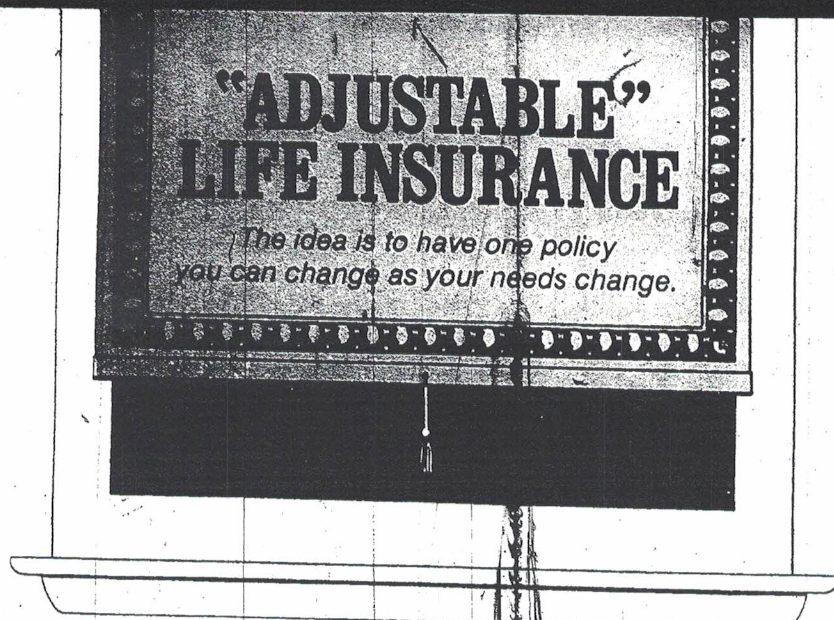

LIFE INSURANCE experts have long speculated about a "life cycle" policy that would fit just about everyone's needs and could be easily modified as situations changed. The policy could be broadened or narrowed at will, so rarely would you find it necessary to buy another policy or cancel your coverage.

Until recently, however, insurers have tended to go in the opposite direction, producing more specialized policies designed to give them a competitive advantage in selling to some particular group of buyers. Now, two well-known companies, Bankers Life of Des Moines and Minnesota Mutual Life of St. Paul, are selling an "adjustable life" plan that they believe comes close to the life-cycle ideal.

Combine two basic types

IN EFFECT, the companies have combined two standard forms of life coverage, whole life and term, in a new and highly flexible way.

Whole life policies are the kind that accumulate a cash value, which the policyholder can borrow against or draw out if he cancels the policy. Normally, you pay a fixed premium computed according to your age at purchase. The policy remains in force for life (provided the required premiums are paid) and never has to be renewed. In many whole life policies you pay premiums only up to a certain age. With a paid-up-at-65 policy, for instance, premiums stop at 65 while the policy continues for the person's lifetime. The greater the cash value accumulation or the shorter the total premium payment period, the higher the premium charged for the same amount of insurance.

Term policies stay in effect for only a designated period—one year, five years and so on. The policy has to be renewed at expiration, and the premium is then raised for the next in-force period in line with your age. Term policies do not ordinarily accumulate a cash value. They do in an adjustable life plan but to a much smaller extent than whole life.

Term costs considerably less than whole life, so the same premium will buy more term than whole life protection at the start.

The longer the duration of the term policy, the higher the premium. That's because the premium set for the effective period must cover more of your later years, when your mortality risk will be higher than it is when you purchase the policy.

Insurance companies offer, at an extra charge, term policies that can be converted into whole life without your having to meet the company's medical qualifications. The premium for the whole life policy is geared to your age at the time the conversion is made, as it would be with a regular purchase.

