



FINANCIAL REGULATOR
Rialtóir Airgeadais

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^

life insurance
made easy

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We are an independent watchdog set up by the Government to:

- regulate firms that provide financial services; and
- help you make informed decisions about your personal finances.

We do not sell anything. We give you free, independent information in plain English and help answer your questions.



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Introduction

This guide describes how life insurance works and helps you to decide whether or not you need life insurance to protect you and your family. It gives general information only, and you should always check your own policy for details of your insurance. See page 27 for an explanation of the terms used in this guide.

The guide is divided into four sections.

Section 1 – Do I need life insurance?

Section 2 – What types of life insurance policies are available (including mortgage protection insurance)?

Section 3 – How to shop around for life insurance.

Section 4 – Keeping my life insurance policy up to date.

There are other types of insurance available that can provide a lump sum or an ongoing income if you become seriously ill or unable to work because of a disability. Go to www.itsyourmoney.ie to find more information about these types of insurance, or you can order or download our '**Serious-illness insurance**' and '**Income protection insurance**' publications.

What is life insurance?

A life insurance policy is designed to pay out an amount of money if you die during the time limit set out in the policy. It is difficult to think about the effect your death would have on those you care about, but it is important to plan for their needs and to look at how your death may affect them financially.

No matter how much you earn, it is important to make sure your dependants (people who rely on you for financial support) have enough money to live on if you die. A life insurance policy can protect your dependants against financial hardship by paying them a lump sum after you die.

Section 1 – Do I need life insurance?

You may need life insurance if:

- your family or others rely on you for financial or other support;
- you have any loans or debts, such as a mortgage on the family home; or
- you act as a guarantor on a mortgage for somebody else.

A life insurance policy is one of the most common ways to provide money for your dependants if you die. And, if you have any large loans or debts, you should consider having life insurance in place to pay them off if you die.

You may not need life insurance, or you may need less cover, if:

- you do not have any family members or close friends who depend on your income;
- you have 'death-in-service' benefit through your job or pension plan – this kind of plan pays out a lump sum if you die during your working life;
- your dependants would be entitled to enough social welfare benefits to live on after you die;
- you have investments or property that could provide an income or be sold for cash; or
- you are older and your family is grown up, or your partner is earning an income.

Generally, you are more likely to need life insurance if you have a mortgage and a young family. If you are young and single, or are older with a grown-up family, you may have less need for life insurance. However, it is important to consider your own individual circumstances.

How much life insurance do I need?

If you have a young family, you will need to provide a larger lump sum than if your children were older. That is because the benefit has to last longer. You will need to consider buying enough insurance to:

- give your family an income for as long as they need it;
- pay off your mortgage and any other loans; and
- cover bigger costs that might arise as your children get older – for example, school or college fees.

How long do I need life insurance for?

If you have a young family or plan to have more children, you may want to put life insurance in place at least until your youngest child has left school or finished college. This could mean having life insurance for a term of at least 20 to 25 years. If your children are older, five or 10 years of insurance may be enough. Some policies, such as whole-of-life policies (see page 16), give you insurance

for your lifetime so you do not have to decide on a specific length of time (the 'term' of the policy).

Who should I insure?

If you are in a relationship and have dependent children, it is important to consider what may happen if either you or your partner died. For example, if you are involved in looking after your home and children, there could be extra childminding or housekeeping costs if you died. So, you may want to consider a joint or dual policy. This covers two people on the same policy, and could pay out a lump-sum benefit if either of you die (**joint-life insurance**) or if both of you die (**dual-life insurance**) within the term of the policy.

Who gets the benefit from life insurance?

If you arrange a policy on your own life, the policy benefit is usually paid direct to your estate, or to whoever you have named as the beneficiary, once the insurer receives proof of your death.

If your husband, wife or partner takes out a policy on your life, the policy benefit could be paid direct to them without going through your estate.

If you have a joint-life policy (see page 5), the benefit is usually paid to the surviving policyholder named on the policy.

