

Life insurance is a financial product where policyholders pay premiums into a fund managed by an insurance company, which provides financial support to beneficiaries upon the policyholder's death or in cases of total and permanent disability. Policies can be purchased through banks, brokers, or agents, and it is essential to verify the agent's credentials, as they must be registered with the Life Insurance Association of Malaysia (LIAM) and pass a qualifying exam. The policy contract outlines the agreement between the policyholder and the insurer, detailing premium payments in exchange for a death benefit or disability payout, making it crucial to read the contract carefully to understand coverage limits and exclusions. Life insurance serves various purposes, including providing financial security for family members, funding children's education, and offering savings plans for retirement, with tax relief available on premiums paid, subject to specific limits based on the type of policy. Different types of policies include term insurance, whole life insurance, endowment insurance, investment-linked policies, life annuities, and supplementary riders, each with distinct features and benefits; for instance, term insurance offers coverage for a limited period, while whole life insurance provides lifelong protection.

Disclosure of accurate information in the application is vital, as failure to do so may void the policy. Key provisions in a life policy include premium payment frequency, participating versus non-participating policies, cash value accumulation, grace periods for late payments, and conditions for policy loans. Policies may lapse if premiums are unpaid beyond the grace period, but options like reduced paid-up or automatic premium loans may apply. The policy also includes clauses regarding suicide, incontestability after two years, and the right to cancel within a specified period for a refund. Policyholders should keep track of premium due dates, ensure correct age reporting, and regularly review their insurance needs. In case of complaints regarding the insurance product or claims, policyholders should first address the issue with the insurance company's Complaints Unit, and if unresolved, escalate to Bank Negara Malaysia or consider legal action. It is also recommended to inform nominees about the policy details and maintain proper documentation for reference.

A participating policy allows the policyholder to share in the profits of a life insurance company, typically through reversionary bonuses or dividends, which are not guaranteed and may fluctuate based on investment returns. The underwriting process assesses the risk class or mortality of a policyholder, considering factors such as age, sex, habits, personal and medical history, and occupation. It is crucial for applicants to provide complete and truthful information to ensure fair risk assessment. If a premium is not paid on time, a grace period is provided—15 days for monthly payments and 30 days for semi-annual or annual payments—during which the policy remains in force. If the policy lapses, it can be reinstated under certain conditions, including a declaration of health. Policyholders can cancel their policy within a 15-day free look period for a full refund of the premium paid, minus any medical fees incurred. However, early termination of a policy is generally discouraged, as the surrender value is often less than the total premiums paid, and replacing a policy may result in higher premiums due to the policyholder's age and additional initial costs. Surrendering a policy after a minimum of three years will yield a cash value, known as the surrender value, but doing so before maturity may result in a loss. A sales illustration is not a legal document; the legal obligations are defined in the policy itself, and policyholders should carefully review the contract for coverage details and exclusions. Premiums can be paid directly to the insurance company or through an agent, but if paid through an agent, it is essential to ensure the payment is made to the insurance company and to obtain a receipt.