

KNOWING YOUR LIFE INSURANCE

A financial education programme by:



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This booklet is intended to provide readers with a basic understanding of the general concepts in insurance. You are advised to check with your insurance company on the terms and conditions of your policy.

Getting to Know Your Insurance Policy

I don't think I need life insurance.

I won't die in an accident.

It won't happen to me.

I won't get cancer.

I have insurance at work.

If you own a car, have travelled outside the country, or have taken a loan, it is very likely that you have insurance.

It is very important for you to take the time to read the fine print, ask questions, and find the policy that fits your needs.

This booklet will help you find out more about the common insurance products available in Brunei Darussalam.

Always remember to make sure you understand your policy BEFORE you sign.

WHY DO I NEED INSURANCE?

Insurance provides you the money for when things go wrong, such as car accidents, lost luggage while travelling abroad, serious illness or robbery.

In life, there is always a risk that things can go wrong. If they do, you will need money to meet your costs and avoid chaos in your finances.

Takaful is about managing these risks. By taking out policies, you are transferring financial risk to your insurance company, for a 'premium'.

Without insurance, you're taking the risk of meeting those costs yourself.

TYPES OF INSURANCE

There are two types of insurance:

1. General Insurance

Covers property, such as your car, house, business, employees, money, etc.

2. Life Insurance

Covers you, your loved ones, employees, colleagues, etc.

BUYING INSURANCE

In Brunei Darussalam, insurance is provided by insurance companies registered by Autoriti Monetari Brunei Darussalam (AMBD).

You can obtain insurance from the following ways:

1. **Directly** from the insurance company.
 2. From **insurance agents** that have been authorized to represent insurance companies.
 3. From **banks** that have a bancassurance agreement with insurance companies.
 4. From **brokers** that have been registered with AMBD.
- ❖ Refer to AMBD's website (www.ambd.gov.bn) for the list of registered insurance companies.

For general insurance, if you buy more than one policy to protect a particular risk, you can only make one claim in the event of loss or damage. The amount payable will be paid by the insurance companies involved. This means you cannot profit from your general insurance policy. If you suffer a loss, you will be compensated accordingly and no more than that. You will be paid or 'indemnified' to the position you were in before the loss. However, if you wish to cover your life, you can buy more than one policy.

TIPS WHEN BUYING LIFE INSURANCE

- **Shop around** - Get quotes from different insurance companies and compare what they offer. Do not be afraid to ask lots of questions.
- **Decide from whom you want to buy** - If you decide to buy from a life insurance agent, make sure that the agent is registered with a good reputation, and you are satisfied with their service.
- **Choose carefully** - List the things you need (i.e. what you want covered) to help you in picking the right policy. Work out how much money you need for your retirement. How much do you want to provide for your family?
- **Always ask what is and is not covered by your policy** - Before you sign, make sure you know what your policy covers and does not cover. Ask the agent/staff to explain to you until you are satisfied.
- **Check the costs** - You will contribute or pay a regular fee, known as 'premium', for your cover.
- **Be honest with your insurance company** – Provide complete and true details because your 'duty of disclosure' means you must tell the truth when you apply. If you leave details out, any future claim may be denied. Update your insurance company if there are any changes to your personal details.
- **Keep your documents in a safe place** - Let your family or a friend or lawyer know where your policies are kept. Ask them to notify your

**Life insurance is a long-term commitment.
DON'T RUSH INTO IT!
Make sure you are able to commit to it, or else you could lose out.**

agent at once, in case anything happened. Notify the insurance company if your policies are lost or destroyed.

- **Pay on time** - Make sure you pay your premiums in a timely manner to avoid your policy being lapsed.

UNDERSTANDING BASIC INSURANCE TERMS

Takaful	Definition
Policy	The contract of purchasing insurance between a person and an insurance company.
Policyholder	The person who has bought the policy.
Premium	The amount of money you pay for your policy.
Sum insured	The maximum amount of money that you can receive from your insurance company if there is a claim. This amount usually reflects the market value of the property you wish to insure.
Exclusion	The circumstances where your policy does not apply or cover.
Extension	The coverage that you can add-on to your policy to suit your needs. This is provided at an additional fee.
Excess	The portion of a claim that a policyholder is required to pay first and anything above the excess will be paid by the insurance company. E.g. if the excess in a policy is BND 1,000 and the claim costs BND 3,000, then the policyholder will pay the first BND 1,000 and the remaining BND 2,000 will be paid by the insurance company.

