

This is an important document. In addition to the point of sales documents that you have been completed, this document contains important information about your purchase of insurance product/s with premium financing facility. You are advised to read this document carefully to make an informed decision before deciding to proceed with premium financing for the recommended product.

Do not sign this document if your PIAS Representative has not provided explanation or you have not clearly understood the impact of premium financing arrangement on the life insurance policy you intend to purchase.

A. Client Details

Client Name:		NRIC/Passport No:	
Joint Client Name:		NRIC/Passport No:	

B. PIAS Representative Details

Representative Name:		PIAS Rep Code:	
Branch Name:			

C. Details of Application to Obtain Premium Financing

Insurer Name:		Date of Application:	
Product Name:			
Total Premium Payable:			
Amt Paid by Client:		Amt Financed by Bank:	
Name of Bank:	<input type="checkbox"/> CIMB Bank Berhad <input type="checkbox"/> RHB Bank Berhad <input type="checkbox"/> Others:		

D. Suitability Assessment

PIAS Representatives must have a reasonable basis for the recommendation of the life insurance policy. In particular, due consideration must be given to the customer's investment objectives, financial situation, and particular needs.

PIAS Representatives are not allowed to provide advice to the customers on the suitability of premium financing arrangement for the life insurance policy.

E. Affordability Assessment

PIAS Representatives can only facilitate the referral of premium financing arrangement for the life insurance policy if the customer can afford the at least 50% of the total premium amount¹, i.e., the customer has sufficient total cash/near cash savings + Unit Trusts + Stocks + Bonds ("liquid assets") equivalent to at least 50% of the total premium amount¹.

For retirees or housewives but are not Selected Clients, the customer must be able to demonstrate that they have the means to pay the total premiums¹ without premium financing arrangement.

It is recommended that the monthly loan repayment obligations under the premium financing facility is less than 20% of the customer's disposable income.

F. Risk Disclosure / What You Should Know About Premium Financing Arrangement

PIAS Representatives should explain impact of premium financing arrangement on the life insurance policy the customer intend to purchase by sharing the relevant risks, limitations and consequences arising from premium financing arrangement.

¹ For avoidance of doubt, the total premium refers to the single premium amount that the customer will pay if premium financing is not taken up, i.e., the single premium amount as stated in the policy illustration.

What is Premium Financing Arrangement?

Premium financing is an insurance funding arrangement whereby a customer purchases a life insurance policy and finances the payment of the premiums under the policy using a loan facility provided by a lender (usually a bank). The customer assigns the life insurance policy to the lender as collateral for the loan. In entering into a premium financing arrangement, a customer incurs the costs to service the loan facility (i.e., interest) in addition to the premium and fees under the life insurance policy and is exposed to risks associated with the loan facility which may adversely affect the insurance coverage and benefits to be received under the policy.

Is Premium Financing Arrangement part of my insurance policy contract?

Premium financing is not part of your insurance policy contract. You should not consider premium financing if you do not have sufficient funds to service the total premium amount of your insurance policy contract.

What is Interest Risk?

Interest rate risk refers to the risk that the loan repayment obligations under the premium financing facility may fluctuate due to a change in interest rates, thus reducing the actual return. In particular, if the interest rates applicable to the facility exceed the rate of return generated by the insurance policy, you would suffer financial loss.

For illustration, a single premium size of \$280,000 with premium financing loan of \$200,000 on interest only repayment type:

Assumed Interest Rate Charged	2.5%	3.5%	4.5%
Monthly Loan Interest	\$417	\$583	\$750
Guaranteed Monthly Cash Benefit	\$290		
Total Monthly Cash Benefit @3.00% Investment Return*	\$543 (Gua \$290 + Non-Gua@3.00% \$253)		
Total Monthly Cash Benefit @4.25% Investment Return*	\$841 (Gua \$290 + Non-Gua@4.25% \$551)		
Net Monthly Cash Benefit (Monthly Cash Benefit <u>less</u> Monthly Loan Interest)			
Guaranteed Monthly Cash Benefit	-\$127	-\$293	-\$460
Total Monthly Cash Benefit @3.00% Investment Return*	\$126	-\$40	-\$207
Total Monthly Cash Benefit @4.25% Investment Return*	\$424	\$258	\$91

* For illustrative purposes only. The Cash Benefit amount and the start of the income payout period may differ from product to product. Customers should refer to the product summary and the policy contract for the full terms and conditions of the plan applied. The illustrated rates of 3% and 4.25% do not represent upper and lower limits of the investment performance of an insurer's Par Fund and are not a reflection of the actual returns of both existing and future Par policies. The actual returns received for a Par policy will depend on the actual experience, including investment performance, of the Par Fund that will develop over the lifetime of the Par policy.

