

YOUR GUIDE TO

INVESTMENT-LINKED INSURANCE POLICIES (ILPs)



**Life Insurance Association
Singapore**

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YOUR GUIDE TO INVESTMENT-LINKED INSURANCE POLICIES (ILPs)

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INTRODUCTION TO INVESTMENT-LINKED INSURANCE POLICIES

1 INTRODUCTION TO INVESTMENT-LINKED INSURANCE POLICIES



What is an Investment-Linked Insurance Policy?

An investment-linked insurance policy (ILP) has both a life insurance and an investment component. The policy's performance is subject to the performance of the investment-linked policy sub-fund(s), as well as ongoing insurance coverage charges, which increase with age. Be aware that ILPs are long-term insurance policies, and a longer time horizon is particularly important as there are usually significant charges in the early policy years. Hence, ILPs are not suitable for everyone. Exercise caution and seek professional advice before making a purchase decision. If you are only concerned about getting insurance coverage, you can consider term insurance.



WHAT IS AN INVESTMENT-LINKED POLICY SUB-FUND?

An investment-linked policy sub-fund, or a sub-fund, pools together the premiums paid by policyholders and invests in a portfolio of assets to achieve the sub-fund's investment objective. The price of each unit in a sub-fund depends on how the investments in that sub-fund perform. The sub-fund may be managed by the insurer or external fund manager(s).

ILPs typically do not provide guaranteed cash values or benefits.



The cash value of an ILP depends on the price of the underlying units, which in turn depends on how the investment in the sub-fund performs. Fees, expenses and insurance charges for an ILP are paid for through a deduction of the premium and/or sale of purchased units.



If you surrender your policy or your policy matures at a time when the sub-fund is not performing well, you can potentially lose the entire value of your investment.

ILPs CAN BE BROADLY CLASSIFIED INTO TWO CATEGORIES

Single premium ILPs where premium is payable in one lump sum to purchase units in a sub-fund.

Regular premium ILPs where premiums are payable on a regular basis, such as monthly, quarterly, half-yearly or annually.

Most policies give you the option of investing an additional amount into your ILP at any time. This additional amount (known as a top-up premium) can be invested on a regular or ad-hoc basis. Some single premium ILPs offer you the option of making top-ups at specific intervals. These options are commonly known as "recurring single premium options".

INTRODUCTION TO INVESTMENT-LINKED INSURANCE POLICIES



What are the Benefits of Purchasing Investment-Linked Insurance Policies?



FLEXIBILITY

ILPs can offer you flexibility. For example, they may allow you to top-up your premiums on an ad-hoc or regular basis, make withdrawals/surrenders and switch sub-funds. In addition, many regular premium ILPs give you the flexibility to vary your level of insurance coverage.

They may also allow premium holidays, during which premium payments can be temporarily stopped without having to terminate your policy. However, some existing units in your ILP will be sold to pay insurance coverage charges and other fees involved in upkeeping the policy. Hence in the long term, the cash value of the ILP could be diminished.

There may be charges when you make any of the above changes, including activating the premium holiday feature. The information on various charges is available in the Policy Contract and Product Summary.



DIVERSIFICATION

The investment-linked policy sub-funds offer you access to different portfolios to help you diversify your investments away from relying on just a single equity security. Diversification helps protect against the risk of “putting too many eggs in one basket”.

However, the extent of diversification within a sub-fund can vary across different sub-funds. Some sub-funds invest in many types of asset classes, geographical regions or industry sectors, while others focus on a specific class, region or sector. The level of diversification also depends on factors such as the sub-fund’s size, and the market conditions.



CHOICE OF SUB-FUNDS

ILPs let you choose from a range of investment-linked policy sub-funds provided by the insurer. It is important to select sub-fund(s) that suits your financial goals and risk profiles. Do note that the returns are not guaranteed and there could be potential losses from the sub-funds’ performances. ILPs also allow you to move your money from one sub-fund to another.

You may want to consider this as your financial situation and risk appetite change over time. Most insurers offer a limited number of free switches and charge switching fee thereafter. Before switching from one sub-fund to another, do take into consideration your investment horizons and check whether you are entitled to free switches and if not, how much you would need to pay for the switch.



POTENTIAL RETURNS

Depending on the sub-fund(s) chosen, you can potentially earn higher returns over the long term with an ILP compared to other life insurance policies with investment components such as participating whole life and endowment policies because any growth in the value of your units go completely to you.

However, these returns are not guaranteed, and you could lose the entire value of your investment in a downturn (Please also refer to the section on risk for further details.)

INTRODUCTION TO INVESTMENT-LINKED INSURANCE POLICIES



What are the Risks of Purchasing Investment-Linked Insurance Policies?



INVESTMENT RETURNS ARE NOT GUARANTEED

When you purchase an ILP, the investment risk will be borne entirely by you. The performance of the sub-funds is not guaranteed and the price of the units can rise or fall. Past performance is not indicative of future performance. ILPs usually do not have guaranteed cash values.

