

LIFE ASSURANCE

Match the risk

Lower premiums for ex-smokers



WHEN A LIFE assured stops smoking he must not forget to inform his insurer: he could save as much as 50% in premiums. A financial adviser can review the complex terms and conditions of a life assurance policy, and ensure his client gets a fair deal.

Many clients could be affected because, according to a South African survey commissioned by Nicorette last year, no less than 66% of smokers are considering to stub out their last cigarette.

It says the trend follows more stringent legislation introduced by amendments to the Tobacco Control Act, which bars smoking in partially enclosed areas and motor cars in which there were small children. Aside from this, there is the rising cost of cigarettes and the constant reminders of health risks associated with the practice of smoking.

According to Gavin Came, Chairman of the Financial Planning Committee at the Financial Intermediaries Association of Southern Africa (FIA), if a consumer has stopped both smoking and using nicotine-replacement products for over 12 months, he should qualify for a reduction in the cost of life insurance.

However, a report by Sainsbury's Life Insurance in the UK recently found that more than three million former smokers were overpaying for their life

cover to the tune of £316m. The report showed the average smoker pays £209.76 a year for life cover, compared with £113.88 a year for a non-smoker.

Came says the same is also true in South Africa, with a smoker likely to pay a higher cost than a non-smoker due to the associated health risks. "The actual premium a smoker would be required to pay is dependent on a number of factors, including the number of cigarettes they smoke each day. On average, however, a smoker is likely to pay between 25% and 120% more for life insurance than a non-smoker.

"In the current environment, with costs such as electricity, fuel and food constantly increasing, it is vital that former smokers take the time to advise their broker or life insurer of a change in their circumstances as it could make



Gavin Came

a significant impact on their finances."

Came says it is also important for consumers to evaluate other changes they may have made to their lifestyle such as regular exercise, as this can have a positive impact on the cost of financial services products.

"Consumers who make an active decision to lead a healthier lifestyle should speak to their financial adviser to determine exactly how this can benefit them financially. For example, a heavy drinker will also likely pay higher premiums due to the health risks this would pose. However, if they have stopped drinking for a sustained period of time they should be able to review any loadings or exclusions."

Came warns, however, that while companies are likely to reduce the cost of premiums for clients who have quit smoking it is essential they do not lie to their insurer to receive preferential rates. He says it is important for consumers to remember that if they start

smoking again after informing their insurer otherwise, they must update their details again to ensure that in no way the insurer would be able to repudiate a potential claim based on non-disclosure.