Comparison between Takaful & Insurance

	TAKAFUL	INSURANCE
Contract	A combination of donation and agency or profit sharing contract.	An exchange contract (sale and purchase) between insurance company and policyholder.
Guarantee	Takaful operator is only the fund manager. The participant mutually guarantees each other.	The insurance company provides the guarantee.
Fund	The fund belongs to the participant and managed by the Takaful operator. This fund is separated from shareholder's fund.	The fund belongs to the insurance company but separates assets of insurance fund with shareholder's fund.
Indemnity	Provided by the Takaful fund.	Provided by the insurance company using the insurance fund.
Risks treatment	Risk is shared among the participants.	Risk is transferred from the policyholder to the insurance company.
Responsibility of Participants / Policyholders	Participants make contributions to the scheme. Participants mutually guarantee each other under the scheme.	Policyholders pay premium to the insurance company.

Liability of the Takaful Operator / Insurance Company	Takaful operator acts as the administrator of the Takaful plan and pays the Takaful benefits from the Takaful funds.	Insurance company is liable to pay the insurance benefits as promised from its assets (insurance funds and shareholder's fund).
Investment of Fund	Assets of the Takaful funds are invested in Syariah compliant instruments.	There is no restriction apart from those imposed for prudential reasons.

The Basics of Life Insurance

What is life insurance?

Life insurance can provide financial protection for your family if you or your partner fall ill and cannot work or in the event of death.

Why do you need life insurance?

Consider the possibilities of death, or an illness preventing you from work, for your partner or yourself. Would you be able to survive financially? Can you pay the mortgage and bring up your kids?

Life insurance can be used in several ways:

1. For protection or coverage against death and permanent disability.
e.g. to ensure that a family has cash and income after the death of a breadwinner; or to ensure that there is extra income when you are not able to work due to a serious illness or accident.
2. For retirement planning, savings and investment.
e.g. to save money for your children's education; or to build a nest egg for retirement.

When should I buy life insurance?

You can buy life insurance at any time. The maximum cut-off age limit depends on the policy. It is advisable to start at a young age when one is young and healthy and the premium is cheaper.

How do I know which type of life insurance policy is suitable for my needs?

When it comes to choosing a policy, always:

- ✓ Consider a policy that best suits your life stage
- ✓ Understand the benefits and coverages provided under the policy
- ✓ Be aware of the circumstances should you need to switch policies

Your insurance agent will help you to identify and analyse your needs and make recommendations.

If you are worried about...	You may want to consider...	How it helps...
Death of breadwinner	Life insurance	Provides some money for your family if you die.
Total & permanent disability	Life insurance	Provides some money for your family if you suffer from total or permanent disability.
Death of mortgagor/ main borrower of home loan	Mortgage reducing term assurance (form of life insurance)	Pays off mortgage if borrower suffers from total or permanent disability or death.

What is a participating policy and non-participating policy?

A **participating policy** shares in the surplus of the company's 'life fund'. The share of the profits is paid in the form of 'bonus' or 'dividend'. Bonuses or dividends are not guaranteed as they depend on how the life fund's investments are performing and the expenses incurred. A **non-participating policy** is not entitled to any profits.

This means the premiums for a participating policy is higher than a non-participating policy.

What types of life insurance policies are available in Brunei Darussalam?

TYPE OF POLICY	DESCRIPTION
1. Whole life insurance	<ul style="list-style-type: none">➤ Provides life-long protection for your dependents and requires premiums to be paid throughout your life.➤ The money will only be received by your dependents when you pass away or if you suffer total and permanent disability.
2. Term insurance	<ul style="list-style-type: none">➤ Provides protection for a fixed period of time ranging from 5 to 40 years.➤ There is no savings or investment feature, so this policy does not have a cash value when it ends or is terminated.➤ It pays the sum assured only upon the death or total permanent disability of the policy owner.
3. Endowment insurance	<ul style="list-style-type: none">➤ Combines protection and savings for a fixed period of time.➤ It provides savings because when the policy expires (or matures), you will receive the

	<p>money. If you die before the policy matures, your dependents will receive the money.</p>
<p>4. Investment linked insurance</p>	<ul style="list-style-type: none"> ➤ Combines protection and investment components. ➤ Some of the premiums are used to pay for units in a fund managed by the life insurance company. ➤ The money paid to you or your nominee will depend on the price of the units at the time you surrender the policy or when you pass away.
<p>5. Supplementary rider</p>	<ul style="list-style-type: none"> ➤ A rider is an add-on to your basic insurance plan for additional premium. ➤ It allows you to customise your insurance plan according to your needs e.g. cover against critical illness, hospitalization, premium waiver, etc.
<p>6. Mortgage Reducing Term Insurance (MRTA)</p>	<ul style="list-style-type: none"> ➤ Provides insurance against loans or financing received from banks. Usually a one-off payment made at the time the loan is taken out. ➤ It will cover the repayment of the outstanding loan or financing to the financial institution if you are unable to do so because of death, disability or critical illness. ➤ The insurance company will pay the bank the outstanding amount and the bank releases the ownership of the property to the owner or his beneficiaries.
<p>7. Other plans</p>	<ul style="list-style-type: none"> ➤ These would include health and medical insurance plans and group plans.

