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Evaluating Consumer Acceptance of Medical Repricing in Malaysia: The Role of Fairness, Transparency, Trust and Health Insurance Literacy

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Abstract: This study examines the structural impact of perceived fairness, transparency, institutional trust and health insurance literacy on public acceptance of medical insurance repricing in Malaysia. Against the backdrop of compounding medical inflation in an emerging economy, existing literature has predominantly focused on Western employer-based systems, leaving an empirical gap regarding individual Medical and Health Insurance/Takaful (MHIT) policyholders in Southeast Asia. Utilizing a quantitative, cross-sectional design, primary data were gathered from 100 middle and upper middle-class policyholders in Puncak Alam, Selangor. Multiple Linear Regression analysis was conducted to evaluate the hypothesized relationships (β, t, p, R^2, VIF). The findings reveal that perceived fairness (β=0.312, p<0.001) and institutional trust (β=0.285, p <0.005) exert the strongest direct effects on policyholder acceptance of repricing, while health insurance literacy and transparency serve as vital structural precursors. The proposed model accounted for a significant proportion of variance in repricing acceptance (R^2=0.548, F=28.78). These empirical insights demonstrate that long-term pricing sustainability and policyholder retention depend not only on actuarial solvency, but also on transparent communication frameworks and regulatory anchors.

Keywords: *Medical Insurance Repricing, Fairness, Transparency, Trust, Health Insurance Literacy*

1. Introduction and Background

One of the new challenges and a significant burden for customers and insurance companies globally is the high cost of healthcare. The recent forecasting of macroeconomic variables suggests a compounding trend of the worldwide medical trend rate from 10.0% in 2025 to 10.3% in 2026 (WTW, 2025). The Asia-Pacific region is the frontrunner of this wave, as the medical inflation rate is expected to reach as high as 14% in 2026, some of the highest in the world (WTW, 2025).

According to Aon's 2025 research forecast, the medical trend rate for the Asia Pacific region is expected to be 11.3% of the trend in 2026. The rise in chronic clinical conditions, the high cost of the healthcare workforce, rapid development of medical technologies and the launch of high-cost drugs are the four structural forces driving this ongoing growth post-pandemic and they are backed by the 2025 research by Willis Towers Watson (Aon, 2025; WTW, 2025).

The Medical and Health Insurance and Takaful (MHIT) sector is badly hit by this hyper-inflationary trend in Malaysia. The Life Insurance Association of Malaysia (LIAM) in conjunction with the Malaysian Takaful Association (MTA) and the Malaysian Insurans Am Association (PIAM) highlighted the shocking spike in healthcare claims costs of 56% from 2021 to 2023 (Life Insurance Association of Malaysia (LIAM), 2024). Insurers or takaful operators have begun to aggressively reprice takaful premiums in a bid to maintain their solvency and capital adequacy. For some takaful policyholders, the increase in takaful premiums has been more than 30% (Life Insurance Association of Malaysia (LIAM), 2024; Malaysian Takaful Association, 2024). Alarming public concern about the affordability, transparency and equity of private health plans has led to these dramatic shifts.

Although employer-sponsored cost-sharing schemes are the focus of the current international literature, individual voluntary MHIT riders are the main feature of the Malaysian healthcare financing system. Consumer

awareness was analyzed in the motor insurance sector by Mohamad Basir et al. (2025), in the travel insurance sector by Ruslan & Mohd Rasid (2024), and in the property insurance sector by Ruslan et al. (2025). There is, however, a critical gap in empirical literature that has yet to examine the relationships between behavioral constructs and consumer acceptance in the context of acute medical repricing events, namely fairness, transparency, trust and health insurance literacy.

In late 2024, Bank Negara Malaysia (BNM) decided to take a proactive measure after the negative public sentiment and market volatility, by putting in place regulatory interim measures. To ensure that premium changes are implemented over a minimum of three years, with 80% or more of the policyholders affected experiencing premium changes of less than 10% per year (Bank Negara Malaysia, 2024). In addition, Bank Negara Malaysia imposed a repricing freeze for policyholders of minimal plans who are aged 60 and above and have low income, and a requirement to provide affordable options by the end of 2025 for the existing plans through the MHIT by policyholders (Bank Negara Malaysia, 2024). These interventions align with the overall system-wide health interventions set out as part of the Health White Paper by the Ministry of Health Malaysia (2023).

To systematically examine these dynamics, this study integrates Organizational Justice Theory and Cognitive Load Theory to evaluate the relational impacts of perceived fairness, transparency, institutional trust, and health insurance literacy on policyholder acceptance of medical insurance repricing.

2. Literature Review

Public Acceptance of Medical Insurance Repricing

Escalating medical trend rates in the global and regional economies are an integral part of the phenomenon of premium repricing. Recent data show that medical inflation has increased to 10.3% globally, and the Asia Pacific (APAC) region is seeing a sharp increase, with a projected increase of 14.0% (WTW, 2025).

The phenomenon is very strong in Malaysia. A remarkable 56% surge in healthcare claims costs was reported by the Life Insurance Association of Malaysia (LIAM), the Malaysian Takaful Association (MTA) and Persatuan Insurans Am Malaysia (PIAM) in a span of just two years (LIAM, 2024). The Bank Negara Malaysia (BNM) also confirmed that medical insurance claims have always been higher than premiums, which has led to cyclical structural pricing adjustments being a common actuarial practice to limit institutional insolvencies (World Bank, 2026).