Hence, you can potentially lose the entire value of your investment and cash value, if a sub-fund performs poorly.



INSURANCE COVERAGE CHARGES ARE NOT FIXED

For ILPs, insurers may also increase the cost of insurance coverage (within any maximum limits stated in the Policy Contract) if there has been a sustained rise in claims.

Any increase in insurance coverage charges would be applied to an entire class of policies and not just to an individual policy.



UNITS MAY BE INSUFFICIENT TO PAY THE INSURANCE COVERAGE CHARGES

As the risk of death, disability and illness generally increases with age, insurance coverage charges typically increase as you grow older. For most ILPs, insurance coverage charges are paid through the sale of units. As you get older, it is possible that a combination of high insurance coverage and poorly performing sub-fund(s) may result in the value of the units being inadequate to meet insurance coverage charges for the level of coverage provided by your policy.

Hence, you may have to top-up your premium or reduce your insurance coverage.



INTRODUCTION TO INVESTMENT-LINKED INSURANCE POLICIES



What Key Factors Should I Consider Before Purchasing an Investment-Linked Insurance Policy?



PURPOSE:

Consider what exactly your objective is in buying an ILP. Are you looking for investment or are you focused on getting insurance coverage or a combination of both? An ILP typically provides a combination of both. If you are looking for either objective only, you should compare against other investment instruments or insurance products (e.g. term insurance) as well.



RISK PROFILE:

Your risk profile refers to how much investment risk you are willing to bear. It varies from individual to individual, as your financial situation and investment objectives differ. The cash value of an ILP depends on the performance of the investment-linked policy sub-fund(s) selected. The returns are not guaranteed. If you buy an ILP, you need to be prepared that the cash value of your policy will fluctuate according to the sub-fund(s)' performance. You need to re-evaluate your investment at different points of time as your risk profile changes.



INSURANCE PROTECTION VS INVESTMENT:

Some ILPs are more investment-oriented with very little insurance coverage, whilst others will allow you to set the level of insurance coverage that you require. Do note that the more you are covered for, the more units will be needed to pay for the cost of insurance coverage and that leaves less units to be invested. See below for more details on insurance coverage.



CHOICE OF SUB-FUNDS:

Different investment-linked policy sub-funds focus on different asset classes, geographical regions or industry sectors, and have different levels of volatility. It is important to select a sub-fund or sub-funds that is/are commensurate with your risk profile and investment objectives.



TIME HORIZON:

This refers to the period that you can stay invested before you expect to cash out your investment. ILPs are generally regarded as long-term insurance policies. A longer time horizon is particularly important when investing in these types of policies as there are usually significant charges in the early policy years.






INTRODUCTION TO INVESTMENT-LINKED INSURANCE POLICIES





What are the Key Differences Between Investment-Linked Insurance Policies and Participating Life Insurance Policies?

The key differences between ILPs and other life insurance policies that include an investment component, such as participating whole life and endowment policies are summarised in the following table:

KEY DIFFERENCES	INVESTMENT-LINKED INSURANCE POLICIES	PARTICIPATING WHOLE LIFE AND ENDOWMENT
 <p>Investment mandate</p>	<p>The part of your premiums that are allocated for the purchase of units will be invested in your chosen investment-linked policy sub-fund(s). The sub-fund is invested according to its specified investment objective. The performance of the sub-fund can be tracked through the daily publication of unit prices.</p>	<p>Your premiums go into the insurer's participating ("par") fund. The insurer decides on the appropriate investment portfolio for this fund after taking into account the nature, term and currency of its overall liabilities.</p> <p>The performance of the par fund will depend on the investment performance and other factors, such as claims experience and expense levels.</p>
 <p>Investment risks and returns</p>	<p>Investment returns are not guaranteed and depend on the performance of the sub-funds.</p> <p>The investment risk is usually borne entirely by you.</p>	<p>There are two categories of benefits - guaranteed and non-guaranteed. For guaranteed benefits, the insurer bears the investment risk. Non-guaranteed benefits such as bonuses depend on the performance of the insurer's par fund.</p>
 <p>Cash value</p>	<p>The cash value of ILPs is not guaranteed and will fluctuate in line with the price of the units. You may withdraw the cash value of the units that have been allocated to you. Note that there may be a surrender charge. As life insurance policies are long-term policies, early termination of the policy usually involves high costs, and the cash value payable may be less than the total premiums paid.</p>	<p>Whole life and endowment policies guarantee a minimum cash value usually after a few years' premiums have been paid. However, note that as life insurance policies are long-term policies, early termination of the policy usually involves high costs, and the cash value payable may be less than the total premiums paid.</p>

