

## Side-by-side comparison -High Protection ILAS and direct fund investment / term life insurance policy

When it comes to looking after their protection and wealth growth needs, some people prefer acquiring a High Protection Investment Linked Assurance Scheme (“ILAS”) as a two-in-one solution, while others invest in a fund directly and complement it with a separate term life insurance policy. Which solution is right for you depends on your circumstances and financial goals. It’s important, however, to know the differences.

### High Protection ILAS

### Direct investment in Funds



#### Ownership of underlying funds

The underlying funds are owned by the insurance company. You do not have any right over these assets, only a legal claim over the value of the policy. Your only recourse is against the insurance company.

You are the owner of a fund unit(s). Your ownership right depends on the number of units you hold and the total number of units in the fund, and your legal claim is over the fund unit(s) you hold.



#### Your status as a consumer

Your insurance policy is a contract between you and the insurance company. The policy’s beneficiary(ies) is entitled to a death benefit under the policy, the amount will be total premium payable and / or the amount linked to the performance of the underlying funds corresponding to the investment options you have chosen, subject to the product feature offered by the insurance company.

You are the holder of fund unit(s). As such, you own a share of the fund which will become part of your estate if you pass away.



#### Custody of underlying investments

The underlying investment is not maintained by an independent trustee / custodian, but owned by the insurance company. As required by law, however, the underlying investment must be kept in a separate account for the sole purpose of meeting the claims of the High Protection ILAS’ policyholders or beneficiaries.

An independent trustee / custodian is responsible for overseeing the underlying investments on behalf of the fund.

## High Protection ILAS

## Direct investment in Funds



### Investment horizon

A High Protection ILAS is designed for people with a long-term investment horizon and are financially capable of meeting the premium payment term.

Funds are characterised by more flexible terms to support different investment horizons.



### Determination of investment return

The return on the underlying investment choices is determined by the insurance company and clearly defined in the policy provisions. Since various fees and charges are levied by the insurance company on the High Protection ILAS policy, the potential return on the policy may be lower than the return on the underlying investment choices.

You have no legal or beneficial interest in the notional units acquired by the insurance company in the corresponding underlying funds.

Investment return is generally based on the fund's performance, which usually reflects the net asset value of all the underlying investments of the fund.



### Typical fees and charges

#### Policy level:

- Initial charge (where applicable)
- Surrender charge
- Withdrawal charge
- Administration / management charge
- Insurance charge
- Investment options charges such as management fee and bid-offer spread (where applicable)

#### Underlying fund level:

- Management fee
- Performance fee (where applicable)
- Switching charge (where applicable)
- Trustee and custodian fee

#### Fund level:

- Subscription fee
- Management fee
- Performance fee (where applicable)
- Redemption fee (where applicable)
- Switching charge (where applicable)
- Bid-offer spread (where applicable)
- Trustee and custodian fee



### Key risks

#### Policy level:

- Credit risk of the insurance company
- Early termination risk

#### Underlying fund level:

- Counterparty risk
- Market risk
- Management risk
- Foreign exchange risk
- Interest rate risk

#### Fund level:

- Counterparty risk
- Market risk
- Management risk
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## High Protection ILAS

## Direct investment in Funds



### Penalty for early surrender / redemption

Early surrender or termination of the policy, partial withdrawal, or suspension of / reduction in the premium may incur charges or penalties. This may result in a significant or total loss in principal and other benefits available under the policy, eg death benefits and bonuses, especially in the initial years of the policy.

Some funds may charge a redemption fee, which is a certain percentage of your redemption amount.



### Cooling-off period

If, at any time during the cooling-off period, you decide not to keep the insurance policy you have just purchased, you have the right to cancel it and get a refund of the premium paid (subject to market value adjustment, if any).

Funds do not offer a cooling-off period.

## High Protection ILAS

## Term life insurance policy



### Cost of protection

Your cost of protection is the insurance charge, which is calculated thus: insurance charge rate times net amount at risk. In general, the net amount at risk is the difference between the sum insured and the account value. That means the insurance charge you pay will, on the one hand, increase as you become older, but, on the other hand, rise or fall due to changes in the level of the account value.

In the case of a term life policy, the cost of protection is the insurance premium, which can be either subject to annual adjustment based on the life insured's age or guaranteed level for a fixed tenor.



### Protection tenor

High Protection ILAS products typically have the same protection tenor — whole-of-life.

The protection tenor of a term life insurance policy typically lasts for a fixed term or up to a specific age.

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