

# We Should Talk...

## Charting the Growth of Takaful Industry in Malaysia

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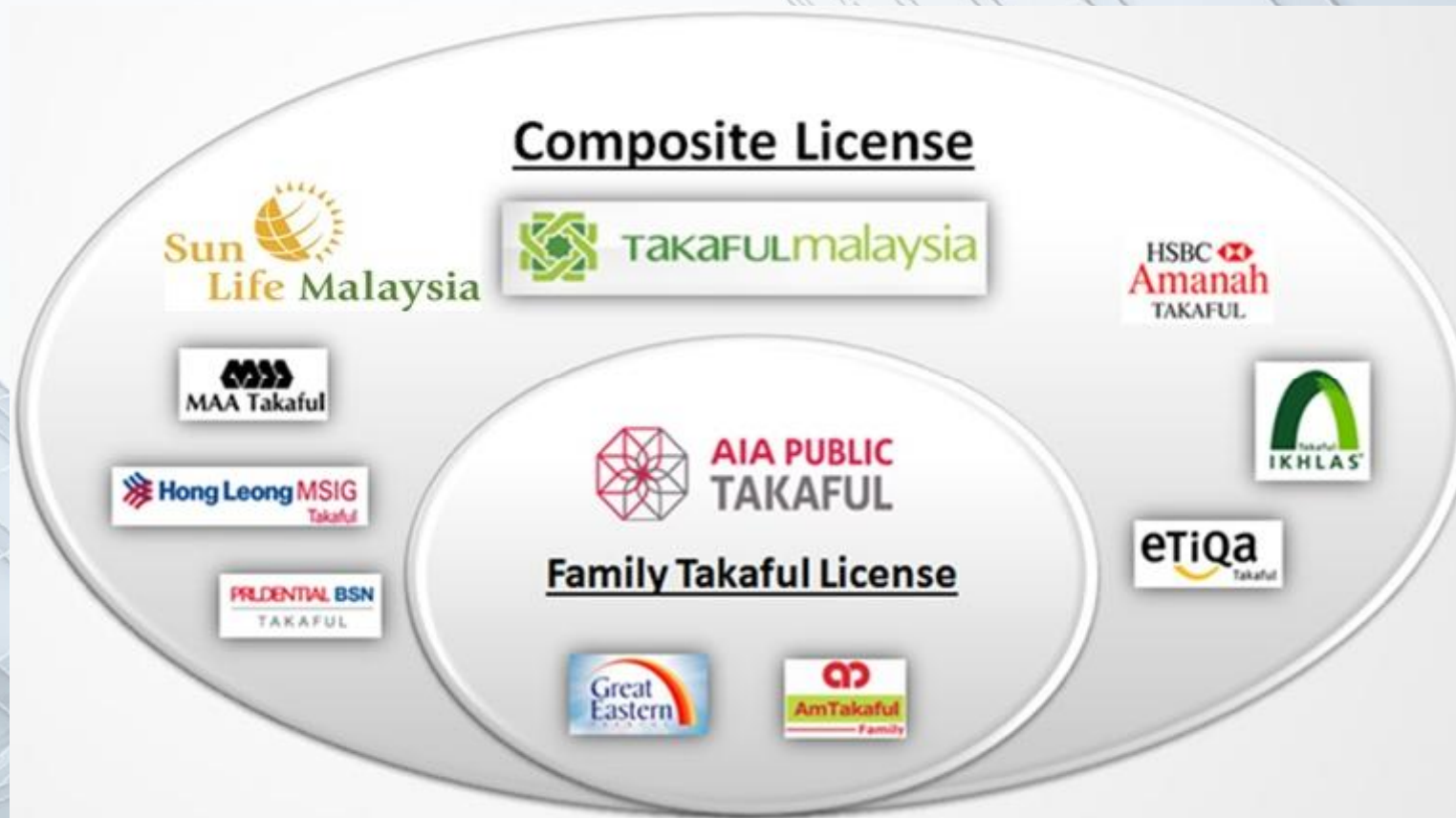
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# Current Landscape of Takaful Industry in Malaysia

Currently, Malaysia has 11 licensed Takaful operators comprise of 8 composite Takaful Operators, while the remaining 3 are purely family Takaful Operators.