INTRODUCTION TO INVESTMENT-LINKED INSURANCE POLICIES

KEY DIFFERENCES	INVESTMENT-LINKED INSURANCE POLICIES	PARTICIPATING WHOLE LIFE AND ENDOWMENT
 <p>Bonuses</p>	<p>No participating bonuses are payable as ILP does not participate in profit sharing. The value of your ILP depends on the performance of your chosen sub-funds.</p>	<p>Bonuses may be payable depending on various factors, including the insurer’s par fund’s actual asset value, investment performance and future outlook, expenses and financial condition. Bonuses are not guaranteed. However, once they are declared by the insurer, they become guaranteed additions to the policies.</p>
 <p>Premium breakdown</p>	<p>The premium amount used for cost of insurance coverage, purchase of units for investment and other charges are unbundled and transparent. They are disclosed in the Product Summary and Policy Contract. However, the charges may exceed the premiums paid. If the performance of the sub-fund is poor, top-up of premiums may be required to sustain the insurance coverage.</p>	<p>The premium amount used for cost of insurance coverage, investment and other charges are bundled. They are not separately identified in the Product Summary and Policy Contract.</p>

Can I Invest with my Central Provident Fund (CPF) Savings?



CPF members are required to complete the CPF Self-Awareness Questionnaire before they are able to purchase CPFIS-included ILPs under the CPF Investment Scheme.



Premiums and top-ups can be made with CPF savings if the ILP is included under the CPF Investment Scheme. Since January 2001, only single premium policies have been allowed under the CPF Investment Scheme. However, CPF members who have purchased regular premium policies prior to 2001 can continue to have the regular premiums paid from their CPF savings.





HOW INVESTMENT-LINKED INSURANCE POLICIES WORK

2 HOW INVESTMENT-LINKED INSURANCE POLICIES WORK

? What is Single Pricing?

From 8 October 2021, all ILPs are based on single pricing using a Net Asset Value (NAV) basis. For example, if the NAV per unit is \$1, then when the whole of \$1,000 premium is used to buy units, it will buy 1,000 units, without a bid-offer spread. Similarly, at NAV per unit of \$1, 1,000 units can be cashed in for \$1,000.

? What are Offer and Bid Prices?

While many insurers use a single pricing structure for the sub-fund, some insurers are still using the bid/offer pricing structure to show the difference or the cost of the sub-fund(s). The difference between the bid and offer prices, referred to as the bid-offer spread, is usually less than 5%, and helps to defray the insurer's expenses.



OFFER PRICE

What you pay to purchase units.

For example:

If the offer price is \$1, with \$1,000 premium, you get 1,000 units.

BID PRICE

What you get when you cash in units.

For example:

If the bid price is \$0.95, with 1,000 units, you get \$950 when you cash in units (assuming no other charges apply).

The cash value of the ILP depends on the number of units you have and the bid price of those units. The bid price in turn depends on the performance of the underlying investment-linked policy sub-fund(s).

HOW INVESTMENT-LINKED INSURANCE POLICIES WORK



How Much of the Premium is Used to Purchase Units?

The full amount of premium paid may not always be allocated to purchase units as it depends on the structure of the policies, i.e. whether it has a “front-end” or “back-end” loading.

FRONT-END LOADING

In a front-end loaded policy, a certain amount of premiums would be used to help defray the insurer’s expenses such as distribution and administration costs in the early years. These expenses decrease over time. As such, insurers have a “premium charge”, particularly in the earlier policy years. For any ILP that is issued from 8 October 2021, insurers disclose upfront deductions as a single charge referred to as a “premium charge”.

The table below shows an example of how the premiums of a regular premium policy are split between paying for premium charges and the purchase of units over the policy term.

