PRUREVIEW (TRADITIONAL AND VARIABLE)

TRADITIONAL LIFE REVIEW

INTRODUCTION

<u>History</u>

Insurance has been used as a tool to help manage risks for many years. Early forms of insurance called bottomry contracts were used by merchants of Babylon as early as 4000–3000 BCE. Shipping was once the primary means of transportation. Travelling long distances involved risks and this limited the growth of the shipping industry. In bottomry contracts, loans were granted to merchants with the agreement that the loan does not need to be repaid if the shipment was lost at sea.

Burial societies were formed in Rome. When a member dies, these groups helped the family of the deceased member to cover burial costs. Later on, death funds were developed. A death fund is a pooled fund coming from community members to take care of any bereaved family. The fund contained the following plan:

- a definite amount from the fund would be paid to the surviving members of the family
- regular contributions made to keep an adequate fund

One of the early problems of life insurance was that information was not available or sufficient to enable underwriters to predict the probable rate of loss accurately. The subsequent and continuing development of mortality table helped the underwriters and, later, life insurance companies, to predict such loss.

In 1759, The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers was established in the United States. This insurance company further defined life insurance as:

- pooling of risks
- cooperative risk-sharing scheme
- group sharing of losses
- a certainty rather than an uncertainty
- family protection

<u>Life Insurance in the Philippines</u>

In the Philippines, life insurance companies are regulated by the Securities and Exchange Commission (SEC) and the Insurance Commission (IC). The Insurance Commission (IC) is tasked with the faithful execution of all laws pertaining to insurance, insurance companies and other insurance matters. It is the government agency concerned with the following:

- issuance of licenses to insurance and reinsurance companies

- review of insurance policy contracts and premium rates
- examination of the financial condition of the insurance company to ensure solvency
- rendering of assistance to the public on matters pertaining to insurance

LIFE INSURANCE

Life insurance is a unique legal contract which insures the life of a person called the insured in exchange for a stipulated consideration called the premium. Upon the insured's death, the insurance company agrees to pay a stated sum of money to the named beneficiary.

Human Life Value Concept

Dr. S.S. Heubner came up with the human life concept. This demonstrates how life and health insurance contained solutions to the problem of protecting human life values against economic loss through death, disability, and old age. Dr. Heubner stated that human life can:

- be expressed as a monetary (dollar) valuation
- determine the economic value of the person by discounting estimated future earnings used for the family and at reasonable rate of interest
- provide a way to measure how much financial protection a family may need

Basic Insurance Terms

- Insured – the person whose life is covered under a life insurance policy; the person who is given the insurance protection.
- Beneficiary – the person who receives the life insurance proceeds upon the death of the insured.
- Face Amount – the amount payable to the beneficiary upon the death of the insured, as stated in the life insurance policy. The face amount may also be called the Sum Assured.
- Premium – the amount of money that must be regularly paid to the insurance company to keep the insurance policy in force.
- Policy – the written contract between the insured and the insurance company.
- Policy Owner or Payor – The person who pays the premium of the life insurance policy.

Basic Insurance Terms video: https://youtu.be/0BhCEv8aL_Q

LIFE INSURANCE COMPANIES

Types of Insurance Companies

1. Based on Organization
    - Stock Companies – these companies have stockholders. They are organized to provide stockholders with a profit.

- Mutual Companies – instead of having stockholders, these companies are owned by policyowners who have the right to vote for directors or trustees.

2. Based on Insurance Policies Sold
    - Participating (Par) Policies – owners of par policies can potentially receive dividends. They share in the company's divisible surplus.
    - Non-participating (Non-Par) Policies – dividends are not provided to owners of non-par polices. Owners of non-par policies do not share in the company's divisible surplus.

Who Sells Life Insurance?

Life insurance is purchased from a life insurance company. The transactions are handled by an agent or a broker. An agent is the person who has been given authority to represent the company in the following transactions:

- describing the company's policies to the buyer and explaining the conditions under which these policies may be obtained
- soliciting applications for the policies
- collecting payments called premiums for policies at times
- rendering service to prospects and to owners of policies issued by the company

A contract of agency between the company and the agent defines the authority of the agent. Within the authority granted to the agent, the agent is identical with the company and makes his acts binding on the company. Thus, a high degree of responsibility rests with the contracted agent who represents the company.

Unlike an agent, a broker of insurance does not technically represent the company that he or she does business with. Instead, a broker represents the client. A broker determines the kind and amount of insurance the client needs. Then, in representing the client, the broker selects the insurance company with which to place the business transaction. In effect, the broker is responsible to the client he represents.

The following table illustrates the difference between an agent and a broker:

	AGENT	BROKER
Represents	Company	Client
Contract	With only one company	Can be accredited broker with several companies

PREMIUMS

The premium is the amount paid by the policy owner for the insurance policy. The initial premium puts the insurance policy in force. Once the policy is issued, the insured starts receiving the protection provided by the insurance policy. To continuously benefit from the policy, the owner should pay the subsequent premiums.

Basic Factors Related to the Premium

Premiums are determined based on several factors including the mortality factor, expense factor, interest factor, and other factors.

1. Mortality Factor

   Life insurance is based on the accurate prediction of mortality called the mortality factor. A branch of science called Actuarial Science is devoted to developing more accurate and more probable mortality table. Actuarial science is the science of getting the probability of mortality (death) and morbidity (illness). Actuaries, or those who are knowledgeable in this branch of science, set the premium rates and develop various insurance products.
2. Expense Factor

   There are operating expenses involved in the business of life insurance. These are reflected as loading or expense factor. Each individual premium has to carry small proportions of the normal costs to ensure that the factor of expense is computed and built into the policy owner's premium rate.
3. Interest Factor

   Premiums paid by different policy owners are combined and invested to earn interest. Since the company expects to earn interest from the combined premiums, it passes the earned interest to the policy owners thus reducing the premium.
4. Other Factors

   Aside from the factors discussed previously, there are other considerations in determining the insurance premiums, namely: age, sex and insurability of the person, size of the policy, the kind of policy—whether it is participating or non-participating—and the type of premium--whether it is natural or level.

Natural versus Level Premiums

Natural Premium - there is a higher risk of death as a person gets older. Natural premiums increases yearly as the risk of death increases. Since insurance policies must be renewed every year, natural premium is not practical. The high mortality rate in the future makes the premiums prohibitively expensive.

There should be a way to provide death benefits for all ages at costs that each person could reasonably pay for. This dilemma brought about the need for another type of premium: the level premium.

Level Premium - This type of premium derived its name from the fact that the amount of premium remains at a constant level from the beginning to the end of a policy.

Video on Natural versus Level Premiums: https://youtu.be/E63hG8O9Qsg

Gross versus Net Premiums

In computing the premiums for life insurance, actuaries first determine the net single premiums. This is the amount that allows the companies to insure individuals for the entire duration of their policy contracts. However, since not many people can pay out large sums of money for life insurance protection, actuaries convert the net single premiums into easier-to-pay net annual premiums. Next, actuaries take the assumed interest earnings into consideration and deduct these anticipated earnings from the mortality cost. Afterwards, the assumed interest is subtracted from the mortality cost to get the net premium.

MORTALITY COST - INTEREST = NET PREMIUM

Finally, the expense factor, sometimes called loading, is added to the net premium to arrive at the gross premium.

NET PREMIUM + LOADING = GROSS PREMIUM

The gross premium is the amount listed in the rate book. The following diagram illustrates how the different factors related to premium come together to comprise the gross premium.

RISK SELECTION

Underwriting

Insurance companies decide whether to accept or reject insurance applications after assessing risks. This decision- making process is called underwriting.

What is Risk Selection?

Life insurance entails sharing or pooling of risks. To provide insurance coverage on an equitable basis, insurance companies charge each insured person a premium rate corresponding to the risks that each individual presents to the company.

The Need for Risk Selection

1. Anti-Selection

   Life insurance companies must guard against anti-selection. Anti-Selection is the high predisposition or tendency of individuals with impaired health or those with hazardous occupations and avocations to purchase life insurance. Life insurance becomes a speculative purchase—a gamble in anticipation of a shorter life expectancy—when anti-selection occurs.
2. Classification of Risks

Underwriting is essential in determining the degree of risk that each applicant can pose to the company. The four types of risks:

- Preferred or Superstandard Risk – the present condition, occupation, lifestyle, and health history of an applicant indicates a lower-than-usual mortality rate. For instance, the individual may be a non-smoker who undergoes a regular physical fitness program.
  Note: Not all companies use this type of classification.
- Standard Risk – this type of risk applies to applicants with normal mortality rate. Their current health status or lifestyles do not present any extra mortality risk. The insurer sees no reason to believe that these individuals will have shorter-than-average life expectancies. Most applicants for life insurance belong to this category.
- Substandard Risk – this type of risk applies to individuals who possess more risks than usual probably due to occupational hazards, illnesses, disabilities, or unwise habits. Consequently, these applicants are charged with higher-than-usual premium rates.
- Unacceptable Risk – applicants who belong to this category are declined because of the pricing of the life insurance. It is difficult to set a proper premium for an individual who is extremely unhealthy or engaged in some dangerous hobbies. A person with only a few months to live is uninsurable because the premium would most likely be close to the face amount.

Classification of Risks video: https://youtu.be/YvExbbN49W4

Sources of Information

There are several sources of information that help in determine the risk classification. The primary and most important source is the life insurance agent. The life insurance agent serves as the field underwriter.

1. Application Form
   The application form provides information on the name, age, sex, occupation, and a brief medical history of the applicant. These pieces of information are very helpful in determining the insurability of the applicant.
2. Agent's Confidential Report
   An agent may supply additional information (i.e., supporting facts) about a client. These pieces of information could help the underwriter analyze the applicant's case for a more comprehensive assessment. For example, if there is a suspicion that a client's lifestyle may be hazardous, the supporting facts may facilitate proper assessment of the application.
3. Inspection Report
   Inspection report is obtained by life insurance companies from all clients who have applied for significant amounts of insurance policies. This report contains information that can help determine the insurability of a particular applicant.
4. Financial Statements

A person applying for a significant amount of insurance may be required to submit his or her income statements, income tax returns and balance sheets. The amount of coverage that the applicant is applying for should be commensurate to the proposed insured's net worth.

5. Credit Report

   Applicants with poor credit standing can cause an insurance company to lose money. Insurance policies of said persons are more likely to lapse within a short period of time, or maybe even before paying the second premium.

6. Medical Records

   Insurance companies require applicants to undergo physical examination to determine the following:

   - the amount of insurance requested
   - a possible physical impairment indicated in the medical history section of the application form

7. Attending Physician's Statement (APS)

   If an applicant was recently hospitalized or treated in any medical or healthcare facilities, a report stating his or her present state of health may be required from his or her attending physician.

8. Medical Information/Impairment Bureau (MIB)

   The MIB is a non-profit central information agency which was established in Boston, Massachusetts by life insurance companies. It provides guidelines to the underwriting process of life insurance. The Bureau is supported by more than 700 life insurance companies.

BASIC PLANS

Life insurance contracts can be issued for individuals or groups. Individual contracts are classified into three categories: Term, Permanent, and Annuities.

1. Term Insurance

   Some individuals choose to have temporary life insurance protection. This type of insurance only provides temporary coverage. It is only offered for specified period such as one, five, ten, or twenty years. Depending on the contract, term plans usually provide coverage up to age 60, 65, or 70 years old only. Term plans only provides death benefits to the applicant's beneficiaries. It does not provide any living benefits and there is no build-up in the cash values. Hence, term insurance premiums are very cheap and affordable.

   Types of Term Insurance and Their Uses

   - Level Term - The policy owner is given protection that remains constant throughout a specified period.
   - Decreasing Term - The payable amount to the insured decreases constantly until the end of the term. By the end of the term period, the death benefit is reduced to

zero. This term insurance can be very practical when a particular need for life insurance will decrease from year to year.

Provisions in Term Policies

Term policies have two important features or provisions: convertibility and renewability. Term policy owners often renew their policies or convert them to permanent life insurance because of various reasons.

Advantages of Term Insurance

- It is affordable.
- It can be renewed.
- It can be converted into a permanent plan.

2. Permanent Insurance

A permanent life insurance policy combines insurance protection and auxiliary benefits made possible by the build-up of cash value. When the owner of a permanent life insurance policy pays a premium, part of it goes to build-up cash value. If premiums are paid as they fall due, the cash values in a permanent policy will increase.

The Face Amount of any life insurance policy is the amount of insurance purchased. It is the amount the insurance company promises to pay as death benefit to the Beneficiaries when the insured dies while the policy is still active.

- Whole Life Policies

  The most basic form of permanent life insurance is the whole life policy. Almost all permanent life insurance contracts are modifications of the whole life policy.

- Limited Pay Life Policies

  Limited pay life insurance policies appeal strongly to many prospects, especially to those who prefer to confine premium payments to the years in their life where they ear the highest. Like the whole life policy, a limited pay life also has the following features:

- Endowment Policies

  Endowment policies are ideal for those who want to have protection and build up the cash value rapidly. This cash value can be used to help address financial needs such as retirement or education. It can also be used to cover the premium in case the policy owner cannot afford to pay his or her dues anymore.