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# Current Landscape of Takaful Industry in Malaysia

- A guided development plan with a strong regulatory framework is imperative for the expansion of a dynamic, resilient and efficient Takaful industry :
  - A conducive facilitating environment and clear directions for the development of the industry by Malaysian government :-
    - *Legal Framework – Takaful Act 1984 / Islamic Financial Services Act (IFSA)*
    - *Strong institutional framework*
    - *Robust Shariah governance structure*
    - *Risk Based Capital framework (RBC)*
    - *Effective and efficient consumer protection plan*
- TOs in Malaysia are currently operating on Wakalah Hybrid Model as they consider it reasonable to reward an operator with a share in the surplus generated as incentive for good performance.

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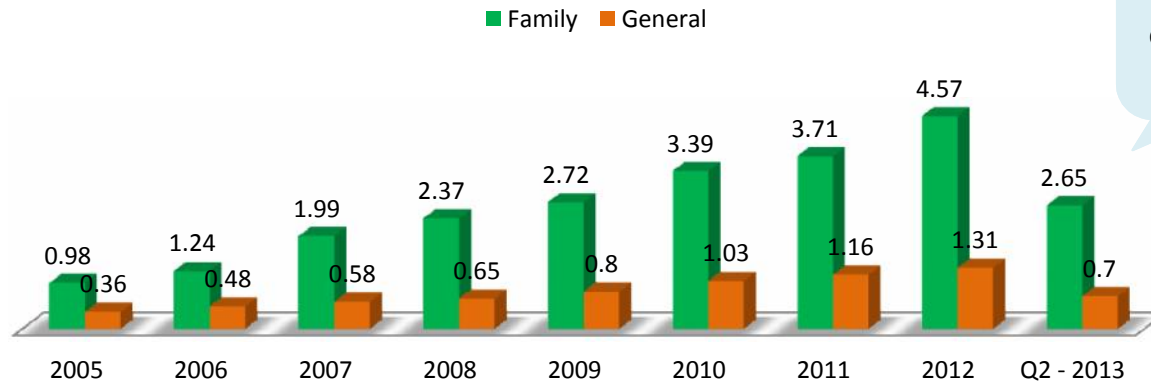
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# Takaful Industry in Malaysia – Total Net Premiums/Contributions

**Takaful Industry**  
**Total Net Contributions (RM billion)**



Domestic Takaful industry achieved double digit growth since 2005.

**CAGR**  
**2005 – 2012**

**Family**  
**25%**

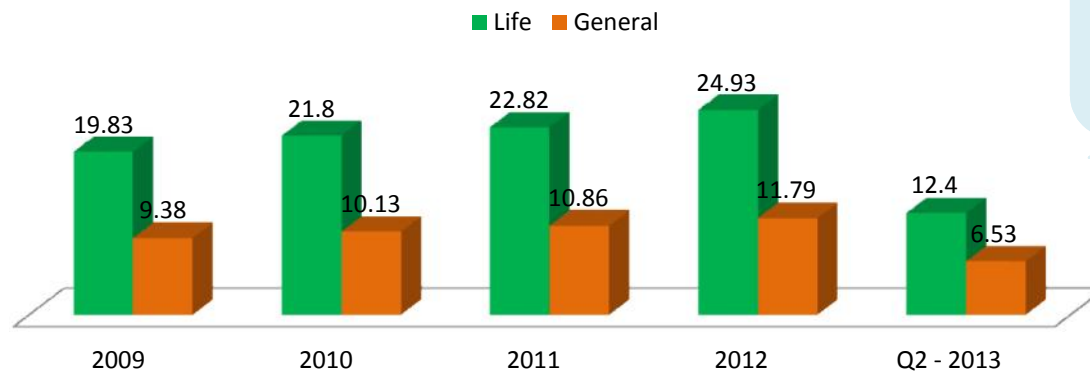
**General**  
**20%**

**CAGR**  
**2009 – 2012**

**Family**  
**19%**

**General**  
**18%**

**Conventional Insurance Industry**  
**Total Net Premiums (RM billion)**



Domestic Conventional Insurance industry recorded single digit growth since 2009.

