

Summary of Social Security and Private Employee Benefits

MALAYSIA

2013



AIA Bhd. is a leading insurer in Malaysia, where it has been doing business since 1948. It offers a suite of high-quality products, including: life, health, personal accident, general insurance, employee benefits and retirement options, to meet its customers' protection and financial security needs at every stage of life.

AIA Corporate Solutions Department (CSD) offers a comprehensive range of group insurance products and services and is the leading provider of employee benefits plans in Malaysia. With over 10,000 corporate clients and more than a million members, CSD services employee benefits schemes for small and medium-sized companies, as well as large local conglomerates and multinational organizations.

Part of the AIA Group, the largest independent publicly listed pan-Asian life insurance group, AIA Bhd. has the financial strength, experience, service centre network, and a well-trained staff of more than 2,000 to serve its over 2.6 million customers nationwide. As of December 31, 2012, AIA Bhd. had total assets of MYR 23 billion (USD 7.2 billion) and paid-up capital of MYR 242 million (USD 75.8 million).

Key Products

Individual Insurance

- Traditional Life
- Investment-linked
- Endowment
- Hospital and Surgical
- Dread Disease
- Accidental Death & Disability

Group Insurance

- Hospital and Surgical
- Preferred Care Plan (Integrated In-Patient and Out-Patient)
- Supplemental Maternity
- Supplementary Dental
- Supplemental Major Medical
- Supplementary Long Term Care
- Life
- Accidental Death and Disability
- Dread Disease
- Permanent and Total Disability Rider
- Permanent Partial Disability Rider

AIA Bhd. is located on the internet at: <http://www.aia.com.my>
(Information available in English.)

Social Security

Employees' Provident Fund (EPF)

The employer's share contribution for employees who receive monthly wages of RM 5,000 or less is increased by 1 percent from 12% to 13%. The employee's share contribution rate remains at 11%.

The increase in the employer's contribution rate is effective beginning with January 2012 wages for February 2012 contributions. *(Please refer to Reference Table B.)*

Contributions:

For employees under 55 years of age:

- Employer contributes 12% of basic monthly salary.
- Employee contributes 11% of basic monthly salary.

For employees 55 years of age and over (effective February 1, 2008):

- Employer contributes 6% of basic monthly salary.
- Employee contributes 5.5% of basic monthly salary.

Key Benefits:

- Lump sum benefit equal to total contributions plus interest at retirement age, which is 55 for both male and female employees
- Death benefit upon death of covered employee
- Total and permanent disability benefit
- Members under age 55 allowed partial withdrawal to buy or build a house
- Withdrawal upon attaining age 50
- Option to withdraw for medical treatment of approved critical illnesses
- Option to withdraw funds to purchase computers
- Option to purchase annuity scheme

(EPF stopped selling the annuity option in 2001 to address issues raised by certain parties.)

Qualifying Criteria:

- Member of the fund dies
- Member of the fund attains age 55
- Member of the fund is physically or mentally incapacitated from engaging in any further employment
- Member of the fund leaves the country permanently
- Member of the fund buys or builds a house

Tax Allowance:

Employer: Maximum 19% of payroll
Employee: Maximum MYR 6,000 p.a.

Social Security Organization (SOCSO)

First Category (Employment Injury Insurance and Invalidation Pension Scheme):

Contributions: For employees below 60 years of age. The contribution is paid by both the employer and employee for Employment Injury Scheme and Invalidation Pension Scheme (*Please refer to Reference Table C.*)

Key Benefits:

- Temporary disability benefit
- Permanent total or partial disability benefit
- Rehabilitation
- Dependent's benefit
- Constant attendance allowance
- Funeral benefit
- Medical care benefit
- Occupational disease benefit
- Invalidation pension
- Invalidation grant

Invalidation Pension Scheme:

Contribution: For employees over the age of 60 and still working or employees over the age of 55 when first registered and contributing to SOCSO, the contributions are paid by the employer for coverage under the Employment Injury Scheme

Key Benefits:

- Invalidation pension
- Constant attendance allowance
- Artificial limbs and other appliances
- Funeral benefit
- Invalidation grant
- Survivors' pension

Qualifying Criteria: For any employee, in the event of work injury and permanent invalidity

Workmen's Compensation:

Phased out in view of changes made to SOCSO. Only foreign workers who are no longer eligible to enroll in SOCSO are required to be covered by workmen's compensation.

Private Employee Benefits

There is no compulsory coverage. Coverage is dependent upon the willingness of employers to meet the social standards or working conditions prevalent in Malaysia. In certain sectors, the presence of a labor union's collective bargaining power has helped to create some form of protection and medical benefits.

Group term life insurance of three to five times the annual basic salary is common in Malaysia. Riders such as permanent total/partial disability are often offered as supplementary benefits to the group term life insurance.

Group hospitalization and surgical schemes are very popular among employers. In general, the level of benefits offered depends on the grade of the employee in a company. Out-patient benefits have traditionally been self-administered and self-insured. However, there is an increasing demand for Third-Party Administration (TPA) as well as insured arrangements.