

By DALJIT DHESI
daljit@thestar.com.my

PETALING JAYA: Despite facing some hurdles, the local insurance industry has a promising outlook with new life business weighted premium forecast to grow 12.5% to RM3.6bil this year.

Industry players attribute the optimism to improving economic conditions and the Government's various pump-priming measures.

Life Insurance Association of Malaysia (LIAM) president Md Adnan Md Zain expects a "good" outlook for the life insurance industry based on last year's strong performance compared with 2008 when there was almost no growth due to the global financial meltdown.

Results of the first three quarters of 2009 showed new business sales grew by 16% on weighted premium basis over the previous corresponding period.

Since last year was relatively a stronger year, LIAM expects new business weighted premium growth for 2009 to be between 15% and 20%.

"This reflects a more upbeat consumer sentiment and confidence in terms of life insurance investment for protection and savings. We expect better performance for the industry in 2010 following the projection of a stronger economic performance.

"The gross domestic product growth is forecast at 2% to 3% in 2010 (2009: minus 3%), driven by domestic demand and recovery in external demand. The services sector is also anticipated to expand by 3.6% in (2009: 2.1%). This augurs well for the industry," Adnan said in an e-mail reply.

With Malaysia's penetration rate of insurance at 41%, which was low compared with developed economies, he said there was plenty of scope for the industry to grow further.

Measures announced in Budget 2010 on micro-insurance and annuity products are also expected to further boost the life insurance industry.

General insurer ACE Synergy Insurance Bhd (ACE Malaysia) CEO and managing director Raj Nanra said the liberalisation of the financial sector would be a catalyst for the industry's growth.

"For this year and the next, we can expect more competition in the insurance industry in terms of product innovation and distribution

Insurers in for better times

Life business weighted premium seen to grow 12.5%



»For this year and next, we can expect more competition in the industry«

RAJ NANRA OF ACE SYNERGY INSURANCE



»One area that will boost profitability will be investment-linked funds«

CHARLIE E. OROPEZA OF PRUDENTIAL ASSURANCE

methods.

"Our multi-product, multi-channel strategy will help us stay ahead of the competition and we aim to expand our reach through broader distribution channels and the introduction of niche products to suit the changing lifestyle of Malaysians," he said.

The actions taken by the Government to support the small and medium enterprises (SMEs) would help drive growth in the commercial risk sector.

Coupled with the demand from major corporations, which viewed insurance as a key risk management tool, Nanra said the market would very likely see a rise in the commercial, property, casualty and liability sectors.

SMEs would be a key market for

ACE Malaysia's local and regional expansion to boost business this year, he added.

To this end, he said ACE Malaysia had made significant investments in technology, branch network and recruitment to expand its reach to consumers and the SMEs.

It also tied up with the SMI Association of Malaysia last year to provide consultation to their members on risk management, he said.

Prudential Assurance Malaysia Bhd CEO Charlie E. Oropeza said its focus this year included beefing up its bumiputra agency force, bancassurance and investment-linked funds. Prudential now has 11,000 agents, of whom about 3,000 are bumiputras.

"One area that will boost profitability going forward will be invest-

ment-linked funds," he said.

Prudential's conventional investment-linked business in the first nine months of 2009 grew 27% to RM295mil, which was one of the highest in the industry.

On the type of products that would impact the market, Adnan said amid the economic recovery and improvement in consumer sentiment, products that catered to investment needs were expected to perform strongly this year.

These included annuity products in view of the additional RM1,000 tax relief made available on premiums paid on annuity products under Budget 2010, he said.

Adnan said the main challenges this year would be to deliver an investment return in line with or better than the expectation of policyholders for investment-linked products and participating policies.

The latter is a policy which shares in the surplus of a life insurer via bonuses or dividends.

Adnan hoped 2010 would continue with the bullish trend in the equities market that started in March 2009, which would in turn benefit investment-linked products.

ACE Malaysia's Nanra said this year would still pose a challenge for the industry, especially the personal lines and retail insurance for individuals, as consumers' priorities had changed since the onset of the financial crisis two years ago.

"However, as insurance is considered a key risk management tool in most corporations, the market will still see a demand for products in the commercial, property, casualty and liability sectors even in a tough economic climate," he added.

Market liberalisation would likely see a re-ordering of players in the insurance industry and some would be in a position to take advantage of these challenges, Nanra said.

He also expects the market to witness more mergers and acquisitions as consolidation occurs in the industry.