**CAGR**  
**2009 – 2012**

**Family**  
**8%**

**General**  
**8%**

Sources: Bank Negara Malaysia Report

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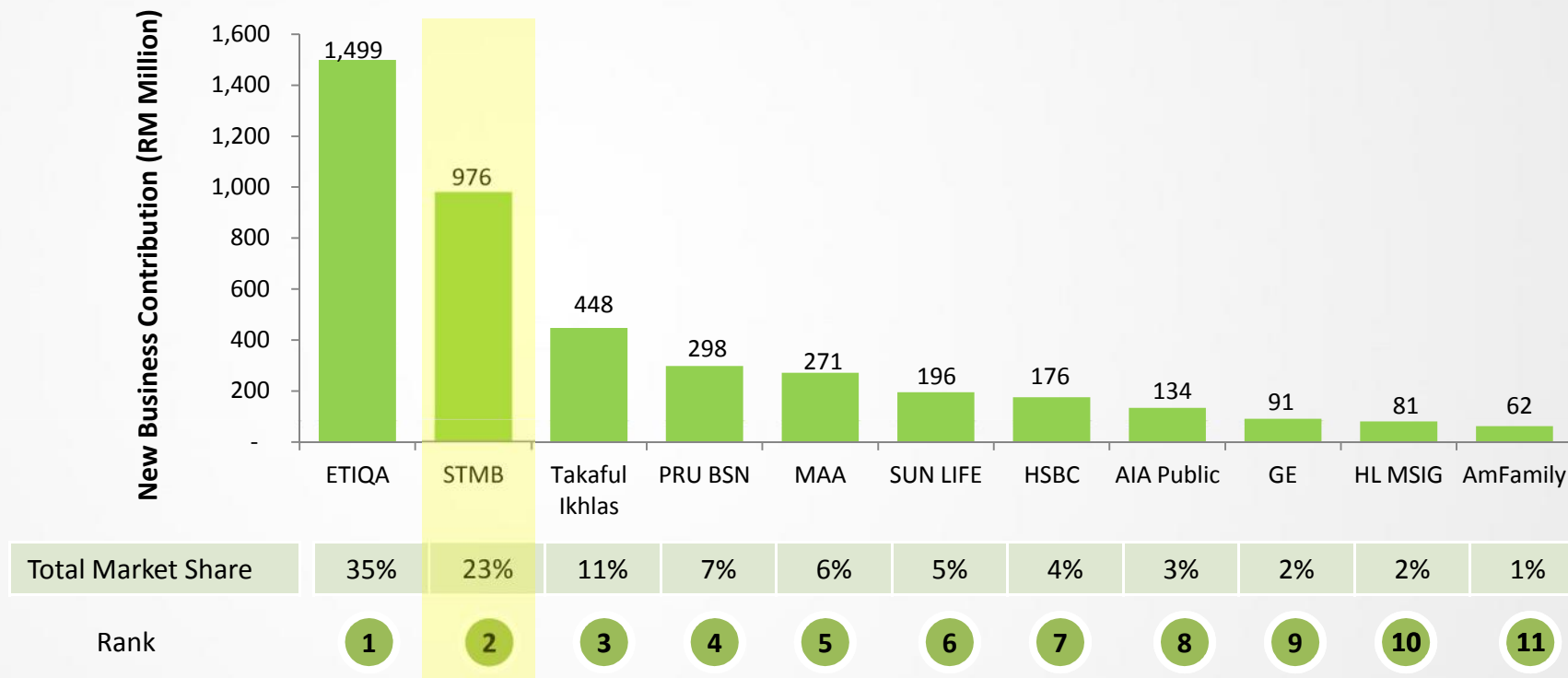
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# Takaful Industry in Malaysia – Total Net Premiums/Contributions

## Total Takaful Industry Market Shares (Jan – Sept 2013)



Sources: ISM Statistical Bulletin – Family Takaful Market Performance Report January to September 2013

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## Recent Regulatory Development of Takaful Industry in Malaysia

### TAKAFUL OPERATIONAL FRAMEWORK (TOF)

1<sup>ST</sup> JANUARY 2012

Governance Framework for conducting Takaful operations to ensure business activities and innovations are conducted within risk management capacity, with primary objectives to enhance operational efficiency, safeguard the interests of participants and promote uniformity in Takaful business practices

### ISLAMIC FINANCIAL SERVICES ACT 2013 (IFSA)

30<sup>TH</sup> JUNE 2013

An Act to provide for the regulation and supervision of Islamic financial institutions, payment systems and other relevant entities and the oversight of the Islamic money market and Islamic foreign exchange market to promote financial stability and compliance with Shariah and for related, consequential or incidental matters

