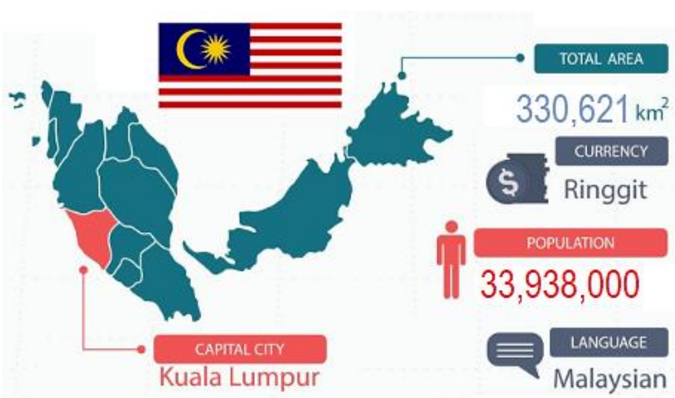
MALAYSIA

Insurance Market Overview



~~~~~ by Hussein Elsayed ~~~~~

Official Name: *Malaysia*

Location: *Malaysia is a country in Southeast Asia. The federal constitutional monarchy consists of 13 states and three federal territories, separated by the South China Sea into two regions: Peninsular Malaysia and Borneo's East Malaysia. Peninsular Malaysia shares a land and maritime border with Thailand and maritime borders with Singapore, Vietnam, and Indonesia. East Malaysia shares land and maritime borders with Brunei and Indonesia, as well as a maritime border with the Philippines and Vietnam.*

Surface Area: *330,621 km^2.*

Time Zone: *UTC+8 (MST)*

Income Category: *Upper-middle Income*

Religion: *63.5% Sunni Islam (Official Religion) | 18.7% Buddhism | 9.1% Christianity | 6.1% Hinduism | 0.9% other | 1.8% unknown.*

Language: *Malaysian Malay, also known as Standard Malay, Bahasa Malaysia, or simply Malay, is a standardized form of the Malay language used in Malaysia and also used in Brunei and Singapore.*

Government:
Constitutional Monarchy.

Climate: *Malaysia experiences humid weather throughout the year. The average daily temperature across Malaysia is between 21°C and 32°C. Typically, the Malaysian climate is influenced by the winds blowing from the Indian Ocean (Southwest Monsoon - May to September) and the South China Sea (North-Eastern Monsoon - November to March).*

Natural Hazards:
River flood: High | Urban flood: High | Coastal flood: High | Landslide: High | Tsunami: High | Cyclone: High | Wildfire: High | Earthquake: Medium | Extreme heat: Medium | Volcano: Very low | Water scarcity: Very low

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(I) MALAYSIA: Socio-Economic Information

Region	South-eastern Asia	UN membership date	17 September 1957
Population (000, 2023)	33 938[a,b,c]	Surface area (km2)	330 621[d]
Pop. density (per km2, 2023)	103.3[a,b,c]	Sex ratio (m per 100 f)	104.5[a,b,c]
Capital city	Kuala Lumpur[e]	National currency	Malaysian Ringgit (MYR)
Capital city pop. (000, 2023)	7 780.3[f,g]	Exchange rate (per US$)	4.4[c]

Economic indicators	**2010**	**2015**	**2023**
GDP: Gross domestic product (million current US$)	255 018	301 355	372 702[d]
GDP growth rate (annual %, const. 2015 prices)	7.4	5.1	3.1[d]
GDP per capita (current US$)	8 880.1	9 699.6	11 100.9[d]
Economy: Agriculture (% of Gross Value Added)[h,i,j]	10.2	8.4	9.7[d]
Economy: Industry (% of Gross Value Added)[h,i,k]	40.9	38.9	38.2[d]
Economy: Services and other activity (% of GVA)[h]	48.9	52.7	52.1[d]
Employment in agriculture (% of employed)	13.3	12.5	9.6[l,d]
Employment in industry (% of employed)	27.6	27.5	28.2[l,d]
Employment in services & other sectors (% employed)	59.1	60.1	62.1[l,d]
Unemployment rate (% of labour force)	3.4	3.1	3.8[l]
Labour force participation rate (female/male pop. %)	43.5 / 76.3	50.7 / 78.1	52.7 / 78.6[l]
CPI: Consumer Price Index (2010=100)	100	113	127[c]
Agricultural production index (2014-2016=100)	89	104	97[d]
International trade: exports (million current US$)	198 791	200 211	352 565[l,c]
International trade: imports (million current US$)	164 586	176 175	294 093[l,c]
International trade: balance (million current US$)	34 204	24 036	58 472[l,c]
Balance of payments, current account (million US$)	25 644	9 068	10 487[c]

Major trading partners						**2022**
Export partners (% of exports)[l]	China	15.5	Singapore	14.0	United States	11.5
Import partners (% of imports)[l]	China	23.2	Singapore	9.5	Other Asia, nes	7.6

Social indicators	**2010**	**2015**	**2023**
Population growth rate (average annual %)[b]	1.6	1.5	1.1[a,c]
Urban population (% of total population)[b]	70.9	74.2	76.6[g]
Urban population growth rate (average annual %)[b,m]	3.1	2.7	...