- Other Types of Permanent Insurance

  Universal Life Insurance

  Universal Life insurance is a form of permanent life insurance that has flexible premiums and face amounts and is unbundling of the pricing factors.

RIDERS

Riders provide additional benefits which basic plans do not offer. For the extra benefit, a small amount of additional premium is sometimes added. Most life insurance companies even have variations for the same riders.

1. Waiver of Premium on Total and Permanent Disability)

   The Waiver of Premium on Total and Permanent Disability waives future premium payments if the insured becomes totally and permanently disabled.

   Total and Permanent Disability is a condition of uninterrupted disability for not less than six months which prevents the insured from engaging in any gainful occupation, employment, or business for which he or she is fitted in terms of education or training. If the company determines that the insured is totally disabled, the policy owner can forget about paying premiums.
2. Payor's Benefit

   The payor’s benefit is attached to a juvenile policy and is a type of Waiver of Premium rider. When the payor dies or becomes totally and permanently disabled, premiums will be waived. Premiums will be waived up to the policy maturity or up to a specific age (usually age 25 years old) of the child, whichever comes first.
3. Accidental Death Benefit

   The accidental death benefit adds a block of special insurance to the face amount of the base policy. This is commonly referred to as double indemnity. The extra insurance is like term insurance in that it does not build cash value.
4. Term Insurance Rider

   Term insurance can be attached to a basic permanent plan to provide additional coverage at desirable rates. A common Term Insurance Rider (TIR) is a ten-year term insurance.
5. Family Income Rider

   A decreasing term insurance may be attached as a rider to a permanent plan. It generally provides a monthly allowance in addition to the face amount up to the end of the decreasing term insurance period.
6. Health Insurance Rider

   Some companies may offer riders that give benefits in the event of some disability, illness, or diagnosis of some dread disease. They may come in the following form:
   - medical expense coverage
   - disability income to cover the financial loss of being unable to work

THE LIFE INSURANCE CONTRACT

The life insurance policy is a legal contract between the policy holder and the life insurance company. Since the company is bound by all promises in the policy if a contract is actually in force, it is important to know the type of contract, the manner by which the contract becomes effective and the effectivity date of the contract.

Unique Characteristics of a Life Insurance

- Unilateral Contract

  The contract only involves the enforceable promises of one party—the insurer. The policyowner makes no promise to pay the premiums. If premiums are paid, the insurer must accept the premiums and meet its full obligation under the contract.
- Contract of Adhesion

  All provisions in a life insurance contract are determined by the life insurance company. The applicant may only accept or reject the contract. If the applicant accepts the contract, he/she has the obligation to adhere to the terms of the contract.
- Conditional Contract

  The obligation of the insurance company to pay claim depends on the performance of certain acts by the insured or on other factors such as the payment of premiums or furnishing a proof of death.
- Valued Contract

  The policyowner agrees to pay a certain sum of money (the premium) which has no direct relationship to a potential monetary loss. If the insured dies, the face amount of the policy will be paid as a death benefit, whether only one or more than one premium has been paid.
- Aleatory Contract

  There is no exchange of approximately equivalent values between the parties of a life insurance contract. It is always possible for the beneficiary of the insured to receive much more than was paid in premiums.
- Executory Contract

  The insurance contract promises a benefit based on a future occurrence. If there is no future loss as stipulated in the contract, there will also be no payment of benefits.

Legal Capacity

Both the life insurance company and the policyowner must have the legal capacity to enter into a contract. A life insurance company has the legal capacity to enter a life insurance contract if it has the following qualifications:

- registered with the Securities and Exchange Commission (SEC)
- accredited with the Insurance Commission (IC)
- has a minimum capitalization of PhP 100,000,000

The policyowner, on the other hand, has the legal capacity to enter into a life insurance contract if he or she possesses the following:

- has sound mind and body
- is of legal age (18 years old)

Insurable Interest

The policy owner is often the person who is insured under the policy. A person always has an insurable interest in himself or herself. However, a person will sometimes buy a policy that insures the life of someone else. This can only happen if there is an insurable interest between the policy owner and the life insured. There should also be an insurable interest between the insured and the named beneficiaries.

Representations and Warranties

The statements made by the applicant influence the life insurance company's decision whether or not to accept certain risks. Therefore, the person applying for insurance has the duty to supply all the necessary information for the insurer to accurately assess the risk that the applicant poses to the insurer.

Offer and Acceptance

For the contract to be valid, there must be an OFFER and an ACCEPTANCE. One party must make an offer and another party must accept that offer to form a legal contract.

POLICY PROVISIONS

The life insurance policies of different companies come in a variety of sizes, shapes, and colors. Regardless of language or makeup, each policy contains a similar series of provisions that set forth the obligations of the company and the policyowner. Every clause is there for a reason. These clauses are required by law to protect the policyowner and the beneficiaries. Life insurance provisions are segregated into three distinct categories:

- formal provisions
- living options and benefits
- death and disability options and benefits.

GROUP AND INDUSTRIAL INSURANCE

A group insurance has the following features:

- covers several persons in one policy
- provides low-cost protection
- generally issued without evidence of insurability

A group can be employees within a company and maybe classified according to location, salary level, duties, department, or length of service. The group must have the following qualifications:

- natural group—not formed for the sole purpose of obtaining a group insurance
- has been in existence for a satisfactory length of time
- satisfies the required minimum number of people to be considered a group
- satisfies the required minimum premium

Group Terms versus Permanent Insurance

Most group life insurance plans do not have cash values. These are simply term plans that pay a stated amount to the group member's family. There are group plans that offer permanent insurance that vary according to how contributions are used.

PLAN TYPE	CONTRIBUTIONS	
	EMPLOYEE	EMPLOYER
Group Paid Up and Decreasing Terms	to purchase whole units of Whole Life Insurance	to purchase Decreasing Term Insurance
Level Premium Group	to purchase level premium Whole Life or Endowment policies	to purchase level premium Whole Life or Endowment policies

Industrial Insurance

Industrial insurance offers small amounts of coverage for individuals who cannot afford large policies and cannot set aside enough money to pay even a monthly premium. Face amounts are generally up to PhP 50,000 only and are there only to cover for burial expenses.

ANNUITIES

An annuity is not really a life insurance policy; it is a purchase of income. While life insurance effectively meets the need for income in later years, some prospects may not have a need for additional life insurance protection but may need an annuity income. An annuity has the following features:

- offers no life insurance protection
- simply an accumulation and distribution of cash to provide income
- cannot be outlived
- guaranteed so long as the person receiving it called the annuitant lives

ETHICS AND QUALITY BUSINESS

Unethical Practices in the Life Insurance Business

1. Rebating
   Rebating occurs when the agent does any of the following:
   - offers part of his commission to the purchaser
   - accepts a smaller premium than the one stipulated in the policy
   - gives the buyer of life insurance anything of significant value

   The commissions paid under the terms of any life insurance contract are fixed in accordance with what the company considers fair to the agent, the policyholder and the company itself.
2. Replacement or Twisting
   Replacement occurs when the agent persuades a policy owner to discontinue or lapse a policy in order to purchase a new policy. When the policy owner interrupts one plan of insurance and starts all over to build up values in another, it often results in a serious financial loss to the policy owner.
   Twisting also occurs if the policy owner is persuaded to:
   - surrender a contract with another company and buy a new one from the agent's company; or
   - allow a policy to become paid-up or use the extended term insurance option to free up premium.

   The reason why this practice is condemned is that it is almost never to the policy owner's advantage. Stopping an existing plan and starting a new plan usually results in financial loss because the policyowner will have to pay acquisition costs all over again at an older age.
3. Misrepresentation
   Agents must be extremely careful about the statements or representations they make to prospects or clients. They run the risk of having those statements regarded as misrepresentations, which are both a serious breach of ethics and a violation of the law. Misrepresentation takes place in any of the following situations:
   - an agent makes any written or oral statement which does not tell the exact truth about the policy's terms or benefits (policy misrepresentation)
   - an agent describes a policy by a name that does not reflect the true nature of the policy (policy misrepresentation)
   - an impression is given that any illustration of dividends is a guarantee of future payments (dividend misrepresentation)
   - false information is entered into the application in order to secure the issuance of the contract

   While agents would not misrepresent intentionally, they must constantly be on the guard to avoid any form of misrepresentation

4. Knocking

If an agent runs down or makes derogatory remarks about a competing policy, agent or company, it is considered knocking. While it may be tempting to criticize other agents and other companies, an agent should never do so. Any criticism of another agent or company is a criticism of the business where one is currently connected with.

Penalties for these acts can range from reprimands to fines or imprisonment, depending on the seriousness of the violation. The Insurance Commission can also revoke a license or terminate a contract of agency with a life insurance company. However, it is really incumbent upon the life insurance companies to ensure that their agents uphold standards set by the industry

VARIABLE LIFE REVIEW

INTRODUCTION

Variable life insurance (also called Unit-linked or Investment-linked life insurance) offers the consumers life insurance policies linked with an investment component. A major portion of the policy owner’s premiums are used to purchase units in investment fund/s chosen by the policy owner. Policy owners are given access to these investment funds through the insurance company. Investment funds are expertly managed by the insurance company or by a fund manager.

Variable life insurance policies were introduced to offer investors insurance policies with values that are linked to investment performance. This is done by linking the value of the policy to units in a fund/s managed by a fund manager. The values of the units directly reflect the values of the underlying assets of the fund/s and fluctuate according to the performance of those investments.

How do Variable life insurance policies work?

Variable life insurance policies provide insurance protection and investment in a single product. A lesser part of the premiums will be allocated for the mortality protection aspects under the policy. This way, the policy provides the insurance protection to the insured while providing the opportunity for capital growth through the investment.

Difference between Traditional and Variable

The fundamental differences, however, are:

- Traditional participating life policies aim to produce a steady return by smoothing out market fluctuations. Variable life insurance policies offer the potential for higher returns but at the expense of market volatility and a higher degree of risk, although this risk is considerably less if the Variable life insurance policy invests in a managed fund which has a broadly similar investment portfolio as a traditional participating life fund (for example, government bonds, shares and property).

- Variable life insurance policies are likely to offer far more choice in terms of the type of investment funds (investment funds may be composed primarily of equities, bonds, property, or a combination of different asset classes).
- Variable life insurance policies may or may not be more flexible than the traditional participating life insurance policy.
- The investment element of variable life insurance policies is made known to the policyholder at the outset and is invested in a separately identifiable fund, which is made up of units of investment. Unlike traditional participating life policies, the peaks and the troughs of investment returns of variable life insurance policies are not adjustable to provide policyholders with a smoothed rate of return, as the net benefits and risks of investment returns are immediately passed to policyholders.
- The structure of policy charges and the investment content of variable life insurance policy are more identifiable by the policyholders as they are specified in the Variable life insurance policy document. Policy fees, initial set-up cost, mortality charges and the amount set aside for investment (and the investment charges) can be determined by a careful study of the policy document and policy statement. However, in the long term, charges are likely to be similar. Under traditional participating life policies, the expenses of running a company and acquiring business are covered by making certain charges on the policies issued, both 'up-front' and regular policy charges. Such charges under traditional participating life policies are not specifically detailed in the policy terms. The policyholder bears some of these charges directly in relations to his particular policy; others are taken out of the life funds as a whole.

TYPES OF INVESTMENT ASSETS

There are a range of investment choices available to individual investors. Investors purchase these assets hoping that their value will appreciate.

Common investment instruments available include:

1. Cash and Deposits

   The term cash and deposits refer to all liquid instruments that carry little or no risk that the principal amounts invested can be lost. They represent the highest safety in the investment universe; they also provide the lowest returns. Strictly speaking, cash cannot be regarded as an investment. Cash is used as a means only to finance investment. The capital value of cash will not increase and will not generate any additional income. It has no value in itself. It is of value only as medium of exchange.
2. Fixed Income Securities

   Fixed income securities are a group of investment vehicles that offer a fixed periodic return. A fixed income security is a security or certificate showing that the investor has lent money to the issuer, usually a company or a government, in return for fixed interest income and repayment of principal at maturity. Fixed income securities can be regarded as IOUs (I Owe You) or promissory notes issued by companies or government to raise funds.

3. Shares

   Shares are different from stock in that a shareholder is a part owner of the company. A company is a separate legal person, which is owned by all of its shareholders. The shareholders control the company through the fact that basically each share carries one vote at the company meetings. The shareholders thus decide on the major issues and vote in new directors to run the company if they wish. Shareholders are not liable for the debts of their company.

4. Common Trust Funds (CTFs)

   CTFs are useful vehicles for small private investors, who do not have sufficient funds and/or time, to receive the benefit of professional investment management as well as access to diversified range and spread of investments which is not readily available to them individually. The investment in unit trusts could generate income in the form of dividends, interest and capital gains.

5. Mutual Funds

   The function of mutual funds is similar to that of common trust funds, i.e. to make investment much simpler, more accessible and more cost effective for small investors.

   Mutual funds, like common trust funds, both pool contributions from their investors, and the total fund is then managed by specialist fund managers, whose function is to buy and sell shares (i.e., manage the investment) of the fund to make investment profits.