If you have a mortgage protection policy (see page 11), it has to be 'assigned to' your lender. This means that as long as you have a mortgage, the policy benefit will be paid to your lender if you die. They will use the money to clear your mortgage and pay any money left over to your estate.

See page 24 for some information on how tax applies to life insurance policies. For more detailed information on how tax might affect you, you should get advice from a financial advisor. You can order or download our publication **'Getting financial advice'** on our consumer website **www.itsyourmoney.ie**



Section 2 – What types of life insurance policies are available?

There are a number of different types of life insurance policy. The most common types available are:

- term life insurance;
- mortgage protection insurance; and
- whole-of-life insurance.

Term life insurance

This is life insurance that runs for a set period of time. It is the simplest and one of the cheapest forms of life insurance. Before you arrange a policy, you will need to choose:

- the sum assured (the amount of cover you want the policy to pay out); and
- the term (the period of time you want cover for).

Once you decide on the sum assured and the term, your premium is fixed for the term of your policy.

If you die before the end of your chosen policy term, the sum assured will be paid to your estate. If you don't die during the term, no benefit is paid out and the policy will end.

The premium and the sum assured are fixed for the term (except for index-linked policies, which are explained on page 10).

Term life insurance costs

This table shows the monthly cost of term life insurance for a couple with a joint-life policy over 20 years (this is a policy that pays out the benefit if either of them dies during that 20 years).

Company	Cover for €100,000	Cover for €200,000	Cover for €300,000
Insurance company A	€12.66	€22.13	€27.49
Insurance company B	€12.50	€20.98	€30.21
Insurance company C	€12.66	€22.13	€31.95

The table above assumes that the man will be 30 and the woman 28 on their next birthdays. Both are non-smokers and in good health. (Details are correct as at March 2007.)

What will my term life insurance policy cover?

Most term life policies cover your death and terminal illness as part of the standard cover.

Cover for **terminal illness** means that your policy pays out a percentage (usually around 80%) of the sum assured if you develop an illness and are diagnosed as having less than 12 months to live. The rest of the policy benefit (around 20%) would then be paid out once the insurer receives proof that you died within the term of the policy.

An advantage of this is that getting part of the payment before your death could help pay for medical treatments or nursing care.

What is not covered in my term life policy?

Generally, no claim will be paid out if:

- your death is caused by a medical condition that you knew you had when you first applied for insurance, but did not tell the insurance company about at that time; or
- you commit suicide within the first year or two of the policy.

What other benefits can I get with term life insurance?

Depending on the insurance company, you may be able to add some or all of the following benefits.

- Serious-illness insurance.
- Conversion option.
- Indexation (inflation) option.

You will usually have to pay a higher insurance premium for each of these benefits.



There may be other policy benefits available that are not listed here. Always read the policy terms and conditions and ask how much extra you will have to pay.



Serious-illness insurance

If you add serious-illness insurance to your life policy, it means you could make a claim during the term of your life policy if you were diagnosed with one of the specific illnesses covered. The illnesses usually covered are very serious, such as cancer, a heart attack or a stroke.

Serious-illness insurance does not usually cover you for common conditions such as diabetes or certain treatable types of cancer. Also, even if you develop an illness that is listed on the policy, **your condition must match your policy's exact definition of the illness for you to be covered.**

Serious-illness insurance can be expensive. The amount of extra premium you pay for serious-illness insurance depends on:

- the sum assured (the serious-illness benefit);
- your age;
- your gender (sex);
- your health; and
- whether you smoke.

For more information, go to our consumer website **www.itsyourmoney.ie** or you can order or download our '**Serious-illness insurance**' publication.

Conversion option

If you have a term life policy with a conversion option, it means you can change your policy to a new life insurance policy at any time during the term (usually before age 60 or 65), without needing to prove that you are in good health at that time. This means you know you will be able to get life insurance when you are older, in return for paying a higher premium now.

