The following illustrations show how the amount of policy owners' protection is calculated in different situations.

ILLUSTRATION 1 – CALCULATION OF COMPENSATION WHERE POLICY OWNER AND LIFE ASSURED ARE THE SAME PERSON

Suppose you, as a policy owner, have 3 individual life policies with life insurer X and you are also the life assured under these policies. There are 3 different beneficiaries (A, B and C) for the policies. The total guaranteed sum assured (this will include any bonuses, where applicable depending on type of policy, which have already been declared and vested) of your policies is S$600,000 and the total guaranteed surrender value (similarly, this will include any bonuses, where applicable depending on type of policy, which have already been declared and vested) is S$150,000. As such, your total sum assured and total surrender value exceed the caps of S$500,000 and S$100,000 respectively.

In the event life insurer X fails and there is a claim on your policies or you decide to surrender your policies, protection ratios would have to be applied to determine your compensation entitlement. In a death claim on the 3 policies, A will receive S$166,667, B will receive S$83,333 and C will receive S$250,000. If you surrender your 3 policies, you will receive S$100,000. The calculation is as follows:

	Beneficiaries of Policies	Guaranteed Sum Assured	Guaranteed Surrender Value
Policy 1 (e.g. Individual Whole Life Policy)	A	S$200,000	S$100,000
Policy 2 (e.g. Individual Endowment Policy)	B	S$100,000	S$50,000
Policy 3 (e.g. Individual Term Policy)	C	S$300,000	-
Total		**S$600,000**	**S$150,000**
Amount Protected (Subject to Caps)		**S$500,000**	**S$100,000**
Protection Ratios		83.3%[1]	66.7%[2]
Compensation Entitlements after applying Protection Ratios			
Policy 1	A	S$166,667[3]	S$66,667[4]
Policy 2	B	S$83,333	S$33,333
Policy 3	C	S$250,000	-
Total		**S$500,000**	**S$100,000**

Notes:
1 500÷600X100% = 83.3%
2 100÷150X100% = 66.7%
3 S$200,000X83.3% = S$166,667
4 S$100,000X66.7% = S$66,667

ILLUSTRATION 2 – CALCULATION OF COMPENSATION WHERE POLICY OWNER AND LIFE ASSURED ARE DIFFERENT PERSONS

Suppose you, as a policy owner, have 3 individual life policies with life insurer X and you are the life assured for one policy and your spouse is the life assured for the other two policies. There are 3 different beneficiaries (A, B and C) for the policies. The guaranteed sum assured of the policy where you are the life assured is S$200,000 and the guaranteed surrender value is S$100,000. Since the amounts do not exceed the caps, no protection ratios are applied to determine the compensation entitlement.

The total sum assured of the 2 policies where your spouse is the life assured is S$600,000 and the total surrender value is S$150,000. As such, the total sum assured and total surrender value exceed the caps of S$500,000 and S$100,000 respectively. In the event life insurer X fails and there is a claim on these 2 policies or you decide to surrender these 2 policies, protection ratios would have to be applied to determine your compensation entitlement. In a death claim on these 2 policies, B will receive S$333,333 and C will receive S$166,667. If you surrender these 2 policies, you will receive S$100,000. The calculation is as follows:

	Life Assured	Beneficiaries of Policies	Guaranteed Sum Assured	Guaranteed Surrender Value
Policy 1 (e.g. Individual Whole Life Policy)	You	A	S$200,000	S$100,000
Compensation Entitlements (Caps not exceeded)		A	S$200,000	S$100,000
Policy 2 (e.g. Individual Whole Life Policy)	Your Spouse	B	S$400,000	S$50,000
Policy 3 (e.g. Individual Endowment Policy)	Your Spouse	C	S$200,000	S$100,000
Total			**S$600,000**	**S$150,000**
Amount Protected (Subject to Caps)			**S$500,000**	**S$100,000**
Protection Ratios			83.3%[1]	66.7%[2]
Compensation Entitlements after applying Protection Ratios				
Policy 2		B	S$333,333[3]	S$33,333[4]
Policy 3		C	S$166,667	S$66,667
Total			**S$500,000**	**S$100,000**

