense assumptions, and if the company's experience is more favorable than the policy's assumptions, a portion of the premium can be returned in the form of a non-guaranteed dividend. It's important to note that dividends are not guaranteed to be paid every year, but once they are credited to the policy they cannot be taken away.

DID YOU KNOW?
*The majority of Whole Life is purchased for those either under age 25 or over age 65.**

If the Whole Life policy is a Participating policy, there are usually a few options of what to do with those dividends, such as:

- Purchase Paid-up Additions to increase the death benefit and cash value
- Reduce premiums
- Blend in Term insurance
- Accumulate cash values
- Pay cash to the policyowner
- Repay loan principal or interest

Direct Recognition and Non-Direct Recognition Loans
Direct Recognition means that the dividend credited to loaned values may be higher or lower than the dividend credited to non-loaned policy values.

Non-Direct Recognition means that the policyowners receive the same dividend, whether or not they have a policy loan.

Contact your Crump Representative to learn more!

*2015 U.S. Individual Life Insurance Sales Survey, LIMRA

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 which 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!

[1] LIMRA "U.S. Individual Life Insurance Sales Trends, 1975-2014

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Life 101:

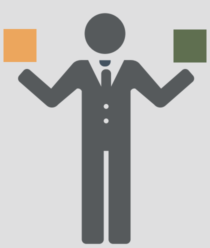
No-Lapse Guarantee Universal Life

No-Lapse Guarantee Universal Life (GUL) insurance came into being in the 1990s and grew in popularity for a few reasons:

- Desire for lifetime death benefit guarantees that were less expensive than Whole Life (WL)
- Older Universal Life (UL) or WL policies that under-performed due to lower interest or dividend rates than were assumed, which could be 1035 exchanged into a GUL
- Flight to safety from the volatility of variable products

GULs have a basic goal, which is to offer lifetime death benefit guarantees with little to no cash value. These guarantees are often flexible, allowing clients to "dial-a-guarantee" typically from ages 90-95 through maturity (age 121). When first introduced, GULs appeared to be a straightforward, simple product. Over time, however, they evolved to become much more complex than many realized.

SIMPLE
Early GUL sales grew rapidly based on the premise that the policy stayed in force regardless of cash value, as long as the premiums were paid on time. In effect, clients traded the flexibility inherent in cash value policies for a lower guaranteed premium.



COMPLEX
As investment yields on carriers' general account assets continued to decline in response to the overall interest rate environment, GUL product design shifted from a cumulative premium test to a "shadow account" design whereby a separate set of interest, mortality and expense charges were used to determine if the policy's death benefit guarantee remained in force.

SENSITIVE
Today's GULs are more sensitive as to how the amount and timing of premium payments can affect the policy's guarantees. Because the contractual "shadow account" language may not be transparent, the impact of early, late, partial, and skipped premium payments may not be clearly determined from a typical sales illustration. Fortunately, almost all carriers have introduced consumer-friendly features to assure both producers and clients alike.

Who is it for?
GULs are well-suited for those wanting permanent life insurance with built-in guarantees, but who want those guarantees at a lower cost, in general, than Whole Life. Those who are not interested in accumulating cash value and plan on this being their final permanent policy may also be good candidates.

All guarantees subject to the claims-paying ability of the issuing carrier.

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Life 101:

Current Assumption Universal Life

Current Assumption Universal Life (CAUL) insurance is most similar to what Universal Life (UL) was when it was first introduced in the late 1970s. It shares the same basic qualities of other UL products – it is a permanent life insurance product designed with the potential for non-guaranteed, tax-advantaged cash value build-up based on the insurance company's general account investment results. In general, policyholders can still:

- Set the initial premium (within product limits)
- Increase or decrease the premium as circumstances change
- Make lump sum payments
- Adjust the death benefit
- Make loans and/or withdrawals from the policy's cash value build-up

TAKE NOTE

When looking at a CAUL illustration, take note of the Current and Guaranteed columns to see the differences in the assumptions.

They are called Current Assumption products because the premiums and cash values in the policy are based on the insurance company's current interest rate and current cost of insurance charges. Those assumptions can, and will, change over time. Therefore, the premiums needed to fund the policy and the expected cash value growth may differ from what was initially illustrated.

Cash value growth in a CAUL is tied to a current interest rate that is declared by the issuing company and is subject to change. CAUL products also include a minimum guaranteed interest crediting rate.

Most CAUL policies are designed to offer minimal to long-term, but not lifetime, death benefit guarantees. Typically there will be options such as built-in 10 to 30-year death benefit guarantees or life expectancy death benefit guarantees.

Who is it for?

Current Assumption ULs are well-suited for those wanting flexible premiums and the potential for modest-to-strong cash value accumulation, along with longer-term or life expectancy death benefit guarantees.

Contact your Crump Representative to learn more!

All guarantees subject to the claims-paying ability of the issuing carrier.

Life 101:

Indexed Universal Life Insurance

Upside potential, downside protection

Indexed Universal Life (IUL) products came on the scene in 1997 and have rocketed in popularity in recent years. IULs may appear to have a lot of moving parts, which can be intimidating to some, but keep in mind that they share the same basic qualities of other UL products – they are permanent life insurance products designed with the potential for non-guaranteed, tax-advantaged cash value build-up based on the insurance company's general account investment results.

How does an IUL work?

