

# LIA Guidelines on Benefit Illustrations

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## 1. Purpose

1.1 As stated in the proposal form for all insurance policies, life insurers are required to provide each prospective buyer a copy of following documents:

- Your Guide to Life Insurance and Your Guide to Health Insurance for life and health insurance policies respectively
- Product Summary
- Benefit Illustrations

1.2 The objective of these Guidelines is to set out the requirements for benefit illustrations, which include:

- Basis of illustration to ensure fair and consistent illustrations of policy benefits and charges, particularly benefits and charges of non-guaranteed nature
- Format of illustration to ensure that information provided is proper, clear and adequate so that consumers can make an informed decision
- Other general requirements on benefit illustrations

1.3 The scope of these Guidelines do not extend to health insurance policies for which MU 50/05 - Health Insurance: Industry Standards on disclosure & advisory sales process apply.

1.4 These Guidelines are intended to complement and supplement relevant regulations, notices, guidelines and any other directives issued by the MAS and other regulatory authorities. In the event of conflict, the regulatory provision shall apply.

## **2. Basis for illustrating policy benefits**

### **Participating policies**

- 2.1 Illustration of non-guaranteed benefits of participating policies requires setting relevant assumptions about the expenses, mortality and morbidity rates, and policy termination rates affecting the policies. In setting these assumptions, an insurer should not use a basis that would lead to higher illustrated values than when the insurer's best estimate assumptions are used. Where applicable, best estimate assumptions should be consistent with those used in the latest actuarial investigation.
- 2.2 To illustrate the volatility of the non-guaranteed benefits, the illustrations must be prepared on two scenarios of investment rates of return achieved by the investments of the participating fund. The two rates are used purely for illustrative purposes and do not represent upper and lower limits of the investment performance of the participating fund.
- 2.3 The two rates shown are net of any investment expenses. For Singapore dollar policies, the higher rate must not exceed A%. The lower rate must be at least 1.5% lower than the higher rate. Where the maximum higher rate of A% is not supportable in respect of any particular new product or new bonus series, an insurer should not proceed to illustrate at A%. For policies denominated in other currencies, the two rates for each currency are to be determined by the insurer. Please refer to Appendix VI for the current prescribed A%.
- 2.4 The illustrated bonuses or cash dividends based on the higher rate should not be higher than the bonus or cash dividend scale that is currently granted to policies of this type. Where an insurer deviates from this requirement, the insurer must highlight the deviation and provide clear explanation on why it has chosen to illustrate at bonus rates or cash dividends which are higher than the prevailing rates.
- 2.5 The higher rate shall be reviewed by the Association once every three years in the month of April. The LIA may conduct ad-hoc surveys falling in between the three-year investigations, on a needs basis.

### **Investment-linked policies**

- 2.6 Illustration of non-guaranteed benefits of investment-linked policies requires the use of illustrated investment returns and any charges imposed.
- 2.7 To illustrate the volatility of the non-guaranteed benefits, the illustrations must be prepared on two scenarios of investment rates of return, which are used purely for illustrative purposes and do not represent upper and

- lower limits of the investment performance of the investment-linked sub-funds.
- 2.8 The illustrated investment rates of return must not exceed B% per annum and C% per annum respectively, and must be gross of any annual management charges. Please refer to Appendix VI for the current prescribed B% and C%.
- 2.9 The benefit illustration shall carry the following disclaimer regardless of whether the customer selects one or more of these types of funds - money market fund, bond fund or balanced fund comprising more than 60% in fixed income

The uniform wordings of the disclaimer are as follows:

Please note that if you select a money market fund or a fixed income fund, then returns of B% to C% could be considered high in many cases and unlikely to be achieved if the current low interest rate environment persists. You are strongly encouraged to speak to your financial adviser who would be able to provide further information on these funds - both for your initial fund selection and subsequently.

- 2.10 Any non-guaranteed charges included in the benefit illustration must not be lower than the prevailing charges, or what the insurer intends to charge for the case of new products. Where the annual management charges included in the illustration are based on an assumed portfolio of funds which may differ from the actual funds selected, insurer must disclose this clearly.
- 2.11 The two illustrated investment rates of return shall be reviewed by the Association once every three years in the month of April. The LIA may conduct ad-hoc surveys falling in between the three-year investigations, on a needs basis.

### **Non-participating policies**

- 2.12 Some non-participating policies provide non-guaranteed benefits such as products that credit interest at insurer's discretion (e.g. universal life), or products that provide non-discretionary non-guaranteed benefits (e.g. non-guaranteed benefit determined based on selected indices).
- 2.13 Illustration of non-guaranteed benefits of such products requires the use of illustrated investment returns (or crediting rates) and any charges imposed.
- 2.14 To illustrate the volatility of the non-guaranteed benefits, the illustrations must be prepared on two scenarios of investment rates of return (or

crediting rates). The rate(s) for the higher scenario must not exceed the rate(s) supportable by underlying asset portfolio, and must not be higher than the prevailing rates or what the insurer intends to credit for the case of new products. For Singapore dollar policies, the higher rate(s) must not exceed A%. For policies denominated in other currencies, the insurer's current crediting rates for each currency are to be used as the higher rate(s), provided they remain reasonable prospectively. Specific practice for universal life where the second scenario is to be illustrated at guaranteed crediting rate and maximum charges is stated in Appendix IV(b): Non-participating (Universal Life).

- 2.15 Any non-guaranteed charges included in the benefit illustration must not be lower than the prevailing charges, or what the insurer intends to charge for the case of new products.

### **3. Basis for illustrating policy charges (i.e. distribution cost and total deductions)**

- 3.1 For all individual life insurance policies (ie participating, non-participating and investment-linked), insurers are required to disclose in the benefit illustrations distribution cost and total deductions of the policy.
- 3.2 The basis for determining distribution cost is set out in Appendix I.

