

## “5W1H” for Personal Insurance Planning



### This Issue's Must-read

---

The “5W1H” (who, what, where, when, why, how) is a methodology or framework that one uses to ask a prospect while questioning, gathering information or during problem solving. Some may recall that from their primary school days or earlier, the “5W1H” framework was taught to them while writing compositions or even during an oral examination while doing a pictorial description.

Below is the “5W1H” framework for insurance planning that one can take a reference from when making such a decision during a financial planning interview:

## 1. WHY does one buy Insurance?

*The most important thing before starting to do anything is to know the “Why”*

As Simon Sinek puts it, “Everyone has a WHY. Your WHY is the purpose, cause or belief that inspires you. Knowing your WHY gives you a filter to make choices, at work and at home, that will help you find a greater fulfilment in all that you do”.

As Simon Sinek puts it, “Everyone has a WHY. Your WHY is the purpose, cause or belief that inspires you. Knowing your WHY gives you a filter to make choices, at work and at home, that will help you find a greater fulfilment in all that you do”. In insurance planning, one must first understand the purpose of insurance and why they get it for. Insurance itself is a risk transfer tool, and the main reason people get insurance is to minimize the impact of these risks when a risky event happens. There are many reasons for one to purchase insurance, but the primary reason for the purchase of insurance would be for a peace of mind and for the following financial planning purposes: wealth protection; income replacement; debt settlement or medical expense payment/reimbursement.



## 2. WHO should purchase insurance?

*After knowing the “why”, the next question to ask is “Who should purchase insurance?”*

Insurance is for everyone. Regardless of age, background and gender; everyone is exposed to the risk of premature death, disability, diseases, hospitalization and accident, and getting an insurance will minimize the financial impact of these events happening. Of course, every individual is unique and has a different situation. It is thus advisable to do a thorough financial planning and needs analysis with a financial practitioner before purchasing any insurance policies / plans.

The first category being whole life and term insurances that provide coverage for death, disability and dreaded diseases; and the second category being Accident and Health policies (A&H) that provides medical reimbursement and coverage in the event of an accidental death and dismemberment. There are also plans for wealth accumulation in the form of endowments and Investment Link Plans (ILP).

## 3. WHAT type of plans/policies are available? WHAT type of plans should one get?

*There are many types of policies available in the market, but for insurance plans, it can be generally classified into two categories.*

Regarding the type of plans that one should buy, one should first go through a thorough financial planning and needs analysis process to understand their financial situation and status; understand fully the various type of plans that are available, and how these plans will work for them before making an informed decision on choosing the one that best suits their current needs and situation.

## 4. WHERE can one purchase such insurance plans/policies?

*There are many distributors of such insurance plans/policies.*

In a Singaporean context, one can purchase a policy through the following means: through a financial practitioner with a tied agency (representing an insurance company) or financial advisory firm; through bank branches or bank staff (known as bancassurance); directly through websites; or through some customer services centres of certain insurance companies. Consumers can also go to road shows, bank branches, customer services centres, websites etc, or simply ask recommendations from people that they know to find a trusted financial practitioner.



Regardless of where one chooses to purchase the plans/policies from, the most important thing to do is understand why one should get these plans; understand how these plans work for them; and be comfortable with whichever service provider or distributor that they choose.

## 5. WHEN should one get these insurance plan /policies?

*The best time to purchase insurance is actually before a risky event happens.*

Consumers sometimes tend to procrastinate the purchase of insurance, because they assume that such things are unlikely to happen, or they do not understand the value and purpose of it. The best time to purchase insurance is actually before a risky event happens. However, as we can't turn back time and we cannot predict the future, the next best time to get insurance is now, to prevent having any regrets and to have a peace of mind.

It is also better for one to purchase insurance plans when one is younger and healthier, as the premium will typically be lower, and they will be easily accepted by the insurance company as there are no health issues or pre-existing conditions. One should also have an annual policy review to ensure that these policies are relevant and stay relevant. A policy purchase can be considered due to a new need arising or due to a change of financial situation.

## 6. HOW much insurance coverage one should get?

*The amount of insurance coverage to have varies from person to person.*

The last part of this “5W1H” framework is to know how much insurance coverage one should get. The amount of insurance coverage to have varies from person to person, as different people have different needs and are in different financial situations. As a rule of thumb, it is good to have approximately 9 to 10 times of one’s annual earning as basic life coverage according to the Life Insurance Association of Singapore (LIA). Apart from life insurance, it is also important that one is insured with healthcare insurance, and some form of critical illness & disability insurance to have a peace of mind.

*The process of insurance planning & purchase may seem easy, but it is not as straight forward and as simple as it seems. I hope that the “5W1H” framework for insurance planning will serve you well as a consumer and practicing practitioner; and it will be good that you can apply it in your yearly review with your clients so that they can achieve their financial goals and a peace of mind.*



To determine the coverage amount that one should have, it will be best to go through the financial planning & needs analysis process with a financial practitioner, taking into consideration of one’s budget concerns.

### ABOUT THE AUTHOR

*Tan Seng Chuan is a licensed financial practitioner and an active IFPAS member. He holds the ChFC®/S, CLU®/S, IBFA and AEPP designations.*