6. Properties

   Real estates have always been part of the investment scene. There are basically three types of real estate investments. These are agricultural property, domestic property, and commercial/industrial property both locally and overseas.

KEY CONSIDERATIONS IN INVESTMENT

For the consumer to be able to make a choice on his investment, it is important for him to become familiar with key concepts and fundamentals.

1. Investment Objectives

   Generally, people invest their money to:

   - Enhance or provide a comfortable standard of living; to provide for dependents
   - Improve one's financial situation
   - Provide income during retirement
   - Provide funds for the education and bringing up of children, and
   - Provide a fund for paying necessary costs and taxes when a person dies

   Depending on these objectives, an investor would need to choose between investing in assets that yield more regular income or in those that have better potential for capital gain. Different investments produce different combinations of these two types.

2. Funds Available

The level or amount of funds available affects the investment decision. If an investor has a small amount of free funds, certain types of investments are not accessible to the investor. The more funds an investor has, the greater or wider is the choice of investment available to the investor.

Another consideration pertaining to funds is the source of the available funds, whether the free or available funds are provided out of income. If the potential investor can set aside a fixed amount of current income which is surplus to his needs, then certain investments like insurance policies, CTFs and the like can be considered.

3. Level of Risk Tolerance

   The return on short-term government securities or bank deposits is almost certain and hence, carries little or now risk. In contract, investment in shares produces very uncertain results in the short term, as day-to-day fluctuations in the stock market can be quite substantial. Generally, the higher the risk, the higher must be the potential return to attract people into investing in it. This is what is termed the tolerance for the magnitude and variability of the future return of loss. An investor's level of risk averseness is very much influenced by his age, investment objectives, financial condition, and personality. What may be suitable investment for a millionaire who can afford to risk his capital on a speculative venture will obviously not be appropriate for a young couple with children.

4. Investment Horizon

   The time horizon can range from a few days (more speculation than investment) to several years. A person's investment horizon will depend on the investment objectives, his age, and his current financial condition.

   A match between the investment horizon and the maturity of an investment asset is very important. For instance, keeping one's money in a top-tier bank is considered one of the safest investments. However, if the investment horizon is say, ten years, the choice of investing in a bank deposit becomes a risky one as the investor will encounter reinvestment risk from rolling his bank deposits and the risk of inflation eroding the real value of the original sum of money.

5. Accessibility of Funds

   With regards to the use of funds, accessibility of funds has three components:

   First, if an individual requires the funds in a short period of time, he would not want to lock the fund in an investment that goes beyond the time frame that the fund is needed. Second, the cost or penalty of realizing the investment before its maturity period should the fund be needed urgently. Third, the initial cost in setting up or buying into the investment.

6. Taxation Treatment

   Different types of investment vehicles enjoy (or suffer) a wide range of tax treatment, which affects the taxation of the investment vehicle itself and the subsequent taxation liability of the investor. An individual should, therefore, consider the different tax treatments on different types of investment before deciding on what to invest.

7. Performance of the Investment

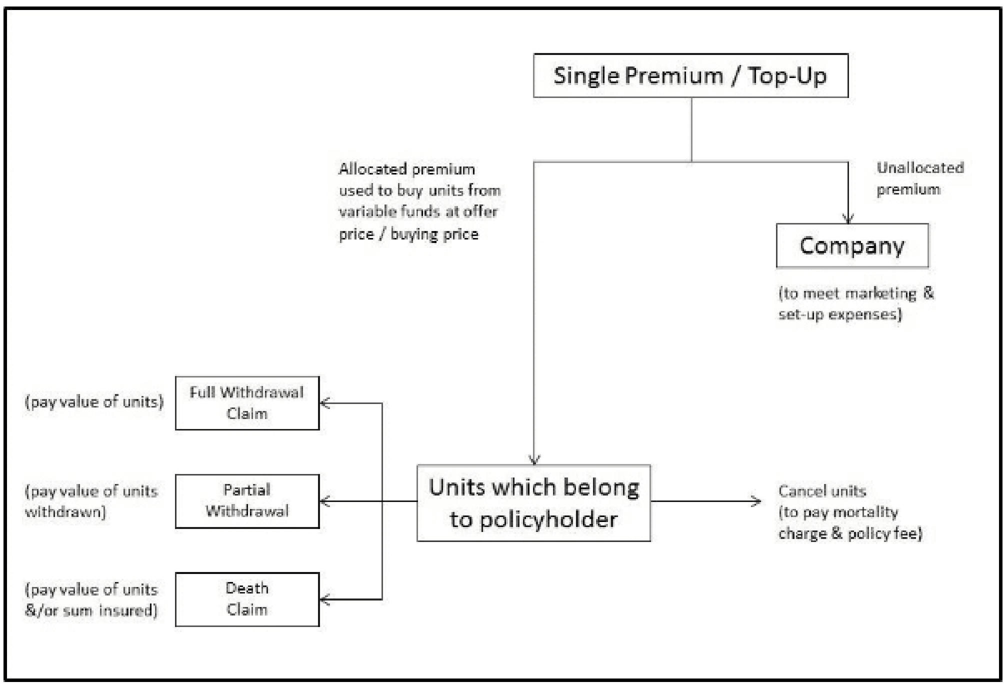
   The performance of an investment depends on a country's economic factors, the competencies, and capability of the management team and the invested company's level of costs. Performance also depends on the experience and history of the invested company although other factors like the life cycle of the investment must also be taken into consideration.

8. Diversification

   Diversification in investment is the process of investing across different asset classes and across different market environments. Diversification is a strategy used by professional fund managers that has proven effective in reducing risk without sacrificing returns. Investors should also try to invest in a range of investment vehicles.

HOW VARIABLE LIFE INSURANCE PRODUCTS WORK

The Workings of Variable Life Insurance video: https://youtu.be/NY5G9edjcQw



Top-ups

Policyholders are normally allowed to top-up their policies at any time, subject to a minimum amount. To top-up a policy, the policyholder pays additional single premiums at the time of top- up and these premiums will be used in full (after deducting charges for top-ups) to purchase additional units of the variable life fund which will be added to the existing units in the policyholder's account.

Single Premium Policies Methods of Calculating Benefits

For single pricing method of single premium policies, the policyholder buys the units at the offer price and sells the units at the bid price. The bid price is always lower than the offer price. The difference in the bid and offer prices is called the bid-offer spread.

Death Benefit

There are two types of death benefit under variable life insurance products. A company may offer either or both types depending on its product design and the discretion of the policyholder.

1. Unit Value plus Sum Insured

   The first type of death benefit pays the sum insured and the full withdrawal value of the units upon death of the insured. The following table graphs the behavior of the death benefit under this type against the policy year. The death cover, which is the sum insured, is level all throughout policy's terms. The value of units however, is expected to increase, so that the death benefit also increases.

   The formulas for death benefit under this type are:

   Single Pricing

   Death Benefit = (No. of units x Unit Price) + Sum Insured

   Dual Pricing

   Death Benefit = (No. of units x Bid Price) + Sum Insured

2. The Higher of Unit Value or Sum Insured

   The second type of death benefit pays either the sum insured or the full withdrawal value of the units, whichever is higher, upon death of the insured. The following table graphs the behavior of the sum insured and the value of units against the policy year.

Regular Premium Policies

Regular premium variable life insurance policies operate under similar principles as single premium policies. The important points here are:

- The regular premium variable life insurance policyholder is required to pay premiums regularly but enjoys the flexibility of being able to very the level of regular premiums payments, making single premium top-ups or taking premium holidays. If the policyholder's account has sufficient funds, the policyholder may stop paying premiums, in which case the account will continue to fund for the mortality charges until the policy is cashed or the life insured dies and a claim is made.
- The policyholder may surrender all his units or partially surrender his units. A partial surrender is known as a partial withdrawal.
- The policyholder may vary the sum insured of his policy without changing the level of his regular premiums. Increasing in sum insured would normally require further medical underwriting. The higher the level of coverage, the more the mortality charges and the lower the cash values. The converse is also true.

BENEFITS AND RISKS OF INVESTING IN VARIABLE FUNDS

Benefits

1. Pooling or Diversification

   Like common trust funds, variable life funds offer the policyholder an access to "pooled" or "diversified portfolio" of investments. The funds normally consist of wide range of equity stocks and fixed income securities. On his own, the policyholder, with a small sum of money, is unable to construct such a diversified portfolio. A well-diversified variable life fund has better risk characteristics than a less-diversified one.
2. Flexibility

   Variable life products have simple product designs with clear structures which cater separately for investment (unit-driven) and insurance protection (charge-based). As a result, a policyholder can easily charge the level of his premium payment, take premium holidays, add single premium top-ups, make withdrawals, change the level of sum insured and switch his investment between funds.
3. Expertise

   Variable life funds are managed by professional fund managers who have the investment expertise to invest the fund to achieve high return over the long term in accordance with the investment objectives. An ordinary policyholder does not normally have good knowledge of financial markets to invest his money wisely.
4. Access

   A policyholder can gain access to well-diversified variable life funds managed by professional investment managers with proven track records, simply by a variable life insurance policy with an initial investment, at as low as Php 20,000.
5. Administration

   The policyholder is relieved of the day-to-day administration of his investments, which can be a complicated affair. He just has to keep track of his investment through the unit statements provided regularly by the insurance company and the unit price published in business/financial sections of major newspapers.

Risks

1. Investment Risk

   The sum insured is always guaranteed but the value of units is not guaranteed because it is directly linked to investment performance of the underlying assets of the funds. In times of volatile stock market, the cash and maturity values of a variable life insurance policy (with units invested in an equity fund) will rise and fall drastically. It shows that the potentially higher return of equity fund comes with greater risk.
2. Charges

   The administration fee, insurance charge, fund management fee, etc., of a variable life insurance policy are usually not guaranteed. They are subject to regular review and they can be changed by the company after giving a written notice over a specific period (e.g. 3 months).

TYPES OF VARIABLE LIFE INSURANCE POLICIES

1. Single Premium Variable Whole Life Plan

   This is a single premium plan, where the premiums are used to purchase units in a variable or unitized fund. Typical investments are single premium variable whole life insurance plan, where a 'one-off' premium contribution is made to the policy which uses the premium to purchase units in a Variable or unitized fund and provides a certain level of life cover. Single premium variable whole life plan is one of the first types of variable life insurance policies available. It is simple in design. The amount of insurance protection is a percentage (usually 125%) of the single premium paid, and is subject to a minimum amount.
2. Regular Premium Variable Whole Life Plan

   The scope of regular premium variable whole life insurance plan is similar to that of single premium variable whole life. The exception is that instead of the premiums being paid in a lump- sum, the premiums under this plan are paid at regular intervals, monthly, quarterly, semi- annually, or annually. Units in the variable or unitized fund would be purchased as premium is received. The plan serves two distinct purposes investment and life protection, with life protection as the main objective of the plan.
3. Variable Individual Pension Plan

   The basic variable individual pension plan usually involves a high allocation of the premium contributions to investment through simply accumulating the fund to retirement, when the fund is then used to purchase either a traditional annuity or variable annuity, Conventionally, there is usually no life insurance cover in the basic plan other than a return of investment funds on death. Life cover can be provided by taking up a separate term insurance policy.
4. Variable permanent health insurance:
   - Provides health coverage such as disability income
   - Contains cash value unlike traditional health products that does not have cash value

   A new variable life insurance product which incorporates long-term disability benefits is now available in the overseas market. This product is priced very competitively when compared to traditional participating life insurance products, sometimes by as much as 255 off cost if traditional participating life insurance products in strong economic environment.
5. Variable Crisis Cover Insurance

   One of the most successful innovations in the variable life insurance product design in the UK was Living Assurance by Abbey Life Company. It was an insurance policy which advances the whole of the sum insured in the event of the diagnosis of a heart attack, stroke, coronary artery by pass, end stage rental failure or total permanent disablement. The risk cost of the critical illness cover is reviewed on a regular basis and improved product benefits or premium are passed to the policyholder in the event of better than expected claims or investment.

TYPES OF VARIABLE FUNDS

Introduction

Premiums from variable life insurance policies are invested in the variable life funds according to written instruction of policyholders. Variable life funds can be structures into 2 ways:

- Accumulated Units
- Distribution Units

As the value of variable life insurance policy depends on the performance of financial instruments, the policyholders bear both the risk and the benefits of the policy. In theory, the funds can be invested in any financial instrument. Currently, the following instruments are used:

1. Cash Funds
   Cash funds invest mainly in cash and other forms of bank deposits. Cash deposits are low risk and relatively safe.
2. Equity Funds
   Equity funds invest in equity assets such as stocks, shares, etc. Prices of equity shares are inherently higher risk in nature. Prices of equity shares are volatile. Investors who buy equity assets usually aim for capital appreciation. During a market crash, equity assets are usually the first to immediately depreciate in high amounts. But the magnitude of the change in unit prices will depend on the quality of the equities held.
3. Bond Funds
   Bond funds invest in government and corporate bonds, and in other forms of fixed income instruments. The assets are chosen on the basis of their income producing characteristics. They are also known as “income” or “fixed income” funds.
4. Property Funds
   Property funds are generally considered to be safer than equity funds, but lower liquidity. Properties, especially real estates, are liquid assets. It is not always possible to quickly sell a property when policyholder redeems the units. As a result, property funds usually have a provision which allows the fund manager to defer redemption of units (except for death and disability claims) for typically up to 12 months.
5. Specialized Funds
   These funds are normally segmented based on geographical regions or particular industries. For industry specialized funds, investments are put in a specialized sectors such as commodities, mining, plantation, public utilities, etc. Specialized funds offer a policyholder exposure to different markets in different regions of the world and different currencies. It is important to take note of the currency risk when investing in a specialized fund invested overseas, particularly in times of volatile currency and financial markets.
6. Managed Funds
   These funds invest in a wide variety of assets such as equities, bonds, properties, cash, etc. and the asset allocation depends on the fund manager’s views of the future prospects of the financial markets involved. This works like a “managed” basket of assets

comprising a higher proportion of equity and a lower proportion of fixed income instruments.

