

Unravelling dilemmas in medical insurance

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ARE you insured? Or over-insured? Or you're unsure of your life insurance situation?

Here are some frank insights on medical insurance, focusing on various types of critical illness insurance that could help to unravel your dilemma and discover solutions in medical insurance.

Q: My company provides medical insurance for me. If I am hospitalised, the hospital expenses will be paid for by the insurance company. However, my agent says that I need another medical insurance to cover for critical illnesses. How many types of medical insurances are there?

A: Medical insurance, also called health insurance, provides you with financial assistance if you suffer from a medical condition. There are two main types of medical insurances — Critical Illness Insurance and Hospital & Surgical Insurance (hospital insurance, for short).

These two types of insurance provide very differ-

ent coverage; one pays you a lump sum if you suffer from a medical condition, the other reimburses you the actual medical expenses incurred if you are hospitalised.

Critical illness insurance pays a lump sum if you suffer from one of the 36 critical illnesses defined in the policy contract.

You can use this payment to pay for treatment of the critical illness, for costs of rehabilitation or nursing care, for purchases of medical tools and equipment to support your disability or even for costs incurred in renovating your house to be more disabled-friendly.

Hospital insurance reimburses the actual expenses incurred for the treatment of your illness in a hospital. Besides paying for the cost of in-hospital expenses, it also pays for the cost of initial diagnosis of the illness prior to your admittance and for follow up treatments after being discharged from the hospital.

Q: My brother wants to terminate his hospital insurance because the insurance company wants to increase his premium even though he has not made any claims before.



Persatuan Insurans Hayat Malaysia
Life Insurance Association of Malaysia

Your Friend For Life

I have been trying to convince him to continue with his hospital insurance as one needs the protection of hospital insurance to cover for the increasing cost of medical treatments. What would be the options on this?

A: You are absolutely right to convince him to continue with his hospital insurance policy as everyone needs the protection it provides. People who do not own one are deemed to be insuring the risks themselves. In insurance term, this is called self-insurance.

The main advantage of insurance is the sharing of risks where the insured pays premium into a pool. If the insured event happens, a sum of money will then be taken out from the pool to pay for the loss arising from that event.

The premium paid for transferring such risks into the pool is very much smaller than the financial loss that could arise if the event

actually happens.

The costs of medical treatments have gone up every year in view of inflation; for better healthcare facilities being built, better services, introduction of new and more advance tests and procedures, more advance diagnostic tools and equipment being used and more effective drugs being prescribed.

All of these are expensive and will add to the increased costs of medical diagnosis and treatments.

It is for the above same reasons that premium for hospital insurance cannot remain the same throughout the policy duration. The premium for hospital insurance is not guaranteed and will increase as the costs of medical treatment increases.

If the total hospital insurance claims are high, it will also contribute to an increase in premium. It is, hence, important not to abuse it. Most insurance companies increase the whole portfolio rather than on individual

basis, so that the increase is almost negligible in cost to policyholders.

It is advisable for your brother to reconsider his decision and to renew his hospital insurance while he is still insurable and can own one. Premium also increases with age; the older he gets, the higher the premium.

Q: I am now employed as a manager and my company pays for my medical expenses when I am sick or is hospitalised. I am considering changing my job for my career advancement in the near future.

In doing so, I will be left without any hospital insurance if I do not own one myself. Will I be "over-insured" if I am to purchase another hospital policy now?

A: You can be "over-insured" if you possess two hospital plans at the same time as you can only claim from one policy at any one time.

Hospital insurance reimburses you for the actual cost of hospitalisation. Once you have been reimbursed for the hospital bills from one policy, you cannot claim again from the other policy.

Having said that, the question of whether you need to purchase another hospital plan will depend on your needs. There are circumstances that may justify the need for more than one policy.

If you are to leave your current job, you will be exposed to periods when you will not be covered by any hospital insurance. In such a situation, it might be worthwhile for you to own hospital insurance yourself without having to rely on your employer.

Further, there is also the question of whether your new employer will provide you with hospital insurance.

People who will be retiring in the near future may want to consider owning their own hospital policy before they retire. As one ages, the risk of being ill is very high. Insurance companies may not offer hospital insurance if your health is substandard.

The article is courtesy of Life Insurance Association of Malaysia. For further information, please log on to www.liam.org.my.