

MONEY

Why pay more for things you don't need?

We do everything else online, so why still pay commission on insurance? Here's where your premium goes, what Bank Negara changed in 2017, and what the savings could grow into.



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We book flights on our phone. We renew road tax online, pay bills with DuitNow, buy groceries from an app and file our taxes online with LHDN. But when it comes to insurance, many of us still wait for “someone” to come and explain it. Fair enough if you want the help. But it's worth checking what buying direct would cost before you decide.

We already do everything else ourselves

Malaysians are some of the most online people in the region. In 2024, **98% of us used the internet** ^[6], and Bank Negara says **92% now use digital financial services** ^[7]. Your mak cik probably transfers money with her phone faster than you.

So why does insurance still feel like it needs a middleman? Partly habit. Partly because insurance used to be genuinely complicated to buy. And partly because, for a long time, there just wasn't another way. That changed quite a while ago, actually. Many of us just haven't come across the direct plans yet.

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74% in 2021 ^[7]

Where does your premium actually go?

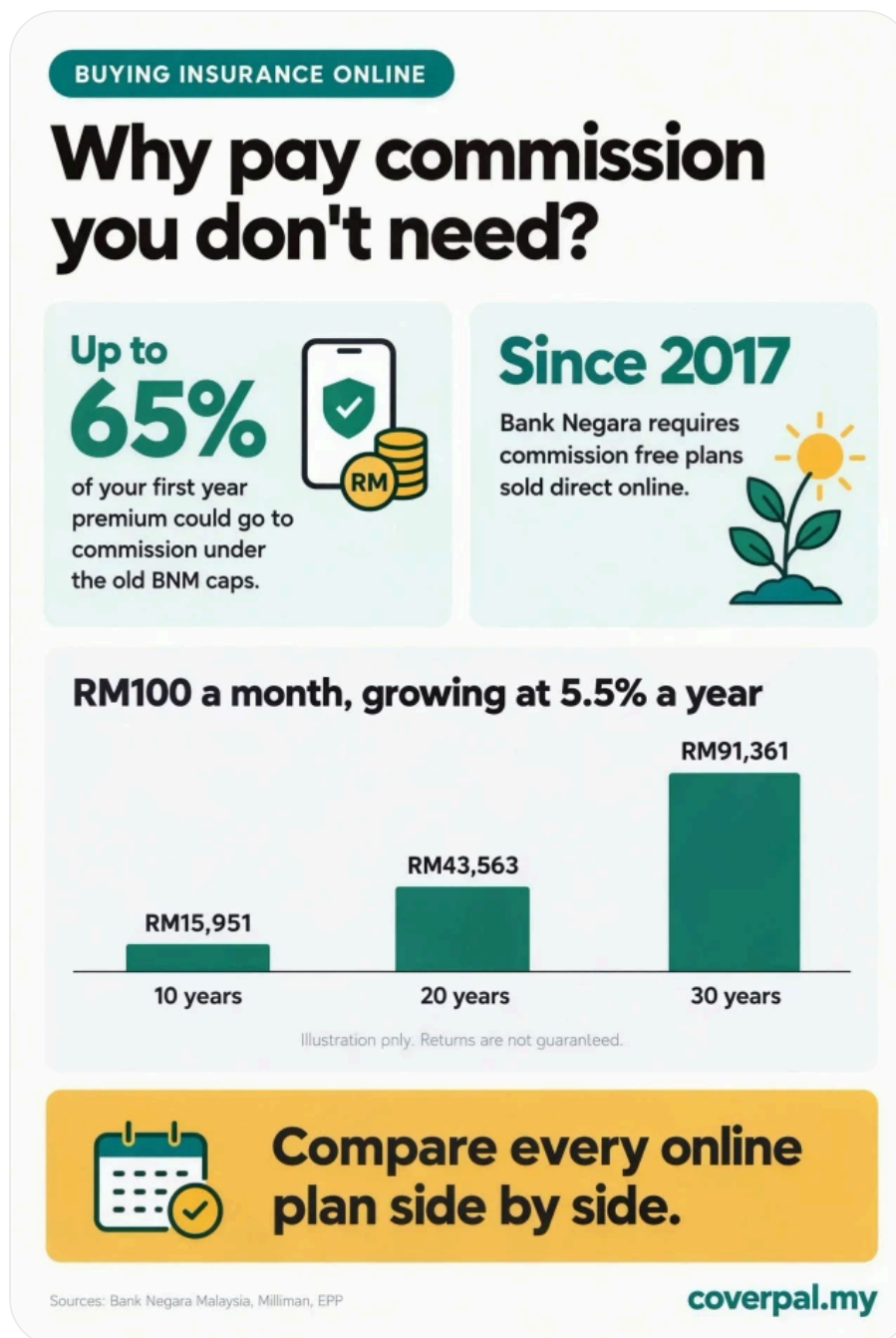
When you buy a policy through an agent or another intermediary, part of what you pay goes to them as commission. Fair enough, agents do real work. A good agent explains the policy and can help with servicing and claim paperwork, though it depends on the agent. Still, it's worth knowing how big that slice can be.

