

Universal Life is a type of permanent life insurance based on a cash value. That is, the policy is established with the insurer where premium payments above the cost of insurance are credited to the cash value. The cash value is credited each month with interest, and the policy is debited each month by a cost of insurance (COI) charge, and any other policy charges and fees which are drawn from the cash value if no premium payment is made that month. The interest credited to the account is determined by the insurer; sometimes it is pegged to a financial index such as a bond or other interest rate index.

Whole Life Insurance, or Whole of Life Assurance (in the Commonwealth), is a life insurance policy that remains in force for the insured's whole life and requires (in most cases) premiums to be paid every year into the policy.