KNOWING THE PROBLEM is not the problem. Taking action is.

Insurance companies are fond of conducting surveys to highlight problems. Almost all the big insurers have conducted surveys to prove that Singaporeans do face a myriad of problems and presumably should do something about solving them. And they, the insurers, are more than ready to help.

The last survey by AIA called AIA Life Matters Index did not come up with any surprises. “Singaporeans fall short in income protection, retirement, medical and health and education.” In short, Singaporeans still have lots of problems to solve, even if we are ahead of our neighbours.

My purpose here is not to talk about this survey or any previous surveys done by AXA, Aviva, NTUC Income, Great Eastern, and HSBC. Surveys are often a good way of getting publicity and highlighting the shortcomings of Singaporeans and gaps they do well to fill. However, I think acknowledging that a problem exists is not the problem. The challenge is to do something about the problem.

Take exercise. All of us know that exercising regularly does wonders for our health. We know it helps our body and our mental health. It is one of the best ways to lose weight, it helps prevent diseases and helps us stay young. Exercise slows the

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loss of muscle mass. It helps prevent rapid loss of bone minerals. People who regularly engage in endurance exercise such as running the treadmill have less hardening of the arteries than those in the same group who did not exercise.

So, why do we not exercise? Statistics show that about 50 per cent do not do regular exercise. Some read about the benefit and start doing it but stop after a while. There are many reasons, or excuses, why many do not exercise. My point is that just as there are many who, knowing the benefits of exercise, yet, do not do it regularly so, there are many who, knowing the benefits of financial planning, insurance and investment and so on, yet, likewise, do not do anything about it.

This predicament is not all bad. For one thing, it gives rise to the sales profession and a lucrative one at that. If everyone who knows he has a problem, goes to solve it on his own, you will not need an intermediary, be it an agent, a broker, or an independent financial adviser. Sales is a challenging job and salespeople have to be paid well and rewarded with incentives because it is a tough job getting people to take action.

But to get more to solve their problems, product providers must come up with more attractive products to enhance the pull factor. I am told that there are two main human motivators – the desire for gain and the fear of loss. I am sure there are more, for instance desire for love, recognition and meaning. But for our discussion on why people make purchases, these two motivators are pertinent. For example, people invest in order to gain. People buy insurance for fear of losing their assets, their income, or having to fork out money for hospitalisation, surgery, treatment and so on. Taking this track, if we want more people to purchase more of a product, the product must give more gains or prevent greater losses.

SO, WHAT IMPROVEMENTS HAVE 2006 COME UP WITH?

The first gem is the new Myshield product of Aviva introduced in June 2005, but which really took off in 2006. NTUC Income Enhanced Incomeshield Plans were introduced in May 2006 to compete. There was a phenomenal take-up rate of these refurbished shield products. Looking back, these are the two best "gifts" to the industry recently. For decades, basic medical insurance had limits and sub-limits and major medical policies had mandatory excess and co-insurance. Aviva broke new ground when they introduced "as charged" basis for Myshield, followed by NTUC Income and a few other insurers. NTUC Income went one step further and allowed policyholders to cover the excess and the co-insurance, which effectively meant that policyholders now have first dollar coverage with high annual limits (maximum $350,000) and no lifetime limit. Aviva Myshield has an annual limit of $300,000 and a lifetime limit of $2 million. Aviva also decided to have a rider to pay for the co-insurance portion but not the deductible. However, NTUC Income's requirement for policyholders to inform them four days before going for surgery (except for emergency) with indication of cost is a hassle and a dampener.

The second piece of good news came rather late, in October 2006. For many years, policyholders who had claimed on their critical illness policies and recovered, had lamented that they were no longer covered. Aviva came up with a term plan and a rider to allow the policyholder to cover the remaining 29 critical illnesses after the first claim, labelling it as two critical illness covers in one plan. The second cover is for 75 per cent of the first cover.

While consumers had cause to cheer the new medical products introduced, there was still disappointment over the continued exclusion of congenital diseases and pre-existing diseases. Understandably, insurers would want to exclude congenital diseases and pre-existing diseases or charge higher premiums, or else face certain losses. Yet, would not it be lovely if a national medical policy can be implemented to cover babies from birth, even if they are born with congenital diseases. Better still, if the policy can cover neo-natal expenses, for example neo-natal ICU charges, should complications develop. Who knows, this may just encourage more married couples, especially those hitting the late thirties and early forties, to have more babies.

Last year proved to be still disappointing as far as traditional cash-value insurance and annuity products were concerned. The low guaranteed returns and relatively low bonus declarations that were below the "offer" fixed deposit rates continued to dampen interest. The question still begs an answer – why can't the insurance firms do better here? The only whiff of fresh air came from Transamerica with its universal life products that provide a higher guaranteed return, but which is only issued in US dollars.

Singapore-based Insurers continued to emphasise investment-linked policies that transfer the risk of losses to the consumers, thus, reducing the conservative consumers' choices. In this area, one piece of good news is AXA's innovation of having a flat mortality charge for their Inspire Flexi 2 series. This gives consumers a useful alternative to the normal investment-linked policies method of levying higher mortality charges with increasing age, effectively depleting the units. Interestingly, tied agents continued to distribute investment-linked policies in a big way (not being able to distribute unit trusts with a few exceptions), while licensed financial advisers preferred to distribute unit trusts in place of investment-linked policies. The much improved premiums for term insurance in 2006 were welcome news, as more aggressive Singaporeans learned to invest in unit trusts and bought term insurance for protection.

There has certainly been progress in 2006, but a survey as recent as October 2006 still revealed that Singaporeans fell short in every area of financial need. The challenge for all – product providers and distributors – is not only to publicise the problems, but to provide better buying reasons. And the new shield products have shown that price is not the issue, but value for money is. **SI**

David Choo, ChFC, CFP, is the Managing Director of PromiseLand Independent Pte Ltd, a licensed Financial Adviser.
He can be contacted at
email: davidchoo@promiseland.com.sg
or telephone no. 62942461.