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EPF annuity scheme insurers down but not out

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INSURERS are confident that the heavily-criticised annuity scheme through Employees Provident Fund (EPF) withdrawals will stay, but may return with some changes in terms of its management.

Insurers contacted by Business Times expressed confidence that the scheme, currently under suspension pending a study by EPF-appointed consultants, will continue to see the light of day despite fierce objection from unionists.

"From the broader perspective, the annuity scheme is in line with the intention of policymakers as expressed in some of the recently released masterplans," says Gregory John Murray from Malaysian Assurance Alliance (MAA) Bhd.

Insurers are also taking refuge in a statement from the EPF released last Thursday, which said the fund's consultants are studying whether the scheme should be implemented internally or by approved insurance companies.

"The statement clearly states that the pension fund is looking into the question of who shall ultimately manage the fund, and not whether it should be scrapped," said L. Meyappan, MCIS Insurance Bhd's chief executive officer and also president of the Life Insurance Association of Malaysia (Liam).

Both MAA and MCIS are among the six insurers approved by the EPF under the annuity scheme.

Union leaders, pressing for the scrapping of the scheme, criticised the EPF for continuing to accept applications from contributors but processing them only upon completion of a study by its consultants.

The Malaysian Trades Union Congress (MTUC) questioned the fund's motives in releasing the statement which was tantamount, as per its reading of the situation, to negating the assurance given by Prime Minister Datuk Seri Dr Mahathir Mohamad.

"What is the purpose and motive of this statement which seems to contradict the Prime Minister's assurance to defer the scheme," queried MTUC secretary-general G.Rajasekaran.

In a letter to the MTUC, the Prime Minister agreed to defer the annuity scheme until the completion of the consultant's study, reconsider restoring the death and incapacitation benefit to RM30,000 as well as enhance public confidence in the pension fund.

The letter dated May 8 resulted in the MTUC calling off its plan to stage pickets in front of EPF offices nationwide last Saturday.

However, insurers are unhappy with the MTUC's continuous criticism of the scheme.

"We wish the MTUC will stop speculating on the fate of the scheme as it only creates doubt in the minds of those who have opted for the scheme.

"They should be at a level of comfort that they have bought the right policy. Speculation will only cause them to run," said Meyappan.

Clearly, the weeks ahead will see some heated debates as the stakes are high.

The scheme, launched last July, has attracted close to 200,000 applications. Till end-March, the EPF approved 137,692 applications worth RM2.7 billion.

Interested applicants withdraw a specific amount of their EPF savings to be paid to their preferred annuity insurance provider which in turn

invests the money and promises to pay them a guaranteed lifetime monthly income upon retirement.

On the part of the insurers, the battle before them is on two fronts: maintaining confidence in the product and defending the scheme.

The six insurers, acting as a consortium, came out with full-page advertisements in selected national dailies to assure existing policyholders and applicants that their benefits remain intact.

"All provisions of your policy contract are still in force and shall be honoured," the advertisement promised.

Besides MAA and MCIS, other consortium members are Hong Leong Assurance Bhd, Malaysia National Insurance Bhd, Maybank Life Assurance Bhd and John Hancock Life Assurance Bhd.

"The insurers will also be writing individually to their policyholders on the latest development," said another insurer.

With the deferment of the scheme, insurance agents are expected to turn their attention to promoting other insurance products.

"We put it on hold... but life goes on as we have other products to sell," said an insurance official, noting that most of the annuity consortium members are composite insurers providing both life and general insurance.

Meyyappan added: "We will refocus until the matter is resolved. But we will be most surprised if the scheme does not continue."

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