## 4. Format of main benefit illustrations

- 4.1 Insurers are required to comply with the format of the main benefit illustrations for each product type, as follows:
- Participating policy – Appendix II
  - Investment-linked policy – Appendix III
  - Non-participating policy – Appendix IV
- 4.2 Products such as variable annuity and portfolio bond may be subsumed under the format for non-par or ILP depending on the product design. More columns may be added to reflect additional features not covered in the prescribed formats.
- 4.3 Illustrations of benefits should be shown for the first ten years of the policy and at every fifth year thereafter. Insurers may choose to show benefits at other durations if they believe it helps to better communicate the specific product features (e.g. limited premium payment terms; triennial cash payments). For longer term policies, benefits are allowed to be illustrated beyond the later of 40 years of the term of the policy or age 65 of the Life Assured, at every fifth year. For whole life policies, insurers may choose to show benefits at a particular age (typically at age 100), which could be more than 40 years (at every fifth year), to cater to policyholders who wish to focus on endowing the contract at such an age.
- 4.4 For cases where policies provide additional benefits that are not covered in the prescribed format or where some benefits in the prescribed format are not applicable, insurers may make corresponding changes to the prescribed format. However, any such changes should be done in a manner that is consistent with the bases for illustrating policy benefits and charges as set out in Sections 2 and 3 above. Insurers are required to seek LIA's concurrence on such changes to the prescribed format. Further, insurers should write to the LIA regarding their new products and benefit illustration formats for concurrence.
- 4.5 In addition to the main benefit illustrations, insurer must include additional illustrations (i.e. supplementary illustrations) for benefits, e.g. rider benefits that are not reflected in the main illustrations.

## 5. Other requirements on benefit illustrations

- 5.1 Insurers should refrain from making any comparisons with the products of other insurers.
- 5.2 Information provided including statistics and examples shall not be misleading or give unrealistic projections.
- 5.3 Any precautionary statements, warnings, exclusions, disclaimers or qualifications should appear in the same print size as the rest of the text for the page in question.
- 5.4 Advices regarding the consequences of early withdrawal / termination and non-disclosure / misstatement on the part of the policyholder should be clearly and explicitly stated.

Where the yields at maturity or gains are indicated, the prospective buyer should be advised of the possible loss on early termination of the policy.

- 5.5 The term, “risk-free” or any other similar terms must never be used in any circumstances.
- 5.6 The term, “tax-free” or any other similar terms may be used only in relation to personal life insurance plans (and not to business insurance plans), provided it is qualified by the following uniform statement:

“Under the present Singapore tax laws, proceeds of a personal life insurance policy are not subject to income tax”.

- 5.7 Any reference to past performance shall include a warning that past performance is not necessarily a guide to future performance.
- 5.8 Where the premium rate is not guaranteed throughout the duration of the contract, this feature should be indicated by a uniform warning statement as follows:

"Please note that premium rates/charges for X, Y and Z are not guaranteed. These rates may be adjusted based on future experience"

- 5.9 Premiums on which GST is payable should be disclosed as "including GST"; and with a Note: "Note: The prevailing rate of GST is subject to change."
- 5.10 Where the insurer has a lien on juvenile policies, the fact and effect of such lien are to be disclosed or illustrated, as appropriate.

- 5.11 Any benefit features or charges that apply for part of a year should be disclosed such that the customer can understand the impact on cash value or death benefit.
- 5.12 For CPFIS-included policies, the uniform statement provided by the CPF Board on CPF interest rates shall be stated. The uniform wordings are issued under an LIA Members' Circular.

## **6. Compliance and annual certification**

- 6.1 All insurers are required to ensure that all benefit illustrations are prepared in a manner that is in compliance with the Guidelines.
- 6.2 The Principal Officer and the Appointed Actuary of each insurer are required to provide annual certification to LIA on the insurer's compliance to the Guidelines, in the form as set out in Appendix V.

## **Appendix I: Basis to determine distribution cost**

### **1 Scope**

- 1.1 All individual life insurance policies sold via any channel of distribution/sales process and,
- 1.2 Group policies with characteristics similar to individual policies, where the buying decision is made by the individual, not the Employer, e.g. Group Endowment, Group MRTA.

### **2 Guiding Principles**

#### **2.1 Total Distribution Cost**

Remuneration structures offered by different insurance companies to different distribution channels can vary significantly. As such, the best approach to ensure consistency in disclosure of total distribution cost between different insurance companies via various channels of distribution is to determine total distribution cost of each remuneration structure separately.

#### **2.2 Best Estimate**

The cost of some remuneration items is dependent on future business volume, persistency, rank of salesperson or other factors that cannot be pre-determined. The appointed actuary should adopt the Best Estimate approach in calculating the cost of such items.

### **3 Distribution Cost**

#### **3.1 There are two major components of distribution cost:**

##### **3.1.1 Cash Payments**

This includes all payments made to the salesperson, such as basic commissions, overriding commissions, production bonuses, salaries and other cash incentives.

##### **3.1.2 Cost of Benefits and Services**

This includes all non-monetary benefits given, and services provided to the salesperson.

Examples of Benefits and Services items are, subsidised loans, sales convention, insurance cover, office accommodation and equipment, general stationery.

## **Appendix I: Basis to determine distribution cost**

For more details, see enclosed “**Disclosure of Distribution Costs - Calculation Proforma**” at the end of this Appendix.

