

## What is Life insurance

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Put simply, life insurance is a policy that pays out an amount of money if the person covered dies. In the same way that home insurance covers your property, life insurance covers your life.

While the specifics of a policy will vary from insurer to insurer and policy to policy, they will pretty much fall into one of the following types:

- Cover for a specific amount of time –for example 15 or 20 years. These policies pay out if the person covered dies within that period of time.
- Cover for the whole of life – these policies pay out whenever the person covered dies.

Within these two types of cover, it is also possible to choose a cover type. Such as:

- Level cover, where the amount paid out stays the same;
- Decreasing cover, where the amount paid out decreases over time;
- Or increasing cover, where the amount paid out increases over time.

Generally, the amount paid following a claim will be a one-off sum of money. Some policies will make payments in instalments.

You may also find policies that have other options, either included at no extra cost or selectable at an additional cost. Examples would be:

- Terminal illness cover – where payment could be made if a terminal illness is diagnosed
- Waiver of premiums – where the premiums would be paid on the policyholders behalf
- Critical illness cover – where payment could be made if a critical illness is diagnosed
- Life event changes – the ability to change cover if your situation changes

These benefits vary from company to company, so it's always a good idea to check the details carefully before buying a policy.

Once you've made a decision about which policy's right for you, you'll need to make an application. Insurers usually need to assess that application before deciding if they can offer you cover.

It's important to be honest when completing your application. The most common reason for insurance claims being declined is that questions weren't answered in full, or they were answered incorrectly.

If the insurer can offer you cover, they'll confirm how much it'll cost and what you'll be covered for. The price you pay will be based on:

- Your age
- Your health
- How long you want the cover for
- The level of cover you need
- Smoker status

With most types of life insurance, you have to carry on paying the premiums continuously. If you stop paying premiums, the cover ends and you get nothing back. In many cases the cover can last for many years and, as a result, it's vitally important you make sure you're buying the right policy. Most life insurance policies do not have a cash in value.