

What Is Variable Life Insurance?

The insurance industry has introduced different types of insurance to meet consumers' needs. For example, universal life insurance was created to provide a solution for many of the perceived shortcomings of whole life insurance and term life insurance. (See "What Is Universal Life Insurance?")

When consumers demanded even more changes from the life insurance industry, it responded with variable life insurance and the concept of investment control. Whereas whole life insurance provides fixed rates of return on the account value, at rates determined by the insurance company, variable life insurance provides the policyholder with investment discretion over the account value portion of the policy.

If you own a variable life policy, you may allocate your account value among a variety of investment subaccounts. The premiums you pay are fixed throughout the life of the contract, while the performance of your chosen subaccounts determines the growth of your account value. The performance of the subaccounts can also determine the value of your death benefit.

There are usually several subaccount options to choose from, including stock, bond, money market, and fixed-interest options. You can allocate your account value as you see fit, and you can be as conservative or aggressive as you wish.

A possible disadvantage is that the premiums of a variable life insurance policy generally are fixed and cannot be adjusted if your financial situation changes. A variable life policy does provide you with a guaranteed death benefit. If your subaccounts perform poorly, the death benefit could decline, but never below a defined level specified in the policy. Of course, any guarantees are contingent on the claims-paying ability of the issuing insurance company.

In sum, variable life offers the flexibility to design your own portfolio, together with the security of a guaranteed death benefit. As long as you pay your fixed premiums, your death benefit cannot go away. This is not the case with universal life insurance or variable universal life insurance.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Depending on your situation, variable life is an option to consider. If you are considering purchasing life insurance, consult a professional to explore your options.

Variable universal life insurance is sold only by prospectus. Please consider the investment objectives, risks, charges, expenses, and your need for death-benefit

coverage carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.