- 3.2 There may be circumstances where the insurance company believes that a straight addition of all the disclosable costs may give rise to a misleading result. One such situation might be the start-up of a new company where the very high initial overhead costs of establishing distribution channels are being met out of shareholders’ capital rather than expense loadings. For equivalence with established insurance companies, it may be appropriate in this situation for some of the otherwise disclosable costs to be excluded, provided that all the following conditions are met.
- 3.2.1 Sufficient finance is or will be demonstratively available from the shareholders’ funds to meet such expenses as they arise. Where the expenses which will be met from shareholders’ funds are expected to persist for most or all of the policy duration, it is particularly important that the appointed actuary can demonstrate how, on realistic assumptions, those expenses will never fall upon policyholders’ asset shares.
- 3.2.2 A firm commitment should exist that the resultant expense assumptions will be used as the basis for determining asset shares for the relevant policies both immediately and in the future. A Board minute to this effect would typically be appropriate evidence.
- 3.2.3 Any reductions in incurred costs anticipated in future years should be evidenced by definite business plans on, in the opinion of the appointed actuary, realistic assumptions.

## **4 Distribution Channels**

- 4.1 Determination of distribution cost for various distribution channels:
- 4.1.1 Brokers  
Total cash payments and cost of benefits and services provided to the broking firm.
- 4.1.2 Agents  
Total cash payments and cost of benefits and services provided to the agency force.
- 4.1.3 Fixed Salary/Cost channels  
Apportionment of total costs over individual contracts in a way, which reflects the value of the contract to the insurance company.

## Appendix I: Basis to determine distribution cost

### 4.1.4 "Related" Distribution channel

In cases where the distribution channels are related to the insurance company (e.g. bank owning the insurance company), the distribution cost can be depressed as some of the "disclosable" activities are performed by the insurance company instead. In such cases, an adjustment should be made to the distribution cost to reflect the savings enjoyed by the bank in not having to perform those same distribution related activities.

## 5 Construction of Distribution Cost Scale - General

- 5.1 The appointed actuary is responsible to derive distribution cost scale using the Best Estimate approach. The scale for each remuneration structure/distribution channel can be developed based on the average experience of the channel. However, for companies with more than one remuneration structure/distribution channel, the distribution cost scale should be calculated separately for each to the extent that they are materially different.
- 5.2 Estimation of Cash Payments (variable component) and Cost of Benefits & Services should normally be based on the most recent relevant experience. Deviation is allowed when:
- (i) The appointed actuary has reasonable grounds to believe that the remuneration for the period concerned will be higher than that implied by the experience; or
  - (ii) The appointed actuary has strong grounds to believe that the remuneration for the period concerned will be lower than that implied by the experience; or
  - (iii) There is no such experience available, in which case the estimation should be based on business plans, which the appointed actuary has strong grounds to believe, are achievable.
- 5.3 Distribution cost scale should be split into new business distribution cost scale and renewal distribution cost scale. The split of Cost of Benefits and Services into new business cost and the renewal cost should be assessed directly in relation to the work carried out by the salespersons. It may not be appropriate to assume that the split bears the same ratio as new business cash payments bear to renewal cash payments

## **Appendix I: Basis to determine distribution cost**

### **6 Construction of Scale- Suggested Methods**

6.1 New Business Distribution Cost Scale =  
New Business Cash Payment Scale + New Business Cost of Benefits & Services Scale.

6.2 New Business Cash Payment Scale =  
First year/New Business basic commission rates + Adjustments for all other New Business cash payments, e.g. override, production bonuses etc, expressed as percentage of basic commissions.

Adjustments can be derived based on average experience of all products for each remuneration structure.

6.3 New Business Cost of Benefits & Services Scale =  
New Business Uplift Factor x New Business Cash Payment Scale.

6.4 New Business Uplift Factor =  
New Business Cost of Benefits & Services/New Business Cash Payments.

6.5 New Business Cash Payments and Cost of Benefits & Services refer to the total cost of these items based on the most recent relevant experience (with appropriate adjustments if required) for each remuneration structure.

6.6 Similar process can be adopted to derive Renewal Cash Payments Scale and Renewal Cost of Benefits & Services Scale.

6.7 Cash Payments Scale and Cost of Benefits & Services Scale derived when applied to anticipated new and renewal businesses should reproduce the anticipated Cash Payments and Cost of Benefits & Services for each remuneration structure.

### **7 Review of Distribution Cost Scale**

7.1 The appointed actuary should advise the Company if at any time the appointed actuary becomes aware that the remuneration figures have become misleading.

7.2 A review should take place at least annually.

**Disclosure of Distribution Costs - Calculation Proforma**

The purpose of this proforma is to provide guidance towards the calculation of loading factors for non-commission cash payments and the costs of benefits and services.

**Total Individual Life Business :**

		Cash Payments	Overall	Agency	Brokers	Bank Channel	Direct Marketing
a	(1) (2)	Single prem commission Regular prem 1st year commission Total 1st year commission					
b	(3)	1st year override 1st year production bonuses Other 1st year cash payments : - Promotion Compensations - Manager Clerical Allowance Etc					
c=a+b		Total additional 1st year cash payments  Total 1st year cash payments  FYCP_fac = b / a					
<p><i>NB: This assumes that (3) is based on (1) and (2). Where this is not the case, modification would be required. The above calculation will also be used to derive the cash payments factor for Single Premium business</i></p>							
d		Regular prem 2nd year comm.  2nd year override Other 2nd year cash payments: - Production bonuses - Promotion Compensations - Manager Clerical Allowance - Career Benefits					

