

Bullish outlook

Life insurance industry to grow by between 7% and 10%

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PETALING JAYA: The life insurance industry, which registered total new business premiums worth RM7.92bil last year, is expected to grow by between 7% and 10% this year despite the global external headwinds.

Industry players said they were bullish on the insurance sector and growth would be supported by the Financial Sector Blueprint, low insurance penetration, roll-out of projects under the Economic Transformation Programme, and the 10th Malaysia Plan as well as tax incentives for private pension plans.

For life insurance, the penetration rate stands at 42.83%, while takaful is about 10%.

Life Insurance Association of Malaysia (LIAM) said: "The Malaysian economy is expected to grow by between 5% and 6% this year with the services and manufacturing sectors spearheading expansion. With these developments, coupled with the low insurance penetration rate in the country, the industry is forecast to achieve a growth of between 7% and 10% this year."

According to analysts, this figure is achievable as the growth of the insurance industry is usually 2% to 3% above the country's gross domestic product (GDP). LIAM said the introduction of the Financial Sector Blueprint (2011-2020) by Bank Negara was key to the prospects for the industry not only for this year but for years to come.

Focus on retirement planning and healthcare financial solutions as



Hassan says Syarikat Takaful is targeting between 20% and 30% growth in new business.

enshrined in the blueprint would benefit the industry as Malaysia's population became more mature, it noted.

While the Government was in the process of establishing private retirement scheme, LIAM hoped similar incentives would be given to life insurance companies to introduce annuity plans catering to retirement needs which would boost industry growth.

It said the introduction of the 1Malaysia Micro Protection Plan would not only provide affordable insurance coverage to small businesses and micro enterprises but would help raise penetration rate of insurance in the country.

The industry, LIAM said had performed moderately in 2011, charting several highs in different categories such as the annual premium individual business whereby it achieved a growth rate of 8.9% with investment-linked business out-performing tradi-

tional business.

Total premium for policies grew at 9.4% for individual and group policies combined. Annual premium investment-linked business with a smaller base enjoyed a stronger growth of 12.5% against the traditional annual premium business which grew at 8.5%.

In absolute terms, traditional annual premium business added more than RM1bil in premiums during the year, while investment-linked annual premium business stood at RM771mil, LIAM noted, adding that regular premium products and investment linked ones would be key growth drivers.

Attesting to the growth of investment-linked insurance, Prudential Assurance Malaysia Bhd (PAMB) CEO Charlie E. Oropeza said this product category would remain an important driving force behind the company's long-term growth plan.

For the first nine months of last year, he said investment-linked insurance accounted for about 73% of PAMB's total new business sales. In addition, he also expected strong demand for medical/health insurance.

Syarikat Takaful Malaysia Bhd group managing director Datuk Mohamed Hassan Kamil said it was targeting double digit-growth of between 20% and 30% in new business this year, adding that the takaful industry was growing rapidly at 20% to 25% annually as there was ample room for growth with penetration rate still relatively low.

He said protection products such as family takaful protection and medical products would likely be the key driver of sales.