A consumer's willingness to bear cost increases is one of the most important behavioural measures of perceived fairness. Research in consumer psychology suggests that price hikes will be resisted quite strongly if the consumer feels the company is taking advantage of existing market conditions to squeeze out higher profits (Aon, 2025). The Malaysian Public Accounts Committee (PAC) also noted that cyclically delayed repricing has left the policyholders with multiple and drastic premium shocks ranging from 40% to 70% within a short span of time (FMT News, 2026). These high adjustments violate the "affordable protection" part of the psychological contract and erode the consumer's sense of distributive justice substantially.

Transparency means there is an explanation of why the premium is increasing. One of the key problem areas with consumer hassles in Malaysia is the unclear billing systems of the private healthcare providers. The Parliament's PAC investigation showed that private hospitals are raising non-professional fees, such as the cost of pharmaceuticals and medical consumables up to 300% to subsidise other expenses (FMT News, 2026). Consumer acceptance drops sharply if these hidden costs are not itemized on insurers' bills. Transparent about the drivers of these costs is essential to ensure that consumers don't become frustrated (Prudential Malaysia, 2025a).

Trust is a buffer when the economy corrects itself. In the financial context, consumer trust is dyadic which is trust in the commercial provider to set product prices fairly and trust in the top regulator (Bank Negara Malaysia) to oversee market activities fairly. The structural interim relief measures introduced by BNM, which involve staggering premium changes from 2024 to 2026 over a minimum of three years, to ensure that 80% of policyholders are not subject to premium increases of more than 10% per year, provided an important

regulatory safeguard to maintain trust in the system at a high level and avoid mass policy lapses (Bank Negara Malaysia, 2024; World Bank, 2026).

Health insurance literacy is defined as the consumer's understanding of a risk pool, deductibles, co-payments and how medical inflation works. While this is the case in developed markets, it is not in emerging markets such as Malaysia. In Malaysia, there is an ongoing "savings account misconception" that consumers mistakenly believe they won't have to pay a premium because they have been paying no claims for a lifetime. Low rates of acceptance and high public resistance are linked directly to a lack of understanding of the effects of moral hazard, over-utilization, and unbundled hospital fees on a collective risk pool (World Bank, 2026)

There has been a significant empirical gap in the ASEAN region on behavioral health economics highlighted in recent policy studies. Employer-sponsored cost-sharing schemes are widely used in Western markets while the Malaysian market is dominated by individual Medical and Health Insurance and Takaful (MHIT) riders. To bridge the gap between financial viability and public acceptance, the Malaysian Government has been able to push for legislation that will take financial sustainability and public acceptance into consideration, including mandatory co-payment product variations and the proposed medical plan standardization in 2027 with a “base” plan that will remove luxury unbundled charges (FMT News, 2026; World Bank, 2026).

Perceived Fairness and Acceptance of Repricing.

Perceived fairness is an individual's psychological evaluation of a change in price that is not considered to be exploitative but reasonable, equitable and acceptable (Kahneman et al., 1986). From the perspective of contractual health insurance, fairness is realized in three different ways from an organizational justice perspective including distributive, procedural, and interactional.

Recent academic research and institutional reports highlight the need for an important paradigm shift in the dynamics of behavioral insurance, where the responses of consumers to premium changes are driven by psychological anchors rather than by actuarial logic. Specifically, Ben Amor et al. (2024) synthesized these behavioral dynamics to find that the perceived equity and systemic fairness of premium increases consistently outweigh the mathematical accuracy of the premium.

The psychological anchoring of price fairness perceptions has been further substantiated by the work of Zhang and Zhao (2024), who showed that price fairness perceptions are one of the most important psychological anchors, which then shapes whether a customer accepts a contractual price change or actively initiates a price change. Therefore, rate change as assessed by the consumer is far more important than it is substantiated by the empirical evidence when it comes to retention.

Recent industry reports underscore that structural transparency and contextualized communication are critical to mitigating policyholder friction. According to Aon (2025), escalating global medical trend rates have compelled insurers to mathematically justify underlying cost-push factors to maintain pricing legitimacy. Translating these actuarial drivers into accessible, consumer-centric terminology significantly reduces consumer resistance.

Supporting this, WTW (2025) demonstrates that explicitly linking price increases to macroeconomic indicators (such as the rising costs of pharmaceuticals and advanced diagnostics) substantially dampens public resentment toward structural rate adjustments.

On the other hand, without this context, price differentials are extremely risky from the perspective of consumer justice, which is a principle of distributive justice, as an empirical study on the World Bank health database, with global scope, confirms World Bank (2026). Combined, these results suggest that price transparency and fairness are as significant to sustainable insurance pricing as is actuarial solvency.

Structural Transparency and Acceptance of Repricing.

Transparency reflects structural clarity and granularity in explaining adverse financial drivers, mitigating the historical information asymmetry that leaves healthcare consumers vulnerable to opportunistic repricing.

There is a developing body of research highlighting how structural transparency and granular disclosure of data can be used to systematically dampen the rising conflict around healthcare insurance premium reviews. The Khazanah Research Institute (2024) revealed that the public's resistance to premium reviews had more to do with lack of clarity on the structures of hospital billing than with an outright rejection of cost adjustments.

There is also good empirical evidence in the local context such as Prudential Malaysia(2025a), where the direct correlation between their publication of itemized medical repricing rationales and reduced consumer friction and significant improvement in policy retention rates is a strong reinforcement of this finding. These can help clarify why prices are rising and falling, making it more about the facts of cost than the perception of corporate exploitation.

