

# Insurance claims up 19% in 2012

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LIFE insurance claims in 2012 hit RM6.7 billion, up 19% from the RM5.6 billion paid out in 2011, with a sizeable rise in payouts for medical and death benefits, according to the latest industry statistics.

However, the huge jump in claims payout was not much of a concern to the industry players as one of the largest component was for insurance bonuses to policyholders, according to the statistics released by Life Insurance Association of Malaysia (LIAM).

"There is nothing to worry about as these are from endowment and savings products where policyholders would take out the dividend and cash bonus associated with these products," Hong Leong As-

surance Bhd group managing director Loh Guat Lan told The Malaysian Reserve when asked to comment on the cash bonus payment rise.

On top of the figure paid for death, disability, medical and cash bonus payment, it said RM7.6 billion was paid for maturity of policies and cash surrender.

Total sum insured for 2012 was RM1.02 trillion, an 8% increase over RM946 billion in 2011. The average sum insured was RM34,700, up 6.7% from RM32,533 in 2011, which LIAM described as 'inadequate'.

With expected sum insured of 10 times of annual salary, and with gross national income per capita of around RM31,000, LIAM said the ideal average sum insured per person should be around RM310,000.

"The protection gap for

Malaysia is alarming and the life insurance industry certainly has a huge gap to fill," said LIAM president Vincent Kwo Shih Kang in the statement.

It added the life insurance industry registered a new business growth of 2.2%, with RM4.3 billion weighted premium in 2012 as compared with RM4.2 billion in 2011.

It added investment-linked policies continued to outshine traditional policies in terms of growth with 49.5% of new business share.

In 2011, the investment-linked policies formed a lower portion of 45.6% of all new policies sold, according to the statement.

"With the implementation of the risk based capital framework and continued low interest rate environment, traditional products are becoming less attractive as they are more capi-

tal intensive. Consumers are also increasingly favoring investment-linked policies given its flexibility and possible returns, on top of having protection and savings," said Kwo.

Under the Economic Transformation Programme of Malaysia (ETP), the Government set a target of 75% of the population being insured by 2020.

For 2013, LIAM expected new business to grow at 10% taking into consideration the projected economic growth rate of about 5%.

The statement said more insurance companies will roll out annuity products to take advantage of the RM3,000 tax relief made available by the government, adding that medical insurance will continue to enjoy high growth rate as the country moves towards a high-income nation.

— The Malaysian Reserve