



Level term assurance and Critical illness cover

What is it?

Level term assurance

Level term assurance policies have a known level of cover that will be paid out in the event of death within a known period of time. Premiums remain level throughout and should you survive the policy term, there will be no benefit. As this type of contract only provides cover in the event of death there is no surrender value, so if you stop paying the premiums at any time, your cover will cease.

Premiums are based on your personal circumstances but the main areas for consideration by an insurer are your age and state of health. The older you are, the higher the premium will be. Similarly if you have or had a serious ailment the insurer may seek to charge you more or in some cases be unwilling to cover you at all. Higher levels of cover and longer policy terms all increase cost as will the fact that an individual smokes.

Essentially, level term assurance is cheap cover on your life for the benefit of your family or for your business, but there are limitations to it.

As it is a fixed term, there is no flexibility and you will be unable to increase cover or extend the term. Should you therefore find yourself ill at the end of the term you may be unable to obtain further cover.

There is no investment element to the policy, and your sum assured will take no account of inflation.

Critical illness cover

A Critical Illness plan is designed to pay out a lump sum if you are unfortunate enough to suffer from any of the specified critical illnesses but survive for a period of time after diagnosis (normally 28 days). The lump sum could be used to pay for things like nursing care, home-help, adapting your house to accommodate a disability, it could pay off your mortgage or give you a holiday to recover from treatment.

Critical illnesses usually include cancer, heart attack, kidney failure, multiple sclerosis, major organ transplant and strokes. These are known as core conditions and account for the majority of claims. The comprehensiveness of conditions covered varies enormously and details regarding what will and will not be covered will be fully explained in any supporting literature which you should check to ensure it meets your purposes.

It is usual to include cover for permanent total disability within the contract. The definition of Permanent Total Disability does vary and some insurers define it as the life assured being unable to follow his / her normal occupation as a result of sickness whilst others will define it as the life assured being unable to independently perform three or more Activities of Daily Living as a result of sickness or accident.

Critical illness cover can be included as part of your level term assurance policy or as a separate policy.

Eligibility

You must be aged 18 to take out a life assurance contract.

Taxation

The proceeds of the policy will be paid out free of income or capital gains tax. A trust may be used to ensure the proceeds of the policy are paid to your chosen beneficiaries and to avoid being included in your estate for inheritance tax purposes.

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.

Risk considerations

There are a number of risk considerations that need to be taken into account. It is important that you are aware of these.

- If you stop paying premiums your cover will cease
- As the plan is for protection rather than investment it will not acquire a surrender value at any time
- Failure to disclose any requested or relevant information may adversely affect any future claims
- Payment will not be made for a critical illness claim arising from an excluded condition (relevant to Critical Illness only)
- You may have to increase contributions to maintain your desired level of cover or reduce cover to maintain your chosen level of contribution
- At the end of the term selected, cover will cease and no further benefit will be payable
- The present tax free treatment of the policy benefits may change
- If this plan is linked to a mortgage or loan, depending on the interest rate of the mortgage or loan and the interest rate on the decreasing term plan, the policy benefits may be less than the outstanding debt in the event of a claim
- If any relevant information provided, when applying, is not disclosed accurately and honestly, this could result in any cover offered becoming invalid and / or may result in the non-payment of any future claims
- If this policy is to replace any existing policy offering the same type / level of cover, you must not cancel any existing policy until the new policy is in force