The insurance policy outlines that the actual cost of insurance may differ from the planned premium, typically being higher in the early years, which allows for cash value accumulation. As the insured ages, the cost of insurance increases. If the planned premium does not cover the cost of insurance and other charges, the shortfall will be deducted from the policy's cash value. Should the cost of insurance and charges exceed the premium and cash value, the policyholder may need to increase their premium or reduce the death benefit to maintain coverage. The policy is a universal life insurance type, characterized by flexible premium payments, where part of the premium funds the life insurance and the remainder contributes to the cash value, which earns interest at a minimum rate specified in the policy. Administrative costs, which cover the insurer's operational expenses, must also be accounted for alongside the premium and cash value.

The policyholder may have initially set their premium based on anticipated interest rates, but if these rates fall below expectations, the planned premium may become insufficient. Failure to adjust the death benefit or increase premium payments in response to rising costs or declining interest rates could lead to policy lapse due to inadequate cash value. Additionally, withdrawing funds from the policy reduces the cash value and consequently the interest earned. An annual statement is provided by the insurance company, detailing the policy's performance, current cash value, and whether the premium payments are adequate to keep the policy active. Policyholders are encouraged to seek clarification from their insurer or agent if they do not understand these statements.

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