

EXPLAINING CASH VALUE vs. TERM



Types of Life Insurance

- Group/Employer Sponsored insurance
- Cash Value insurance
 - Whole Life
 - Universal Life
 - Variable Life
 - Return of Premium
- Term insurance
 - Group Term
 - Annual Renewable Term
 - Decreasing Term
 - Level Term

Own the Right Kind of Life Insurance

Cash Value Life Insurance

The Life Insurance Industry's Choice

- Whole Life
 - Universal Life
 - Variable Life
 - Endowment life
- **Protection bundled with a “savings” component**
 - **High Premium**
 - **In most cases the Beneficiary receives the death benefit or the cash value, not both!**

Term Insurance

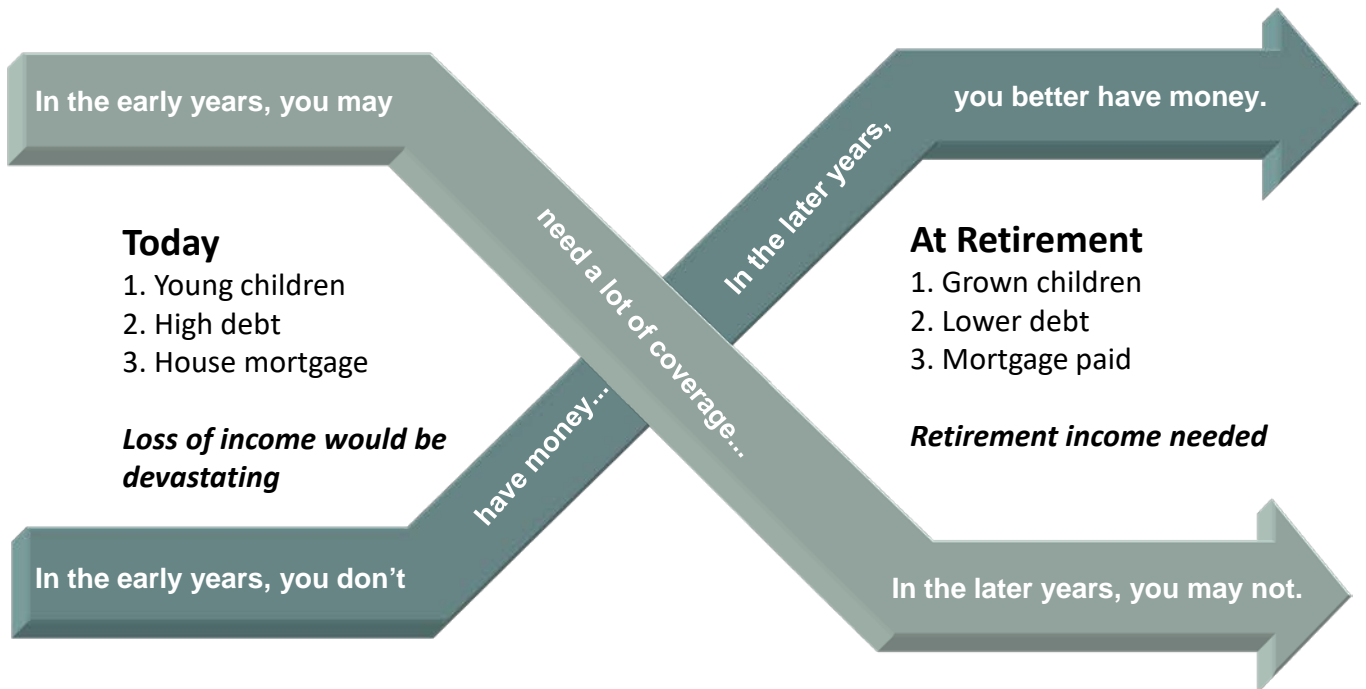
The Consumer's Choice

- Annual Renewable Term
 - Decreasing Term
 - Level Term
- **Pure protection**
 - **Low premium**
 - **Lower premiums will allow consumers to investment in separate vehicles** (i.e. mutual funds, variable annuities, IRAs, 401k)

Our philosophy... "Buy Term and Invest the Difference"

The Theory of Decreasing Responsibility

How long do we really need coverage?
Over the years, our needs change...