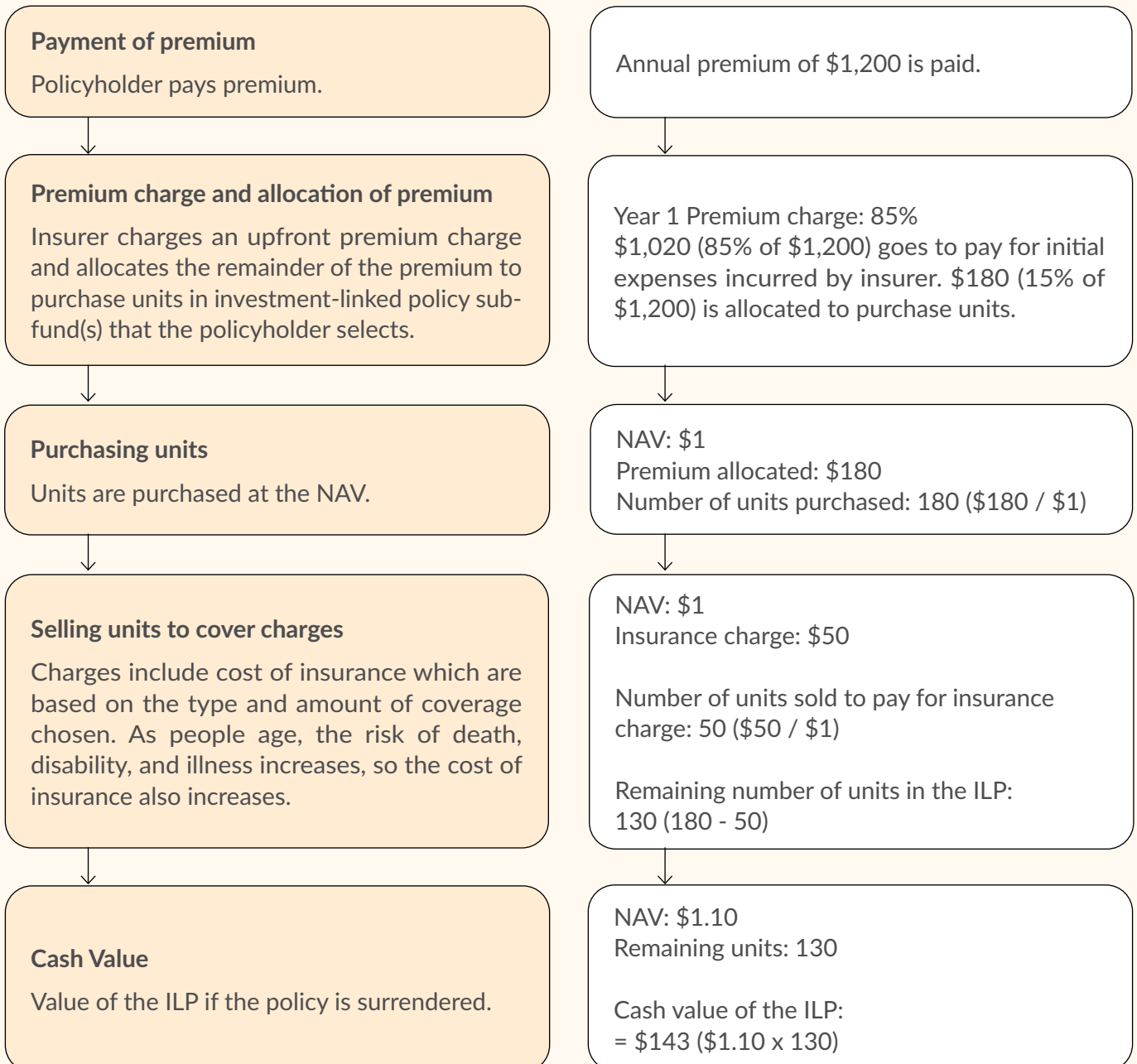
POLICY YEAR	PREMIUM CHARGE	PERCENTAGE OF PREMIUM USED TO PURCHASE UNITS
1	85%	15%
2	70%	30%
3	50%	50%
4 onwards	0%	100%



HOW INVESTMENT-LINKED INSURANCE POLICIES WORK

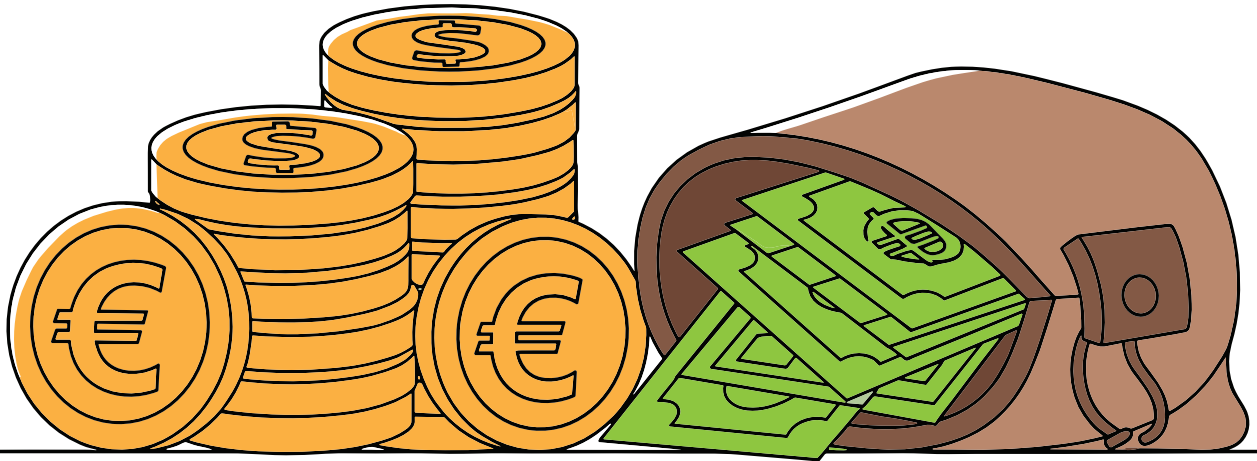
The diagram below illustrates how the premium charge is applied to the first-year premium for a regular premium ILP with front-end loading.