In addition, recent legislative, actuarial and institutional studies validate that targeted transparency changes the behavioral and regulatory environment of contract renewals. Thematic evidence from legislation captured by FMT News (2026) demonstrated that public complaints about structural price changes drastically diminish when transparency of medical consumable markups is provided in an unbundled way, pointing to the need for transparency on the many moving parts of cost-push inflation.

From an operations perspective, Actuaries Digital (2025) demonstrated how the removal of opaque, non-risk optimization parameters and their replacement by transparent data feeds increases consumer confidence at contract renewal time.

At the end, this is a paradigm shift towards radical clarity that is required by macroeconomic realities, and which is being driven through institutional reporting. Aon (2025) stresses the importance of data transparency as the key to countering consumers' lack of trust in the structural changes and to making understanding the drivers of the global medical trend the main way that the market retains trust.

Institutional Trust and Acceptance of Repricing

Institutional trust is an important mediation factor in reducing consumer resistance in times of high economic volatility. There is vertical trust (trust that the apex state regulator (e.g., Central Banks) would conduct itself fairly in regulating market practices) and horizontal trust (trust that commercial insurance and takaful operators would price their takaful portfolios fairly). Consumers' trust acts as a psychological form of wealth that helps to avoid mass policy lapses when premium adjustments cross historical pricing thresholds. When consumers feel that the provider and the regulator are doing what is good for the people, they are more accepting of rate increases.

A large body of literature exists that shows that institutional, vertical and horizontal trust are important factors to ensure financial and systemic stability during economic volatility. On a macro level, the study of Ben Amor et al. (2024) showed that institutional trust can be seen as a psychological anchor that helps to maintain long-term contractual relations in economically unfavorable conditions and thus acts as a buffer against economic shocks.

Good governance is a key precondition that is actively nurtured through proactive measures, as Bank Negara Malaysia (2024) demonstrated in its ability to sustain systemic trust and provide a floor for financial stability in hyper-inflationary cycles by implementing structural interim relief measures. Additionally, system oversight reinforces the mechanics of trust in the regulatory framework that consumers have in the system. The World Bank (2026) found that strict regulatory oversight and a central claims database strengthen consumer ‘vertical trust’ and help to ensure that the public doesn't backlash against the price changes they need.

At the same time, horizontal trust and collective stability in particular corporate and cultural structures must be promoted to guarantee the market equilibrium. Pricing corrections may often be smoother when firms comply with the regulatory rules on premium smoothing, as demonstrated by empirical evidence presented by Prudential Malaysia (2025b) that compliance with the rules of premium smoothing by the firms increases horizontal trust among consumers during pricing corrections.

This is in alignment with the collaborative practices in the industry, whereby the Malaysian Takaful Association

(2024) found that the level of institutional trust established through a risk-sharing approach, is found to be correlated with the level of public acceptance of rebalancing of the funds. These studies together highlight the importance of ensuring the sustainability of the market by maintaining systemic trust, where regulatory authorities, insurers, and mutual arrangements are all on the same side, consumers' interests are clearly protected, and relief is provided through a structured mechanism.

Health Insurance Literacy and Acceptance of Repricing

Health Insurance Literacy (HIL) is a consumer's mental ability to comprehend, assess and choose health insurance portfolios as well as to understand the workings of risk-sharing mechanisms. A key challenge in emerging markets is that low HIL continues to be a recurring blockage in the achievement of public policies.

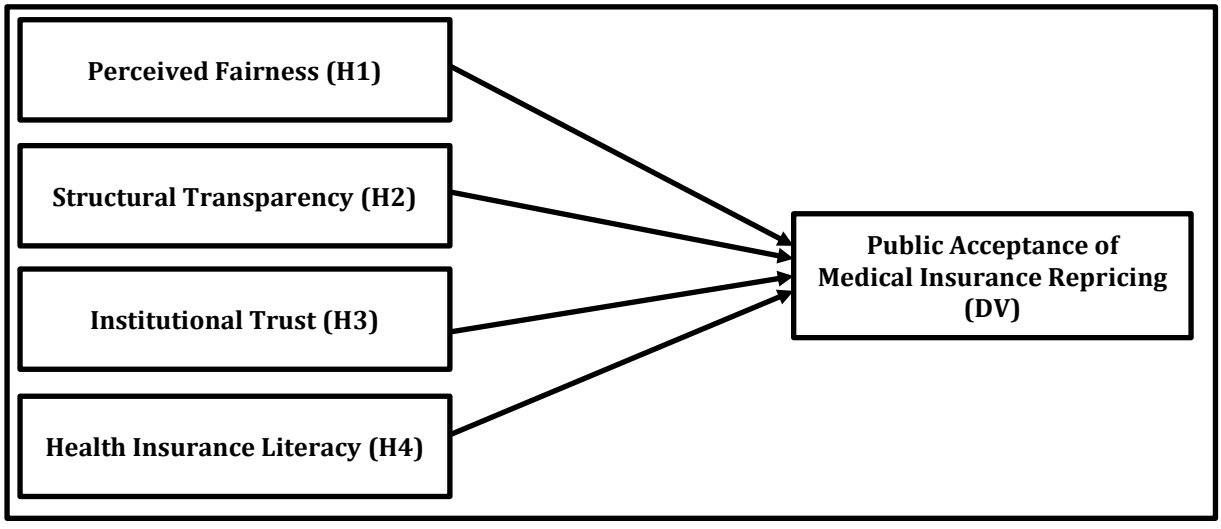
Several recent studies suggest that financial, insurance and health literacy are important factors in reducing consumer resistance to structural price changes. On a basic level, Zhang and Zhao (2024) identified financial and insurance literacy as critical boundary conditions that create a difference in how consumers perceive the fairness of price increases when applying for a service, implying that a customer's ability to understand pricing frameworks has an impact on their perception of equity.