Under Bank Negara's older cost controls, commission on a regular premium life policy of 20 years or more could be **up to 65% of your first year's premium**, then 40% in the second year and 26% in the third ^[2]. Industry commentary has also put agent commissions at up to **40% of premiums during the first six years** of a typical life policy ^[3]. Back in 2015, total agent pay in the life insurance industry came to RM3.9 billion, about 13% of net premiums ^[5].

Think about it like buying a phone. You can buy it at a shop in the mall, with the rent, the staff and the nice lighting built into the price, or you can buy the exact same model from the brand's official online store. Insurance needs a closer look than a phone, though, because plans from the same company can have different benefits and renewal terms. With insurance, the extra cost is mostly commission, and it's usually heaviest in the first few years, which is exactly when you're deciding whether to keep the policy.

Commission is one of the costs inside the price. Compare the benefits and premiums, then decide if the service is worth it to you.

Simple maths



Share it with the friend who still pays more than they need to.

The online option Bank Negara created

Here's the part most people don't know. Since **1 July 2017**, Bank Negara has required life insurers and family takaful operators to offer **commission free** pure protection plans through at least one direct channel, such as their website ^[1]. Term life came first, then critical illness and medical plans

from July 2018. For those direct pure protection products, no commission can be built into the price. Other products sold online can follow different rules.

Often it's the same insurer and the same regulator, though the policy terms can differ. The difference is you apply yourself, so nobody needs to be paid for selling it to you.

So how much cheaper is it?

It depends on the plan, your age and what you compare it with. Analysts estimated back in 2013 that commission free direct plans would be about **20% to 30% cheaper** than similar products sold through intermediaries [4]. In some cases the gap is much bigger, and at CoverPal we say buying online can be **up to 70% cheaper**, for selected comparisons. Taking out agent commission can reduce distribution costs, but the savings depend on the plans and benefits you compare. Your own number will depend on the exact plans you compare.

Buying through an intermediary vs buying direct online		
	THROUGH AN INTERMEDIARY	DIRECT ONLINE
Commission in the price	Yes, often front loaded	None, by BNM rules
Who explains it	Your agent	You, with tools like CoverPal
Time to apply	Meetings, forms, follow ups	Online application, approval time varies
Comparing options	Usually one company's products	Many insurers side by side
Help at claim time	Depends on your agent	The insurer, or CoverPal Plus

COMPARE LIKE WITH LIKE

Online isn't automatically cheaper for every single product. A financial planner once pointed out that an online yearly renewable plan can end up costing more over 20 years than a level premium plan bought elsewhere ^[9]. The fix is simple: compare the same type of cover, the same amount and the same period. On CoverPal, every plan shows whether its price is level or steps up with age, and the filters let you compare plans over the same cover period.



Small monthly savings, kept up for years, add up to real things.

