

# INSURANCE BARGAINS

Singaporeans need to be as discerning towards buying insurance as they are when shopping at any other sales, says financial planning expert David Choo.



**T**he Great Singapore Sale is a yearly affair and great efforts are put in to ensure each year's sale surpasses those of previous years. And every year, the Great Singapore Sale is a success simply because everyone loves a good bargain.

But the typical Singaporean can save hundreds and even thousands of dollars if he just takes a little bit of time and "trouble" to shop for his insurances.

Given that a person has come round to purchasing insurance for himself and his family, what are the things he has to be careful about? To be sure, getting value for money is not just getting the lowest price, but also the best package of benefits, terms and service.

The truth is that there are appreciable differences in premiums for even the same policy. Just take the case of term insurance, the most basic of insurance policy covering death (by all causes except suicide in the first year) and total and

permanent disablement. The difference in premium is significant. (See table.)

For general insurance, finding the best premium depends on not just knowing which firms offer them for off the shelf products, but on negotiations with the insurance company or broker. Except for "rate freeze" agreement, all rates are negotiable. The market today is soft, meaning that clients can get good premiums as compared with previous years. Brokers who are able to obtain quotes from many companies would generally be more able to get more competitive premiums than agents. Moreover, agents generally get higher commissions than brokers which usually translate into higher premiums for clients.

With regards to life insurance products, the premiums for a particular plan apply for all intermediaries for standard lives (i.e. without additional premium charged for health or other reasons). But for the same basic plan (e.g. whole, term, annuity), the premiums differ from company to company, and clients should find out which company gives the "best" premium relative to sums assured, cash values and other terms.

If you're starting to feel overwhelmed, don't worry. The good news is that there are many ways to save on premium and it is easy to do so.

## TEN WAYS TO LOWER YOUR PREMIUM

### JOIN A GROUP

Premiums for group insurance are much cheaper than for individual insurance largely because of the savings in administrative cost and quantity discount. Besides employee benefits schemes, group insurance exists for bodies like SAFRA and the civil service. The difference in premiums between what is available in a group scheme and an individual insurance can be substantial.

For employees who are covered in group schemes, consider the option of including spouse and children in the company's policy. This is because of the higher premiums if you take individual policies for your spouse or children.

There are, however, two disadvantages of group policies. Firstly, the insurance cover will cease when you leave the group or reach a certain age. Even with the portable feature now given as an option for group policies at a higher premium, the interim cover is for one year only before your next employment.

The second disadvantage is the limit of cover that is

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## FINANCIAL PLANNING

present in some group schemes, which may be insufficient for some clients. In this case, you should supplement this with individual insurance or another group cover where possible.

### BUY EARLY

Premiums generally go up with age. Insuring early will save on premiums, especially for whole life policies. For endowment policies, the difference in premium is not as significant, especially for those maturing before age 60.

So, although it is true that it is always the right time to buy, buying early is cheaper and gives cover as well. For some policies, it is better to buy before the year closes if your age is deemed as one year older, if no backdating is allowed.

### PREMIUM TABLE FOR MALE AGE 30, NON-SMOKER

Sum Assured	COY A	COY B	COY C	COY D	COY E	COY F	COY G
\$100,000	\$271	-	\$310	\$303	\$413	\$428	\$425
\$200,000	\$434	\$562	\$592	\$606	\$806	\$816	\$850

Term of Cover = 30 years

### SOURCING

Having decided what plan or plans to buy, source for the one that gives the best premiums, all factors considered. Licensed financial advisers, especially independent ones that can distribute the products of many companies, would be most able to make product comparisons for you for free.

It may be possible that you get the best by buying one policy from one company and another policy from another company because the companies price their products such that a few are more competitive vis-à-vis the market. Generally, it is not likely that one firm will have all the best products. Example, some firms have traditional whole life policies while others do not. Some have attractive term policies or annuities. It is ironic that the big firms generally do not have the best policies.

In the case of personal accident insurance, the general insurance companies offer very competitive premiums compared to the life companies. It is convenient to purchase personal accident policies from credit card companies, but it is possible to obtain better premiums direct or from brokers and advisers.

Generally, it pays to check out bargains. The financial advisers and brokers are there to provide you the service for free. You do not have to pay a fee for this service to anyone.

### NEGOTIATE

While premiums for standard lives are non-negotiable, the underwriting decision to load premiums for medical and other factors differ from firm to firm.

There have been cases where one firm decided to give standard rate while others would apply a premium loading of more than 20 per cent. It is certainly possible to negotiate and obtain more favourable terms for clients. Splitting a large sum assured among a few companies can also yield better underwriting results where health problems may be a factor.

### QUANTITY DISCOUNT

Life insurance companies offer quantity discounts depending on the size of each policy. Knowing where these price breaks are can yield savings in premiums. Some firms target the higher-end market by giving significantly higher discounts for large sum assured. Having determined the protection or maturity sum required, look into what discounts can be obtained, if necessary, by increasing the purchase slightly.

### DON'T GET CHURNED

Turning in an old policy for a new one is almost always disadvantageous to clients. Premiums increase with age, and policies with compound interest would build up value quicker with the years.

### QUALIFY FOR BETTER PREMIUMS

For example, if you intend to quit smoking, do so for a year first before proposing for life insurance and you will be considered a non-smoker. The savings can be significant.

If you are a standard life and have an executive medical check coming up, and you have in mind to increase your insurance, do so before the medical, just in case your medical report is not as good as expected.

### SELF-INSURE

To cut premiums altogether, it may make sense to self-insure if the premiums are not reasonable for the risk insured. For example, outpatient costs can be insured but may not be worth it. Some people view personal accident risk as so low that it is no different from buying lottery tickets. It is better to insure term than personal accident.

### A CHEAPER POLICY

The raging debate is between term insurance and whole life. While the premium for term is cheaper, there are vital differences between the policies. Much depends on when the person is going to die or become disabled and how the person is saving or investing his money. Whole life is of greater benefit if one looks at the long-term because of the loss incurred if it is stopped early and the higher initial cost to the company.

### MODE OF PAYMENT

Monthly payments are convenient if done by GIRO, but they cost more than annual payments which are to be preferred, unless you cannot afford it. There is a penalty charge of \$10 for failure to deduct due to insufficient funds in one's account except for DBS/POSB. Monthly premium usually requires GIRO payment to be arranged.

All said, it is better that you shop around. Drop by at one-stop stations specially set up to give you sound financial advice and information. Your savings will exceed what you can save at the Great Singapore Sale!



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