

FN241

Risk Management and Insurance
Life Insurance products

Sakkakom Maneenop, Ph.D.

Types of Life Insurance – Global Classification

- Life insurance policies can be classified in two general categories:
 - Term insurance provides temporary protection
 - Cash-value life insurance has a savings component and builds cash values
 - Annuity provides a periodic payment that continues for a fixed period or for the duration of a designated life

1 Term Life Insurance - Characteristics

- Under a term insurance policy, **protection is temporary**; protection expires at the end of the policy period, unless renewed
- Most term policies are renewable for additional periods
 - Premiums increase at each renewal
 - To minimize _____ problem, many insurers have an age limitation beyond which renewal is not allowed

Term Life Insurance - Characteristics

- Most term policies are convertible, which means the policy can be exchanged for a cash-value policy without evidence of insurability
- Term life policies have **no cash-value or savings element**

Types of Term Life Insurance

- Yearly-renewable term insurance is issued for a one-year period
- Term insurance can also be issued for 5 or more years
- A term to age 65 policy provides protection to age 65 (or other ages depending on each plan), at which time the policy expires
- Under a decreasing term insurance policy, the face value gradually declines each year

Examples of Term Life Insurance Premiums

\$500,000 Term Life Insurance Policy

<i>Female Annual Premiums</i>						<i>Male Annual Premiums</i>					
<i>Age</i>	<i>10 Year</i>	<i>15 Year</i>	<i>20 Year</i>	<i>25 Year</i>	<i>30 Year</i>	<i>Age</i>	<i>10 Year</i>	<i>15 Year</i>	<i>20 Year</i>	<i>25 Year</i>	<i>30 Year</i>
30	\$ 140	\$ 190	\$ 225	\$ 320	\$ 365	30	\$ 140	\$ 195	\$ 230	\$ 320	\$ 415
35	\$ 145	\$ 195	\$ 230	\$ 375	\$ 415	35	\$ 145	\$ 195	\$ 255	\$ 375	\$ 465
40	\$ 195	\$ 260	\$ 315	\$ 505	\$ 525	40	\$ 200	\$ 260	\$ 340	\$ 560	\$ 680
45	\$ 295	\$ 375	\$ 480	\$ 785	\$ 825	45	\$ 295	\$ 455	\$ 585	\$ 855	\$ 1,110
50	\$ 435	\$ 520	\$ 665	\$ 1,055	\$ 1,095	50	\$ 450	\$ 690	\$ 955	\$ 1,390	\$ 1,990
55	\$ 645	\$ 730	\$ 1,070	\$ 1,670	\$ 2,700	55	\$ 685	\$ 1,025	\$ 1,470	\$ 2,765	\$ 4,705
60	\$ 950	\$ 1,255	\$ 1,745	\$ 2,845	\$ 6,170	60	\$ 1,110	\$ 1,710	\$ 2,535	\$ 5,735	\$ 7,645
65	\$ 1,550	\$ 2,030	\$ 3,130	\$ 7,740	\$ 7,950	65	\$ 1,920	\$ 3,360	\$ 4,970	\$ 10,045	\$ 10,045
70	\$ 2,425	\$ 3,885	\$ 5,845	\$ 10,990	\$ 10,990	70	\$ 4,440	\$ 5,555	\$ 9,540	\$ 13,140	\$ 13,140

SOURCE: Insure.com

Source: RM Exhibit 11.2

Uses and Limitations of Term Life

- Term insurance is appropriate when:

- However,
 - Term insurance premiums increase with age at an increasing rate and eventually reach prohibitive levels



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Term Life Insurance - Example

Term Life Insurance (10TL, 15TL, 18TL)

- **Duration of Plan :**
 - Can vary between 10 years (10TL), 15 years (15TL) and 18 years (18TL)
- **Premium Payment :**
 - 10 years (10TL), 15 years (15TL) and 18 years (18TL)
- **Underwriting Conditions :**
 - This policy can be issued between the ages of 20 and 60 years.
 - The minimum sum assured is 400,000 baht for men and 600,000 baht for women.
 - There is a special discounted premium for large sums assured.
- **Benefits :**
 - If the death of the insured occurs while the policy in force, the company will pay the sum assured to the beneficiary.

