
INSURANCE PLANNING: WHY, WHAT & HOW



INSURANCE SHOULD BE USED FOR PROTECTION ONLY...IF YOU WANT TO SAVE AND INVEST YOUR MONIES, THERE ARE BETTER OPTIONS AVAILABLE.

WRITTEN BY
CHRISTOPHER TAN
& TANG YIN FONG

For the longest time, our philosophy of insurance is that insurance should be used for protection only and not for savings and investments. This is because, if you want to save and invest your monies, there are better options available. And when it comes to using insurance for protection, most of the time, it is a temporary need. There will come a time when you will not need insurance anymore. However, one of the few insurances that you will need for as long as you live, is medical expense insurance. This is the kind of insurance that will pay for your medical expenses when you incur it.

So what are the medical expense insurances available out there? Which is the best one for you? Well, just remember: “insurance premiums are an expense, and therefore, spend as little as you can but buy as much as you need”. Sounds paradoxical? Let us explain.

Medical expense insurances can be classified based on the geographical regions it covers. You can either buy it for local, regional or worldwide cover (see table).

LOCAL COVERAGE

As the name implies, local coverage plans are really meant for coverage in Singapore only. If you buy the best available, you get pretty comprehensive cover and have the option to stay at a one-bedroom ward, in a private hospital. Depending on the plans you buy, it should pay for all the costs incurred when you are warded. The annual limit can be as high as \$650,000 with unlimited lifetime limit. But coverage does not extend to other geographical locations except in the case of hospitalisation due to an emergency and claims are limited based on reasonable and customary charges by Singapore’s hospitals. It also does not cover expenses for out-patient services including general practitioner services, specialist services (unless the outpatient services that were needed led to a hospital stay or were required after a hospital stay) and alternative medical treatment such as acupuncture and chiropractic. But despite some of these limitations, the premiums are really affordable and you can use up to \$800 p.a. (and up to \$1150 p.a. for those above age 80) from Medisave to pay for premiums. There are 5 insurers (AIA, Great Eastern, Prudential, Aviva and NTUC Income) offering these plans and some insurers allow foreigners to be insured as well.

REGIONAL COVERAGE

For regional coverage, it covers medical expenses incurred mainly in Asean countries. Coverage does not extend beyond specified area of cover except in the case of hospitalisation due to an emergency. Expenses incurred for out-patient services are also not paid in full as coverage is subject to sub-limits. Certain out-patient services such as alternative medical treatment are covered only if the treatment is referred by a physician. One of the main disadvantages of these plans is that it does not last a lifetime as it ceases at a specified age of say 75. Coverage also ceases upon utilising the maximum claim amount allowed as a specified claim limit is imposed for the period of cover. Premiums are pretty hefty and for a male insured of age 55, it can range from S\$5,575 to S\$7,526 p.a., depending on nationalities.

GLOBAL COVERAGE

This is the premium cover as the plan is able to pay for medical expenses that you incur worldwide. From the table, you can also see that it is a very comprehensive plan in that it covers everything from outpatient treatments, to hospice care, to maternity charges. However, out-patient, maternity, dental and other special benefits are not paid in full as coverage is subject to sub-limits. There are also certain limitations such as claims for certain benefits is subject to a waiting period. For instance, a claim for maternity benefits is subject to a 10-month waiting period, i.e. 10 months of continuous coverage from policy commencement. Premium rates are also based on zone classification of the country of residence and are subject to change upon relocation to another country of a different zone. Whichever zone you choose, be prepared to pay quite a bit on the premiums.

UNDERWRITING REQUIREMENT

Generally, an applicant for a medical plan, regardless of local, regional or global coverage, is required to make a full disclosure of his/her medical history at the time of application. The underwriting assessment is based on the declaration information provided in the application. Besides the list of standard exclusions, the outcome may be an offer of either a standard cover or a cover with exclusion on pre-existing medical conditions. The insurers

may also not offer any cover for those deemed uninsurable. As a medical examination is not required by the insurer for the underwriting process, the application should include all details in the declaration of medical history and provide any medical reports available from recent medical examinations to obtain a favourable outcome.

