



Why Do I Need to Review My Life Insurance Annually?



[Life insurance in Sri Lanka](#) is a financial product designed to provide a monetary benefit to beneficiaries upon the policyholder's death. In exchange for regular premium payments, the insurance company agrees to pay a lump sum or a series of payments to the designated beneficiaries when the insured person passes away. A life insurance policy is very much similar to a [personal investment plan in Sri Lanka](#), although the benefits may be greater.

Here are the main types of [life insurance](#) policies:

- Term Life Insurance: Provides coverage for a specific term (e.g., 10, 20, or 30 years). If the insured dies within the term, the beneficiaries receive the payout. If the term expires and the insured is still alive, no benefit is paid out.
- Whole Life Insurance: Offers coverage for the insured's entire lifetime, as long as premiums are paid. It also includes a savings component, called cash value, which grows over time and can be borrowed against or withdrawn.
- Universal Life Insurance: Provides flexible premiums and coverage amounts. It combines a death benefit with a savings component that earns interest.
- Variable Life Insurance: Includes investment options for the cash value component, allowing the policyholder to allocate the cash value among various investment choices. The death benefit can

fluctuate based on the performance of these investments.

An insurance policy from reputed [life insurance companies in Sri Lanka](#) can help provide financial security for loved ones, cover debts, and manage estate taxes.

Why should life insurance be reviewed annually?

Reviewing life insurance annually is important because of:

- **Life Changes:** Major life events such as marriage, the birth of a child, divorce, or changes in financial status can affect your insurance needs. Regular reviews ensure your policy aligns with your current circumstances.
- **Coverage Adequacy:** As life circumstances change, you might need to adjust your coverage. For example, if you acquire more assets or have increased financial responsibilities, you might need a higher coverage amount.
- **Policy Performance:** For policies with investment components (like whole or variable life insurance), it is important to review performance to ensure it meets your expectations and needs.
- **Beneficiary Updates:** Life events might necessitate changes in beneficiaries. Regular reviews ensure that your policy reflects your current wishes.
- **Cost Considerations:** As you age or your health changes, your premiums might increase. Reviewing your policy can help you find more cost-effective options or adjust your coverage accordingly.
- **Policy Terms and Conditions:** Changes in insurance regulations or policy terms might impact your coverage. An annual review ensures you are aware of any changes and can make informed decisions.

Regular reviews help keep your life insurance policy aligned with your goals and needs, ensuring it continues to provide the intended financial protection.

What to consider when reviewing your life insurance policy

When reviewing your life insurance policy, consider the following factors:

- **Coverage Amount:** Assess whether the current coverage amount is adequate for your needs. Consider changes in financial obligations, such as new debts, increased living expenses, or the need to support dependents.
- **Beneficiaries:** Review and update the beneficiaries listed on your policy. Ensure that the designated individuals are still appropriate and reflect any recent changes in your life, such as marriage, divorce, or the birth of children.
- **Policy Type:** Evaluate whether your current policy type (term, whole, universal, or variable) still fits your financial goals and needs. You might find that a different type of policy is more suitable as your situation changes.
- **Premiums:** Check if your premiums are still affordable and competitive. Compare with other policies in the market to ensure you are getting good value.

- **Cash Value and Investment Performance:** For policies with a cash value or investment component, review the performance and ensure it meets your expectations. Consider if adjustments are needed to your investment choices.
- **Policy Terms and Conditions:** Look for any changes in the terms and conditions of your policy. Understand how these changes might impact your coverage, premiums, and benefits.
- **Health and Lifestyle Changes:** If your health or lifestyle has changed, it may impact your coverage needs or premium costs. Ensure your policy reflects your current health status.
- **Riders and Additional Benefits:** Review any riders or additional benefits attached to your policy, such as accidental death coverage or critical illness benefits. Ensure they still align with your needs.
- **Estate Planning:** Consider how your life insurance fits into your overall estate plan. Ensure it helps meet your goals for estate taxes, inheritance, and financial security for your beneficiaries.
- **Policy Loans or Withdrawals:** If you have taken loans or withdrawals from your policy, review their impact on the death benefit and cash value. Ensure you understand any repayment requirements or consequences.

Regularly reviewing these aspects will help ensure that your life insurance policy continues to provide the protection and financial support you need.