

Decreasing Term Life Assurance

Helping you decide

The Financial Services Authority is the independent financial services regulator. It requires us to give you this important information to help you to decide whether a decreasing term life assurance policy is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

What is the purpose of this document?

This document is designed to give you a summary of information to help you decide if this product is suitable for you. You should seek financial advice and discuss your plans with anyone who may be affected by your financial decisions. Before you make a purchase, you should read this and all other related documents and clarify any questions that you may have.

Suitability

This product is suitable if you have a repayment mortgage or other reducing loan and want to ensure this liability will be covered if you die.

If you are in any doubt about the suitability of this policy to meet your needs you should seek financial advice.

Its aims

- To give your beneficiaries a guaranteed lump sum if you die during the policy term. This sum decreases over the duration of the policy and is therefore typically used to help cover a mortgage or other large repayment loan
- To allow joint life cover that will pay out benefits on the death of the first of the lives assured
- To give the option of Terminal Illness Cover

Your commitment

- To pay regular monthly or annual premiums for the duration of the policy
- To get appropriate financial advice
- To give complete and accurate information on your application
- To tell the insurers about any changes in your personal circumstances that occur between signing the proposal form and the start of your policy

Risks

- Once set up, you will not be able to change the terms of your policy
- The policy has no cash value at any time and cannot be surrendered
- You will not be able to make a claim once the term of the policy has expired
- Money will not be returned from the policy on expiry even if no claim was made
- The insurers have the right to refuse a claim

- if you fail to disclose a material fact
- Inflation may erode the value of the chosen sum assured during the term of your policy
- If you stop paying your premiums at any time, the insurers will terminate your policy 30 days after the payment was due and no premiums will be returned to you
- Once the policy has been terminated, you will not be able to reinstate the policy
- Although any payout from this policy is free from any liability to tax under current legislation, money left to your estate could become liable to inheritance tax
- If you select the Terminal Illness Cover – the decision of the insurer's Chief Medical Officer is final and takes precedent over any other life expectancy diagnosis

Questions and answers

How does the Decreasing Term Life Assurance Policy work?

In return for either regular monthly or annual premiums (**details of which are contained within your illustration or quotation**), your estate or beneficiaries (if written in trust) will receive a tax-free payout in the event of your or your partner's (on joint life applications) death.

The sum assured decreases over the term of the policy though the amount you pay remains constant throughout. The policy has no cash-in value and no money will be returned if the policy expires before a claim is made. The sum assured is typically designed to

decrease in line with the remaining liability on the mortgage or loan it aims to cover.

How does the Terminal Illness Cover work?

The Decreasing Term Assurance policy allows you to select Terminal Illness Cover.

A terminal illness is defined as any medical condition which is expected to cause death within 12 months of the diagnosis.

The cover will pay out the sum assured as a single, tax-free lump sum in the event that you or your partner (on joint life applications) are diagnosed with a terminal illness prior to 18 months before the policy's expiry date.

If a medical practitioner diagnoses you with a terminal illness, you should contact us immediately either by telephone or in writing at the address on page 5 for a claim form.

If the insurer's Chief Medical Officer agrees with the diagnosis you will have two choices:

- To take a regular income, payable for the remainder of the policy term

Or

- Take a commuted tax-free lump sum

If you choose the second option, the policy will then cease. In either case you will not have to pay any further premiums and no additional claims can be made.

The decision of the insurer's Chief Medical Officer is final and is based on their comprehensive medical knowledge and extensive experience in this specific area.

The cover must be selected from the outset of your policy and the terminal illness sum assured will be the same amount as the life assurance i.e. will decrease over the duration of the policy.

How is the premium calculated?

Your premium is based on a number of factors:

- The amount of cover you choose
- Term
- Your age
- Your gender
- Your occupation
- Your pastimes
- Whether you smoke

- Your medical history
- The insurer's charges

What are the charges?

All charges are factored into your policy at the start and there will not be any additional charges, unless you choose to add Terminal Illness Cover. In this instance there will be an additional 1% charge.

What are the tax implications?

Tax is a complex issue and varies from person to person so you should discuss your own tax position with your Financial Adviser.

It's important to note however, that whilst any payout from your policy is not liable to taxation under current legislation, if the tax free lump sum is paid back to your estate after you die, it could become liable to Inheritance Tax (IHT).

Your Financial Adviser may be able to mitigate any potential IHT liability by placing the policy in trust.

The rules governing taxation are subject to review and can change.

What is a Trust?

Trusts offer a means of holding and managing money or property for people who may not be ready or able to manage it for themselves. Used in conjunction with a will, they can also help ensure that your assets are passed on in accordance with your wishes after you die.

What happens when I die?

Your estate must contact the insurers immediately, either by telephone or in writing to let them know.

What happens if I want to cancel my plan?

A cancellation notice will be enclosed with your policy documents providing full details about the cancellation procedure which outlines the right to change your mind within 30 days.

If you do decide to cancel within this 30 day period, we will refund your money in full.

If the insurers do not receive your cancellation notice within the 30 day notice period they will automatically continue your policy.

How do I apply?

Please complete the form on this site.

The insurers may subsequently contact your doctor for a General Practitioner's Report to verify the information provided on your application. They will not always apply for this however, so it is essential that you provide comprehensive details about your health so that they can fully understand your condition and provide you with an accurate quotation.

There are some instances where you may be required to undergo a medical examination if, for example, our Chief Medical Officer requires further information on a particular aspect of your application.

If at any time there is found to be any misrepresentation or non-disclosure of your health conditions, the insurers reserve the right to cancel or amend the terms of the policy and invalidate any future claim.

If you wish to include Terminal Illness Cover you must select it at the outset and indicate this on your proposal form. No additional underwriting is necessary for this type of cover.

Financial Advice

We do not provide advice so you should consult your own Financial Adviser.

Other important information

Law

The law and courts of England and Wales will apply in legal disputes and your contract will be written in English. We'll always write and speak to you in English.

Compensation

Your Financial Adviser has a duty to recommend only products that are suitable for your needs and financial situation. You have a legal right to compensation if it is proved that at any time their recommendations were unsuitable when they were given and under the circumstances which they were made.

You may be entitled to compensation if the insurers cannot meet their obligations due to insolvency.

The Financial Services Compensation

Scheme may arrange to transfer your policy to another insurer, provide a new policy or, if this is not possible, provide compensation.

Compensation

depends on your policy and the circumstances of the claim. For example, most insurance contracts are covered for 100% of the first £2,000 and 90% of the remainder of the claim.

Further information about compensation arrangements is available from The Financial Services Compensation Scheme, who can be contacted at:

The Financial Services Compensation Scheme

7th Floor Lloyds Chambers

Portsoken Street

London E1 8BN

Telephone: 020 7892 7300

Web: www.fscs.org.uk

Email: enquiries@fscs.org.uk