Example



Note: In the above example, the number of units is rounded to nearest whole number and the NAV prices are purely illustrative and not based on actual returns.

HOW INVESTMENT-LINKED INSURANCE POLICIES WORK



BACK-END LOADING

Under a back-end loaded policy, 100% of premiums are allocated to purchase units from the start. However, to help insurers defray distribution and administration costs, back-end charges are imposed if you wish to surrender your policy, in whole or part, within a certain period of time. Typically, insurers refer to these back-end charges as “surrender charge” and “partial withdrawal charge”.

The table below shows an example of how the surrender charge of a back-end loaded regular premium policy applies on the account value over the policy term.

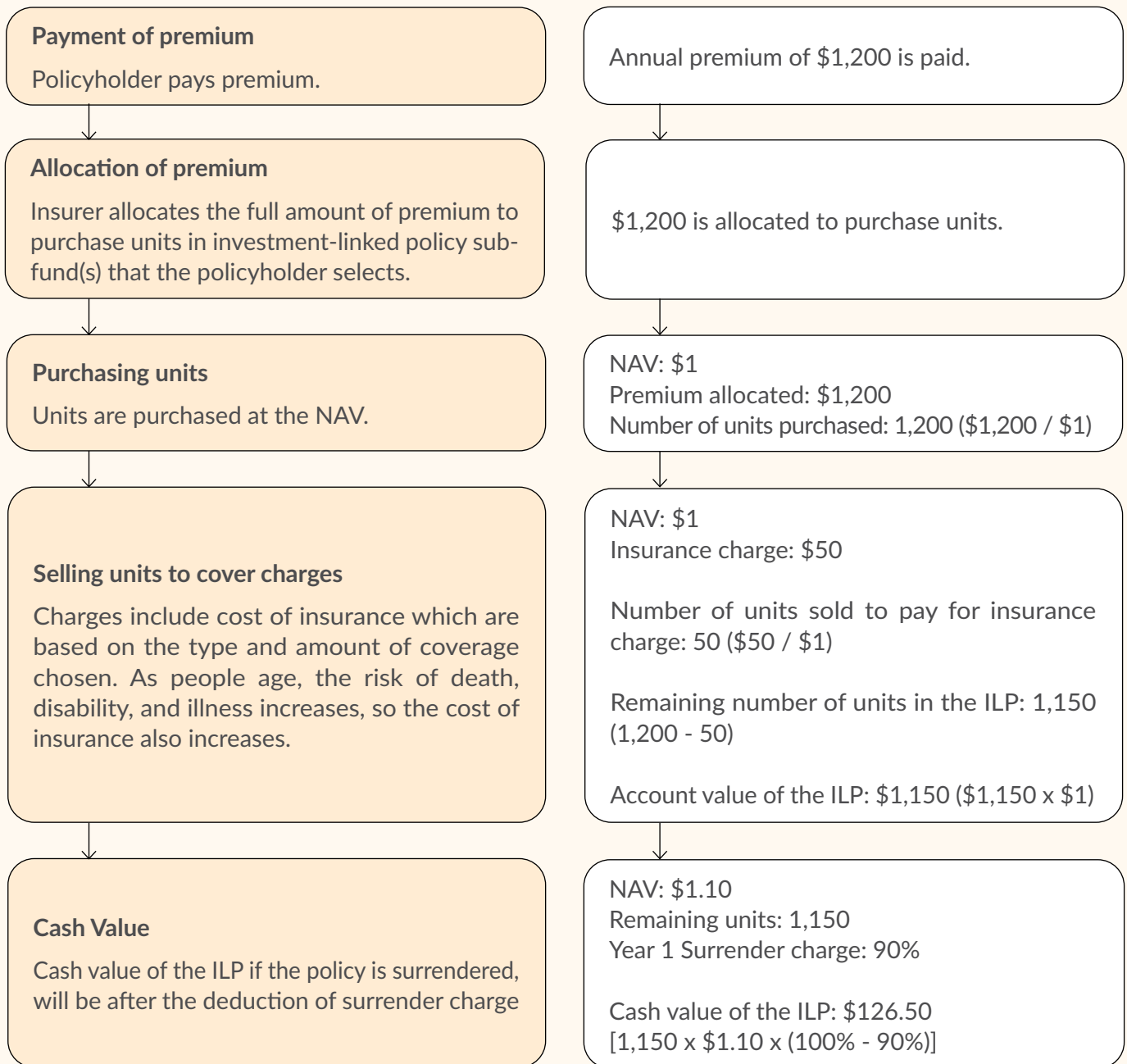
POLICY YEAR	PREMIUM CHARGE	PERCENTAGE OF PREMIUM USED TO PURCHASE UNITS	SURRENDER CHARGE	CASH VALUE
1	0%	100%	90%	Account value x 10%
2	0%	100%	60%	Account value x 40%
3	0%	100%	20%	Account value x 80%
4 onwards	0%	100%	0%	Account value x 100%

This means that 10% (i.e. 100% less 90% surrender charge) of the account value will be available as cash value if the customer surrenders the policy. In the second year, 40% of the account value will be available as cash value, and 80% for the third year. From the fourth year onwards, the full account value will be available as cash value.

