

Supermarkets use aggressive tactics

By Laura Shannon

A SUPERMARKET sales war could see hundreds of thousands of people buying life insurance that does not suit their needs.

Supermarkets are using more aggressive selling tactics, offering bonus loyalty points, cashback and voucher 'sweeteners' if you buy a life policy — which pledges a sum of money to your family when you die.

Shoppers are being lured towards a one-stop shop for everything from food and clothes to finances and, soon, legal services, too.

But the convenience of buying life insurance advertised in glossy leaflets alongside a loaf of bread could mean extra benefits — and sometimes cheaper prices — are sacrificed.

Kevin Carr, a protection specialist who runs his own consultancy, says: 'Supermarkets can cherry pick who they give cheaper cover to and load the premiums for people who don't tick all the boxes. They might look cheaper to start with, but getting a competitive deal is about researching more than one company.'

In one example of how prices can vary, a 40-year-old woman insuring a £250,000 lump sum for her family in case she dies would pay £17.77 per month with Tesco, with the policy lasting 15 years.

The same deal with a different insurance company, Aviva, can be found £682 cheaper over the term of the policy.

Insurance giants have recruited big-name stores to help push sales higher. Tesco and John Lewis are linked to Friends Life, while Sainsbury's is tied to Legal & General.

Conversely, Asda directs customers to LifeSearch, which provides free advice and searches across the market.

Shoppers dealing with just one company could fail to spot cheaper deals which are available through advisers or website comparison services.

The onus is also on you to buy the right type of insurance. For example, if you have a repayment mortgage, a decreasing-term policy promises to pay out less over time as your mortgage debt shrinks.

This cover is cheaper than level-term policies, which pay a fixed sum regardless of what stage you die during the policy term and an adviser would know which to recommend.

Life insurance premiums are likely to rise next year and it is expected there will be a rush to buy cheaper cover beforehand.

This is because of an EU ruling that says insurance cannot be priced differently for men and women — even though women are likely to live longer, reducing the likelihood of an insurer paying out.

Matt Morris, of protection insurance

Life cover trap at the checkout

advisers LifeSearch, warns people to seek advice first. 'As more people rush to buy before the inevitable price rises, the more likely it is that avoidable mistakes will be made.'

'These mistakes rarely surface until claim time and by then it's too late to change them.'

Around 46pc of life insurance deals were bought without advice in 2010, according to the most recently available figures. This equates to around 460,000 policies.

Bypassing advice could also mean forgoing the tips that significantly boost your family's financial well-being if the unexpected happens.

For example, advisers recommend couples buy a policy each instead of a joint plan. It's cost effective and means children would receive two large payouts if both parents died.

A joint policy pays out only once, when one parent dies. So if the surviving spouse dies, too, there's no extra money for the children.

'Supermarkets are also less likely to tell you about trusts, which can be arranged with your life insurance free,' adds Kevin Carr.

Setting up a trust alongside a life policy means the money legally belongs to the beneficiary and payment goes direct to them.

Otherwise, after you die, a payout is added to your estate first and assessed for inheritance tax. It could take months for your family to receive the money they need.

Tesco Bank says customer service teams offer guidance and it stresses that customers should ensure a policy meets their needs.

Helen Williams, of Sainsbury's Finance, says they cover a 'growing proportion of people who know their requirements and prefer to buy direct, without advice.'

Did you know?

More than 400,000 UK households own a property abroad