

AVIVA MYCARE POLICY

A policyholder, age 43, bought a MyCare policy from Aviva.

She pays an annual premium of \$564.10 for the whole of life.

On a severe disability, which is defined as inability to perform 3 activities of daily living (similar to Eldershield), it pays \$1,300 per month for up to 12 years

The table below shows the accumulation of the annual premium for 10, 20, 30, 40 and 50 years

564	4%	10	(\$7,042.30)	(\$43,291.42)	0.16
564	4%	20	(\$17,466.63)	(\$43,291.42)	0.40
564	4%	30	(\$32,897.18)	(\$43,291.42)	0.76
564	4%	40	(\$55,738.17)	(\$43,291.42)	1.29
564	4%	50	(\$89,548.40)	(\$43,291.42)	2.07
15600	4%	3	(\$43,291.42)		

I guess that the average duration of payout of the benefit, before the claimant dies is 3 years. The value of the payout is \$43,291. Although the policy promises to pay up to 12 years, I expect that most claimants will not live that long.

The accumulated premium will reach \$43,291 after 35 years.

If the claimant makes a claim before 35 years, she will get more from the policy than the accumulated premiums.

If the claimant makes a claim after 35 years, she will get less than the accumulated premiums. If she does not make any claim, the total premiums paid will go to the insurance company. This policy should be treated as insurance expense and not as an investment.

There is provision in the policy for the policy to be paid up for a reduced benefit. However, the policy does not contain any table of the paid up values.

The policyholder should ask Aviva to provide the reduced paid up benefit after paying premium for 10, 20, 30 and 40 years.

MAS Insurance Statistics (www.tklcloud.com/mas)

The following table, which is produced from insurance company's return submitted to MAS, shows that profit made by the life insurance companies from the Individual Disability insurance. MyCare from Aviva is likely to be classified here.

Most of the companies show a profit margin more than 30%. Aviva shows a profit margin of 94%. The claim ratio is less than 10%

Total for 5 years \$000 - Class: Disability - Ind

Company	Prem	Claim	Profit	Claim %	Prof %
GE LIFE	691,978	19,874	211,581	2.9	30.6
NTUC INC	473,738	40,249	176,741	8.5	37.3
AVIVA	240,974	12,587	227,470	5.2	94.4
PRU	102,999	14,009	42,537	13.6	41.3
AIA	83,317	10,243	50,717	12.3	60.9
AIA Br	49,532	6,442	34,211	13.0	69.1
PRU (C)	22,601	-1,103	19,186	-4.9	84.9
MANULIFE	9,698	2,607	884	26.9	9.1
ZURICH I	2,842	907	333	31.9	11.7

Based on the figures, it seems that the claim rate is extremely low and that the insurance company is making a very high profit margin.

Conclusion – do not buy this policy. Take the risk on your own.