HOW INVESTMENT-LINKED INSURANCE POLICIES WORK

The diagram below illustrates how the surrender charge is applied to the account value for a regular premium ILP with back-end loading.

Example



Note: In the above example, the number of units is rounded to nearest whole number and the NAV prices are purely illustrative and not based on actual returns.

Although the charge structure differs for front-end and back-end loaded ILPs, the overall effect of the charges will be similar.

HOW INVESTMENT-LINKED INSURANCE POLICIES WORK



How are Unit Prices Calculated?

Most ILPs use forward pricing. This means unit prices are calculated after the market closes, based on the value of the investment-linked policy sub-fund's assets. Fund charges are deducted first, and the remaining value is divided by the number of units to get the unit price. All ILPs buy or sell orders are processed using this next calculated unit price.

The frequency and methodology for calculating unit prices vary from sub-fund to sub-fund. Details can be found in the Product Summary and Policy Contract.



INSURANCE PROTECTION

3 INSURANCE PROTECTION



What Types of Insurance Protection do ILPs Investment-Linked Insurance Policies Provide?

ILPs provide insurance protection in the event of death. Additional benefits may include total and permanent disability, accidental death, critical illness, and hospitalisation coverage.

Regular premium ILPs also generally give you the flexibility to vary the level of insurance coverage to meet your individual protection needs. However, an increase in coverage may be subject to the insurer's underwriting approval.

It should be noted that the cost of insurance is based on your age, type and amount of coverage chosen.



Does the Cost of Insurance Coverage Increase with Age?



Yes, it is an inescapable fact of life that as we age, the risk of serious health issues like death, disability or contracting a critical illness gradually increases each year. As such, insurers take this into account when calculating the cost of insurance coverage for any life insurance product.

Not all costs of insurance coverage are guaranteed, so these may be adjusted in the future if there is a sustained rise in claims.

INSURANCE PROTECTION



Do I need to Pay Higher Premiums as I Get Older?

Most life insurance products, including regular premium ILPs, are designed so that the premium you pay remains the same throughout the life of the policy. Your sub-fund units are typically used to pay for the cost of insurance coverage which increases with age. If you have a combination of high insurance coverage and a poorly performing sub-fund, the value of your units may not be enough to pay the insurance charges.

In such a scenario, you will have to top-up your premium or reduce the coverage to prevent the policy from lapsing.



How Does the Level of Protection Affect Cash Values?



For ILPs, it is important to understand that, for the premium you wish to pay, there will be a trade-off between the amount of insurance coverage provided and the amount available for investment.

The higher the level of coverage selected, the more units will be sold to pay for the insurance charges and the fewer units will remain to accumulate cash values under your policy.



INVESTMENT RETURNS

4 INVESTMENT RETURNS

? Are Investment Returns Guaranteed?

Investment returns are not guaranteed. The returns from ILPs depend on the performance of your chosen sub-fund(s). The past returns of a sub-fund are not necessarily indicative of the future performance of the sub-fund.

You will have to bear the losses of investment and could potentially lose the entire value of your investment if the sub-fund(s) perform poorly.

? What Types of Sub-Funds Do ILPs Offer?

Most insurers offer a wide range of sub-funds to suit different investment objectives, risk profile, and time horizons. Typically, higher potential returns carry higher risks. For example, higher-risk investments, such as equity sub-funds, offer greater potential for higher returns whereas the relative safety of cash sub-funds may be expected to yield more modest returns.

Your risk preference – and, therefore, the appropriate sub-fund – may well change during the lifetime of your policy as your time horizons shorten. Generally, the closer one gets to the time when the value of the policy will be realised, the less risk one wishes to take.

For investments under the CPF Investment Scheme, CPF assigns a risk classification to all CPFIS-included ILP sub-funds.



INVESTMENT RETURNS

The following are some of the more common types of sub-funds available along with an indication of their risk characteristics. The risk classification can only be a very broad guide since the risks associated with any sub-fund will depend upon how, precisely, it is invested. For example, a Bond Fund specialising in low investment grade bonds will be a high-risk investment. More information on the risk classification of sub-funds authorised to participate in the CPF Investment Scheme can be found on the CPF website.

TYPE	GENERAL DESCRIPTION	RISK CATEGORY	MINIMUM RECOMMENDED TIME HORIZON
Equity Funds	Primarily invested in company stocks with the general aim of capital appreciation	Medium to High	10 years plus
Income, Fixed Interest and Bond Funds	Invested in corporate bonds, government securities and other fixed income instruments	Medium	4 years plus
Cash Funds	Sometimes known as Money Market Funds – invested in cash, bank deposits and other money market instruments	Low	Up to 3 years
Balanced Funds	Combining equity investment with fixed interest instruments	Medium	4 years plus
Geographically Specialised Funds	Investments restricted to a particular country or region	High	10 years plus



What Happens if I Find that the Sub-Fund No Longer Suits my Financial Situation and Investment Objectives?

