

The truth about insurance

ONCE upon a time, there were three blind men who stumbled upon an elephant. The first man happened to touch the trunk of an elephant while the second man touched the elephant's leg. The third blind man felt the elephant's tail and each of them then described how an elephant looked like to them. Guess how would each of them describe it?

The first blind man may say that an elephant looks like a big fat snake while the second may say that it's just like a tree trunk. The third blind man may describe it like a piece of rope.

Similarly, each of us may have different perceptions or understanding of what life insurance is and we may form an opinion of it based on our past experience. Most likely, our understanding of life insurance is based on what our agents told us and the past experiences we had with it, whether good or bad.

In the next few weeks, we'll be providing you with the truth and nothing but the truth about life insurance. We also hope to dispel any doubts or misconceptions that you might have with regard to life insurance.

It's indeed unfortunate that some of us may have had a bad experience with our insurance policies or agents and subsequently, form a negative judgment of it merely based on that one bad experience. It's akin to the blind men who touched just one part of the elephant and have not actually seen it with their own eyes.

What we hope to do is to open your eyes to the wonders of life insurance and literally strip it down and be very transparent on what it actually is and how it may actually be your friend for life.

Get peace of mind with life policies

Q: What is life insurance?

A: It is a legal contract between the policy owner and the insurer, whereby the insurer agrees to pay a sum of money (Sum Assured) upon the occurrence of the insured individual's (Life Assured's) death or other insured event, such as total permanent disability (TPD) or critical illness. In return, the policy owner agrees to pay a stipulated amount (premiums) at regular intervals or in lump sums.

Q: What are we actually buying?

A: In essence, when we buy insurance, we are actually trying to secure some peace of mind. We are assured that should anything unfortunate (for e.g. death, TPD or critical illness) happens to us, our family and loved ones are well taken care of. They'd continue to have a roof over their heads, food on the table and clothes on their backs. They can carry on with their lives with minimal interruptions.

Q: Is it really necessary?

A: The real question should be: "How much do you really love your family? How responsible are you as a father or

mother, son or daughter? Do you really have the heart to let your loved ones fend for themselves financially, while they're trying to cope emotionally?" A life insurance policy is really an instrument of love and affection. Now, do you think that it is really necessary?

Q: How do I know when I need it?

A: The rule of thumb is that if you have anyone who is financially dependent on you, chances are, you will need to have a life insurance. However, don't forget that you are also depending on yourself and should you lose that income earning ability, can you sustain yourself financially? If not, you will also need to have one. There are more than 16 million people in the country who are still not insured. The reasons are varied, including people setting wrong priorities and having the wrong perception that life insurance is expensive. The fact is that for an individual aged 25, you could get life insurance cover of RM50,000 sum assured for a monthly premium of lower than RM30, or about RM1 per day.

Q: Are all life insurance policies the same?

A: While most of the provisions of the contracts are the same, there are different types of policies to meet different needs, budgets and circumstances. You should always compare, consult and confirm the terms and conditions before deciding on the right plan for you. While there are products that are flexible enough that they could be changed, life insurance is a long-term commitment and you should first satisfy yourself that it fully meets your requirements.

In conclusion, life insurance may be sold like any other products but it is unlike any other product. The institution of life insurance is a haven of financial security for families and its product — the life insurance policy — is an instrument of love and affection. Indeed, life insurance is not only the best possible instrument for family protection, there is none like it at all.

■ This article is prepared by the Life Insurance Association of Malaysia. In articles to come, we are going to look at the various aspects of life insurance to help you make an informed decision. It's our wish to make life insurance truly your friend for life!