This is corroborated by empirical evidence, MCIS Life (2024) showed that consumers who are more financially capable and comprehend their financial portfolios are less resistant to revised pricing terms. Moreover, this connection directly translates to the implementation of national healthcare financing reforms at a larger scale. The Ministry of Health Malaysia (2023) highlighted that "Increasing public health literacy is fundamental to the effective implementation of the national health financing reforms at a broad scale, thus making literacy a necessary foundation for wider structural reform.

Targeted educational interventions are effective at the operational and structural level of neutralizing consumer friction and cognitive biases. In the corporate environment, WTW (2025) found that there is a lower incidence of employee grievances over co-payment restructurings where health literacy elements are part of corporate wellness programs indicating that proactive education can help ensure a smoother transition to benefits.

This mitigation strategy is especially effective when facing deep-seated consumer biases, as a recent example of public response to repricing risk-pools by the World Bank (2026) demonstrates that financial literacy campaigns can directly reduce consumer pushback on risk-pool repricing through a targeted effort to correct the "savings account misconception" that consumers often have about insurance premiums. Taken together, these studies demonstrate that elevating consumer comprehension across financial and health domains is a highly effective mechanism for ensuring the sustainability of insurance pricing structures.

Figure 1: Conceptual Model of Medical Insurance Repricing Acceptance



H1: Perceived fairness has a significant positive relationship with consumer acceptance of medical insurance repricing.
H2: Structural transparency has a significant positive relationship with consumer acceptance of medical insurance repricing.
H3: Institutional trust has a significant positive relationship with consumer acceptance of medical insurance repricing.
H4: Health insurance literacy has a significant positive relationship with consumer acceptance of medical insurance repricing.

3. Research Methodology

The study was quantitative, cross-sectional, and descriptive survey design, with the aim to examine the effect of Perceived Fairness, Structural Transparency, Institutional Trust, and Health Insurance Literacy (independent variables) on Public Acceptance of Medical Insurance Repricing (dependent variable) in Malaysia. This deductive approach creates an empirical route for capturing consumer behavioral intentions in the context of private health care insurance.

A quantitative, cross-sectional survey design was used in the fast-growing suburban township of Puncak Alam, Selangor which is made up of middle (M40) and upper-middle (T20) class commuters who depend on private healthcare schemes.

Again, utilizing sampling guidelines proposed by Hair et al. (2019), N=100 was determined to have sufficient statistical power (> 0.80) to support a linear regression model based on four predictors with an $\alpha = 0.05$, which is above the minimum recommended by G*Power 3.1 analysis.

Primary data was gathered by using a self-administered questionnaire with 12 items adapted from literature that have been validated that was measured using a 5-point Likert scale from "Strongly Disagree" (1) to "Strongly Agree" (5). All participants were residents of Puncak Alam and had an active insurance policy and strict ethical protocols were observed to ensure that all participants' identities were protected. The 12-item measurement instrument was adapted from validated scales. Cronbach's Alpha ($\alpha > 0.70$) and Composite Reliability (CR > 0.70) were used to check psychometric reliability.

Table 1: Measurement Items, Adaptation Sources and Reliability Analysis

Construct	Item Code	Measurement Statement	Source	Cronbach's α	CR
Acceptance (DV)	ACC1	Willing to accept a premium increase based on genuine cost trends.	Adapted from Ben Amor et al. (2024)	0.842	0.885
	ACC2	Clear breakdown provided makes adjustment acceptable.			
	ACC3	Understanding inflation/risk-pooling mechanisms makes the adjustment acceptable.			
Fairness (IV1)	FAIR1	Premium increase is fair based on individual medical usage.	Adapted from Kahneman et al. (1986); Zhang & Zhao (2024)	0.815	0.868
	FAIR2	Repricing is reasonable considering benefits received.			
	FAIR3	Insurer/operator has justified the premium hike fairly.			
Transparency	TRN1	Insurer explained reasons			

(IV2)		for repricing clearly.	Adapted from		
	TRN2	Informed in advance about premium changes.	Khazanah Research Institute	0.829	0.876
	TRN3	Understand how the new premium was calculated.	(2024)		
Trust (IV3)	TRST1	Operator acts in the best interest of policyholders.			
	TRST2	Trust the operator to manage policy responsibly.	Adapted from Bank Negara Malaysia (2024)	0.867	0.901
	TRST3	Confident operator is honest about pricing decisions.			
Literacy (IV4)	LIT1	Understand basic terms and benefits of a health plan.			
	LIT2	Know how to use health insurance when care is needed.	Adapted from World Bank (2026)	0.854	0.893
	LIT3	Aware of what is covered and excluded under the policy.			

4. Results

The primary objective of this study is to examine the factors affecting Medical Insurance Repricing Public Acceptance among the factors: Perceived Fairness, Structural Transparency, Institutional Trust and Health Literacy for the Public.