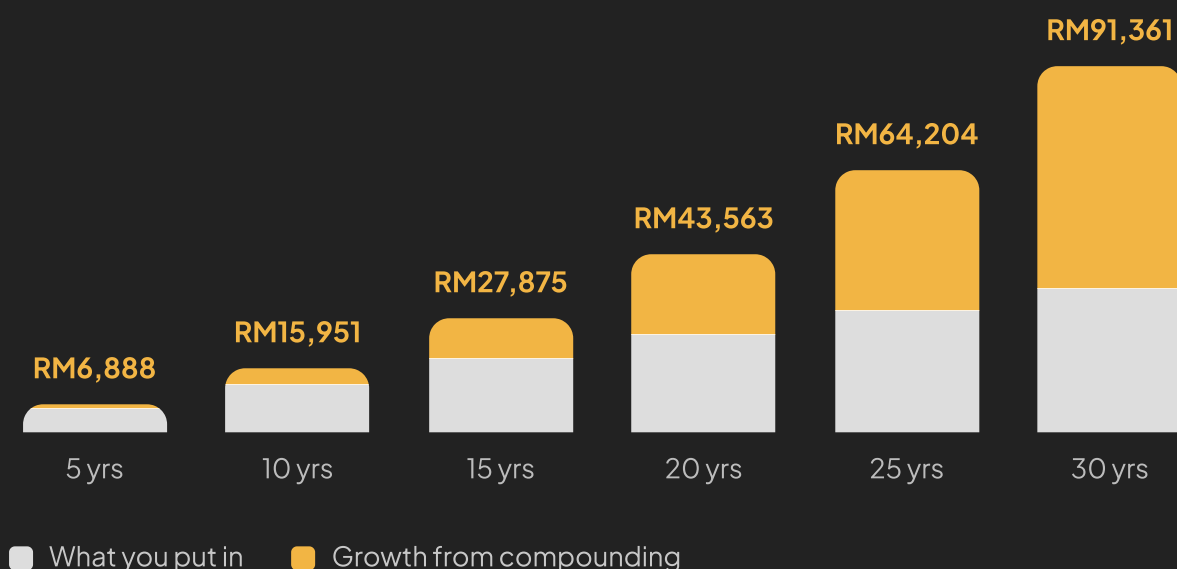
What could the savings become?

Okay, this is the fun part. Let's say buying direct saves you **RM100 a month**. For a lot of households, RM100 a month makes a real difference.

Now, instead of letting that RM100 disappear into Shopee 11.11, you put it somewhere that grows. For this example we'll use 5.5% a year, a bit below EPF's 10 year average dividend of 5.88% (EPF paid 6.15% for 2025) ^[8]. Here's what happens with monthly compounding:

RM100 a month, growing at 5.5% a year

Illustration only, compounded monthly. Past returns don't guarantee future returns.



After 10 years, you've put in RM12,000 and it's grown to about **RM15,951**. After 20 years, RM24,000 in becomes about **RM43,563**. Leave it for 30 years and your RM36,000 turns into roughly **RM91,361**. More than half of that is pure growth. That's compounding: your returns start earning returns of their own.

Save RM200 a month instead and those numbers simply double: around RM87,000 after 20 years and about RM183,000 after 30. Same habit, same effort, just a bigger slice kept in your pocket.

Where to actually put the money

A few common ideas. Which one makes sense depends on your bills, your debts and when you'll need the money:

- 1 Emergency fund first.** Aim for three to six months of expenses in an account you can reach quickly. Boring, but it's what stops a car repair from turning into credit card debt.
- 2 Top up your EPF.** You can make voluntary contributions on top of what your employer pays, and it earns the same dividend as the rest of your account.
- 3 ASB, if you're eligible.** It paid 5.75 sen per unit for 2025, a record RM10.4 billion in total ^[10].

- 4 **Long term investing.** For money you won't touch for ten years or more, a low cost diversified fund is worth learning about. Returns go up and down, so give it time.

The point is to give the money a job. Cash you can reach quickly is still useful for emergencies and upcoming bills. RM100 a month that compounds for 20 years becomes a real number.

Or, you know, live a little

Not everything has to be investing. Money you don't overpay is money you get to decide about. It could be:

- A family trip to Langkawi or Japan every couple of years, without the credit card hangover.
- A faster down payment on your first home, or a bigger chunk off the housing loan.
- Paying off the car earlier so that monthly instalment finally disappears.
- An education fund for the kids, building quietly in the background.
- An emergency fund, so you're not part of the 61% who'd struggle to find RM1,000 tomorrow.