The many ways you can "adjust"

BY COMBINING various types of term and whole life into one policy, the adjustable life plan can provide a wide range of alternatives to fit the face amount or premium you select. Here are some of Bankers Life's alternative policy arrangements available to a 35-year-old man for a $300 annual premium:

policy form	face amount	policy form	face amount
term expiring at 45	$48,514	whole life paid up at 98	$14,669
term expiring at 55	36,433	whole life paid up at 85	14,591
term expiring at 65	26,148	whole life paid up at 65	12,631
term expiring at 85	15,661	whole life paid up at 60	11,435
term expiring at 90	14,966		

If you specify the premium and the face amount, the company can provide a policy that meets both requirements precisely. A man of 35 who wants $10,000 of protection and wants to spend exactly $165 a year

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would get a term policy that runs to age 75 plus 65 days.

Of course, some of the same policy combinations can be obtained with standard term and whole life policies. And moderate deviations from the desired face amount and premium are often unimportant. However, the major innovation is that adjustable life allows you to reduce or increase the original premium or face amount or both on any monthly policy anniversary until you exceed 75.

There are some limits. You can't increase the face amount by less than $5,000 or, usually, reduce the term protection period to less than ten years with Bankers Life, five years with Minnesota Mutual. You must also be medically qualified for insurance when an increase in coverage is requested (except under two arrangements to be explained later).

The policy's face amount can be increased by paying the necessary additional premium. The premium can be reduced by cutting the face amount correspondingly. Moreover, the premium and the face amount can be altered independently of each other, in which case the company compensates by complex adjustments in the policy. When you apply for such a change, you can get a computer printout from the agent showing the adjustments in detail. In general, they operate along these lines:

- ▶ If you reduce the premium, the duration of your term policy will be shortened or the premium-paying period of the whole life policy will be lengthened.
- ▶ If you increase the premium, the term protection period will be lengthened or the premium-paying period of the whole life will be shortened.
- ▶ If you reduce the face amount, the term period will be lengthened or the whole life premium period will be shortened.
- ▶ If you increase the face amount, the term protection period will be shortened or the whole life premium period will be lengthened.

You are also free to shift from term to whole life or vice versa, within limits.

The table on the next page shows how these adjustments can affect the underlying policy's coverage over a long period.

Need more? Easy

THE ADJUSTABLE life plan offers three special options for raising the policy's face amount.

Guaranteed-increase option. For an extra premium the buyer gets the right to buy additional insurance at ages 25, 28, 31, 34, 37 and 40 from Bankers Life and at 22, 25, 28, 31, 34, 37 and 40 from Minnesota Mutual without having to qualify medically. The minimum additional purchase is $5,000. The maximum varies according to age and the policy's current face amount. You may buy the new insurance at marriage or the birth or adoption of a child instead of waiting for one of the regularly scheduled dates.

Cost-of-living increases. Included with the basic policy is the right to buy more insurance every three years to keep pace with the rise in the cost of living during that period. No medical exam is required. The increase can't be less than $500 or more than 20% of the face amount or $20,000, whichever is less.

Any cost-of-living increase must be reduced by additional insurance bought during the preceding three years. Say you have already purchased $5,000 of insurance above your basic policy and the cost-of-living change entitles you to $15,000. The company won't sell you more than $10,000 under the cost-of-living option on that particular three-year anniversary. You could, of course, buy the other $5,000, but that would be subject to medical qualifications.

Insurance acquired under the guaranteed-increase option plan is not deducted from the allowable cost-of-living increase.

Policyholders may exercise the cost-of-living option up to age 55.

Dividend-improvement option. Minnesota Mutual and Bankers Life refund part of the premium in the form of an annual dividend. The amount varies with the companies' mortality, expense and investment experience. The dividend may be taken out in cash, left in an interest-bearing account with the company, applied toward the premium payment or used to broaden your coverage. If you take the last option, Minnesota Mutual will either add term insurance to your policy or convert the dividend into additional, fully-paid-up whole life insurance, whether the adjustable life plan is in a whole life or term status. Bankers Life puts the dividend into whole life only when the adjustable life consists of whole life. If the adjustable life rests on term, the dividend lengthens the term protection period.