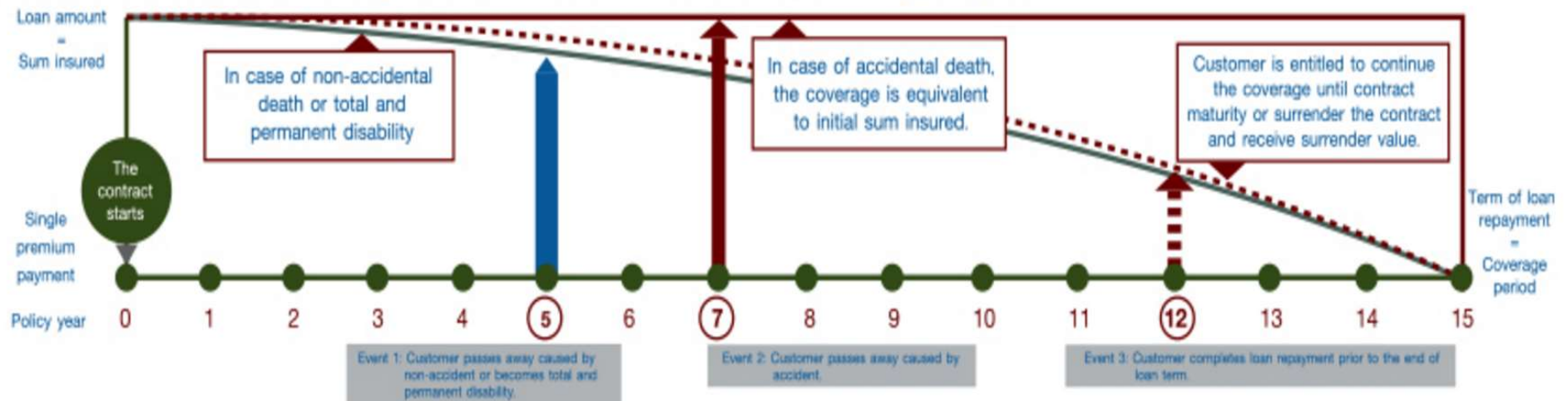
Term Life Insurance - Example

MRTA Home Plus

* Key Features

- Coverage in case of death and total and permanent disability is provided throughout the contract period
- In case of death due to accident, coverage is 100% of the initial sum insured

Example: in case the client chooses coverage term and sum insured that match with credit line and repayment period.



Remark : the above coverage pattern is from the assumption that the client's credit history with the bank shows normal status at all times. --- Coverage in case of non-accidental death — Credit Line — Coverage in case of accidental death



Product Details



Term of insurance

- Selectable coverage period from 5 – 30 years

Mode of premium payment

- Single premium payment

Insurable age

- 20 - 60 years (including the coverage period, the insured cannot be older than 75 years)
- The insured must be K-Home Loan customer

Minimum sum insured

- 200,000 Baht

Benefits and coverage

- In case of death (not due to accident), the coverage shall be according to the reducing sum insured
- In case of death (due to accident), the coverage is fixed at 100% of the initial sum insured
- In case of total and permanent disability, the coverage shall be according to the reducing sum insured

Source: <http://www.kasikornbank.com/EN/Personal/Insurance/LifeInsurance/CreditProtection/Pages/MRTA-Home-Plus.aspx>

2 Types of Whole Life Insurance

- Whole life insurance is a cash-value policy that provides lifetime protection
 - A stated amount is paid to a designated beneficiary when the insured dies, regardless of when the death occurs
 - Types include:
 - Ordinary life
 - Endowment insurance
 - Variable life
 - Universal life
 - Variable universal life

Types of Whole Life Insurance

2.1

Ordinary life insurance is a level-premium policy that provides lifetime protection

- Premiums are level throughout the premium-paying period
- The excess premiums paid during the early years are used to supplement the inadequate premiums paid during the later years of the policy
- The insurer's _____ is a liability that must be offset by sufficient financial assets
- The _____ is the difference between the legal reserve and the face amount of coverage

