

# Guide to Life insurance



## **The Mortgage Insight Guide to Life Insurance**

This guide answers some typical life insurance questions and gives you some things to think about in relation to your life insurance needs.

### **What type of cover can I have?**

There are 3 main types of cover:-

Life– Pays out a lump sum on your death only.

Critical Illness– Pays out a lump sum on diagnosis of an illness specified by the insurer.

Income Protection– Provides a regular income on death or diagnosis of an illness specified by the insurer dependant on the policy specifics.

### **Do I need cover?**

That totally depends on your individual circumstances. If you have financial dependents, or a joint mortgage, consider how your family would cope financially should you die and they can no longer rely on your income.

On the other hand, if you do not have people in your life who depend on your income, ask yourself if anyone would benefit from your life insurance policy if you died. You may decide income protection insurance or critical illness cover is more appropriate for your needs.

### **Do I need to add critical illness?**

As with the life insurance cover, this will depend on your individual circumstances. For some people critical illness cover is more suitable than life insurance. Critical illness cover will pay out a lump sum on diagnosis of certain conditions specified by the insurer rather than on death, so it can be used to provide a lump sum. This can be used to pay off all or part of the mortgage, or to provide some income if you were off work due to the illness.

### **How much cover do I need?**

In regard to life insurance, the minimum cover we would advise is that you should have sufficient to repay the mortgage in the event of your death. In addition to that cover you should consider taking out extra insurance for other financial commitments such as credit cards or loans.

Any additional insurance will cost you more so you should think about what sort of budget you have to pay for this cover. The amount of insurance you require is important and really should be discussed with your adviser to make sure that you have sufficient for your needs.

### **Pick the right policy**

We are here to make sure that your individual needs are met with the correct policy.

The two main types of policy are:

- 1) **Level term insurance** and
- 2) **Decreasing term insurance**

Level term insurance is taken out for a set period of time and the payout your family would receive remains the same for the length of the term. Decreasing term insurance reduces the amount of money your family would receive over time and is the type of cover most people take out to protect a repayment mortgage.

There is also the choice to have "term insurance" or "whole of life insurance". Term insurance has a shelf life and will only last for an agreed period of time – often the length of your mortgage term or until you reach retirement and your children have flown the nest.

Alternatively whole of life insurance does not have an expiry date and lasts for as long as you live; this however is usually a more expensive option so again it is something to discuss with your adviser.

### **Do I need to put the policy in trust?**

That again would depend on your circumstances, but putting your life insurance policy in a trust will ensure the money paid out when you die will go to the people you intend. If you do not put your policy in a trust the money will automatically become part of your estate, and could be subject to inheritance tax (IHT) – which can currently be as much as 40%. If you set the insurance in trust, the money will go directly to the person named without being attached to your estate.

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## **How often should I review my cover?**

Once you have purchased your life insurance policy, it is important that you do not tuck it away in a drawer and forget about it. If your circumstances change, for example you get married, or have a baby, it is likely you will need to update your cover straight away. Also if you stop smoking or lose weight it is important to review things again as this could affect how much you need to pay for your protection. We look to review your needs annually to make sure that you continue to have the correct cover at the right price.

## **What will it cost me?**

The premiums you will pay will depend on your circumstances but we have access to a range of insurers to make sure that you are not paying too much for the cover you need. In a lot of cases we actually save people money on their existing premiums because we find that they are either over-insured, or that the premium they are paying is higher than the one we can get for them.

We must stress that the insurers do sometimes increase the initial quote once they have assessed the application, but your adviser will be able to explain that process if they feel it may be an issue.

## **What about additional costs?**

There are no additional costs in changing an insurance policy. Until we confirm to the insurer that you wish to commence the policy you are not committed to proceed with it. This means that should the insurer increase the premiums, we can decline their offer and look elsewhere.

## **What about the time and trouble?**

We will deal with as much of the application as possible and will liaise with the insurer to get the application processed as quickly and painlessly as possible. There will be times that we will need your help to push things on. Overall it will be worthwhile just to know that you have the correct cover and that your family is protected properly if anything were to happen.

As you can see there are a lot of aspects that you need to take into account when looking at your insurance needs. Having the correct insurance is very important and knowing that you have the right cover means one less thing to worry about.

## **Here to Help**

Mortgage Insight is here to help and the best way we can do that is to go through a review with you to confirm whether you are on the right product already or need to change.

We hope that this guide helps you but in order to make sure that you get the right insurance we really need to speak to you directly.

## **Here to Help**

If you do have any other questions or if you want to arrange a review please contact:-

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