



Industry Performance 2015 and Update on Phased Liberalisation

**Connexion@Nexus
Kuala Lumpur**

4 August 2016

To be a Dynamic Trade Association serving the interests of our members by creating a Favourable Business Environment and working closely with all stakeholders to support the initiatives under our National Agenda

OUR 28 MEMBERS



THE REAL LIFE COMPANY



Asia Capital Reinsurance Malaysia



redefining / standards



MPI Generali Insurans Berhad (1410-X)
(Formerly known as Multi-Purpose Insurans Bhd)



Overseas Assurance Corporation (Malaysia) Berhad (1414-17)
(A member of Great Eastern Holdings Limited)



A member of the Fairfax Group





REVIEW OF INDUSTRY PERFORMANCE 2015

RM 17.5 Billion
Gross Written Premiums

2.3% Growth

INDUSTRY PERFORMANCE

% GROWTH – 2012 to 2015

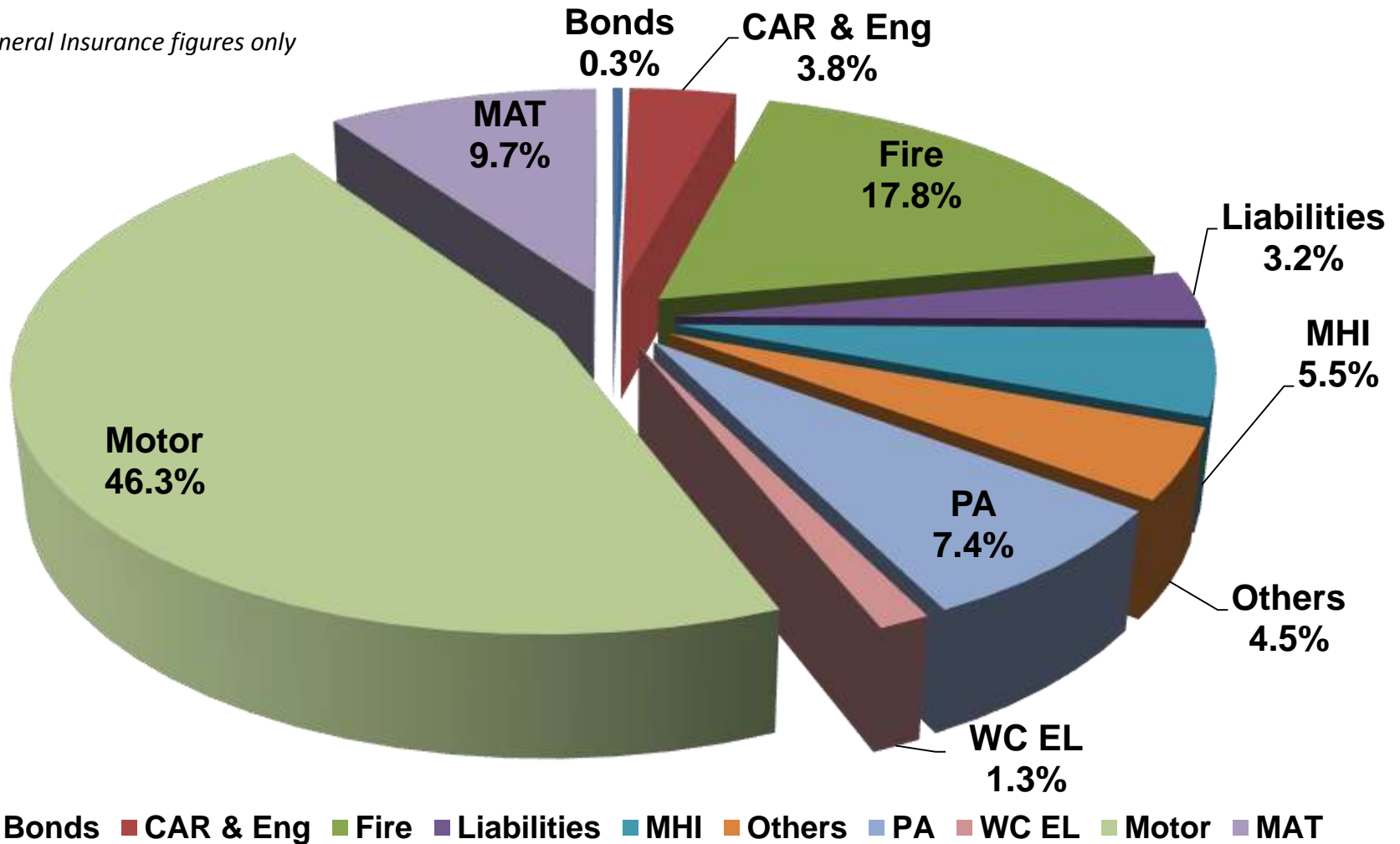


Year	% Growth
2015	2.3%
2014	5.9%
2013	6.4%
2012	8.2%

INDUSTRY BREAKDOWN – 2015



Note: General Insurance figures only



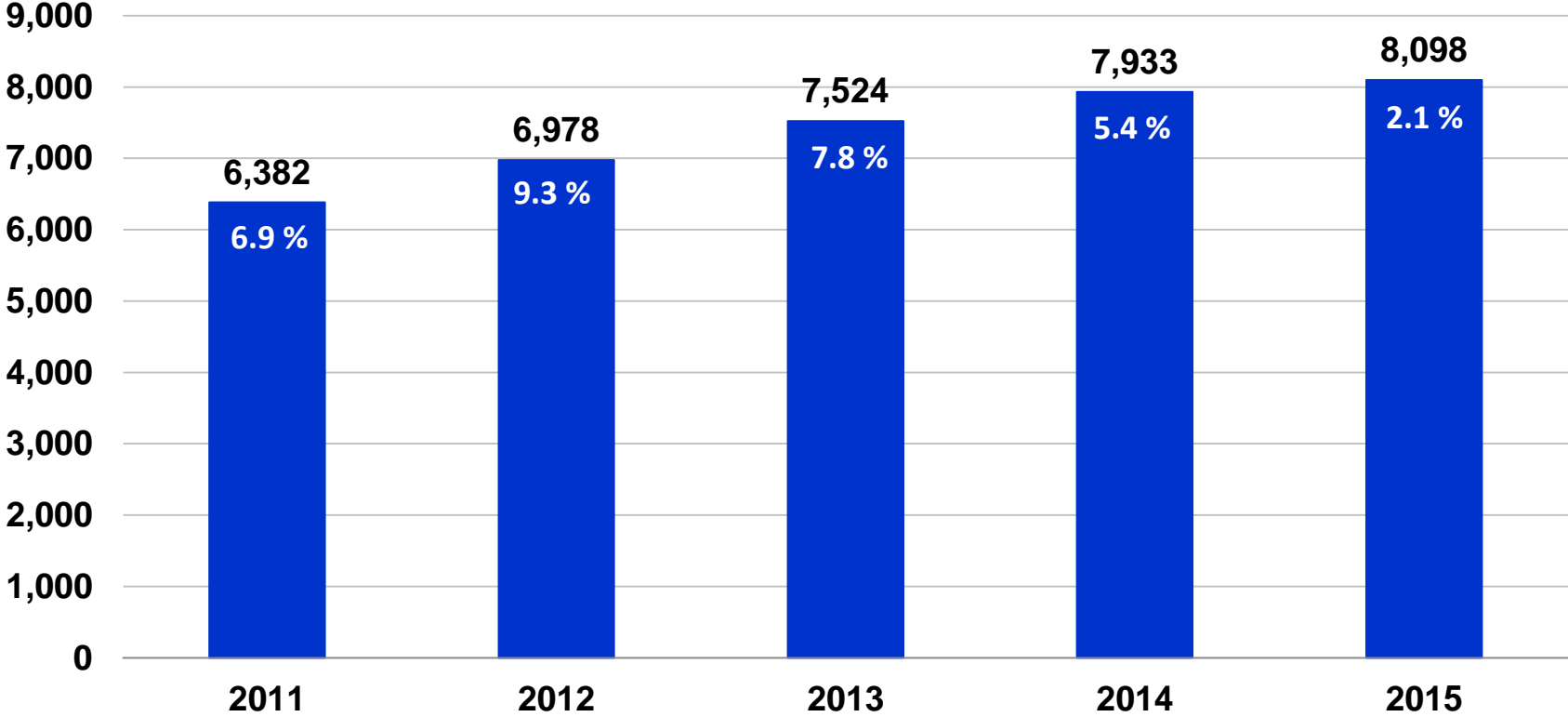
Gross Written Premiums	General Insurance	
	RM million	Growth
Overall	17,485	2.3%
Motor	8,098	2.1%
Fire	3,119	5.5%

MOTOR PERFORMANCE – 5 YEAR TREND



Note: General Insurance figures only

Motor Gross Written Premium (RM million) (Total Motor)

