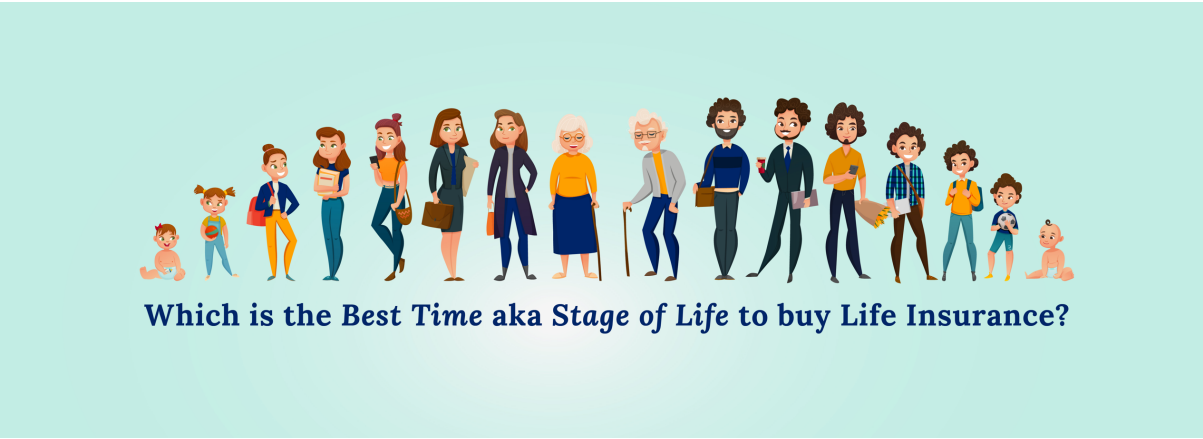

Is there a Best Time to Buy Life Insurance?

By David Choo, PromiseLand Independent

Some say that the best time is when you are young, when the premiums are clearly cheaper.

Some say that the best time is when you get married when the protection need becomes real. Others say that the best time is when you have children when your dependants increase in number.

Based on my understanding of mortality tables, the best time is always now, whatever your age, provided you are insurable, that is, the insurer wants to insure you because you are an acceptable risk.

Life insurers seek to insure those who have acceptable physical and mental health (underwriting) and if the insured sum is beyond a certain figure, financial wealth as well (financial underwriting).

Insurers may decide to impose higher premiums, conditions, exclusions and limits for those who pose more than normal risks. The rationale is to be fair to all who join the insurance pool. Those who have higher risks, whether due to age or health, should pay more than those who are younger and with good health. This process is called underwriting. Normal cases are called standard life.

If we regard the work of the actuary as being based on mathematics and statistics, then the premium charged for each age would be deemed to be fair. The reason why the premium for woman is lower than for man for the same age for life insurance is mainly due to the longer life span of woman. But the tables are often turned for medical insurance.

The premium should increase if you insure year to year if the insurer offers a yearly plan. However, if you insure for a longer period, the insurer averages out the premiums and charge a “level” premium. This actually means, for example of a policy like whole life or a long-term insurance, you are paying higher than the fair premium if based on your age year to year in the earlier years. For the older years, the level premium is lower than the fair premium.

Level premium makes for easy understanding and administration and are the norm. The thing to note is that, for the example of a whole life policy, if you are now much older you are paying a lower premium than what your age group will have to pay if they now purchase a new policy. In a sense, those who purchase a policy when younger pays a lower premium but they would likely pay for more years than a person buying when much older.

So the good news is that it is always a good time to purchase insurance if the insurer agrees to it. Although it appears that the insurer is the one selling the product, that is making the offer, and you are the one who accepts, the need for the insurer to “underwrite” your proposal means that you are the

one who is proposing to the insurer to be insured and the insurer gets to decide whether to accept your offer or not, or to set terms and conditions.

This is the reason why it is so important for the proposer to disclose everything that would be deemed to be pertinent to the insurer to assess (or underwrite) your proposal. These information are called “material facts” and the majority of disputes over claims are due to lack of disclosure, whether intentional or unintentional, or mistakes or misrepresentation. Since health is a major factor of risk, everyone should insure as early as possible because no one knows when one’s health can change.

Budget is one limiting factor but priorities of spending must be sorted out and, wherever possible, it is prudent to insure to take care of “what if” scenarios. The three scenarios are the three “Ds” of death, disability and dreaded diseases.

So the best time to buy life insurance is **TODAY**. The best time to add to your life insurance is TODAY. The best time to cover any remaining bases (any of the three “Ds”) is also TODAY. This is because you are not just insuring against time but also against change of health which is a precondition for life insurance.

This article was prepared by David Choo in his personal capacity. The opinions expressed in this article are the author’s own and do not reflect the view or position of PromiseLand Independent Pte Ltd.

> *“Hindsight is a wonderful thing but foresight is better, especially when it comes to saving life, or some pain."*
>
> William Blake

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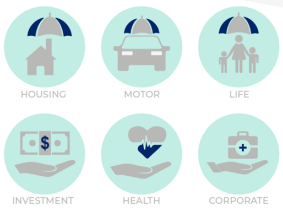

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