Types of Whole Life Insurance

- Ordinary life insurance is a level-premium policy that provides lifetime protection
 - Premiums are level throughout the premium-paying period
 - The excess premiums paid during the early years are used to supplement the inadequate premiums paid during the later years of the policy
 - The insurer's legal reserve is a liability that must be offset by sufficient financial assets
 - The net amount at risk is the difference between the legal reserve and the face amount of coverage

Types of Whole Life Insurance

- Another characteristic of ordinary life insurance policies is the accumulation of cash surrender values (เงินค่าเวนคืนกรมธรรม์ประกันภัย)
 - The amount paid to a policyholder who surrenders the policy
 - The policyowner has the right to borrow the cash value or exercise a cash surrender options
 - It does not have to be equal to legal reserve

Types of Whole Life Insurance

- Under a limited-payment life insurance policy, the insured has lifetime protection, and premiums are level, but they are paid only for a certain period
 - 99/20, 85/15, etc.
 - A paid-up policy at age 65 or 70 is another form of limited-payment life insurance
- A single-premium whole life policy provides lifetime protection with a single premium

Whole Life Insurance - Example

Whole Life (Non-Par) (WNP)*

Quality of Life that You Can Manage

Live happily and worry free with a life security plan for you and your loved ones. 'Whole Life' offers various premium payment term options that you can choose and manage. Rest assured that your family will be able to maintain a good quality of living as you want, even when you cannot take care of them anymore.



insured.®

Highlighted Benefits

- Life coverage until 99 years old of age
- Premium payment options: 5, 10, 15 years or until the age of 70 or 90 years old
- High coverage with reasonable premium rate
- Maturity benefit of 100% of sum assured
- Riders attachable according to your needs, e.g. health, accident, and dread disease coverages
- Personal income tax deduction benefit up to THB 100,000 of life premium, following the conditions of Thailand Revenue Department ([Read more](#))
- **Life premium discount applicable to**
 - The plans with premium payment period of 5, 10 and 15 years with sum assured of THB 250,000 and above
 - The plans with premium payment until insured age of 70 and 90 years old with sum assured of THB 400,000 and above

Whole Life Insurance – Example

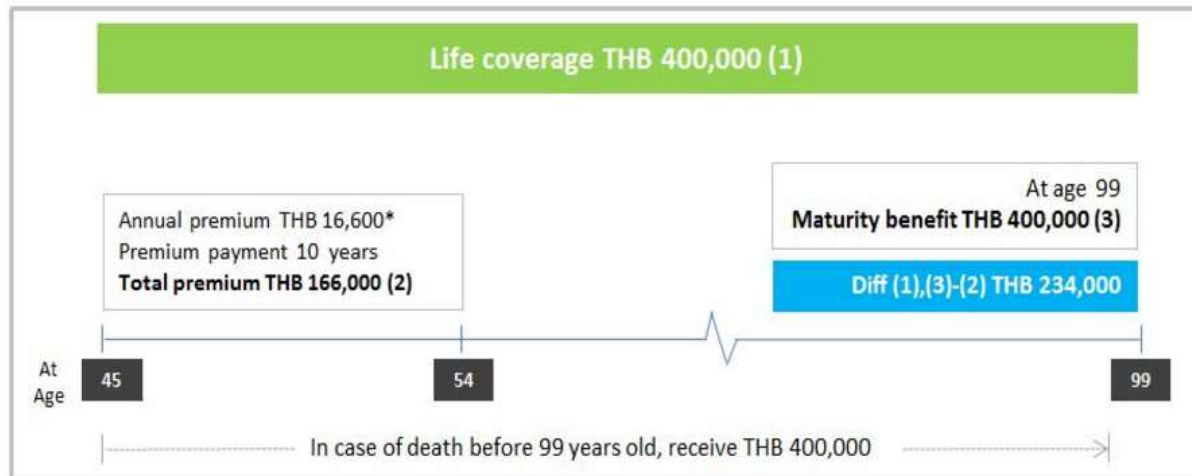
Life Coverage Benefit

- The company will pay 100% of sum assured, in case of death before or living until the end of contract at age 99.

