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Life insurance industry records healthy growth of 11.6% in its New Business Total Premiums and 9.4% in New Business Sum Assured in 2023

Kuala Lumpur, Thursday, 18 April 2024 – The life insurance industry continued to show healthy performance in 2023 as compared to 2022. For the year ended 31 December 2023, the industry recorded a double-digit growth of 11.6% in its new business total premiums to RM13.4 billion as compared to RM12 billion in 2022. The growth was driven by the strong performance for group policies and investment-linked policies which recorded 14.5% growth to RM5.1 billion and 13.6% growth to RM6.2 billion, respectively.

New Business – Total Premium

RM Million/ Type	January to December		
	2022	2023	Growth
Traditional	2,076	2,080	0.2
Investment-Linked	5,434	6,170	13.6
Group	4,467	5,113	14.5
Total	11,977	13,363	11.6

The overall new business sum assured recorded 9.4% growth to RM544.4 billion in 2023 as compared to RM497.7 billion in the previous year. The new business sum assured of investment-linked policies and group policies recorded a double-digit growth of 13.4% to RM155.8 billion and 10.3% to RM368.8 billion, respectively, in 2023.

New Business – Sum Assured

RM Million/ Type	January to December		
	2022	2023	Growth
Traditional	26,139	19,911	-23.8
Investment-Linked	137,392	155,760	13.4
Group	334,207	368,756	10.3
Total	497,738	544,427	9.4

Meanwhile, the number of new investment-linked policies grew by 6.8% to 709,378 and new group policies increased by 5.8% to 21,975 in 2023. However, new traditional policies recorded a decline of 56.9% from 1.2 million in 2022 to 496,115 in 2023, resulting in the overall number of policies falling 33.2% to 1.2 million in 2023 compared to 1.8 million in 2022. The drop in the new traditional policies was compounded by the absence of policies issued in 2023 under the Perlindungan Tenang Voucher Scheme which ended in November 2022. Some 437,024 policies were issued in 2022 under the Perlindungan Tenang Voucher Scheme.

New Business – New Policies

Type	January to December		
	2022	2023	Growth
Traditional	1,151,313	496,115	-56.9
Investment-Linked	664,355	709,378	6.8
Group	20,768	21,975	5.8
Total	1,836,436	1,227,468	-33.2

The total premium in force grew by 5% to RM46.3 billion in 2023 compared to RM44.1 billion in 2022. Group policies in force premium registered a leap of 26.2% from RM410 million in 2022 to RM517 million in 2023. Investment-linked policies in force premium rose by 6.6% while traditional policies grew by 1.5%.

In Force Premium

RM Million	January to December		
	2022	2023	Growth
Traditional	15,862	16,106	1.5
Investment-linked	27,875	29,726	6.6
Group	410	517	26.2
Total	44,147	46,349	5.0

The sums assured in force rose to RM2 trillion in 2023 compared to RM1.9 trillion in 2022, registering a rise of 6%. Investment-linked policies sums assured in force recorded a strong growth of 8.3% to RM984.4 billion in 2023 compared to RM908.7 billion in 2022. The sums assured in force of group policies also increased by 7.8% whereas traditional policies fell 3.9%.

Sums Assured in Force

RM Million/ Type	January to December		
	2022	2023	Growth
Traditional	322,494	309,763	-3.9
Investment-Linked	908,652	984,377	8.3
Group Policies	643,159	693,511	7.8
Total	1,874,305	1,987,651	6.0

Number of Policies in Force

The number of policies in force of group policies and investment-linked policies grew by 4.5% to 28,685 and 4% to 6.7 million, respectively, in 2023. However, traditional policies declined by 9.7% which contributed to the drop in the total number of policies in force to 3.1% in 2023 amounting to 13 million compared to 13.4 million in 2022. One contributing factor to the decline in traditional policies was the expiration of the policies issued under the Perlindungan Tenang Voucher Scheme in 2022.

