



Why Your Medical Premium Went Up

Medical claims inflation hit 12.28% in 2025 and the industry paid out RM13.5 billion. What the report actually found, why repricing followed, and the part of it you can genuinely control.

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On 27 August 2026, an industry report landed that explains a letter many Malaysians received without ever understanding it. The **Malaysia Medical Claims Inflation Report 2025** found that medical claims inflation climbed **12.28%** last year, and that the insurance and takaful industry paid **RM13.5 billion** in claims — up about **10.7%** from RM12.2 billion the year before.

If your premium or insurance charges went up recently and nobody explained why, this report is the why. Here's what it says, what it doesn't say, and what you can do about it.

12.28%

medical claims inflation in 2025

RM13.5 bil

claims paid by the industry in 2025

13.63%

average annual claims inflation, 2023–2025

The finding most people miss: it's utilisation, not just price

The instinctive assumption is that hospitals simply raised their prices. The data tells a more specific story. LIAM chief executive Mark O'Dell noted the findings are consistent with the World Bank's analysis of Malaysia's medical and health insurance/takaful sector, which identified **healthcare utilisation and service intensity** as the key drivers — that is, how often care is sought and how much is done each time.

The breakdown makes the point clearly:

Where the claim happened	Change in claims cost, 2025
Public hospitals (9% of all claims)	down 14%
Private hospitals	up 5.89%
Private day-care settings	up 2.3%

Note that none of those individual figures is 12.28%. The headline rate is driven by the **mix and volume of care** — more claims, more procedures per episode, more of it in higher-cost settings — not by any one line item tripling. Public hospital claims actually got *cheaper*, and they moderated the overall number.

Why this became a repricing and not just a headline

Malaysian Takaful Association chief executive Radzuan Mohamed gave the figure that explains everything: average annual medical claims inflation ran at **13.63% between 2023 and 2025**, against roughly **8% from 2013 to 2018**. Medical insurance was priced in a world of 8%. It is now paying claims in a world of 13.63%. That difference has to be funded from somewhere, and the only pocket available is the pool of premiums.

“But I never claimed. Why am I being repriced?”

This is the question I get most, and it deserves a straight answer. **Medical cover is priced as a pool, not as an individual account.** Your premium was never a savings deposit against your own future treatment; it is your share of the cost of covering everyone in the plan this year. When the pool's claims rise 12%, the cost of running the pool rises for every member of it — including the members who never walked into a hospital.

It also helps to know what is actually moving inside a medical rider on an investment-linked policy. The **cost of insurance** is recalculated as you age and as claims experience changes; it is deducted from your policy, and when it climbs faster than assumed, either the premium rises or the policy value depletes sooner. Nothing has gone wrong with your policy. The world it prices against has changed.

What Prudential's own 2025 claims show

Industry averages can feel abstract, so it is worth looking at what one insurer actually paid. In 2025 Prudential paid **RM2.88 billion** in claims across medical, critical illness, personal accident and death. Medical claims led the payouts.

- » Top five medical diagnoses: **heart disease, breast cancer, cataract, pneumonia and gastritis.**
- » **Heart disease claims surged 79% over five years**, making it the leading cause of hospitalisation.
- » **Pneumonia cases doubled** in five years, with cost per case up about **20%**.
- » Critical illness is arriving earlier: **15% of critical illness claims went to policyholders aged 40 and below.**
- » Cancer and heart disease alone accounted for **30%** and **21%** of death claim payouts.

Read those together and the repricing stops looking arbitrary. More people are being hospitalised, for more serious conditions, earlier in life, at higher cost per case. The claims are being paid. The money is going out. That is the system working — and working costs more than it used to.

What Bank Negara did about it

Regulators did not leave this entirely to the market. Under BNM's interim measures for medical and health insurance/takaful policyholders:

- » Premium adjustments arising from medical claims inflation are **staggered over a minimum of three years** (2024, 2025 and 2026), rather than landing at once.
- » At least **80% of affected policyholders** see yearly adjustments of **less than 10%**.

- » A **one-year pause** on claims-inflation adjustments for policyholders **aged 60 and above** on the minimum plan.
- » Insurers must offer **alternative products** at the same or lower premium for those who cannot continue their repriced plan.
- » **Policy benefits are not reduced** by the staggering — the measures manage the cost, not the coverage.