You would normally have the flexibility to move part or all of your money from one sub-fund to another (known as fund switching).

When selecting or switching investment-linked policy sub-fund(s), it is important that you take your risk profile, investment objective and time horizon into consideration.



How Do I Monitor the Performance of a Sub-Fund?

You can monitor the investment performance of investment-linked policy sub-funds by checking the unit prices regularly. Some insurers also publish unit prices on their website.

You should not make hasty decisions just by looking at the daily prices of the sub-funds you have invested in.

You should seek the advice of your insurance adviser. You can also refer to the monthly or yearly statements that your insurer is required to provide you.



FEES AND CHARGES

5 FEES AND CHARGES



What are the Fees and Charges for ILPs?

ILPs offered by different insurers will have varying charge structures. These charges provide the means through which the insurer recoups its distribution and administrative expenses and the cost of insurance coverage. Details of all charges for a particular ILP can be found in the Product Summary and Policy Contract of that policy.

While insurers have the right to revise fees and charges over time, most policy contracts state the maximum that the insurer may charge. You should take note of this when considering an ILP.



Premium Charge

Fees and charges for an ILP, that are imposed upfront (e.g. when the policyholder purchases the ILP and on top-ups), can be:

Deducted from premiums that are paid on the ILP; or

Deducted via a cancellation of units in an ILP sub-fund.

These upfront deductions will be disclosed as a single charge and termed as “premium charge”. Premium charge may apply to the first-year premium or renewal premiums in subsequent years. The premium charge may vary by policy year.



Insurance Coverage Charges

These are charges to provide for the cost of insurance coverage, for example death coverage, under the policy. These charges can be monthly and are usually funded by the sale of units.

The insurance coverage charges will depend on several factors, such as the amount of coverage, your age, gender and whether you are a smoker. Insurance coverage charges increase with age.

FEES AND CHARGES



Fund Management Fees

These are fees payable to the fund manager for management of the sub-fund. They are deducted at the ILP sub-fund level as a percentage of the value of your investment.



Policy or Administration Charges

These are the fees for administration of the policy.



Surrender or Partial Withdrawal Charges

You may sell units in your ILP at any time. However, there may be a surrender charge for partial or full encashing of units before a certain period of time.

You should bear in mind that if you sell some of your units you should also review the level of insurance protection as the remaining units may not be adequate to sustain the level of cover that you had originally selected.



Fund Switching Charge

Generally, a limited number of fund switches are allowed each year without charge, but subsequent switches will be subject to a charge.





**KEY QUESTIONS
TO ASK AND
DOCUMENTS TO
TAKE NOTE OF**

KEY QUESTIONS TO ASK AND DOCUMENTS TO TAKE NOTE OF








What Questions Should I Ask my Insurance Adviser When Considering Whether to Buy an ILP?

Before buying an ILP, it is important to ensure that the product suits your financial goals and needs. You should first go through a proper Financial Needs Analysis with your insurance adviser, and clearly communicate your investment objectives, risk profile, and time horizon. This process would enable your insurance adviser to assess whether an ILP or other investment options may be more suitable for you. You are also required to complete a Customer Knowledge Assessment (CKA) to see if you have the relevant knowledge required to purchase an ILP product.

This is important as it will help to identify your financial goals, protection needs, risk preference and affordability. After understanding this, your insurance adviser will be able to recommend suitable products to meet your needs. The following are key questions you should ask your insurance adviser:






Type of Policy

-  What type of ILP is it? For example, single or regular premium, front-end or back-end loaded?
-  What are the benefits and risks of the policy?
-  What are the features of the policy?
-  Do I have to monitor the investment?
-  What kind of commitments do I have to make to ensure that the investment is sustained in the long run?



Premiums

-  What options do I have if I want to stop my premiums temporarily?
-  What happens to my insurance coverage if I stop my premiums?
-  For how long do I need to pay the premiums?

KEY QUESTIONS TO ASK AND DOCUMENTS TO TAKE NOTE OF



Returns

- ① Are the returns guaranteed?
- ① What kind of investment risk am I exposed to for my returns?
- ① Can I lose some or all of my money in this policy?



Insurance Protection

- ① What type of insurance protection is provided?
- ① What is the amount and period of coverage?
- ① Can I change the amount of coverage as my needs change?
- ① What are the costs involved?



Sub-Funds

- ① What are the types of sub-funds available, their performance track record, characteristics, key features, investment strategy, key risks and their charges?
- ① Who are the fund managers?
- ① Which sub-funds suit my risk preference?
- ① Can I switch sub-funds, how often can I make that switch, and are there charges for it?
- ① How do I exit a sub-fund?



