Life Insurance Association Singapore

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Your Guide to the

Nomination of Insurance Nominees

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This Guide is published by the Life Insurance Association (LIA), Singapore, in conjunction with the introduction of provisions in the Insurance Act for the nomination of insurance nominees.

The information in this consumer guide is for general guidance and should not be relied on as a substitute for seeking legal or financial advice concerning your individual circumstances.

You should direct your inquiries to your insurance company.

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Introduction

The introduction of the Insurance Nomination law from 1 September 2009 under the Insurance Act gives policyowners of life policies or accident and health insurance policies with death benefits, or those intending to buy such policies, a clear and affordable legal means to distribute the policy benefits to their nominees.

To make a nomination over a policy, the policyowner must be the life assured under the policy and at least 18 years old.

Under the Insurance Nomination law, policyowners of life policies or accident and health insurance policies with death benefits are given two options. You the policyowner can choose to make a trust nomination or a revocable nomination. This enables you to plan and decide to whom the proceeds from your policy will be distributed.

When the policyowner makes a trust nomination, the policyowner loses all rights to the ownership of the policy. The policyowner can only revoke a trust nomination with the consent of all nominees. By making a revocable nomination, the policyowner is free to change, add or remove nominees without their consent.

This Guide sets out the different features of trust nomination and revocable nomination, tells you how to make nominations and what your responsibilities are under the two types of nominations.

Application of the beneficiary nomination framework under the Insurance Act ("Insurance Nomination Law") to Various Types of Policies

The Insurance Nomination law applies to life policies or accident and health policies with death benefits which are governed by Singapore law and issued by insurance companies licensed in Singapore. The supplementary plan or rider attached to such a policy will follow the main policy in respect of eligibility for nomination. Muslim policyowners can also make nominations[1].

If you use Central Provident Fund (CPF) moneys to pay for policies, you must retain complete control of your retirement funds for as long as you are alive.

This explains why trust nomination is not allowed for CPF Investment Scheme (CPFIS) and Dependants Protection Scheme (DPS) policies as the policyowner (the CPF member) will no longer have control over the proceeds of such policies during his or her lifetime.

As for Minimum Sum Scheme (MSS) annuities, both trust nominations and revocable nominations are not allowed as any residual moneys from the policy upon the policyowner's death or upon his termination of the policy, have to be refunded to his Retirement Account with the Central Provident Fund Board for distribution in accordance with the law.

In the case of Minimum Sum Plus Scheme (MSPS) annuities, since it is paid for by using the CPF member's withdrawable CPF moneys, it is considered to be no different from non-CPF funded policies. Thus, both revocable and trust nominations are allowed for MSPS annuities.

Similar to CPFIS policies, trust nomination is not allowed for policies bought under the Supplementary Retirement Scheme (SRS). The use of SRS savings is restricted to products that have the potential of growing one's own pool of retirement savings. Policies with trust nomination do not fulfill this criterion as the policyowner will no longer have control over the proceeds of such products during his or her lifetime.

Trust nomination is also not allowed for ElderShield Supplementary policies and Integrated Shield plans. The objective of providing for long term care needs for oneself and insuring against catastrophic illnesses will not be met, should trust nomination be adopted for these type of policies, as all claims will have to be paid directly by the insurance company to his nominees, and not to the healthcare provider or to him.

[1] Muslim policyowners may make both trust and revocable nominations over their life policies or accident and health insurance policies with death benefits. For revocable nominations, a FATWA (religious ruling) issued on 21 March 2012 states that revocable insurance nomination is a contemporary form of *hibah*, and can be accepted. For details of the FATWA, please go to www. muis.gov.sg

Making a nomination is not compulsory. However, the purpose of having the Insurance Nomination law is to provide you the policyowner with an affordable legal means of distributing the policy benefits to your nominees.

If no nomination or Will is made, the insurance company may pay up to $150,000 of the policy proceeds to any person who is considered a "proper claimant"[2] under Section 61 of the Insurance Act. Any remaining amount above $150,000 will be paid to the executor(s) named under a Grant of Probate or administrator(s) named under a Grant of Letters of Administration.

If no nomination has been made but you have made a Will and notified your insurance company of the Will, the proceeds of the policy will be distributed according to your Will.

When considering what Type of Nomination to make

The purpose in making a nomination is that you want to ensure the policy proceeds are paid out to the right person(s) at the right time and in the right amount(s).