Cash Value Insurance

Whole Life – Universal Life – Variable Life

- Life insurance and investments are bundled
- Higher initial premium for same coverage
- Cost of Insurance increases each year the Insured person gets older. (Cost of Insurance is based on age and health)
- Purchasing the needed coverage can be cost prohibitive
- Yields a lower rate of return on investment portion
- Designed so that upon death, you receive your face amount of coverage, but not your face amount plus your cash value, in most cases

Universal Life Insurance

- Universal life was created in the early 80's
- It was the life insurance industry's answer to low interest rates inside the whole life policy
- As inflation was going up, people were taking a loan from their whole life policy and putting it into a 10% certificate of deposit

Variable Life Insurance

- The percent of premium charges, fees, and costs to have a life insurance policy take a large portion of the monthly premium
- The insurance portion always goes up in cost every year and the amount of cash going to the investment portion reduces each year



Return of Premium

A Form of Cash Value

- Builds a small Cash Value
- Un-repaid loans = Reduced ROP
- Lapses during term = Reduced ROP
- Die during term = Loss of ROP
- Middle Market sacrifices needed Face Amount because of higher cost



Cash Value Life Insurance

Follow The Money – All CV policies work this way


PREMIUM \$

- As premiums are applied, increasing mortality charges cause less \$ deposited into CV account.
- Eventually no \$ deposited into CV.

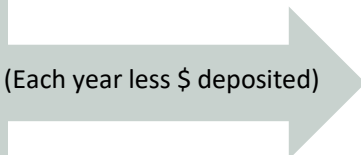


subtract:
Administrative Fees
& charges
(fixed expense each year)



- subtract:
- ART; Mortality Charges
Cost of Insurance (C/I)
 - Increase each year. 
 - % of premium charge
 - Monthly Policy Charges

(Each year less \$ deposited)



Cash Value

Question:

What happens when monthly premium is insufficient to pay for policy charges?

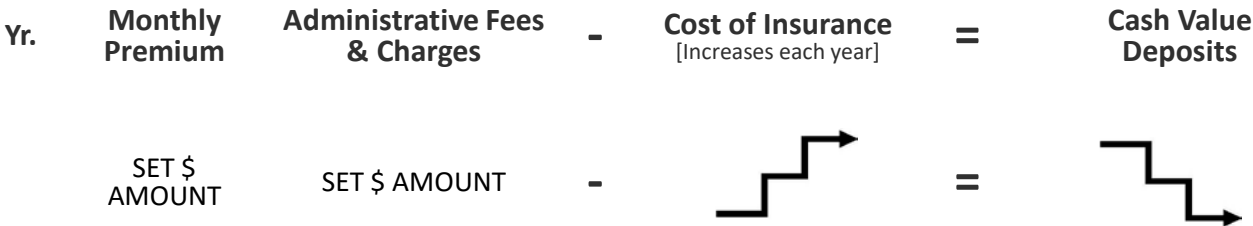
- Premium must increase or
- Policy terminates

Cash Value Life Insurance

Follow The Money – All CV policies work this way

Universal Life / Variable Life = ART + Savings

The older the insured person gets, the cost of insurance increases



| | | | | | | |
|----|-------|------|---|-------|---|------------------------------------------------------------------------------------------|
| 1 | \$200 | \$15 | - | \$80 | = | \$105 |
| 10 | \$200 | \$15 | - | \$120 | = | \$65 |
| 20 | \$200 | \$15 | - | \$200 | = | <\$15> \$ taken as loan (8%) from CV acct. to pay for policy to remain in force |
| 30 | \$200 | \$15 | - | \$350 | = | 0 Increase in premium required or policy terminates |



Why Term Insurance

- Life insurance and investments are separate
- Can purchase more coverage to protect family because term life is generally more affordable
- Lower initial premium for same coverage
- Market rate of return on investment outside of policy
- Upon your death, your beneficiary receives the face amount of your term insurance plus your investments



