

Boost for insurance sector

Growth to come from government initiatives and low interest rate environment

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PETALING JAYA: Despite the presence of some pitfalls in the insurance sector, the sector is expected to continue its growth for the remaining year fuelled by various initiatives and stimulus packages and the relatively low interest rate environment.

Government-led initiatives like the Economic Transformation Programme (ETP), 10th Malaysian Plan and the New Economic Model (NEM), according to industry players, would translate into stronger demand for insurance products and services.

The current low penetration rate of life insurance of about 41%, which was lower than that in the more-developed economies, was another factor that would contribute to its growth.

Life Insurance Association of Malaysia (LIAM) said that besides the various stimulus packages like the Employee Insurance Scheme, Private Pension Scheme and the Foreign Workers Health Insurance Scheme, the economic conditions were also ripe for life insurance growth.

LIAM expects the life insurance industry to chart at least 12% in new business sales this year. It said consumer confidence was on the uptrend coupled with low interest rate environment that would provide a fresh impetus for consumers to seek high-yielding products like insurance. Consumer confidence in Malaysia rose four points to 107

points in the fourth quarter of 2010 to reach its highest level since the third quarter of 2006, according to the latest findings of Nielsen Global Consumer Confidence Index early this year.

New business sales for life insurance rose by 19% on a weighted premium basis in the first three quarters of 2010. This was attributed to a strong performance in regular premium sales which went up by 21% compared with the same period last year. Single premium business, however, registered a small decline of 1%.

Allianz Malaysia Bhd (AMB) CEO Jens Reisch said that apart from the low insurance penetration rate, increase in customer sophistication, greater demand for retirement savings coupled with growing bancassurance and takaful businesses from liberalisation of the insurance industry are some of the other drivers that would boost the insurance sector.

Without elaborating on its growth figures, he said: "AMB is undertaking numerous initiatives to improve its distribution capabilities and we hope to continue to strengthen the top line and sustain profitability."

General Insurance Association of Malaysia (PIAM) executive director Lim Chia Fook said barring any other possible adverse impacts on the world economy, he was bullish on the general insurance sector this year.

The medical and health insurance (MHI) sector was expected to remain strong in terms of growth driven by growing consumer awareness and



Jens Reisch ... 'Allianz hopes to sustain profitability.'

an increasing need for protection against escalating costs of medical and health care services, he said.

He added that the recently-

announced medical insurance plan for foreign workers would add impetus to the MHI sector.

New areas of growth, he said,

were also expected in micro-insurance products specially designed to cater to small and medium enterprises as well as the bio-technology sector.

The general insurance industry recorded RM11.52bil in gross direct premium in 2009, representing a growth of 5.7% over 2008. Up to the third quarter of 2010, gross direct premium estimates were at RM9.67bil, representing a growth of 9% over the same nine-month period the previous year.

Reisch said among the major challenges faced by the industry were the availability of long-term assets for packaging insurance products, low interest environment for insurers to package attractive guaranteed return products and the need to continue to offer high guaranteed products in the long term.

LIAM felt there was also a need to create a forceful and constant educational campaign to show the value of life insurance and financial planning.

On the other hand, the association felt one factor that might curtail the progress or growth of the industry would be economic uncertainty.

"While it is an external factor, the quagmire prevailing in the established economies of the United States, Japan, Europe and the reaction of the local share market towards such sentiments may have an indirect impact on the industry. It can cause a slowdown on external demand that will eventually influence consumers in terms of decision-making, thus making sales more difficult," LIAM said.