Indexation (inflation) option

Indexation (also called index-linking) means the amount of your cover increases each year, usually by 3% to 5%. This is to allow for the effect of inflation, which would, over time, reduce the value of any money paid out. €100,000 is worth a lot more now than it will be in 20 years' time.

Your premium would also go up each year to pay for this indexation. When shopping around for life insurance, bear in mind that the cost of indexation varies from one company to another. For example, some insurance companies may increase your premium by between 5% and 8% each year to pay for a 5% yearly increase in your cover. Many policies are index-linked as standard. If you do not want your policy to be index-linked, you should contact your insurance company to discuss your options.

Mortgage protection insurance

Mortgage protection insurance is a type of life insurance policy that pays a lump sum direct to your lender to pay off your mortgage if you die. Your policy runs for the same length of time as your mortgage, and the amount you pay each month is fixed for the term of the mortgage. It is one of the cheapest forms of life insurance.

Do I need mortgage protection insurance?

If you are under 50 when you take out a mortgage for a home you will live in, your lender must make sure you have life insurance to pay off the loan if you die. The main reason for this is to make sure your family home would not have to be sold to pay off the mortgage. You do not have to take out this insurance if you are over 50 or if your mortgage is on an investment property, but it can be an advantage and some lenders may insist on it as a condition of getting the mortgage.

Your lender can insist you get mortgage protection insurance but you are free to shop around and you do not have to buy it from your lender.

How much cover do I need?

Your mortgage protection sum assured is the amount that would be paid out to clear your mortgage if you died, so it must be at least as much as your mortgage. It generally reduces from year to year as the amount you owe on your mortgage goes down. This is called **reducing term insurance**.

A slightly more expensive type of mortgage protection insurance, called a **level term policy**, keeps the same amount of cover throughout your mortgage term. It is usually used for an interest-only or endowment mortgage, where the capital balance you owe stays the same until the end of your mortgage term. You can also choose a level term policy with a traditional decreasing mortgage. That means you may have more mortgage protection insurance than is needed to clear your mortgage at any point in time. Your lender would then pay out to your estate any extra benefit left over after paying off your mortgage if you died during the mortgage term.

Do I need mortgage protection if I already have life insurance?

Mortgage protection is designed to pay off your mortgage if you die, not to provide a cash sum to your dependants. So, you will usually need separate life insurance to provide for a cash lump sum if you have a dependent family.

You can, if you want, use an existing life policy for mortgage protection. To do this, you would have to 'assign' the policy to your lender. This means you would agree to your insurance company paying the policy benefit to your lender if you died during the term.

Any policy benefit left over after paying off the mortgage goes to your estate. If your total life policy benefit is used up to pay off your mortgage when you die, there will be no cash lump sum available for your dependants. **So, it is generally better to have separate mortgage protection and life insurance.**

If you have a mortgage in your own name only, you would look for a mortgage protection policy to cover your own life. If your mortgage is in joint names, your mortgage

protection policy will also need to be in joint names. This means that the policy pays off your mortgage if either one of you dies before the end of the term.

Can I add serious-illness insurance to my mortgage protection policy?

Yes, many policies now give you this option in return for paying a higher premium (sometimes more than double the cost). Adding serious-illness insurance usually means your mortgage will be paid off if:

- you die; or
- you are diagnosed with one of the serious illnesses covered by the policy;

whichever happens first.

This is called **mortgage protection with accelerated serious-illness insurance**. The table on page 13 shows how much extra you could pay to add serious-illness insurance to your mortgage protection policy. For more information, you can order or download our **'Serious-illness insurance'** booklet on our consumer website **www.itsyourmoney.ie**

Cost comparison – 20-year mortgage protection policy

	Monthly premium for mortgage protection			Monthly premium for mortgage protection with accelerated serious-illness insurance		
	Cover of €100,000	Cover of €200,000	Cover of €300,000	Cover of €100,000	Cover of €200,000	Cover of €300,000
Insurance company A	€12.00	€14.67	€19.79	€27.43	€52.62	€75.68
Insurance company B	€12.50	€14.67	€20.87	€27.77	€52.99	€77.79
Insurance company C	€13.00	€19.61	€27.39	€35.42	€67.19	€98.75

The table assumes that the reducing term mortgage protection insurance is for a man aged 30 and a woman aged 28 on their next birthdays. Both are non-smokers and in good health. (Details are correct as at March 2007.)