Notes:
1 500÷600X100% = 83.3%
2 100÷150X100% = 66.7%
3 S$400,000X83.3% = S$333,333
4 S$50,000X66.7% = S$33,333

ILLUSTRATION 3 – CALCULATION OF COMPENSATION WHERE THERE IS A RIDER ATTACHED TO A POLICY

Suppose you are the policy owner and life assured of an individual whole life policy with life insurer X. The guaranteed sum assured of the policy is S$400,000 and the guaranteed surrender value is S$150,000. The policy has a critical illness rider which provides an additional payout of S$200,000 sum assured upon insured event. As such, the total sum assured of S$600,000 and surrender value of S$150,000 exceed the caps of S$500,000 and S$100,000 respectively. In the event life insurer X fails and there is a claim on the policy or you decide to surrender the policy, protection ratios would have to be applied to determine your compensation entitlement.

In the event of a claim on the critical illness rider, you will receive S$166,667. If this is subsequently followed by a death claim on the policy, your beneficiary will receive a further S$333,333. If you surrender the policy, you will receive S$100,000.

	Guaranteed Sum Assured	Guaranteed Surrender Value
Whole Life Policy	S$400,000	S$150,000
Critical Illness Rider	S$200,000	-
Total	S$600,000	S$150,000
Amount Protected (Subject to Caps)	S$500,000	S$100,000
Protection Ratios	83.3%[1]	66.7%[2]
Compensation Entitlements		
Critical Illness Rider	S$166,667[3]	-
Whole Life Policy	S$333,333[4]	S$100,000[5]

Notes:
1 500÷600X100% = 83.3%
2 100÷150X100% = 66.7%
3 S$200,000X83.3% = S$166,667
4 S$400,000X83.3% = S$333,333
5 S$150,000X66.7% = S$100,000

ILLUSTRATION 4 – SINGLE PREMIUM INVESTMENT-LINKED POLICY WITH NO CAPITAL GUARANTEE

Suppose you took up an investment-linked whole life policy 2 years ago with a single premium of S$100,000. The amount you will receive on surrender will depend on the bid value of the units of the investment-linked sub-funds you invested in and the total number of units you have at that time, after deducting the necessary charges.

Thus, the surrender value at anytime is tied to the performance of the underlying assets, and you will be assuming fully the investment risk.

The plan also provides a small insurance coverage equivalent to the higher of 101% of the single premium investment or value of the units in event of death. Assuming that two years after taking up the policy, your units are now worth S$115,000 in total.

WHAT IS COVERED UNDER THE PPF SCHEME?

In the above case, only the insurance coverage, where the value of the units does not exceed 101% of the single premium, is guaranteed, and hence would fall within the coverage of the PPF scheme. Since the value of the units exceeds 101% of the single premium, there will be no insurance coverage. None of the surrender benefits is guaranteed or covered under PPF.

ILLUSTRATION 5 – SINGLE PREMIUM INVESTMENT-LINKED POLICY WITH CAPITAL GUARANTEE

Suppose you took up an investment-linked whole life policy two years ago with a single premium of S$25,000. The features are similar to the policy described in Illustration 4 above, except that there is an additional capital guarantee benefit.

Under this benefit, the policyholder will not receive less than the initial investment.

Your units are now worth S$20,500 in total.

WHAT IS COVERED UNDER THE PPF SCHEME?

Similar to Illustration 4, the insurance coverage, where the value of the units does not exceed 101% of the single premium, is guaranteed and hence would fall within the coverage of the PPF scheme. Since in this case the value of the units is less than 101% of the single premium, the guaranteed death benefit covered under PPF is S$4,750 (101%X$25,000-$20,500). In addition, the surrender benefit is guaranteed and hence covered under PPF to the extent that the value of the units is less than the initial investment, that is, S$4,500 ($25,000-$20,500).

SDIC
Deposit Insurance
Policyowners' Protection

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POLICY OWNERS' PROTECTION SCHEME (LIFE INSURANCE)

A CONSUMER GUIDE

POLICY OWNERS' PROTECTION SCHEME – LIFE INSURANCE

A CONSUMER GUIDE

Insurers in Singapore are licensed and supervised by the Monetary Authority of Singapore (MAS). Strong supervisory oversight of the insurance industry is an important tool to protect the interests of policy owners. The key elements of MAS' supervisory oversight include a rigorous licensing process, sound prudential requirements, risk-focused supervision and market surveillance.

