

Strong economy and increased consumer awareness power the life insurance industry

The life insurance industry grew 15.7% in the first half of 2014 with the total premiums of new individual life business hitting RM2.8 billion compared with RM2.4 billion for the same period last year.

Vincent Kwo, the President of Life Insurance Association of Malaysia (LIAM) attributed the growth to the strong economy and the improved consumer awareness. “The Malaysia economy grew at 6.3% in the first half of 2014, at a faster pace than predicted by most economists. The life insurance industry grew strongly as a result but the strong growth of the life insurance industry is also partly attributed to the improved consumer awareness on the importance of insurance protection. Recent few unfortunate incidents have resulted in the public taking more active role in seeking financial protection solutions. For many years, the life insurance industry has been providing the insured public with timely financial assistance when the needs arise. We have been seen as playing this important role well. We will continue to work towards further increasing consumer awareness and enlarging our role in this critical area. This is particularly in view of the continued huge protection gap as identified by a research study last year.”

In 2013, a study was commissioned by LIAM and undertaken by Universiti Kebangsaan Malaysia on the “Protection gap or Underinsurance gap in Malaysia”. The study found that the average protection gap for families whose primary wage earner do not have life insurance protection is RM723,000 per family. The amount is the estimated sum needed for the family of the wage earner to sustain their current lifestyle for at least 5 years on the demise of the wage earner.

According to the statistics released by LIAM, in the first half of 2014, the life insurance industry has also paid out more claims compared to the year before. The industry as a whole saw a 37.6% increase in benefit payments in the first half of this year compared to the last. Benefit payments due to death, disability, medical, bonuses and others amounted to RM4.0 billion as compared with RM2.9 billion for the same period last year.

The industry is expected to end the year with a strong double-digit growth, mainly driven by medical insurance and investment-linked products. The latter has overtaken conventional life insurance products as the consumer preferred choice given the flexibility of choosing the coverage and investment vehicles.

The Life Insurance Statistics in Q2 2014

Claims

Benefit	Jan - Jun 2014	Jan - Jun 2013	Difference	Growth
Death	538,294,557	441,160,439	97,134,118	22.0%
Disability	70,414,806	59,830,023	10,584,783	17.7%
Medical	1,288,356,114	806,826,681	481,529,433	59.7%
Bonuses	1,645,061,632	1,295,907,765	349,153,867	26.9%
Others	486,270,931	324,622,867	161,648,064	49.8%
TOTAL	4,028,398,040	2,928,347,775	1,100,050,265	37.6%

New Business Premium

Traditional + Investment-Linked			
RM' mil	Jan - Jun 2014	Jan - Jun 2013	Change
Single Premium	872.8	652.7	33.7%
Regular Premium	1,952.0	1,789.1	9.1%
Total Premium	2,824.8	2,441.9	15.7%
Weighted Premium (*)	2,039.3	1,854.4	10.0%

* Note: Weighted premium is calculated as 10% of Single Premium + 100% of Regular Premium

Traditional			
RM' mil	Jan - Jun 2014	Jan - Jun 2013	Change
Single Premium	281.0	104.0	170.1%
Regular Premium	865.1	871.4	-0.7%
Total Premium	1,146.0	975.4	17.5%
Weighted Premium (*)	893.2	881.8	1.3%

Investment-Linked			
RM' mil	Jan - Jun 2014	Jan - Jun 2013	Change
Single Premium	591.8	548.7	7.9%
Regular Premium	1,087.0	917.7	18.4%
Total Premium	1,678.8	1,466.4	14.5%
Weighted Premium (*)	1,146.1	972.6	17.8%

* Note: Weighted premium is calculated as 10% of Single Premium + 100% of Regular Premium

New Business Mix

Traditional	Jan - Jun 2014	Jan - Jun 2013
Single Premium	32.2%	15.9%
Regular Premium	44.3%	48.7%
Total Premium	40.6%	39.9%
Weighted Premium (*)	43.8%	47.6%
Investment-Linked	Jan - Jun 2014	Jan - Jun 2013
Single Premium	67.8%	84.1%
Regular Premium	55.7%	51.3%
Total Premium	59.4%	60.1%
Weighted Premium (*)	56.2%	52.4%