Fertility rate, total (live births per woman)[b]	2.1	2.0	1.8[a,c]
Life expectancy at birth (females/males, years)[b]	77.1 / 72.1	77.7 / 72.8	78.8 / 74.0[a,c]
Population age distribution (0-14/60+ years old, %)[b]	27.8 / 7.9	25.2 / 9.2	22.7 / 11.4[a,c]
International migrant stock (000/% of total pop.)[b,n,o]	2 417.4 / 8.6	3 280.7 / 10.8	3 476.6 / 10.7[p]
Refugees and others of concern to the UNHCR (000)	212.9[q]	272.0	247.7[c]
Infant mortality rate (per 1 000 live births)[b]	6.9	6.9	5.9[a,c]
Health: Current expenditure (% of GDP)	3.2[r]	3.8[r]	4.1[p]
Health: Physicians (per 1 000 pop.)	1.1	1.5	2.2[p]
Education: Government expenditure (% of GDP)	5.0	4.9	4.3[d]
Education: Primary gross enrol. ratio (f/m per 100 pop.)	100.2 / 99.3	104.1 / 103.5	103.7 / 102.3[d]
Education: Lowr. sec. gross enrol. ratio (f/m per 100 pop.)	90.5 / 88.8	90.6 / 86.8	93.1 / 92.0[d]
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	70.0 / 60.2	86.9 / 76.2	81.1 / 72.6[d]
Intentional homicide rate (per 100 000 pop.)	1.9	1.6	0.7[d]
Seats held by women in the National Parliament (%)	9.9	10.4	13.5[s]

Environment and infrastructure indicators	**2010**	**2015**	**2023**
Individuals using the Internet (per 100 inhabitants)	56.3[t]	71.1	96.8[d]
Research & Development expenditure (% of GDP)	1.0	1.3	1.0[p]
Threatened species (number)	1 180	1 252	2 090[c]
Forested area (% of land area)	57.7	59.2	58.2[p]
CO2 emission estimates (million tons/tons per capita)	191.6 / 6.7	222.5 / 7.3	231.6 / 7.1[p]
Energy production, primary (Petajoules)[u]	3 450	3 749	3 837[p]
Energy supply per capita (Gigajoules)[u]	103	110	117[p]
Tourist/visitor arrivals at national borders (000)[v]	24 577	25 721	135[d]
Important sites for terrestrial biodiversity protected (%)	31.6	37.0	37.0[c]
Net Official Development Assist. received (% of GNI)	0.00	0.00	0.00[d]

a Projected estimate (medium fertility variant). **b** Including Sabah and Sarawak. **c** 2022. **d** 2021. **e** Kuala Lumpur is the capital and Putrajaya is the administrative capital. **f** Refers to the Greater Kuala Lumpur. **g** 2019. **h** Data classified according to ISIC Rev. 4. **i** At producers' prices. **j** Excludes irrigation canals and landscaping care. **k** Excludes publishing activities, recycling. Includes irrigation canals. **l** Estimate. **m** Data refers to a 5-year period preceding the reference year. **n** Including refugees. **o** Refers to foreign citizens. **p** 2020. **q** Data as at the end of December. **r** Provisional data. **s** Data are as at 1 January of reporting year. **t** Refers to total population. **u** Data comprises of Peninsular Malaysia, Sabah and Sarawak. **v** Including Singapore residents crossing the frontier by road through Johore Causeway.

(II) Malaysia: Insurance Market

Key Highlights

- ***According to "China Research and Intelligence" report entitled "Malaysia Insurance Industry Research Report 2023-2032": Malaysia stands as the fourth largest economy in Southeast Asia, characterized by robust economic growth, which reached an impressive 8.7% in 2022. The nation's population is approaching 32.7 million people, and it boasts a GDP per capita of $12,400. As an upper middle-income country, Malaysia's economic landscape is heavily influenced by consumption and international trade, constituting the most crucial components of its GDP. In 2022, Malaysia's total exports and imports reached a remarkable RM2.85 trillion, equivalent to about $627 billion, marking a substantial 27.8% year-on-year increase. This achievement marked the second consecutive year in which Malaysia surpassed the 2 trillion-ringgit threshold.***
- ***BNM, under the Ministry of Finance, regulates the Malaysian insurance industry.***
- ***The provisions of the FSA, which came into force on June 30, 2013, regulate the life and non-life insurance businesses in Malaysia.***
- ***The Malaysian government permits FDI up to a limit of 70% in the insurance industry.***
- ***Composite insurance is not permitted in Malaysia.***
- ***Non-admitted insurers and intermediaries are not permitted in the Malaysian insurance industry.***
- ***In 2021, Malaysia ranked 27th on the list of world countries ranked by gross written premium.***

(A) Historical Landmarks and Regulatory Environment

➢ *Historical Landmarks*

1827	Alliance British and Foreign Life and Fire Assurance Company of London became the first to enter the region when it appointed Napier and Scott of Singapore as underwriting agents.
1846	Boustead became an agent for several companies which subsequently became members of the Royal Group.
1875	Guardian Royal Exchange Group was the first foreign insurer to establish a direct operation. Seven years later Commercial Union appointed agents in Penang.
1908	The first local insurer, the Great Eastern, was established followed by other domestic companies, Overseas Assurance in 1920 and Asia Insurance in 1923.
1952	The Workmen's Compensation Act was passed to provide for the payment of compensation benefits to foreign workers.
1963	The Insurance Act introduced the first comprehensive insurance legislation.
1970	The state-owned Malaysian National Insurance company (MNI) started business.
1979	The General Insurance Association (PIAM) was formed.
1984	The Takaful Act was passed.
1985	Syarikat Takaful commenced operations as the first takaful operator in Malaysia.
1987	The Road Traffic Act obliged vehicle owners to insure for third party liability for bodily injury for an unlimited amount.
1988	Bank Negara Malaysia (BNM) assumed responsibility for the supervision of the insurance industry.
1990	The Offshore Insurance Act (amended 1997) was introduced.
1996	The Insurance Act repealed that of 1963 and introduced higher capital requirements.
2005	BNM announced that it would issue licences under the Takaful Act 1984 to qualified applicants to conduct takaful broking and adjusting business.
2006	BNM announced in January that it had approved new takaful licences to four consortiums and joint ventures. Asia Insurance merged its operations with Tokio Marine Insurance (Malaysia) Bhd. Sompo Japan acquired a stake in Berjaya Insurance.
2007	BNM enacted new risk-based capital (RBC) guidelines for solvency monitoring on an initial trial basis. Commerce Assurance was acquired by Allianz and Royal & SunAlliance's Malaysian

operation was acquired by Boustead Holdings, the latter selling the business to AXA Affin in 2010.

2008 American Home Assurance Company incorporated its branch operations locally, changing its name to AIG General Insurance (Malaysia) Bhd.

2009 BNM announced that foreign equity participation in insurance companies and takaful operators up to 70% was now permitted. Companies fully implemented the RBC regime from 1 January.

2010 With BNM encouraging consolidation of the non-life market into fewer but stronger players, various deals were made, with mergers which created AXA Affin General Insurance Bhd (AAGI) and MSIG Insurance and the acquisition of Jerneh by ACE Group (now Chubb).

2011 BNM completed the sale of Tahan Insurance, of which it had taken over management in 2009, to Overseas Assurance, a Malaysian subsidiary of the Singapore-listed Great Eastern Holdings. Fairfax Asia completed the acquisition of Pacific Insurance and Zurich Group purchased the composite insurer Malaysian Assurance Alliance Bhd (MAA).

