

# LIAM: Need to make life insurance more affordable

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THERE have been calls to make life insurance policies in Malaysia more affordable in order to boost the take-up of coverage among the rakyat, especially the Bottom-40 (B40) group, who make up the lowest-earning households in Malaysia.

According to Life Insurance Association of Malaysia (LIAM) chief executive officer Mark O'dell (pic), while the government has in the past introduced various measures to help lower insurance premiums in the country, more can still be done to encourage the B40 segment to get individual coverage.

Speaking to Starbizweek, O'dell says LIAM'S wish for Budget 2020 is for the government to introduce a subsidy scheme to support the take-up of policies under the Perlindungan Tenang – Mampu & Mudah initiative.

To increase the take-up rate of insurance among the B40 households, the life insurance industry has come up with the Perlindungan Tenang – Mampu & Mudah initiative (in 2017), which is a low-insurance-premium-protection-plan programme, to serve the needs of all Malaysians, especially the B40 segment," he says.

He notes the importance of the programme has been recognised by the government, which under Budget 2019, granted incentives such as stamp-duty waiver for all the affordable plans under the Perlindungan Tenang initiative.

"Recognising that premium affordability is key, we further propose that the government provides a one-to-one subsidy for the premiums paid by this group of rakyat, so as to bring down the effective cost to them to below 50 sen per day. This can be introduced on a phased-in approach," he says.

O'dell says the proposed subsidy could be granted on a voluntary basis.

"For instance, an individual under the Bantuan Sara Hidup scheme can select whether or not he/she wishes to purchase the Perlindungan Tenang plan. If the premium for this individual (and his household) is RM100 per annum, the insurance premium payable by this family will be RM50. The RM50 could be deducted from the Bantuan Sara Hidup disbursement, while the balance RM50 will be supported by the government," he explains. (see diagram)

At present, the number of households enrolled in the Bantuan Sara Hidup, a government's cash aid programme, is estimated at four million.

Assuming the take-up rate for the



voluntary Perlindungan Tenang programme is 1%, or 40,000 households, the costs to be borne by the government per year would be Rm2mil.

"This subsidy could be introduced

for a limited period of time, say, two years. This

Will provide an opportunity for the B40 group to appreciate the importance of life insurance protection (particularly if the insured member or family receives a claim) and to continue with the insurance after the two-year period," O'dell explains.

The social and economic welfare of the rakyat is important as a key indicator of progress and development of the nation. As such, the importance of the population having some form of insurance protection is critical, especially the B40 group, who is vulnerable to financial disturbance, O'dell points out.

"The support from the government is important to empower the B40 group to take the first step to introduce financial planning in their

families," he says.

"Ultimately, it is hoped that through the government's support in pushing the B40 segment to take up Perlindungan Tenang protection plans for themselves and their families, it would help materialise the nation's aspiration of insuring 75% of the population," he adds.

Finance Minister Lim Guan Eng early this month hinted that Malaysia would unlikely achieve its national-insurance-penetration-rate target of 75% by 2020.

At present, almost half of the Malaysian population remains uninsured, he said.

Lim noted the country's life insurance penetration rate had been relatively stagnant for several years now at 55%.

On the situation, he said: "I think it's a question of pricing and affordability."

Urging insurers to develop insurance protection plans for the underserved and under-protected, largely from the B40 group, Lim said insurance policies in Malaysia must be made more affordable in order to boost the country's insurance penetration rate.

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