

Liam: Investment-linked policies boost premiums

KUALA LUMPUR: Total life insurance premiums in Malaysia grew 11.9% to RM8.42bil in 2010 from RM7.53bil a year earlier due to investment-linked policies which recorded a 26.6% growth, said the Life Insurance Association of Malaysia (Liam).

"In particular, the growth of investment-linked business came from annual premium business, signifying the switch in strategy by insurers to focus on less capital-intensive products," Liam president Adnan Md Zain said in a statement yesterday.

For individual annual premium business, annualised premium for investment-linked policies outpaced traditional policies by growing at a strong 37.8% compared to a growth of 3.3% for traditional. Investment-linked policies first

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LIAM PRESIDENT
ADNAN MD ZAIN

lost their popularity in 2007 and it took three full years for the trend to reverse in 2010. In absolute terms, the size of traditional business with annualised premium of RM2.1bil is

still larger than the size of investment-linked business with annualised premium of RM1.7bil.

Traditional to investment-linked business mix as at Dec 31, 2010 was 55.6%:44.4% compared with 62.5%:37.5% a year earlier.

On the outlook of the life insurance industry in 2011, Liam said that despite the increasing number of people who were aware of the importance of life insurance, the current gross domestic product for life insurance stands at 2.8%, which is relatively low compared with other countries like Singapore (6.1%) and Japan (7.5%).

"The Government intends to increase this figure to 4% (75% of population) by 2020 with the various initiatives based from the ETP (Economic Transformation Programme) announcement last

year.

"While it's a challenge, we see it as an opportunity to grow the business. And with the various initiatives lined up by the Government for the year, we are fairly optimistic that the industry will achieve a 12% to 15% growth," said Adnan.

Liam said among the contributing factors that may spur better sales would be the possible separation on tax reliefs of RM6,000 in Employees Provident Fund contributions and insurance premiums (a net increase of RM2,000 in relief).

"Such a move will motivate consumers to choose a plan that best suits their needs instead of just having basic coverage.

"The tax relief would provide flexibility for one to select products made available by the insurance providers," it said.