

The Star Online - <http://www.thestar.com.my/Business/Business-News/2015/02/13/Life-insurance-industry-records-trillion-ringgit-coverage/?style=biz>

Life insurance industry records RM1.17 trillion coverage

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KUALA LUMPUR: Malaysia's life insurance industry recorded a 6.9% growth in insurance protection to RM1.17 trillion for all policies combined in 2014, its industry body said on Friday.

The Life Insurance Association of Malaysia (LIAM) said the amount was 6.9% higher than the RM1.09 trillion in 2013.

"The sum assured per capita in 2014 has also recorded an increase to RM38,449 from RM36,387 in 2013," it said.

LIAM president Vincent Kwo said the healthy performance of the life insurance industry reflected the people's rising awareness on the importance of insurance protection.

Malaysia's life insurance industry provided insurance protection to 12.4 million lives (counting lives with multiple policies as separate lives) in 2014, an increase of 148,574 when compared with year 2013.

Kwo said the increase in the number of lives covered by life insurance and higher sum assured protection reflected a higher level of financial literacy among Malaysians.

However, based on the Protection Gap Study undertaken by University Kebangsaan Malaysia and LIAM in 2013, there is still a huge protection gap for families with life insurance.

"On average, the gap ranges from RM100,000 to RM150,000. This means that the average sum assured of RM38,449 is still way below the amount needed to support one family member in the event of the death or disability of the breadwinner," said Kwo.

He added the current penetration rate, as at 54%, was considered low as the government's plan was that 75% of Malaysians be insured by 2020.

"There is a need to develop suitable insurance products to meet the different life stage needs of customers and introduce new delivery channels to reach out to the remainder 50%, of which a high percentage of the population could be concentrated in the rural areas.

"Additionally, insurers could also leverage on their existing customer base for upselling or cross-selling initiatives given that even among those who have insurance coverage, in most cases they were not adequate," he added.

Based on preliminary figures, the life insurance industry in Malaysia grew by 5.5% in 2014, as measured by new business annual premium equivalent (APE). APE comprises of the 10% single premium and 100% annualised premium.

New business total APE in 2014 was RM4.71bil as compared with RM4.47bil in 2013.

As for group insurance business, it recorded a 5.1% growth. In terms of individual business, investment-linked policies continued to outpace traditional policies with the former growing at 11.1% compared with the latter which shrunk by 1.6%.

On total new premium basis, the industry grew 9.3% in 2014, with total premium volume recording RM8.95bil.

The total premium for in-force policies grew moderately at 5.8% in 2014 for individual and group policies combined.

The life insurance industry also registered an increase of 21.3% in claims payouts amounting to over RM8.4 billion as compared with RM6.9 billion in 2013.

The high growth in claims payouts was contributed mainly by higher medical claims and bonus payments to policyholders.

Medical claims increase was contributed mainly by strong growth in medical insurance business in recent years and partly by medical inflation.

Increase in bonus payments was mainly due to the increased popularity of the cash bonus type of policies in recent years.

The increase in death claims meanwhile was moderate at 7.6% in line with the increase in in-force sum assured

Commenting on the outlook for 2015, Kwo said the economy's strong fundamentals would continue to underpin the life insurance industry with expectations of a robust strong single digit growth.