

Life Insurance: Level Term Vs Decreasing Term

Deciding what type of life insurance policy is not a particularly enjoyable task, but an important one nonetheless. There are numerous types of policy that are advertised, such as universal life insurance, whole life coverage, permanent cover, and term life insurance, but even when these are decided upon there are often more complex factors to address. Without ignoring that choosing life insurance should not be done in a hasty manner, this article aims to highlight the differences in Level Term and Decreasing Term life insurance on a simple level, and which type of cover may be most suitable for you.

Initially, it is probably best to be completely clear of the meaning, [Term Life Insurance](#). Term Life Insurance (sometimes called: [Term Assurance](#);) is a policy which covers a set amount of years for a premium (or cost that could be paid monthly) that is stipulated and agreed upon at the outset. Term policies do not accumulate cash value and tend to pay out only in the event of the policy-holder's death.

Level Term Life Insurance is essentially the simplified policy similar to the above. A price will be set out by the policy-holder and insurer, such as a monthly premium, as well as the amount to be paid out, for example £50,000 to pay-off a mortgage. If the policy holder dies five years or 15 years into the term, they will still be eligible for the full £50,000 providing the claim is made within the term set at the outset, and all full payments have been made on time.

For added flexibility for the customer, some [life insurance](#) companies offer the option of Decreasing Term Life Insurance instead. This differs to a Level policy because the pay-out is set up to decrease year on year, so when £50,000 might be owed in the first year, the policy-holder may just be eligible for £25,000 five years down the line. Such a policy might be suitable for a policy holder who is paying off their mortgage in chunks year on year and who, for example, would have significantly less to pay off five years on.

Generally, Decreasing Term Life Insurance is often favoured because of cheaper premiums for a satisfactory amount of cover. Whereas, Level Term Life Insurance will ensure a lump sum payment to the beneficiaries as long as the claim is made at any time during the term.

About the Author

[Life Insurance](#) is available from the [Post Office](#).

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