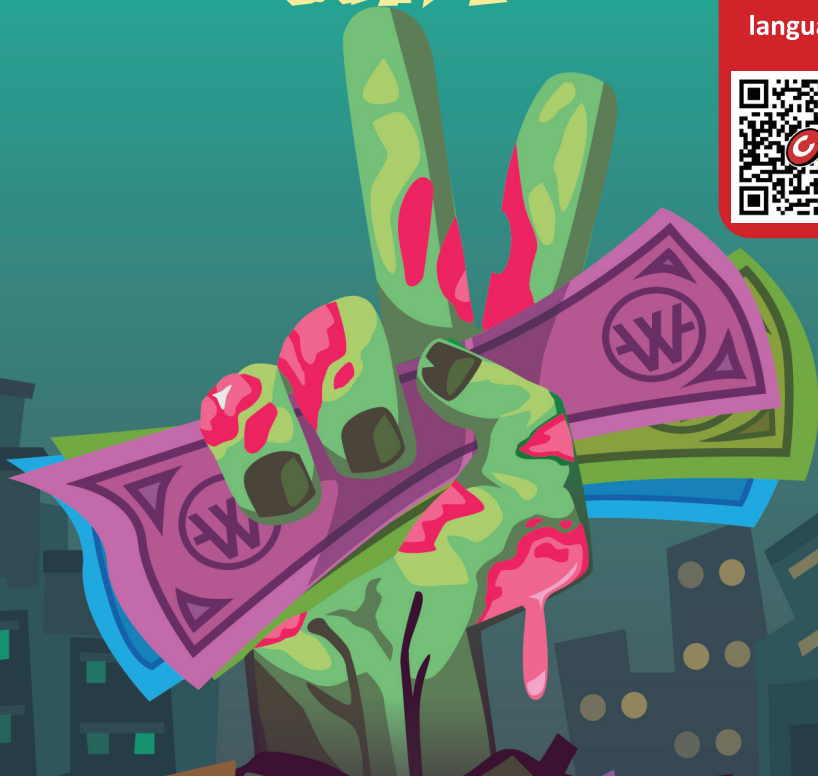


GAMIFICATION GUIDE

Scan to find
guides in
different
languages



By Xeo Lye & Jaslyn Lim

ZOMBIELIFE INSURANCE

2ND EDITION

WHAT IS INSURANCE?

The Concept

Insurance is a contract, represented by a policy, through which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make premiums more affordable. Life insurance refers to the protection of the health of an individual with policies covering medical expenses, illness, disability and death.

The Game

In the game, the focus is on 5 main types of life insurance: Medical insurance, critical illness insurance, life insurance, investment linked policy and endowment.

- ⚙️ Medical insurance - Covers expenses that arise due to hospitalization which may include inpatient and outpatient treatment. More comprehensive medical plans can cover dental, psychiatric and childbirth expenses.
- ⚙️ Critical illness insurance - Covers health emergencies and illnesses, such as cancer, heart attack or stroke. The coverage can help to pay for medical fees and replace lost income due to the inability to work.
- ⚙️ Life insurance - Pays out a sum of money to the surviving family members in the case of the death of the insured person.
- ⚙️ Investment linked policy (ILP) - A form of hybrid insurance that has a protection element and an investment element. ILP allows the owner to decide which type of investment they wish to invest their cash value in and how much protection they want.
- ⚙️ Endowment insurance - A form of hybrid insurance that has both a protection element and a savings element. Endowment insurance usually has a maturity date whereby it will pay out a lump sum of monies which include the total amount of premiums paid plus an interest. If the policy owner passes away before the policy matures, it will pay out the sum assured plus a cash value, depending on the duration the policy was held.

HOW ARE INSURANCE PREMIUMS CALCULATED?

