Zurich Personal Protection

Decreasing cover

What is decreasing cover?
People buy life insurance for all sorts of reasons, but for most it’s to cover their biggest financial commitment: their mortgage. And as their mortgage reduces, their cover can too. **We call that decreasing cover.**

If you choose this option your cover will decrease each month, eventually reaching zero at the end of the policy term.

So how does it work?
With decreasing cover, unlike level or increasing cover, the amount you’ll receive should you claim will reduce each year roughly in line with your outstanding mortgage. Your premiums won’t change.

Here is an example of how different decreasing cover interest rates would look over the term of a mortgage

What if my mortgage rate changes?
To ensure the decreasing cover policy interest rate matches your mortgage rate, you can also change your interest rate during your policy term, to make sure your mortgage is still covered. Your premium will change when your interest rate changes.

With a Zurich Personal Protection policy, if you opt for our decreasing cover option, you can choose an interest rate between 2% and 18% per year (at 2% intervals) when you take out the policy.

You can select an interest rate that aims to ensure there's always enough cover to pay off your mortgage if you die or suffer a critical illness during the term of the policy. Simply choose an interest rate which is higher than your current mortgage interest rate.
Alice’s story

Alice and her husband bought their first house with a £200,000 mortgage which they would repay over 25 years.

To cover the mortgage in case one of them died or suffered a critical illness, Alice and her husband took out a joint Zurich Personal Protection policy with a cover amount of £200,000.

They also chose decreasing cover so that their cover amount would reduce roughly in line with their mortgage.

Their first mortgage deal was a five-year fixed deal with an interest rate of 3.99%. So Alice and her husband chose a decreasing cover interest rate of 4%. This way, they knew a payout on their policy would cover their remaining mortgage.

At the end of their 5 year fixed deal, Alice and her husband’s mortgage moved to a variable rate, but as this rate was below 4% they left their decreasing cover unchanged at 4%.

About halfway through repaying their mortgage, their lender’s variable rate increased to 5.49%. So during this period, Alice and her husband changed their decreasing cover interest rate to 6%, increasing their premium.

Two years later, the couple remortgaged to a new fixed rate for the remainder of the mortgage term of 3.79% and so once again changed their decreasing cover interest rate back down to 4%, reducing their premium.

When they repaid their mortgage, Alice and her husband’s Zurich Personal Protection policy with decreasing cover had reduced to zero.

This is an example story.

Anything else I should know?

You can select decreasing cover at the time you take out your Zurich Personal Protection policy, and your premiums will stay the same throughout the lifetime of your policy, unless you change the interest rate.

You should review the interest rate you choose often with your financial adviser to ensure it remains appropriate to cover your mortgage.