Sample Offer of Whole Life with premium payment period 10 years For Female, 45 years old



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*Premium already discounted by THB 400

- **Life coverage THB 400,000 (1)**
- **Total premium paid THB 166,000 (2)**
 - Annual premium THB 16,600 (premium already discounted by THB 400)
 - Premium payment period 10 years, until insured age 54 years old
- **Maturity benefit at age 99 THB 400,000 (3)**
- **Diff between total premium paid and benefit (1),(3)-(2) THB 234,000**

Whole Life Insurance - Example



หมายเหตุ : ผลประโยชน์และความคุ้มครองเป็น % ของจำนวนเงินเอาประกันภัย ณ วันเริ่มสัญญา



Premium Payment
Period
7 years



Term of Coverage
Until age 90



Mode of Premium
Annually
Semi-annual
Quarterly
Monthly



Health Check Up
Refer to company's guideline



Rider Attachment
Refer to company's guideline

Types of Whole Life Insurance

2.2

Endowment insurance pays the face amount of insurance if the insured dies within a specified period. If the insured is still alive at the end of the period, the face amount is paid to the policyholder

- Endowment insurance accounts for less than 1% of the life insurance in force (in developed countries),
 - But it is important in some emerging countries, incl. Thailand
 - As it can be used for tax deduction

Endowment Insurance - Example

แผนเพื่อการลดหย่อนภาษีต่อภรรยาแสนแรก
สมาร์ทเกิน 14/7



เงื่อนไข

- ระยะเวลาการชำระเบี้ย 7 ปี คุ้มครอง 14 ปี
- อายุรับประกันตั้งแต่ 15 ปี – 60 ปี
- เลือกชำระเบี้ยประกันได้ทั้งแบบรายเดือน, ราย 3 เดือน, ราย 6 เดือน และรายปี

- หยุดชำระเบี้ยประกันในปีที่ 7 รับเงินคืน 5% ของจำนวนเงินเอาประกันภัยในปีที่ 7
- ครบกำหนดสัญญาปีที่ 14 รับเงินคืนอีก **300%** ของจำนวนเงินเอาประกันภัย
- รวมตลอดสัญญา **รับเงินคืน 305%** ของจำนวนเงินเอาประกันภัย
- ✔ **เสียชีวิตคุ้มครองสูงสุด 300%** ของจำนวนเงินเอาประกันภัย

Source: <http://www.thailife.com>

Variations of Whole Life Insurance

2.3

Variable life insurance is a **fixed-premium policy** in which the death benefit and cash values vary according to the investment experience of a separate account maintained by the insurer

- The **entire reserve is held in a separate account** and is **invested in common stocks or other investments**
- **Cash-surrender values are not guaranteed**
- No minimum guaranteed cash values

Variations of Whole Life Insurance

2.4

Universal life insurance is a **flexible premium** policy that provides lifetime protection

- After the first premium, the policyholder decides the amount and frequency of payments
- Most policies have a target premium, but the policyholder is not obligated to pay it
- The protection and savings components are unbundled
- Guaranteed minimum interest rate
- Cash value can be withdrawn (with fees)

Variations of Whole Life Insurance

- Limitations include:
 - Insurers advertise **misleading rates of return**
 - Cash-value and premium-payment projections can be misleading and invalid
 - Insurers can **increase the mortality charge** up to the maximum guaranteed rate
 - A **policy may lapse** because some policyholders do not have a firm commitment to pay premiums