**Appendix I: Basis to determine distribution cost**

e	<ul style="list-style-type: none"> <li>- Agency Leader Expense Allowance</li> <li>- Persistency Incentive</li> <li>Etc</li> </ul> <p>Total additional 2nd year cash payments</p>	
f=d+e	<p>Total 2nd year cash payments</p> <p><math>SYCP\_fac = e / d</math></p>	
g	<p>Regular prem 3rd year comm.</p> <p>3rd year override</p> <p>Other 3rd year cash payments:</p> <ul style="list-style-type: none"> <li>- Production bonuses</li> <li>- Promotion Compensations</li> <li>- Manager Clerical Allowance</li> <li>- Career Benefits</li> <li>- Agency Leader Expense Allowance</li> <li>- Persistency Incentive</li> <li>Etc</li> </ul>	
h	<p>Total additional 3rd year cash payment</p>	
i=g+h	<p>Total 3rd year cash payments</p> <p><math>TYCP\_fac = h / g</math></p>	
j	<p>Regular prem 4th year onwards comm</p> <p>Overrides</p> <p>Other 4th year cash payments:</p> <ul style="list-style-type: none"> <li>- Production bonuses</li> <li>- Promotion Compensations</li> <li>- Manager Clerical Allowance</li> <li>- Career Benefits</li> <li>- Agency Leader Expense Allowance</li> </ul>	

**Appendix I: Basis to determine distribution cost**

		- Persistency Incentive Etc	
k		Total additional 4th year onwards cash payment	
l=j+k		Total 4th year onwards cash payments 4thYCP_fac =k / l	
m=f+i +l		Total renewal year cash payments	
		Note : Alternatively, if splits are not available or not relevant, SYCP_fac to 4thYCP_fac can be grouped as RYCP_fac	

	Cost of Benefits & Services provided to intermediary	Overall	Agency	Brokers	Bank Channel	Direct Marketing
	Office Rental Allowance / Cost Office Communications Costs Computer hardware and software Cost of sales staff salaries (where not related to a single sale) Costs of employee benefits and other personnel costs Cost of office insurance covers Cost of sales convention Cost of prizes and awards Cost of sales promotions					

## Appendix I: Basis to determine distribution cost

	<p>Cost of financial schemes (e.g. loan subsidies) Cost of office supplies/ stationery Third party fees incurred by the distribution channel (e.g. compliance monitoring) Cost of year start production kick-off (and similar events) Costs of agency support services Costs of agency recruitment</p> <p>Total Cost of Benefits &amp; Services</p> <p><b>Allocation to 1st year / new business acquisition</b> Office Rental Allowance / Cost Office Communications Costs Computer hardware and software Cost of sales staff salaries (where not related to a single sale) Costs of employee benefits and other personnel costs Cost of office insurance covers Cost of sales convention Cost of prizes and awards Cost of sales promotions Cost of financial schemes (e.g. loan subsidies) Cost of office supplies/ stationery Third party fees incurred by the distribution channel (e.g. compliance monitoring) Cost of year start production kick-off (and similar events) Costs of line management support Costs of agency support services Costs of agency recruitment</p>
n	<p>1st year cost of benefits &amp; services</p> <p><b>Allocation to renewal years / servicing</b></p>

## Appendix I: Basis to determine distribution cost

		Office Rental Allowance / Cost Office Communications Costs Computer hardware and software Cost of sales staff salaries (where not related to a single sale) Costs of employee benefits and other personnel costs Cost of office insurance covers Cost of sales convention Cost of prizes and awards Cost of sales promotions Cost of financial schemes (e.g. loan subsidies) Cost of office supplies/ stationery Third party fees incurred by the distribution channel (e.g. compliance monitoring) Cost of year start production kick-off (and similar events) Costs of agency support services Costs of agency recruitment	
o		Renewal year cost of benefits & services	
p		$FYCoB\&S\_fac = n / c$	
	<i>The above calculation will also be used to derive the cost of benefits and services factor for Single Premium business</i>		
q		$RYCoB\&S\_fac = o / m$	

In dealing with some items the allocation can be clear-cut. Other items will not be clear-cut such as:

- a) In dealing with the costs related to departments which provide a support service specifically to the different channels. E.g. the company may be providing promotional support to more than one channel. Such costs should be allocated between different channels as objectively as possible by the Appointed Actuary. For example the costs of promotional support may be allocated according to the expected \$ of premium to be generated by each channel as a direct result of this support.

## Appendix I: Basis to determine distribution cost

- b) In determining the allocation of items under cost of benefits and services the Appointed Actuary needs to determine Which expenses relate to production only and which relate to servicing of existing business. For example in the case of overhead items the Actuary will need to determine the basis of allocation between new business and renewals.
- c) Where indicated above the formula will be used to determine the factors for single premium business.

## Appendix II: Main BI format – Participating policies

### Introduction

XYZ Insurance Company believes that it is important that you fully appreciate the benefits of your policy. You should also understand how the cost of your insurance cover and the expenses of administration and sales affect the benefits that you will receive.

The illustration that follows shows how the value of your policy progresses over time and the sum(s) that would be payable. The methods used to derive the values shown follow guidelines established by the Life Insurance Association, Singapore, to ensure that a fair and consistent approach is used in preparing this illustration.

Please note that your policy provides a combination of (1) guaranteed benefits and (2) non-guaranteed benefits in the form of bonuses / cash dividends. The bonus rates / dividend scales used in this illustration are not guaranteed and may vary according to the performance of the Participating Fund.

Buying a life insurance policy can be a long-term commitment. An early termination of the policy usually involves high costs and the surrender value payable may be less than the total premiums paid.

If you need clarification please do not hesitate to ask your adviser.

