

THE Life Insurance Association of Malaysia (Liam) expects the local life insurance industry to grow 20 per cent this year backed by strong economic growth in the first six months.

"The outlook for the second half continues to be promising. In fact, historically, the second half of the year contributed an average 55-60 per cent to the full-year business," Liam president Adnan Zain said in a statement yesterday.

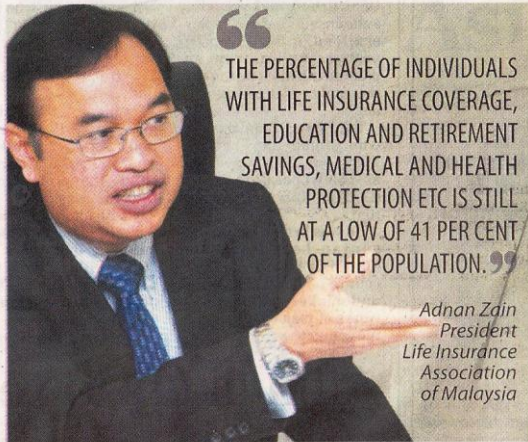
In line with the strong growth of the economy at 10.1 per cent and 8.9 per cent in first and second quarter respectively, the industry has grown two to three times faster than the GDP (gross domestic product) expansion.

"In the first half of 2010, the life insurance industry expanded well as new business sales grew by 24 per cent on weighted premium basis.

"The growth was contributed by a very strong performance in single premium sales which went up by 51 per cent and to a large extent by regular premium sales that grew 22 per cent compared with the same period last year," he added.

The percentage of individuals with life insurance coverage, education and retirement savings, medical and health protection etc is still at a low of 41 per cent of the population, Adnan said.

Life insurers upbeat on 20pc growth this year



“THE PERCENTAGE OF INDIVIDUALS WITH LIFE INSURANCE COVERAGE, EDUCATION AND RETIREMENT SAVINGS, MEDICAL AND HEALTH PROTECTION ETC IS STILL AT A LOW OF 41 PER CENT OF THE POPULATION.”

Adnan Zain
President
Life Insurance
Association
of Malaysia

The percentage is even lower if individuals subscribing to more than one policy are taken into account.

"Compared to many other de-

veloped countries, this level is inadequate as the remaining population of 59 per cent does not have any form of insurance protection. This is a cause for con-

cern as the government moves towards making Malaysia a high income nation," he said.

Liam lauded the government for earmarking the insurance industry as one of the key areas to contribute to the nation's economic growth under the Economic Transformation Programme (ETP).

The ETP, it believes, would propagate growth with the insurance penetration rate reaching 4 per cent of GDP by 2020 and the number of policies per population hitting the 75 per cent mark as compared to the current 41 per cent level this year.

"What could spur tremendous growth would be the personal tax relief of RM6,000, which is now given for life insurance, medical, education and annuity.

"Another area would be the private pension scheme which was tabled in the breakout session of the ETP. How soon the initiatives for allowing EPF fund to be channeled out for Private Pension Funds will also be a factor," Adnan said.

To encourage more Malaysians

to take up life insurance, the ETP aims at providing a separate tax relief for of RM6,000 for life insurance premiums.

At present, the personal tax relief of RM6,000 is combined with the statutory EPF contribution.

This means that an individual earning RM4,500 and above will not be entitled to claim any tax relief for life insurance policies.

Adnan said based on the strength of the economy and Malaysians having higher wages, this current combined tax relief of RM6,000 is grossly inadequate.

To ensure the successful implementation of the private pension schemes, Liam said, it is imperative that the focus should not only be on the pre-retirement accumulation phase.

"It is vital to note that the post-retirement distribution phase requirements are properly addressed so as to prevent retirees from exhausting their retirement fund prematurely," he added.