

What is Whole Life Plan?

What is a Guaranteed Whole of Life plan? It's a life insurance plan that provides coverage for the duration of your life, rather than for a fixed term. This means that, whenever you die, your loved ones will receive a cash sum, no matter what happens.

Whole Life Insurance, or Whole of Life Assurance (in the Commonwealth), is a life insurance policy that remains in force for the insured's whole life and requires (in most cases) premiums to be paid every year in order to keep the policy.

This plan doesn't normally have a cash value. However, if you choose to pay a single premium or for a limited premium term, there may be a small cash-in value, but this will be less than the premiums paid.

All life insurance was originally term insurance. However, because term life insurance only pays a claim upon death within the stated term, a number of term insurance policy holders became upset over the idea that they could be paying premiums for 20 or 30 years and then wind up with nothing to show for it.

In response to market pressures, actuaries conceived of an insurance policy with level premium payments that were higher than traditional term insurance contracts. These contracts would offer a "cash value", which was designed to be a cash reserve that would build up against the known claim - the death benefit. These policies would also credit interest to the cash value account and upon maturity of the contract (usually at age 95 or 100), the cash value would equal the death benefit.

This produced a benefit to both the policy owner and the insurance company. By guaranteeing the death benefit, the policy owner was assured that insurance coverage would be in force when the insured died. The insurance company benefited because with every premium payment made, 30% is overcharge and pure profit, and thus the cost of insurance, is able to increase, while premiums remain the same.