However, in seeking to promote and preserve stability in the financial system, MAS does not aim to prevent the failure or default of any insurer. Regulation or supervision cannot completely prevent losses without making it impossible for insurers to operate effectively. It is therefore important to establish a compensation scheme for policy owners to reduce the financial impact on individuals should an insurer default.

The purpose of this Guide is to help you understand how the Policy Owners' Protection Scheme (PPF Scheme) in Singapore works.

WHAT IS POLICY OWNERS' PROTECTION SCHEME?

The Policy Owners' Protection Scheme protects policy owners in the event a life or general insurer which is a PPF Scheme member fails. The PPF Scheme provides 100% protection for the guaranteed benefits of your life insurance policies up to the applicable caps. No caps are applicable for general insurance policies.

For life insurance policies, the caps applicable on the guaranteed benefits of the different types of policies covered are as follows:

- Individual life and voluntary group life policies (with the exception of annuities): Cap of S$500,000 for the aggregated guaranteed sum assured and S$100,000 for aggregated guaranteed surrender value per life assured per insurer.
- Individual and voluntary group annuities: Cap of S$100,000 for the aggregated commuted value of guaranteed benefits (i.e. annuity payments, death or surrender benefits) per life assured per insurer.
- Non-Voluntary Group term policies: Cap of S$100,000 for sum assured per policy.
- Non-Voluntary Group whole life or endowment policies: Cap of S$100,000 for sum assured and S$50,000 for surrender value per policy.
- Non-Voluntary Group annuities: Cap of S$100,000 for commuted value of guaranteed benefits per policy,

No caps will be applied to individual or group accident and health (A&H) policies, with the exception of riders which accelerate part of the sum assured of the main policy in case of a specified event such as illnesses. Also, no caps will be applied to any accumulated values, including interest accrued on such values, of coupon deposits, advance premium payments and unclaimed moneys.

WHAT DOES 'GUARANTEED BENEFITS' OF LIFE POLICIES MEAN?

These are the benefits that have been guaranteed in the policy contract by the insurer either at the outset or during the course of the policy. For non-participating policies, all the benefits will be considered as guaranteed. For participating policies, guaranteed benefits will include bonuses that have been declared and vested in the policies as these would have been payable to the policy owner if there was a claim, surrender or maturity at that point in time.

DO I NEED TO PAY PREMIUMS TO BE COVERED BY POLICY OWNERS' PROTECTION SCHEME?

No. Coverage is automatic. Levies will be paid by the insurers.

WHO IS IN CHARGE OF THE POLICY OWNERS' PROTECTION SCHEME?

The Singapore Deposit Insurance Corporation (SDIC) administers the Policy Owners' Protection Scheme in Singapore. SDIC is a company limited by guarantee under the Companies Act. The board of directors is accountable to the Minister in charge of the MAS.

WHICH LIFE INSURERS ARE MEMBERS OF THE PPF SCHEME?

All insurers registered by MAS to carry on direct life business (other than captive insurers) are members of the Policy Owners' Protection Scheme (PPF Scheme members).

The list of PPF Scheme members is posted on SDIC's website at www.sdic.org.sg

WHO ARE THE POLICY OWNERS PROTECTED UNDER THE PPF SCHEME FOR LIFE INSURANCE?

Protection is for policy owners of individual or group life insurance policies issued by PPF Scheme members. The policy owners may be individuals or non-individuals, such as companies.

WHAT TYPES OF LIFE INSURANCE POLICIES ARE COVERED UNDER THE PPF SCHEME?

The PPF Scheme protects all life insurance policies (including riders) issued by PPF Scheme members. This would include policies issued to non-Singapore residents.

WHAT TYPES OF LIFE INSURANCE POLICIES ARE NOT COVERED UNDER THE PPF SCHEME?

Life insurance policies issued by overseas branches of a registered life insurer incorporated in Singapore are **not** covered. For a registered direct life insurer incorporated overseas, only the life insurance policies issued by the branch in Singapore will be covered.

