

# Premium Structures

Life insurance premiums can be structured in different ways:

## 1. Yearly Renewable Term

Annual (or yearly) renewable term is a **one-year policy**, but the insurance company guarantees it will **renew the policy on each anniversary up until an agreed age**, regardless of the health of the insured person, and with a premium set for the applicant's age at that time.

**The key thing is yearly stepped premiums increase each year in line with your age.**

Rates are for all people of a similar age and condition at policy commencement.



## 2. Level cover

Level cover is a multi-year policy, where the **premiums are fixed at the start & stay the same for the agreed period**. Most commonly fixed premiums until age 65, 70 or 80.

The insurer guarantees **the premiums and cover amount will not increase, but this type of policy will be more expensive initially.**



**You can select to index link a policy.** Indexation is an automatic annual increase to the amount of insurance cover you have, to make sure the value of your cover is not eroded by the impacts of inflation. Your premiums will also increase when the cover increases if you elect to include this benefit.

**Or you can choose a hybrid structure** - a combination of both level and yearly renewable term premium structures can sometimes be smart – talk with your financial adviser to structure the best cost-effective insurance policy.

Generally speaking, the level premium cost more to start with compared with the rate for age insurance but when you get older, your premiums will continued to be affordable.



**Tips:** When it comes to how long you need cover for, think about how long your kids will need financial support, or when you will no longer have large debts and your when your partner may choose to retire.

## Full disclosure

When you take out life insurance, your insurer relies on information you provide to calculate your premiums and the terms of your cover. **You have a duty to disclose material facts that would influence the judgement of a prudent insurer.** Material facts may relate to your age, your medical history, whether you smoke and other lifestyle issues.

If you understate your age, your insurer is entitled to reduce its liability to reflect the lower premiums you paid. If you fail to disclose other material facts, your insurer can alter the terms of your cover, cancel a benefit or under the worst case of non-disclosure that can "void" (cancel) your policy entirely. Your premiums may not be refunded if your policy's voided.

Therefore make sure that you are honest and disclose all the facts when applying for, or renewing, your life insurance .



**Tips:** It is simply not worth paying a premium on a policy that your family won't be able to claim on. Be honest and disclose everything and leave it up to the insurer to decide as to whether the information is relevant.