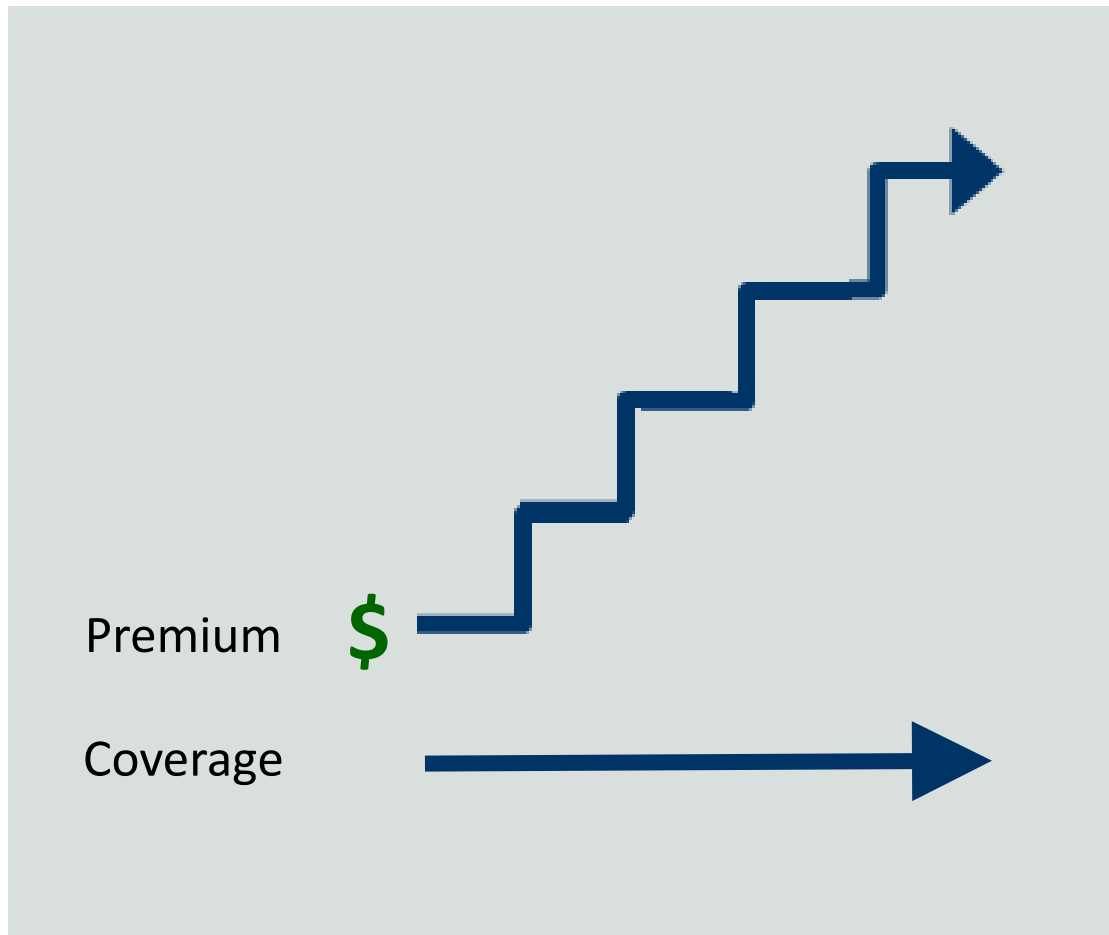
Group Term Insurance

Insurance provided by an employer as a “Benefit to employee

- No access to a knowledgeable representative
- If available to spouse or partner, there are limits to coverage amounts
- The policy may offer coverage only as long as your employment continues
- If/when the insured person terminates employment, he/she may not qualify for a new life insurance policy based on health

Annual Renewable Term (ART)

