

Insurance sector hails initiatives

THE Life Insurance Association of Malaysia (LIAM) and the General Insurance Association of Malaysia (PIAM) have hailed the initiatives put forward by the government to streamline and upgrade the local insurance sector to make it more in-line with the times.

In his speech at Budget 2010 last Friday, Prime Minister Datuk Seri Mohd Najib Razak said that the insurance industry would be improved to meet market demand as part of the government's initiatives to strengthen the banking and financial system.

"The current structure of motor insurance scheme is rigid as it fails to take into account rising business costs and claims. To ensure the rakyat continues to have access to motor insurance protection, a basic insurance and takaful scheme will be offered.

"Premiums for the insur-

ance protection scheme will be determined at an appropriate level, which does not burden the rakyat and commensurate with the level of protection. This scheme will provide mandatory basic insurance coverage for third party bodily injuries and death as well as enable claimants to obtain compensation expeditiously. This scheme is expected to be introduced by mid-2010," he added.

Mohd Najib also said small businesses often encountered financial problems due to unexpected events, such as accidents, fire and loss of property. "To ensure this group continues to benefit from better financial protection, the micro insurance and takaful coverage will be expanded," he said.

"With premium as low as RM20 per month, small-scale businessmen will benefit from coverage ranging from RM10,000 to RM20,000. The

government will support the insurance and takaful industry's initiatives in developing financial products to meet the needs of the low-income group. This effort will contribute towards improving financial protection of the rakyat," he added.

In a statement, LIAM president Md Adnan Md Zain, said the introduction of a micro insurance scheme with premiums as low as RM20 per month will provide financial protection to many small businesses.

"It is important to realise that insurance plans are not only for the high-income earners, but is affordable by a large majority. In this connection, LIAM will work closely with the authorities to introduce this insurance product as quickly as possible," he said.

Mohd Najib also said in his speech that, in order to encourage Malaysians to start

saving at a young age in order to ensure a continuous income stream during their retirement, the government proposed that the existing personal tax relief of RM6,000 for EPF contribution and life insurance premiums be increased to RM7,000. He said this RM1,000 increase was for relief on annuity premiums paid from January 1, 2010 for retirement schemes offered by insurance companies.

Md Adnan said LIAM was supportive of this. "This incentive is most apt to support the development of retirement schemes by life insurance companies. This is because by the year 2020, Malaysia will have close to 10% of its population above 60 years. Thus, it is important that Malaysians start their financial planning early to continue to enjoy a comfortable lifestyle in their golden years," he said. — *by Alfean Hardy*