Universal Life Insurance - Example

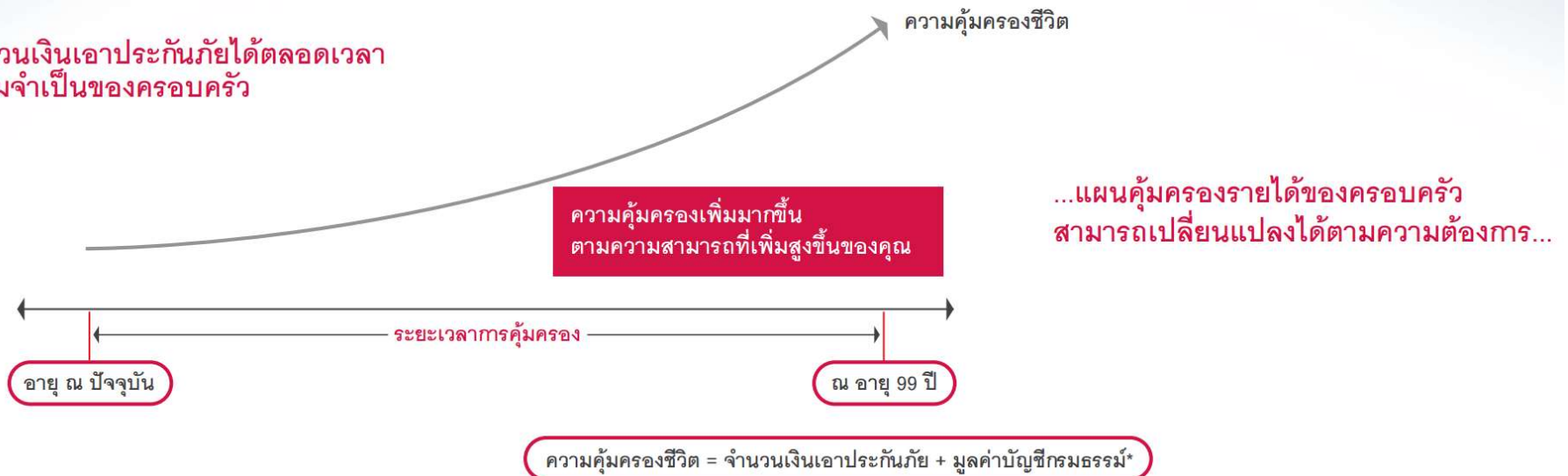
AIA Universal Life Family Protection

เพื่อหลักประกันรายได้
ของครอบครัว

เงื่อนไขการรับประกันภัย

อายุรับประกันภัย	1 เดือน - 60 ปี
จำนวนเงินเอาประกันภัยขั้นต่ำ 150,000 บาท และไม่น้อยกว่าจำนวน เท่าของเบี้ยประกันภัยหลักที่กำหนด	อายุ 1 เดือน - 44 ปี 40 เท่าของเบี้ยประกันภัยหลัก (รายปี) อายุ 45 ปี - 60 ปี 20 เท่าของเบี้ยประกันภัยหลัก (รายปี)
เบี้ยประกันภัยหลักขั้นต่ำ	12,000 บาทต่อปี

ปรับจำนวนเงินเอาประกันภัยได้ตลอดเวลา
ตามความจำเป็นของครอบครัว

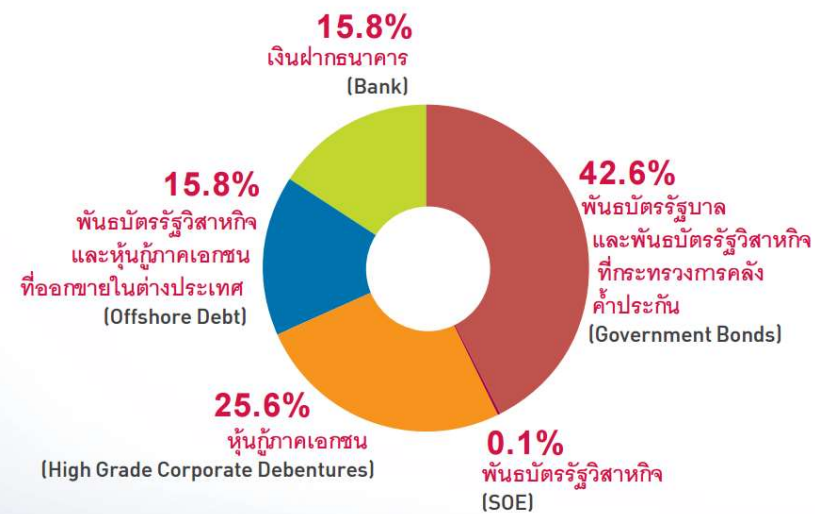


Universal Life Insurance - Example

ตัวอย่าง เพศชาย อายุ 30, 35, 40 และ 45 ปี สร้างหลักประกันรายได้ให้ครอบครัว ด้วยการออมสะสม ปีละ 60,000 บาท