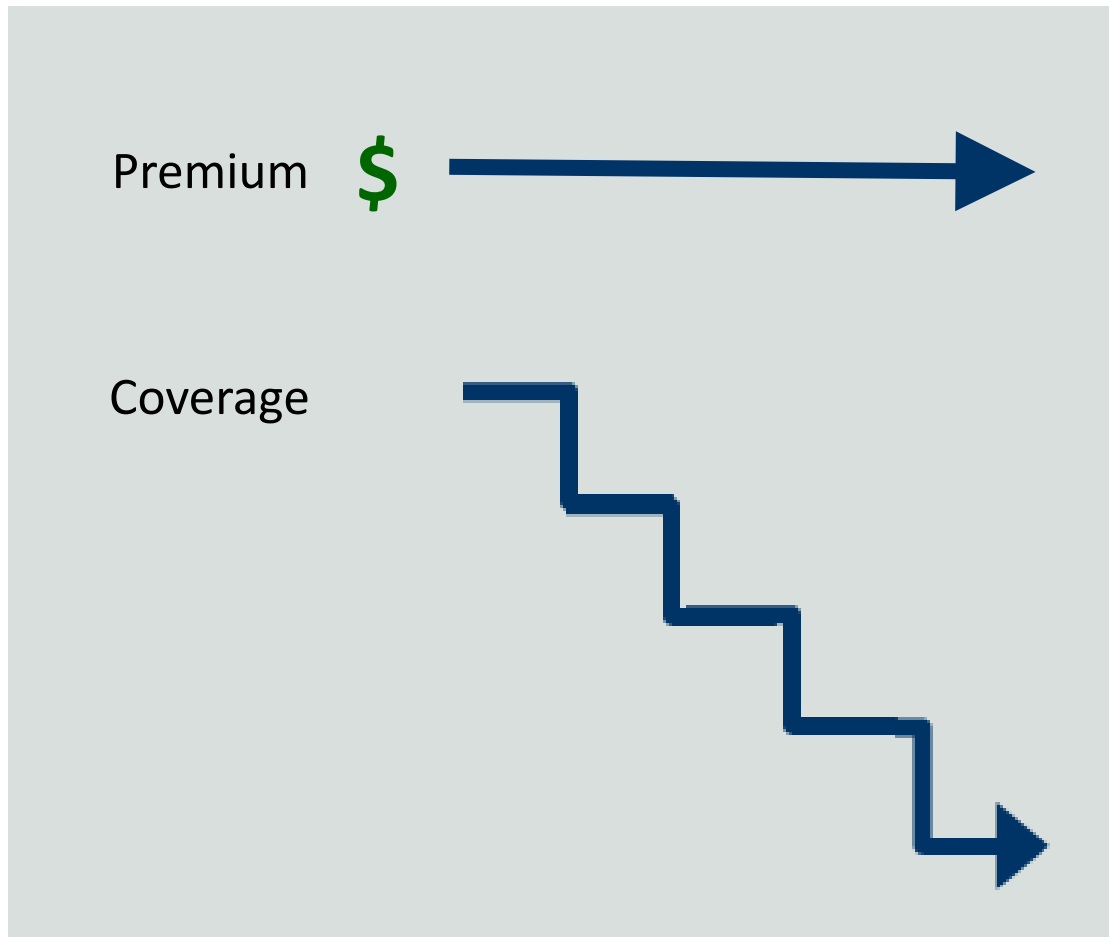
Every year the cost of insurance will increase.
As the age of the insured increases, the
required Cost of Insurance increases.



Decreasing Term (DT)