2012 AmG Insurance acquired Kurnia Insurans (Malaysia) Bhd.

2013 The Financial Services Act 2013 and Islamic Financial Services Act 2013 came into effect from 30 June 2013. These acts consolidated all the previous legislation and made some minor changes.The minimum capital and professional indemnity insurance requirements of insurance brokers were increased. Sanlam of South Africa acquired 49% of Pacific & Orient Insurance Co Bhd.

2014 The first few months saw merger and acquisition activity continued, with Zurich selling its stake in MCIS Zurich. Subsequently, the non-life business of MCIS was sold to Fairfax and merged with that of Pacific Insurance. Liberty Mutual Insurance announced that it had agreed to purchase a majority stake in Uni.Asia General Insurance.

2015 Generali purchased a minority stake in Multi-Purpose Insurans.

2016 BNM is in the process of liberalising the motor vehicle and fire insurance sub-sectors, gradually removing fixed tariffs in favour of flexible market-led pricing. The phased process began in July 2016 and continued through to 2019 when the BNM reported that around 200 new motor and fire insurance products were introduced to cover different protection needs.

2018 BNM ordered foreign insurers with a stake of more than 70% in their Malaysian companies to divest the excess shareholding.

2021 As part of the government's efforts to promote sustainable development of Islamic insurance, BNM introduced the Value-based Intermediation for Takaful Framework in 2021, which also will help raise the takaful penetration rate over the medium term. Encouragingly, growth in general takaful's contributions has consistently outpaced the growth in conventional insurance premiums in the past few years, a trend that is expected to continue over the medium term.

2022 In June 2022, Health Minister proposed introducing social health insurance and co-payments to boost Malaysia's 'chronically underfunded' public healthcare system, with full subsidies or waivers for low-income groups.

Recognising the potential impact of climate risk on financial stability in the long run, BNM issued a policy document on Climate Risk Management and Scenario Analysis (CRMSA), which took effect on 30 November 2022.

This policy sets out 14 principles with specific requirements on how financial institutions, including insurers and takaful operators, should manage climate-related risks, covering aspects such as governance, strategy, risk appetite, risk management, scenario analyses, and disclosure.

The requirements and guidance are expected to help non-life insurers manage their climate risk exposures more efficiently. A greater focus on the management of climate risk will likely benefit the non-life insurance industry over the longer term.

2023 All non-life insurers including takaful operators in Malaysia have implemented the Malaysian Financial Reporting Standard (MFRS 17), equivalent to IFRS 17, which came into force on 1 January 2023. Based on a survey conducted by BNM, the impact on non-life insurers' balance sheets was not significant compared with the financial reporting under MFRS 4, due to the shorter-term duration of contracts underwritten. Financial results are largely similar under both MFRS 17 and MFRS 4.

Overall, the new reporting standard is expected to provide more transparency and comparability, given the standardisation of accounting and the disclosure of financial statements.

BNM is currently conducting a review of the existing risk-based capital (RBC) framework for insurers to enhance the framework and incorporate the requirements under MFRS 17. Implementation of the new RBC framework is expected over the medium term.

Malaysian Life Reinsurance Group (MLRe), a joint venture between Life Insurance Association of Malaysia (LIAM) and Reinsurance Group of America (RGA), has opened a Retakaful window on 14 December 2023.

Regulatory framework

The Malaysia insurance industry is regulated mainly by the Central Bank of Malaysia (**Bank Negara Malaysia–BNM)** under the Ministry of Finance.

It was established on January 26 1959 under the Central Bank of Malaya Ordinance 1958.

BNM is responsible for regulating the activities of domestic insurers and the branches of foreign insurers, reinsurers, and intermediaries. Supervision of the prescribed rules and regulations of the act and promotion of development strategies through several amendments are some of the key responsibilities of BNM.

Legislations & Regulations:

The key laws and regulations in the Malaysia insurance industry are as follows:

- Insurance Act 1996
- Development Financial Institutions Act 2002 (Act 618)
- Islamic Financial Services Act 2013
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Act 613)
- Financial Services Act 2013
- Labuan Financial Services and Securities Act 2010

Insurance Associations:

There are 6 statutory insurance associations in the country. These are:

- *Malaysian Takaful Association (an association of takaful operators);*
- *National Insurance Association of Malaysia (represents majority-owned locally incorporated insurers);*
- *Malaysian Insurance and Takaful Brokers Association (an association of insurance brokers);*
- *Association of Malaysian Loss Adjusters (an association of insurance adjusters);*
- *Persatuan Insurans Am Malaysia (an association of general/non-life insurers);*
- *and Life Insurance Association of Malaysia (an association of life insurers).*

General Insurance Association of Malaysia - Persatuan Insurans Am Malaysia (PIAM)

PIAM was incorporated in 22 February 1982 as a statutory trade association recognised by the Government of Malaysia for all registered insurers who transact general insurance business. Currently, PIAM has 23 member companies comprising 19 direct general insurance and 4 reinsurance companies operating in Malaysia. www.piam.org.my

Life Insurance Association of Malaysia (LIAM)

Formed in 1974, the Life Insurance Association of Malaysia (LIAM) is a trade association registered under the Societies Act 1966. LIAM has a total of 16 members, of which 14 are life insurance companies and 2 life reinsurance companies.

LIAM's objectives are to promote a progressive life insurance industry; to enhance public understanding and appreciation for life insurance; to upgrade the image and professionalism of the life insurance industry and to support the regulatory authorities in developing a strong industry. http://www.liam.org.my

Persatuan Insurans Hayat Malaysia
Life Insurance Association of Malaysia

- ## Company Registration and Operation:

A license is required to operate in the Malaysia insurance industry. According to Section 8 of the FSA 2013, insurers and reinsurers should get a license from the Minister of Finance on the recommendation of BNM to carry out business in Malaysia. Intermediaries are also not permitted to operate in the insurance industry without a license from BNM.

Only public limited companies as defined and established under the Companies Act 1965 of Malaysia can carry out insurance business after obtaining a license. For reinsurers, financial advisors, and insurance brokers, BNM may specify the form of an establishment licensing and operation of respective insurance activities. Insurance adjusters must be incorporated to carry out activities.

