

10% growth in life insurance seen

Low penetration rate, various projects and tax incentives will spur industry

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PETALING JAYA: Despite the challenging economic environment, the life insurance industry is expected to chart new business premiums growth of between 10% and 15% next year.

This is attributed, among others, to the low insurance penetration rate, the Government's various projects and tax incentives. The Life Insurance Association of Malaysia (LIAM) in responding to queries from *StarBiz* said the association anticipated new business premiums to moderately grow between 14% and 15% next year compared with a low double-digit growth this year.

By class of business, investment-linked business continued

to enjoy a very strong growth in 2011, it said, adding that the sale of regular premium investment-linked products grew by 26% to RM752mil in the first half of the year from RM597mil in the corresponding period in 2010.

Meanwhile, for single premium business, there was a 16% growth in investment-linked plans, the association said. Total new business premiums for individual policies last year stood at about RM2.8bil compared with RM2.1bil in 2009.

It said while the sovereign debt crisis in the eurozone, coupled with the economic slowdown in the United States might affect consumer confidence, factors such as the current low penetration rate of life insurance at 42.83%, the Government's Economic Trans-



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— DATUK KOH YAW HUI

formation Programme and higher tax incentives for retirement products would boost the sector.

LIAM also said the industry had taken a breather after strong double-digit growths in 2009 and 2010.

"However, we expect the performance of the industry to improve by year-end as companies step up their efforts to achieve their business goals.

"The insurance penetration rate in the country is still low with huge upside potential to be captured. The economy in Malaysia is also expected to perform as projected and this augurs well for the growth of the industry," LIAM said.

For single premium business, there was a move from traditional plans to investment-linked plans as companies favoured the latter due to challenges in providing minimum-guaranteed returns in traditional products under the low interest environment, it noted.

LIAM said it expected retirement-related products, as well as medical and protection-related products, to perform next year.

As part of its five-year strategic plan, the association added it would continue to drive its consumer education programme and raise awareness of the virtues of having life insurance.

Great Eastern Life Assurance (M) Bhd director and CEO Datuk Koh Yaw Hui said for next year, the company projected its overall new business growth for both conventional and takaful to be around 15%.

However, industry-wise, takaful was expected to grow faster than the conventional market at a rate in excess of 20% next year.

"With a total of 12 takaful players and some with very strong

distribution and product development capabilities like Great Eastern Takaful, we are ready to tap into a largely under-penetrated Muslim market which forms about 60% of the Malaysian population.

"As far as types of coverage are concerned, we expect to see continued high demand in medical and health products as people are now aware that if they are not adequately covered, it will cause financial distress to their families, especially during economic uncertainties," he said.

Allianz Malaysia Bhd CEO Jens Reisch felt that additional tax incentives as announced in the recent budget for the private pension scheme, strong consumer confidence and sustainable private investment interest would contribute to a greater demand for insurance and growth in this sector.

The Government's aim to gradually globalise and liberalise the insurance industry, coupled with the growing bancassurance and takaful industry, were other factors that would drive the insurance industry's growth this year and in the near future.

"Malaysia is a market where our general insurance business will continue with strong growth. The general insurance market will depend largely on car sales as well as on new projects and investments.

Overall, the general insurance industry should grow at least in line or slightly above gross domestic product growth.

In view of the emergence of more small and medium enterprises (SMEs), there was a potential for the general insurance business to grow further as SMEs were currently the backbone of the economy, Reisch noted.