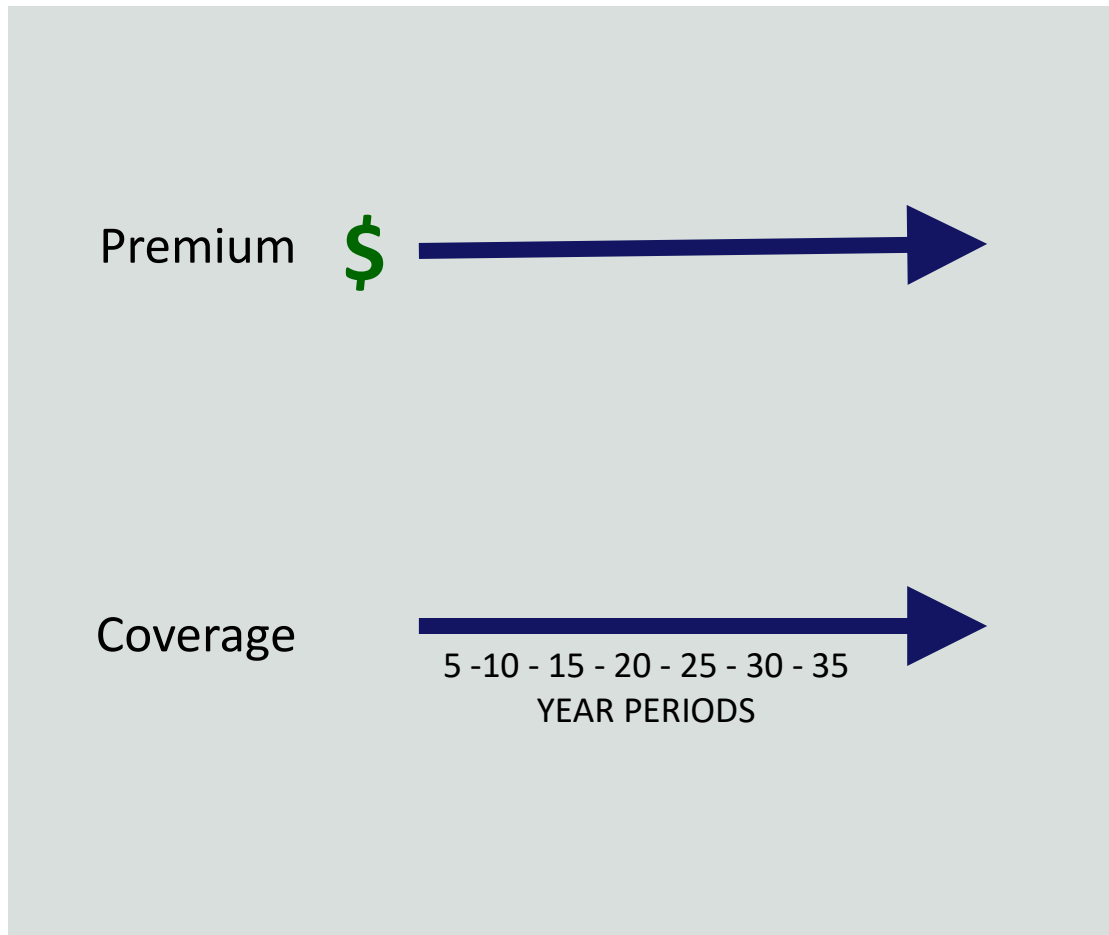
Credit Life – Mortgage Insurance

This product is the reverse of ART. The monthly premium will remain the same, however the amount of coverage will decrease over time



Level Term Insurance

The monthly premium and the coverage amount remains level for the desired period of time





Why Primerica's Custom Advantage

- Banded rate structure
- Spouse and child riders = one policy fee
- Disability Waiver of Premium Rider
- Increasing Benefit Rider
- Terminal Illness Benefit
- No War Exclusion
(Primerica covers "Acts of War")
- Competitive, Affordable Renewal Rates
- Flexible Renewal Options
- Incontestability
- Guarantees insured children ability to get insurance as adults, regardless of health conditions



Primerica's Custom Advantage

- Competitive rates help you reach two important market segments
 - Young families saddled with financial obligations
 - Baby Boomers working to build their nest egg
- Competitive renewal rates up to age 95
- Financially Sound
- A.M. Best (A+); Standard & Poor's (AA)

Primerica Life Insurance Company (Home Office: Boston, MA) is rated by A.M. Best and Standard & Poor's. A.M. Best ratings in order from the highest ratings as follows: A++, A+, A, A-, B++, B+, B, B-, C++, C+, C, C-, D, E, F. Standard & Poor's (S&P) ratings range from the highest ratings as follows: AAA, AA+, AA, AA-, BBB+, BBB, BBB-, BB+, BB, BB-, CCC+, CCC, CCC-, CC.



Primerica's Custom Advantage

Competitive Initial Monthly Premiums & Renewals

Male, Age 35, Preferred Class, 30-year term, \$150,000 face amount

| | Premium | Age 65 |
|-----------------------------------|----------------|-----------------|
| Primerica's Life Companies | \$35.92 | \$309.52 |
| Genworth | \$36.19 | \$1,052.98 |
| Jackson National | \$41.43 | \$704.90 |
| AIG | \$43.58 | \$920.85 |
| Allstate | \$49.09 | \$1,099.22 |
| MetLife | \$49.82 | \$803.66 |
| AXA Equitable | \$50.84 | \$907.55 |
| Mass Mutual | \$60.38 | \$959.13 |



Primerica's Custom Advantage

- Custom Advantage 35
- Custom Advantage 30
- Custom Advantage 25
- Custom Advantage 20
- Custom Advantage 15
- Custom Advantage 10