- ## Subsidiary/branch

Branches are not permitted. Insurers (other than professional reinsurers) must be public companies; adjusters must be incorporated, whereas BNM may specify the form of establishment of reinsurers, brokers and financial advisors.

The BNM has issued new guidelines on the application procedure for new insurance and reinsurance licenses on December 27, 2019, such applications will be considered by BNM on a case by case basis. Prior consultation with BNM is encouraged.

- ## Foreign Ownership (FDI restrictions)

International groups have not been deterred by BNM's foreign ownership regulations, which require foreign insurers to either reduce their stakes to no more than 70% in their local ventures or contribute to a charitable fund by the end of 2023. This initiative aims to align national interests and promote a more equitable insurance market.

Foreign insurers who fail to comply with the ownership limit by the deadline will have to contribute to a national health insurance programme. AM Best believes that foreign insurers are likely to contribute to the charitable fund instead of reducing their ownership stakes, as Malaysia's insurance industry remains a good source of diversification for them, given the market's technical profitability and growth potential.

Capital Requirements

Minimum paid-up share capital

Insurer	RM100 million
Local reinsurer (life)	RM50 million
Local reinsurer (non-life)	RM100 million
Minimum surplus assets over liabilities	
Licensed foreign reinsurer	RM20 million

MYR 4.03 = US$1.00 at January 1, 2021

Risk Based Capital (RBC)

The Risk-Based Capital Framework applies to all insurers, including reinsurers, licensed under the Financial Services Act 2013, for business generated within and (subject to limited exceptions) outside Malaysia. The Framework was first implemented with effect from January 1, 2009.

Total capital available (TCA) is the aggregate of Tier 1 capital (such as issued and paid-up ordinary shares) and Tier 2 capital (such as cumulative irredeemable preference shares) less deductions from capital (such as goodwill, deferred tax assets and investment in subsidiaries). The total amount of Tier 2 capital must not exceed the amount of Tier 1 capital.

$$\text{CAR} = \frac{\text{Total Capital Available}}{\text{Total Capital Required}} \times 100$$

Total capital required (TCR) is the aggregate of capital charges for each insurance fund and assets in the shareholders fund/working fund. Capital charges are fixed for credit risk, market risk, insurance liability risk and operational risk or surrender value capital charges.

BNM has set a Supervisory Target Capital Level of 130%.

Each insurer must set its own Individual Target Capital Level to reflect its own risk profile. The Individual Target Capital Level must be higher than the Supervisory Target Capital Level.

Compulsory Insurances

Some of the key compulsory insurance required within the Malaysia insurance industry are:

- *Motor Third-Party Liability Insurance*
- *Marine Liability Insurance*
- *Professional Indemnity Insurance*

Taxation

The different types of taxes in the Malaysian insurance industry are tax on insurance premiums, corporate income tax, corporate capital gains tax, and value-added tax.

Corporate Income Tax: A company is resident if its management and control are in Malaysia. The new Finance Act of 2021 removed the exemption on foreign source income received by tax-resident corporations.

Effective January 1, 2022, all the tax-resident corporations and limited liability partnerships are taxed on the income derived from Malaysia and income received from outside Malaysia (Foreign sources). However, foreign-sourced dividend income received by tax-resident companies and limited liability partnerships are exempt from tax until December 2026, subject to certain conditions. All non-resident companies are exempt from tax on their foreign-sourced income.

▪ Policyholder protection

The Malaysia Deposit Insurance Corporation (MDIC) administers the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS) which protects specific benefits under life and general insurance, subject to specific limits for different classes of coverage.

▪ Reinsurance Business:

- There are no state reinsurance companies in Malaysia.
- Malaysian Re continues to dominate the non-life reinsurance and retakaful markets, it is commanding more than 60% of reinsurance accepted premium in the country.
- Bank Negara Malaysia (BNM) is the regulator responsible for regulating the onshore reinsurance sector in Malaysia, whilst the Labuan Financial Services Authority (LFSA) regulates the legislative framework within which the Labuan International Business and Financial Centre (IBFC) operates.
- The provisions of the Financial Services Act 2013 and Islamic Financial Services Act 2013 apply to reinsurers and retakaful operators in the same way as to insurers and takaful companies.
- Labuan Financial Services Authority (LFSA) regulates the legislative framework within which the Labuan International Business and Financial Centre (IBFC) operates.
- Foreign professional reinsurers are permitted to establish a branch office in Malaysia and Labuan reinsurers may have a physical presence on the mainland.
- Reinsurance companies in Labuan are required to have paid-up capital or working fund of at least MYR 10mn (USD 2.34mn) or its equivalent in any foreign currency and have a minimum solvency of MYR 10mn.

(B) Malaysia: Insurance Market Statistics & Performance

❖ General Insurance

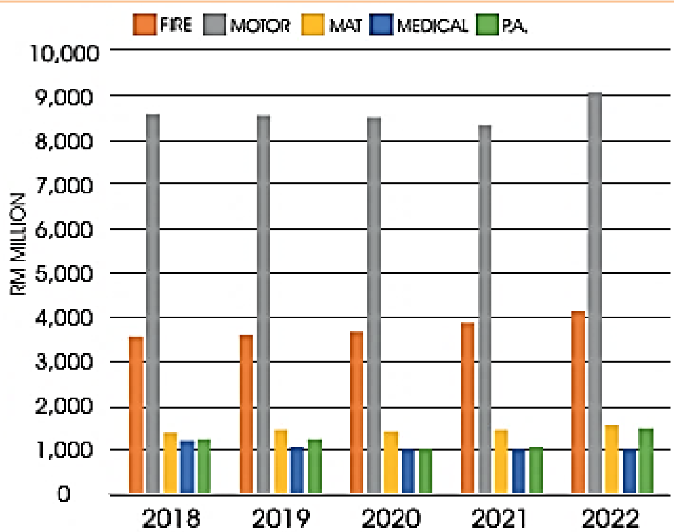
- There are currently 22 conventional insurance companies and 4 takaful providers operating in the Malaysian general (non-life) market.
- In terms of 2021 gross written premiums, the top five players account for over 45% of the segment, while the top ten account for 74 % of the market.
- General insurance business, as opposed to general takaful business, accounted for approximately 82 % of this market segment in 2021.
- Since 2014, Malaysia's insurance industry has grown at an average of 2.9% year-on-year.
- In 2021, Malaysia ranked 27th on the list of world countries ranked by gross written premium.

