

# Business

Barry Jensen editor/591-2300



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## Term life insurance can help manage risk

By Sid Mitra and Mari Kullikowski special writers



finances and you  
Sid Mitra

Part I

Life insurance is the best-known form of insurance. Others include disability, casualty/property, and health insurance. In this article, we will cover the basics of term life insurance. Other forms of insurance will be covered in subsequent articles.

### Role of Life Insurance

Life insurance performs two major functions:

1. to replace the earning power of the family's breadwinner
2. to provide liquidity for an estate and thus guard against its loss in value by the forced sale of estate assets to meet the family's current cash needs.

Life insurance is concerned with the economic value of a human life, which can be measured. Its value is derived from the policyholder's earning ability and the financial dependence of others on his income. Life insurance rests this foundation.

### How Much Life Insurance?

In determining how much life insurance a person should own, there are two basic approaches:

1. The human life value approach
  2. The needs approach.
- The human life value approach involves replacing a policyholder's earning power with life insurance. The most important part of his earning power is the amount devoted to the support of his dependents.

which you would lose if you let the policy lapse, is evidence to the company of your intent to retain your policy for the specified period of time.

A commonly used policy is 10 years in duration. It usually may be renewed (at a higher premium) and convertible (to cash-

value life) at your option without evidence of insurability.

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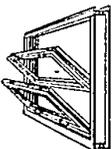
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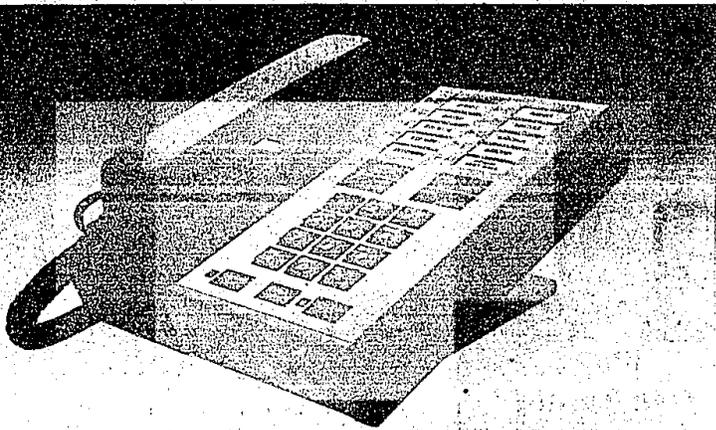
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