## Appendix II: Main BI format – Participating policies

**Policyholder and plan details**

Proposed insured:	Prospect [Affix signature]	Prepared by:
Age next birthday:	35	Date:
Sex:	M	
Smoker/Non-smoker:	NS	
Plan:	ABC Endowment Plan	
Sum insured:	\$	
Annual premium:	\$	
Term:	20	

Benefit illustration						
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	DEATH BENEFIT				
		Guaranteed (S\$)	Projected at [X-1.5%] investment return		Projected at [X%] investment return	
			Non-guaranteed (S\$)	Total (S\$)	Non-guaranteed (S\$)	Total (S\$)
1/36						
2/37						
3/38						
4/39						
5/40						
6/41						
7/42						
8/43						
9/44						
10/45						
15/50						
20/55						
SURRENDER VALUE						
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	SURRENDER VALUE				
		Guaranteed (S\$)	Projected at [X-1.5%] investment return		Projected at [X%] investment return	
			Non-guaranteed (S\$)	Total (S\$)	Non-guaranteed (S\$)	Total (S\$)
1/36						
2/37						
3/38						
4/39						
5/40						
6/41						
7/42						
8/43						
9/44						
10/45						
15/50						
MATURITY VALUE						
20/55						

**What is the significance of the Projected Investment Rate of Return?**

The illustrations have been prepared on two assumptions regarding the investment rate of return achieved by the investments of the fund. The two rates [X%] p.a. and [X-1.5%] p.a., are used purely for illustrative purposes and do not represent upper and lower limits on the investment performance of the Participating Fund.

The two rates shown are net of any investment expenses. Please refer to the investment expense ratio in the Product Summary, shown for up to the last 3 years, for an indication of the actual investment expenses incurred in managing the Participating Fund.

The higher rate does not exceed the maximum best estimate of the long-term investment rate of return (currently [A%]), which has been set by the Life Insurance Association, Singapore.

[Where the bonus rates (or cash dividend scales) implied by the projected non-guaranteed values exceed the prevailing bonus rates (or cash dividend scales), state the implied bonus rates (or cash dividend scales) and provide clear explanation why higher bonus rates (or cash dividends) are used in the illustrations.]

## Appendix II: Main BI format – Participating policies

Please note that investment performance is not the only factor that will affect the benefits that you will receive. Other factors such as the actual level of death and disability claims on the fund and the expenses incurred will also have a bearing upon the benefits that you will receive.

As the bonus rates (or cash dividends) used for the benefits illustrated above are not guaranteed, the actual benefits payable will vary according to the future experience of the Participating Fund.

## Appendix II: Main BI format – Participating policies

### What is the impact of deductions on what you might get back?

The following table illustrates the effect that deductions will have on the amount you get back on surrender or maturity. It also highlights the cost of surrendering the policy early.

Table of deductions							
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	DEDUCTIONS					
		Projected at [X-1.5%] investment return			Projected at [X%] investment return		
		Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Total Surrender Value (S\$)	Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Total Surrender Value (S\$)
1/36							
2/37							
3/38							
4/39							
5/40							
6/41							
7/42							
8/43							
9/44							
10/45							
15/50							
20/55							

### What do the columns in the table of deductions mean?

1. "Value of Premiums Paid To-date" is obtained by accumulating the premiums paid to date at the Projected Investment Rate of Return, assuming that you were able to invest all of your premiums without deduction for the cost of insurance and without incurring any expenses.
2. The difference between the "Value of Premiums Paid To-date" and "Total Surrender Value" represents the "Effect of Deductions To-date". This is the accumulated value of the deductions for the cost of insurance, distribution cost, expenses, surrender charge, expected tax payments, and expected transfers to shareholders (for participating policies).

## Appendix II: Main BI format – Participating policies

### How much are you paying for distribution costs?

This table shows the total costs of distribution that XYZ Insurer expects to incur in relation to your policy, including the cost of any financial advice provided to you.

<b>Total distribution cost</b>		
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	Total Distribution Cost To-date (S\$)
1/36		
2/37		
3/38		
4/39		
5/40		
6/41		
7/42		
8/43		
9/44		
10/45		
15/50		
20/55		

### What does the last column represent?

1. The Total Distribution Cost To Date is the sum of each year's expected distribution-related costs, without interest. Such costs include cash payments in the form of commission, costs of benefits and services paid to the distribution channel.
2. Please note that the Total Distribution Cost is not an additional cost to you; it has already been allowed for in calculating your premium.
3. You can obtain the Total Distribution Cost of each of the supplementary benefits (if applicable) from your Financial Adviser or its representatives.

## Appendix III: Main BI format – Investment-linked policies

### Introduction

XYZ Insurance Company believes that it is important that you fully appreciate the benefits of your policy. You should also understand how the cost of your insurance cover and the expenses of administration and sales affect the benefits that you will receive.

The illustration that follows shows how the value of your policy progresses over time and the sum(s) that would be payable. The methods used to derive the values shown follow guidelines established by the Life Insurance Association, Singapore, to ensure that a fair and consistent approach is used in preparing this illustration.

Buying a life insurance policy can be a long-term commitment. An early termination of the policy usually involves high costs and the surrender value payable may be less than the total premiums paid.

If you need clarification please do not hesitate to ask your adviser.

## Appendix III: Main BI format – Investment-linked policies

**Policyholder and plan details**

Proposed insured : Prospect [Affix signature] Prepared by :  
 Age next birthday : 35 Date :  
 Sex : M  
 Smoker/Non-smoker : NS

Plan : ABC Investment-Linked Whole Life Plan  
 Basic Sum Insured : \$  
 Annual premium : \$  
 Benefit Type : Level Face

Benefit illustration						
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	DEATH BENEFIT				
		Guaranteed (S\$)	Projected at [B%] investment return		Projected at [C%] investment return	
			Non-guaranteed (S\$)	Total (S\$)	Non-guaranteed (S\$)	Total (S\$)
1/36						
2/37						
3/38						
4/39						
5/40						
6/41						
7/42						
8/43						
9/44						
10/45						
15/50						
20/55						
25/60						
30/65						

  