What happens to my mortgage protection policy if I change my mortgage?

If you borrow extra on your mortgage or extend your mortgage term, you will usually have to get a new mortgage protection policy. Your new premium will be higher if you are older and want more cover or a longer term.

If you pay off your mortgage earlier than planned, you could:

- cancel your mortgage protection insurance and not pay any further premiums; or
- keep your existing policy and continue to pay premiums until the date your mortgage would originally have ended.

If you pay off your mortgage earlier than planned, it is a good time to reconsider what life insurance you need. You could decide to keep paying premiums into your existing mortgage protection policy. Your insurance company would then pay out any remaining policy benefit to your estate if you died before the policy ended. This may be

a useful source of extra life insurance at a relatively low premium. On the other hand, you might consider taking out a new life policy, depending on whether you need extra life insurance. The cost of new cover will depend on the sum assured, your age and your state of health.



You will not have the option of keeping your existing mortgage protection policy if it was taken out through a group policy with your lender. Usually, your lender will automatically cancel the policy when your mortgage is paid off.

Do I have to buy mortgage protection insurance from my mortgage lender?

Most mortgage lenders offer to arrange mortgage protection insurance for you when you apply for a mortgage. They act as an agent of a life insurance company and get commission from them for introducing your policy under their group scheme. You pay your premiums as part of your mortgage repayment, so this can be convenient for you. However, sometimes your lender's policy may cost you more than if you bought it through a broker or direct from an insurance company.

You do not have to take the mortgage protection policy your lender recommends. Your lender cannot refuse you a mortgage just because you don't accept their policy. Your lender must accept any suitable policy that is assigned to them – this means that if you die, the insurance company pays the policy benefit direct to your mortgage lender.

You may also be more restricted with a lender's group policy than if you had your own separate policy.

Switching mortgages

Suppose you want to switch your mortgage at some stage. If you have a mortgage protection policy through your existing lender, they will cancel the policy when you transfer your mortgage. So, you will have to apply for cover again. As you are older, it will usually cost you more. And, if you are not in good health, you will have to pay an even higher premium or you may not be able to get cover at all.

If you have your own mortgage protection policy, you can simply transfer it to a new lender. The premium and level of cover will be the same as before, as long as the amount you borrow or the term of your mortgage does not increase. If you borrow more, you can take out a second policy to cover you for the extra amount.

Whole-of-life insurance

A small number of insurance companies offer life insurance that insures you for your whole life, or for as long as you want to keep paying premiums. These are less common than term life policies, as the premium is higher for the same level of benefit and can increase every so often.

There are various types of whole-of-life policies, but the most common is a **unit-linked whole-of-life policy**. With this type of policy, the life assurance company invests your premium in a fund. They manage the fund so that it is expected to grow at a certain rate and to increase in value over time. The fund value is not guaranteed. It may grow by enough to pay for your life insurance throughout your life. Or, in some cases, it may fall short of what's needed to pay for your life insurance. In that case, your premium may have to increase by a large amount to keep your sum assured or policy benefit at the agreed level. Or, you would have the option of maintaining the same premium but reducing the sum assured.

It is important to realise that a whole-of-life policy has ongoing charges, such as yearly charges for managing the fund and sometimes monthly charges for handling your premium. **Charges have the effect of reducing the value of the policy fund.** However, the effect of these charges is taken into account when your premium is set.

Can I get a whole-of-life policy where the premium is fixed?

