Life Insurance Association Singapore
LIFE IS WORTH **PROTECTING**. **INVEST** IN IT.

Forum letter response for Lianhe Zaobao
Attributed to Chan Wai Kit, Executive Director, Life Insurance Association, Singapore
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26 September 2024

We wish to provide clarity and address concern raised in the forum letter "Insurance companies should be transparent in handling claims" and editor's note published on 9 September 2024.

The life insurance industry supports the move towards greater transparency throughout Singapore's healthcare system, and we pro-actively pursue initiatives on this front.

For instance, the Association recently updated the Critical Illness (CI) Framework, ensuring CI definitions stay relevant and aligned with the latest medical advancements and practices. The Framework aims to provide policyholders enhanced clarity and greater transparency in claims outcomes and allows consumers to compare and evaluate policies with greater ease.

The life insurance industry is supportive of MAS Fair Dealing Guidelines updated in May 2024. Insurers are committed to adopting the guidelines and would pursue opportunities to further enhance existing efforts to strengthen culture, quality, accountability and monitoring of initiatives that put customers first and to deliver better outcomes. Initiatives that have been implemented include the adoption of the balanced scorecard approach as part of remuneration structures for financial adviser representatives (FARs), as well as more regular trainings and reviews of fact-finding forms and sales documents to uphold the quality of advice and suitability of recommendations provided to customers.

FARs must conduct a detailed Financial Needs Analysis to ensure the recommended product meet their customers' needs and provide clear explanation on the policy coverage and its terms and conditions. We encourage consumers to carefully review their financial needs carefully and the insurance policy contract terms, and to seek professional advice from their FARs before purchasing a policy.

During the application process, customers must disclose all material facts (including any pre-existing medical conditions) truthfully providing clear, complete and accurate information in the application form for the insurer to underwrite the insured's risk profile objectively and holistically. Any incorrect, or incomplete information or declaration provided to the insurer can cause the insurance contract to be void or claims to be rejected. When in doubt on whether to disclose a piece of information, we would encourage the customer to consult their FARs or to disclose it.

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Insurance works on the principle of risk pooling, where underwriting a life allows them to participate in a risk pool by contributing their fair share of premiums for the future risk being covered. Allowing unhealthy lives to join an insurer's existing pool without proper underwriting goes against the principles of insurance, and unfairly penalises the existing pool as they will have to subsidise the substandard life joining the pool. The plan will not be sustainable when there are more people with medical conditions relative to healthy people in the insurance pool. This will increase the overall cost of insurance for all the policyholders in the group. Hence, risk assessment is very important in the insurance industry to ensure that the insurance pool is sustainable, with sufficient funds to pay the anticipated claims.

Additionally, insurance companies provide their policyholders a “free look period”, offering a cooling-off phase during which they can evaluate the suitability of the policy. If the policy does not meet their needs, policyholders may choose to cancel it within this period and receive an appropriate refund. If an exclusion is imposed on the insurance policy during the application process, the FARs are required to explain to their customers and obtain their consent and acceptance prior to policy issuance. For policies that have been previously accepted with loading (extra premiums) and/or exclusions, policyholders may submit fresh medical evidence to insurers to reassess the insured’s risk profile if their medical conditions have improved.

Insurance companies set up proper claims processes and procedures to ensure claims are paid fairly according to the policy terms and conditions. Where there is a claims dispute, policyholders are encouraged to first clarify with their insurer who will explain and provide the rationale why the claim request has been rejected. If the insurer’s decision is not to their satisfaction, policyholders may seek help from The Financial Industry Disputes Resolution Centre (FIDReC).

The life insurance industry is committed to handle and paying claims in a fair manner. In 2023, the life insurance industry paid out S$13.58 billion to policyholders and beneficiaries, an increase of 16.2% compared to the same period last year. Of this amount, S$11.76 billion was for policies that matured. The remaining S$1.82 billion was for death, total and permanent disability and critical illness claims. Additionally, IP insurers have paid out S$2.167 billion in claims for long-term individual medical expense policies in 2023.

The life insurance industry will continue to prioritise customer interest and work closely with the stakeholders in the healthcare ecosystem and regulators to enhance transparency and smoothen claims processes. We will also pursue more efforts to boost financial literacy and consumers’ insurance knowledge in Singapore.