What is risk of non-guaranteed benefit?

Par policies are insurance policies that participate or share in the profits of the insurance company's Par fund. Apart from guaranteed benefits, they also provide non-guaranteed benefits. The non-guaranteed benefits may include bonuses and cash dividends. They depend on the performance of the Par fund's investments, claims experience made on the fund and the expenses incurred by the Par fund. Depending on the performance of the Par fund when you surrender your policy, the cash value that you will receive may be less than what was previously illustrated to you. Do note that the amount paid to you will be adjusted to deduct specific charges and any amounts owed to the insurer.

What is Exchange Risk?

The return will be dependent, to at least some extent, on movements on some specified currency exchange rate. Currency exchange rates are affected by a wide range of factors, including national and international financial and economic conditions and political and natural events. The effect of normal market forces may at times be countered by intervention by central banks and other bodies. At times, exchange rates may rise or fall rapidly.

What is Credit Risk?

If a credit event occurs, the Bank may request that you repay all outstanding loan and interest on demand at its discretion, especially due to adverse changes in credit rating or default of the relevant insurer.

What is Early Surrender Risk?

Early surrender risk may occur when the Bank close out the loan and surrender the policy if the margin is not regularized or you face cash flow issues and are unable to service the payments. In such situation, you will lose the insurance coverage and would be left with significant debt if the surrender value of the policy is less than the outstanding loan.

There is a risk if the Bank exercises its right to surrender the policy, the benefits receivable under the policy may be substantially less than the sum of total premium paid, interest expenses incurred and early repayment penalty, especially in the early years of the policy.

What is risk of duration/payment timing mismatch?

You may be required to continue repayment for the premium financing facilities after your income-earning years, instead of enjoying the full monthly benefits of the life insurance policy. This is especially if you have selected a loan repayment of interest only mode.

Death Benefit Risk

The actual benefit receivable under a policy financed by premium financing would be lesser than the insurance protection attainable within the target protection period since part of the benefit payments would be offset by the repayment of the premium financing facility. This shortfall could be significant especially in circumstances where the size of the loan under the premium financing facility is a relatively large portion of the total premium payments.

G. Acknowledgment And Declaration By Client /Joint Client

I/We hereby acknowledge and confirm that:

- I/We have been given a clear explanation of the relationship between PIAS and the above-captioned Bank which is one purely of facilitation.
- I/We have been notified that neither PIAS nor my/our PIAS Representative earns any commission/or fees from the above-captioned Bank and that the referral arrangement does not give rise to any potential or actual conflict which could be detrimental to my/our interests.
- By proceeding with this application, I/We confirm that my/our PIAS Representative has explained why the life insurance plan is suitable to meet my/our financial objectives, and he/she did not provide advice or recommendation to me/us in relation to the suitability of premium financing arrangement/facility of the above-captioned Bank.
- My/Our decision to purchase the above-captioned product is based on the facts, financial objectives and needs furnished by me/us in the PIAS Financial Planner, where completed, and not dependent on the Bank's financing availability.
- I/We confirm that I/we have sufficient liquid assets to meet the affordability set by PIAS for the application of the life insurance plan. I/We am/are aware that I/we may be required to provide to PIAS the necessary financial evidence to show my/our source of funds for compliance with AML/CFT requirements.
- I/We have read and understood the risk disclosures relating to the risk factors of premium financing arrangement in relation to my life insurance application. I/We understand and am/are fully aware that premium financing is not part of my/our insurance policy contract.
- In the event that this intended transaction with premium financing is a substantial portion of my/our assets/total income, I/we am/are aware and willing to proceed with the transaction with premium financing and bear full responsibility of this decision.
- Any advice, recommendation and consideration on qualification and/or eligibility for the premium financing facility shall be given or made solely by the above-captioned Bank.
- I/We am/are aware that all queries relating to premium financing or my/our loan are to be made directly to the Bank.
- I/We expressly consent and authorize PIAS and its representatives/employees to disclose and/or transfer my information/document collected and/or generated by PIAS, in relation to the Premium Financing for the purchase of the said insurance policy, to the Bank to facilitate the referral.

I/We further acknowledge that the Premium Financing facility is provided by the Bank and PIAS does not guarantee any terms of the said service and has no obligations in connection with it.

<p>.....</p> <p>Signature of Client</p> <p>Date:</p>	<p>.....</p> <p>Signature of Joint Client</p> <p>Date:</p>	<p>.....</p> <p>Signature of PIAS Representative</p> <p>Date:</p>
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IMPORTANT NOTE

Please ensure that your PIAS Representative provides you with a copy of this document.

Important Note to PIAS Representative

The duly completed and signed Client Acknowledgement form is to be submitted to Business Support when submitting the transaction for lodgment.