A small number of policies are available where your premium is fixed and your benefit is set at an agreed level.

You will generally pay a much higher premium throughout the period of cover for a fixed-premium whole-of-life policy than for one where the premium is not fixed.

Can I build up savings in my whole-of-life policy?

Even though a whole-of-life policy allows for you to sometimes build up a cash lump sum over and above what is needed to pay for your life insurance, this can usually only happen if the fund performs much better than expected. You will usually find the policy may have little or no cash value at any time.

It is essential to treat whole-of-life insurance as a life insurance policy, and not as a savings plan.

Types of life insurance – a summary

Term policies

Term life policy	<ul style="list-style-type: none">• You decide the sum assured (amount of money) and the term (number of years).• The premium (amount you pay) and sum assured are fixed for the term (except for index-linked policies).• The policy pays out the sum assured if you die within the term.• The payment usually goes to your estate to benefit your dependants or other beneficiaries but you can choose a particular beneficiary.
Mortgage protection policy	<ul style="list-style-type: none">• This is generally a reducing term life policy that pays off your mortgage if you die within a set number of years.• The money goes to your lender, with usually no cash lump sum for your dependants.• The sum assured and term are usually the same as your mortgage.• The premium does not increase. The money paid out generally reduces as your mortgage balance goes down, unless you have a level term policy (see page 11).• This is the cheapest form of life insurance.
Whole-of-life policy	<ul style="list-style-type: none">• It pays out a cash lump sum if you die at any time while the policy is active.• The payment usually goes to your estate to benefit your dependants or other beneficiaries but you can choose a particular beneficiary.• The policy benefit can fall if the policy value falls but you will have the option of increasing your premium to maintain the sum assured.• It is more expensive than a term life policy.• The premium is not usually fixed: it can increase.• The policy continues as long as you continue paying the premiums.

Section 3 – How to shop around for life insurance

Life insurance is a long-term policy. This is different to home or motor insurance where your policy ends each year unless you renew it. So, it is even more important to consider your needs carefully and to shop around for insurance that meets those needs and gives you long-term value for money.

You can shop around for life insurance over the phone or on-line by using one of the premium calculators on insurance companies' or brokers' websites.

Or, you can use a financial advisor who will help you work out your needs and shop around on your behalf. For more information, go to our consumer website www.itsyourmoney.ie or you can order or download our '**Getting financial advice**' publication.

Choosing a policy to meet my needs

Before choosing a policy, you need to:

- check what life insurance you already have through your job or pension scheme;
- consider whether you need life insurance and, if so, how much and for how long;
- decide the type and amount of insurance you want;
- get premium estimates (quotes) from your financial advisor, over the phone or on-line; and
- check what the premium would be if you held the policy for a few different terms, say 10, 15 or 20 years.

You do not have to buy a product after getting quotes either direct from mortgage lenders, insurance companies or from a broker or financial advisor. It's worth taking some time to compare quotes from different sources before you make your decision. See our on-line survey on life insurance at www.itsyourmoney.ie

You are also entitled (with some exceptions) to cancel your insurance within 30 days of the policy being issued, and to get a refund of any premium you have already paid.

When comparing quotes between companies, make sure you are comparing like with like (in other words, the same level of cover for the same term), as in the following examples.

Life insurance policy for a term of 25 years Premiums compared between three companies for €100,000 and €200,000 life insurance cover				
	Monthly premium for €100,000	Total paid (premium x 12 months x 25 years)	Monthly premium €200,000	Total paid (premium x 12 months x 25 years)
Insurance company A	€59.84	€17,952	€113.52	€34,056
Insurance company B	€60.05	€18,015	€116.25	€34,875
Insurance company C	€71.18	€21,354	€136.00	€40,800

The table assumes that the life insurance is for a man aged 45 on his next birthday. He is a smoker in good health and pays monthly premiums. (Details are correct as at April 2007.)

