



5 questions to ask before purchasing a Life Policy

- **Savitha Shetty**

Buying a life insurance policy is an important financial decision. Life insurance policies, as the name suggests, are long term contracts. Hence before signing up for something that essentially lasts you a lifetime and beyond, it is imperative that one asks these 5 important questions to your prospective financial adviser.

Question 1: *The insurer's rating and claims process*— Given that an insurance contract is a promissory note, it is very important to understand the financial standing and the claims process to ascertain whether the insurance company will be able to keep the promise made to pay a claim in the unfortunate event of death.

One can ascertain an insurance company's financial standing by reviewing their ratings. These ratings are done by agencies like Standards and Poor's or Moody's, to name a couple. One should opt for an A rated company when purchasing an insurance policy. Even if a company is A rated, one should enquire into the insurance companies UAE claims pay out process and percentage of claims paid out. Most renowned insurance companies have a simple claims pay out process and pay out majority of their claims within 5 – 10 working days of having received all required documentation.

Question 2: *Financial Advisers experience and qualification*

Similarly, a financial adviser's pedagogy is very important. If the financial adviser is pursuing this role as a full-time career to start with and is armored with the requisite qualifications to provide professional advice, there is a high likelihood that you are in safe hands. In the UAE market there are many advisers but very few who pursue this as a career and are committed to providing long term quality service. In addition, many institutions like banks also act as a financial intermediary and sell insurance policies. However, many of their sales people aren't qualified to sell Life insurance products. So, make sure that you understand your financial advisers experience and qualifications.

Question 3: *The amount of Insurance required.*

Life Insurance is a replacement of your income to ensure that your family continues to live in the same manner as they do today financially, in case you are not around. Hence it is important that one buys adequate amount of life cover.

The rule of the thumb is normally 7 to 10 times one's present annual income. However, it is important to discuss your life's present financial situation and the objective of buying the policy with your adviser. The adviser will work on these details and advise on the amount of cover required. However, you as policy buyer need to ask pertinent questions as to how this number was arrived at. Normally most advisers will base their working on the liabilities of your life, may

be a mortgage payment / loan repayment, future expected major expenses, your present lifestyle to name a few important factors. Provisions made to achieve the future goals will also be factored in and a sum arrived at.



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Question 4: What are the benefits in this policy and when will this be paid?

There are 2 types of policies one which is a Term Policy normally taken for a fixed term. The other is for a longer term, either an endowment or variable unit linked policy. It is important to know until what age does your policy provides cover. Does this tenure address your needs? If there are living benefits attached to your policy like a disability benefit or critical illness, one needs to understand the conditions under which these benefits are payable. In some critical illnesses certain terms and conditions are involved for payment of claims. One needs to ask these questions to be better informed and to avoid unpleasant surprises in the future.

Question 5: What happens If I can't pay the premium?

Term policies have no cash values and offer a grace period to pay the premiums, if not paid by then the policy lapses. However, some variable unit linked policies do offer flexibilities, popularly called premium holiday, after a certain period of premium paying.

Life evolves and so do conditions change. It is important to know how much FLEXIBILITY these policies offer to adapt to ones changing needs.

I hope that you ask all these 5 questions to your financial adviser before you make a commitment. We at New Age [Insurance Brokers in UAE](#) are always available to answer any additional questions you may have.

*(Please note that product features if any discussed in this article pertains to the UAE regulatory market and can vary with other markets mainly in terms of terminologies used)