7. Balanced Funds

   The funds invest in a fixed proportion of specified assets. For example, 70% of the funds are in equities and 30% in bonds.

Risk-Return Profile

The risk return profile of some types of variable life funds is shown for comparison between returns of funds in relation to levels of risk involved. This risk return graph shows the higher return normally comes with a higher risk. At the top of the graph are the equity funds. The relatively riskless cash funds sit at the bottom end.

Switching

If a life insurance company sells variable life insurance policies and it offers more than one variable life fund to its policyholder, it usually provides a switching facility which allows a policyholder to switch part or all his investment from one fund to another fund.

RISK & COMPLIANCE, NEW BUSINESS UNDERWRITING, SUITABILITY ASSESSMENT FORM (SAF), LIFE STAGE FINANCIAL PLANNING (LSFP)

Video: https://youtu.be/Ptx_ITC7rP0

RISK AND COMPLIANCE IN THE SALES ADVISORY PROCESS

SELLING WITHOUT APPROPRIATE LICENSE

- An agent is prohibited from selling any product for which he is not licensed or has not secured any provisional authority to sell such a product.
- Agents must obtain the necessary certificate of authority or license from the Insurance Commission to solicit and sell life insurance such as the variable life insurance before they can solicit or sell life insurance.
- Agents with the necessary certificates of authority must not allow the use of such certificate of authority by any unlicensed agents in order to circumvent the required licensing requirement.

FRAUD

Fraud is an intentional deception perpetrated to secure an unfair gain or benefit.

Types of fraud may include:

- Internal fraud – committed by an employee.
- External fraud – committed by anyone other than employees, including agents, consultants, representatives, brokers, non-employed representatives, suppliers, other external organizations and the public.
- Commission related false sales information – fraudulently reporting incorrect sales information to secure unfair commission gain.
- Claims fraud – providing incorrect and/or fictitious information or documentation to obtain monies via false claims.
- Obtaining monies by deception – providing incorrect information to fraudulently obtain monies; includes providing incorrect underwriting information, identity theft.
- Insider dealing – trading in shares with the knowledge that was not available to the public, with a view to make a profit
- Fraudulent mis-selling – providing false sales information to fraudulently gain sales and commission

<u>Examples of fraud</u>

Forgery refers to an alteration of any writing (signature) or document of an existing policyholder. This act includes but is not limited to:

- falsification of documents pertaining to a “life-assured” as well as other company documents;

- forging of signature of customer or existing policyholder; or forging documents pertaining to the assured, prospect, existing policyholder or fictitious/bogus person as well as other company documentation;
- submitting a Suitability Assessment Form where the client's entries, declarations or other information have been fabricated or falsified
- submission of fake laboratory results where an agent participates directly or indirectly or in collusion with any medical examiner or the insured himself or with any other third person in its submission to the Company of false or falsified laboratory results.

ANTI-BRIBERY AND CORRUPTION POLICY

Bribery is defined as offering or accepting a financial or other advantage that is intended to induce or reward the improper performance, or non-performance of a business or public function. The definition includes both offering, promising or giving a bribe as well as requesting, agreeing to receive, or accepting a bribe. It also includes asking another person to offer or accept a bribe on the employee or the Group's behalf.

Corruption is the abuse of entrusted power or public office for a private gain and it is a term used to describe a wide range of financial misconduct.

CONFLICT OF INTEREST

A conflict of interest is when a relevant employee or agent has a private or personal interest sufficient to influence or appear to influence the objective exercise of his or her official duties, in connection with Prudential's business.

ANTI-MONEY LAUNDERING (AML) AND COUNTER-TERRORISM FINANCING (CTF)

Money laundering is a criminal offense. Facilitating or assisting in a money laundering transaction is also a criminal offense. Agents should report any suspected money laundering activities that they are aware of or that they encounter in the course and conduct of their business.

Agents are advised to seek clarification from the company whenever in doubt. No agent is to knowingly assist in any form of money laundering activity or allows his/her business to be used as a means of facilitating any money laundering activity.

AGENT'S BUSINESS GUIDELINES

1. Opening interview

   Agents, as licensed representatives of the company, must possess a business card, disclosing the following to the client/prospect before beginning a sales presentation.

- Type(s) of insurance and financial advisory service that he/she is authorized to provide
- Contact details (Such as business address and telephone number)

Agents must also inform the client of any change of information in any subsequent dealings with the client/prospect. Examples of other types of information where agents must readily disclose and clarify to clients/prospects include:

- General information on financial products
- Information on the recommended product
- Contents of the benefit illustration, in particular, the disclaimers and declarations in the benefit illustration
- Any risk, clauses, warnings, disclaimers, exclusion or terms and conditions
- Basis for the recommendation

2. Presentation and closing

   Agents should collect information relating to the prospect's financial situation, needs, objectives, risk profile and priorities. This information should be put through proper analysis before the agents make appropriate recommendations in the prospect's best interest. The basis of recommendation must be documented.

   - Agent's sales process - agents must ensure that product recommendations are suitable to the clients' needs, objectives and financial capability/appetite.
   - Manipulation of sales - agents are strictly prohibited from manipulating sales for the purpose of qualifying for incentives, contests or awards.

FIELD UNDERWRITING

Agents are expected to follow all applicable company and regulatory guidelines pertaining to field underwriting. If in any doubt, the agent should contact the company.

1. Insurance Application Form and other required forms

   Agents should ensure that disclosure of information in the application form is accurate, truthful and complete.

2. Medical questionnaire

   Agents should personally ask each prospect every medical question contained in the application form and to record his response to each.

3. Agent's confidential report

   Agents should ensure that, in relation to each new application, the agent's confidential report must be duly completed and must contain all relevant and necessary information to assist the company in assessing the application. It is therefore the duty of each agent to ensure the following:

   - Accurate and complete information be provided on the application form and other required forms (e.g. financial questionnaires).

- Any and all factors –which, if known to the company, may result in an applicant receiving rated or no coverage at all –be made known to the company.
- Any additional information required by the company in order to determine any particular application be provided on a timely basis.
- All children who are being insured by their parents be physically seen by the agent.

4. Client's medical, financial and personal disclosure

   Agents must ensure that any information, declaration, statement or representation made about the client to the company is clear adequate, complete and not false or misleading. Agents must also ensure that they do not fail to disclose any matter that is material to the statement or representation made.

PREMIUM COLLECTION AND USE OF AGENT'S TEMPORARY RECEIPT

In order to resist the temptation to use cash premiums for personal needs, emergency needs or as bridge financing of any kind, Agents should encourage their clients to pay premiums directly to the company's office, to a bank, or to payment centers to make use of the company's available non-cash payment facilities.

If an agent is forced by necessity to handle premiums, he is required to remit it to the company within 24 hours, as required by the Company. All premiums collected by the agent must be issued a corresponding valid agent's temporary receipt duly signed by the collecting agent.

<u>Advancing and Financing of Premium Payments</u>

Life insurance is an aleatory contract and is enforceable only when the client does his part in paying the premium himself and on time. No AGENT or third party is to make any premium payment for, or on behalf of any client. Agents are also to advise the client that check payments or inter-bank transfers should be made directly to the company and not the AGENT'S name.

The payment must indicate the policies that are being paid for:

- Advancing premiums for prospects/clients
- Paying premiums for immediate family
- Use of agent's personal funds (cash, check or credit card) to effect policy premiums payments for or on behalf of clients/prospects

1. Advancing premiums for prospects/clients

   Agents must not pay for or make any advance towards any prospects/clients policy premium, regardless of whether at a request or with consent of such client. Consistent with AML safeguards, agents should encourage clients to make use of the company's non-cash payment facilities when paying premiums.
2. Paying premiums for immediate family

   Agents may, however, pay for or make advances towards the policy premiums of their immediate family members. Agents must, in such circumstances, declare their qualifying relationship with the client at the time of payment of the premiums in question. For this purpose, the term "immediate family" shall be taken to mean:

    - In respect of agents who are not married –their parents and siblings and,
    - In respect of agents who are married –their parents, spouse and children
3. Use of agents' personal funds (cash, check or credit card) to effect policy premium payments for or on behalf of clients/prospects

   The agent must not effect or advance policy premium payments not received for or on behalf of client with their funds, whether by cash, check or credit cards. This practice also spoils the client who may not pay the agent back.

Discounts, Rebate and Inducement

Agents are prohibited from giving partial discounts or full rebate of premium to their clients. Agents must not also offer any incentive (monetary or non-monetary) to induce any prospect or existing client to purchase a policy.

These practices alter the level playing field and disrupt fair market practices even among our own agents. This violation merits immediate termination of an agent's contract.

Replacement

Agents are not allowed to replace policies and facilitate or induce any client to generate funds from the cash values of existing policies to finance part or all of premiums for a new policy. This will reduce the value of existing policies, lengthen any self-supporting period or incur interest on the premium loan taken. This rule holds regardless of whether the policy in question is from one's own company or a competitor.

A replacement is defined under IC Circular Letter No.11 2000 as any transaction whereby life insurance is to be purchased in a single contract or in more than one related contact(s), as a consequence of which any existing contract of life insurance has been or is to be, within one year before or after the issuance of the new coverage(s):

- rescinded, lapsed or surrendered;
- changed to paid-up insurance or continued as an extended term insurance or under automatic premium loan;
- changed in any other manner to effect a reduction of benefits; or subjected to borrowing of the entire or almost the entire policy loan values, whether in a single loan or under a schedule of borrowing over a period of time.

RISK AND COMPLIANCE IN BUILDING PIPELINES

Data Privacy Act of 2012

The Data Privacy Act of 2012 was enacted to ensure that personal information in information and communications systems in the government and in the private sector are secured and protected.

Collecting Information

- Data collection should be for legitimate purposes only and should be used in accordance with the purpose specified.
- Data must be adequate and not excessive in relation to the purpose for which they are collected and processed.
- Obtain consent from customers before their personal information is stored, processed, or disclosed to third parties.
- Make sure any data you collect is held securely, especially if working from a mobile location.

Storing Information

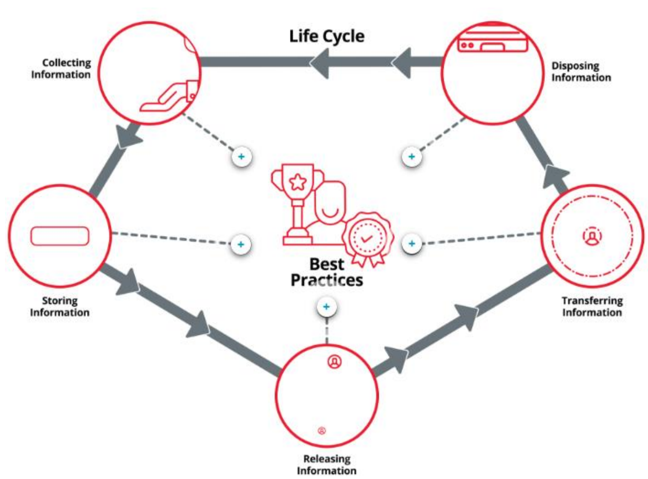
- Always follow security procedures when storing personal information.
- Always use encryption to protect personal information on removable storage devices (a thumb drive or an external hard drive).
- Always make sure paper records are locked away safely, and use such records sparingly.
- Observe record retention procedure.

Releasing information

- Always make sure you are authorized to release personal information. Refrain from emailing clients' personal information and policy details unless the client specifically requested it. In such a case, mask client information whenever possible and applicable.
- Always make sure you are releasing personal information to the right person.
- Always keep a record of when and to whom you release personal information.

Transferring Information

- Record and register all information transfers.



- Get authorization and approval from management before any information transfer.
- Use secure methods when transferring information.
- Only send as much information as needed.

Disposing Information

- All policy data pertaining to customer's personal information must be retained for ten (10) years after the cancellation or termination of the insurance policy.
- All expiring policy records that have met the required retention schedule must be disposed properly in such a way that ensures destroyed records are irrecoverable.