See our on-line survey on life insurance at
www.itsyourmoney.ie

Using a broker or financial advisor

If you want help in choosing a suitable policy, contact an authorised life insurance broker or financial advisor. Always ask how much they can shop around for you. For example, a financial advisor employed by your mortgage lender can generally only offer you insurance from one life assurance company, as they are 'tied agents' for that company. Other financial advisors may advise on a limited number of products (or all the products) offered in the market. See our booklet '**Getting financial advice**' for more information.

All brokers and financial advisors will:

- help you assess your needs;
- give you comparisons using different amounts of cover and terms; and
- recommend a suitable policy based on your needs.

Some brokers offer discounts for buying life insurance on-line. So, it can be worthwhile using the internet to search for the best discounts.

What information will I have to give when I apply?

You will have to fill in an application form, called a 'proposal'. This asks for information about you such as your medical history, your lifestyle (your job, hobbies, drinking and smoking habits), the name of your doctor, your family's medical history and other details. The insurance company may contact your doctor to get a report about your health, depending on your age and the sum assured you want.

Will I need to have a medical examination?

Insurance companies will not usually ask you to have a medical examination unless you have a history of ill health, are applying for a large amount of cover or are over a certain age when applying.

What happens after I apply?

Most people who apply for life insurance are accepted at normal policy rates.

Sometimes the insurance company will charge a higher premium if, for medical reasons, they feel there is a higher risk of you having a claim. Occasionally they may postpone giving you insurance until they know the outcome of a medical procedure you are about to have. In a small number of cases, an insurance company may refuse to insure you if they consider the risk of a possible claim to be too high.

How much will my premium be?

The amount of your premium depends on;

- the amount and term of your policy;
- the type of policy you want, for example, term life, mortgage protection or whole-of-life; and
- information from your application – for example, any risk factors (see page 22).

It is important to include all relevant information about your medical history and your lifestyle when applying for life insurance. Before paying a claim, most insurance companies will check what your medical health was before you took out the policy. If you do not answer all questions truthfully when applying for life insurance, your policy might not be valid and your claim may be rejected.

See our on-line survey on life insurance at **www.itsyourmoney.ie**

Risk factors

You may have to pay a higher premium than normal (sometimes called a 'premium loading') if your application for insurance shows one or more 'risk factors' that could increase the risk of you dying during the policy term.

The main risk factors that will affect your premium are listed below.

Age	Premiums are higher the older you are when taking out a policy, as the risk of death increases with age.
Gender	Premiums for life insurance are cheaper for women than men, as women (on average) are expected to live longer than men.
Smoking	Premiums for smokers are much higher than non-smokers (sometimes double the cost) due to the increased risk of smokers dying earlier.
Current and past health	If you have a medical condition or have a family history of certain illnesses or early death, you usually pay a higher premium.
Work and lifestyle	Your premium may be increased if your work or lifestyle interests are likely to put you at greater risk of dying early or suddenly.

Section 4 – Keeping my life insurance policy up to date

What happens if I stop paying premiums?

If you stop paying premiums into your **term life** policy, it will automatically lapse, usually after 30 days. When a policy lapses you are no longer covered. Some companies will let you restart the policy if it has lapsed only for a short period, so long as you are prepared to pay all the premiums that you missed and sign a declaration saying that you are in good health.

However, if your policy has lapsed for more than a few months, you may not be able to restart it. The insurance company may insist that you apply again. As you are now older, your premium will be higher than before, and you will usually have to provide new evidence of your state of health.

If you stop paying premiums into your **whole-of-life** policy, it will not lapse immediately. However, the value of the policy will fall over time, and so the amount of life insurance it provides will also fall. The life insurance company continues to take charges (including charges for fund management) out of the value of your fund, until it no longer has any value.

Can I cancel an existing policy if I want to?

With most term life and whole-of-life policies, you can cancel cover by simply writing to your insurance company and cancelling any existing standing order or direct debit. If you want to take out a new life policy, wait until this is in place before cancelling an old one.