SURRENDER VALUE						
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	SURRENDER VALUE				
		Guaranteed (S\$)	Projected at [B%] investment return		Projected at [C%] investment return	
			Non-guaranteed (S\$)	Total (S\$)	Non-guaranteed (S\$)	Total (S\$)
1/36						
2/37						
3/38						
4/39						
5/40						
6/41						
7/42						
8/43						
9/44						
10/45						
15/50						
20/55						
25/60						
30/65						

**What is the significance of the Projected Investment Rate of Return?**

The illustrations are based on projected investment returns of [B%] p.a. and [C%] p.a. The two rates of return used are before deducting the annual management charges of the funds. They are purely for illustrative purposes and do not represent upper and lower limits on the investment performance. They also do not reflect potential volatility over the short-term resulting in potential sharp movements, up or down, of the underlying assets of the funds. The actual benefits payable will depend on the actual performance of the underlying assets of the funds. The performance of the funds is not guaranteed and the cash value may be less than the capital invested.

**Please note that if you select a money market fund or a fixed income fund, then returns of [B%] to [C%] could be considered high in many cases and unlikely to be achieved if the current low interest rate environment persists. You are strongly encouraged to speak to your financial adviser who would be able to provide further information on these funds - both for your initial fund selection and subsequently.]**

## Appendix III: Main BI format – Investment-linked policies

### What is the impact of deductions on what you might get back?

The following table illustrates the effect that deductions will have on the amount you get back on surrender or maturity. It also highlights the cost of surrendering the policy early.

<b>Table of deductions</b>							
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	<b>DEDUCTIONS</b>					
		Projected at [B%] investment return			Projected at [C%] investment return		
		Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Total Surrender Value (S\$)	Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Total Surrender Value (S\$)
1/36							
2/37							
3/38							
4/39							
5/40							
6/41							
7/42							
8/43							
9/44							
10/45							
15/50							
20/55							
25/60							
30/65							

### What do the columns in the table of deductions mean?

1. "Value of Premiums Paid To-date" is obtained by accumulating the premiums paid to date at the Projected Investment Rate of Return, assuming the premiums paid can be invested without deduction for the cost of insurance and without any expenses.
2. The difference between the "Value of Premiums Paid To-date" and "Total Surrender Value" represents the "Effect of Deductions To-date". This is the accumulated value of the deductions for the cost of insurance, distribution cost, expenses, surrender charge, expected tax payments, and expected transfers to shareholders (for participating policies).

## Appendix III: Main BI format – Investment-linked policies

### How much are you paying for distribution costs?

This table shows the total costs of distribution that XYZ Insurer expects to incur in relation to your policy, including the cost of any financial advice provided to you.

Total distribution cost		
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	Total Distribution Cost To-date (S\$)
1/36		
2/37		
3/38		
4/39		
5/40		
6/41		
7/42		
8/43		
9/44		
10/45		
15/50		
20/55		
25/60		
30/65		

### What does the last column represent?

1. The Total Distribution Cost To-date is the sum of each year's expected distribution-related costs, without interest. Such costs include cash payments in the form of commission, costs of benefits and services paid to the distribution channel.
2. Please note that the Total Distribution Cost is not an additional cost to you; it has already been allowed for in calculating your premium.
3. You can obtain the Total Distribution Cost of each of the supplementary benefits (if applicable) from your Financial Adviser or its representatives.

## **Appendix IV(a): Main BI format – Non-participating policies (Guaranteed Benefits only)**

### **Introduction**

XYZ Insurance Company believes that it is important that you fully appreciate the benefits of your policy. You should also understand how the cost of your insurance cover and the expenses of administration and sales affect the benefits that you will receive.

The illustration that follows shows how the value of your policy progresses over time and the sum(s) that would be payable. The methods used to derive the values shown follow guidelines established by the Life Insurance Association, Singapore, to ensure that a fair and consistent approach is used in preparing this illustration.

Buying a life insurance policy can be a long-term commitment. An early termination of the policy usually involves high costs and the surrender value payable may be less than the total premiums paid.

If you need clarification please do not hesitate to ask your adviser.



## Appendix IV(a): Main BI format – Non-participating policies (Guaranteed Benefits only)

### How much are you paying for distribution costs?

This table shows the total costs of distribution that XYZ Insurer expects to incur in relation to your policy, including the cost of any financial advice provided to you.

Total distribution cost		
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	Total Distribution Cost To-date (S\$)
1/36		
2/37		
3/38		
4/39		
5/40		
6/41		
7/42		
8/43		
9/44		
10/45		
15/50		
20/55		

### What does the last column represent?

1. The Total Distribution Cost To-date is the sum of each year's expected distribution-related costs, without interest. Such costs include cash payments in the form of commission, costs of benefits and services paid to the distribution channel.
2. Please note that the Total Distribution Cost is not an additional cost to you; it has already been allowed for in calculating your premium.
3. You can obtain the Total Distribution Cost of each of the supplementary benefits (if applicable) from your Financial Adviser or its representatives.

## Appendix IV(b): Main BI format – Non-participating policies (universal life)

### Introduction

XYZ Insurance Company believes that it is important that you fully appreciate the benefits of your policy. You should also understand how the cost of your insurance cover and the expenses of administration and sales affect the benefits that you will receive.

The illustration that follows shows how the value of your policy progresses over time and the sum(s) that would be payable. The methods used to derive the values shown follow guidelines established by the Life Insurance Association, Singapore, to ensure that a fair and consistent approach is used in preparing this illustration.

Please note that your benefit illustration provides two sets of projected values:

(1) Projected values at the guaranteed crediting rate and maximum charges

The crediting rate used in this projection is a guaranteed minimum that cannot be lowered any further and charges are the maximum chargeable that cannot be increased any further.

