

PRESS RELEASE

For Immediate Release

Insurance and Takaful Industry Presents Recommendations to Address Rising Healthcare Costs and Insurance Premiums/ Takaful Contributions

KUALA LUMPUR, 7 March 2025 – The Life Insurance Association of Malaysia (LIAM), the Malaysian Takaful Association (MTA) and Persatuan Insurans Am Malaysia (PIAM) held a productive session with the Public Accounts Committee (PAC) in a bid to address the escalating costs of healthcare and insurance premiums. The engagement session held in Parliament on 26 February 2025, provided an avenue for constructive discussions on sustainable healthcare financing and cost-containment strategies.

The industry recognises the efforts by the PAC to address escalating medical inflation and rising healthcare costs in the country and is looking forward to the “whole-of-nation” approach within the next few years. The insurance and takaful industry has introduced interim measures to support policyholders affected by the premium repricing. These measures aim to ease the financial strain while ensuring continued access to medical and health insurance and takaful (MHIT).

The interim measures include spreading out premium / contribution increases over three years (until 2026), capping annual hikes below 10% for most policyholders /certificateholders (about 80%), and offering a one-year premium freeze for policyholders /certificateholders aged 60 and above on minimum medical and health insurance/takaful (MHIT) plans. Additionally, policyholders /certificateholders whose policies /certificates lapsed in 2024 due to repricing can reinstate coverage without new underwriting, while insurers and takaful operators (ITOs) will introduce alternative, more affordable MHIT products by 2025.

The industry collectively proposes key recommendations, aimed at promoting affordability, transparency and sustainability within Malaysia’s healthcare and insurance as well as takaful eco-system. Among the key proposals were:

- 1. Implementation of DRG (diagnostic-related grouping) pricing to enhance transparency in healthcare services chargers and billings.** Aligning cost

structures between healthcare providers, ITOs and Third-Party Administrators (TPAs) is essential in managing healthcare expenses effectively.

2. Working with BNM to **develop a basic long term sustainable insurance and takaful product while allowing ITOs to offer top up schemes** for those seeking additional coverage.
3. **Greater transparency by publishing the average costs of common procedures/treatment across private hospitals and annual medical costs inflation rates** to empower consumers with greater financial awareness. The establishment of **industrywide claims database** will improve claims analysis and help mitigate abuse.
4. **Co-Payment for MHIT products**, a key long-term solution which helps policyholders /certificateholders manage costs by encouraging shared responsibility in healthcare expenses. Co-Payment, especially co-insurance, can encourage more responsible consumptions of health services.
5. **Regulating Pharmaceutical Costs – Collaborating with the Ministry of Health (MOH) to promote the use of generic drugs and regulate medication pricing.** Reports indicate that pharmaceuticals account for a substantial portion of private hospital revenue, indicating the need for cost controls.
6. **Calling for private hospitals to set up cost containment unit and to freeze increases during periods when insurers and takaful operators are required to cap premium hikes.** This measure aims to ensure that cost containment efforts are equally distributed across the healthcare eco-system.
7. **Tax Exemption on Group Insurance from 8% SST** to encourage more employers to provide insurance and takaful protection for employees. Currently approximately 4 million employees including those from the B40 group, receive coverage through workplace schemes.
8. **Appoint an independent consultant to conduct a detailed study** to analyze and recommend stakeholder actions to reduce claims inflation. This

comprehensive study will provide data-driven insights and recommend effective stakeholder actions to control rising claims costs.

9. **Encourage and incentivise healthier lifestyles** through **no claim bonuses**, a reward system that benefits those who maintain good health, helps promote well-being and strengthens policyholder engagement and loyalty. This initiative will also reduce unnecessary medical claims.

The insurance and takaful industry strongly advocates for a “whole-of-nation” approach to tackling the rising costs of medical care. This includes greater pricing transparency, the implementation of DRG initiatives, and a commitment from all stakeholders – including healthcare providers, regulators, and insurers – to adopt sustainable cost-containment measures.

LIAM, MTA and PIAM remain committed to working closely with Bank Negara Malaysia (BNM), the Ministry of Health (MOH), Association of Private Hospitals Malaysia (APHM), and other key stakeholders to develop long term solutions that balance affordability, quality and accessibility in Malaysia healthcare landscape.

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ABOUT LIFE INSURANCE ASSOCIATION MALAYSIA (LIAM)

Formed in 1974, the Life Insurance Association of Malaysia (LIAM) is a trade association registered under the Societies Act 1966. LIAM has a total of 16 members, of which 14 are life insurance companies and 2 life reinsurance companies. LIAM's objectives are to promote a progressive life insurance industry; to enhance public understanding and appreciation for life insurance; to upgrade the image and professionalism of the life insurance industry and to support the regulatory authorities in developing a strong industry. Visit www.liam.org.my for details.

ABOUT MALAYSIAN TAKAFUL ASSOCIATION (MTA)

Malaysian Takaful Association (MTA) was established on November 2002 under the Societies Act 1966. It is a trade association representing all 18 licensed Takaful and Retakaful operators in the country. The objectives and the powers of MTA are to promote the interests of its members and to inculcate the implementation of self-regulation within the Takaful industry. More information on MTA can be obtained from its website: www.takaful4all.org

ABOUT PERSATUAN INSURANS AM MALAYSIA (PIAM)

The history of PIAM originated from the establishment of various insurance and tariff associations set up in 1885 that played a role as a collective voice of the insurance industry in Malaya and Singapore shortly after the Independence of Malaya in 1957. In June 1961, the Insurance Association of Federation of Malaya was formed to maintain tariff insurance legislations and promote sound insurance practices. For the first time, an Association was established in Kuala Lumpur to safeguard the country's general insurance interest. Subsequently, PIAM was established in May 1979 as a statutory trade association recognised by the Government of Malaysia for all registered insurance business. Currently, PIAM has 23 member companies comprising direct general insurance and reinsurance companies operating in Malaysia.

To learn more about PIAM, visit www.piam.org.my

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