

Life insurance premiums

Key facts

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Important: Insurers have changed premium label descriptions for new retail advised business. Read more on the next page below.

The cost of life insurance when you first purchase it, and how the cost might increase over time, depends on whether your policy has either *stepped* premiums or *level* premiums.

Unless your life insurer has told you otherwise, insurance premiums for policies will usually be variable - that is they will change.

This fact sheet explains the key differences and similarities between the two types of premiums. These structures will have an impact on how much your premiums will cost now and in the future.

The key difference between premium types

In many respects, the premium types are similar and both premiums can go up. The key difference is how your age is considered in calculating your premium.

Stepped premiums

These are based on your age each year. This means the cost usually increases every year in steps at each policy anniversary because there is a higher chance of you making a claim as you get older.

Level premiums

These have the cost increases associated with getting older spread out over a number of years. This means the cost starts out higher than stepped premiums, but depending on how long you hold your policy, the cost may be lower at some point in the future.

What the two premium types have in common

In either case, the cost can increase periodically.

While this is not an exhaustive list, here are some examples of why your policy might cost more over time:

- If premium rates are variable, they can increase due to market conditions such as higher than expected claims.
- If a premium discount ends after a set period.
- If the amount you are insured for automatically increases each year in line with inflation, your premium naturally goes up each year by the cost of the extra cover.
- If your policy starts with level premiums and switches to stepped premiums at a specified time.

Important

Premium increases typically get larger as you get older.

You can offset premium increases by making changes to your policy, for example by reducing your level of cover. This may suit your situation if your need for insurance coverage has reduced or changed. Some examples include if you have paid down debt or your children are no longer dependent on you.

Update to premium labels

Australia's life insurers are using new labels to describe premium types for new retail life insurance policies. The aim is to help make premium types and labels more understandable for Australian consumers by ensuring they better reflect how premiums change over time.

For most existing policies, current naming conventions are likely to remain.

Previous premium labels (for existing policies)	Level	Stepped
Current premium labels (for retail policies taken out on or after 1 January 2025)	Variable premium (Reviewed annually)	Variable age-stepped premium (Reviewed annually)
	Fixed premium (Reviewed after fixed period of >1 year)	Fixed age-stepped premium (Reviewed after fixed period of >1 year)

Some life insurers have chosen to transition to the new premium labels earlier than 31 December 2024.

If the new label is used for an existing policyholder (at the discretion of the insurer) does this change their policy?

No. In that scenario the only thing that changes is the label. The existing policy remains the same.

How did the insurers come up with the new labels?

The Council of Australian Life Insurers undertook customer research, including one-to-one consultations with insurance advisers and focus groups with life insurance and income protection customers across Australia.

For more information about the premium type that applies to your policy, contact your life insurer or financial adviser.

Further information

Some life insurers might offer variations of stepped and level premiums or have other premium choices available.

Each life insurer has a Product Disclosure Statement (PDS) available for policies they offer.

The PDS explains how the premiums work and the options available.

Every care has been taken in preparing this fact sheet, but it does not override any information contained in each life insurer's policy documentation.