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### Malaysian households under-insured

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**KUALA LUMPUR:** Many Malaysian households are underinsured which will result in a family not being able to sustain its current lifestyle upon the death of the breadwinner, a Life Insurance Association of Malaysia (LIAM) study revealed.

Its president Vincent Kwo said the "2012/2013 Protection Gap Study", commissioned by LIAM, examined the potential mortality gap (under insurance) among Malaysian families in 2012 whose main wage earners were either covered by life and medical insurance, or uninsured under either policy. The mortality protection gap suggests the difference between what people will get from life insurance coverage and the coverage they need after the death of the breadwinner.

The findings of study revealed that the average protection gap for families whose primary wage earner have both life and medical insurance was RM553,000 per family which means when the sole breadwinner of the family dies, they would need about RM553,000, to last for at least five years to sustain their current lifestyle and continue with their daily consumption.

The study also revealed that families whose breadwinners was covered by life policy only had a slightly higher gap, at RM642,000 per family.

Meanwhile, the average protection gap for a family whose breadwinner is not covered by either life or medical insurance was largest, at about RM723,000 per family.

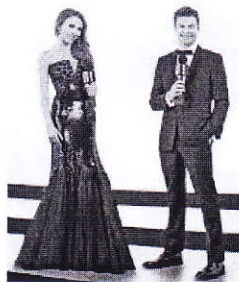
The average mortality gap for each member of a family was between RM100,000 to RM150,000, which was the average amount a person needs to sustain his spending or lifestyle for the next five years upon the death of the breadwinner.

Kwo said the study was based on the assumption that each household in Malaysia consists of five members (the parents and three children. It was also done on the basis that the income of the household was generated by one primary breadwinner).

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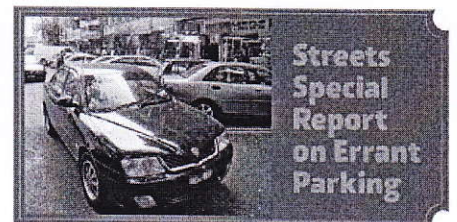
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He said an assumption was also made that the income of the household was generated by one primary breadwinner, adding that the true extent of the protection gap might be smaller if the spouse of the primary breadwinner was also employed.

Kwo noted that it was crucial to note the degree of under-insurance as the sudden loss of a main wage earner carries potentially damaging 'domino effect' with dire financial consequences.

"It may result in the inability to pay off the mortgage, debts or children's education," he said, adding that the size of the protection gap was often a true reflection of the potential demand for life insurance coverage.

The findings also showed that families whose primary wage earner was not covered by either life insurance or medical insurance have the largest protection gap, hence buying life insurance would solve the problem.

The study also revealed that the insurance purchase among individuals below the age of 25 was not encouraging, although the premium rates for the age group was relatively favourable.

Kwo said proactive measures should be taken by the insurers and the policymakers to increase insurance awareness and to encourage insurance purchase among the Malaysian population to reduce protection gap.

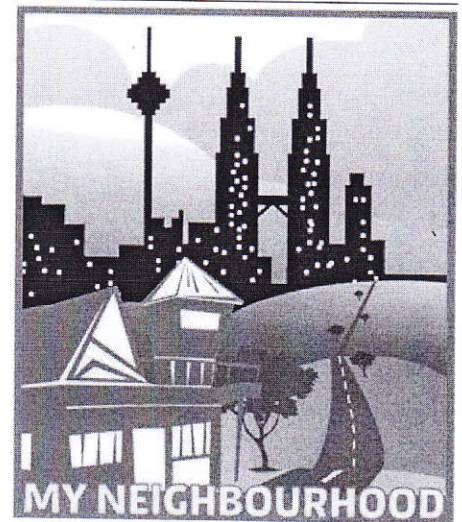
"The results of this study are expected to spur the insurance industry to move forward in achieving the targeted penetration rate of 75 per cent by 2020 under the Economic Transformation Plan," he said at the launch of the study in a hotel here, yesterday.

Present were key industry players and stakeholders including LIAM Industry Promotion Committee chairman Jens Reisch, senior officials from Bank Negara Malaysia, senior insurance representatives and Universiti Kebangsaan Malaysia research team.

The objectives of the study was to investigate the extent of the life insurance protection gap in Malaysia and highlight and quantify the magnitude of the mortality gap protection, or under-insurance, among the Malaysian working population in 2012.

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**35°**

Showers  
 Wind: 10 kmph South West  
 Wind gusts: 30 kmph

Saturday	Sunday	Monday	Tuesday
35° Partly cloudy	35° Partly cloudy	34° Partly cloudy	34° Partly cloudy

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