

# straits

---

## Ensuring you see what you get

2011/09/19

The life insurance sales illustration is no rocket science, neither is it as straightforward as most people would like it to be. There are many numbers, columns and, not to mention, the fine print with financial jargon that make it seem overwhelming. But it is not as complicated as it looks if you know what to look out for and what to ask your agent

### **- WHAT important information should I be looking out for in a life insurance sales illustration?**

For participating and investment-linked policies, a life insurer or its agent is obligated to provide you with a sales illustration at the point of sale, showing the premiums and benefits applicable to the specific proposal.

Among some of the important information to take note of are:

1. What are you actually buying and how does it work?
2. What are the benefits of the policy?
3. How much does it cost and are there any other hidden costs involved?
4. How long do you have to pay and what are the payment options available?
5. What are the main terms and conditions of the policy and specifically, what is not covered?
6. What are the assumptions used to arrive at the illustrations?

### **- What are the main sections in a life insurance sales illustration?**

Generally, a life insurance sales illustration must consist of the following sections:

1. Plan type, product description and premium amount
2. Illustration of guaranteed benefits
3. Illustration of non-guaranteed benefits
4. Important notes to the illustration and assumptions used
5. Product disclosure sheet

### **- What are the guaranteed benefits?**

A sales illustration normally shows the values at the end of each policy year for policy years one to 20 and every five years thereafter until maturity for a life assured in respect of:

1. The premium paid
2. The guaranteed survival benefits
3. The guaranteed death benefits
4. The guaranteed surrender value.

What's important is to determine if the premiums are guaranteed throughout the policy term as not all plans are the same.

Sometimes, the insurer reserves the right to review the premium rates from time to time. This is especially so for the medical and health insurance (MHI) and the investment-linked plans (ILPs).

**- What are the non-guaranteed benefits?**

Similarly, a sales illustration must also show the values at the end of each policy year for policy years one to 20 and every five years thereafter until maturity for a life assured in respect of non-guaranteed benefits like reversionary bonuses, cash bonuses/dividends, terminal bonuses and maturity bonuses.

It is equally important to note that while such benefits may be non-guaranteed, it does not mean that you may not get anything at all at the end of the day.

As a responsible insurer in a highly regulated industry, most companies would strive to meet their projections to their best of their abilities. Here, it is important to assess the assumptions used.

**- What are some of the underlying assumptions?**

In an insurance sales illustration, a lot of the figures are based on certain assumptions, especially the non-guaranteed ones.

You may want to read through the important notes section to identify the following key assumptions used:

1. Investment rate of returns/interest rate assumptions under the high and low scenarios vs. actual past five years' returns
2. Bonus/dividend assumptions and basis of calculation versus actual bonuses/dividends declared thus far
3. Any other costs, fees or penalties charged

**- What are some of the important questions that I should be asking my agent/adviser?**

Of course, in spite of all the information mentioned above, there may be other things which you may still not know or be aware of. It's advisable then to check with your agent or adviser if there's any other

factor(s) to consider before you commit yourself.

Specifically, do check with your agent/adviser on the following:

1. How much do I have to pay?
2. How long do I have to pay?
3. Are there any hidden fees/ charges that I should be aware of?
4. What are some of the key terms and conditions that I should be aware of?
5. What are the major exclusions under this plan?
6. Can I cancel my plan?
7. What happens if I can't keep up with the payments?
8. What happens if I stop the plan halfway through?
9. Where can I get further information?
10. Are there other similar types of cover available?

**Your Friend for Life article is contributed by the Life Insurance Association of Malaysia**

---

Write to the Editor for editorial enquiry or Sales Department for sales and advertising enquiry.  
Copyright © 2010 NST Online. All rights reserved.