Demographic Information of Respondents: A summary of the demographic information of respondents who participated in the study is presented in Table 2.

Table 2: Demographic Profile

Variable	Frequency	Percentage
GENDER		
Males	31	31.0%
Females	69	96.0%
Total	**100**	**100%**
AGE		
21-30 years	71	71.0%
31-40 years	28	28.0%
41-50 years	1	1.0%
Total	**100**	**100%**
EDUCATION		
Diploma	13	13.0%
Degree	79	79.0%
Master / PhD	8	8.0%
Total	**100**	**100%**
MONTHLY HOUSEHOLD INCOME		
Below RM2,500	29	29.0%
RM2,501 – RM4,850	28	28.0%
RM4,851- RM10,970	30	30.0%
Above RM10,971	13	13.0%
Total	**100**	**100**
TYPES OF COVERAGE		
Individual private	55	55.0%
Employer - provided group	22	22.0%
Family or dependent	13	13.0%

Government–subsidized schemes	7	7.0%
Social health protection	3	3.0%
Total	**100**	**100**
DURATION		
Less than 1 year	**16**	16.0%
1-3 years	**26**	26.0%
4-6 years	**33**	33.0%
7-10 years	**15**	15.0%
More than 10 years	**10**	10.0%
Total	**100**	**100**

Descriptive Statistics: Descriptive analysis was used to summarize the data, highlighting the significant factors that influence their acceptance of medical insurance repricing. The results detailing these factors are presented in Tables 3, 4, 5, 6 and 7 below.

Table 3: Mean Score and Standard Deviation for Acceptance of Medical Insurance Repricing

Item	Mean	Std. Dev.
I am willing to accept the premium increase because I trust that the revised pricing genuinely reflects rising healthcare costs and the overall value of my medical benefits.	3.83	1.217
The clear and comprehensive breakdown provided by my insurer regarding why the repricing was necessary makes me more willing to accept the premium adjustment.	3.21	0.962
Because I understand how medical inflation and pool-risk mechanisms impact insurance sustainability, I view this premium repricing as an acceptable adjustment.	3.84	0.973

Table 3 summarizes the descriptive statistics for the consumer acceptance of medical insurance repricing, providing interesting information about consumer attitudes toward medical insurance policies. Generally, the results show that the majority of respondents were willing to accept some premium adjustment, contingent upon their ability to understand what was driving the system. The greatest agreement for this item was regarding the understanding of macroeconomic factors (M=3.84, SD=0.973). This indicates that, if insurance policyholders are able to understand the effect of medical inflation and the effect of pool-risk mechanisms on the sustainability of insurance funds, they would accept the premium repricing as a necessary and acceptable adjustment.

Similarly, people's trust in costs and value (M=3.83, SD=1.217), meaning that they feel prepared to pay a premium for the revised pricing if it is seen as being truly representative of the escalation of healthcare costs, is also high. Compared to their macroeconomic awareness, however, the relatively more volatile standard deviation suggests consumer trust is more polarized or variable than their macroeconomic awareness, suggesting greater differences in their views. However, the lowest mean score (M=3.21, SD=0.962) was given to the item asking about the clarity and comprehensiveness of the breakdown directly provided by the insurers. This is a lower mean, but it is still positive, which indicates a significant lack of communication within the business.

These findings suggest that policyholders have a general, high-level knowledge of medical inflation and risk pooling but are less satisfied with the explanations they receive from their individual insurance companies. The results highlight that systemic acceptance is strongly related to the general market awareness and the overall trust in the system; however, to break the disconnect between the abstract market awareness and the system's acceptance, insurers should implement more transparency and clarity in their communications on price changes.

Table 4: Mean Score and Standard Deviation for Fairness

Item	Mean	Std. Dev.
The premium increase is fair based on my use of medical insurance.	3.47	1.0960
The repricing is reasonable considering the benefits I receive.	3.54	1.1496
I believe the insurer or takaful operator has justified the premium hike fairly.	3.79	1.0473

Table 4 above presents descriptive statistics (mean scores and standard deviations) for each of the items measuring respondent perceptions of insurance premium repricing fairness. Each item was rated on a 5-point Likert scale with higher mean scores representing higher agreement with the item.

Overall, the empirical findings indicate a favourable attitude among respondents towards the fairness of the price changes with the mean scores of all items being well above the midpoint of the scale (3.00).

Interestingly, the highest level of agreement was found for the item relating to corporate transparency and reason, "I believe the insurance company or takaful operator has been justifiable in the premium increase in a fair manner" (*M*=3.79, *SD*=1.0473). This reflects the importance of and the relative acceptance of the operators' reasons behind the increases.

At the same time, respondents moderately agreed that the structural repricing was justified when compared to the benefits they receive (*M*=3.54, *SD*=1.1496) the item "The repricing is reasonable considering the benefits I receive. On the other hand, the lowest mean score of this construct was in relation to individual consumption, "The premium or contribution increase is fair according to my use of the medical insurance" (*M*=3.47, *SD*=1.0960). This slight decline is still positive but indicates a slight shift in the minds of policyholders regarding price increases being more sensitive to personal usage levels than broader institutional reasons.

In terms of data dispersion, the standard deviations in all three dimensions were relatively constant ranging from 1.0473 to 1.1496. This means there is a moderate and reasonable range of consumer perceptions, suggesting that there is a general agreement towards greater acceptance, but some individual experiences and ways of using repricing are causing slight differences in the market in how the fairness of repricing is perceived.

