Life insurance provides a death benefit upon the death of the insured during the coverage period, aimed at offering financial security by managing the risk of premature death or outliving assets. Life insurance policies are classified into temporary and permanent categories. Temporary policies offer coverage for a specific term, while permanent policies provide lifelong coverage. Within these categories, guaranteed policies involve the insurer assuming all risk and guaranteeing the death benefit for a fixed premium, whereas non-guaranteed policies transfer much of the investment risk to the policyholder in exchange for lower premiums and potential fee increases.

Term life insurance features a fixed death benefit, no cash value accumulation, and is generally less expensive than permanent insurance, often serving as income replacement for beneficiaries. Whole life insurance guarantees premiums, cash value, and death benefits, representing the most conservative permanent coverage. Universal life insurance allows flexibility in premium timing and amounts, provided they maintain a positive cash value, and is often used in estate planning to preserve wealth for beneficiaries.

Non-guaranteed elements of life insurance policies include cost components that may change over time, primarily consisting of mortality, interest, and expenses associated with the cost of insurance charge (COI) for non-guaranteed policies. The market share for life insurance types as of the third quarter of 2017 indicates that term life accounts for 22%, whole life for 36%, and universal life for 42% of the market.