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Health insurance premiums justifiable, says ING chief

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ING Insurance Bhd, formerly Aetna Universal Insurance Bhd, said premiums reduction for medical and health insurance (MHI) are unnecessary as the existing rates are already one of the lowest in the market.

President Datuk Christopher Davies said the spiralling medical costs situation has made it impossible for insurers to reduce the current rates.

ING collected RM137 million in MHI premium in 2002 but incurred a 3 per cent loss from the filing of medical claims by policyholders.

This year, the company expects to collect RM149 million from sales of MHI but Davies does not expect ING to reap any profit from that market segment.

"The inflation in cost of healthcare has been double-digit annually compared to the country's (economic) inflation.

"Our current rates are justifiable... there is no way we can go any lower," he told newsmen after the opening of the RM40 million ING Centre for Performance Development in Bandar Sri Damansara, Kuala Lumpur on Saturday.

In the Budget 2004 tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad on Friday, the Government has encouraged the health insurance industry to widen its coverage by providing lower premiums, which are affordable to a majority of Malaysians.

In addition, companies are also encouraged to bear the medical costs of their employees.

ING currently provides life, disability and health coverage to more than 650,000 Malaysians. The company is also Malaysia's top provider of employee benefits coverage with 2,000 corporate clients and 700,000 employees.

In 2002, ING posted a total gross premium of RM1.1 billion with new business contributing RM162 million. For this year, ING expects its first year premium to grow to RM200 million.

"At the end of 2002, the company has total assets worth RM5 billion with a paid-up capital of RM140 million.

"Health insurance premiums have risen 10 to 70 per cent since July last year, with another 30 per cent increase seen in the first half of this year.

"The rise has been attributed to escalating medical costs due to new treatment techniques and drugs as well as rising salaries of medical staff, particularly specialists, as a result of inflation.

"The US experience has shown that contrary to belief that competition resulting from having more (private) hospitals will bring down medical costs, excess supply can also cause an escalation of medical costs.

"This will occur as failure to meet the desired patient volume will

leave the hospitals with no choice except to increase hospitalisation costs to find a break even point," added Davies.

Meanwhile, the ING training centre, deemed the first of its kind in the local insurance industry, aims to raise the standards and enhance the professionalism of ING's 9,000-member agency force.

In conjunction with the centre's opening by chairman Tengku Abdullah Sultan Abu Bakar, a convocation was held for more than 90 graduates from various chartered financial programmes, including the globally-recognised Chartered Insurance Agency Manager (CIAM) designation, which is awarded by the United States-based Life Insurance Marketing and Research Association.

ING Insurance also entered the Malaysia Book of Records for having the highest number of CIAM graduates (37) as well as the first Malaysian CIAM holder Phang Siang Yang.