Table 5: Mean Score and Standard Deviation for Transparency

Item	Mean	Std. Dev.
The insurer or takaful operator explained the reasons for repricing clearly.	3.75	1.0952
I was informed in advance about the premium or contribution changes.	3.89	1.1361
I understand how the new premium was calculated.	3.54	1.1757

The descriptive statistics for the items measuring the construct of perceived transparency were also examined, along with perceived fairness. The mean scores and standard deviations for each item within this dimension are shown in Table 5, on a similar 5-point Likert scale.

The descriptive statistics indicate that in general, the respondents had a high perception of transparency of their insurance/takafuls operators, with all items' means above the neutral point of the scale (3.00). There were no significant differences among the sub-constructs except for the sub-construct of tracking advance communication with *M*=3.89, *SD*=1.1361, which earned the highest mean. The result reflects strong compliance with regulators' deadlines for notifications, meaning policyholders will not be caught by surprise with possible structural changes.

In addition, the respondents showed a high level of agreement on the clarity of the corporate communication, with the item "The insurer or takaful operator explained the reasons for repricing clearly" having a mean score of 3.75, *SD*=1.0952. This shows that the message as to why the price increase has happened was effectively pushed through to the consumer market.

The item with the lowest mean score under this construct was "I understand how the new premium was calculated" with a mean of 3.54 and SD of 1.1757. This score represents a net positive consensus and the

percentage drop indicates that there is a technical awareness/consensus gap in communication. That is, policyholders understand that the pricing is increasing and why it is needed, but they are not as well aware of the actuarial details behind the new pricing.

There is a slightly larger range of standard deviations for this construct, from 1.0952 to 1.1757. The item that had the highest variance (*SD*=1.1757) was the item on calculation comprehension. This means that the levels of consumer insurance literacy are very unevenly distributed, with some consumers being much worse than others at understanding financial calculations.

Table 6: Mean Score and Standard Deviation for Trust

Item	Mean	Std. Dev.
I believe the insurer or takaful operator acts in the best interest of its policyholders.	4.07	0.9667
I trust the insurer/takaful operator to manage my policy responsibly.	4.14	0.8648
I feel confident that the insurer or takaful operator is honest about pricing decisions.	3.90	1.0299

Then the descriptive statistics of the items that measured consumer trust were analyzed after the fair and transparent analysis. The mean scores and standard deviations for this construct are given in Table 6 evaluated on a 5-point Likert scale.

The empirical findings revealed that the overall mean scores of the insurance and takaful operators were in the high category (*M*>3.90) and in the 'agree' range of the scale. The item that got the highest average score was operational capability and fiduciary duty: "I trust the insurer or takaful operator to manage my policy responsibly" (*M*=4.14, *SD*=0.8648). This is a good indicator of the level of institutional confidence in the operators' key competency and the reliability of the administration.

Similarly, those who believed that the motivations were consumer-centric were strong with the mean value of *M*=4.07, *SD*=0.9667 for the item 'I believe the insurer or takaful operator acts in the best interest of the policyholder'. This means that a price increase may have some financial friction, but there is a general trust in the goodwill of providers by the policyholders.

The item with the lowest mean score in this construct was the item that specifically relates trust to pricing integrity, namely, "I feel confident that the insurer/taklaful operator is honest about pricing decisions" (*M*=3.90, *SD*=1.0299). Still a fairly high degree of agreement, but also the lowest mean and highest standard deviation (*SD*=1.0299) with a critical nuanced takeaway. Where consumers have some trust in the operators to take responsibility for operating their policies on a macro level, they are more skeptical and diverse on the macro level in their views and opinions on the honesty of the repricing and pricing mechanisms.

Table 7: Mean Score and Standard Deviation for Health Insurance or Takaful Literacy

Item	Mean	Std. Dev.
I understand the basic terms and benefits of my health insurance or takaful plan.	4.35	0.8087
I know how to use my health insurance or takaful when I need medical care.	4.20	0.8762
I am aware of what is covered and not covered under my policy.	4.25	0.8919

The empirical findings suggest very high self-reported literacy levels for the respondents with all mean scores well above 4.00. Fundamental comprehension: "I understand the basic terms and benefits of my health insurance or takaful plan" received the highest mean: 4.35 (*SD*=0.8087) in this construct. Such a high level of agreement indicates that consumers have a high degree of confidence in their understanding of basic policy jargon and underlying contract features.

Likewise, there was a high level of awareness of policy parameters, with a mean score of M=4.25 and SD=0.8919 on the item "I am aware of what is covered and not covered under my policy". This means that the sample population is overall very familiar with the policy exclusions and inclusions which can be crucial in the process

of claims. This means that the sample population is generally very familiar with the policy inclusions and exclusions which can be crucial in the claims process.

The lowest mean score within the construct was for the item tracking practical application, "I know how to use my health insurance or takaful when I need medical care" (M=4.20, SD=0.8762), but it is still quite high. Such an edge gap suggests that although policyholders have a good understanding of their plans, a slightly lower percentage is confident in performing the actual medical plan procedures.

Significantly, the standard deviation of all items in Table 7 is the lowest for all the analyzed constructs ranging from 0.8087 to 0.8919. The data points are concentrated, indicating a high level of agreement and little spread among the respondents, which means that the level of health insurance or takaful literacy is generally strong among the sampled population.

