

**Client name: Lighthouse Financial Advice**

**Date:**

## Term Assurance Fact Sheet

**Level Term Assurance** is a policy that will pay out a specific sum assured if the life, or lives, assured dies before a specific expiry date. The sum assured does not usually vary during the term of the policy.

**Renewable Term Assurance** is a policy that has a guarantee that, at expiry, a further policy can be taken out, with the same provider, irrespective of the health or occupation of the life, or lives, assured. The sum assured and the term of the new policy will not, usually, exceed those of the original policy. The new premium will reflect the age of the life, or lives, assured at the time the new policy is taken out. A maximum expiry age will normally apply.

**Convertible Term Assurance** is a policy that gives the life, or lives, assured the option to convert it to an endowment or a whole of life policy. Conversion is enabled, irrespective of the health of the life, or lives, assured at the time the option is exercised which must be before the expiry of the policy. The new premium will reflect the age of the life, or lives, assured at the time the new policy is taken out.

**Increasing Term Assurance** is a policy where the sum assured increases during the term of the policy, the increase normally being for a fixed percentage or in line with the increase in either the Retail Price Index or the National Average Earnings Index. There will be no requirement for further evidence of good health but the premium may increase to reflect the additional cover.

**Decreasing Term Assurance** is a policy where the sum assured reduces during the term of the policy, the reduction being for a stated amount each year. The premiums remain constant.

**Pension Term Assurance** provides a sum assured for a specific term and can only be arranged on a single life basis. It is written under the legislation relating to personal pensions and may be "stand-alone" or part of a pension plan designed to provide income at retirement.

**Family Income Benefit** is a decreasing term assurance policy which, on the death of the life, or lives, assured, pays out an income each year for the remainder of the policy term. In some circumstances this income may be commuted to a lump sum.

**Mortgage Protection Assurance** is a decreasing term assurance policy where the sum assured reduces in line with the capital amount outstanding under a capital and interest repayment mortgage.

### **Optional features which may be available, possibly at additional cost:**

**Life of Another** is used to describe a situation where the owner of the policy is different from the life, or lives, assured. The owner will pay the premiums and receive the sum assured in the event of a claim.

A **joint life, first death** policy will be written on two lives assured with the sum assured being paid in the event of the first death. The policy then ceases with no further benefits paid on the second death.

A **joint life, second death** policy will be written on two lives assured with the sum assured being paid in the event of the second death. No benefits are paid out on the first death.

**Waiver of Premium** means that the policy provider, usually at extra cost, will pay the premiums if the life assured is unable to work for medical reasons. There will be a "waiting period" between being certified as unfit to work by the doctor and the waiver being activated. This period is usually six months. Waiver can be written on 'Own occupation' – the clause will operate if the assured is unable to undertake his or her own job – or 'Any occupation' – the clause will operate only if the assured is unable to undertake any type of job whatsoever. The premiums will be paid until the earlier of the individual being pronounced medically fit and the selected expiry date. There may be a maximum age after which the waiver will not apply (normally 60 or 65).

**Critical Illness cover** pays if a life assured is diagnosed as having one of a specified range of serious medical conditions before the expiry of the policy. Where the policy includes life cover, the critical illness payment may be in addition to the life cover or may be the early payment of part or all of the life cover.

**Terminal Illness cover** means that the sum assured will be paid out early if the life assured is diagnosed as being terminally ill. Typically, the policy must have more than eighteen months still to run at the time of diagnosis.

**Guaranteed Increase** means that, upon certain events such as house move or birth of a child, the level of cover can be increased within pre-determined limits, irrespective of health.

### **Other points to remember**

- If you are employed, you should investigate whether your employer provides 'Death in Service' benefits.
- The Key Features Document and illustration you have been given describe in full the features of your particular policy.
- The sum assured is the amount that will be paid in the event of a claim during the term of the policy.
- This type of policy is designed for protection only and will never acquire a cash value.
- The premium quoted assumes acceptance on standard health terms.
- Medical underwriting is carried out using, in the first instance, information supplied on the application form.
- This type of policy, provided it is not written as Life of Another, may be put in Trust for named beneficiaries.
- This type of policy, provided it is not written in Trust, may be assigned to provide, for example, security for a loan.
- If used in conjunction with house purchase, your home may be repossessed if you do not keep up the payments on the policy associated with the mortgage.