For additional premiums you can add the same waiver-of-disability and accidental-death-benefit riders sold with standard policies. The waiver rider obligates the company to pay the policy premiums if you become disabled. Under certain conditions it will also buy and pay for cost-of-living and guaranteed-purchase increases that become available while you are disabled. The accidental-death benefit increases the face amount payable to your beneficiary if you die as a result of an accident.

How good?

A SKILLED insurance agent representing a company with a full spectrum of policies can probably duplicate many of the adjustable life features with regular term and whole life contracts. Substantial changes in a standard policy, though, normally require the purchase of another policy and sometimes the replacement of your starting policy.

Over a lifetime there may be many occasions on which you will want to increase your life insurance—marriage, the birth of a child, a rise in your standard of living and so on. There are also times when you may want to cut back on premiums or coverage—retirement, loss of income, a reduction in family responsibilities. Adjustable life accommodates repeated modifications. The computers automatically balance premiums, cash values, dividend allocations, policy forms and other complex components of a life insurance policy.

However, you pay extra for that flexibility. Measured by the interest-adjusted formula (which has no relationship to adjustable policies), the new policies cost more than the standard types. Part of that differential reflects an expense provision for adjustable life's cost-of-living feature, which increases the companies' mortality risks because a policyholder can buy the additional insurance at standard rates, however poor his health.

Minnesota Mutual vice-president and actuary Robert [illegible]. Hunstad points out that buyers past their midforties pay about the same for adjustable life as for other whole life policies because the cost-of-living purchase rights run out in later years.

If you're interested in an adjustable life plan, take the time to go over all the details with the agent and check out a few premium and face amount combinations. Also, don't neglect to retain the policy statements the company will send you with each change. If you revise the policy from time to time, you will need them to keep yourself and your family informed of the current status of your insurance.

See how flexible the new policy can be

The protection in an adjustable life policy can be expanded and contracted in a variety of ways. In the following statement Bankers Life has projected a series of drastic changes in policy conditions for a hypothetical man from age 25 to 70. The premiums include the waiver-of-premium and guaranteed-increase options explained in the article. It is assumed that he uses dividends to improve his coverage and purchases all the permissible cost-of-living increases.

Keep in mind that the high face amounts and premiums shown for his later years reflect decades of inflation. What appears excessive now may well appear reasonable then.

Some of the policy changes occasion an alteration in the [illegible] of the insurance. For instance, when he reduces his premium from $7,495 a year to $3,600 at age 60 without cutting the face amount, the insurance company compensates by lengthening the premium-paying period of the whole life policy from 65 to 72.

end of policy year	age	premium	face amount	cash value	plan of insurance	principal reason for change
1	25	$ 300	$ 25,000	$ 6	term to age 69	original policy
3	27	300	35,000	283	term to age 57	face amount increase with no change in premium
6	30	600	45,000	787	term to age 73	face amount increase with premium increase
10	34	717	54,000	2,710	term to age 74	cost-of-living increase
13	37	882	64,800	4,740	term to age 74	cost-of-living increase
16	40	1,860	77,760	7,416	life paid up at 65	cost-of-living increase; premium increase for shift to whole life coverage
19	43	2,423	95,706	13,519	life paid up at 65	cost-of-living increase
22	46	3,258	118,474	21,991	life paid up at 65	cost-of-living increase
25	49	4,288	142,775	33,835	life paid up at 65	cost-of-living increase
28	52	5,825	168,669	49,980	life paid up at 65	cost-of-living increase
31	55	7,495	196,476	72,4[illegible]	life paid up at 65	cost-of-living increase
36	60	3,600	214,779	119,5[illegible]	life paid up at 72	cut in premium but face amount raised by dividends
41	65	3,600	240,107	161,856	life paid up at 72	further increases bought with dividends
46	70	3,600	271,288	213,344	life paid up at 72	further increases bought with dividends

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