

LIFE ASSURANCE OR INSURANCE?

There are two types of life cover, assurance and insurance. Though the terms are often interchanged, they refer to two very different products.

Assurance refers to an event that is assured to happen, whereas insurance refers to something that merely might happen.

If you take out a whole of life assurance policy, and continue to pay the premium, there will be a payout of the insured amount to your estate in the future. As a result, premiums are a lot more expensive. Life insurance is much more common. An individual or couple typically insure themselves for an agreed amount over a fixed term. Should they pass away during this term, the cover is paid out, if they don't, there is no payout.

Life insurance is taken out generally for the period in which there is a potential financial exposure for a dependent family.

Whole of life assurance would typically be arranged as part of an individual's inheritance tax planning, and should be discussed with tax advisers and reviewed every few years.

Royal London offers whole of life cover with a "life changes" option. This offers the ability to pay for cover for 15 years and then cease payments. For an additional 10% of the premium, agreed at the outset, you get an option at the end of the cover period to get cashback of 70% of the premiums paid, or leave a percentage of the cover in place until you die.