You should not cancel your mortgage protection policy unless you have another policy in place that would pay off the balance on your mortgage if you died.

Can I get tax relief on premiums?

The payment you make for life insurance is called the premium. It is usually charged every month. Your life insurance premiums generally do not qualify for tax relief. However, if you are self-employed or working in a job that does not provide a pension, you can take out a special type of term life insurance policy (a Section 785 policy) where the premiums are eligible for tax relief, within certain limits. Talk to a financial advisor for more information on Section 785 policies.

Will my life insurance benefit be taxed?

Life insurance benefit is paid out as a tax-free lump sum, so no tax is taken off before it is paid. However, anyone who inherits the benefit after your death, depending on their relationship to you, may have to pay tax. It depends on the value of what they inherit and the Revenue Commissioner's rules at the time of your death. Go to **www.revenue.ie** for more information.

You can buy a specific type of life insurance, called a Section 60 policy, to provide a tax-free lump sum to cover any inheritance tax liabilities that may arise when you die.

Nominating a beneficiary

If you want the payment under your policy to go direct to a particular dependant, it is best to nominate them as the beneficiary or 'grantee' in your policy. If you do not nominate a beneficiary, the benefit usually goes to your estate. Consider getting independent financial advice if you plan to choose a beneficiary.

Questions to ask about life insurance policies

Term life and mortgage protection insurance

- What is the premium for different amounts of cover, and for different terms? The premiums on identical policies from different companies can vary significantly.
- Is terminal-illness benefit included?
- Does the policy automatically include serious-illness insurance? If it does, am I paying for insurance I may not need?
- What happens if I miss a payment or stop paying premiums? How long am I covered for?
- Is it index-linked? What is the cost of indexing and how much extra benefit do I get?

Whole-of-life insurance

- Could the life insurance company increase the premiums at any time? If so, how often and by how much?
- What are the life insurance company's charges for this policy and what commission does my advisor get?

Dos and don'ts

✓ Do

- Do find out if you have any death-in-service benefits through your job.
- Do decide what extra cover you need (if any), and get information on the type of policies that meet your needs.
- Do shop around. Premiums can vary widely for the same level of cover.
- Do consider giving up smoking. After one year (or in some cases two) of giving up, many insurance companies will give you non-smoker rates. This could cut your premium by half, even though you are a bit older.
- Do ask your provider about any fees you have to pay.
- Do fill in your proposal form fully and truthfully. If you provide false or incomplete information, your claim may not be paid.
- Do remember that (with some exceptions) you have a 'cooling-off' period of 30 days during which you can cancel a policy and get a refund of any premium paid.

- Do keep your premiums up to date, otherwise your policy may lapse and you would not be covered if you had a claim.
- Do review your life insurance regularly, particularly when your circumstances change.
- Do keep a list of your policies and let someone know where they are.

✗ Don't

- Don't cash in an existing policy to take out a new one unless you have a good reason. The cost of any new insurance may be higher than the policy you already have because you are older. You might also not be able to get new insurance if your job or health has changed in the meantime.
- Don't buy life insurance that you don't need or already have.
- Don't mix up your protection and savings needs. You are always better off to provide for them separately.

Jargon buster

Accelerated serious-illness insurance

This applies to combined life and serious-illness policies. It means that if you make a claim for serious illness, some or all of the life insurance will be paid out. The amount of benefit paid for the serious illness is taken from the life policy sum assured. Your level of remaining life insurance is reduced by the amount paid out.

Additional serious-illness insurance

This applies to combined life and serious-illness policies. It means that if you make a claim for serious illness, the life policy sum assured is not affected. The policy may pay out both the serious-illness sum assured (if you make a serious-illness claim during the policy term) and the life sum assured (if you die during the policy term). The premium is higher for additional serious-illness insurance than for accelerated cover.