อายุ	เบี้ยประกันภัยหลัก (รายปี)	จำนวนเงินเอาประกันภัย		ความคุ้มครองชีวิต**		
		จำนวนเท่าของเบี้ยประกันภัยหลัก (รายปี)	จำนวนเงินเอาประกันภัย (บาท)	ณ สิ้นปี กรมธรรม์ ที่ 10	ณ สิ้นปี กรมธรรม์ ที่ 20	ณ สิ้นปี กรมธรรม์ ที่ 30
30	60,000	40 เท่า	2,400,000	2,884,235	3,586,510	4,359,201
35	60,000	40 เท่า	2,400,000	2,864,845	3,509,639	4,094,037
40	60,000	40 เท่า	2,400,000	2,833,044	3,375,876	3,643,445
45	60,000	20 เท่า	1,200,000	1,672,264	2,280,498	2,730,371

■ พอร์ตการลงทุนของ AIA Universal Life ณ เดือนมิถุนายน 2558 มีสินทรัพย์ทั้งสิ้น 9,304.40 ล้านบาท และมีรายละเอียดของสัดส่วนการลงทุนมีดังนี้



มูลค่าที่แสดงในตารางเป็นมูลค่าประมาณการ บริษัทฯ ไม่รับรอง หรือรับประกันตัวเลขดังกล่าว

Variations of Whole Life Insurance

2.5

Variable universal life insurance (aka unit-linked in Thailand) is an important variation of whole life insurance **sold as investments** or tax shelters

- The policy owner decides how the premiums are invested
 - Insurers typically have many **separate accounts available** incl. a common stock fund, bond fund, balanced fund, and other funds
 - Policyholders **can also switch fund** (with fees)
- The policy does not guarantee a minimum interest rate or minimum cash value

Variations of Whole Life Insurance

- Variable universal life insurance (aka unit-linked)
 - Relatively **high expense charges**, including
 - front-end loads for sales commissions
 - back-end surrender charges
 - investment management fees
 - mortality and expense charges
 - administrative costs
 - **Substantial investment risk**
 - Important for policyholders who pay minimum premiums or have discontinued premium payments
 - Beware of financial crisis

Variable Universal Life Insurance - Example

Muang Thai Unit-Linked 1 Regular Premium



Financial Planning

One policy can make various financial plans



High Flexibility*

Choose the desired premium amount, change sum insured, reallocate investment portion as needed in each life stage



Higher Yield Opportunity

By investing in mutual funds of top asset management companies

Fixed Income Fund					
Fund Type	Management Company	Fund Name	Investment Policy	Dividend Payment Policy	Risk Spectrum
Fixed Income Fund		กองทุนเปิดเค บีบอนด์ (K Corporate Bond Fund : K-CBOND)	The Fund's objective is to serve the investors who seeks return from long term investment in fixed income instruments. The Fund will invest in assets classified as fixed income instruments as well as in deposit, under preferable circumstances, the Fund shall mainly invest in papers issued by corporations and state-enterprises with relatively high return. The Fund can invest in derivatives for efficient portfolio management. However, the Fund shall not invest in structured notes.	No dividend policy	4
<ul style="list-style-type: none"> Balance Fund Equity Fund Foreign Equity fund Alternative Investment Fund 					

Source: <https://www.muangthai.co.th:1767/en/product/detail/UnitLinkedRegularPremium1>

Comparison of Major Life Insurance Contracts

	<i>Term Insurance</i>	<i>Ordinary Life Insurance</i>	<i>Variable Life Insurance</i>	<i>Universal Life Insurance</i>	<i>Variable Universal Life Insurance</i>
Death benefit paid	Level or decreasing death benefit	Level death benefit	Guaranteed minimum death benefit plus increased amount from favorable investment returns	Either level or an increasing death benefit	Either level (option A) or variable based on investment returns (option B)
Cash value	No cash value	Guaranteed cash values	Cash value depends on investment performance (not guaranteed)	Guaranteed minimum interest rate plus excess interest credited to the account	Cash value depends on investment performance (not guaranteed)
Premiums paid	Premiums increase at each renewal	Level premiums	Fixed-level premiums	Flexible premiums	Flexible premiums

Comparison of Major Life Insurance Contracts

	<i>Term Insurance</i>	<i>Ordinary Life Insurance</i>	<i>Variable Life Insurance</i>	<i>Universal Life Insurance</i>	<i>Variable Universal Life Insurance</i>
Policy loans	No	Yes	Yes	Yes	Yes
Partial withdrawal of cash value	No	No	Permitted in some policies	Yes	Yes
Surrender charge	No	No explicit charge stated (reflected in cash values)	Yes	Yes	Yes