<u>Social media sharing guidelines</u>

Agents, distributors and employees are:

1. PERMITTED to share on their personal accounts any content meant for public consumption unless stated otherwise. This is provided that the content will not be altered, changed, revised, or modified in any way or manner without the complete approval of Pru Life UK.
2. NOT PERMITTED to use, demonstrate and quote any of the following materials on their personal websites or social networking websites:
    - Prudential and Pru Life UK logo, Prudence's face, or make reference to Prudential and Pru Life UK in any form (including "PRUDENTIAL", "PRU", "PCA", "PRU" derived names).
    - Prudential and Pru Life UK's products, services, and any kind of corporate materials or information (including quotations/testimonials, photos, videos, speeches, and more).
    - Hyperlink to the company websites (including Prudential plc and its affiliates/subsidiaries).
    - Direct sharing of official Pru Life UK social media materials is highly encouraged. Direct sharing is the act of sharing content by clicking the share button and posting the original content without removing attribution to Pru Life UK or altering the content in anyway.

Reminders:

- "Manual sharing" of content is highly discouraged as it removes attribution to the original content owner. This form of sharing is done by downloading or saving the content and reposting as your own.
- Sharing "Sensitive Internal Information" or "Personally Identifiable Information" is not allowed. Sharing this information online is prohibited as they can pose security risks, especially when policyholders are involved.

Examples of prohibited content:

- Bank Account/Payroll Balance.

- Claim Letters.
- Closing a Sale.
- Confidential Company Information.
- Disclosing Client's Identity.
- Disclosing Illness of Client.
- Disclosing Death of Client.
- Disclosing Checks paid by the company to the clients (regardless if sensitive data is blocked off).
- Insurance policies.
- Internal announcements and memos.
- Meeting with prospect*.
- Premium payments by clients.
- Transaction Confirmation Advice.

*Regardless of the prospect's consent to post photos or tag them in content relating to their Pru Life UK policies such as opening or closing meetings, we highly discourage sharing the content because it opens the prospect to security risks such as inadvertently divulging that they have investable funds. This also holds true to existing clients.

RISK AND COMPLIANCE IN UNDERSTANDING NEEDS

1. Sales process – Correct recommendation based on suitability

   Agents must make recommendations that take into account a prospects/client's financial objectives, financial situation and particular needs. Agents must fact-find with the prospect/client using Personal Financial Reviews (PFR) or any similar financial needs analysis tool as required by the company.
2. Reasonable basis for recommendation

   An agent must have a reasonable basis for any recommendation made with respect to any financial product to a prospect/client who may reasonably be expected to rely on the recommendation.

   Agents should ascertain and to ensure that their prospects/clients have sufficient financial resources to meet the premium commitments of the insurance product(s) that they sell these prospects/clients for the duration of the product(s) in question.
3. Suitability

   Agents must recommend financial products where there is a reasonable basis to believe that they are suitable for the client. Such a recommendation must be made upon the basis of facts, if any, disclosed by the client as to his or her needs, objectives, risk profile, other holdings and financial situation.

   Within the bounds of the Data Privacy Act of 2012, reasonable efforts should be made to obtain information that is relevant to making a suitable recommendation to the client. This may include, as appropriate, information concerning the client's financial status, tax status, and insurance, personal and business objectives.

Products should only be recommended to clients when the products satisfy the clients' needs or financial objectives and can be purchased consistent with the clients' financial condition and willingness to accept risk.

4. Recommendation

    In general, a product should not be recommended to a client unless there has been sufficient fact-finding to develop a recommendation consistent with the client's needs, objectives, financial status, risk profile and insurance.

5. Multiple recommendation

    Proper fact-finding must be the basis for any prescription of multiple policy recommendations to the same client within three months. Information needed must be up-to-date and the information on the application and supplemental forms must be complete, accurate and consistent with the information on the forms.

6. Sales process – Misrepresentation

    Agents must ensure that any statement or representation made to any prospect/client is clear, adequate, accurate and not false or misleading. Agents must also ensure that they do not omit disclosing any matter that is material to the statement or representation made.

7. Use of terms and references

    Words and phrases to avoid:

    - Suggesting the company sells something other than insurance
    - Suggesting non-guaranteed items are guaranteed
    - Suggesting premium requirements "disappear"-refrain from using the terms such as "self-support period" or its equivalents
    - Suggesting policies are guaranteed issue, where issue is not guaranteed
    - Suggesting clients/prospects can get something for nothing
    - Referring to policy as unique or special offer, when it is not

RISK AND COMPLIANCE IN ACING PRESENTATIONS

<u>Agent's business conduct during sales presentation</u>

Agents must ensure that prospects/clients:

- Understand what they are buying.
- Understand what they are signing.
- Should not pre-sign official blank forms.
- Understand that they must disclose any pre-existing medical condition as this affects the acceptability or rating of the application.
- Understand that any false, incomplete, or inaccurate information discovered may affect the suitability of recommendations made, may be a reason to decline the application or to deny a claim if the policy applied is erroneously issued.

Agents must ensure that all information and terminology presented to the prospects are clear, unambiguous and in simple language. Information provided—including statistics and examples—should not be misleading nor give unrealistic expectations or projections.

Product disclosures

Clients should also be made to understand that the required premium may vary from client to client if a health condition or risk factor results in a less favorable underwriting rating.

You must disclose and explain the following information to the prospect:

- Nature and objective of the product.
- Details of the company.
- Commitment required from the prospect.
- Benefits, features, and risks of the product.
- Fees and charges.
- Warnings, exclusions, and disclaimers (in relation to the product).

RISK AND COMPLIANCE IN CLOSING CASES

Cooling-off period

According to regulatory requirements, you must disclose and explain the cooling-off period to the client. A client may cancel the policy by sending Pru Life UK a written request within 15 days of receiving the policy. If the policy is cancelled within 15 days, Pru Life UK will refund the client the following:

- If the client chooses to return the policy and ssssit is a PRULink Assurance Account Plus (PAA Plus) or PRULink Exact Protector (PEP) plan, the company will refund the regular premiums paid in full.
- If it is a PRULink Investor Account Plus (PIA Plus), PRUMillionaire or PRULInk Elite Protector plan, the client will be refunded the value of units allocated to his policy plus all charges. No surrender charge will be imposed on the amount of refund.

Manipulation of sales

Agents are strictly prohibited from manipulating sales for the purpose of qualifying for incentives, contests, or awards such as:

- Splitting large sum assured amounts into multiple small sum-assured amounts.
- Lapsing of policies immediately after qualifying for incentives, contests, or awards (in this case, agents will be obliged to sustain payment until persistency is not going to be affected by the business).

1. Pooling

   Agents are not allowed to pool cases or to pass cases that they have underwritten to another agent. The underwriting agent on record must be present at the time of the sale and participate in the presentation to the prospect/client, as well as at the time of signing of the proposal form by that prospect/client.

2. Selling to relatives and co-agents for production purposes

   Agents are also not allowed to sell policies for the purpose of counting production credits during contests to fellow agents, spouses, or children of fellow agents.

TIPS AND TECHNIQUES WHEN PROCESSING NEW BUSINESS

Applications are received either from the branches or thru PRUone. All applications must have the necessary routine medical and financial requirements attached. Applications coming from the branches are prescreened and initially encoded in the Front-End (FE) System. Applications from PRUone are auto-validated by the PRUone app and can be integrated with various systems for faster processing.

New business forms

1. Application forms

   The New Business Application Form is the link between the applicant and the Underwriting teams. Therefore, it is imperative that application forms forwarded to Underwriting are properly filled out. Choose the type of application form depending on the nature of the new business

2. PRUOne

   PRUone is Pru Life UK's paperless application system for processing new business applications. It is a digital application that can be accessed by agents through their respective devices. The PRUone application can be completed by filling out the cards comprising the parts of an application form

Initial Payment

1. Modes of Payment
   - Annual: Full modal premium.
   - Semi-annual: Full modal premium.
   - Quarterly: Full modal premium.
   - Monthly policies billed monthly are required for enrollment in any of our automatic payment facilities: Post-Dated Checks (PDCs), credit card, or Automatic Debit Arrangement (ADA)
2. Methods of payment
   - Check.
   - Automatic Debit Arrangement (ADA).
   - Credit card.
   - Cash.
   - Bills payment/Bank deposit.
   - ePay.

Provisional Receipt

A Provisional Receipt (PR) is a temporary receipt issued by agents to their clients to acknowledge that they have represented themselves as a Pru Life UK agent and as such, serviced the prospect, client or insured, by actually receiving the premium payment (whether cash or by check) or any monies delivered to the agent.

Underwriting

Underwriting is the process of identifying and classifying the degree of risk that a proposed insured presents. It involves determining the premium that needs to be charged. Another term for Underwriting is Risk Selection.

Underwriting aims to prevent anti-selection. Anti-selection is the general tendency of people with impaired insurability to be more interested in obtaining insurance than those who present standard risks. A prospect may have reduced chances of getting insured if they are deemed to be too risky for the insurer to cover.

Risk classification

After the selection process, the underwriter classifies the acceptable risks into the following:

1. Standard
   Anticipated risk or mortality is average. They are charged the normal or regular premium for their age and plan of insurance chosen. Most applicants for life insurance fall into this class.
2. Substandard
   Anticipated risk or mortality is higher. They are charged an extra premium to cover the increased mortality associated with the risk.
3. Unacceptable
   Uninsurable or declined

Who underwrites?

- Agent: Field underwriter.
- Accredited doctors: For medical application.
- Home office underwriters.

SUITABILITY ASSESSMENT FORM REVIEW - SECTIONS AND FIELDS

In compliance with Section B.3 of IC Circular Letter 33-2013"(opens in a new tab) otherwise known as the Market Conduct Guidelines, PRULife UK requires that all new business applications (even resell policies) are submitted with an accomplished Suitability Assessment Form ("SAF").

The SAF must be accomplished accurately and completely to demonstrate a proper assessment of the client’s financial need and risk profile prior to any product and fund recommendation. As matching the need with the solution is crucial, the agent must ensure accuracy of the calculation of the financial need and investment risk score.

- Client’s Basic Information
- Your Family Needs And Priorities
- Calculation Of Needs
- Investment Risk Profiler
- Investor Risk Profile
- Record Of Advice
- Product Suitability Assessment
- Client’s Acknowledgment

PRUOne – https://youtu.be/rhwT5Y_QFec

How to Compute for your Client's Needs

1. Protection - https://youtu.be/F6pAWD-0swU
2. Children's Education - https://youtu.be/87PzRdoNtBA
3. Retirement - https://youtu.be/RagplVfMtMg
4. Medium-to long-term goals - https://youtu.be/ze6-gfnI1sc
5. Ready fund for critical illness - https://youtu.be/AK3uDyR88I0
6. Estate conservation - https://youtu.be/eYaHagODdMQ

Vulnerable Customers – https://youtu.be/Ua2kBcIAGmY

PRULINK ASSURANCE ACCOUNT PLUS

Overview of Prulink Assurance Account Plus (PAA Plus)

Clients are more likely to trust your recommendations when you display confidence and product knowledge. The primary role of life insurance is to provide financial protection to the life insured, in the case of death, accident, sickness, or disability. A good life insurance policy should be able to replace lost income from the breadwinner passing away, becoming disabled, or too old to work for a living.

Life is full of uncertainties, and a conscientious agent's main concern is the number of lives they can protect. By recommending PRULink Assurance Account Plus (with its many customizable options), we can protect more Filipinos.

The benefit term of PRULink Assurance Account Plus is up to age 100.

- It provides living, disability, accident and death benefits.
- Riders may be added to meet the client's additional needs.

HOW TO PRESENT PRULINK ASSURANCE ACCOUNT PLUS

PRESENTING PRULINK ASSURANCE ACCOUNT PLUS

Successful agents can connect a client's needs to a product's features. This is a skill that requires the ability to anticipate your client's needs, while probing for further information.

1. Identify your client's hot buttons.
   A hot button is anything that speaks to a client's heart; in other words, their priorities and concerns. Although hot buttons are unique to each client, they can be similar for clients in the same life stage. To identify your clients' hot buttons, apply the listening skills you've learned in the Sales Advisory Process. This table gives you scripts you can use for PRULink Assurance Account Plus to appeal to your clients' hot buttons at various life stages.
2. Use supporting facts
   Use facts and figures to ground your presentation. They inform your clients how this product addresses the needs of people like them, while strengthening your credibility as an insurance professional. This, in turn, assures your clients that PRULink Assurance Account Plus will truly benefit their family.

Addressing your client's needs

Strengthening your product knowledge will help you address your clients' concerns and explain how PRULink Assurance Account Plus can meet their needs.

1. Always ask the clients what their needs and priorities are.
2. Know your clients' profile to see if the product fits them.
3. Connect how this product solution can address their needs.
4. Provide product solutions that meet the client's needs.
5. Be familiar with the product's features, advantages and benefits in order to address client concerns.
6. Stay up to date on product knowledge – you never know what clients might ask.