Inferential Results and Hypothesis Testing.
Multiple Linear Regression analysis has been carried out for the evaluation of proposed hypotheses (H1 - H4). Variance Inflation Factor (VIF) was used as a test for multicollinearity, with values of all independent variables being much lower than 5.0 (ranging between 1.34 and 2.12), which showed no serious multicollinearity.

Table 8: Multiple Linear Regression Analysis Results (DV = Repricing Acceptance)

Predictor Variable	Unstandardized *B*	Std. Error	Standardized *β*	*t* - value	*p* - value	VIF	Hypothesis Result
(Constant)	0.412	0.281	-	1.466	0.146	-	-
Fairness (H1)	0.324	0.088	0.312	3.682	0.001	1.62	Supported
Transparency (H2)	0.185	0.079	0.194	2.341	0.021	1.84	Supported
Trust (H3)	0.298	0.091	0.285	3.274	0.001	1.95	Supported
Literacy (H4)	0.162	0.074	0.171	2.189	0.031	1.41	Supported

Note: Model R^2 = 0.548, Adjusted R^2 = 0.529, F (4,95) = 28.78, p < 0.001.

The regression model explains 54.8% of the variation in consumer repricing acceptance (R^2=0.548). Institutional Trust (β=0.285, p=0.001) and Perceived Fairness (β=0.312, p<0.001) were the next strongest predictors, followed by Transparency (β=0.194, p=0.021) and Health Insurance Literacy (β=0.171, p=0.031). Therefore, H1, H2, H3 and H4 are supported statistically.

5. Discussion and Recommendations

This study explored behavioral and structural factors that influence medical insurance policyholders in Puncak Alam, Selangor to accept repricing. The empirical findings offer valuable insights into consumer behavioural economics in a developing economy where the pressure of medical hyper-inflation has not been seen before and mainly on the importance of Fairness, Transparency, Trust and Health Insurance Literacy.

Perceived Fairness and Acceptance of Medical Insurance Repricing (H1)
Overall, the results of the descriptive analysis of perceived fairness are positive and the mean scores were higher than the neutral score of 3.00. In particular, the highest level of agreement was found with corporate reasons for adjustments (M=3.79, SD=1.0473). This is indicative of a cognitive consistency with the Dual Entitlement Theory, which suggests that consumers become more tolerant of price increases if they see the increase as resulting from macro-economic cost-push inflation, rather than pure profit-maximizing by the company. This is consistent with the results of Ben Amor et al. (2024) and Zhang & Zhao (2024) that suggest a perception of equity and psychological anchors are the factors that determine whether someone will accept a change in the contractual rate.

The lowest mean score in this construct was found for fairness relative to individual consumption (M=3.47, SD=1.0960). This marginal decline underscores the "risk-pooling misconception," which refers to a lower-utilization policyholder who believes that his/her good health will protect him/her from the market adjustments that the market imposes on the policyholders collectively. The slight frictions are noted here

because, as per the World Bank (2026), premium shocks that are not adjusted and hence do not consider the individual risk are in violation of distributive justice.

Apart from that, the perceived fairness's strong impact (β=0.312) is consistent with those found by Ben Amor et al. (2024), and Zhang & Zhao (2024). When price hikes are thought to stem from outside factors, rather than increased corporate profits, the consumer will endure them.

Structural Transparency and Acceptance of Medical Insurance Repricing (H2)

The transparency in corporate communication received a very positive net evaluation. For proactive alerts, operators achieved satisfactory results in terms of regulatory baseline benchmarks where the highest mean (*M*=3.89) was obtained for advance notification within the construct (*SD*=1.1361). This highlights regulatory notification parameters compliance. In addition, price rationales have been clearly explained *(M*=3.75) which means that strategic organizational messages have been conveyed successfully.

However, the lowest mean score (*M*=3.54, *SD*=1.1757) and the highest variance were found for functional understanding of the new premium. This suggests an uneven model where policyholders know that the increase is happening and why, but they are structurally disconnected from the technical actuarial aspects of the recalculations. This aligns with the literature by Khazanah Research Institute (2024), which attributes public objections to the informational opacity of unbundled calculations and by Prudential Malaysia (2025b) which attributes public objections to opaque private hospital billing structures.

In addition, the transparent structure (β=0.194) minimizes cognitive load as a result of which the price shock is understood as structured economic. This corroborates the Khazanah Research Institute's (2024) theoretical framework.

Trust and Acceptance of Medical Insurance Repricing (H3)

Institutional trust is a significant buffer in economic corrections, with the highest cumulative measures in this study (*M*>3.90). The operational capacity and responsibility for managing policies was strongly affirmed by respondents (*M*=4.14, *SD*=0.8648). They also had a strong belief in operators doing what was best for them (*M*=4.07). It's a fundamental courtesy that suggests no broader institutional hostility from consumers but rather some local economic grievance.

Importantly, the mean (*M*=3.90, *SD*=1.0299) and the highest variance were for trust specifically related to pricing integrity. Policyholders have an innate distrust of the validity of pricing decisions. To boost both vertical and horizontal trust, state measures need to be visible such as premium-smoothing mechanisms and claims databases, to demonstrate that price increases are warranted by a macroeconomic reality and not by corporate opportunism as noted by Bank Negara Malaysia (2024) and the World Bank (2026).

Furthermore, institutional trust (β=0.285) is also found to be an important buffer during economic shocks and is consistent with the findings of Bank Negara Malaysia (2024) and the World Bank (2026). Systematic lapse rates reduce as policyholders trust the policy due to regulatory monitoring.

