

# Are you paying too much for your Insurance?





## Introduction

Planning for uncertainties in life can be difficult, hence getting the right protection can be difficult. We tend to plan for something to succeed, but we seldom look into protecting those plans from risks. Insurance policies have come a long way from just life policies and even those have become so sophisticated that you can actually buy different types depending on which stage of life you are in.

Most of us have only a dim recollection of the benefits in the insurance policies we are paying for. As with other long term commitments, we disregard the finer details in the policy and focus on the amount we are insured for. We forget to take into account the effect of inflation on potential pay-out or even to re-nominate beneficiaries when there is a material change in our kinship.

Answer the questions in the following section and test how much you remember about the policies you have bought. If you do not have any policies in effect, the questions will prepare you for when you need one.

## Your First Policy

Like most people on their first job, you probably bought a policy from an agent friend because it was the “right thing to do”. You nodded away with vague comprehension as your friend explained the features of the product, only paying attention to your potential outlay for the next 20 to 30 years and how this expense crimps your lifestyle.

**Do you remember what you are paying for or how much is that potential outlay?**

## Your personal medical plan

When buying your medical plan to augment the government subsidised plans, you were introduced to medical related acronyms like TPD and CI that had little interest for you. All you are interested at that point is if you will be able to get a respectable ward if anything goes wrong. You were young and you did not have to go for a medical examination, but you smoked and premiums were raised, you complained, because you could not buy that new fashion accessory you really wanted.

**Do you remember what are your Critical Illness benefits?**

## Paying for your insurance policies

Did your advisor remind you to open a Giro account for your premiums? Did you instead decide to use your credit card because you wanted to earn points. **Are you still using the same credit card? Have you changed your mailing address and have you informed your insurer?** Lapsed insurance policies because of bad account housekeeping is a common occurrence and it is only realised when it is too late.

**Is your insurance policy still in force?**

## Reviewing your insurance policies

You also need to review what you bought because over time there might be better policies that have been developed for your situation. Reviewing your policies periodically also allows you to check if your policies are still in effect or not. Most insurance companies will entertain a reinstatement if you do not make claim and when you provide a reasonable explanation.

What makes insurance policies work for you is buying what you need and not paying for what you do not need.

**Have you reviewed your policy in the last 3 years?**

## The Investment Component

Some life insurance products are bundled, i.e. they provide both insurance protection and develop cash values with some form investment. These policies cost more than comparable pure insurance products. Bundling is a convenient way to address several personal needs in one product, you will be told that it will help you in your retirement or child's future education but you need to make sure that your protection needs come first.

More often than not the investment portion will be linked to managed funds that are expected to provide the compounding growth required for you to reach your goals.

**Do you know what funds are in your Investment Linked Policy?**

## Needing an insurance policy

Not everyone needs life insurance. For starters, people who have been careful savers throughout their lives often have no need for life insurance as they have accumulated enough wealth on their own to sustain their family. The difficult part here is understand and calculate what is needed by the family in 20 years.

Similarly, people with no dependents often have little need for life insurance if they have much cash in the bank at all (to cover funeral expenses, for example). Life insurance is only necessary if, in the event of your death, people would be left in a financial bind without some sort of resource, or income.

**Have you saved enough or have enough liquid assets to cover your family's expenses for the next decade should anything untoward happen?**

## Summary

Have you answered “NO” to any of the questions above? If you have then you might need help reviewing your insurance policies and reevaluating your needs. There is a possibility that you might be overpaying for a policy or two if you have answered “NO” to half of the questions asked.

Make sure your policies do not overlap or if you bought an investment bundled policy, the investments in that policy does not interfere with your current risk-return profile. In the end though, you are buying a peace of mind. Going through the proper calculations and understanding what you are buying makes you sleep better at night.

Learn more about Insurance Planning

**TALK TO US**

Highlife Advisory can help you sort through the types of insurance policies best suited for you and your family. If you have any questions or need more information, please contact us.

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call us at +65-6654-1829.