You can watch the following videos on how to present PAA Plus to clients:

https://youtu.be/qVP3RFLn88Q and https://youtu.be/Ie9B5oZ1TwE

REGULATION AND COMPLIANCE: PRULINK ASSURANCE ACCOUNT PLUS

COMPLIANCE DISCLAIMER

Main Regulation and Compliance terms for PRULink Assurance Account Plus:

1. PRULink Assurance Account Plus is a whole life regular-pay variable life insurance product. Clients must be willing to pay premiums up to age 100.
2. Clients should also be made aware that if they fail to pay or discontinue paying their regular premiums and there are sufficient units in the account, the policy will automatically continue at the same Sum Assured and benefits through unit cancellation. If there are no units and unpaid premiums are not received within thirty-one (31) days, the policy will terminate immediately.
3. As a variable life insurance product, the Policyowner must clearly understand that the product is subject to investment risks, which could affect the future account or fund value of the Policy, depending on the performance of the investment funds.
4. Clients must be provided with accurate and complete information including appropriate disclosures with respect to the non-guaranteed features of the Policy including the risk to be borne when making investment decisions, provisions on fifteen (15)-day cooling-off period, premium holiday provision, child's lien and exclusions of any pre-existing conditions.

Full Regulation and Compliance terms for PRULink Assurance Account Plus below:

1. PRULink Assurance Account Plus comes with target sustainability options. Customer must be made aware of the importance of maintaining this Policy that is well aligned with his financial appetite and capability.

2. As a variable life insurance plan, the policy sustainability and fund values projected in PRULink Assurance Account Plus quotations are merely predictions or estimations. They are not guaranteed results of the future.
3. There are riders or optional benefits that can be attached to PRULink Assurance Account Plus such as providing additional coverage in the event of disability, accident, critical illness, and hospitalization. The customer must be made aware of these options and allowed to make decisions in accordance to his needs.
4. The terms and conditions (T&C) for PRULink Assurance Account Plus may be different from other products, hence, it is important to inform customer to always read the applicable T&C, which is also embedded in the relevant policy contract or policy booklet for details.

PRULINK ELITE PROTECTOR SERIES

OVERVIEW OF PRULINK ELITE PROTECTOR SERIES (ELITE 5, 7, 10, 15)

The greater good

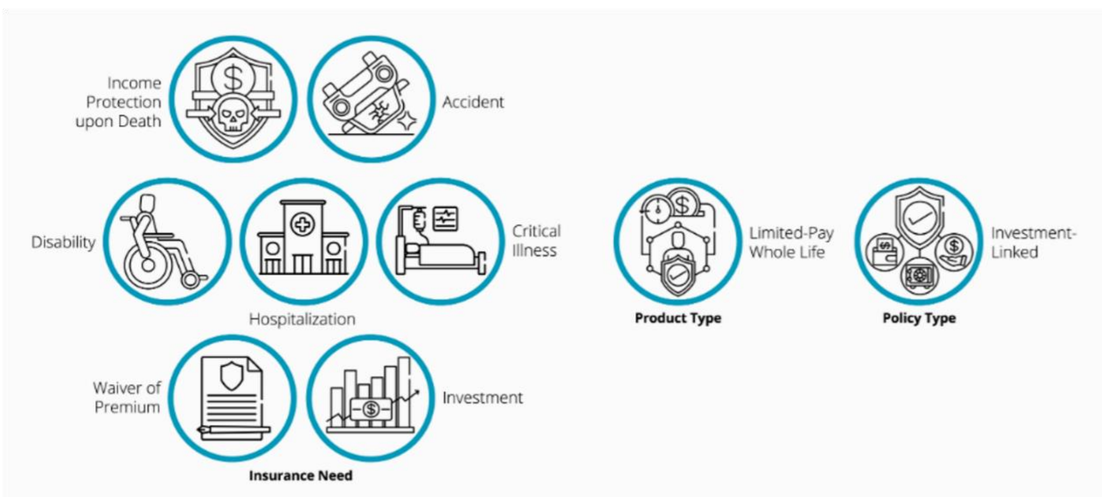
The average lifespan of a Filipino is 72 years, and he or she would need PhP 41,600 – PhP 62,400 every month to retire comfortably. Most Filipinos feel they will not have these funds at retirement to live comfortably. By recommending PRULink

Elite Protector Series to your clients, you will give them the opportunity to fulfill their retirement needs because of its potential for greater wealth accumulation

- PRULink Elite Protector Series is a customizable product.
- It is flexible and adaptable to client needs.
- It provides great potential for wealth accumulation though it is not guaranteed.

WHAT IS PRULINK ELITE PROTECTOR SERIES?

Main features



Main coverage

PRULink Elite Protector Series has the following core benefits:

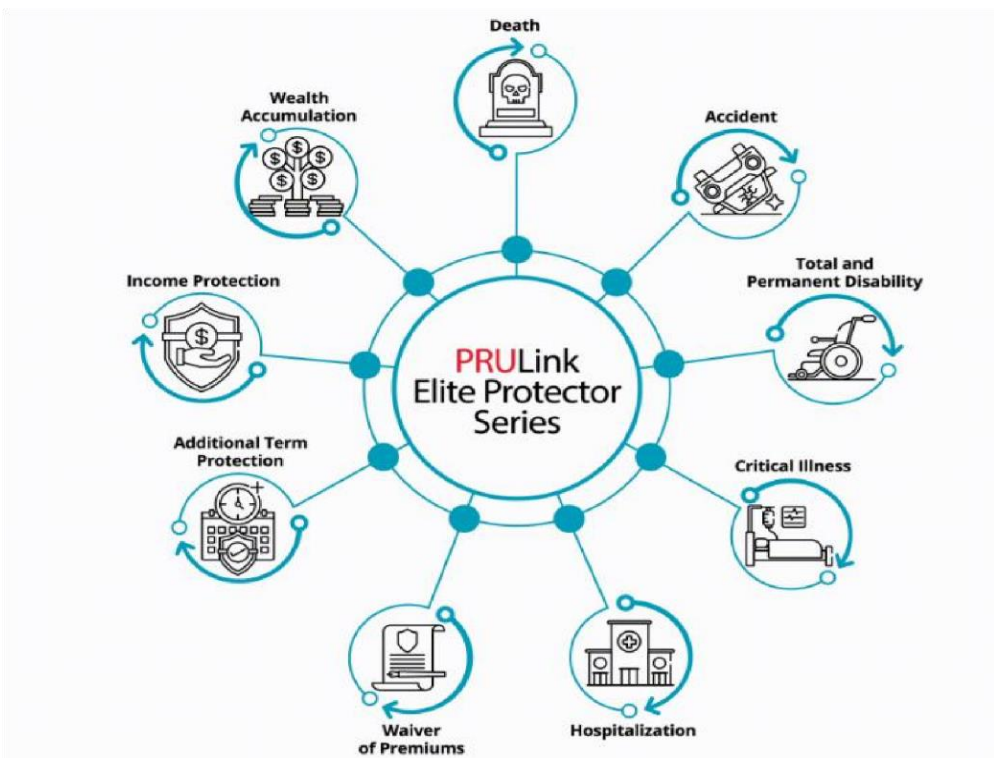
1. Death benefit
2. Accelerated Total and Permanent Disability (ATPD)
3. Accidental Death and Disablement (ADD)

4. Loyalty Bonus on the 11th to the 15th policy year (applicable only to Elite 15) Meeting client needs

All products should solve a client need. Use your Sales Advisory Process skills to start conversations with your clients and understand their needs before recommending them the right products.

Client solutions

Coverage options



Key features

You should mention these features to potential clients:

- Flexible payment terms
  It gives insurance coverage up to age 100; your client has the option to pay for only 5, 7, 10, or 15 years.
- Maximum protection
  It provides a wide possible range of protection coverage because of its higher Sum Assured multiples.
- High fund allocation
  Up to 70% of your client's premium will be allocated to investment in the first year. That means a higher investment return potential! The allocated percentage of premium depends on the chosen payment term.

Benefits and limitations

1. Death benefit
   If the life insured dies, Pru Life UK will pay:
   - Basic Sum Assured (SA),
   - Fund Value (FV), and
   - 125% of the top-ups less 125% of all the withdrawals on the top-up units.

   Limitations:

     - The two-year contestability period will apply if claims are filed within the policy's first two years. This means that the claims will have to undergo investigation before the benefit is given.
     - If Pru Life UK denies a claim due to suicide (not insanity), concealment, or material misrepresentation, they will return the amount of premiums paid.

2. Accelerated Total and Permanent Disability (ATPD)
   Pru Life UK will pay a cash benefit, if the life insured becomes totally and permanently disabled due to injury or disease that may result to:
   - The life insured's inability to work if he or she is working at the time of disablement; or
   - The life insured's inability to perform three or more activities of daily living if he or she is unemployed at the time of disablement; and
   - The life insured's complete and irrecoverable loss of certain body parts.
     Minimum benefit :PhP 250,000.00 or USD 1,200
     Maximum benefit : 100% of Basic Sum Assured

   Limitations

- Benefit begins only when the life insured turns 5 years old.
- Insured is only covered until the policy anniversary immediately following their 70th birthday.

3. Accidental Death and Disablement (ADD)

   Pru Life UK will pay a specified percentage of the ADD Sum Assured according to the compensation schedule.

   Minimum Sum Assured: PhP 250,000 or USD 4,500

   Maximum Sum Assured: PhP 10,000,000/USD 200,000 per life

   Limitations

   - Benefit begins only when the life insured turns 5 years old.
   - Death or losses must happen within 180 days of the accident.
   - Insured is only covered until the policy anniversary immediately following their 73rd birthday.

4. Loyalty Bonus

   Pru Life UK will allocate an additional 10% (for Peso) and 5% (for Dollar) of the annual premium on the 11th to the 15th policy year, if the premiums are paid during the first 10 years of the policy and being continued thereafter.

   Limitations

   Loyalty Bonus will not be paid in the following instances:

   - For top-ups made;
   - If the regular premium is not paid;
   - All withdrawals exceed top-ups made;
   - On regular premiums made on the 16th year onwards; and
   - When you reduce your regular premiums.

5. Basic Sum Assured (SA)

Benefit

Event	Payout
Insured dies within the policy period due to natural cause	Basic SA + FV
Insured dies due to accident	Basic SA + ADD benefit + FV
Insured dies after suffering TPD during policy period	Basic SA - TPD benefit (If TPD = 100% of Basic SA, the policy will be terminated after TPD claim.)
Insured lives up to age 100	Basic SA + FV

Limitations

For the same amount of premium, the client can choose his or her Sum Assured amount as long as it is within the Sum Assured multiples.

Minimum Sum Assured	Elite 5	:5 times of the basic annual premium			
	Elite 7	:7 times of the basic annual premium			
	Elite 10	:10 times of the basic annual premium			
	Elite 15	:15 times of the basic annual premium			
Maximum Sum Assured	**Age**	**Elite 5**	**Elite 7**	**Elite 10**	**Elite 15**
(multiple of basic plan premium) *This is set per age bracket to ensure that there is a substantial amount left in the fund to cover for future deductions of cost of insurance (COI).*	0 - 4	32	44	64	98
	5 - 9	31	43	62	95
	10 - 14	30	42	60	92
	15 - 19	30	41	60	91
	20 - 44	30	41	59	91
	45 - 49	23	32	46	70
	50 - 54	15	20	30	45
	55 - 59	9	13	19	29
	60 - 64	6	8	12	18
	65 - 70	6	7	10	15

6. Juvenile Lien

The Basic Sum Assured payout is subject to Juvenile Lien. This means only a percentage of the SA will be paid if the insured child dies between age 0 – 4 years.

PREMIUM AND CHARGES ALLOCATION

Premiums

Premiums are what your clients must pay to maintain the policy. They are based on several factors, such as entry age, gender, occupation, lifestyle, and medical condition.

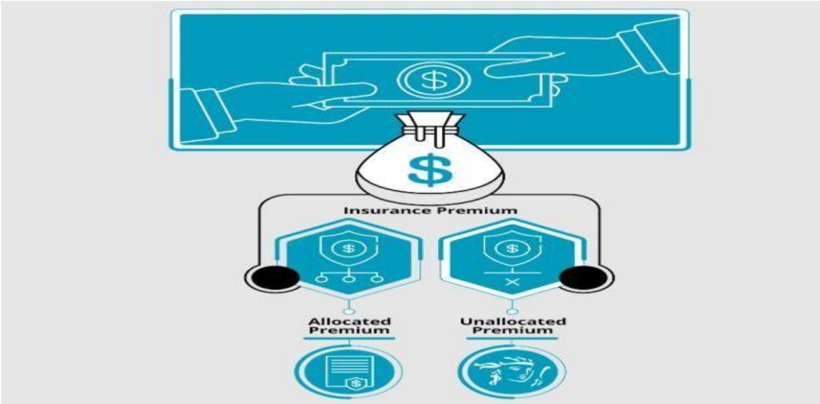
PRUlink Elite Protector Series Variant	Minimum Premium		Maximum Premium
5-year	Peso	200,000	Subject to full underwriting
	Dollar	4,500	
7-year	Peso	150,000	
	Dollar	3,300	
10-year	Peso	110,000	
	Dollar	2,500	
15-year	Peso	85,000	
	Dollar	1,700	

Allocated and unallocated premiums

Allocated premiums are those that are used to purchase units from the chosen fund to cover for insurance and investment, while unallocated premiums are used to cover the set-up and administration costs of the policy.

What happens to allocated premiums?

A small portion of the premium goes to protection, which allows the client to have life insurance coverage known as the Sum Assured.



Allocation rates

Your client's premium is allocated starting on the 1st year of the policy. Allocation rates are expressed as percentage of premium payment.

