

A variety of policies to cater to your needs

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- What are the types of life insurance plans out there?

Basically, there are two types of life insurance plans in our market today: the traditional life insurance and the investment-linked insurance. Each type comprises the conventional as well as the Islamic insurance or takaful.

Conventional insurance has been in the market for ages but it does not conform to the syariah principles. Takaful, introduced not too long ago, is syariah-compliant.

-What are the types of traditional life insurance plans available? Under the traditional life insurance plan, there are three types of insurance, namely term, whole life and endowment.

Term insurance is the simplest form of life insurance. It pays a lump sum benefit upon death or total permanent disability during the term of the policy, which can range from one to 30 years, or up to a certain age, usually 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 to 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 a specific maturity period, for example, 15, 20 or 25 years, at the end of which you are guaranteed the sum assured. In addition to that, if your plan is a participating policy, you can 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 assured of the sum assured amount plus the bonuses declared, if any.

-What are investment-linked insurance plans?

An investment-linked insurance plan combines investment and protection, whereby your allocated premiums are unitised, that is, depending on your choice of funds, your premiums will be divided into units of equal value. The prices of the units are published daily in the newspapers for you to track the value of your investments.

Therefore, your premiums provide not only a life insurance cover but also part of it will be invested in specific funds of your choice. You get to choose how you want to allocate your insurance premiums for protection and investment. There are two types of investment-linked plans: single and regular premium plans. We will cover the details of these plans in the following article.

- So, which is the best plan for me?

There's really no one best plan but rather the right plan to suit your different needs. If you prefer 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 risk and don't mind the fluctuations in between, then an investment-linked insurance plan may suit you better.

The best option would 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 affordable premiums.

Next week, we will look into the investment-linked plans in detail. The Friends for Life article is courtesy of Life Insurance Association of Malaysia

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