Source: RM Exhibit 11.6

3 Individual Annuities

- An annuity is a periodic payment that continues for a fixed period or for the duration of a designated life or lives
 - The person who receives the payments is the annuitant
- An annuity provides protection against the risk of excessive longevity

Individual Annuities

- The fundamental purpose of an annuity is to provide a lifetime income
- The major types of annuities sold today include:
 - Fixed annuity
 - Variable annuity
 - Equity-indexed annuity

Types of Annuities

3.1

A fixed annuity pays periodic income payments that are guaranteed and fixed in amount

- Accumulation period
- Guarantee rate
- Current rate
- Liquidation period

Types of Annuities

- Fixed annuity income payments can be paid immediately, or at a future date:
 - Immediate annuity - the first payment is due one payment interval from the date of purchase
 - Deferred annuity - provides income payments at some future date
 - A deferred annuity purchase with a lump sum is called a single-premium deferred annuity
 - Flexible-premium annuity - allows the owner to vary the premium payments

Immediate Annuity to Retired Workers

What do think are advantages of immediate annuity to retired workers?

Types of Annuities

- Annuity settlement options
 - Under the cash option, the funds can be withdrawn in a lump sum or in installments
 - Life annuity (no refund) option - provides a life income to the annuitant only while the annuitant remains alive
 - Life annuity with guaranteed payments - pays a life income to the annuitant with a certain number of guaranteed payments