The Concept

Insurance premiums are calculated based on the probability of the person making a claim. The higher the probability, the higher the premium. These are the factors that will affect the premium an individual will pay:

- 🦠 Age - The older the person is, the higher the probability that the person will contract an illness or pass away.
- 🦠 Health condition - If the person has mild medical conditions that can increase the probability of a more serious illness and eventual death, the premium will be higher. These mild medical conditions can range from high blood pressure, anaemia, benign tumors and diabetes.
- 🦠 Lifestyle, occupations & habits - Higher premiums will be levied on individuals that engage in risky lifestyle, occupations and habits. A risky lifestyle includes participating in dangerous sports such as sky diving, mountain climbing or scuba diving. High risk occupations include shipyard workers, military pilots, police officers and firemen. High risk habits include smoking and drug usage.
- 🦠 Period of insurance - Insurance premiums are generally more expensive when the period of insurance is longer. This is because insurance companies have to guarantee the same coverage as the person gets older or contract a mild medical condition and hence, insurance companies will demand higher premium to compensate for the risk they undertake for a longer period of insurance.

The Game

In the game, critical illness insurance and life insurance are arranged with the highest sum assured to the lowest during set up. This correlates to mortality cost of buying insurance. The younger you are when you purchase the insurance, the higher sum assured you will get for the same amount of premium paid. The premium also increases as you lose health tokens, representing medical conditions which allow the insurers to charge more.

WHAT IS CASH VALUE LIFE INSURANCE?

The Concept

Cash value insurance is a form of permanent life insurance because it provides coverage for the policyholder's life. Traditionally, cash value life insurance has higher premiums than term life insurance because of the cash value element. Most cash value life insurance policies require a fixed-level premium payment, of which a portion is allocated to the cost of insurance and the remaining deposited into a cash value account.

The cash value of life insurance earns a modest rate of interest, with the insurance company investing the cash value in a portfolio of equity and bonds. Thus, the cash value of life insurance will increase over time and may exceed the total premium paid for life insurance. In the case that the policy holder is unable to pay premiums, the insurance company can make use of the accumulated cash value to pay for subsequent premiums, though with a penalty to future returns of the cash value fund.

Cash value insurance typically will pay out the cash value accumulated by the policy, on top of the the sum assured. Cash value insurance can have different features such as a limited premium payment period whereby the policy holder can pay the full premium of the policy at an accelerated rate and enjoy future coverage without the need to pay further premiums, or have a maturity date whereby they can pay out a lump sum payout or a regular income payout upon maturity.

Some examples of a cash value insurance policy includes whole life plan, investment linked policy, endowment policy and annuity policy. Cash value insurance comes with a number of short-comings, with the early surrender penalty as one of the biggest weakness. If a policy holder is unable to pay for the premiums at any point in time, a proportion of the cash value will be forfeited and the forfeited amount can be as much as 100% of the premiums accumulated. The fees and commission associated with cash value policy are also higher, which will compromise the overall cash value, as compared to a typical portfolio of funds with much lower fees.

The Game

In Zombielife Insurance, investment-linked policies and endowments represent cash value policies. Endowment policies have a lower sum assured compared to other insurance types, reflecting the higher premium of a cash value policy, but they pay out a fixed maturity amount based on the premiums paid. We have incorporated a guaranteed issuance option endowment in the game, allowing buyers to ignore existing medical conditions in exchange for minimal coverage. In the case of ILP, the value of an ILP is variable and depends on investment returns. Since the owner of an ILP can adjust the proportion between investments and insurance, we have selected a coverage level higher than that of an endowment policy but lower than term-death insurance to represent a balanced approach. Due to the complexity of the actual product, not all features are represented in the game.

WHAT IS TERM INSURANCE?

The Concept

Term insurance is life insurance that provides a fixed amount of insurance coverage for a fixed period of time. It does not contain any cash value and pays out only if the stated condition is met. As term insurance usually have an expiry date, a person will not gain any payout if the stated condition occurs after the insurance expires. Hence, it is important to determine the period of insurance whereby a person's risk is the highest, so as to ensure that high risk periods are covered under the term policy. Unlike a cash value insurance, term insurance will not have cash value returned to the policy holder upon the expiry of the insurance.

Premium calculation for a term insurance is mainly determined by the amount of payout and the time period of the insurance. The longer the period (or term) the insurance covers, the more expensive it is, especially in the case of life or illness insurance as a longer period insurance will cover a person in his or her older age where the risk of death and illness becomes exponentially higher. Some term insurance also offers renewable coverage, which allows the insured to extend the period of insurance, albeit at a higher cost based on the insured age.