(2) Projected values at the current crediting rate and charges

The crediting rate used in this projection, which does not exceed the rate supportable by underlying asset portfolio, is not guaranteed and may be varied at the company's discretion, subject to the guaranteed minimum. Charges are not guaranteed and may be increased in the future up to the maximum limits. The crediting rate and charges used are the rate and charges prevailing at the date of this projection.

Buying a life insurance policy can be a long-term commitment. An early termination of the policy usually involves high costs and the surrender value payable may be less than the total premiums paid.

If you need clarification please do not hesitate to ask your adviser.

## Appendix IV(b): Main BI format – Non-participating policies (universal life)

Policyholder and plan details  
 Proposed insured : Prospect [Affix signature]  
 Age next birthday :  
 Sex :  
 Smoker/Non-smoker :

Prepared by :  
 Date :

Plan :  
 Basic Sum Insured :  
 Annual premium :  
 Benefit Type :

Benefit Illustration							
End of Yr	Age	Premium Schedule	Total Premiums Paid To-date	DEATH BENEFIT			
				Projected values at the guaranteed crediting rate [x%] and maximum charges	Projected values at the current crediting rate [y%] (max. A%) and charges		
		(\$)	(\$)	(\$)	(\$)		
1	36						
2	37						
3	38						
4	39						
5	40						
6	41						
7	42						
8	43						
9	44						
10	45						
15	50						
20	55						
25	60						
30	65						
35	70						
40	75						
End of Yr	Age	Premium Schedule	Total Premiums Paid To-date	SURRENDER VALUE		ACCUMULATION VALUE	
				Projected values at the guaranteed crediting rate [x%] and maximum charges	Projected values at the current crediting rate [y%] (max. A%) and charges	Projected values at the guaranteed crediting rate [x%] and maximum charges	Projected values at the current crediting rate [y%] (max. A%) and charges
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
1	36						
2	37						
3	38						
4	39						
5	40						
6	41						
7	42						
8	43						
9	44						
10	45						
15	50						
20	55						
25	60						
30	65						
35	70						
40	75						
End of Yr	Age	Premium Schedule	Total Premiums Paid To-date	MATURITY VALUE			
				Projected value at the guaranteed crediting rate [x%] and maximum charges	Projected value at the current crediting rate [y%] (max. A%) and charges		
		(\$)	(\$)	(\$)	(\$)		
65	100						

## Appendix IV(b): Main BI format – Non-participating policies (universal life)

### What is the significance of the Projected Investment Rate of Return?

The projections have been prepared on two sets of assumptions regarding the crediting rate and charges applicable to the policy:

- (1) The projected values at guaranteed crediting rate of [x%] p.a. and maximum charges represent the lower benefit limits of the policy.
- (2) The projected values at current crediting rate\* of [y%] p.a. and charges are based on rates and charges prevailing at the date of this illustration.

[Where there is a difference between the credit rate for new monies and existing funds, the 2 different credit ratings (i.e. y(1)% y(2+)%) should be used and disclosed]

The actual crediting rate applicable to your policy may be different to those shown in the projections, which are used purely for illustrative purposes. The actual rates may be higher or lower depending on future investment performance.

The actual benefits payable (if any) and coverage are not guaranteed and are dependent on the actual crediting rates (subject to the guaranteed crediting rate) and charges (subject to the maximum charges) as well as the amounts of any additional premiums, partial withdrawals made and loans taken.

Depending upon actual experience, you may need to make additional premiums payment to keep the policy in force.

\*Note : For Singapore dollar policies, the higher rate should not exceed A%, which is the maximum best estimate return of the long-term investment rate of return, which has been set by the Life Insurance Association, Singapore. For policies denominated in other currencies, the insurer's current crediting rates for each currency are to be used provided they remain reasonable prospectively.

## Appendix IV(b): Main BI format – Non-participating policies (universal life)

### What is the impact of deductions on what you might get back?

The following table illustrates the effect that deductions will have on the amount you get back on surrender or maturity. It also highlights the cost of surrendering the policy early.

Table of deductions							
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	DEDUCTIONS					
		Projected at guaranteed crediting rate [x%]			Projected at current crediting rate [y%]		
		Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Surrender Value (S\$)	Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Surrender Value (S\$)
1/36							
2/37							
3/38							
4/39							
5/40							
6/41							
7/42							
8/43							
9/44							
10/45							
15/50							
20/55							
25/60							
30/65							
35/70							
40/75							

### What do the columns in the table of deductions mean?

1. "Value of Premiums Paid To-date" is obtained by accumulating the premiums paid to date at the Projected Investment Rate of Return, assuming the premiums paid can be invested without deduction for the cost of insurance and without any expenses.
2. The difference between the "Value of Premiums Paid To-date" and "Surrender Value" represents the "Effect of Deductions To-date". This is the accumulated value of the deductions for the cost of insurance, distribution cost, expenses, surrender charge, expected tax payments, and expected transfers to shareholders (for participating policies)..

## Appendix IV(b): Main BI format – Non-participating policies (universal life)

### How much are you paying for distribution costs?

This table shows the total costs of distribution that XYZ Insurer expects to incur in relation to your policy, including the cost of any financial advice provided to you.

Total distribution cost		
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	Total Distribution Cost To-date (S\$)
1/36		
2/37		
3/38		
4/39		
5/40		
6/41		
7/42		
8/43		
9/44		
10/45		
15/50		
20/55		
25/60		
30/65		
35/70		
40/75		

### What does the last column represent?

1. The Total Distribution Cost To-date is the sum of each year's expected distribution-related costs, without interest. Such costs include cash payments in the form of commission, costs of benefits and services paid to the distribution channel.
2. Please note that the Total Distribution Cost is not an additional cost to you; it has already been allowed for in calculating your premium.
3. You can obtain the Total Distribution Cost of each of the supplementary benefits (if applicable) from your Financial Adviser or its representatives.

