

Life insurance industry records buoyant growth

KUALA LUMPUR: The life insurance industry, which grew by 4.3% in 2015 as measured by new business annual premium equivalent (APE), recorded insurance coverage amounting to RM1.24 trillion in sum assured for all policies combined in 2015, which is 6.2% higher than the corresponding figure of RM1.17 trillion in 2014.

Life Insurance Association of Malaysia (LIAM) president Toi See Jong said the healthy performance of the life insurance industry reflects the continued increase in awareness among Malaysians on the importance of insurance protection.

As a whole, the life insurance industry provided insurance protection to 12.5 million lives in 2015, an increase of 129,015 when compared with 2014. The per capita sum assured increased from RM38,075 in 2014 to RM39,929 in 2015.

The increase in the number of lives covered by life insurance and higher sum assured protection shows there is an increase in awareness among Malaysians on the importance of life insurance protection. However, the per capita sum assured of RM39,929 is still way below the amount needed to support one family member in the event of death or disability of the breadwinner.

"Recognising this, the industry together with LIAM will continue to step up its efforts and intensify the various consumer awareness campaigns and promotional

activities to increase the awareness level among all Malaysians and reduce the insurance protection gap," Toi added.

Based on preliminary figures, the new business total APE in 2015 was RM4.91 billion, compared with RM4.71 billion in 2014.

Group insurance business achieved a strong growth rate of 15.8% in 2015. In terms of individual business, traditional policies regained its popularity, outpacing investment-linked business by growing at 5.2% compared with a growth rate of 2.3% achieved by the latter.

On a new business total premium basis, the industry grew 1.8% in 2015 with total premium volume recording RM9.12 billion.

The total premium for in-force policies grew moderately at 6.6% in 2015 for individual and group policies combined.

The life insurance industry also registered an increase of 9.0% in claims payouts amounting to RM9.2 billion as compared with RM8.4 billion in 2014.

The growth in claims payouts was contributed mainly by higher medical claims. The industry as a whole registered slightly lower disability claims payouts in 2015 while death claims increased moderately at 8.9% in line with the increase in in-force sum assured.

"Moving forward, despite a challenging external environment, we remain optimistic that the life insurance industry

is resilient to economic pressure as there is still a big gap in life insurance coverage in Malaysia," said Toi.

The strong focus by Bank Negara Malaysia and the industry to increase the insurance penetration rate as well as the Life Insurance and Family Takaful Framework (LIFE Framework), which came into force on Nov 23, 2015 will drive growth and change the landscape of the insurance industry in the near future.

"We believe that the various initiatives within the three pillars in LIFE Framework will have significant impact on the life insurance industry. The encouragement of alternative distribution channels will have a huge impact in expanding the reach and penetration of insurance in Malaysia."

He added that the opportunities in the digital and direct channels will not only improve transparency and enable easier product comparisons, but also increase the reach and penetration of insurance among the new generation of consumers who are more educated and IT savvy.

"The introduction of the Balanced Score Card is expected to improve the productivity and professionalism of insurance agents, and in turn will also further enhanced the brand image and the attractiveness of the insurance industry, which augurs well for the industry to meet the government's vision of achieving 75% penetration rate by 2020 and reduce the protection gap among Malaysians."