Fixed Annuity- Example



i-Wish

เตรียมพร้อมตั้งแต่วันนี้ด้วย i-Wish แบบประกันบำนาญจากกรุงไทย-เอกซ่า ประกันชีวิต

✓ **รับ** ทางเลือกหลากหลายในการเริ่มต้นวางแผนอนาคต หลังเกษียณของคุณ

i-Wish55

ผลประโยชน์เงินบำนาญเร็วขึ้น ตั้งแต่อายุ 55 ปี

i-Wish65

ออมเงินระยะยาวจนถึงอายุ 65 ปี เหมาะสำหรับผู้ที่ยังคงทำงานหลังเกษียณ

I-Wish 10

ออมระยะสั้นเพียง 10 ปี ให้คุณวางแผนทางการเงินได้ง่ายขึ้น

i-Wish60

ค่อยๆ ออมจนถึงวัยเกษียณ

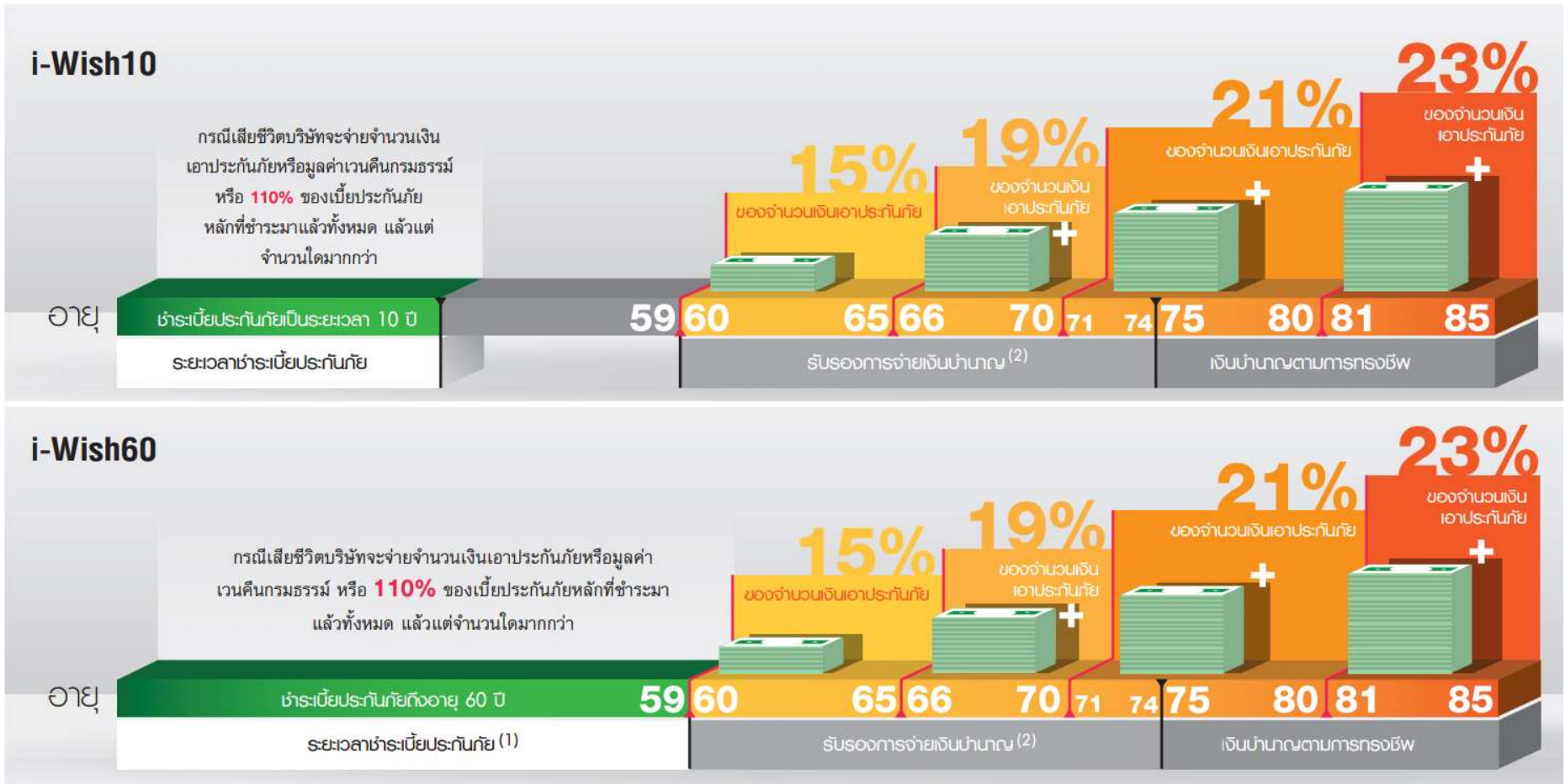
✓ **รับ** เงินบำนาญเพิ่มขึ้นเป็นขั้นบันไดสอดคล้องกับค่าใช้จ่ายและอัตราเงินเฟ้อที่เพิ่มขึ้น

✓ **รับ** เงินบำนาญเป็นรายเดือน (หรือรายปี) เพื่อสอดคล้องกับการใช้ชีวิตของคุณ

✓ **รับ** ความคุ้มครอง **100%** ของจำนวนเงินเอาประกันภัย หรือ มูลค่าเงินเวนคืน หรือ **110%** ของเบี้ยประกันหลักที่ชำระมาแล้วทั้งหมด แล้วแต่จำนวนใดจะมากกว่า

✓ **รับ** สิทธิลดหย่อนภาษีได้สูงสุดถึง **300,000** บาท*

Fixed Annuity- Example



Source: <https://www.krungthai-axa.co.th/assets/7u/d7/an/mo/7ud7anmof3.pdf>

Types of Annuities

3.2

A variable annuity pays a lifetime income, but the income payments vary depending on common stock prices

- The purpose is to provide an inflation hedge by maintaining the real purchasing power of the payments
- Premiums are used to purchase accumulation units during the period prior to retirement
- At retirement, the accumulation units are converted into annuity units

Types of Annuities

- A guaranteed death benefit protects the principal against loss due to market declines
- Typically, if the annuitant dies before retirement, the amount paid to the beneficiary will be the higher of 2 amounts:
 - the amount invested in the contract (accumulation of premium) or
 - The account value at the time of death

Types of Annuities

- Variable annuities contain the following fees and expenses:
 - Investment management charge
 - Administrative charge
 - Mortality and expense risk charge
 - Surrender charge
- Total fees and expenses in most variable annuities are high

Longevity Insurance

- Longevity insurance is a generic name for a single-premium deferred annuity that begins paying benefits only at an advanced age, typically age 85
- They are low-cost annuities because there are no cash values or death benefits in the policy
- Once purchased, the funds cannot be accessed