Life Insurance

Life insurance, depending on the type of cover you have opted for will provide one or more of the following benefits:

- A lump sum payment to your dependents if you should die
- A regular monthly payment to cover your mortgage and other bills if you should die
- Some policies pay out on diagnosis of a terminal illness too

The aim of this type of insurance is to provide financial support to your beneficiaries in the event of your death.

This could be a lump sum to pay off the mortgage (and / or other debts), provide a regular income to maintain repayments on a mortgage (and/or other debts), or a combination of both.

Where the life insurance is specifically to provide cover for a capital and repayment mortgage, the level of cover is taken out for the initial loan amount and then reduces over time, as the balance on the mortgage goes down. This is known as decreasing term assurance.

A policy that has a fixed amount of cover for the life of the policy is called level term assurance.

The level of cover depends on what you agreed when the policy was taken out. Generally, a decreasing term assurance policy will have lower premiums than a comparable level term assurance policy since the level of cover reduces each month or year.

Life insurance policies can be taken out for a single person, or as a joint insurance policy for two or more people.

Where a single life insurance policy is taken out you should consider placing the policy into trust for the person you intend to receive the money. This person is known as the beneficiary.