What are the features of common life insurance products?

	Whole Life	Term	Endowment
What?	<ul style="list-style-type: none"> • Can be a participating policy or a non-participating policy. • You get life-long protection. • You pay premiums throughout your life, but can be changed to a limited period. • Products accumulate cash value over time. 	<ul style="list-style-type: none"> • Non-participating policy. • You get protected for a specific period. • No cash value. • This form of insurance usually is the cheapest. 	<ul style="list-style-type: none"> • Participating policy • You get both protection and savings. • You get guaranteed returns on a fixed maturity date and pay fixed premiums.
Suitable for...	<ul style="list-style-type: none"> • Individuals looking for life-long insurance coverage. • Breadwinners and those who have dependents. 	<ul style="list-style-type: none"> • Individuals looking for protection for specific period or purpose e.g. mortgage, foreign person working in another country. • Breadwinners and those who have dependents • Individuals looking for protection for specific period or purpose e.g. mortgage, 	<ul style="list-style-type: none"> • Individuals looking for protection for specific period or purpose e.g. mortgage, foreign person working in another country, purchasing a house or children's education. • Breadwinners and those who have dependents.

		<p>foreign person working in another country.</p> <ul style="list-style-type: none"> • Breadwinners and those who have dependents. 	
Standard coverage	<ul style="list-style-type: none"> • Death • Total Permanent Disability (TPD). 	<ul style="list-style-type: none"> • Death • Total Permanent Disability (TPD). 	<ul style="list-style-type: none"> • Death • Total Permanent Disability (TPD).
Period of cover	<ul style="list-style-type: none"> • Life-long protection as long as the policy is still in-force. 	<ul style="list-style-type: none"> • For a specific period of time such as 5, 10, 15 years. 	<ul style="list-style-type: none"> • For a specific period of time till policy matures E.g. 25 years
Benefits	<ul style="list-style-type: none"> • Sum assured in the event of death or other insured events of the policy. • Surrender value available. • Maturity benefit at the end of the policy term. Sum assured in the event of death or other insured events of the policy. • Surrender value available. • Maturity benefit at the end of the policy term. 	<ul style="list-style-type: none"> • Sum assured in the event of death or other insured events of the policy. • No maturity benefit. 	<ul style="list-style-type: none"> • Sum assured in the event of death or other insured events of the policy. • Maturity benefit at the end of the policy term. • Survival benefits • Cash bonuses

Common exclusions	<ul style="list-style-type: none"> • Death due to suicide and pre-existing illness. • TPD caused by self-inflicted injury. 	<ul style="list-style-type: none"> • Suicide within the first policy year. • TPD caused by: <ul style="list-style-type: none"> – Self-inflicted injury, – Misuse of drugs and/or alcohol, – Airborne activity not allowed by your policy – War 	<ul style="list-style-type: none"> • Suicide within the first policy year. • TPD caused by self-inflicted injury. • Death due to suicide and pre-existing illness.
Frequency	Monthly, quarterly, semi-annually and annually.	Monthly, quarterly, semi-annually, annually and single premium.	Monthly, quarterly, semi-annually and annually.
Medical checkup	Required depending on your health, age and coverage applied.	Required depending on your health, age and coverage applied.	Required depending on your health, age and coverage applied.

The Basics of Education Insurance

What is education insurance and its purposes?

An education insurance is a life insurance contract designed to build up savings to cover tertiary education expenses. The plan typically provides a lump sum payout after a specific duration (usually to coincide with the child attaining a certain age, such as age 18 or 20) or provides few smaller payouts upon the child achieving different educational milestones during the policy term. Such insurance may provide a death benefit on the death of the child.

Why do you need education insurance policy for your children?

Parents usually take up education insurance policy as a form of discipline savings for their children to provide funds for their tertiary education.

When should I buy education insurance for my children?

Education insurance should be purchased earlier to allow for a longer savings period.

What are the coverages under this plan?