- Motor insurance is by far the most important line of business, accounting for 46% of the general insurance market and nearly two-thirds of the general takaful market, followed by fire insurance and health/personal accident insurance. As might be expected, the takaful market is predominantly a personal lines market, with the combined motor and health lines accounting for 75% of the market – compared to 57 % for general insurance.
- In 222 the gross written premium of the Malaysia general insurance market was MYR19.4 billion ($4.4 billion) . The market is expected to achieve a CAGR of more than 8% during 2023-2027.
- The key lines of business in the Malaysia general insurance market are property, motor, liability, miscellaneous, MAT, and non life PA&H among others. Motor insurance had the highest market share in Malaysia general insurance market in 2022. It was followed by property insurance.
- The market growth in motor insurance was supported by an increase in vehicle sales in 2022. The industry is forecast to record growth in 2023, driven by economic recovery and government initiatives to increase sales of vehicles.
- The key distribution channels in the Malaysia general insurance market are direct marketing, insurance brokers, agencies, and other distribution channels. Agencies led the distribution channels in DWP in 2022. It was followed by direct marketing.
- Some of the leading insurers in Malaysia are Allianz General, Etiqa General, MSIG Insurance, AmGeneral Insurance, and Lonpac Insurance among others. Allianz General was the leading general insurer in 2022. This was followed by Etiqa General.

GROSS WRITTEN PREMIUMS
RM (MILLION)

YEAR	MOTOR	FIRE	MAT	MEDICAL	P.A.
2018	8,474.9	3,505.9	1,330.7	1,157.1	1,211.3
2019	8,435.7	3,539.6	1,396.3	1,017.2	1,193.7
2020	8,411.9	3,611.5	1,375.4	1,000.7	994.1
2021	8,240.3	3,804.1	1,418.5	968.4	1,011.0
2022	**8,989.9**	**4,054.3**	**1,510.5**	**976.4**	**1,446.2**

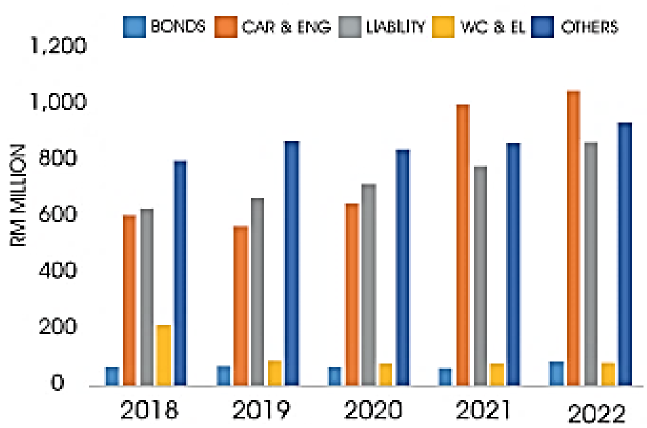
Source: ISM



GROSS WRITTEN PREMIUMS
RM (MILLION)

YEAR	BONDS	CAR & ENG	LIABILITY	WC & EL	OTHERS
2018	64.4	586.2	605.6	209.9	772.1
2019	69.7	546.9	645.6	86.4	840.0
2020	65.3	625.2	690.9	75.6	809.1
2021	63.7	962.6	756.0	77.5	831.0
2022	**83.6**	**1,012.5**	**835.3**	**81.0**	**901.6**

Source: ISM



Breakdown of Gross written Premium (GWP) by distribution channels

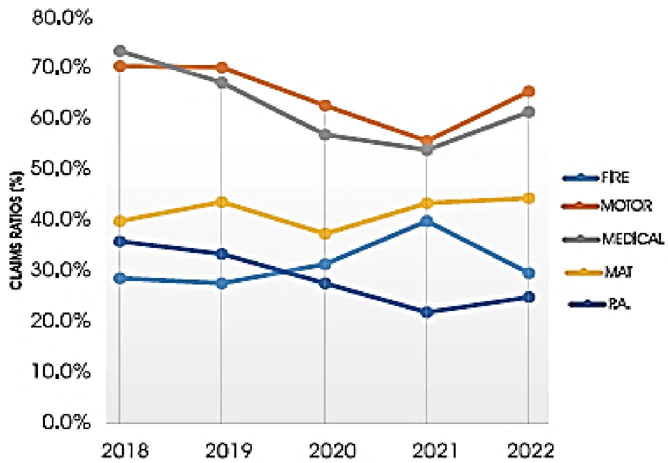
in Ringgit Malaysia

Channel / Year	Agents	Direct Business Channels	Insurance Brokers	Others	Total
2022	12.5 billion	3.2 billion	3.3 billion	0.9 billion	19.9 billion
	63%	16%	17%	4%	100%
2021	11.2 billion	3.2 billion	2.9 billion	0.8 billion	18.1 billion
	62%	18%	16%	4%	100%
2020	11.3 billion	3.1 billion	2.6 billion	0.7 billion	17.7 billion
	64%	17%	15%	4%	100%

NET CLAIMS INCURRED RATIO (%)

YEAR	FIRE	MOTOR	MEDICAL	MAT	P.A.