## **Appendix IV(c): Main BI format – Non-participating policies (others with non-guaranteed benefits)**

### **Introduction**

XYZ Insurance Company believes that it is important that you fully appreciate the benefits of your policy. You should also understand how the cost of your insurance cover and the expenses of administration and sales affect the benefits that you will receive.

The illustration that follows shows how the value of your policy progresses over time and the sum(s) that would be payable. The methods used to derive the values shown follow guidelines established by the Life Insurance Association, Singapore, to ensure that a fair and consistent approach is used in preparing this illustration.

Please note that your policy provides a combination of (1) guaranteed benefits and (2) non-guaranteed benefits that depend on the performance of its underlying investment.

Buying a life insurance policy can be a long-term commitment. An early termination of the policy usually involves high costs and the surrender value payable may be less than the total premiums paid.

If you need clarification please do not hesitate to ask your adviser.

## Appendix IV(c): Main BI format – Non-participating policies (others with non-guaranteed benefits)

### Policyholder and plan details

Proposed insured:	Prospect [Affix signature]	Prepared by:
Age next birthday:	35	Date:
Sex:	M	
Smoker/Non-smoker:	NS	
Plan:	ABC Non-participating Endowment Plan	
Sum insured:	\$	
Annual premium:	\$	
Term:	20	

Benefit illustration						
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	Guaranteed (S\$)	DEATH BENEFIT			
			Projected at [x%] investment return		Projected at [y%] investment return	
			Non-guaranteed (S\$)	Total (S\$)	Non-guaranteed (S\$)	Total (S\$)
1/36						
2/37						
3/38						
4/39						
5/40						
6/41						
7/42						
8/43						
9/44						
10/45						
15/50						
20/55						
SURRENDER VALUE						
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	Guaranteed (S\$)	SURRENDER VALUE			
			Projected at [x%] investment return		Projected at [y%] investment return	
			Non-guaranteed (S\$)	Total (S\$)	Non-guaranteed (S\$)	Total (S\$)
1/36						
2/37						
3/38						
4/39						
5/40						
6/41						
7/42						
8/43						
9/44						
10/45						
15/50						
MATURITY VALUE						
20/55						

#### What is the significance of the Projected Investment Rate of Return?

The illustrations are based on projected investment returns of [x%] p.a. and [y%] p.a. The two rates of return used are purely for illustrative purposes and do not represent upper and lower limits on the performance of the underlying investment. The actual benefits payable will depend on the actual performance of the underlying investment. The performance of the underlying investment is not guaranteed and the cash value may be less than the capital invested.

## Appendix IV(c): Main BI format – Non-participating policies (others with non-guaranteed benefits)

### What is the impact of deductions on what you might get back?

The following table illustrates the effect that deductions will have on the amount you get back on surrender or maturity. It also highlights the cost of surrendering the policy early.

Table of deductions							
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	DEDUCTIONS					
		Projected at [x%] investment return			Projected at [y%] investment return		
		Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Total Surrender Value (S\$)	Value of Premiums Paid To-date (S\$)	Effect of Deductions To-date (S\$)	Total Surrender Value (S\$)
1/36							
2/37							
3/38							
4/39							
5/40							
6/41							
7/42							
8/43							
9/44							
10/45							
15/50							
20/55							

### What do the columns in the table of deductions mean?

1. "Value of Premiums Paid To-date" is obtained by accumulating the premiums paid to date at the Projected Investment Rate of Return, assuming that you were able to invest all of your premiums without deduction for the cost of insurance and without incurring any expenses.
2. The difference between the "Value of Premiums Paid To-date" and "Total Surrender Value" represents the "Effect of Deductions To-date". This is the accumulated value of the deductions for the cost of insurance, distribution cost, expenses, surrender charge, expected tax payments, and expected transfers to shareholders (for participating policies).

## Appendix IV(c): Main BI format – Non-participating policies (others with non-guaranteed benefits)

### How much are you paying for distribution costs?

This table shows the total costs of distribution that XYZ Insurer expects to incur in relation to your policy, including the cost of any financial advice provided to you.

Total distribution cost		
End of Policy Year/Age	Total Premiums Paid To-date (S\$)	Total Distribution Cost To-date (S\$)
1/36		
2/37		
3/38		
4/39		
5/40		
6/41		
7/42		
8/43		
9/44		
10/45		
15/50		
20/55		

### What does the last column represent?

1. The Total Distribution Cost To-date is the sum of each year's expected distribution-related costs, without interest. Such costs include cash payments in the form of commission, costs of benefits and services paid to the distribution channel.
2. Please note that the Total Distribution Cost is not an additional cost to you; it has already been allowed for in calculating your premium.
3. You can obtain the Total Distribution Cost of each of the supplementary benefits (if applicable) from your Financial Adviser or its representatives.

## Appendix V : Annual Certification

### Certification by the Principal Officer and the Appointed Actuary

We certify that the illustrated benefits in use by the Company satisfy the prescribed basis and formats set out in LIA Guidelines on Benefit Illustrations.

-----  
Date

-----  
Name  
Principal Officer

-----  
Date

-----  
Name  
Appointed Actuary

#### Notes

The points listed below form an integral part of the requirements.

1. The certificate should be on company letterhead.
2. The certificate should be submitted to LIA once a year by 1 August.
3. The certification is in respect of all life insurance policies
4. Benefit illustrations need not be submitted.

## Appendix VI : Prescribed Projected Investment Rate of Return

<u>A%</u>	<u>B%</u>	<u>C%</u>
<u>5.25%</u>	<u>4%</u>	<u>8%</u>