

# High-risk drivers pay more

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PETALING JAYA: Think twice before you run a red light or drive recklessly – you could end up paying more for your future motor insurance.

Insurance companies are expected to take into account a motorist's driving history following the liberalisation of motor insurance tariffs set to take effect on July 1.

"The traffic violation records and history of a motorist will certainly be of interest to insurers," said Perbadanan Insurans Am Malaysia (PIAM) CEO Mark Lim.

"It is one of the risk profiling factors which will be considered in the pricing of the insurance premium."

PIAM plans to work closely with law enforcement authorities to assess such data.

**Motor tariff liberalisation**

From July 1, motor insurance tariffs will be liberalised. Premiums are expected to be calculated based on several factors, including a driver's risk profile. In other words, a low-risk driver can enjoy lower premiums.

**Parameters to assess a driver's risk profile**

- Age of driver
- Age of vehicle
- Gender of driver\*
- Driver's claims record
- Traffic violations record

Note: \*Studies conducted in developed nations showed that female drivers are more patient and less reckless. In the UK, men pay more than women for a similar motor insurance policy.

Source: Bank Negara Malaysia and Perbadanan Insurans Am Malaysia

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**How it benefits consumers**

- Promotes safe driving culture
- Low-risk drivers enjoy lower premiums
- More options to suit one's needs
- Get to shop for the best coverage and value
- Competitive prices in the long term

Following the liberalisation, the amount of premium you pay will be determined by risk factors which may include the driver's age and gender, the vehicle's age, claims record and even traffic violation history, according to PIAM's website.

On the matter of gender, the website said studies in developed countries showed that women generally have safer driving habits than men.

This means drivers with a lower risk profile enjoy lower premiums.

Consumers can now expect a wider array of competitively-priced motor insurance products to suit their individual needs. Except for third-party insurance tariffs which remain fixed, insurance companies will be free to determine the pricing of premiums depending on the consumer's needs and their risk profile.

"Generally, consumers can expect an improvement in the quality of customer service and a wider range of products at competitive prices given the increased competition.

"The availability of new and innovative products with enhanced features will enable consumers to obtain the coverage that best meets their needs," said Lim.

Financial consultant Afyan Mat Rawi said the move is set to benefit consumers as they will soon have more options.

Since the gradual liberalisation which began last July, Afyan said, companies have started offering “non-standardised” products which cover towing and car replacement in the event of breakdown.

“Before this, tariffs across companies were the same. It didn’t matter much which company I bought my motor insurance from,” he said.

“With the liberalisation, competition is going to be stiffer, and companies will choose strategies which can retain customers. We may be looking at further discounts or additional coverage at no charge.”

However with companies now free to set their own premiums, he was concerned that larger firms with more capital might be able to offer much lower premiums than smaller outfits.

“Even so, in my experience, consumers don’t always go for the cheapest option but the one with the fastest and most hassle-free claim,” he said.

Malaysian Institute of Road Safety Research (Miros) director-general Professor Dr Wong Shaw Voon saw the move favourably as it would promote a culture of safety among road users.

“The higher risk, the more you pay. The lower risk, the less you pay,” he said.

Dr Wong added that apart from driving history, other risk factors such as geographical location and car model should be considered.

“If you consistently drive on a higher risk road, for example up and down Cameron Highlands, that makes a difference to your risk profile, and should be considered when determining your premium.

“And when you are buying a car, you have an incentive to choose a safer vehicle if you get to enjoy lower premiums,” he said.

Motor insurance made up 46.3% – the largest slice – of the country’s general insurance market in 2015.

However, for every RM1 premium collected, claims made involving third-party bodily injury are between RM1.30 and RM3, according to Bank Negara Malaysia.

In fact, the motor insurance class saw losses amounting to RM292mil in 2015, a 75% increase from RM166mil the year before.