2018	28.7%	70.4%	73.2%	39.9%	35.9%
2019	27.6%	70.1%	67.1%	43.6%	33.3%
2020	31.4%	62.5%	56.9%	37.4%	27.6%
2021	39.0%	55.6%	53.8%	43.2%	21.6%
2022	**29.5%**	**65.3%**	**61.3%**	**44.2%**	**24.9%**

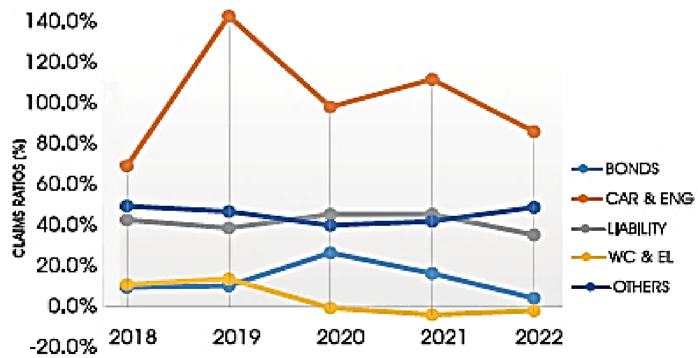
Source: ISM



NET CLAIMS INCURRED RATIO (%)

YEAR	BONDS	CAR & ENG	LIABILITY	WC & EL	OTHERS
2018	9.0%	64.3%	39.9%	9.9%	45.9%
2019	9.3%	133.0%	35.8%	12.4%	43.8%
2020	24.1%	92.3%	42.2%	-0.9%	37.1%
2021	15.1%	104.1%	42.2%	-3.9%	39.4%
2022	**3.9%**	**80.0%**	**32.9%**	**-2.0%**	**45.2%**

Source: ISM



UNDERWRITING EXPERIENCE - RM (MILLION)

YEAR	NET EARNED PREMIUM	NET CLAIMS INCURRED	NET COMMISSION	MANAGEMENT EXPENSES	UNDERWRITING RESULTS
2018	13,400.9	7,789.6	1,327.1	3,147.5	1,136.7
2019	13,374.2	7,778.0	1,330.1	3,310.3	955.8
2020	13,105.5	6,926.2	1,302.0	3,374.5	1,502.9
2021	13,080.0	6,541.0	1,302.5	3,220.5	2,016.1
2022	**13,964.2**	**7,503.2**	**1,535.1**	**3,362.2**	**1,563.7**

Source: ISM

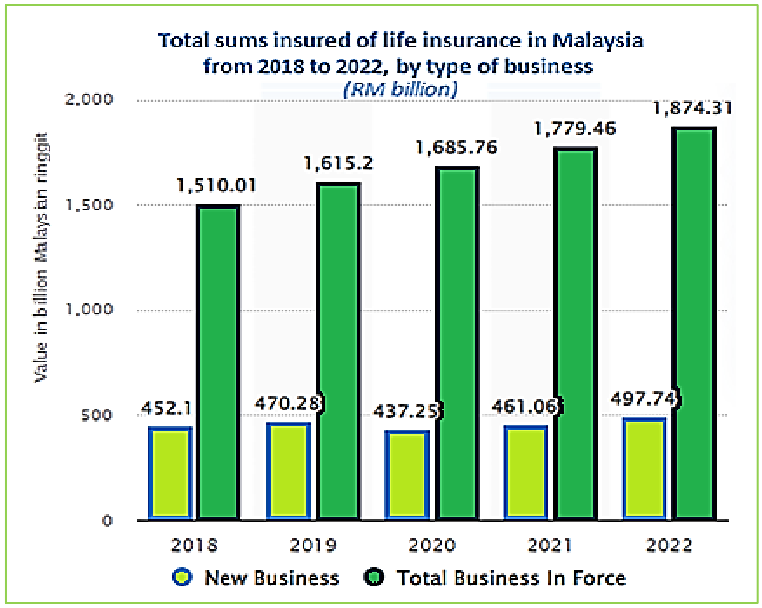
KEY RATIOS (%)

YEAR	NET CLAIMS INCURRED RATIO	NET COMM RATIO	EXPENSE RATIO	COMBINED RATIO
2018	58.1%	9.9%	23.5%	91.5%
2019	58.2%	9.9%	24.8%	92.9%
2020	52.8%	9.9%	25.7%	88.5%
2021	50.0%	10.0%	24.6%	84.6%
2022	**53.7%**	**11.0%**	**24.1%**	**88.8%**

Source: ISM

❖ LIFE INSURANCE

- Malaysia's life insurance industry has recorded a 5.3% rise in sum assured in force amounting to MYR1.9 trillion (US$431 billion) last year versus MYR1.8 trillion in 2021, said the Life Insurance Association of Malaysia (LIAM).



- In its 2022 annual report, LIAM president Loh Guat Lan said the total in force premium grew by 3.5% last year to MYR44.1 billion from MYR42.7 billion in 2021. Ms Loh stepped down on March 29 after completing a three-year stint as president.
- "(The) overall new business sum assured increased to MYR497.7 billion in 2022, an increase of 8% from MYR461.1 billion in 2021. However, the number of new policies issued fell slightly by 2.1% to 1.8 million compared with 1.9 million in 2021," she said.
- New business total premium showed a drop of 6.4% last year, which amounted to MYR12 billion compared with MYR12.8 billion in 2021, while the industry recorded a 12.7% increase in claims payout amounting to MYR13.4 billion versus MYR11.9 billion in 2021, mainly due to higher claims in medical and disability that rose by 33.7% and 20.6%, respectively.
- Ms Loh said Malaysia's insurance industry remained resilient, adapting to new market conditions and continuing to meet the needs of customers despite the challenges brought on by the pandemic.

CLAIMS PAYOUT

RM/ Benefit	January to December			
	2021	2022	Difference	Growth
Death	1,830,154,284	1,814,532,683	-15,621,601	-0.9
Disability	89,540,934	107,946,280	18,405,346	20.6
Medical	4,610,672,441	6,163,799,351	1,553,126,910	33.7
Bonuses	3,346,160,919	3,162,473,293	-183,687,626	-5.5
Others	2,003,810,013	2,144,558,651	140,748,638	7.0
Total	11,880,338,591	13,393,310,258	1,512,971,667	12.7

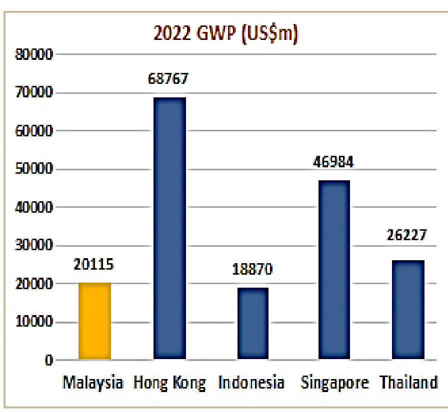
- In addition, she said the association would be working with the Financial Industry Collective Outreach to spread financial literacy in schools across Malaysia as well as with the Credit Counselling and Debt Management Agency to embark on a financial education initiative targeted at tertiary students and working adults.
- Moving forward, she pointed out that the industry needs to identify future-ready talent and develop diverse skill sets for multi-competencies to ensure that it could future-proof the workforce to remain competitive and relevant in a rapidly changing market.
- The key lines of business in the Malaysia life insurance industry are endowment, whole life, term life, and other life insurance. Endowment was the leading life insurance line of business in 2022. The popularity of endowment insurance is driven by investment-linked policies (ILP) for better returns compared to savings products offered by banks and are used as a tool for wealth planning.