The way the policy's interest is credited is where it differs from other ULs. IULs are tied to an external index, typically the S&P 500. The interest credited to the policy will be based on the performance of that index, subject to a cap, a floor, and a participation rate.

Cap: The current maximum index interest that will be credited to the policy.
Floor: The minimum guaranteed index interest that will be credited to the policy.
Participation Rate: The percentage of index change that is used to calculate the index credit.

For example, if an IUL has a 10% growth cap and the S&P 500 grows by 15% and it participates in the index 100%, 10% will be credited to the policy's cash value. If the S&P 500 goes down -5% for the year and the policy has a 0% floor, 0% will be credited to the policy's cash value.

Who is an IUL for?

Indexed UL products are well-suited for those wanting:

- Permanent death benefit protection
- Opportunity to grow cash values in greater potential than Current Assumption ULs or GULs
- To lessen the policy's exposure to risk in a down market compared to Variable UL

There you can see the upside potential and downside protection. The upside potential is the opportunity for better performance than on a Current Assumption UL or Guaranteed UL but with downside protection in a down market due to the built-in floor. It's important to note that, even with a floor, a policy still has charges deducted in down years so there is still downside in the policy because nothing is being credited to the policy by the company and charges are still coming out of the policy.

There are different IULs designed to meet different goals. Some are focused on being a no-lapse guarantee substitute by offering lifetime guaranteed death benefits with some cash value growth. Others are focused on cash value growth for retirement income generation. And some are focused on minimal premium requirements with some cash value growth for future flexibility.

Contact your Crump Representative to learn more!

LIFE 101 SERIES: PURPOSE OF LIFE INSURANCE • TERM • WL • UL • GUL • CAUL • IUL • VUL • WHAT'S THE BEST LIFE INSURANCE?

Life 101:

Variable Universal Life

Producers must be securities licensed to sell Variable products.

Upside potential and downside risk

Variable Universal Life (VUL) products are designed for death benefit protection as well as cash value growth potential/risk through a range of underlying investment options, called subaccounts.

How does it work?

Other Universal Life (UL) products will take a portion of the premium payments and invest them in the insurance company's general account. This is not necessarily the case with VULs. The premiums, after various charges, loads, and fees are deducted, can be directly invested into subaccounts. Subaccount options usually range from fixed income and money market funds to equity-based funds (such as large-cap, small-cap, growth, value, etc.). The performance of the product is tied to the investment choices, which means VUL owners bear more risk in this insurance product than in others but can also enjoy greater rewards if the subaccounts perform positively. If the subaccounts decline, cash value can be lost and could result in the need for additional premiums to keep the policy in force. If the subaccounts grow, cash values will grow on a tax-deferred basis which can allow for future flexibility.

There are different types of VULs to meet different objectives, such as those with lifetime death benefit guarantees or those designed for supplemental retirement income.

Who is it for?

VULs are generally well-suited for those wanting unlimited upside potential and who can handle the downside of investment risks. Those interested in VULs should be willing to accept the responsibility for managing their policy values and making investment decisions. Also, most VULs will perform best when the policies are funded with the maximum allowable premiums.[1]

DID YOU KNOW?
VUL owners are more likely to be male Gen X'ers.[1]

Contact your Crump Representative to learn more!

[1] 2015 U.S. Individual Life Insurance Sales Survey, LIMRA

All guarantees subject to the claims-paying ability of the issuing carrier.

LIFE 101 SERIES: PURPOSE OF LIFE INSURANCE • TERM • WL • UL • GUL • CAUL • IUL • VUL • WHAT'S THE BEST LIFE INSURANCE?

Life 101:

The "Best" Life Insurance

You've probably been asked "how do I know which life insurance product is the best choice?" The answer to that is as varied as there are people because the best life insurance product is the one that most appropriately fits the client's needs.

Did you know that Crump offers a Policy Evaluation Program (PEP)? Ask your Crump Sales Team about it!

So how do you determine what product is a good fit for your client? You need to get to know your client by asking good questions, such as:

- **What is the client's life situation?** *Newlywed, young children, a new mortgage, in peak earning years, about to retire, etc.*
- **What are the client's chief concerns?** *Income replacement, supplemental retirement income, establish a college fund, final expense coverage, business need, charitable gift, legacy planning, etc.*
- **Does the client need coverage for a specific period of time or for the rest of his/her life?**
- **How much coverage can the client afford**?
- **Does the client already have life insurance coverage inforce?** *Consider doing a policy review and find out if additional or different coverage is appropriate.*
- **What is the client's risk tolerance?** *Are any of the following important: guarantees, cash value growth, access to cash values?*
- **Are living needs an issue that the client is concerned about?** *Long term care, chronic illness, critical illness.*
- **Is carrier financial strength a concern?**

After you have identified at least two or three of the client's biggest goals and concerns, you can begin to suggest life insurance solutions that address them. Let's look at a few examples:

	Life situation	Biggest Concerns	Possible Solutions
Scenario 1	Married couple Age: 30s Two kids under five	Income replacement, 25 years left on mortgage, college funding, only insurance is through work	30-year term policies, Indexed UL, Variable UL, Whole Life
Scenario 2	Married couple Age: late 50s Hope to retire before age 70	Supplemental retirement income, chronic illness issues run in the family	Indexed UL or Current Assumption UL with LTC or Chronic Illness Rider
Scenario 3	Retired couple Age: late 60s Children/grandchildren	Legacy/estate planning	GUL, WL, or IUL/VUL with life expectancy or lifetime guarantees

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