If two plans meet the same needs and one costs less, the difference is yours to decide on.

What online prices look like right now

Talk is cheap, so here are real numbers. When we checked the plans on CoverPal in October 2026, for a 36 year old man who doesn't smoke:

- **RM500,000 of term life cover** started from around RM790 a year, or RM70 a month if paid monthly (Sun eSsential Life, a step up plan to age 80).
- **A medical card** started from around RM655 a year, or RM60.26 a month (Kaotim MediKad, RM50,000 yearly limit, no deductible).

Your price will depend on your age, gender, health and the exact plan. But it gives you a feel for it: proper cover for about what many people spend on their phone bill and a couple of streaming apps.

Five things people believe about buying online

“Online policies are the cheap, cut down version”

Direct plans are real policies from licensed insurers and takaful operators, with their own product disclosure sheets and the same consumer protection as any other policy. The selling is what changes. Read the benefits properly, the same as you would for any plan.

“Claims get rejected more when you buy online”

The insurer assesses every claim against the policy terms and what you declared when you applied, whichever channel you used. The best way to protect your claim is simple: answer the health questions fully and honestly.

“It's too complicated to do myself”

Most direct plans take one sitting. You enter your details, answer a handful of health questions, choose the amount and pay. If you can book a budget flight with all the add ons, you can do this.

“Online is always the cheapest”

Often, but not always. Compare carefully, because a step up plan can look cheap today and cost more over 20 years. That's why we show level and step up clearly on every plan.

“Nobody will remind me to renew”

Auto debit helps you avoid missed payments, but do check that deductions go through and read your renewal notices. Your insurer will also send notices before the anniversary.

“But who will help me if I buy online?”

This is the number one worry, and it's a fair one. Buying is the easy part. The hard part is years later, when something happens and you're staring at a claim form at 2am, not sure what the insurer needs.

Two things to know. First, the insurer or takaful operator handles your claim either way. You didn't buy a lesser policy just because you bought it online. Second, you don't have to be alone. That's the whole reason we built **CoverPal Plus**: a real person who helps you choose, explains your policy in plain words, and helps with the claim paperwork, even for policies you bought elsewhere. Plus is a paid service at RM50 a year, and the insurer or takaful operator still decides the claim.

How to buy online without getting lost

- 1 **Know what you need.** Our **financial score calculator** shows your protection gap in ringgit in about five minutes.
- 2 **Compare properly.** Search plans on CoverPal to see every online term life, medical, critical illness and cancer plan for your age, insurance and takaful side by side.
- 3 **Use the filters.** Pick the same cover period, check level vs step up, and tick your must haves so you're comparing like with like.
- 4 **Read the product disclosure sheet.** Every plan has one. It's shorter than you think.
- 5 **Apply on the insurer's or takaful operator's site.** Answer the questions fully and honestly, then check your acceptance, cover start date and any waiting periods.

See what you'd pay buying direct

The online plans listed on CoverPal, side by side, with yearly and monthly prices where available. No agent will call you.

<https://coverpal.my/compare>

The final word

Some people genuinely want an agent beside them, and paying for that is a fair choice. We just think everyone should know the other option exists before they sign. Now you know. Same regulator, often the same insurer, and the price difference is yours to weigh against the help you get.

TOO LONG, DIDN'T READ

- 1 Since July 2017, Bank Negara has required commission free direct term plans, with medical and critical illness following in 2018.
- 2 Commission on agent sold life policies has been as high as 65% of the first year's premium under the old caps.
- 3 Direct plans were estimated 20% to 30% cheaper, and in some cases the gap is much bigger. Always compare like with like.
- 4 RM100 a month saved and grown at 5.5% becomes about RM43,563 in 20 years. Use it to invest, travel, or pay down your home.

Sources

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This article is general information, not financial advice. Figures were correct when we checked them on 2 October 2026. Always read the product disclosure sheet before you buy.

Read it online and compare plans at coverpal.my. © CoverPal 2026.