

22 June 2005

CASE provided sound advice to audience on ILPs

In the letter "CASE's misguided view on ILPs" (The Straits Times, 21 June), Mr John Lockyer, the Life Insurance Association Executive Director, wrote that, "The representative from the Consumers Association of Singapore (CASE) presented a misguided view that investment-linked products are necessarily inappropriate for older people".

CASE strongly objects to the allegation by LIA that we misguided the audience.

During the ILP talk organized by CASE on 11 June 2005, a member of the audience asked the CASE speaker for her views on the suitability of ILPs for older folks to invest their funds. She replied that consumers have to understand the cost implications involved if older folks take up an ILP. Specifically, she said that the insurance costs are higher when older consumers take up ILPs, as they have to bear the cost of a higher mortality rate as compared to a younger person. In this context, such a product may not be suitable for older consumers if they are concerned about high insurance costs. The advice is sound.

The question was asked because of the allegation that the high cost of insurance and its implications had not been made clear to older consumers, and as a result they may not be making informed choices. At the talk, the LIA representative made a comparison between the mortality cost of an ILP and the premium of a term plan for a male policyholder with entry aged ranging from 35 to 45. No comparison was made for policyholders who enter after age 45, thus prompting the question in the first place.

To date, quite a number of policyholders have complained to CASE about misrepresentation and mis-selling by agents with regard to ILPs, and the lack of transparency especially on the cost of ILPs. Consumers were not given the benefit of a comparison between the costs and benefits of a young entrant and an older entrant. LIA asserts in the above letter that "there is no reason to suggest that an investment-linked product will prove to be any more expensive than a traditional alternative providing the same level of cover". However, it has failed to substantiate this in any way.

Consumers expect insurers to be forthcoming in providing the cost of insurance so that they know from the outset what they are in for, and not have surprises along the way. This fundamentally boils down to transparency and the accountability of insurers to provide material information to consumers to enable them to make informed decisions.

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