	January to December		
Type	2022	2023	Growth
Traditional	6,914,137	6,242,450	-9.7
Investment-Linked	6,442,188	6,702,048	4.0
Group	27,436	28,685	4.5
Total	13,383,761	12,973,183	-3.1

CLAIMS PAYOUT

The total claims payout in 2023 surged by 14.9% to RM15.4 billion in 2023 compared to RM13.4 billion in 2022. The increase was primarily driven by the hike of 41.4% in disability payment and 26.2% in medical claims.

	January to December					
RM/ Benefit	2021	2022	Growth	2023	Difference	Growth
Death	1,830,154,284	1,814,532,683	-0.9	1,727,050,751	-87,481,932	-4.8
Disability	89,540,934	107,946,280	20.6	152,662,549	44,716,269	41.4
Medical	4,610,672,441	6,163,799,351	33.7	7,780,606,751	1,616,807,400	26.2
Bonuses	3,346,160,919	3,162,473,293	-5.5	3,306,450,789	143,977,496	4.6
Others	2,003,810,013	2,144,558,651	7.0	2,423,393,443	278,834,792	13.0
Total	11,880,338,591	13,393,310,258	12.7	15,390,164,283	1,996,854,025	14.9

SURGING MEDICAL CLAIMS

The surge in medical claims has been a challenge for the industry since 2019 (pre-pandemic) as policyholders resumed healthcare treatments which were deferred earlier due to COVID-19 pandemic. The highest increase observed since 2019 was 34% recorded in 2022 as compared to 2021. 2023 claims increase of 26.2% is also one of the highest ever observed.

The increase in medical claims payout is attributed to higher costs in medical treatments, hospitalization and the cost of drugs and medical equipment. A rise in admissions is also a major driver of claims increase. Claims data in 2018 shows that hospital supplies and services accounted for 60-70% of claimable surgical and non-surgical treatment costs respectively in Malaysia.

The high claims payout is also caused by the high medical inflation rate in Malaysia. According to the 2024 Global Medical Trend Rates Report published by Aon-Hewitt, the global average medical trend rate for 2024 is expected to be 10.1 percent, up from 9.2 percent in 2023 and the highest it has been since 2015. In the same report, Malaysia's medical inflation rate is projected to reach 15% in 2024, similar to 2023.

It is expected that the higher medical claims will add pressure on premium increases going forward. Repricing of premium is a standard feature of medical reimbursement covers to ensure the sustainability of the medical insurance policy. Medical insurance policies become unsustainable when the premiums collected are insufficient to cover the expected claims expenses. The industry continues to engage with our regulator, Bank Negara Malaysia (BNM), and other stakeholders on finding ways to assist policyholders in managing their medical policy amidst rising premiums.

In this regard, the industry would like to urge all stakeholders including healthcare providers, private hospitals, doctors, regulators, and policyholders to work together with the insurance industry to address the challenges contributing to rising in medical costs and to curb medical claims inflation in the country.

Policyholders are urged to educate themselves on their medical policies, explore alternative treatments, question unreasonable billing and consider optimal medical treatment for cost effectiveness and sustainability.

Moving forward, BNM with insurers and takaful operators will promote new insurance plans with cost-sharing provisions, which have been proven to lower overall claims costs and premiums.

Outlook

Looking ahead to 2024, the industry is poised to maintain its growth momentum and resilience amidst evolving market dynamics. Various efforts outlined under the Financial Sector Blueprint 2022-2026 are being carried out to strengthen and to push the development to a higher level, to deliver better products and services to the consumers.

As LIAM is celebrating its 50th Anniversary in 2024, we continue to engage closely with stakeholders as we brace ourselves to achieve the financial inclusion agenda and continue to serve the rakyat with insurance and protection needs.

Source:

Bank Negara Malaysia Monthly Highlights and Statistics January 2024 - (New Business and Total Business in Force)

Life Insurance Association of Malaysia (LIAM) – (Claims Payout)

About LIAM

Formed in 1974, the Life Insurance Association of Malaysia (LIAM) is a trade association registered under the Societies Act 1966. LIAM has a total of 16 members, of which 14 are life insurance companies and 2 life reinsurance companies. LIAM's objectives are to promote a progressive life insurance industry; to enhance public understanding and appreciation for life insurance; to upgrade the image and professionalism of the life insurance industry and to support the regulatory authorities in developing a strong industry.

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