Term life policies are ideal for people who want substantial coverage at low costs. Cash value life insurance customers pay more in premiums for less coverage but have the security of knowing they are protected for life.

For example a term insurance with \$100,000 death coverage up to age 65 may cost as little as \$60 annually, while a whole life cash value plan may cost more than \$1,000 annually. While many buyers favor the affordability of term life, paying premiums on a renewal basis may cost more over time as compared to a cash value whole life policy when issued at the original time of purchase.

The Game

There are 3 types of term insurance in the game: Medical insurance, critical illness insurance and life insurance. You do not get any money back if you hold these insurance till the end of the game and if no claims are made.

THE PROBLEM WITH OVER-INSURANCE

The Concept

Over-insurance occurs when someone purchases coverage that exceeds the value of their assets or pays excessively high premiums, straining daily expenses or jeopardizing retirement savings.

For insurance covering asset damage, a person cannot claim more than the asset's value. Therefore, purchasing insurance that exceeds the asset's value results in paying unnecessary premiums for coverage that cannot be claimed.

In the case of life insurance, it is typically impossible to assign a definite value to a person's life, so one can purchase as much coverage as they wish, limited only by what they can afford in premiums. However, this can result in having too much cash tied up in insurance payments, potentially leading to difficulties in meeting daily financial needs.

This is especially true for cash value insurance, which may incur significant penalties for early surrender. These penalties can make people hesitant to terminate their policies, even at the cost of sacrificing some of their daily needs or quality of life.

The Game

In *Zombielife Insurance*, players have to pay an upkeep to maintain the insurance policies every turn. If players purchase too much insurance in the hope that they will get infected and make a claim, but fail to do so, they may be forced to dig into their cash reserves on top of their salaries to pay for their premiums. Players may become so cash strapped that they are unable to buy investments or use the money to execute Action cards which may turn the game in their favor. Players may be forced to give up insurance policies in order to preserve their cashflow if the premiums become too costly to upkeep.

THE RISK OF UNDERINSURANCE

The Concept

Underinsurance refers to having an insufficient insurance policy. While a good insurance policy cannot prevent life's calamities, it should adequately mitigate the financial consequences. Underinsurance, however, can leave the policyholder exposed to significant financial burdens in the event of a serious incident. Whether it is a home damaged by a hurricane or fire, or an insured person experiencing a serious disease or accident, insurance should ideally cover enough of the expenses that the policyholder can manage the difference.

For life insurance, the sum assured should be the amount the family spends on an annual basis, multiplied by the number of years the person thinks the family will rely on the payout, with many families basing it on the number of years until their children reach adulthood. Additional consideration should be given if the person wants to pay off the home mortgage or the cost of children's university education.

For health & critical illness insurance, the priority is to get sufficient coverage to cover hospitalization expenses and costly treatment procedures. The secondary priority is to cover for family expenses in the case the breadwinner is unable to work due to illness for a prolonged period of time.

When individuals and families are underinsured, they may be forced to take on debt to cover deductibles and medical bills. They might delay necessary care, such as avoiding doctor visits when sick, skipping recommended tests or treatments, not consulting specialists, or forgoing prescriptions due to the cost.

The Game

Whenever a player's health token is flipped to red, they will lose game end game bonus which is an indication of the potential loss of income due to bad health or full zombification. Getting some form of insurance will help to offset the loss of points.

MANAGING RISK THROUGH LIFESTYLE CHANGES

The Concept

Buying insurance is a form of risk management by transferring risk to a corporation. However, individuals can also actively reduce their risk through lifestyle changes. For instance, adopting a healthy lifestyle lowers the likelihood of premature death or critical illness. Similarly, adhering to social distancing guidelines during a pandemic reduces the risk of contracting a life-threatening virus.

The Game

There is a number of Action cards that help players avoid or reduce their risk. For example, the social distancing card allows player to skip the draw phase, thereby reducing their risk of getting infected. On the other hand, cards such as the fake virus cure increases your risk by forcing players to draw 1 card as you gulp down suspicious medication from quack doctors.



To learn more about the world of finance and investment, visit our website: www.capitalgainsgroup.com

© 2024 Capital Gains Studio Pte Ltd. All rights reserved.
Zombielife Insurance Gamification Guide Eng Version 2.0

