

Term life insurance is a type of temporary life insurance that provides coverage for a specified period, contingent upon the payment of premiums. It has a defined start and end date, and if the insured dies before the end date, the death benefit is paid, provided premiums are current. This insurance is generally more affordable than permanent life insurance and is often used to address temporary financial needs, such as mortgage payments, child support, or business agreements. For instance, a policy may be purchased to ensure that a spouse can maintain their home while completing their education or to secure child support obligations until children reach adulthood.

Term policies typically include two key provisions: the guaranteed renewable provision, which allows the policy to be extended for a specified time without regard to insurability, with renewal premiums based on the insured's age at renewal; and the guaranteed convertible provision, which permits the policyholder to convert the term policy into a permanent life policy that accumulates cash value. While term insurance is less expensive and does not build cash value, it offers flexibility through these provisions.

There are three main types of term insurance: Fixed Period Level Term, Renewable Term, and Decreasing Term. Fixed Period Level Term insurance maintains a constant death benefit and premium throughout the policy's duration, but upon expiration, the insured must reapply and may face higher premiums due to age or health changes. Renewable Term insurance allows for renewal without requalification, but premiums increase with each renewal based on the insured's age. Decreasing Term insurance features a death benefit that diminishes over time, reaching zero at the end of the term, making it suitable for covering loans or obligations that decrease in value, such as mortgages.

In summary, term life insurance is ideal for individuals with specific, time-limited insurance needs, offering various options to tailor coverage to their financial responsibilities.