

# Life Insurance changes



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KiwiSaver is almost three



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## Pricing impact due to life tax changes

Tax legislation introduced some 21 months ago, which will change the way life insurance is taxed, will take effect from 1 July 2010.

The new tax rules will significantly increase the amount of tax paid by life insurers on life risk business. With this in mind, insurers have thoughtfully considered the impact and we can confirm at this stage that premiums will increase on some life insurance business issued from 1 July 2010.

While insurers are working hard to minimise the flow-on effect of the tax increases to their customers, they have yet to determine the exact amount of premium increases. An announcement detailing the level of premium increase will be made in the coming weeks. That said, for customers that have an existing life cover policy in place before 1 July 2010, premiums will never be cheaper, as insurers will be protecting these policies from the immediate impact of the tax changes.

## Will current premiums increase?

The new tax legislation includes 'grand parenting' provisions that reduce the immediate tax impact for insurers on existing term life policies. 'Grand parenting' provides a transitional period during which the old tax rules effectively continue to apply for up to five years, in most cases. Insurers have worked diligently to ensure that they in turn also protect these grand parented policies from the immediate price impact, therefore premiums will not be increasing for existing life cover policies on 1 July 2010. If you are considering buying a life cover policy, or are in need of a top-up to an existing one, now would be a good time to arrange it.

## Can I avoid a tax change increase?

The only policies not subject to the tax increase will be those issued prior to 1 July 2010 on a level premium basis. These are generally known as level to age 65 or age 80 policies. As is current practice, once a level policy has been issued there will be no premium increases on the initial sums insured for all level premium life cover and family protection benefits during the specified level premium term. Any increase in premium will apply only to any additional amount to the initial sum insured.

## Where to from here?

The tax changes effective from 1 July 2010 mean premiums will increase for any new policy issued from there onwards. Any current annually reviewable policies will be grand parented from the tax provisions for five years or to the end of the level term.

## What should I do?

If you are contemplating **any** policy changes or increasing your life cover, you should speak to Thorners now to ensure the paperwork is completed or in place prior to 30 June 2010. This will avoid potentially increased premiums.

***Please call us if you have any questions or concerns over your policies and how the new tax regime may effect your premiums.***

***You only have until 30 June 2010 to make any policy changes or to have new pre tax change policies issued.***

## Your May 2010 "To Do" List should include...

- **A check that your life cover is adequate for your current financial and personal circumstances**
- **A call to Thorners to discuss whether "Level Premium" options would suit you**
- **A check that you are not enrolled with a KiwiSaver default provider**

Last month I discussed KiwiSaver. Since then Asteron have chosen to exit the KiwiSaver market so if you or a family member have an Asteron KiwiSaver account, I am able to offer new fund provider options. I have also chosen to market the Fisher Funds KiwiSaver scheme which means I am in a position to offer a variety of schemes for you to choose from if you wish to review your options.

I am available to discuss your insurance and investment needs in what is a difficult time for many of us at the moment so please feel free to contact me if you have any questions. My personal email is [denis@thorner.co.nz](mailto:denis@thorner.co.nz) or ph 04 528 8088.

I look forward to hearing from you soon.

Kind regards

*Denis*

*\*A copy of my disclosure statement can be downloaded from [www.thorner.co.nz](http://www.thorner.co.nz)*