### RISK BASED CAPITAL FRAMEWORK (RBC)

1<sup>ST</sup> JANUARY 2014

The Risk-Based Capital Framework for Takaful Operators (the Framework) sets Bank Negara Malaysia (the Bank)'s expectation for takaful operator's maintenance of capital adequacy level to commensurate with the risk profile of the takaful operations and act as financial buffer for the takaful exposure

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# Implications of Regulations

Existing TO will have to **enhance their institutional capabilities** and **operational efficiency** to strengthen their competitive position

As TOs are required to **enhance disclosure**, potential participants are now better informed before taking up a Takaful coverage

It promotes business expansion and innovations that leads to **healthy competition** among existing and new players

Encouraging **good governance** and **risk management** in Takaful Operators

With the implementation of RBCT and IFSA, industry growth can be achieved in the long term with the emergence of companies that are **more focused** on strategic planning, management, cost control and enhanced customer service.

With this detailed guidance, Malaysia is raising its regulation of takaful to a **new level of sophistication**

**Strong regulatory framework** for the expansion of a dynamic, resilient and efficient Takaful industry

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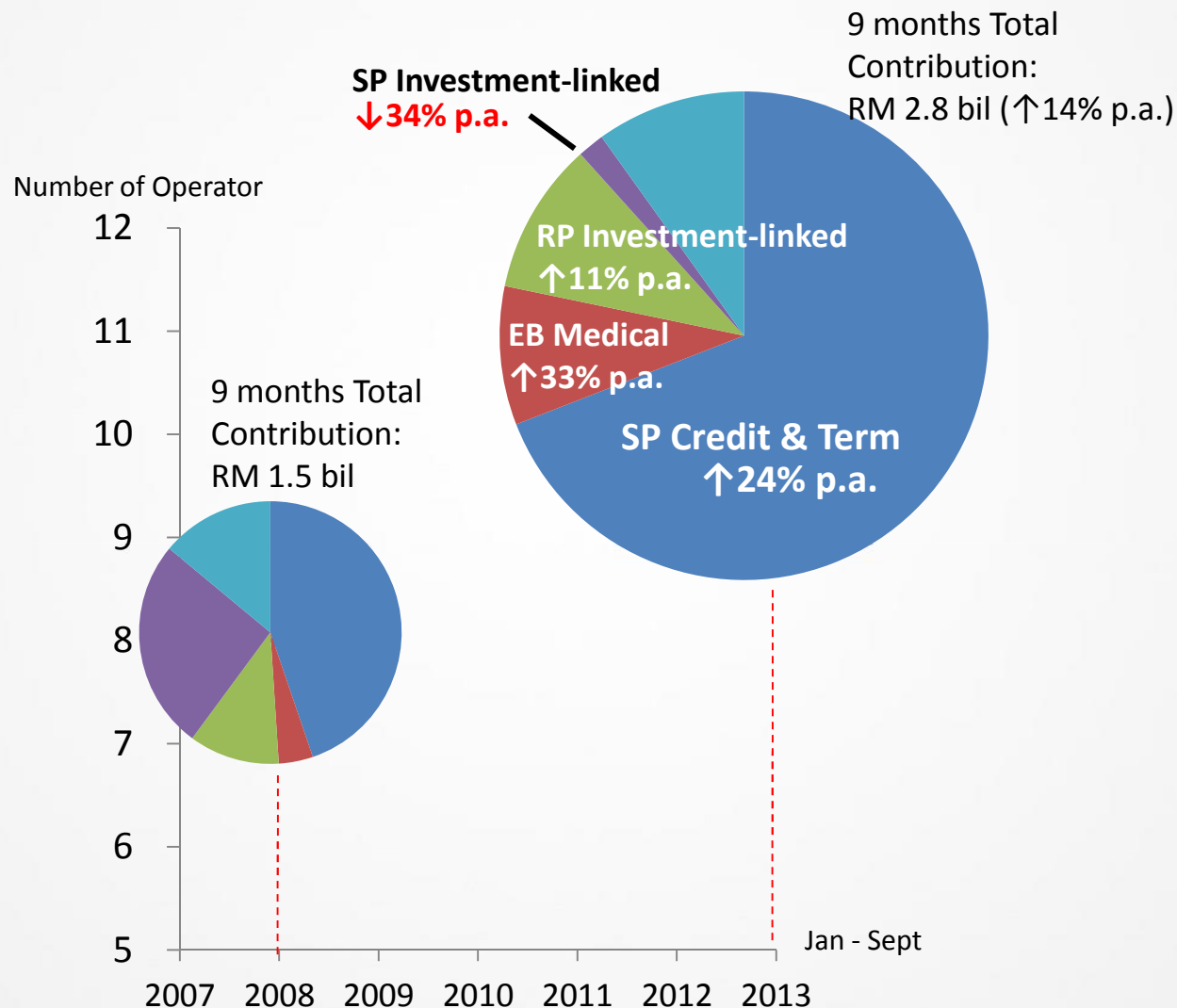
  