- The key distribution channels in the Malaysia life insurance industry are direct from insurer, insurance broker, financial advisor, bank, and online aggregator, among others. The purchase of life insurance policies directly from insurers was most preferred among customers in 2022.
- Some of the leading life insurance companies in Malaysia are Great Eastern Life, Prudential Assurance, AIA, Allianz Life, and Hong Leong Assurance among others. The Great Eastern Life was the largest life insurer in 2022.

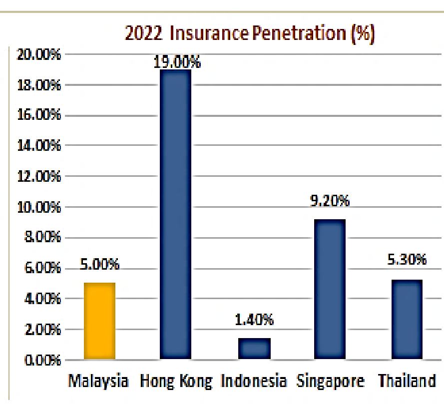
(C) Malaysia - Insurance Market: Regional Comparison

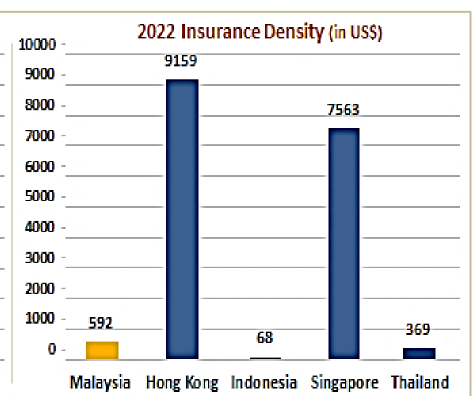
ASIA-PACIFIC INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
Singapore	83.75	75.00	92.50	71.62	78.90	95.00	77.11	84.27	80.51	1
Hong Kong, China	76.25	60.00	92.50	71.28	74.26	100.00	67.47	80.48	76.13	2
South Korea	83.75	82.50	85.00	63.16	75.51	60.00	78.25	70.95	74.15	3
Taiwan, China	78.75	75.00	82.50	59.71	71.13	70.00	75.62	73.37	71.81	4
Australia	67.50	82.50	52.50	62.08	65.33	90.00	83.97	86.38	71.65	5
Japan	77.50	72.50	82.50	53.57	67.93	65.00	81.12	74.67	69.95	6
New Zealand	52.50	60.00	45.00	67.66	58.56	90.00	80.45	84.27	66.27	7
Thailand	62.50	57.50	67.50	53.35	58.84	70.00	58.44	63.07	60.11	8
Mainland China	72.50	70.00	75.00	43.49	60.90	55.00	60.30	58.18	60.08	9
Malaysia	53.75	47.50	60.00	61.06	56.68	75.00	61.20	66.72	59.69	10
India	65.00	60.00	70.00	42.99	56.20	45.00	64.31	56.59	56.31	11
Macao, China	38.75	22.50	55.00	64.27	48.96	65.00	55.67	59.40	52.09	12
Philippines	46.25	40.00	52.50	46.40	46.31	75.00	56.21	63.72	51.53	13
Indonesia	48.75	42.50	55.00	47.68	48.32	55.00	57.12	56.27	50.71	14
Vietnam	43.75	35.00	52.50	42.53	43.26	55.00	50.14	52.08	45.91	15
Sri Lanka	21.25	20.00	22.50	40.16	28.82	45.00	45.47	45.28	33.75	16
Mongolia	11.25	15.00	7.50	48.56	26.17	40.00	53.45	48.07	32.74	17
Fiji	18.75	20.00	17.50	42.28	28.16	50.00	33.30	39.98	31.71	18
Pakistan	20.00	15.00	25.00	39.23	27.69	40.00	35.09	37.05	30.50	19
Bangladesh	21.25	22.50	20.00	36.93	27.52	20.00	45.40	35.24	29.84	20
Cambodia	7.50	15.00	0.00	41.96	21.28	40.00	30.90	34.54	25.26	21
Regional Average	50.06	47.14	52.98	52.38	50.99	61.90	59.57	60.50	53.84	

Note: May include territories, special administrative regions, provinces and autonomous regions. Scores out of 100; higher score = lower risk. Source: Fitch Solutions







Source: SwissRe Sigma Explorer (http://www.sigma-explorer.com)

(D) Malaysia: Insurance Market SWOT Analysis

Strengths	▪ Both segments are open to foreign multinationals that have access to global capital and provide world standard best practices. ▪ Malaysia is one of the leading global Islamic finance hubs, with expertise in specific areas, such as family takaful products and sukuk issuance. ▪ The favourable regulatory environment provides a stable business environment for existing players and new market entrants.
Weaknesses	▪ Growth in the life segment is expected to lag broader economic growth in the coming years due to the maturity of the market. ▪ Many of the local non-life companies lack scale and pricing power. ▪ Traditional life insurance products account for the vast majority of activity in the segment.
Opportunities	▪ Demand for 'risky' investments and unit-linked products appears to be steadily rising. ▪ There is scope for further consolidation in the fragmented non-life segment through acquisitions of less capitalised local players. ▪ High net worth individuals in Malaysia are growing in number. ▪ The market is underdeveloped, particularly by the standards of East Asia.
Threats	▪ As is the case in the rest of South East Asia, the potential for massive natural disasters remains a risk for nonlife insurers. ▪ Price competition will likely remain an issue in the important property insurance sub-sector. ▪ The economic impact of the Covid-19 pandemic could hinder industry uptick, with the reduction in consumer spending expected to continue. ▪ Rising inflation may pose challenges to affordability.

Source: Business Monitor Online

(E) Malaysia - Insurance Market Outlook

Data from Bank Negara Malaysia's website shows that life insurance businesses in Malaysia are mostly owned by foreign entities. As far as the locally owned entities are concerned there are only four of them, namely, Etiqa Life Insurance Bhd, Hong Leong Assurance Bhd, Axxa Affin Life Insurance Bhd and Sunlife Malaysia Assurance Bhd.

Affin Hwang said insurers would continue to face competition, high claims ratios and strict environmental, social and governance compliance pressure, including mitigating climate risks and avoiding exposure to high project risks.