If you lapsed a policy because of repricing

There was a reinstatement window for policyholders who surrendered or lapsed cover due to medical revision between January 2024 and February 2025 — available on request from 15 January to 31 August 2025, without fresh underwriting. **That window has closed.** It is the clearest lesson in this whole episode: cancelling in frustration is the one move that is genuinely hard to undo, because getting back in later means being older, and being underwritten again.

Why starting early is the strongest thing you can do

Let me be precise here, because this argument is often overstated. Buying young does **not** exempt you from repricing — the pool reprices everyone. What it does buy you is worth more than that:

- » **Insurability.** This is the one that cannot be bought back. Medical cover is underwritten on the health you have on the day you apply. One diagnosis, one flagged result, and the plan you wanted comes back loaded, excluded, or declined. Nothing you pay later reopens that door.
- » **No exclusions on your record.** Apply healthy at 25 and your policy covers the conditions you develop at 45. Apply at 45 with a condition already present and that condition is precisely what gets carved out.
- » **A lower starting base.** Cost of insurance is age-banded and rises as you get older. Every future increase compounds off whatever base you started from — a lower base at entry stays lower for the life of the policy.
- » **Time to build policy value.** On investment-linked plans, more years of contributions means more value cushioning the rising cost of insurance later, when it bites hardest.

“You cannot buy a medical card once you need one. That single sentence is the entire argument for doing it early.”

What the industry says it is doing

The report was accompanied by commitments worth holding the industry to: wider adoption of cost-containment measures, stronger action against **fraud, waste and abuse**, greater cost transparency, **Diagnosis Related Group (DRG)-based billing** so similar cases are billed on a consistent basis, and the **MediAsas** basic plan. General Insurance Association of Malaysia chief executive Chua Kim Soon framed it as needing a unified front across policymakers, providers, insurers and consumers.

Note who is on that list. **Consumers.** Which brings us to the part of this that is actually yours.

Your responsibility in all of this

Repricing is often discussed as something done to policyholders. Part of it genuinely is. But utilisation is the main driver of medical claims inflation, and utilisation is a collection of individual decisions — including yours. Here is what actually helps, both for your own premium and for the pool you belong to:

- » **Keep your policy in force.** Lapsing to save money is the most expensive decision available to you. Talk to me about restructuring before you cancel anything — there are almost always options between “pay it” and “drop it”.
- » **Use panel hospitals and the support services you already pay for.** Care Concierge, case management and panel networks exist partly to keep costs contained. Using them is not a downgrade in care.
- » **Ask what a procedure costs, and whether it's necessary.** A medical card is not a blank cheque; it is a shared fund. “The insurance is paying” is exactly the reflex that pushed claims to RM13.5 billion.
- » **Consider a co-payment or deductible option.** Agreeing to share a small portion of each claim can meaningfully lower your premium and is a rational trade if you have an emergency fund behind it.
- » **Declare everything, honestly, at application.** The most common reason a claim fails is non-disclosure — and every failed claim erodes trust in a system you depend on.
- » **Look after the conditions that are driving this.** Non-communicable diseases are now the leading cause of death and disease burden in Malaysia, and heart disease claims rose 79% in five years. Blood pressure, blood sugar, weight and smoking are not lifestyle advice here — they are the actual cost drivers.
- » **Review your plan annually.** Limits set a decade ago were priced for a decade-ago hospital bill. An annual limit that felt generous in 2015 may not cover one cardiac admission today.

The uncomfortable conclusion

Medical inflation at 13.63% a year is not a temporary spike, and no honest planner will tell you premiums have finished rising. What you can control is whether you enter the system early and healthy, whether you stay in it continuously, whether your limits are sized for today's bills, and whether you use care thoughtfully.

If your premium went up and you have been quietly considering dropping the policy, please talk to me before you do. Bring the notice. We'll look at what actually changed, whether a restructure, an alternative plan or a co-payment option solves it, and what it would cost you to walk away and try to come back later. Usually the answer is less dramatic than the letter made it feel.

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Sources & further reading

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