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# Historical Growth for Family Takaful Contribution



## 2008 – 2013

Strong growth in credit and term due to the expansion of Islamic finance and mortgage business

EB Medical grows as few TOs develop capabilities to write this business

Drop in SP IL due to contraction of Bancatakaful in selling SP savings product

Increase in RP IL due to the expansion of agency force and new Takaful Operators

Sources: ISM Statistical Bulletin – Family Takaful Market Performance Report January to September 2013

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## Issues and Challenges in the Industry

- The ongoing issue of talent shortage, especially in obtaining professionals well versed in insurance/Takaful principles.
- Breaking the perception that Takaful is only for the Muslim population is again another hurdle to be faced by Takaful operators.
- The implementation of the IFSA, the RBCT and the proposed De-tariff of the General Takaful pricing for motor and fire products will definitely prove challenging as initially there might be distractions in the implementation stages.
- Recruiting agents, nurturing their development by continuous training and motivating them to greater heights is yet another challenge for the insurance/Takaful industry in general.

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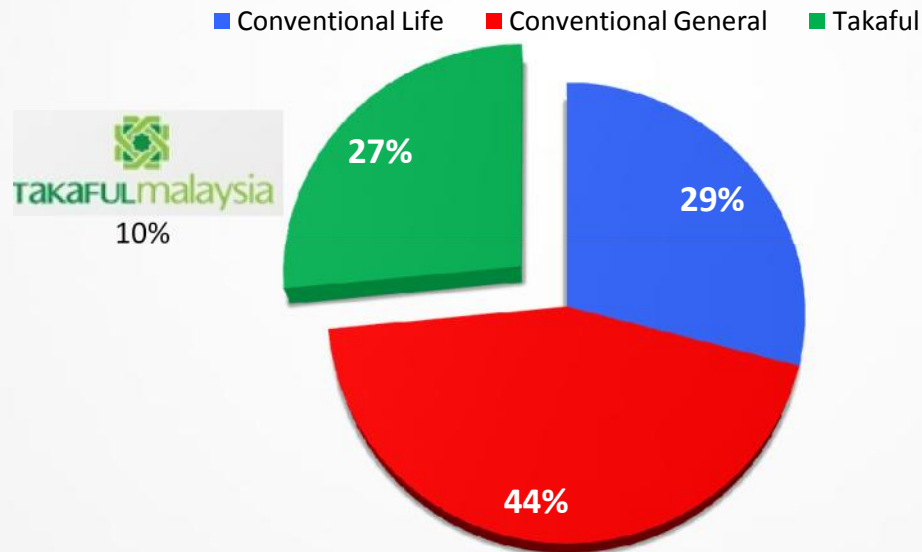
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# Future Growth – Employee Benefit Medical Business

## Percentage of Employees Benefits Medical Business in Insurance and Takaful Industry



There is a significant Employee Benefit Medical Business in Malaysia, with the total premium/contribution close to RM 1.0 billion (for January – September 2013)

Few TO are writing Employee Benefit Medical business now. STMB, is the leader within the takaful industry and is writing about 10% of the total premium/contribution in the industry.