Types of Policies	Is Trust Nomination allowed?	Is Revocable Nomination allowed?
Cash-funded Policies		
Life Policy	Yes	Yes
A&H Policy with Death Benefit	Yes	Yes
Policies under CPF Schemes		
MSS Annuity	No	No
MSPS Annuity (cash-funded)	Yes	Yes
CPFIS Policy	No	Yes
DPS Policy	No	Yes
Others		
SRS Policy	No	Yes
ElderShield Supplementary Policy	No	Yes
Integrated Shield Plan	No	Yes[3]

Key

A&H : Accident & Health
CPF : Central Provident Fund
MSS : Minimum Sum Scheme
MSPS : Minimum Sum Plus Scheme
CPFIS : CPF Investment Scheme
DPS : Dependants Protection Scheme
SRS : Supplementary Retirement Scheme

[2] Proper claimants are defined in the Insurance Act as the "widower, widow, parent, child, brother, sister, nephew or niece of the deceased" or "executor of the estate of the deceased".

[3] Even though revocable nomination is allowed for Integrated Shield plans under Insurance Act, revocable nominations may not be relevant since such plans are mainly meant to cover medical claims which will usually be paid directly by the insurer to the healthcare provider and the death benefit under most plans is a waiver of deductible/co-insurance.

I want to be sure the moneys from my policy are paid to the person(s) I wish to benefit, at the right time and in the right amount(s).

Trust Nomination

When you the policyowner make a trust nomination at the time of buying a policy or at any time after the policy is issued, **you will lose all rights to the ownership of the policy. This means that all proceeds (living benefits and death benefits) from the policy now belong to the nominees you named.** While you are still obliged to pay the premiums for the policy, all the benefits of the policy belong to the nominees.

Only policyowners who are at least 18 years old may make a trust nomination.

You need to get the **written consent** of all nominees (and for nominees below 18 years old, the consent of the parent/legal guardian who is not the policyowner), or of a trustee who is not the policyowner **before** you may:

- make any change to the policy,
- revoke the trust nomination,
- take a loan under the policy, or
- surrender the policy,

In the event of any bankruptcy, the policy proceeds are generally protected from creditors.

Given the inflexibility of a trust nomination, you should only consider making such a nomination if you are prepared to give away the insurance policy proceeds completely to the nominees. You must also be aware that you will not be able to unilaterally change your nomination(s) later on, even if your family circumstances have undergone change.

In making a trust nomination, I give away all rights and benefits under my policy to my nominee(s).

Trust Nomination Form

Use a prescribed Trust Nomination Form to make a trust nomination over the policy. Copies of the various Nomination Forms can be obtained from your insurance company.

You must complete the form in full with accurate information in the presence of two adult witnesses who must be at least 21 years old. They must not be any of your nominees or the spouse of any of your nominees.

You may nominate only your spouse and/or children.

You must name a trustee or trustees who are at least 18 years of age. The trustee can be changed at any time, subject to the prevailing law. A nominee can also be a trustee.

You can name yourself as the trustee but you cannot receive the policy proceeds or give consent for revocation of the nomination on behalf of the nominees. Only another trustee can do so.

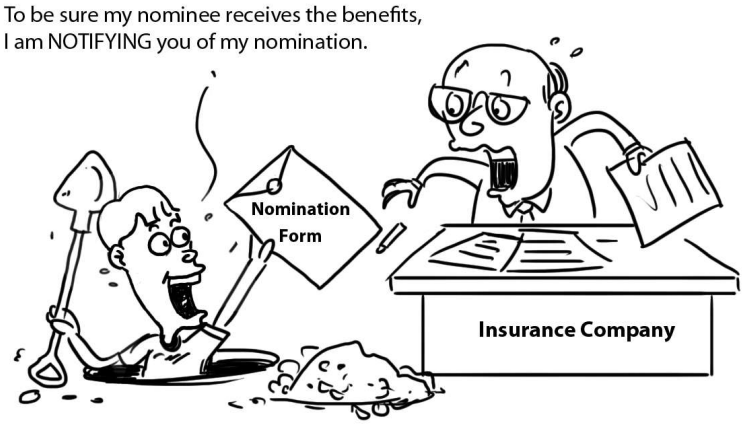
You must specify the percentage share of the policy proceeds that each nominee is to receive. The total of the percentages you specify for all the nominees you have named must add up to 100 per cent of the policy proceeds.

Payment of Proceeds

To ensure that your nominees receive the benefits from the policy, you **must notify** your insurance company and send your completed Trust Nomination Form to the company.

All benefits from the policy, both living benefits (e.g. critical illness payout) and death benefit, will be released to your nominees.

If you name a trustee other than yourself, the proceeds can be paid to this trustee. If you name yourself as the only trustee, the proceeds will be paid to the nominees who are 18 years old and above and to parents/legal guardians (who must not be the policyowner) of nominees below 18 years of age.



For the nomination to be effective, I need to notify my insurance company and enclose the Nomination Form I have just filled in.