The insured of a regional and global plan is required to notify the insurer immediately in writing of any material change in information and circumstances relating to occupation, business, sporting activity or usual country of residence as the insurer reserves the right to re-assess the terms and conditions of cover which may result in premium rates adjustment or termination of cover.

So, with all these technicalities, which is the best plan? Well, the thing is, the best plan may not be the most suitable for you. It all comes down to the lifestyle that you choose in your golden years. If you are mainly based in Singapore, and you are happy with the quality of medical care here, a local plan will suffice. Unless, of course, you want an option for overseas treatment. But if you are spending extended periods of time in different parts of the world, whether for travel or just to be with family, a global coverage may be needed. If you are simply traveling, without staying too long abroad each time, a good travel insurance will probably be enough. But whatever your lifestyle is, you must still have a local plan so that when the time comes and you do less traveling, when you no longer need a regional or global plan, you can still have good coverage, even if your health status has changed. So buy a local plan first and add on a regional or global plan if your lifestyle calls for it.

Someone very wealthy once taught me a lesson about money. She says that money is a resource. With it, you can make many things happen in life, not just for yourself, but for others as well. With every dollar wasted, it is an opportunity forgone to help someone really in need. Of course, if we can afford it, we can buy the best plan out there, even if we don't need it. But with good planning, we can have enough for ourselves and still bless many others around us. So back to our philosophy: "Buy as much as you need, but pay as little as you can". That's wisdom in insurance planning.

Type of Plan	Local ¹	Regional	Global
Benefits			
Geographical Coverage	Mainly Singapore Only	Mainly ASEAN	Worldwide
Emergency Coverage			
Emergency Hospitalisation outside area of cover	•	•	•
Emergency Medical Evaluation & Registration		•	•
Emergency Medical Advice & Assistance		•	•
International Travel Assistance Services		•	•
Outpatient Benefits			
General Practitioner Services		•	•
Specialist Services		•	•
Diagnostic & Laboratory Services (Including MRL, CT & PET Scans)		•	•
Alternative Medical Treatment (e.g. acupuncture, chiropractic)		•	•
Rehabilitation or Palliation Benefits			
Home Nursing following Hospital Discharge		•	•
Confinement in Community Hospital	•		
Hospice & Palliative Care			•
Maternity Benefits			
Pregnancy Complications	•		•
Delivery			•
Standard Neo-natal Nursery			•
Dental Benefits			
Accident Treatment	•	•	•
Routine & Restorative Treatment			•
Preventive Treatment			•
Orthodontic Treatment			•
Wellbeing Benefits			
Health Screening		•	•
Optical Benefits (Eye Test, Spectacles Lenses/Frames, Contact Lenses)			•
Special Benefits			
Organ Transplantation	•	•	•
Others			
Lifetime Coverage	•		•
Unlimited Lifetime Limit	•		•
Co-insurance	•		
Deductible	•	•	•
Premium [^] (Male, Aged 55)	S\$974 ²	S\$5,575 ³ or S\$7,526 ⁴	US\$9,886 ⁵ or US\$21,690 ⁶

[^] Based on insured person residing in Singapore at time of application and inclusion of all listed benefits

¹ With reference to CPF Medisave-approved Private Integrated Shield Plan for private hospitals

² With reference to NTUC Enhanced IncomeShield

³ With reference to AVIVA IdealMedical for Singapore Citizens and Singapore Permanent Residents

⁴ With reference to AVIVA IdealMedical for all other nationalities

⁵ With reference to BUPA Worldwide Health Options without US cover

⁶ With reference to BUPA Worldwide Health Options with US cover

THIS IS AN ORIGINAL ARTICLE WRITTEN BY CHRISTOPHER TAN, CHIEF EXECUTIVE OFFICER AND TANG YIN FONG, SENIOR SPECIALIST, RISK MANAGEMENT. THE EDITED COPY APPEARED IN THE BUSINESS TIMES (WEALTH SUPPLEMENT) ON 28 SEPTEMBER 2011 TITLED "SELECTING THE RIGHT PLAN".