**A guide to help clients make sense of how their premiums are calculated and what options they have.**

# Understanding your life insurance premiums

## What is a premium?

Your **premium** is the amount you pay to keep your life insurance policy active. It contributes to a shared pool of funds that helps pay claims to policyholders. Premiums are calculated based on your individual risk profile and the type of cover you hold.

### How are premiums calculated?

Several factors influence your premium, including:

* **Age** **-** Older age typically means higher premiums due to increased risk.
* **Gender -** Statistically, men and women face different health risks.
* **Smoking status** **-** Smokers usually pay more due to higher health risks.
* **Medical history** **-** Pre-existing conditions or family history can affect pricing.
* **Occupation** **-** Manual occupations generally have a higher risk of injury and this may lead to higher premiums for TPD or Income Protection policies.
* **Cover amount and type** **-** The more you're insured for, the higher the premium.
* **Location** **-** Stamp duty and other charges vary by state or territory.
* **Optional extras -** extra options you have on your policy will add to the overall cost.

### Stepped (Variable Age-stepped) vs Level (Variable) premiums

You can choose how your premiums are structured:

**🔹 Stepped premiums**

* Start lower but increase each year as you age.
* Reflect the rising risk of a claim as you age.

**🔹 Level (variable) premiums**

* Start higher but don’t increase with age.
* May still rise due to inflation adjustments or premium rate repricing changes.

### Inflation adjustments (Indexation)

To help your cover keep pace with the cost of living, your **sum insured may increase each year** - this is called an **inflation adjustment**. While it helps maintain the real value of your cover, it also increases your premium. You can usually opt out of this if needed.

### Payment frequency and method

You can choose to pay your premiums:

* **Monthly, quarterly, half yearly or annually -** Annual payments may offer a small discount.
* **Via direct debit or credit card -** Direct debit is often more convenient and reduces the risk of missed payments.

Note: Partial rollovers can only be paid yearly.

### Options to reduce premiums

If you're looking to manage costs, here are a few high-level strategies:

* Review your cover amount and remove any unnecessary extra cost options.
* Adjust your payment frequency.

### Here to help

As your financial adviser, I’m here to help you understand your options and make sure your cover continues to meet your needs and budget. If you’d like to review your policy or explore ways to manage your premiums, let’s talk.