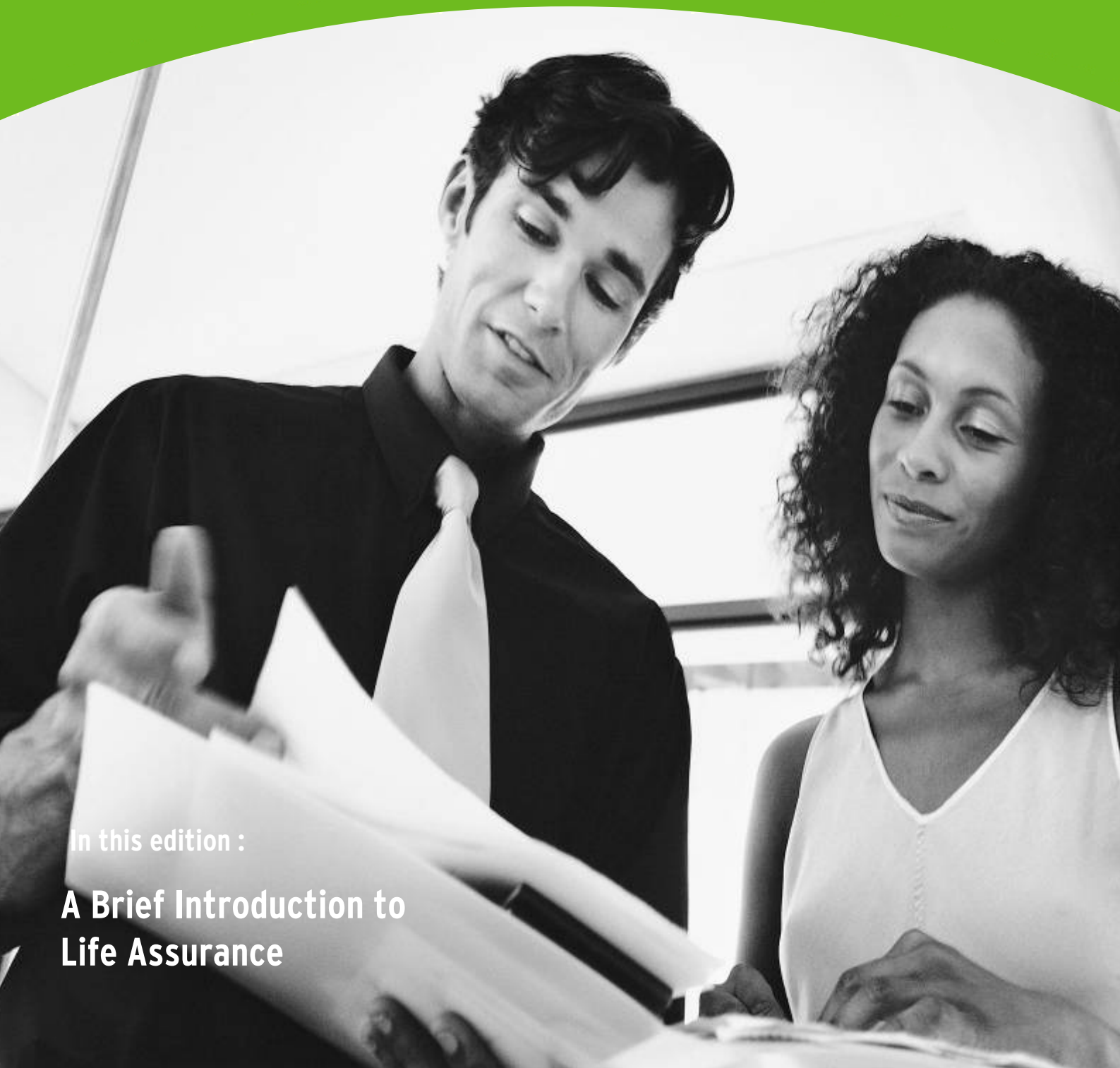


RSM! Thailand

Edition no. 78
20 November 2008

Call in for a Coffee



In this edition :

**A Brief Introduction to
Life Assurance**

Introduction

Welcome to RSM's November 2008 edition of Call in for a Coffee. This edition provides a brief introduction to the various types of Life Assurance, products available which was written by Mr. Billy Popham from our alliance partner MBMG International.

For your information RSM Thailand has recently launched its new publication RSM Advantage which will focus on taxation and legal issues facing international companies whilst Call in for a Coffee will cover other areas of interest to our readers.

A Brief Introduction to Life Assurance What is it? Do you need it? And if you do, how much for and how long?

Introduction

Basically there are two main types of life insurance, being Term Assurance and Whole of Life Assurance. Generally, life assurance is only required if there is a beneficiary that will suffer financial hardship in the event of a death of a person.

How long a policy will be effected will depend entirely on the purpose of the policy. If a parent wishes to provide for his or her children in the event of his or her death, typically the person will be covered until the youngest child is between 21 and 25 years old, depending on when it is deemed appropriate for them to stand on their own feet financially.

Whole of Life is, as the name suggests, until a person dies, and the reasons for taking this in preference to Term Assurance are many and varied. It could be to pay inheritance tax, to guarantee one's children a capital sum in the future or, if taken in conjunction with critical illness, to cushion the blow in the event of being diagnosed with an insurable terminal illness.

