

GROUP INSURANCE ON THE RISE

Cover brings
added benefits for
employees who
also feel they are
being cared for

By EE ANN NEE

ean@mmail.com.my

PETALING JAYA: Companies not compelled to purchase group insurance are progressively taking up protection schemes from insurers to provide additional benefits for employees.

Former Life Insurance Association of Malaysia (LIAM) president Md Adnan Md Zain told *The Malay Mail* although the labour laws do not make it compulsory for companies to take up insurance for their staff, it would be ideal to make this compulsory.

“Such a move would provide financial assistance to a deceased’s family if death occurs while the employee is carrying out his duties. Moreover, group insurance is an added benefit of employment and will be deemed by employees that they are cared for.”

Adnan said group insurance is cost-effective, with lower administration costs and pooling of risks. Furthermore, it requires limited underwriting and is hassle-free

To alleviate rising costs on medical claims, companies would certainly take up the medical portion with personal accident as the common choice

— Md Adnan Md Zain



with premiums paid by employers or are automatically deducted from the payroll.

However, Adnan cautioned the cost implications on employers as most employers, especially the established companies, were voluntarily providing cover.

“Group insurance is seeing an upward trend. The growing trend comes from an increasing awareness of companies offering better

remuneration packages to employees as well as protecting their valuable human capital,” he said.

For LIAM members, the group insurance business saw a growth of 14.1 per cent in 2010 to a record RM2.36 billion in total premiums compared to RM2.07 billion in 2009.

Adnan said most companies spend on a combination of medical, personal accident and term-life

insurance.

“To alleviate rising costs on medical claims, companies would certainly take up the medical portion with personal accident as the common choice. To accentuate their coverage, companies choose term-life as well to enhance coverage and provide higher compensation in the case of demise of an employee during their work tenure,” he said.

General Insurance Association of Malaysia (PIAM) executive director and secretary Lim Chia Fook told *The Paper That Cares* that providing any other benefits beyond requirements in the Employment Act is to the discretion of employers.

“However, a majority of employers do provide medical and health insurance (MHI) as it is the ‘right thing to do’ and it is part of the strategy to attract employees. It is also a norm for reputable companies to have medical benefits for their staff. No doubt employees see the need for MHI and many staff do rely on employers to provide

medical care,” he said.

Lim said the common type of MHI coverage is hospitalisation and surgical insurance. He added not many companies provide outpatient and clinical coverage while dental and maternity coverage are fringe benefits based on the generosity of employers.

“But if a company has a large staff force, providing MHI including outpatient and clinical coverage can stabilise the company’s medical costs. Companies pay a fixed premium so they are able to budget against uncertainties and variables. The ‘risks’ are deemed taken care of by the insurance company,” he said.

Lim also said small and medium enterprises (SMEs) are gradually buying group insurance as part of their cost structuring. He said SMEs will slowly see that providing MHI for employees is a necessary risk transfer mechanism to stabilise costs.

“If a company does not insure, there will be tremendous risks involved,” he said

Uptake of group insurance due to poor social insurance coverage

PETALING JAYA: Employers are taking group insurance schemes as there is a need for greater protection and a more comprehensive coverage, says Malaysian Employers Federation (MEF) executive director Shamsuddin Bardan.

He told *The Malay Mail* the social insurance scheme by the Social Security Organisation (Socso) is limited in scope and hence many employers feel the inadequacies for their staff, therefore opting for group insurance plans.

"As we move towards a high income economy, provisions for social insurance coverage needs to be reviewed. When companies take on additional insurance, it is not cheap. Instead of employers incurring extra costs, the social insurance policies should be reevaluated to provide better coverage," said Shamsuddin.

He said it should not be compulsory for employers to buy group insurance and also that Socso guidelines should be reassessed even when employers have taken group insurance policies.

"I believe lots of disputes can be avoided if a no-fault insurance system is practised by Socso, as adopted by most developed countries," said Shamsuddin.

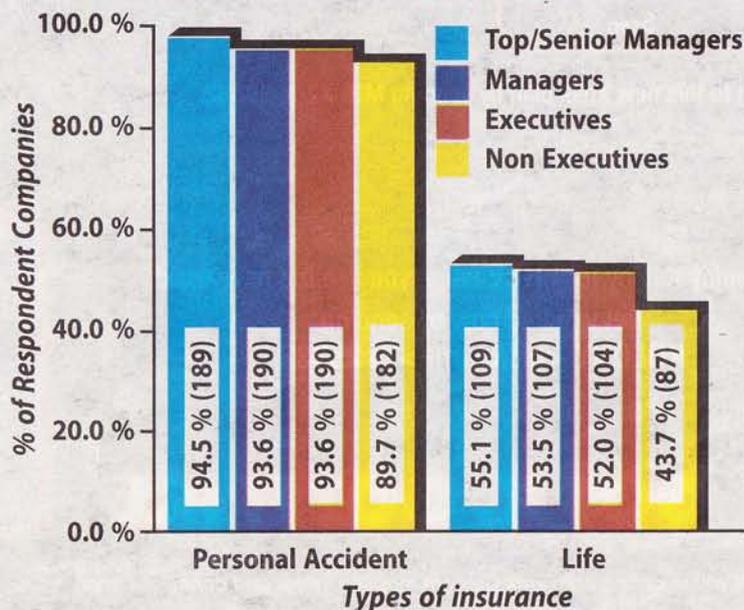
PA and life insurance most common

ACCORDING to the MEF Fringe Benefits Survey 2010, two common types of insurance coverage provided by employers are personal accident (PA) and life insurance.

Most employers provide PA insurance coverage for executives regard-

less of their level. About 55.1 per cent of the employers provide life insurance coverage to the top or senior managers, managers and executives while 43.7 per cent of employers provide life insurance to the non-executives.

TYPES OF INSURANCE FOR TOP/ SENIOR MANAGERS AND MANAGERS



MAXIMUM LIMIT OF MEDICAL INSURANCE COVERAGE

	No. of Respondent Companies	Maximum Limit (RM per year) for Medical Insurance Coverage			
		Average	25th%	50th%	75th%
Top/Senior Managers	30	56,422.11	32,710.00	50,170.00	69,220.00
Managers	30	43,842.23	21,005.00	41,120.00	55,000.00
Executives	30	32,940.00	20,320.00	30,014.00	40,240.00
Non Executives	30	25,915.30	13,280.00	20,210.00	30,300.00

Maximum limit of Medical Insurance Coverage for all levels of employees

Generally, the quantum of coverage for both PA and life insurance are based either on multiples of monthly basic salary or a pre-determined specific amount.

Almost all employers provide medical benefits (consultation and treatment) to both executives and non-executives. About 60.2 per cent of the employers extend these medical benefits to the dependents of executives while 38.2 per cent of the employers extend these medical benefits to the dependents of

non-executives.

When it comes to the maximum limit of medical insurance coverage for all levels of employees, half of the respondent companies set a maximum limit of medical insurance coverage as follows:

Top/senior managers: RM32,710 to RM69,220 per year

Managers: RM21,005 to RM55,000 per year

Executives: RM20,320 to RM40,240 per year

Non-executives: RM13,280 to RM30,300 per year