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iMoney

ACCORDING to data from the Credit Counselling and Debt Management Agency (AKPK), about 11.5% of those who enrolled in their debt management programme list medical expenses as the top reason for their debt.

Are You Paying Too Much For Your INSURANCE?

There is no denying that we all need insurance coverage for different reasons. But does it mean the more policies you sign up for, and the higher the coverage, the better off you are?

Well, not really. If this is what you're doing currently, you may be setting yourself up for a financial disaster instead when you are not only over-insured but are spending more than necessary for the protection.

Different people need different levels of coverage and being over-insured is a waste of money and will lead to various complications when you need to make a claim.

Here are some signs that point to being over-insured and what you can do to fix the situation:

When your insurance coverage overlaps

There are many possibilities that you may have overlapping insurance coverage, which means having a number of insurance policies that pretty much cover the same thing. One of the most common scenarios is when you have a personal health insurance policy and also a health insurance policy provided by your employer as part of their employee benefits.

Having a personal health insurance on top of the employee health insurance makes sense when one of them has low coverage as having another plan will be able to cover the differences in claims if the need arises. However, if the policy provided by the employer is adequate, having a separate policy can push your cost higher. Instead of cancelling your personal health insurance, you can lower your coverage to lower the cost of premium.

It's important to consider whether the choices you make are good in the long run. So be sure

to plan this out accordingly, and adjust where necessary.

When your cash flow is affected due to high insurance premium

According to the Life Insurance Association of Malaysia (LIAM), up to 90% of Malaysians who have life insurance are under-insured. Although, Malaysians are generally under-insured when it comes to life insurance, there is a certain segment of the society, especially the upper middle class who are over-insured.

The general rule of thumb for

life insurance coverage is at least 10 times of your annual income to cover the family expenses for the next 10 years. Of course, this is just a general guideline, how much coverage you need really depends on the number of dependents and also debt commitments you currently hold.

If your net worth is going to be higher when you are deceased then it's probably time to re-think your life insurance coverage. Plan out the amount your family would need to get back on their feet financially in the event that you are unable to provide an income anymore.

When your coverage is too high

Insurers calculate your premium using a method called underwriting, where they consider all your risks. If you are a high risk individual - a smoker or holding a high risk job - your premium will naturally be higher, because the chances of you making a claim is higher.

When you are deciding on your coverage, you should also do a very basic underwriting to help you decide. Do you have family history of hereditary illnesses, are you working in a high-risk job, do you smoke and drink frequently?

Of course, these are just questions to gauge how high your risk is. We could never tell whether something unfortunate is going to happen to us.

While it really pays to be safe than sorry for things like these, you're better off tweaking your coverage so that it is adequate and suits your lifestyle rather than paying a high premium that you can't afford.

Take a good look at your coverage and see if you can lower your premiums or even get better options in the long run too. For example, if you travel frequently, get a travel credit card that offers you free travel insurance instead of buying one each time you travel. For car insurance, look for one that offers discount or cashback when you renew without making a claim in previous year.

In the end, buying insurance isn't just about coverage and investments, it's also about utilising it to your advantage without breaking the bank. As we go through different life stages, our protection needs to evolve too. So review your insurance policies and tweak them accordingly to not only ensure better coverage, but also for better features and benefits in the long run.

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