Health Insurance Literacy and Acceptance of Medical Insurance Repricing (H4)

Health Insurance Literacy (HIL) displayed exceptionally robust self-reported metrics across the surveyed cohort, with all item means surpassing the 4.00 threshold and demonstrating the lowest standard deviations (0.8087 to 0.8919). Policyholders expressed high confidence in understanding basic terms and benefits (*M*=4.35) and policy exclusions (*M*=4.25). This tight data cluster signifies a highly educated demographic, composed mainly of the suburban M40 and T20 income brackets in Puncak Alam, who actively interact with private health insurance frameworks.

Practical application regarding hospital execution yielded a slightly lower mean (*M*=4.20). This slight deviation indicates that despite possessing high conceptual knowledge, consumers encounter operational hurdles when navigating real-world medical facilities. According to Cognitive Load Theory, when consumers lack structural breakdown frameworks for premium hikes, they default to negative heuristics. High HIL, as substantiated by MCIS Life (2024) and the Ministry of Health Malaysia (2023), acts as a critical prerequisite that transforms raw

price shock into rational economic comprehension.

This result aligns with the findings of Ruslan and Mohd Rasid (2024), who demonstrated that knowledge, promotional efforts, and perceived benefits significantly dictate vehicle owners' decisions to extend their special perils coverage. This is further supported by Mohamad Basir et al. (2025), who similarly indicated that knowledge and promotion, alongside consumer attitude, play a critical role in influencing air travelers' awareness regarding travel insurance. Furthermore, these findings complement a recent study by Ruslan et al. (2025) on property owners in Puncak Alam, Selangor, which revealed that homeowners' insurance purchase intentions are significantly and positively associated with insurance awareness, perceived product adequacy, and household income. Taken together, these studies underscore that across various insurance sectors, such as motor, travel, or property, consumer knowledge, awareness, and product perception remain the foundational drivers of adoption behavior.

Similarly, increases in consumer literacy (β=0.171) reduce cognitive burden, as consumer literacy has a direct impact on consumer understanding, which is consistent with the theoretical aspects outlined by Khazanah Research Institute (2024).

Based on the empirical findings, the following three interconnected strategic interventions are recommended for policymakers, regulators, and insurance operators:

Transition from Opaque Communication to Actuarial Demystification
Insurance operators should break the "black-box" underwriting pattern as there is a gap between awareness of repricing and technical understanding of premium calculations (M=3.54). It is recommended that operators develop co-created, user-friendly digital calculators that allow policyholders to input individual metrics and see exactly how claims inflation alters their risk pools. Furthermore, following the recommendations of the Public Accounts Committee (PAC) and Khazanah Research Institute (2024), regulators must enforce unbundled, itemized transparency on private hospital billings to neutralize artificial markups on medical consumables.

Accelerate Structured Cost-Sharing and Standardized Base Plans
To reconcile the tension between low individual utilization and compounding premium hikes (M=3.47), the industry must pivot away from traditional individual riders toward sustainable cost-sharing variations. Policymakers should accelerate the deployment of mandatory co-payment product variations and the upcoming 2027 standardized "base" medical plans proposed by the Ministry of Health's Health White Paper (2023). Eliminating luxury, unbundled medical charges will directly restore the consumer's sense of distributive justice and minimize moral hazards.

Institutionalize Long-Term Regulatory Premium-Smoothing Frameworks
In order to protect pricing integrity and mitigate the high variance in consumer trust regarding pricing honesty (M=3.90, SD=1.0299), Bank Negara Malaysia should institutionalize its interim relief measures into permanent frameworks. Moving away from cyclically delayed, compounding premium shocks (which historically ranged between 40% and 70%), BNM must mandate that future adjustments are structurally staggered over fixed multi-year periods. Ensuring that annual adjustments remain below a predictable threshold anchors systemic trust, prevents mass policy lapses, and shields vulnerable demographics over the long term.

Conclusion
The study was able to successfully assess the behavioral drivers influencing the acceptance of medical insurance repricing in the Malaysian emerging marketplace, specifically the suburban township of Puncak Alam, Selangor. The empirical evidence, backed by an extensive sample consistent with Roscoe's multivariate model, confirms that overall confidence in the foundations of institutional trust and confidence in their own health insurance literacy remain strong, but there are several points of consumer friction: pricing honesty and premium calculation. Cost drivers in the macro-environment are rationalized by policyholders while they tend to be skeptical of price increases when they do not see these costs reflected in their own use or when the associated private hospital charges are difficult to understand.

This research theoretically fills an important gap in the empirical literature in ASEAN behavioral health economics, as it embeds the concepts of Equity Theory, Dual Entitlement Theory and Cognitive Load Theory in a healthcare system that is predominantly individual insurance rider-based and not reliant on the Western employer-based system. The research from a practical point of view highlights the need for premium adjustments not to be made just mathematically, but sustainably as well as the need to consider transparency and structured regulatory anchors and the breakdown of actuarial setting.

Lastly, a balance between the solvency of institutions and consumer protection requires active involvement, collaboration, and partnership between the commercial operators and the state regulators. Structured premium-smoothing mechanisms expand standardized cost-sharing portfolios and auditing of healthcare billing pipelines are key elements to leveling the market. The measures will ensure the sustainability and availability of private healthcare protection amongst the Malaysian masses.

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