



Understanding Medical and Health Insurance / Takaful

Part 1: Medical and Health Insurance/Takaful – To Buy or Not To Buy?

Many of us juggle daily between work and family commitments, with very little time left to care for our own health needs. Perhaps it is time to take a step back and look at what we are doing for our physical and mental well-being. Other than making the necessary effort to eat sensibly, exercise and take sufficient rest, there is also the financial care aspect on how to protect our savings in the event of a medical emergency.

Given that health care costs are likely to climb further, one financial care option worth considering is investing in Medical and Health Insurance and Takaful (MHIT) policy to help finance the unforeseen medical expenses.

MHIT as a financial safety net

In the early 70s, medical and health insurance in Malaysia was structured to provide basic cover for personal accidents, workmen's compensation and was also included as part of our motor insurance to cover for third party bodily injuries.

Today, MHIT has evolved into a sophisticated, financial risk management tool that can be tailor-made to cover for a diverse array of medical conditions and services. This evolution is necessary and in tandem with the needs of an increasingly affluent and knowledgeable community. Medical inflation has also driven many consumers to explore options to protect their financial nest egg if ever they are faced with a health crisis resulting from serious illnesses like cancer, stroke, or even from accidents.

Types of MHIT policies

While a MHIT policy could be structured specially to meet your medical insurance/takaful requirements, a typical MHIT policy in Malaysia is designed to cover the actual cost of hospital private medical treatment of covered conditions (illnesses or accidents).

In order to invest in a policy that best meets your requirements and budget, it is advisable to familiarise yourself with the different types of MHIT policies, what they cover and do not cover.

Broadly, the following describes the four major types of MHIT policies:



1. **Hospitalisation and surgical insurance/takaful** provides reimbursement of actual medical expenses incurred in the event of hospital treatment / surgery for covered conditions. This amount is subject to the annual or lifetime limit fixed by the product plan.
2. **Dread disease, or critical illness insurance/takaful** provides a specified lump sum benefit upon the diagnosis of any of the 36 listed conditions specified in the policy such as cancer, heart attack, stroke, kidney failure etc, or actual undergoing of a surgical procedure such as coronary artery bypass surgery, heart valve surgery, brain surgery etc.
3. **Disability income insurance/takaful** covers a portion of your income in the event that you are displaced from work when stricken with an illness or an injury.
4. **Hospital income insurance/takaful** pays a specified sum of money per day of hospitalisation for any covered illness, sickness or injury. This amount is subject to a maximum number of days per disability.

While it is a common practice among Malaysians to purchase more than one MHIT policy, the insurance/takaful experts advise that it would be more cost effective to consider having a single, comprehensive MHIT policy to avoid duplicate coverage.

Exclusions and Waiting Period

Malaysians have a variety of options when it comes to shopping for MHIT policies. Conventional insurers and takaful operators have designed MHIT policies providing different levels of cover to meet the varied needs and budgets of the Malaysian population.

Before you put pen to paper, it is important that you have familiarised yourself with the MHIT policy that you have selected in terms of what it covers and does not cover.

For instance, a hospitalisation and surgical policy typically covers:

- Hospital accommodation and nursing expenses
- Surgical expenses (surgeon's fees and costs associated with the surgery)
- Physicians' expenses
- In-patient tests

This policy normally does not cover:

- Pregnancy related conditions
- Congenital abnormalities
- Accidental injuries or illnesses arising from high risks activities like racing
- Cosmetic or plastic surgery
- Non accident related dental work or treatment including oral surgery
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Furthermore, there are various policy exclusions that you would need to be aware of, for example:-



- **Pre-existing conditions** – Conditions and illnesses experienced by you prior to applying for the policy. These conditions and illnesses would be excluded from coverage by your insurance company/takaful operator. You should check with your insurance company/takaful operator regarding the details of pre-existing conditions for the policy that you intend to buy.
- **Specified illnesses** – These are defined as 12 disabilities (e.g. tumours and gastritis) and their related conditions. You will not be covered for these illnesses if the illnesses have been treated or occurred during the first 12 months of your policy.
- **Qualifying/waiting period** – You will not be eligible for any claim arising from any medical or physical conditions within the first 30 days of the cover, except for accidental injuries.

If unsure, check the exclusion clauses with the company or authorised agent that you intend to buy your MHIT policy from.

Another point to note is that once a policy is purchased, there is a 30-day waiting period before the insured/person covered can enjoy the benefits in the policy. However, there are exceptions to the rule, as in the case of accidental injuries where coverage will start immediately.

There is also a list of specified common illnesses (including diabetes, hypertension, back problems, all types of tumours and cardiovascular diseases) where the waiting period is longer. If the insured/person covered is admitted/treated for any of these listed specified illnesses within 120 days from effective date of policy, no benefit is payable.

Buying a MHIT Policy

Once you have taken your time to understand your medical insurance/takaful needs and the protection required, the rest of the process is easy.

A MHIT policy can be purchased from any of the conventional insurance companies or takaful operators in town through their authorised agents, financial advisors, insurance/takaful brokers or banks which have bancassurance/bancatakaful arrangements.

When in doubt, your insurance provider/ takaful operator will also be able to offer you further advice on your MHIT policy of choice.

Choosing and acquiring a MHIT policy that is right for you and your family would certainly help give you the peace of mind and safeguard your savings. Finally, another important tip is to review your MHIT policy every two to three years to ensure that your medical insurance/takaful needs have been adjusted or upgraded to keep pace with medical inflation.

CONTINUE TO PART 2: Making MHIT Claims and Renewal Processes A Breeze



This article is first of a three-part series brought to you by Persatuan Insurans Am Malaysia, Life Insurance Association of Malaysia and the Malaysian Takaful Association. This series aim to offer a better understanding of MHIT and what it offers, the dos and don'ts when making a medical claim and how the high costs of healthcare services have impacted on MHIT premiums/contributions.

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ABOUT PERSATUAN INSURANS AM MALAYSIA (PIAM)

PIAM is the national trade association of all licensed direct and reinsurance companies for general insurance in Malaysia. Currently, PIAM has 28 member companies. More information on PIAM can be obtained from its Web site: www.piam.org.my.

ABOUT LIFE INSURANCE ASSOCIATION OF MALAYSIA (LIAM)

LIAM is a trade association registered under the Societies Act 1996. LIAM has a total of 16 members, of which 14 are life insurance companies and 2 life reinsurance companies. More information on LIAM can be obtained at www.liam.org.my.

ABOUT MALAYSIAN TAKAFUL ASSOCIATION (MTA)

MTA is a trade association for the Takaful industry in Malaysia. MTA has a total of 15 members and is dedicated in promoting the interest of its members and to supervise the exercise of self-regulation within the Takaful industry. More information on MTA can be obtained at www.malysiantakaful.com.my.

For further information, please contact:

PIAM:

Nur Fazliana Mohd Zuki
Senior Executive, Corporate
Communications, PIAM
Tel : 603-2274 7399
Mobile : 6016-221 3096
Email : fazliana@piam.org.my

LIAM:

Norizan Hassan
Head of Corporate
Communications, LIAM
Tel : 03 2691 6628
Email : norizan@liam.org.my

MTA:

Ivy Edmeades
Manager, Secretarial and Corporate
Services
Tel : 603 2031 8160
Email :
ivy@malysiantakaful.com.my