As the protection factors may vary according to the policies, below are examples of the typical coverages:

- Basic Protection: Death, Total Permanent Disability & Terminal illness;
- Optional Protection on Life Assured: Accidental, Hospitalization, and/or Child illnesses;
- Optional Protection on Payer: Death, Total Permanent Disability, Terminal illness & Critical illness.

What is the period of cover under this plan?

Ideally, the coverage should be throughout his or her younger years, until he or she goes for higher education.

What is the payment method for this plan?

Cash, cheque, credit card, bank transfer and General Interbank Recurring Order (GIRO) are some of the commonly acceptable payment methods by insurers.

How much should I pay for this plan?

The individual can start off with the available budget. Ideally, it depends on the savings goal or budget / affordability of the individual.

What are the general exclusions under this plan?

- ⊗ **Pre-existing Condition.**
- ⊗ **Death Benefit** - If the life assured dies from suicide within one year from the date of issue of the policy.
- ⊗ **Total Permanent Disablement (TPD) Benefit** - Payment of the disability benefit will not be made for TPD resulting from:
 - (a) Self-inflicted injury,
 - (b) Bodily injury sustained while in or on an aircraft other than,
 - (i) as a fare-paying passenger or a crew member on an aircraft licensed for passenger service and operated by a regular airline on a scheduled route; or
 - (ii) as a member of the armed forces traveling as a passenger in a military transport aircraft;
 - (c) Any physical or health impairment or disease which existed but was not declared.

Can I buy other life insurance products for my children if they already have education insurance policy?

Yes. Although at times, it may be subject to financial and medical underwriting if the sum assured is large.

Do my children need to go for medical checkup before buying this plan?

Medical checkup may be required. However, there are education insurance plans with very minimal protection element and hence may not require any medical checkup.

Can the education insurance policy be transferred to any one of my other children?

Such transfer is usually not allowed.

If my children are actively participating in any sports activities, does this plan cover if an accident, derived from the activity, has happened?

This depends on the plan purchased. It is subject to terms and conditions of the plan's coverage.

I do not have any children, but would like to buy a policy for my nephew. Would this be allowed?

This is not allowed, unless there is insurability interest between you and your nephew.

What would happen to the policy in the event of early death of the child?

Death benefit will be paid, subject to the terms and conditions, and the policy will cease if the child is the life assured.

Any other important points to note when buying education insurance.

- 👉 Buy as early as possible and adequately as possible;
- 👉 Engage a Distribution Representative to help you evaluate your insurance needs;
- 👉 Decide on your goal i.e. how much you need when child reaches the college / university age;
- 👉 Be sure of the affordability of premium agreed;
- 👉 Be comfortable with the premium payment frequency and time frame;
- 👉 Commit to the premium payments until maturity;
- 👉 Understand the exclusions of the plan.

The Basics of Savings Insurance

What is savings insurance and its purposes?

A savings insurance is a life insurance contract designed to provide a lump sum benefit on survival at the end of a specific period or on death of the life assured.

Why do you need savings insurance?

Savings insurance is useful in meeting special lump sum needs, such as children's education or retirement planning (buying a retirement home).

When should I buy savings insurance?

Savings insurance is frequently used when one intends to save up money towards some specific financial goals.

Is savings insurance affordable?

Depending on the savings goal, some savings plans allow for minimum premium of as low as BND 100 per month.

What are the types of savings insurance available in Brunei?

Most of the savings insurance come in the form of Endowment.

What are the coverages under this plan?

Typically, savings plan provides for payment of the sum assured upon the survival at the end of the policy duration:

- For **participating plans**, the coverage is typically the sum assured plus non-guaranteed bonuses.
- For **non-participating plans**, the coverage is typically the sum assured only.

What is the period of cover under this plan?

- The coverage period typically follows the savings period, e.g. 10, 15 or 20 years.
- For savings for Retirement, the period normally coincides with the retired age, i.e., at age 55 or 60.

What is the payment method for this plan?

Cash, cheque, credit card, bank transfer and General Interbank Recurring Order (GIRO) depending on different companies' practices.

Should I pay my premiums through the agent?

Premium payment may be made through the agent, depending on the companies' practices.

How do I know whether the agent is authorised to sell savings insurance?

The agents are issued with authorization cards.

Do I need to go for medical checkup for this plan?


Medical checkup may be required depending on the type of savings plan, the sum assured and the age of the individual.

What will happen to my policy if I fail to pay premium on time?

The policy may activate automatic premium loan if there is sufficient cash value in the policy to fund for the premium payment. Otherwise, the policy will lapse if premium is not received within a given grace period.

How much will I receive if I surrender my savings insurance policy?

A surrender value may be payable upon surrender, usually after 2 or 3 policy years. For early termination, the surrender value may be less than the total premiums paid.