When a Nominee dies before the Policyowner

When a nominee dies before the policyowner, his share of the policy proceeds will go to the nominee's estate.

Revoking a Trust Nomination

Use a prescribed Revocation of Trust Nomination Form to get the written consent of a trustee who is not the policyowner, or of every nominee. You **must notify** your insurance company and send your completed Revocation of Trust Nomination Form to the company.

Copies of the various Nomination Forms can be obtained from your insurance company.

You can revoke a trust nomination if all your nominees at least 18 years old give consent. If your nominee or one of your nominees is below 18 years old, you must get the written consent of the parent/legal guardian who is not the policyowner. Alternatively, you can get the consent of a trustee who is not the policyowner.

If a nominee dies before you, the nomination may only be revoked with the consent of a trustee who is not the policyowner. Otherwise that portion of the proceeds becomes part of his estate for distribution according to the deceased's Will or if he has not made a Will, according to the Intestate Succession Act.

Once the trust nomination has been properly revoked, you can then make a new trust nomination or revocable nomination over the policy.

To revoke (i.e. undo) a trust nomination, I need the consent of a trustee other than myself, or of every nominee.

Revocable Nomination

When you the policyowner make a revocable nomination, you will continue to retain full rights and ownership over the policy. This means that you can change or revoke a nomination at any time without needing the consent of the nominee or nominees.

Only policyowners who are at least 18 years old may make a revocable nomination.

Only death benefits from the policy will be payable to the nominees. All living benefits will be paid to you.

I can do anything to my policy,
my nominees cannot stop me!
All the living benefits, except
the death benefits, belong to me!!

Revocable nominations

Revocable Nomination Form

The prescribed Revocable Nomination Form is a legal document you use as the basis for distributing the money that the insurance company pays from your policy after your death.

Copies of the various Nomination Forms can be obtained from your insurance company.

Payment of Proceeds

To ensure that your nominees receive the benefits from the policy, you **must notify** your insurance company and send your completed Revocable Nomination Form to the company.

Living benefits such as the benefit to be paid to you should you come down with a critical illness will be made to you. On your death, the remaining death proceeds, if any, will be paid directly to the nominees.

If any of the nominees are below 18 years old, the proceeds will be paid to the parent or legal guardian.

When a Nominee dies before the Policyowner

If there is only one nominee, a revocable nomination will automatically be revoked on the death of the nominee. If there is more than one nominee, a revocable nomination will automatically be revoked on the death of all nominees.

If there is one surviving nominee, all the deceased nominees' shares will be added to the surviving nominee's share of the death benefits.

If there is more than one surviving nominee, each deceased nominee's share will be added to each surviving nominee's share **in proportion to** each surviving nominee's initial share. This amount is calculated according to the formula prescribed by the Insurance Nomination law.

If one of my nominees dies before me, his share will be added to each surviving nominee's share of the benefits.

Changing a Revocable Nomination

At some point after making a revocable nomination, you may wish to change your nomination. This may be owing to reasons such as a divorce or the birth of a new child.

Since you retain full rights and ownership over the policy, you may revoke (undo) your existing nomination and make another new nomination at any time.

Copies of the various Nomination Forms can be obtained from your insurance company.

Use a prescribed Revocation of Revocable Nomination Form. Complete the Revocation of Revocable Nomination Form in full with accurate information in the presence of two adult witnesses who must be at least 21 years old.

You **must notify** your insurance company and send your completed Revocation of Revocable Nomination Form and completed (new) Nomination Form to the company.

Application to Other Types of Policies

Group Insurance

Group insurance covers a group of people under one master policy.

Typically, a group insurance policy is bought by an organisation such as your employer for the benefit of its individual employees. The insurance company issues the master policy contract to the organisation; thus the organisation becomes the policyowner.

As an individual employee, you do not have a policy with the insurance company, but the benefits of the master policy will go to you as a form of employee benefit.

As the policyowner (the organisation) is not also the life assured in such cases, insurance nomination is not allowed over group insurance policies.

In any event, most group insurance policies are to be renewed once every year, which means the organisation can decide to change from one insurance company to another. An employee may move on to another job, which means his group insurance coverage may also change from one insurance company to another.

Under such a fluid structure, insurance nomination may not be appropriate.

Existing Policies

If you have one or more policies you bought before the operation of the Insurance Nomination law, do take note of the following information:

- If you had never made any nomination on your policy, you can now make a trust or revocable nomination under the Insurance Nomination law.

- If you had named your spouse and/or children as nominees, your policy falls under Section 73 of the Conveyancing & Law of Property Act (CLPA) and these nominees will continue to be recognised. The Insurance Nomination law has no impact as it does not apply retrospectively. If you believe there are special circumstances in your case, you should seek legal advice on the legal effect of your nominations.

