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EPF annuity investors unhappy over 7pc penalty

KUALA LUMPUR, Sat. - Malaysian Trades Union Congress today said that Employees' Provident Fund contributors are dissatisfied with the decision of insurance companies involved in the annuity scheme to impose a seven per cent penalty.

MTUC secretary-general G. Rajasekaran said there was no justification for the companies to withhold such a large sum of contributors' hard-earned money.

"The EPF should take this matter seriously," he said in a letter handed to EPF chief executive officer Azlan Zainol at his office yesterday.

In the letter, Rajasekaran said that though the MTUC was grateful to Prime Minister Datuk Seri Dr Mahathir Mohamad for helping resolve the matter, the EPF should negotiate with the consortium of insurance companies to reduce the penalty.

"The EPF, while remaining completely silent on this, has however hasten to give the assurance that despite Dr Mahathir's announcement, insurance companies will continue to service those who had purchased earlier."

Rajasekaran said the MTUC viewed this as being more in the interest of insurance companies and not the contributors.

He added that one of the insurance companies involved, MCIS Insurance Bhd, has justified the imposition of the penalty for early withdrawals. He quoted its explanation:

"You would note from general provision No. 5 that a surrender charge would be imposed for any early termination of the policy. The surrender charge will not exceed seven per cent of the cash surrender value. The complete wording can be found on page 2.

"The insurance company would have incurred considerable expenses in the issuance of the policy. The expenses include agency commission, operational expenses in the processing and issuing of the policy, marketing and promotional expenses, advertising and publicity and costs relating to the setting up of systems.

"The surrender charge is necessary to cover the cost incurred by the insurance company as stated above. If full refunds are made to EPF members by waiving any surrender charge, the above expenses will not be covered and the insurance companies would incur substantial losses in this regard."

Rajasekaran said the MTUC found the reasons most ridiculous and unacceptable, and asked why contributors should be made to pay a commission for handing over their money to insurance companies. Further, how does a contributor benefit by an insurance company's marketing and promotion campaign?

He also said that the MTUC believed that insurance companies have spent hundreds of thousands of ringgit on advertisements and promotions, and wondered how did this enhance contributors' investment.

The MTUC felt that administrative costs and operational expenses ought to be met by insurance companies.

The MTUC also wanted to know whether the insurance companies had disclosed the seven per cent penalty to contributors when they signed up for the scheme, and whether the EPF was aware of such a condition and, if so, what was the basis for allowing it.

The MTUC has also asked the EPF why it told its 150 general council members last November that only RM50 would be deducted.

Rajasekaran said the two companies marketing Takaful insurance schemes were charging RM50 and felt the rest of the insurance companies should do the same.

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