

Choosing the right policy

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BEFORE purchasing a life insurance policy, do note that it is a legal contract that can be quite complicated and confusing to many people.

Speak to your insurance company-authorised agent to help you make a proper assessment of what plans would suit your needs. As they say, "one man's meat is another's poison."

Since there's seldom a one-size fits all kind of solution to your individual financial circumstances, you need to know what is out there and then decide what is right for you.

Of course, there's seldom the best plan in the market, only the right plan for your personal circumstances.

Basically, there are two types of life insurance plans in our market today — the traditional policy and investment-linked insurance. Within each category, there's the conventional insurance as well as Islamic insurance, better known as takaful.

Within the traditional life insurance plans, there are generally three major types of insurance — term, whole life and endowment.

Term insurance is the simplest form, which pays a lump sum benefit upon death or total permanent disability during the term

of the policy — it can range from one to 30 years or up to a certain age, usually till age 70. Should a person survive till the expiry of the policy, normally, there's no pay out whatsoever.

As for whole life insurance, as the name suggests, the coverage period is for your entire life. It also pays a lump sum benefit upon death or total permanent disability during the term of the policy, which can stretch up till age 100 or longer. Upon the maturity of the policy, you are assured of the sum assured plus cash value, if any.

Endowment plans are insurance plans that come with specific maturity period, for example, 15, 20 or 25 years — at the end of which, you are guaranteed of the sum assured amount.

In addition to that, if your plan is a participating policy, you can also expect to receive bonuses throughout the period of your policy but the amount is not guaranteed.

Upon death or total permanent disability, your family members are also assured of the sum assured amount plus the bonuses declared, if any.

The newer policies are the investment-linked insurance plan that combines investment and protection. Your allocated premiums are unitised — depending on your choice of funds, your premiums would be divided into units of equal value.

Therefore, your premiums provide not only a life insurance cover, but part of it

will also be invested into specific investment funds of your choice. You get to choose how to allocate your insurance premiums towards protection and investment.

Generally, there are two types of investment-linked plans — single premium and regular premium plans.

As mentioned earlier, there's really no one best plan but rather the right plan to suit your different needs and circumstances. If you prefer more certainty and less volatility, you may want to go for a traditional life insurance plan.

However, if you are willing to take on a little more risk and don't mind the fluctuations in between, then an investment-linked Insurance plan may suit you better.

The best option may be to have a combination of both types of plans, with the traditional whole life plan serving as your foundation and the investment-linked plan giving you the added boost in your coverage with very affordable premiums.

• This article is provided purely as an advisory. For specific details, please consult an insurance professional by contacting any life insurance company listed in the Life Insurance Association of Malaysia official website at www.liam.org.my.