Commission

The payment a life insurance company makes to a broker or financial advisor for selling a policy. There is often an initial commission and an ongoing yearly commission. Details of commission payments will be shown in the

documents you receive at the time you take out the policy. Some advisors work for a set fee instead of commission, so once you pay their fee they will refund the commission to you.

Death in service

A life insurance benefit your employer pays for. It provides a set amount of benefit to your surviving family if you die during your working life.

Dual-life policy

A policy that provides life insurance for two people, and continues to be in force after the first person dies. It will also pay a benefit for the second life insured if they die before the end of the policy term. It is more costly than joint-life cover because it covers two deaths. You can sometimes choose a different sum assured for each life. The amount paid under a claim would be the amount of cover shown for each person.

Inheritance tax

A tax that may need to be paid by surviving children, relatives or other beneficiaries if the value of their inheritance from you is more than a certain amount. The amount depends on the Revenue Commissioner's rules at the time of your death.

Insurance and assurance

Insurance describes a policy that promises to pay out if an event that may or may not happen – for example, that you will die or suffer an accident or illness within a certain period of years – does happen. Assurance describes a policy that promises to pay out when an event that must eventually happen – for example, that you will die at some stage – happens.

Joint-life policy

Provides life insurance for two people, and automatically ends when one of them dies within the policy term. A joint-life policy can be set up to pay out a benefit either on the first death or on the second death, but it does not cover both deaths. Second-death policies are commonly used in inheritance tax planning.

Lapse

A policy is said to 'lapse' if it comes to an end because you have not paid the premium. Many life insurance policies lapse 30 days after the date the last missed premium was due. Claims made after the policy lapses will usually be refused.

Life of another

A life insurance policy set up by you that allows you to claim a benefit when another person dies. You could set up a policy on your husband, wife or partner.

Premium

The payment you make for an insurance policy is called the premium. It can be a one-off lump sum, or paid every month or year by direct debit or by taking it from your pay.

Serious-illness insurance

This policy pays a benefit if you are diagnosed as suffering from one of the illnesses specifically covered by the policy.

Single-life policy

A policy that provides life insurance cover for one person.

Term policy

A policy that pays out a fixed benefit if you die within a certain number of years.

Terminal illness

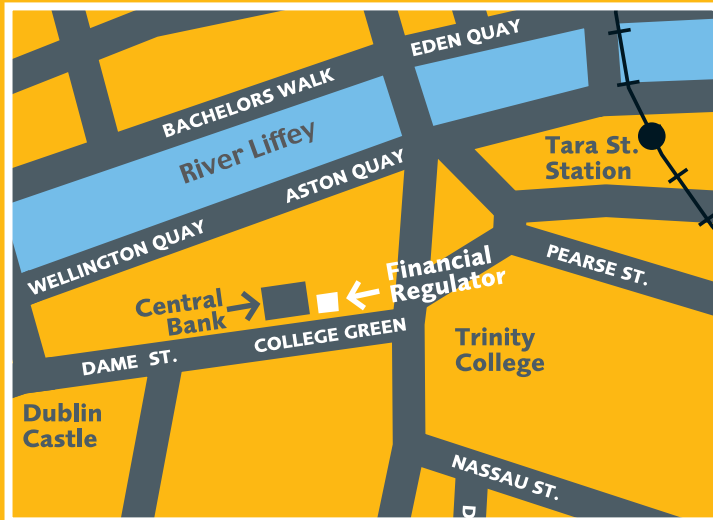
Insurance companies usually define terminal illness as an illness that is likely to result in the person dying within 12 months.

Whole-of-life policy

This type of policy pays out a fixed benefit when you die – whenever it happens – as long as the policy is still in force. The premium on these policies is usually higher than for term life policies because it is regularly reviewed as you get older to make sure there will be enough to pay for your benefit.

This is a general guide to life insurance. Nothing in this guide is intended to be, or should be considered as:

- (1) an invitation, offer or incentive to you or any other person to enter into a financial arrangement; or
- (2) advice on, or recommendation of, any particular product or product provider.



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