

Term is the simplest product to explain and the easiest to sell dishonestly, because the two facts that matter most are the two nobody mentions: what happens when the level period ends, and whether the policy can be converted. Neither is guaranteed by law. Both are in the contract.

THE SHAPES TERM COMES IN

TERM	WHAT IT DOES	THE TRAP
Level term	Level premium and level face amount for a stated period. Ten, fifteen, twenty, thirty years.	Level for the period, not for life. The period is the product.
Annually renewable	Renews each year without evidence of insurability, at that year's attained-age rate.	Cheapest in year one and rising every year after.
Decreasing	Face amount declines on a schedule while the premium stays level. Sold against a mortgage.	The debt amortizes on the lender's schedule, not the policy's. They drift apart.
Return of premium	Pays the premiums back if the insured survives the term.	Costs materially more. The difference is the price of that refund.

Term is pure protection for a stated period. No cash value, no policy loans, no dividends, and term is largely exempt from the standard nonforfeiture law, which is why there is nothing to forfeit.

CONVERSION IS THE MOST VALUABLE CLAUSE, AND NO LAW REQUIRES IT

- Most level term carries a right to convert to permanent coverage **without new evidence of insurability**, before a deadline set by age or by duration.
- We searched for a mandate and found none.** No NAIC model we checked, and no state statute we checked, requires a conversion privilege on individual term. A New York spot check found its policy-provision mandates expressly do not apply to term. So conversion is a **contract term that varies by product**, and a client who assumes it exists may not have it.
- Why it matters more than anything else here: conversion is the answer to *what if I get sick during the term*. Somebody who buys twenty-year term at thirty-five and develops a condition at forty-eight cannot buy new coverage at fifty-five, but can convert.
- State three things out loud:** the deadline, what it converts into, and whether any part of the face amount is excluded. An agent who never mentioned conversion took that option away from someone who did not know it existed.

Searched: a large-state statute sample; NAIC Model #580, which is silent on conversion; NAIC Model #613, which mentions it only to exempt same-carrier conversion from the replacement rules at Sec. 1.B.4.

THE LEVEL PERIOD ENDS. THE POLICY USUALLY DOES NOT.

- Many level term policies continue after the level period on an **annually renewable basis at substantially higher rates**. Clients routinely believe a twenty-year policy simply stops at twenty.
- The rates after the cliff are attained-age and they climb steeply. In practice the policy prices itself out within a few years, which is the intended outcome, not a malfunction.
- The right to renew usually ends at a stated age. Find it and say it.

The disclosure lives in the NAIC Life Insurance Buyer's Guide, which tells consumers term can usually be renewed, that renewal premiums may be higher, and to ask what they will be. Many states require a buyer's guide and policy summary by statute or rule; your state's module gives the section.

RENEWABLE, CONVERTIBLE, REENTRY: THREE DIFFERENT WORDS

TERM	WHAT IT DOES	THE TRAP
Renewable	Continue the same term coverage without new underwriting.	At a higher attained-age premium. Renewable does not mean level.
Convertible	Exchange it for a permanent policy without new underwriting.	Priced at attained age, and often only into a restricted product list.
Reentry	Re-qualify through underwriting to earn lower select rates again.	Fail the re-underwriting and you pay the higher ultimate rates. It is a gamble on future health.

QUOTING A CHANGEABLE PREMIUM HONESTLY

- Where the insurer reserves the right to change the premium, the annual premium you state is the **maximum** annual premium, not the current one.
- On an annually renewable product, quoting the current-year number as though it were the premium is the exact practice that rule exists to stop.
- Say it in the conversation whatever the paperwork does.

Where this rule exists it is in the state's life insurance solicitation law; your state's module gives the section. Inducing a client to convert or replace with a misleading comparison is twisting under state unfair trade practices law, whether or not the new policy is better.

WHAT TERM DOES NOT HAVE

No cash value	Nothing accumulates. There is no surrender value and no account to borrow against.
No nonforfeiture options	Term is largely exempt from the standard nonforfeiture law. Stop paying and coverage ends after the grace period.
No dividends	Term is generally non-participating, so there is no dividend scale to discuss.
No guarantee past the period	Everything beyond the level period is renewal and conversion language, which is where the whole negotiation actually lives.

READ OFF THE CONTRACT, NOT OFF A STUDY GUIDE

Level period	___ years
Convertible until, age or duration	___ which
What it converts into	___ list
Any face amount excluded from conversion	___ \$
Renewable to age	___ age
Post-level premium basis	___ ART / other

Conversion is not a right your state gives the client. It is a clause this carrier either wrote into this contract or did not. Two products at the same premium can differ entirely here, so read it off the policy every time and tell the client what it says.