**The Entry of more TO** into EB Medical business will further spur the development of takaful industry

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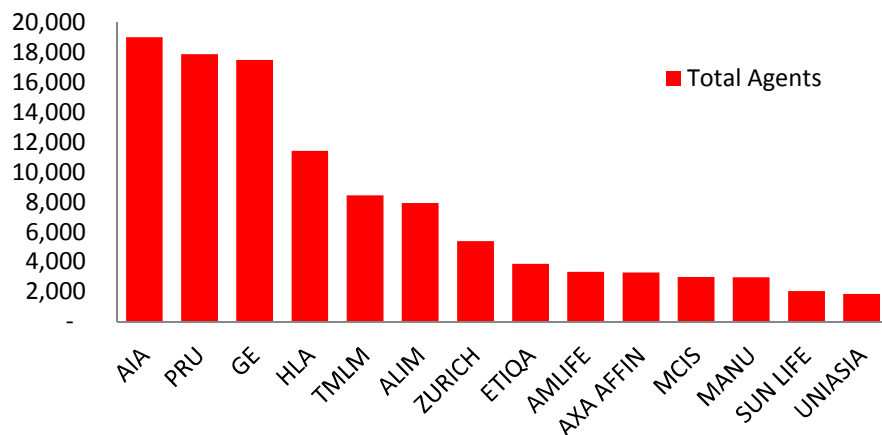
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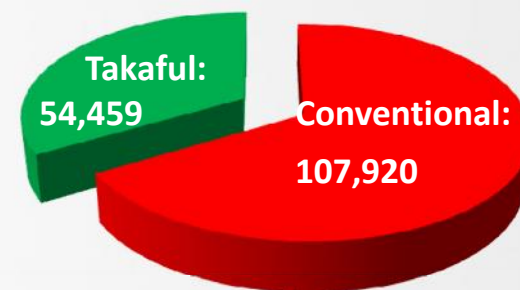
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# Future Growth – Retail Family Agency

Life Insurance Agents as at Q3 - 2013

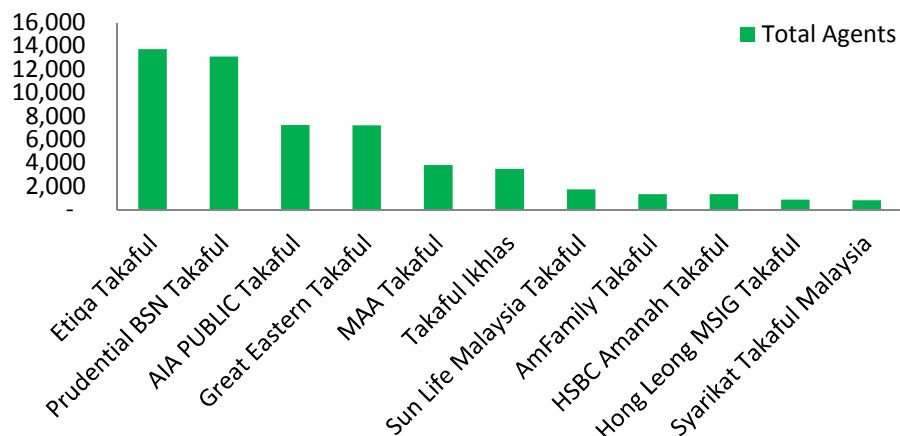


- Total agents as at 3<sup>rd</sup> quarter of 2013:



- The Family Takaful agency force if developed, could further increase the penetration of family takaful in the industry.

Family Takaful Agents as at Q3 - 2013



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# Agency Business – Family Takaful (ILP)

Takaful Operator	Family Takaful - Investment Linked (Jan - Sept 2013)				
	Contributions (RM million) *annualized			Total Agents	Agents Productivity (RM thousand)
	Single (SP)	Regular (RP)	Total		
	-	229.8	229.8	13,083	17,566
	10.7	59.6	70.3	3,810	15,640
	-	10.7	10.7	784	13,644
	-	40.0	40.0	7,199	5,558
	41.1	6.7	47.8	1,312	5,101
	-	3.5	3.5	838	4,207
	4.7	16.2	20.9	7,228	2,246
	4.5	2.9	7.3	1,321	2,180
	4.2	3.2	7.4	3,461	936

- Single Premium ILP is mostly sold through Bancatakaful.
- Regular Premium ILP is mostly sold through retail agents.
- By comparing the total regular contribution and size of agency force, we can see how productive is the retail agency of each company.



Increase in the **number of total agents** and their **productivity** will directly contribute to the growth of takaful industry.