  You are advised in particular to seek legal advice if any of the following applies to you:

- If the nominees you named previously are **not** your spouse and/or children, your ability to make nominations under the new law will depend on the status of these nominations and the terms and conditions of your existing policy.

- If the nominees you named previously are your spouse and/or children **and** some other persons or relatives, your ability to make nominations under the new law will depend on the status of these nominations and the terms and conditions of your existing policy.

- If the nominees you named previously are persons or relatives **other than** your spouse and/or children and you subsequently changed those nominees or added others, your ability to make nominations under the new law will depend on the status of these nominations and the terms and conditions of your existing policy.

NTUC Income Policies

NTUC Income is an insurance cooperative and is governed by both the Cooperative Societies Act ("CSA") and the Insurance Act.

If you have made a nomination under the CSA and you now wish to change it, please contact NTUC Income for assistance.

Appendices

Differences between Trust Nomination and Revocable Nomination

Considerations of the Policyowner	Trust Nomination	Revocable Nomination
Can I retain control over the policy for as long as I am alive?	No	Yes
Who gets the policy proceeds? - Living benefits - Death benefits	Nominees get both types of benefits.	Living benefits are paid to me. Nominees only get the death benefits.
Can I change my nomination by myself at any time?	No Nomination can be revoked only if any trustee who is not myself gives consent; or if the nominees all give consent.	Yes
Can I name one or more nominees who are not my spouse or children?	No Only spouse and/or children can be nominated.	Yes Any legal entity (i.e. individual, association or corporation), including spouse and/or children, can be nominated. Nomination of an animal is an invalid nomination.
Can I make a Will after having made an earlier nomination?	The Will has no impact on the earlier trust nomination. Once a trust nomination is made, the policy no longer belongs to the policyowner. As such, he cannot give it away under his Will as he can only give away property under the Will which still belongs to him.	The earlier revocable nomination is revoked by the Will. *Note:* The insurance company will pay according to the latest properly executed instrument (be it a revocable nomination or a Will) that is known to the insurance company at the time of the policyowner's death.
What happens if my nominee dies before me?	Policy proceeds passes to the estate of the deceased nominee.	If only one nominee is named, the nomination is revoked; in all other cases, the surviving nominees share in the deceased's portion.
Are the policy proceeds protected against claims from creditors in the event of bankruptcy?	Yes	No[2]

[2] However, for CPFIS policies which have not been withdrawn under Section 15 of the CPF Act, the living proceeds of such policies are protected against claims from creditors.

Differences between Trust Nomination Form and Revocable Nomination Form

Your nomination form will be valid if the requirements for each type of nomination are met.

Trust Nomination Form (prescribed by the Insurance Nomination law)	**Revocable Nomination Form (prescribed by the Insurance Nomination law)**
Use a Trust Nomination Form to make a trust nomination over the policy.	Use a Revocable Nomination Form to make a revocable nomination over the policy.
You must complete the form in full with accurate information in the presence of two adult witnesses who must be at least 21 years old. They must not be any of your nominees or the spouse of any of your nominees.	
You may nominate only your spouse and/or children.	You may nominate any legal entity, be it individual, association or corporation; or your spouse and/or children. Nomination of an animal is an invalid nomination.
You must name a trustee or trustees who are at least 18 years of age. The trustee can be changed at any time, subject to the prevailing law. A nominee can also be a trustee. You can name yourself as the trustee but you cannot receive the policy proceeds or give consent for revocation of the nomination on behalf of the nominees. Only another trustee can do so.	Trustee is not required.
You must specify the percentage share of the policy proceeds that each nominee is to receive. The total of the percentages you specify for all the nominees you have named must add up to 100 per cent of the policy proceeds.	

Checklist for Filling in a Nomination Form

- Decide who you want to name as your nominee or nominees.
- Use the right form; there is a prescribed Trust Nomination Form, and a prescribed Revocable Nomination Form.
- Specify the proportion of benefits you want each nominee to receive, ensuring they all add up to 100 per cent of the policy proceeds.
- Ensure all information on each nominee is accurate.
- Ensure details of the policy are accurate.
- Ensure the witnesses and trustees, if any, meet the requirements set out in the Nomination Form.
- Ensure all the fields in the form are fully completed.
- Notify your insurance company that you have made a nomination and send them a copy of your Nomination Form.

List of Nomination Forms

Copies of the various Nomination Forms can be obtained from your insurance company.

Form 1: Trust Nomination

Form 2: Revocation of Trust Nomination

Form 3: Appointment, or Revocation of Appointment, of Trustee of Policy Moneys

Form 4: Revocable Nomination

Form 5: Revocation of Revocable Nomination

Form 6: Notice of Revocation of Revocable Nomination