As such, it maintained a "neutral" call on the insurance sector.

"In 2024, we see the scope for risks to be priced effectively under a liberalised pricing environment, while efforts to reduce fraudulent claims and safe driving could help to lower the motor claims ratio," Affin Hwang said.

"Demand for investment-linked products (under life) may recover amid a resilient economy, stable unemployment rate and higher income level (for the Top 20 and upper middle class), but we do not expect overall profitability of the insurance companies under coverage to see a significant expansion," it added.

"Valuation appears attractive as Allianz and Tune Protect are trading at 2024 price-to-book of 0.6 times, which is cheap compared to historical mergers and acquisitions in the insurance industry, ranging from 1.4 times to two times," it explained.

In addition, it said Allianz and Tune Protect's 2024 dividend yields were attractive at 6.8% and 3.3%, respectively.

TA Research said the general insurance segment was expected to remain resilient anchored by the launch of new cars and higher economic activities.

In addition, it expected a positive upward trend in policyholder's awareness regarding flood coverage.

The outlook for the life insurance segment was also positive, it added.

"We expect the life insurance business to grow by 5% to 8% in 2024. Over the medium to longer term, we are positive on the outlook of the life business as the penetration rate in the country is relatively low (only four out of 10 Malaysians have life insurance)," it explained.

"In addition, the Rahmah package will help to address some of the added threats facing the underinsured segment and educate consumers about the importance of insurance," it added.

TA Research said the rebound of the tourism industry would benefit the travel industry segment.

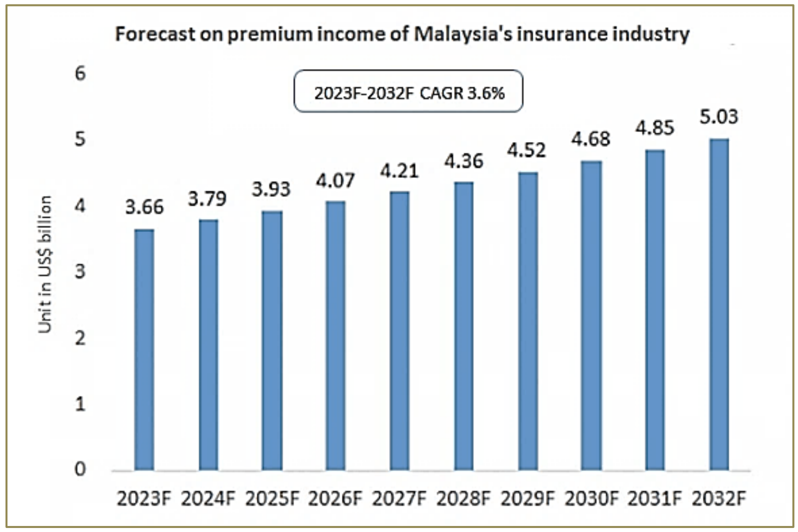
"We are optimistic about the travel segment being driven primarily by an increase in seat capacity from AirAsia to capitalise on visa-free travel in China, Thailand and Malaysia," it explained, adding that this should benefit Tune Protect.

According to "China Research and Intelligence" report entitled *"Malaysia Insurance Industry Research Report 2023-2032"*: Malaysia stands as the fourth largest economy in Southeast Asia, characterized by robust economic growth, which reached an impressive 8.7% in 2022.

The nation's population is approaching 32.7 million people, and it boasts a GDP per capita of $12,400.

As an upper middle-income country, Malaysia's economic landscape is heavily influenced by consumption and international trade, constituting the most crucial components of its GDP.

In 2022, Malaysia's total exports and imports reached a remarkable RM2.85 trillion, equivalent to about $627 billion, marking a substantial 27.8% year-on-year increase. This achievement marked the second consecutive year in which Malaysia surpassed the 2 trillion-ringgit threshold.



During the period from 2011 to 2021, Malaysia's total and foreign currency insurance premiums exhibited steady growth, with a Compound Annual Growth Rate (CAGR) of 3.2%. Much of this growth can be attributed to the life and takaful segment, which achieved a robust CAGR of 4.5%, resulting in an increase in penetration from 3.1% in 2011 to 3.9% in 2021.

Conversely, the general (non-life) insurance and takaful markets experienced more moderate growth, with a CAGR expansion of only 0.4% over the last decade. The automobile insurance sector significantly dominates the insurance landscape in Malaysia, representing 46% of the general insurance market and nearly two-thirds of the general takaful market. Following closely are fire insurance and health/personal accident insurance. Meanwhile, the takaful market is primarily characterized by personal lines, with automobile and health insurance collectively accounting for about 20% of the total market. These two segments hold a substantial 75% share of the takaful market, compared to 57% in the general insurance segment.

Between 2017 and 2021, Malaysia's annual premium income exhibited a fluctuating trend, experiencing a minimal CAGR of 0.03%, according to CRI's analysis. However, as the Malaysian economy gradually rebounds beyond 2022, the growth rate of premium income within the Malaysian insurance industry is expected to rise.

CRI anticipates the Malaysian insurance market will experience growth in the future. This growth will likely be driven by heightened public awareness of insurance, the increase in disposable income among the population, and the influence of insurtech, which is making insurance services more tailored and accessible.

The projection suggests that Malaysia's insurance premium income will reach $5.03 billion by 2032, growing at a Compound Annual Growth Rate (CAGR) of 3.6% from 2023 to 2032.

GlobalData reported that Malaysia’s general insurance market is seen to accumulate about $6.6b by 2027. In 2022, the industry saw $4.4b in direct written premiums. If realised, this would make it an 8.3% climb.

Mainly, it will be driven by sales in automobiles and the development of infrastructure, boosting the motor and property coverages. Malaysia’s motor and property insurance accounted for 71% of the total general premiums in the country last year.

“The general insurance industry in Malaysia grew by 10% in 2022, which is higher than the average growth during the last five years,” Sutirtha Dutta, insurance analyst at GlobalData, pointed out. “The growth is attributed to increasing health awareness, the introduction of flood cover for property and motor lines, and an uptick in the output for the manufacturing and mining sectors, which has benefitted property insurance.”

Malaysia exhibits an insurance penetration of approximately 5.6% of the economy's gross domestic product (GDP). However, this still falls short of the global average of 7%, which can be a signal for significant growth opportunities.

References & Further Readings