Agents Productivity:  $\frac{\text{RP Contribution of ILP}}{\text{Total Agents}}$

Source : ISM Statistical Bulletin – Family Takaful Market Performance Report January to September 2013

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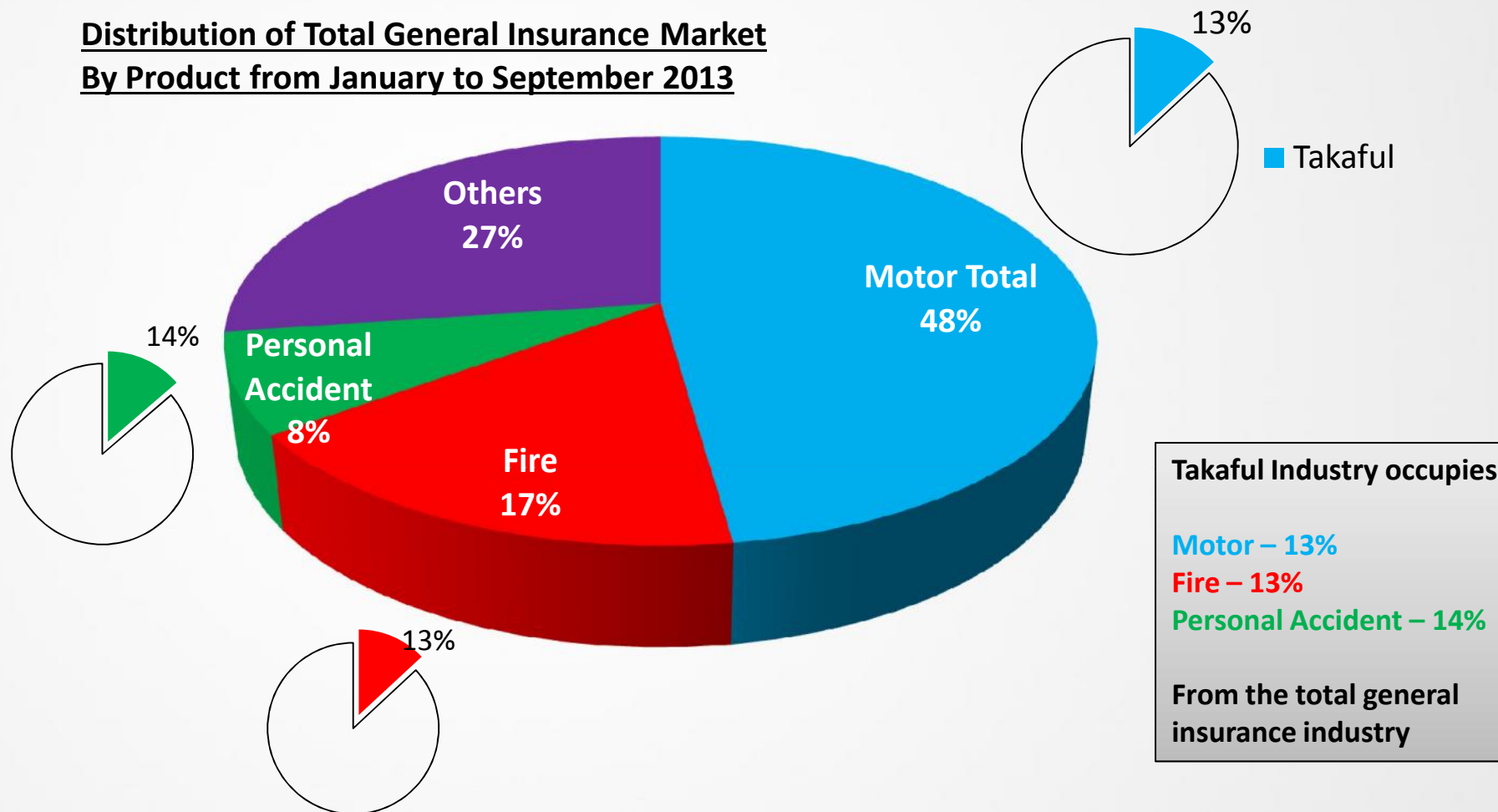
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# Future Growth – General Takaful

Distribution of Total General Insurance Market  
By Product from January to September 2013



Source : ISM Statistical Bulletin – General Insurance Market Performance Report January to September 2013

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## Future Growth – General Business

- The General Insurance business has a lot of untapped market that could be further penetrated by Takaful Operators. Profit sharing and innovative market penetration strategy could help boost Takaful Operators shares in the General insurance market.
- **For STMB, a 15% CASH BACK is being promoted** for no claims made during the coverage period.
  - Attractive marketing proposition supported by strong surplus position
  - To attract more productive and experienced agents to promote general takaful products



I was **REWARDED!**  
Were you?

**15%**

Be Rewarded With  
**CASH BACK** For No Claims

Takaful myMotor

\*Participation in General Takaful products subject to company performance and no claims incurred during the coverage period.

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*Thank You!*

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