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Budget 2027 must strengthen medical insurance protection

MEDICAL insurance is no longer a luxury. For millions of Malaysian families, a serious illness without adequate coverage can mean draining decades of savings or falling into debt.

Yet rising premiums and changing coverage terms are making it increasingly difficult for policyholders to maintain the protection they believed they had secured.

We must create a system in which insurers can remain financially sustainable while policyholders are treated fairly and transparently.

The numbers show why action is needed. In the first half of 2024, life insurance and family takaful funds recorded RM8.4bil in overall profitability, rising to RM12.4bil for the full year.

At the same time, premium increases placed significant pressure on policyholders.

Bank Negara Malaysia reported that 61% of affected policies experienced increases of less than 20%, while about 9% faced increases exceeding 40%.

To its credit, Bank Negara Malaysia introduced interim measures in December 2024.

Premium adjustments arising from medical claims inflation were to be spread over at least three years, with at least 80% of policyholders expected to face annual increases of less than 10%.

However, the measures apply only to increases arising from medical claims inflation.

They do not cover increases resulting from movement into a higher age band, and they expire at the end of 2026.

That creates an important gap in consumer protection.

A 65-year-old, for example, was reported to have faced a 45% increase following a change in age bracket.

Such cases raise legitimate questions about whether existing safeguards adequately protect older policyholders, particularly retirees with limited income.

Budget 2027, to be tabled on Oct 9, must be a turning point.

Three measures deserve attention.

First, expand tax relief.

The current combined RM4,000 limit for medical and education insurance is increasingly inadequate. Raising it to at least RM6,000 would provide households with greater room to maintain essential protection.

Second, strengthen protection against excessive premium increases.

Bank Negara Malaysia's 10% interim safeguard should be replaced by a permanent framework that addresses not only medical-cost repricing but also age-band increases. Policyholders should not be left exposed to large jumps simply because they enter a new age category.

Third, strengthen consumer protection while supporting the implementation of MediAsas.

The government's new MediAsas plan – the base medical and health insurance and takaful plan – is designed to provide more affordable and sustainable medical protection, with nationwide rollout planned for January 2027.

Budget 2027 should ensure that the initiative reaches those who need basic coverage while also ensuring that existing policyholders are not left behind.

The objective is not to cripple a profitable insurance industry. A financially healthy sector benefits everyone. But sustainable insurance cannot be built on a system where consumers struggle to understand how premiums and coverage may change.

The choice is not between protecting consumers and sustaining insurers. The real task is to build a system in which both can coexist. Budget 2027 provides an opportunity to strike that balance and restore confidence in medical insurance as a source of protection, rather than another source of financial uncertainty.

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