Premium allocation	Elite 5	Elite 7	Elite 10	Elite 15
Year 1	70%	60%	50%	40%
Year 2	85%	75%	70%	60%
Year 3	95%	95%	95%	85%
Year 4	95%	95%	95%	95%
Year 5 up to end of premium payment term	100%	100%	100%	100%

Charges

- Policy fee is deducted monthly from your client's fund, during the premiumpayment period. It's PhP 400/USD 8 per year or PhP 33.33/USD 0.67 per month.
- Once the premium-payment period is over, it is reduced to PhP 200/USD 4 per year or PhP 16.67/USD 0.34 per month while the policy is in force.
- Insurance and rider charges are deducted monthly from your client's fund through unit cancellation. It varies based on the attained age of the life insured. It is normally computed for every PhP 1,000 of the Sum Assured.

- Surrender charges apply to partial and full withdrawals drawn from units created from regular premiums, and top-ups based on a first-in, first-out basis. The declining surrender charge is expressed as a percentage of the withdrawn amount.

- Premium holiday charges are expressed as percentage of the premium. It will be deducted from the fund value, if your client is not able to pay their regular premiums within the 31-day grace period.

<u>Terms and conditions</u>

Review the main terms and conditions that apply to PRULink Elite Protector Series:

- Cooling-off period
- Grace period
- Automatic unit cancellation
- Premium holiday
- Incontestability
- Misstatement of age
- Suicide
- Assignment

CLIENT RISKS AND SUSTAINABILITY

<u>Policy sustainability</u>

Policy sustainability refers to the number of years the policy can continue if the plan's fund value is used to pay for charges.

- Charges

  Insurance charges and other applicable charges, are deducted monthly by selling units from the fund, as long as the policy is in force. This is regardless if the premium is currently being paid, or has already been fully paid.

- Partial withdrawals

  Leaving the fund value at minimum maintaining balance, may not be enough to cover your client until age 100. This is due to continuous deduction of charges and/or extreme market volatility.

- Extreme market volatility

Extreme market volatility makes the unit price drop or become low. When the unit price is low, more units will be deducted from your client's policy. This is to cover charges due to a lower unit price.

<u>Policy terms</u>

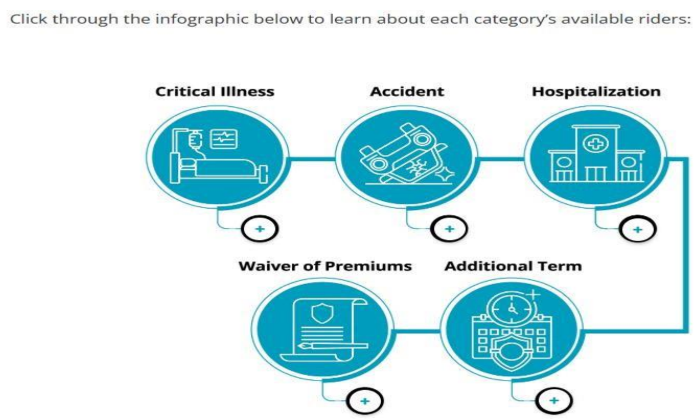
In PRULink Elite Protector Series, you pay premiums for 5, 7, 10, or 15 years. The death benefit coverage is until age 100. When the life insured reaches age 100, he or she will be given a maturity benefit equal to the Sum Assured and value of units in the policy. Client suitability

A unique feature of the PRULink Elite Protector Series is its limited payment term.

This allows your client to complete paying for their policy in a fixed amount of time. However, as your client stops paying after a fixed amount of time, no more investment units will be added to their account. Lastly, due to the premium holiday charge, you should only offer this to individuals, who can pay their premium regularly during the payment term.

<u>Attachable riders</u>

Riders for PRULink Elite Protector Series are grouped into categories, including:

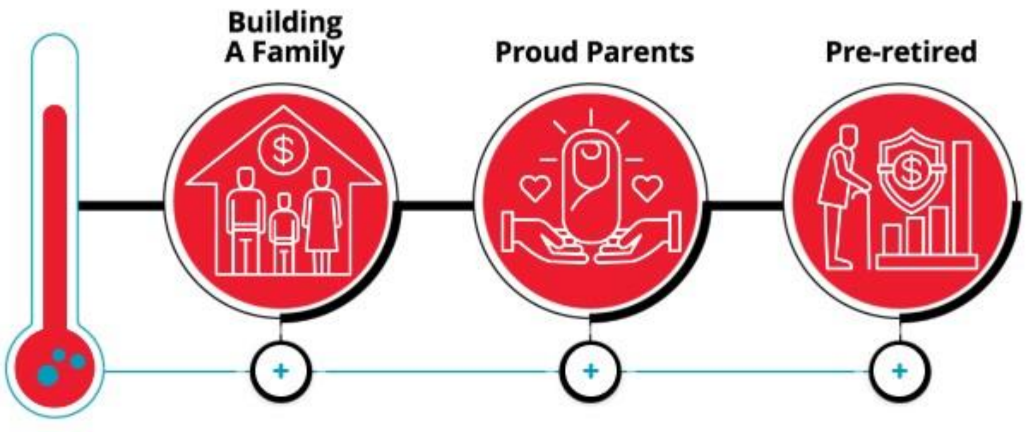


- Critical Illness
- Accident
- Hospitalization
- Additional Term
- Waiver of Premiums

HOW TO PRESENT PRULINK ELITE PROTECTOR SERIES

<u>Identify your client's hot buttons</u>

A hot button is anything that speaks to a client’s heart; in other words, their priorities and concerns. To identify your clients’ hot buttons, apply the listening skills you’ve learned in the Sales Advisory Process.



Use supporting facts

SUPPORTING FACTS | EXTERNAL RESOURCES

- 9 out of 10 Filipinos worry about their retirement
- SSS Pension Benefit can only provide a maximum of PhP 13,045.60 (at age 60 of retirement)
- Philippines has the 4th lowest rank in Retirement Systems

Addressing your client's needs

- Provide product solutions that meet the client’s needs.
- Be familiar with the product’s features, advantages and benefits, in order to address client concerns.
- Stay up to date on product knowledge – you never know what clients might ask.

REGULATION AND COMPLIANCE: PRULINK ELITE PROTECTOR SERIES

Compliance disclaimer

Below are the main Regulation and Compliance terms for PRULink Elite Protector Series:

1. PRULink Elite Protector Series is a whole life limited-pay variable life insurance product. It combines life insurance and great potential for wealth accumulation with short-term payment options (payable in 5, 7, 10 and 15 years).
2. Clients should be made aware that a Premium Holiday Charge shall be deducted from their accounts in case of non-payment of premiums, within the grace period of 31 days from due date.
3. PRULink Elite Protector Series fund allocation varies depending on the chosen payment term. For the 15-pay variant, an additional allocation or a Loyalty

Bonus shall be provided to the Policy on the 11th through the 15th policy

years, only if the client pays regular premiums for ten (10) years and continue to pay regular premiums subsequently as they fall due.

4. As a variable life insurance product, the Policyowner must clearly understand that the product is subject to investment risks, which could affect the future account or fund value of the Policy, depending on the performance of the investment funds.
5. Clients must be provided with accurate and complete information including appropriate disclosures with respect to the non-guaranteed features of the Policy, including the risk to be borne when making investment decisions, provisions on fifteen (15)-day cooling-off period, premium holiday provision, loyalty bonus, child's lien and exclusions of any pre-existing conditions.

View the full Regulation and Compliance terms for PRULink Elite Protector Series below:

- PRULink Elite Protector Series comes with target sustainability options. Customer must be made aware of the importance of maintaining this Policy that is well aligned with his financial appetite and capability.
- As a variable life insurance plan, the policy sustainability and fund values projected in PRULink Elite Protector Series quotations are merely predictions or estimations. They are not guaranteed results of the future.
- There are riders or optional benefits that can be attached to PRULink Elite Protector Series such as providing additional coverage in the event of disability, accident, critical

illness, and hospitalization. Customer must be made aware of these options and allowed to make decisions in accordance to his or her needs.

- The terms and conditions (T&C) for PRULink Elite Protector Series may be different from other products, hence, it is important to inform the customer to always read the applicable T&C, which is also embedded in the relevant policy contract or policy booklet for details.

Approval from Compliance

All new and revised marketing collaterals such as advertisements, leaflets, poster, letters, brochures, websites and recruitment materials must be submitted to Compliance Department for approval before distribution.

Basis of recommendation

Always conduct proper needs-based sales analysis before recommending a product. Establish the link between the clients' needs, objectives, financial status, risk profile and recommend products with a clear and proper basis of recommendation. Clear, adequate and not false or misleading disclosure. The information to a client and any product information disclosures must be clear, adequate and not false or misleading.

Required (for agent distribution)

There are two simple steps to complete product training.

1. Complete the digital learning course and learning paths.
2. PASS the quiz/assessment.

Videos for further knowledge:

https://youtu.be/_KxvN4h5nYM

https://youtu.be/zFb_9Xw_1no

https://youtu.be/vjdYc_qwF-A

https://youtu.be/rUhZ-BLL3gA

https://youtu.be/cnzs2zN2zQM

https://youtu.be/3kyTl6PudTU

PRUMILLIONAIRE

OVERVIEW OF PRUMILLIONAIRE

- PRUMillionaire is a one-time pay investment-linked life insurance plan.
- It provides protection benefits and allows the clients to maximize their investment through lower initial charge.
- It has a superior selection of funds.

PRESENTING PRUMILLIONAIRE

- Ask prospective clients what their needs and priorities are.
- Assess clients' profile and financial objectives to see if PRUMillionaire is suitable for them.
- Discuss how PRUMillionaire can provide the solution to meet their needs.

Videos on how to present PruMillionaire:

https://youtu.be/tRx-0btRbJg

https://youtu.be/FYdpYQwPI3k

Addressing your client's needs

- Provide product solutions that meet the client's needs.
- Be familiar with PRUMillionaire's features, advantages and benefits in order to address client concerns.
- Stay up to date on product knowledge – you never know what clients might ask.

COMPLIANCE DISCLAIMER

Below are the main Regulation and Compliance terms for PRUMillionaire:

1. PRUMillionaire is a whole life one-time pay variable life insurance product that maximizes the value of investment, through a significantly lower initial charge.
2. Client must be informed that there are no riders or optional benefits available for this product.
3. PRUMillionaire is a Guaranteed Issue Offer (GIO) product, meaning no medical underwriting is required. However, it is important to inform the client that usual financial underwriting, anti-money laundering guidelines, and claims evaluation and conditions will still apply
4. As a variable life insurance product, the Policyowner must clearly understand that the product is subject to investment risks, which could affect the future account or fund value of the Policy, depending on the performance of the investment funds.
5. Clients must be provided with accurate and complete information including appropriate disclosures with respect to the non-guaranteed features of the Policy including the risk to

be borne when making investment decisions, provisions on fifteen (15)-day cooling-off period, surrender and withdrawal charges, and exclusions of any pre-existing conditions.

View the full Regulation and Compliance terms for PRUMillionaire below:

- PRUMillionaire comes with target sustainability options. Customer must be made aware of the importance of maintaining this Policy that is well aligned with his financial appetite and capability.
- As a variable life insurance plan, the policy sustainability and fund values projected in PRUMillionaire quotations are merely predictions or estimations. They are not guaranteed results of the future.
- Customer must be made aware of these options and allowed to make decisions in accordance to his needs.
- The terms and conditions (T&C) for PRUMillionaire may be different from other products, hence, it is important to inform customer to always read the applicable T&C, which is also embedded in the relevant policy contract or policy booklet for details.

Approval from Compliance

All new and revised marketing collaterals such as advertisement, leaflets, poster, letter, brochures, websites and recruitment materials must be submitted to Compliance Department for approval before distribution.

Basis of recommendation

- Always conduct proper needs-based sales analysis before recommending a product.
- Clear, adequate and not false or misleading disclosure
- The information to a client and any product information disclosures must be clear, adequate and not false or misleading.

ACCELERATED LIFE CARE BENEFIT

OVERVIEW OF ACCELERATED LIFE CARE BENEFIT (ALCB)

When you believe in what you sell, you inspire excitement in others. Clients are more likely to trust your recommendations when you display confidence and in-depth knowledge on the riders you present.

The greater good

Cancer, stroke, and heart attack are the leading reasons for critical illness claims in 2019. According to studies, one will need almost a million Philippine pesos for treatment of acute heart attack and almost 3 million Philippine pesos for lung cancer. Unfortunately, 84% of Filipinos are not financially prepared for medical costs in case they are diagnosed with a critical illness. With Accelerated Life Care Benefit, we can prepare Filipinos for such situations.

WHAT IS ACCELERATED LIFE CARE BENEFIT?

What coverage does Accelerated Life Care Benefit provide?

Main coverage

Adding Accelerated Life Care Benefit to your client's basic plan allows them to receive the Basic Sum Assured in advance if he or she is diagnosed with one of the 36 critical illnesses or has undergone surgery because of a critical illness.

Meeting client needs

All Riders should solve a client need. Use your Sales Advisory Process skills to start conversations with your clients and understand their needs before recommending them the appropriate Riders.