KEY QUESTIONS TO ASK AND DOCUMENTS TO TAKE NOTE OF



Fees and Charges

- ① What are the fees and charges for the policy that I have to pay upfront and on an ongoing basis?
- ① Can the fees and charges change?
- ① Where can I find details of the fees and charges?



Surrender and Withdrawals

- ① How do I exit the policy?
- ① What are the charges if I want to terminate my policy?
- ① Can I make partial withdrawals?
- ① What are the pros and cons when I terminate my policy?



Review of My Policy

- ① What happens if my financial needs or personal circumstances change, e.g. retirement or unemployment?



Market Knowledge

- ① What are other insurers offering?
- ① How does your policy compare with other insurers' policies, e.g. differences in policy features and insurance coverage (such as, death benefit payout)?

KEY QUESTIONS TO ASK AND DOCUMENTS TO TAKE NOTE OF



What Documents Should I Take Note Of?

You will receive the following sales documents from your insurance adviser before you purchase an ILP. It is important to read these documents and understand the product before making your decision. Your insurance adviser should also go through the documents with you, explaining the key features, benefits, and risks of the ILP to ensure that you fully understand the product. If there is anything you are unclear about, you should ask your insurance adviser to clarify or explain further.



A FINANCIAL NEEDS ANALYSIS

This document is based on the personal and financial information that you share with your insurance adviser, and is intended to help identify your financial goals, protection needs, risk preference and affordability. Your insurance adviser should also state the basis for his or her product recommendation. You should discuss this basis with your adviser and assess if the recommended policy meets your needs.



A POLICY ILLUSTRATION

This illustrates the benefits of the policy, both guaranteed and non-guaranteed, and the costs and charges associated with the ILP you are purchasing, including distribution costs, which take into account the commission the insurer will pay to your insurance adviser, and the charges for insurance coverage. The policy illustration is only provided for certain types of ILPs.



A PRODUCT SUMMARY

This describes the features, fees and charges of the policy you are purchasing.



YOUR GUIDE TO LIFE INSURANCE

This is a guide which gives general information about life insurance and the types of products available.

After you have bought your ILP, your insurer will send you a statement, at least once a year. This statement shows the value of units in the policy, transactions for the period and charges paid through the sale of units. It is advisable to review this statement together with your insurance adviser to check if the ILP and sub-fund(s) selected continue to be relevant to your needs.

KEY QUESTIONS TO ASK AND DOCUMENTS TO TAKE NOTE OF



What if I Change My Mind After Purchasing an ILP?

As with all life insurance policies, after purchasing an ILP you will have 14 days to review your policy. If you decide that the policy is not suitable for your needs, you can cancel it.

The insurer will refund all of the premiums that you have paid with adjustment for any change in the market value of the investments which back the policy (for most insurers, this adjusted amount will be the lower of the premiums that you have paid or the value of investments), less medical and other expenses the insurer has had to pay. You will need to send the insurer a written notice within 14 days from the date you receive your Policy Contract.



DISPUTE RESOLUTION

DISPUTE RESOLUTION



What if I Have a Complaint About My ILP?

If you have a complaint about your ILP, you should first refer the matter to your insurer or the insurance adviser who sold you the ILP. However, if you fail to reach an agreement, the Financial Industry Disputes Resolution Centre (FIDReC) provides an independent alternative dispute resolution scheme.

You must lodge your complaint with FIDReC within six months from the date when you failed to reach an agreement with your insurer.


FIDReC is staffed by full-time employees who are familiar with insurance law and practice.


FIDReC aims to settle disputes in a fair and cost-efficient way. This should hopefully mean you avoid time consuming, stressful, and costly legal proceedings.

At present, there is no claim limit for mediation at FIDReC, but there is a limit of up to S\$100,000 per claim for adjudications (for claims filed before 1 July 2024) or S\$150,000 per claim for adjudications (for claims filed on or after 1 July 2024).

FIDReC's rulings are final and binding on the financial institution, but not on you. You may choose to accept or reject FIDReC's decision. If you are unhappy with the ruling by FIDReC, you can choose to pursue legal action or other options such as approaching the Consumers Association of Singapore or the Singapore Mediation Centre. However, if you do accept FIDReC's ruling, you may lose your right to proceed with legal action against the financial institution.

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CONCLUSION



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Investing in an ILP requires careful evaluation of your risk profile, age, financial commitment, and a good understanding of how ILPs works. Be aware that ILPs are generally regarded as long-term insurance policies, and a longer time horizon is particularly important as there are usually significant charges in the early policy years. Exercise caution and seek professional advice before making a purchase decision.

There is a wide array of investment and insurance products in the market. It is important to understand and select products that best meet your needs. Your insurance adviser is required to disclose product information and to have a reasonable basis for his or her recommendation. Work with your insurance adviser to assess if an ILP is suitable for your needs and review your policy regularly to ensure that it meets your changing needs.



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