What is Term Assurance?

Term Assurance provides cover for a fixed term with the sum assured payable only on death. There are no investment benefits or payments on survival. Term Assurance premiums are based primarily on the age and health of the life assured, the sum assured and the policy term. The older the life assured or the longer the policy term, the higher the premium will generally be.

Types of Term Assurance

Term Assurance policies can be written on a single life, joint life (first or second death) or on a life or another basis.

The most common form of Term Assurance is Level Term Assurance where the premiums are fixed for the duration of the insurance term and a payment will only be made if a death occurs during the insurance period. A Level Term Assurance policy is taken out for a fixed term. This type of term assurance policy can be useful for providing security for dependents up to a certain age.

The beneficiary must have a financial interest in the person that he or she is insuring when taking out any life or another policy and the provider may require proof of this before cover is given. It is this type of policy that is usually used for Keyman Insurance or Cross Partner Protection. These types of policies either insure a valuable employee who, if they suffer a fatality would be a serious loss to the company, or to give Partners/Co-Directors the opportunity to buy out the other Partner's company shares in the event of death or serious disability. Premiums for these types of policies are tax deductible, however, in the event of a claim the capital sum would be taxable.

What is Whole of Life Assurance?

Whole of Life Assurance policies provide protection for life. Unlike Term Assurance that only pays out if a person dies during the term of the policy, a Whole of Life assurance policy always pays out eventually.

For this reason Whole of Life assurance can be more expensive than term assurance, although this is not always the case.

The main type of Whole of Life assurance used these days is a unit-linked product which offers a variable mix between investment content and life cover.

Whole of Life Assurance premiums

The initial premium is usually fixed for 10 years and is generally reviewed at that point to see whether the growth of the investment fund is sufficient to maintain the same premium level. It is possible that the premium may have to increase, or sum assured reduce, at that point.

What is Critical Illness Cover?

This can usually be written as a stand alone policy or combined with a life assurance policy. A Critical Illness policy will cover a person in the event of a pre-determined illness or disease. Not all Critical Illness policies are the same and policy conditions will vary. It is vitally important to understand exactly which conditions are covered before proceeding with a particular policy or insurance plan.

With most Critical Illness policies a capital sum is paid out on diagnosis of a specified medical condition or occurrence of some or most heart attacks, most forms of cancer, kidney failure, major organ transplants, strokes etc.

Critical illness lump sum benefits

The lump sum benefits derived from a critical illness insurance policy are not taxable.

Billy Popham, MBMG International (RSM's new Alliance Partner) Email billy@mbmg-international.com or +66 (0)81 585 0105

RSM Sponsored Events

Raimon Land Rugby Dinner on 19th September - JW Marriott Hotel

RSM is delighted to announce that the Raimon Land Rugby Dinner featuring three former Welsh Rugby Union International players which was held on 19th September 2008 was a huge success, and approximately 447,000.00 Baht was raised and which has been donated to Father Joe Maier and the Human Development Foundation to help fund a number of schools for slum kids as well as purchase medicines for kids that are HIV positive.

NZTCC's AGM Business Networking on 30th October - Sheraton Grande Sukhumvit Hotel

RSM Thailand was delighted to have had the opportunity to sponsor the recent NZTCC's AGM Business Networking Event which was held on 30th October 2008 for the 6th consecutive year. As usual the evening was a tremendous success.

ANZWG Melbourne Cup Function on 4th November - Amari Watergate Hotel

RSM Thailand in conjunction with MBMG International sponsored the recent successful Melbourne Cup event at the Amari Watergate Hotel and as well as the event raising over THB 1,200,000 Baht for charity, there were over 600 participants which is a new record.

RSM Thailand

RSM Thailand

RSM Thailand is a member firm of RSM International, the seventh largest worldwide organization of independent accounting and consulting firms represented in each of the top 40 business centers around the world with more than 30,220 staff in 732 offices in over 72 countries, driven by the common vision of providing high quality professional services in their domestic markets and in serving the international needs of their client base.

The RSM service line leaders in Thailand are:

Corporate Advisory

Gareth.Hughes@rsmthailand.com

Accounting & Tax Compliance

Mark.Butters@rsmthailand.com

Executive Recruitment

Mike.Holloway@rsmthailand.com

Business Services & Legal

Pardorn.Suchiva@rsmthailand.com

Taxation Consulting

Steven.Herring@rsmthailand.com

Audit & Assurance

Prawit.Wipusirikup@rsmthailand.com

Audit & Assurance

Surachai.Damnoenwong@rsmthailand.com

We welcome your comments and feedback. Please feel free to contact us on the details below:

RSM Thailand
26th Floor, Sathorn City Tower
175 South Sathorn Road
Bangkok 10120
Thailand

T: +66 (0) 2670 9002-6

F: +66 (0) 2670 9027-8

E: AskUs@rsmthailand.com

W: www.rsmthailand.com

The information contained herein is for general reference purposes only. RSM Thailand and the author cannot take responsibility for any action taken or not taken as a result of information provided or opinions expressed. Readers should seek professional advice for particular situations and matters.