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INSURANCE

Topping up your coverage

When we hear about the H1N1 virus and plane crashes claiming many lives, we will naturally think of our mortality and whether our insurance coverage is sufficient. Some points to consider. By Lim Siew May

Natural disasters and health scares aside, life insurance is not meant to be a one-off purchase anyway. As our age, income and commitment levels change, so will our protection needs. Here are some things to look at when increasing coverage.

What type of policy do you hold?

Review your existing plan. Find out if you're holding a traditional whole-life policy, an investment-linked product or a stand-alone plan. You should also take into account how much you can set aside for the increased coverage, explains Lee Chai Ling, co-author of *Insurance Planning Guide For Malaysians* and a performance development specialist for ING Insurance Bhd.

There are several ways to increase your coverage. One is to buy an additional policy. Another is to increase your existing coverage. If you're an investment-linked policyholder, you will appreciate the flexibility that it affords. Subject to the insurer's underwriting and operations guidelines, you will be able to vary the sum assured of the basic policy and riders, points out Chai Ling, a certified financial planner and registered financial planner. "You can add or remove riders and utilise premium holiday and partial withdrawal options without incurring any interest charges. You may also switch funds or change your premium and investment

amounts anytime," she explains.

Sean Lee, Group CEO of AusscarGroup, adds that if your premium allocation in the existing plan is sufficient to cover additional benefits, you may even top up your benefits without having to top up your premium.

"A traditional whole-life policy, however, is not as flexible as an investment-linked plan," says Chai Ling. To enhance your coverage, you'd usually need to take up a new main policy, be it a new term, investment-linked or whole-life policy. What's more, as insurance premiums are charged on an annual basis and payable at the beginning of the policy year, you are usually not allowed to amend your coverage half-way through the year. You can only increase your sum assured within the first policy year, subject to the respective insurers' guidelines, says Chai Ling.

Assess the types of policy that meet your needs and compare the costs

>> INCREASING DEATH BENEFITS

Let's say you need more life coverage. Compare the costs and features of different products. "Let's say your sum assured is RM100,000, and you want to increase it to RM200,000. If, with your existing ILP, your premium is increased from RM200 to RM400 a month, you will be paying RM48,000 more 20 years down the road. Compare this with a different scenario; you take out a new life



policy instead," explains Martin Yong, business development manager (life division) of State Insurance Brokers Sdn Bhd. He adds that the benefits offered by the different plans should be similar so that you can make an apple-to-apple comparison.

Given that each upgrade option presents its own set of pros and cons, says Sean, choose the best option that fits your budget or buy a combination of different types of policies.

Term insurance offers coverage for a specific period. There are plans for five, 10 or 15 years, plans that provide coverage up to age 65 or those that return your premiums if nothing happens [to you], says Chai Ling, adding that they do not provide

Your health and your increased **COVERAGE**

THE STATE OF your health will affect your ability to increase your coverage. According to Lee Chai Ling, co-author of *Insurance Planning Guide For Malaysians* and a performance development specialist for ING Insurance Bhd, the proposer or the insured under an existing policy needs to declare his health condition when applying for new or additional coverage. "If insurers discover any undeclared material facts at the time of application, they reserve the right to void the policy."

Note that new policies will take some time to come into force. According to Martin

Yong, business development manager (life division) of State Insurance Brokers Sdn Bhd, medical plans come with a waiting period of 30 days. Coverage for other specified illnesses, excluding diabetes and cancer, may have a 120-day waiting period. If you want to increase your critical illness cover, certain diseases like endometriosis, hypertension or haemorrhoids are covered only after 30 days. If the illness is cancer or heart-related, then, there's a waiting period of 60 days, cautions Yong.

And what if your application is rejected by your insurer? If your illness isn't so critical, the next best thing to do

is to approach another insurer, since each insurer has different underwriting guidelines, suggests Chai Ling.

In Yong's experience, if an insurer declines an application because of health-related issues, other insurers will usually do the same too. "Underwriting procedures among life insurance companies are quite consistent in approaching chronic diseases such as hypertension or family history considerations, with slight differences in quantum of loading or exclusions imposed on the insured," he adds. ■

coverage for those beyond 70.

In her view, term insurance is suitable for a person who has a limited budget and is not concerned about obtaining returns when the policy matures. "He needs a high coverage for a limited time, such as for the entire loan period, and when his children are still dependent on him."

Yong has a similar view. "Assuming that I have a 40-year-old client who already has a basic life insurance that covers death, total and permanent disability and critical illness. He then acquires a new commitment, such as a home loan or has a new baby. He needs extra coverage for 20 years or so. In this case, I'd advise him to look at term insurance [stand-alone] or an investment-linked plan due to the specific timeline that he needs coverage for," he adds. "The rule of thumb is, if you want short-term protection, which is for 10 to 15 years, you may be better off with a term insurance."

>> **INCREASING SUPPLEMENTARY BENEFITS**

Want to increase other benefits such as disability and critical illness coverage? "You can choose to increase

the coverage of the same rider or purchase another critical illness rider and attach it to a new basic policy," Chai Ling says. However, note that with the purchase of an accelerated rider, a full claim on the rider may result in the basic policy and other riders being terminated as well.

Another option is purchasing stand-alone policies, the popular ones being personal accident and hospitalisation, surgical and critical illness, says Chai Ling. "The coverage of [stand-alone policies] does not need to be attached to another policy. Its functions are not dependent on the terms and conditions of another insurance coverage."

Although some coverage may be cheaper when purchased as riders, she reckons that a stand-alone plan may offer additional coverage. "A stand-alone critical illness plan, for instance, may provide additional hospitalisation or treatment benefits that are not provided in a critical illness rider plan," she explains. "This coverage will not be terminated in the event the basic policy is terminated [due to a full basic sum assured payout]." She adds that in stand-

alone critical illness plans, the whole premium will go towards protection.

Should you buy coverage from the same insurer?

Which of the 18 insurance companies listed with the Life Insurance Association of Malaysia should you buy your insurance from? Sean of Oscar Wealth Advisory reckons it is important to look at your current insurance agent. "All insurers have more or less similar core benefits and premiums," he explains. "Of course, some may have their unique benefits. To me, however, there's no such thing as the best policy in the market. The best policy is an in-force policy, meaning that you're insured."

Chai Ling stresses that this is a very personal preference. "Some people prefer not to place all their eggs in one basket. On the other hand, some people prefer to purchase their policies from the same insurer due to the strong relationship built."

She adds that other key factors that should be taken into consideration include the product features as well as the insurer's reputation in the industry. ■