

Issue Brief: Trends in Universal Life Insurance

One major trend in Universal Life (UL) Insurance is that policies now typically focus on either protection or accumulation instead of trying to achieve both objectives. Companies frequently develop two different policies for these two needs.

For accumulation needs, a properly-designed UL policy has a technical advantage over a whole life design because the UL policy can allow larger premiums and cash values relative to the death benefit. However, this advantage is sometimes offset by the fact that UL policies typically have lower crediting rates than whole life policies due to the types of investments backing the product.

For protection needs, UL is a flexible vehicle capable of providing permanent death benefit protection. A strong trend within the industry has been the emergence of UL policies with no-lapse guarantees. These policies typically have little or no cash value but provide that as long as the policyholder pays the required premiums and the life insurance company remains solvent, then the death benefits are locked in and fully guaranteed for a designated period (which can be for life).

It is important to seek advice from someone who does not have a vested interest in what you ultimately decide—which cannot be said of life insurance agents because their compensation is based on what they sell you. Instead, seek the advice of a fee-only life insurance advisor to help you objectively determine: the type and amount of insurance that you need; the policy design that optimizes value; and the factors to consider when selecting a company.