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Insurers should give consumers the breakdown of cost and investment for Investment-Linked Products

I refer to the article “Some insurers charge up to 70% more than others” by Ms Rachel Chang (ST, 14 April 2005).

The article highlighted that some consumers had difficulties or were not able to make informed choices on the Investment-Linked Products (ILP) offered to them because of a lack of transparency in the product information. It is the non-transparency in ILPs that first prompted CASE to express its concerns on behalf of consumers to the Life Insurance Association in January 2005.

Till today, CASE has already received 61 complaints against insurers. Most complainants told us that the cost of insurance in an ILP was not shown on the product benefit illustrations shown to them. They also spoke of agents who sold ILPs by focusing only on the returns on investment and omitting on the costs. These often misled consumers into believing that their whole premium would go into the investment portion of the ILPs while the insurance portion was thrown in as a benefit for purchasing the ILP. It is only when consumers received their ILP statements of accounts from the insurers that they realised part of their premium had actually been applied to the costs. Only then did they realise the high costs of insurance. This is clearly not acceptable.

CASE believes that insurers and financial advisers have the responsibility to inform consumers on all costs pertaining to the ILP that they are offering so that consumers can make an informed choice. We stress that the omission or failure to disclose such important product information to consumers is not acceptable and not fair practice. CASE urge that it is timely for the insurers to review their disclosure practices, and provide consumers with a more transparent and comprehensive breakdown of costs and investments in their ILP.

The omission of important product information or material fact works to the disadvantage of consumers and is certainly an unfair practice defined under the Consumer Protection Fair Trading Act (CPFTA). However, as financial services, such as insurance, are not covered by the CPFTA, consumers who have been led to suffer misinformed choices would not be able to take insurers and financial advisers to task under this Act. It is lapses like this that CASE feels strongly that the financial services should be covered by the CPFTA as well so that consumers' interests can be better protected.

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