Client solutions

Key features

You should mention these features to potential clients:

Advances the Basic Sum Assured

1. Accelerated Life Care Benefit pays out a percentage of the Basic Sum Assured as a living benefit upon diagnosis of, or upon surgery due to, any of the 36 critical illnesses.
    - If only a portion of the Basic Sum Assured is advanced by ALCB claim, the policy continues at a Sum Assured net of the accelerated benefit.
    - If 100% of the Basic Sum Assured is advanced, the policy automatically terminates, and the value of units is immediately paid out. □ Covers 36 critical illnesses
2. Accelerates benefit up to a maximum of Php 10,000,000/USD 200,000
    - The maximum amount payable under all Pru Life UK policies to which Accelerated Life Care benefit is attached per life is 100% of the Basic Sum Assured or PhP 10,000,000 or USD 200,000, whichever is lower.

Eligibility

To be eligible for Accelerated Life Care Benefit, the life insured must be between 18 and 60 years old, subject to underwriting approval.

Rider terms

Accelerated Life Care Benefit has a rider term of up to age 70. When the Accelerated LCB attached to an Investment-Linked plan expires at age 70, its related rider charges will stop. When the Accelerated LCB attached to a Traditional plan expires at age 70, the total premium will be reduced by the Accelerated LCB premium amount.

BENEFITS AND LIMITATIONS

ALCB coverage

The ALCB is payable when the life insured is diagnosed with any one of the 36 identified critical illnesses, with the diagnosis certified with a medical certificate, and supported by relevant documents satisfying Pru Life UK's definition of critical illness.

Benefits:

- Upon diagnosis of, or having undergone surgery because of any of the identified 36 critical illnesses, Pru Life UK will pay the ALCB coverage equal to the rider benefit amount.

Limitations

- Accelerated Life Care Benefit can only be attached if the insured's age is between 18 to 60 years old.
- A 90-day waiting period for rider coverage applies, which means that your client is covered by ALCB rider only after 90 days from the date of policy issuance.
- ALCB coverage expires on the policy anniversary immediately following the life insured's seventieth (70th) birthday.

PREMIUM AND CHARGES ALLOCATION

How are premiums and charges allocated?

Be transparent with your clients. Explain where charges and premiums are allocated before they buy a Rider.

Premiums

Premiums are what your clients must pay to maintain the policy. They are based on several factors, such as entry age, gender, occupation, lifestyle, and medical condition. For Investment-Linked plans, the additional premium for Accelerated Life Care Benefit is invested in your client's chosen fund(s). While for Traditional plans, it is used as payment for the critical illness coverage.

Allocation rates

The allocation rate, which is represented by a percentage, refers to the portion of the allocated premium.

Rider charge

Depending on the life insured's age, a maximum rider charge of PhP 88 per PhP 1,000 of the Rider Sum Assured will be levied.

Terms and conditions

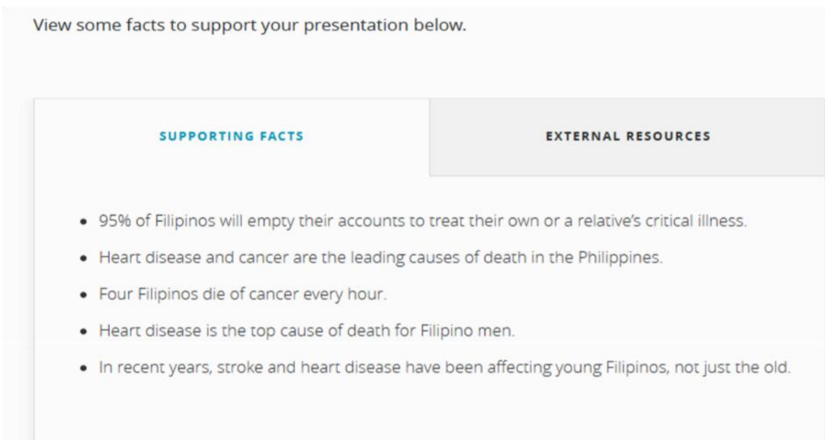
- Help your clients understand how a Rider meets their needs by explaining its main terms and conditions. The rider term of Accelerated Life Care Benefit is up to age 70.
- My client will not be able to claim Accelerated Life Care Benefit if they are diagnosed with any of the 36 eligible critical illnesses before the benefit's effective date, which is after 90 days from the policy issue date.
- All benefits including ALCB rider terminates when the basic plan is no longer in force.

HOW TO PRESENT ACCELERATED LIFE CARE BENEFITS?

- Identify your client's hot buttons

  Hot buttons are helpful scripts to use with clients once you have identified the needs associated with their life stage.
- Use supporting facts

  Use facts and figures to ground your presentation. They inform your clients how this Rider addresses the needs of people like them while strengthening your credibility as an insurance professional.



<u>Addressing your client's needs</u>

Ensuring Rider fit

- A successful claim from Accelerated Life Care Benefit will reduce the Basic Sum Assured.
- The benefit amount will also be affected by other accelerated benefits, such as Accelerated Total and Permanent Disability (ATPD).
- The maximum benefit amount of Accele rated Life Care Benefit per life is PhP 10,000,000 but total critical illness coverage may be increased to PhP 15,000,000 through other critical illness riders.

REGULATION AND COMPLIANCE: ACCELERATED LIFE CARE BENEFIT

Below are the main Regulation and Compliance terms for Accelerated Life Care Benefit:

1. Client must be informed that Life Care Benefit rider charges are on top of the insurance charge that the client pays for.
2. Accelerated Life Care Benefit Rider is subject to medical underwriting and has a two-year contestability period.
3. Clients must be provided with accurate and complete information, including appropriate disclosures with respect to the covered illnesses, provisions on pre-existing conditions, waiting period, and benefit termination.

Regulation and Compliance terms for Accelerated Life Care Benefit below:

- Clients must be made aware that Accelerated Life Care Benefit Rider will cover them if their identified need is protection against critical illness or surgeries. The critical illnesses covered are indicated in the policy booklet.
- The critical illness or surgeries covered for Accelerated Life Care Benefit may be different for each critical illness stage and for each product, it is important to inform clients to always read the applicable terms and conditions, which are also embedded in the relevant product highlight sheet, policy contract or policy booklet.

Approval from Compliance

All new and revised marketing collaterals such as advertisement, leaflets, poster, letter, brochures, websites, and recruitment materials must be submitted to Compliance Department for approval before use and distribution.

Videos for more knowledge about the topic:

https://youtu.be/DvEaygYs3ws

https://youtu.be/BEDnhgWWf4Q

https://youtu.be/q7in9OeitAY

https://youtu.be/WSJLcBMWdqQ

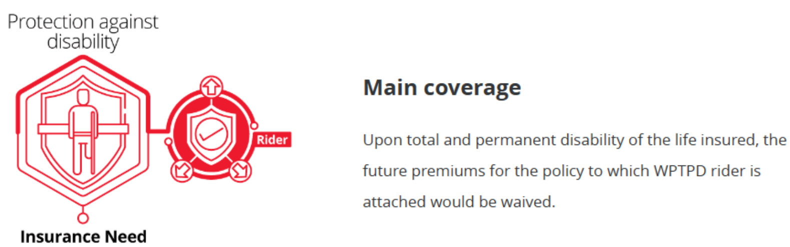
WAIVER OF PREMIUM ON TOTAL AND PERMANENT DISABILITY

OVERVIEW OF WAIVER OF PREMIUM ON TOTAL AND PERMANENT DISABILITY (WPTPD)

- Waiver of Premium on Total and Permanent Disability is a type of waiver rider. A waiver rider waives the premiums of an insurance policy under certain circumstances such as death, critical illness, or total and permanently disability.
- It covers total and permanent disability due to injury or disease.
- In the Philippines, one of the leading causes of disability in adults is stroke, and in most cases, stroke survivors lose their income-generation ability and are laden with the cost of rehabilitation—this is where I have an opportunity to recommend attaching WPTPD rider to my clients' basic plans.

WHAT IS WAIVER OF PREMIUM ON TOTAL AND PERMANENT DISABILITY?

Main features



Main coverage

Upon total and permanent disability of the life insured, the future premiums for the policy to which WPTPD rider is attached would be waived.

Video: https://youtu.be/MgzpdZ4AzRY

Key features

You should mention these features to potential clients:

- Waives premium

Waiver of Premium on Total and Permanent Disability rider waives all future regular premiums of the policy it is attached to, if the life insured becomes totally and permanently disabled.

- Covers bodily injury and disease

  If the life insured becomes totally and permanently disabled due to bodily injury or disease, WPTPD rider waives the premiums after the commencement and during the continuance of such disability until the end of the rider benefit term.

- Keeps benefits intact

  Waiver of Premium on Total and Permanent Disability ensures that your clients' protection coverage, accumulation of funds and other benefits of their basic policy/policies remain intact.

What are the unique benefits of Waiver of Premium on Total and Permanent Disability?

Watch here: **:** https://youtu.be/7SyGIEoZA-U

Eligibility

To be eligible for Waiver of Premium on Total and Permanent Disability, the life insured must be 18–59 years old, subject to underwriting approval.

- The rider is available to healthy applicants aged 18–59 years old.
- WPTPD's benefit term is up to age 60.
- WPTPD can be attached to both Investment-Linked and Traditional policies.

BENEFITS AND LIMITATIONS

Benefits

Waiver of Premium on Total and Permanent Disability is a waiver rider that helps keep your client's policy in force.

WPTPD coverag

Future premiums which will be waived is based on the policy's regular premium at the time of approval of the WPTPD claim.

Limitations

- Policy premiums will only be waived after the life insured has been diagnosed as having total and permanent disability for at least 6 months.
- The policyowner must continue to pay the premiums during the 6-month waiting period.
- The WPTPD coverage expires on the policy anniversary immediately following the 60th birthday of the life insured.
- WPTPD can only be attached if the Accelerated Total and Permanent Disability (ATPD) benefit is less than 100% of the Basic Sum Assured.
- WPTPD does not waive future top-ups.

What are the main benefit limitations of Waiver of Premium on Total and Permanent Disability?

Watch here: https://youtu.be/Met37CKv5zE

PREMIUM AND CHARGES ALLOCATION

Premiums

Premiums are what your clients must pay to maintain the policy. To add the Waiver of Premium on Total and Permanent Disability rider to the policy, your clients need to pay an additional regular premium.

What happens to allocated premiums?

For Investment-Linked policies, the additional premium for WPTPD is invested in your client's chosen fund(s), while for Traditional policies, it is used as payment for the waiver benefit.

Allocation rates

The allocation rate, which is represented by a percentage, refers to the portion of allocated premium.

Terms and conditions

- WPTPD does not cover self-inflicted injuries or illness.
- If no claim from WPTPD was made before age 60, WPTPD terminates on the policy anniversary immediately following the sixtieth (60th) birthday of the insured; If a claim for WPTPD was made before age 60, it terminates on the policy anniversary following the 100th birthday of the insured.

- WPTPD terminates when the policy to which it is attached is no longer in force.

HOW TO PRESENT WAIVER OF PREMIUM ON TOTAL AND PERMANENT DISABILITY

Presenting Waiver of Premium on Total and Permanent Disability

- Identify your client's hot buttons
- Use supporting facts

SUPPORTING FACTS | EXTERNAL RESOURCES

- In 2017, lower back pain, headache disorders, and diabetes are the most common health problems that cause disability.
- In the past, the incidence of stroke was limited to those in the 60–70 years age group. Now, cases of stroke occur in patients as young as 30–40 years old because of lifestyle changes.
- The Philippine Institute for Development Studies said in 2018 that 40% of the country's population belongs to the middle-income group, in which an average family of five earns between PhP 23,381 and PhP 140,284 per month.
- The range is the amount at risk a family faces should its breadwinner retire prematurely as a result of a severe affliction, such as a disability from an illness or injury.

Additional resources for presenting Waiver of Premium on Total and Permanent Disability

LINK: https://youtu.be/n3ulB3EEKsY

- Health problems may cause total and permanent disability.
- The incidence of stroke among people as early as their 30s is increasing.
- Being protected against possible disability through insurance is important

REGULATION AND COPLIANCE

Compliance disclaimer

Below are the main Regulation and Compliance terms for Waiver of Premium on Total and Permanent Disability:

1. Clients must be informed that premiums of Waiver of Premium on Total and Permanent Disability rider are on top of the insurance premiums for their basic policies.

2. Waiver of Premium on Total and Permanent Disability Rider is subject to medical underwriting and follows a two-year contestability period.
3. Clients must be provided with accurate and complete information including appropriate disclosures with respect to the covered illnesses, provisions on pre-existing conditions, waiting period, and benefit termination.

View the full Regulation and Compliance terms for Waiver of Premium on Total and Permanent Disability below:

- Client must be made aware that Waiver of Premium on Total and Permanent Disability Rider will waive all future regular premiums of the policy after and during the continuance of the insured's total and permanent disability.
- The Waiver of Premium on Total and Permanent Disability Rider can only be attached if the Accelerated Total and Permanent Disability Benefit is less than 100% of the Basic Sum Assured.
- It is important to inform clients to always read the terms and conditions applicable to their policy/policies, which are also embedded in the relevant product highlight sheet, policy contract, or policy booklet.