

Insurance 101: What You Should Know



"I'm still a student, why should I care about insurance before I even start working?"

Because understanding the basics now can help make managing money as an adult a whole lot easier!

Insurance is a way to protect yourself financially when unexpected things happen. Think of it as a safety net: you pay a little sum every month or year (called a "premium"), and in return, the insurance company helps cover the big costs if something unfortunate happens such as a medical emergency, an accident, or even education fees.

Even if your parents already have insurance for you, it's important to understand how it works. Because as you grow older and start making your own money, knowing about insurances will help you make smarter financial decisions.

In this article, we'll explore four main types of insurance every young person in Malaysia should know about and why they matter.

1. Health Insurance

Healthcare and medical treatment can be very expensive. A single hospital stay, surgery, or long-term treatment could easily cost tens of thousands of ringgit. While you may feel young and healthy now, accidents and illnesses often happen without warning—and it's important to have a financial safety net when they do.

This is where **health insurance** comes in. By paying a regular fee called a **premium**, you get protection according to the policy you sign up for. That means if you need medical treatment, your insurance can cover or subsidise a big portion of the bill, so you don't have to pay everything out of pocket.

Why this matters to YOU:

- **Accidents happen:** especially since many young adults in Malaysia ride motorbikes or drive.
- **Illness isn't age-specific:** even a simple appendix surgery or dengue fever treatment can be costly.
- **Financial confidence:** You and your family can handle unexpected situations without extra worry.



Scenario:

Imagine a student breaks their arm in a motorcycle accident. Without insurance, treatment and hospital fees could cost them thousands. With health insurance, most of that cost is covered, leaving only a small portion to pay. This allows them to focus on recovery instead of worrying about bills.

2. Life Insurance

Life insurance is a way to make sure your loved ones have some financial support if unexpected things happen such as if you pass away or, in some cases, become permanently disabled.

Unlike health insurance, which helps pay medical bills, life insurance provides a lump sum payment (called a payout) that your family can use for things like daily expenses, education, or future plans.

Why this matters to YOU:

- **They're cheaper when you're young:** Premiums are usually lower if you start early, so you save more in the long run.
- **Future security:** Once you start working, life insurance can be a way to make sure your family has an extra layer of support.



Scenario:

A young adult just started their first job. They decide to buy life insurance early, so their premium stays affordable. Later on, if they want to get married, buy a house, or support their parents, they already have a plan in place that gives them peace of mind and flexibility for the future.

3. Education Insurance

Education is one of the biggest expenses for Malaysian families. If you're an SPM leaver, you might already be exploring scholarships, loans, or other forms of financial aid (you can check out a list of available resources [here](#)). But apart from scholarships and loans, **education insurance** (also known as education savings plan) is another important way families plan ahead for higher education costs.

Parents pay regular premiums, and over time the money grows into a fund that can be used for a child's future studies. Depending on the policy, it can also provide financial protection if something unexpected happens to the parents, ensuring the child's education is still secure.

Why this matters to YOU:

- **Less financial stress:** Education insurance helps parents prepare early, so you don't have to worry as much about funding your studies.
- **More freedom and flexibility:** Whether or not you get a scholarship, education insurance gives you extra funds to cover tuition, living costs, books, or even open up options for better courses and universities.





Scenario:

A student enters university with funds from an education insurance plan their parents started earlier. The insurance covers part of their tuition, reducing financial stress and giving them the chance to fully focus on their education.

4. Motor Insurance

Motor insurance is a type of coverage that protects you and your vehicle from financial losses caused by accidents, theft, or damage. In Malaysia, motor insurance is **compulsory for cars**, but not for motorcycles even though **motorcycles are the second most common mode of transport in Malaysia**¹.

By paying a premium—usually annually when you renew your road tax—you'll get protection based on the policy you choose. The cost depends on things like your vehicle type, market value, age, driving experience, and any extra add-ons (like flood coverage or windscreen protection).

Why this matters to YOU:

- **Protection from unexpected costs:** Accidents or theft can cost thousands of ringgit, but insurance helps cover those losses.
- **Motorbike riders especially:** Since accidents involving motorcyclists are common in Malaysia, insurance ensures you're financially protected. 65% of road accidents in Malaysia involve motorcyclists²



Scenario:

A young rider gets into a minor accident. Without insurance, repairs and compensation would eat into their daily budget. With motor insurance, most of it is covered, easing the financial burden.

Beyond health, life, education, and motor insurance, there are many other types of insurances like retirement insurance, personal accident coverage, and family takaful. As you grow older and start budgeting, try to include insurance as part of your financial planning. **Having insurance doesn't mean you expect bad things to happen. It simply means you're prepared**—and that preparation can make all the difference.

¹ [Motorcycles are getting more popular in Malaysia due to traffic](#)

² [Road accidents in Malaysia in 2023 - 600,000 cases recorded; 6,443 deaths. 65% involved motorcyclists - paultan.org](#)



References

1. <https://www.sunlifemalaysia.com/life-moments/bright-facts/types-of-insurance-policy-malaysia/>
2. <https://www.investopedia.com/terms/h/healthinsurance.asp>
3. <https://www.investopedia.com/terms/l/lifeinsurance.asp>
4. https://www.liam.org.my/images/liam/Introduction_to_lifeinsurance.pdf
5. <https://ringgitplus.com/en/blog/Insurance/What-Is-Education-Insurance-and-How-Does-it-Work.html>
6. <https://ibanding.com.my/understanding-insurance-motor-insurance-types-and-coverage/>
7. <https://www.dsf.my/2019/11/motorcycle-ownership-in-malaysia-getting-more-popular/>