ARE RIDERS ON INDIVIDUAL LIFE POLICIES COVERED BY THE PPF SCHEME? ARE THEY SUBJECTED TO CAPS?

Yes, all riders are covered.

Term riders which accelerate the payment of all or part of the sum assured stated in the main policy will not be aggregated with the main policy when determining the aggregate caps. However, the benefit of such riders will be scaled down by the same extent as the main policy which it is attached to, where necessary.

Term riders which provide for a payout of an additional sum of money over and above the sum assured stated in the main policy upon occurrence of a claim event, will be aggregated with the main policy when determining the aggregate caps. Examples of such riders include level term riders, decreasing term riders, and additional critical illness rider.

All other riders are not subject to caps.

WHAT IS THE IMPACT ON POLICY OWNERS OF LIFE POLICIES IN THE EVENT OF FAILURE OF A PPF SCHEME MEMBER?

Policy owners would be affected differently depending on the course of action decided by MAS. There are three scenarios:-

a. MAS could decide that the business of the life insurer is to be terminated. Policy owners would then be compensated by SDIC as if they had surrendered their policies. SDIC would also compensate any claims filed or policies maturing before the effective date of termination. All compensation would be subject to the applicable caps under the PPF Scheme.

b. If there is a buyer, the business of the life insurer would be transferred and the buyer would take over the liability of providing coverage for policy owners after the effective date of transfer. For policy owners who have aggregate policies exceeding the PPF caps, the buyer may choose to reduce coverage according to the applicable protection ratios. If so, future premiums that policy owners have to pay may also be reduced accordingly. SDIC would also compensate any claims filed or policies maturing before the effective date of transfer. All compensation would be subject to the applicable caps under the PPF Scheme.

c. MAS could also decide on a run-off of the business of the life insurer. In this event, SDIC would take over the life business and continue to provide coverage for policy owners until expiry or maturity of all policies. For policy owners who have aggregate policies exceeding the PPF caps, SDIC would need to reduce coverage according to the applicable protection ratios for each of the policies. Hence, future premiums that policy owners have to pay may also be reduced accordingly. SDIC would also compensate any claims filed or policies maturing before the effective date of run-off. All compensation would be subject to the applicable caps under the PPF Scheme.

WHAT DOES A POLICY OWNER NEED TO DO WHEN HIS/HER LIFE INSURER FAILS?

If your PPF Scheme member fails, SDIC will provide details on the status of your policies. You don't need to file any special claims to be entitled to SDIC coverage. SDIC will make announcements through TV, newspapers and at the premises of the affected insurer.

If you receive any compensation from the SDIC and the amount received is less than the amount you are insured for because of the application of caps, you can file a separate claim with the liquidator for the difference but you cannot claim what has already been compensated.

GENERAL INSURANCE AND OTHER INFORMATION

For information on General Insurance coverage, you may refer to the Consumer Guide - Policy Owners' Protection Scheme (General Insurance). For other information on the PPF Scheme, you may wish to visit www.sdic.org.sg

CONTACT SDIC

Additional information on Policy Owners' Protection Scheme can be obtained by contacting the SDIC:

SINGAPORE DEPOSIT INSURANCE CORPORATION LTD
10 Shenton Way #11-06
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www.sdic.org.sg
Email : infosdic@sdic.org.sg

Company Registration No. 200600593Z

MONEYSENSE - A NATIONAL FINANCIAL EDUCATION PROGRAMME

In October 2003, the Singapore Government launched a national financial education programme called MoneySENSE. MoneySENSE is a long-term programme that brings together industry and public sector initiatives to enhance the basic financial literacy of consumers. MoneySENSE is a collabration among various government agencies - Ministry of Community Development, Youth and Sports (MCYS), Ministry of Education (MOE), Ministry of Manpower (MOM). Central Provident Fund Board (CPF Board), Monetary Authority of Singapore (MAS), National Library Board (NLB) and People's Association (PA) - and other private sector bodies and community organisations. For more tips and educational resources on personal financial matters, visit the MoneySENSE website at www.moneysense.gov.sg