 ***Please contact your insurance agents or the insurance company to find out more as it may vary from one life insurer to another.***

Can I make withdrawal of my savings/bonuses under this plan?

Partial surrender may be allowed via reduction in sum assured. Withdrawal of bonuses may be allowed if there are bonuses declared on a policy.

Before You Buy...

It is my first time buying life insurance. What should I do?

Refer to page 5 for tips on participating in buying life insurance.

Do I need to take a medical exam?

This depends on the underwriting policy of your insurance company and the type of insurance policy you are purchasing. If you are required to take a medical exam, the costs will be usually paid by the insurance company.

If you have a pre-existing medical condition you must tell your insurer, otherwise any future claims may be rejected.

Can I buy more than one policy?

Yes. For example, if you feel that your endowment policy does not provide you with adequate protection, you may wish to buy a whole life policy as well.

What is a free-look period?

Free-look allows you to review your policy within 14 days. If you decide that the policy is not suitable to your needs, you may exercise the free look provision and the company will refund all your premiums less any medical and other expenses.

You will need to send the insurer a written notice within 14 days from the date you receive your policy. If your policy is an investment-linked policy on top of any medical expenses, any change in the market value of the assets will be reflected when working out the amount to be refunded.

Can I backdate the commencement date of my life insurance policy?

For a life insurance policy, this is usually possible within a reasonable period.

What happens if I decide to cancel my life insurance policy?

An early termination usually involves high costs and the surrender value payable (if any) may be less than the total premium paid.

Why do I need a beneficiary for my insurance policy?

In the event of death of a policyholder, the proceeds from the insurance policy will go to the beneficiary as the policyholder intended.

If you do not nominate a beneficiary in your policy, your insurer is not obligated to release the policy monies until a Grant of Probate or Letter of Administration or Distribution Order is obtained which may take quite some time.

When should I nominate my beneficiary?

This can be done when you apply for the Takaful plan or any other time, when necessary. You can either nominate your family member or other individuals to receive these plan moneys upon your death, provided that you are at least 18 years of age.

Making a claim

How do I make claim?

Contact your insurance company or agent if you wish to make a claim. You, or your nominee, will be paid, subject to the terms and condition of your policy.

What documentation do I need to provide when filing a claim?

Depending on the type of claim you wish to make, the supporting documents to be submitted may include the following:

(1) Maturity claim - insurer will inform the policyholder of the maturity

- Copy of the insurance policy
- Copy of identity card

(2) Death Claim - the nominee needs to provide the following:

- Completed claim form;
- Certified copy of death certificate;
- Original insurance policy;
- Identification documents of claimants;
- If no beneficiary was nominated, the dependents of the deceased should provide proof of dependency or the letter of administration;
- Other documents as requested

(3) Injury or Total Permanent Disability

- Completed claim form;
- Medical report;
- Receipt payment for medical expenses from any hospital or clinic.

Good to Know...

Is life insurance affordable?

There are many factors that are considered when calculating your insurance premiums such as age, smoking habits, and overall health, how long you wish to be covered and so on.

Since these policies are usually long-term, it would be good to enter at a young age as the cost of the premiums would be spread over a longer term.

How can I make my premium instalments?

Depending on the type of policy you take up, payments can be made monthly, quarterly, semi-annually or annually.

However, a single premium policy means that you would need to make one-time payment at the start of the policy that would cover the entire term of your policy.

What happens to my policy if I cannot afford or miss the premium payment?

Your insurance company will give you a grace period (usually 30 days) after the premium due date, to pay your premium to renew your policy.

During this period, your policy will continue to be in force. If no money is received after the grace period, the policy will lapse. Where a policy has cash value, the premium due may be deducted from the cash value as a loan.

Can I reinstate my lapsed policy?

Yes. You may request to reinstate your policy by:

- ✓ Applying in writing within a required time from the termination date of the policy;
- ✓ Paying all overdue premiums with interest owing with interest up to the reinstatement date; and
- ✓ Providing evidence of insurability.

Can I take a loan from my policy?

Yes, provided that there is a loan provision and cash value is available.

Can I choose to end my life insurance policy early and what happens to the premiums I have paid?

Yes, you can choose to end (terminate) your policy before the maturity date. If your policy has a cash value, you may be able to receive some monies (surrender value) depending on how long you have maintained your policy.

Can I transfer my policy to another person or organization?

Most life insurance policies are transferable to another party by means of an assignment. The policyholder (assignor) who assigns his policy to another party (assignee) will no longer have any right to the policy after the assignment.