Some important facts that you need to keep in mind

- Read and understand all information provided to you by the company or insurance advisor, prior to purchasing the policy. Importantly, you need to carefully read the proposal form and any related declarations before placing your signature.
- Past performance of investment-linked funds do not guarantee their future performance, and hence should only be used as a guide in choosing funds to invest.
- When investing your money in an investment-linked insurance policy, be mindful about the risks and ensure that you fully understand the risks involved.
- You can obtain details regarding the risks and returns associated with investing in an investment-linked insurance policy, from your insurance company or insurance advisor.
- You have a period of twenty one (21) days, upon receiving the policy document, to reconsider whether you want to continue with the policy or to cancel it. In the event you notify the insurance company of your decision to cancel the policy within such period, the insurance company will refund moneys paid (after deducting relevant initial expenses incurred by the company).

For further information, please contact

Market Development and External Relations Unit
Insurance Regulatory Commission of Sri Lanka

Level 11, East Tower,
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Telephone : 011 2396184-9
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INSURANCE REGULATORY COMMISSION OF SRI LANKA

Insurance Regulatory Commission of Sri Lanka is the regulator of insurance industry, established for the purpose of developing, supervising and regulating the insurance industry in Sri Lanka with a view to safeguarding the interests of policyholders and potential policyholders.

Investment-linked Insurance Products

INSURANCE REGULATORY COMMISSION OF SRI LANKA

Insurance Regulatory Commission of Sri Lanka

This is an introductory guide on investment-linked insurance products. It gives you basic information for you to consider when purchasing an investment-linked insurance policy.

What is an investment-linked insurance policy?

- It is a life insurance policy that provides a combination of protection and investment benefits.
- A part of the premium paid will provide you a life insurance cover while the other part will be invested in specific investment funds of your choice.
- The insurance cover provided would include a death benefit, at minimum, with the option of including other insurance benefits depending on your choice and availability.

How your money can be invested?

- You can choose from a variety of funds to invest in, depending on the level of risk that you are comfortable with.
- The investment funds are divided into units of equal value and the prices of these units may change depending on how the investments in the particular fund perform.
- The investment funds are managed by the insurance company and you can track the prices of units and the value of your investment, by contacting the company. In addition, the insurance company will send you an annual statement on the status of your investment indicating all transactions and charges during the period.
- Investment in growth or equity related funds may give higher returns. However, you need to bear in mind that higher returns come with greater risks.

What is the risk involved?

- Investing in investment linked policies, like other types of investments, involve exposure to investment risks.
- Since the investment is linked to the unit price of an investment fund, the total value of your investment fluctuates with the movement in the unit price.
- When the unit price falls, the value of your investment will also reduce and vice versa. You may realise a gain or loss at the policy maturity or when the units are sold.
- Importantly, there is a risk of getting less than what you invested.
- The risk on investment returns has to be borne by the policyholder while the insurance company is liable only for insurance benefits as specified in the policy.

What factors should you consider when buying an investment-linked insurance policy?

- Once you have decided to buy an investment-linked insurance policy, you need to consider factors such as the amount of investment, types of funds that you wish to invest in, level of protection/ life cover required and the duration that you have to pay the premiums.
- You need to be aware of various charges levied by the company which will reduce the value of investment, such as: allocation charge, fund management charge, policy administration charge, mortality charge, charges for switching between funds and surrender charge. You can obtain clarifications on amounts, basis and frequency of levying theses charges from the insurance company or your insurance advisor.
- Some policies may not accumulate any cash value during the first three (3) years of the policy. This means that if the policy is terminated during such period, you may not get back any investment value.
- At the inception, you are given the choice to select the fund for investment. Funds that are invested mainly in equities will involve higher risks than the funds invested in fixed income government securities or bonds. You may choose to invest all your money in one fund or in combination of funds based on your preference.
- Whenever you need to change your investment portfolio, you are allowed to switch your units from one investment fund to another. Most companies allow one switch per year free-of-charge.
- Carefully decide the amount of premium considering your ability to pay. Terminating an investment-linked insurance policy prematurely would result in you failing to reap the maximum benefit of the policy.