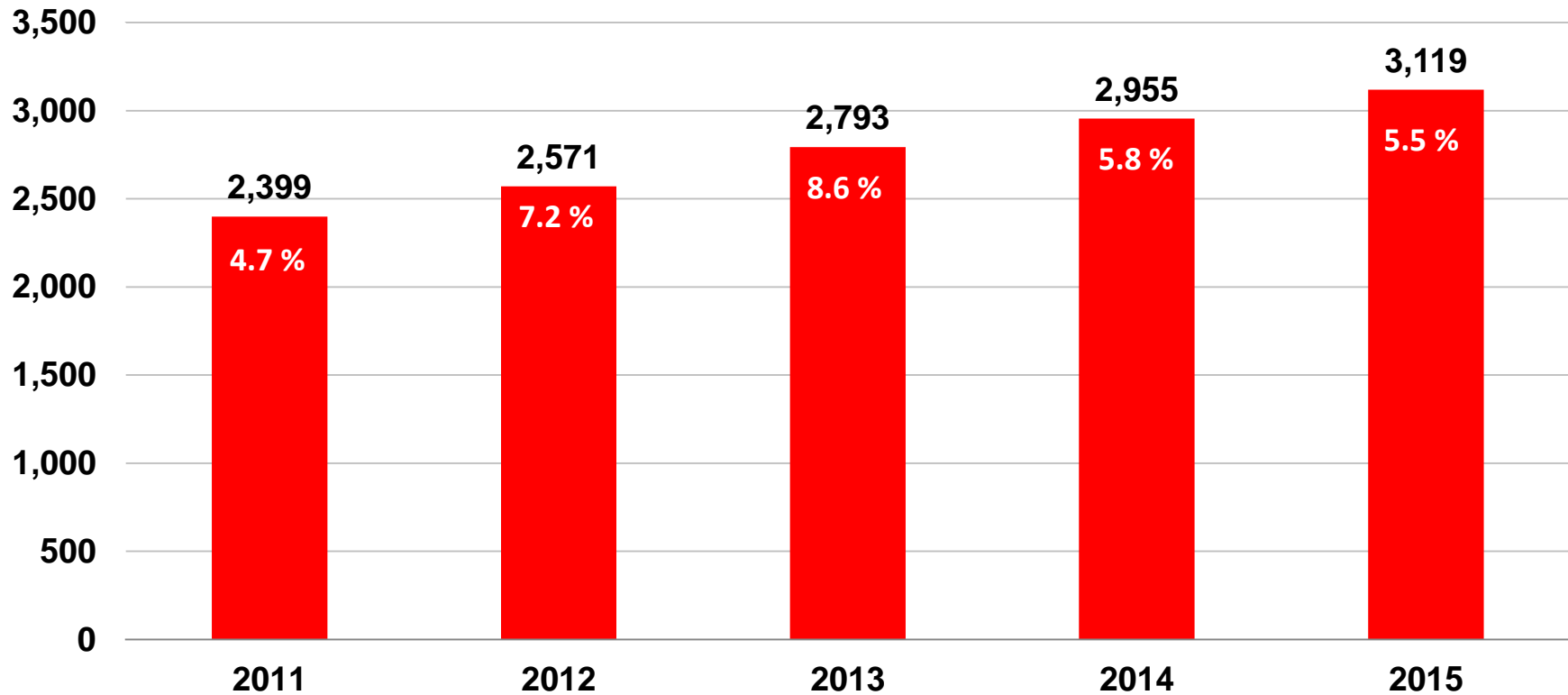


FIRE PERFORMANCE – 5 YEAR TREND



Note: General Insurance figures only

Fire Gross Written Premium (RM million)



INDUSTRY PERFORMANCE – 2015



Note: General Insurance figures only

Net Claims Incurred Ratio	2015	2014
Overall	56.5%	56.7%
Motor	72.0%	71.5%
Fire	28.3%	28.8%
MAT	34.7%	33.9%
Medical & Health	54.0%	57.4%

INDUSTRY PERFORMANCE – 2015



Note: General Insurance figures only

Year	Underwriting Profit (RM million)	Operating Result (RM million)
2015	1,461	2,265
2014	1,488	2,474

INDUSTRY PERFORMANCE – 2015



Note: General Insurance figures only

Class	Profit/Loss 2015 (RM million)	Profit/Loss 2014 (RM million)
Overall	1,461	1,488
Motor	292	166
Fire	754	701
MAT	148	165
Medical & Health	186	122





** Management Expenses is apportioned based on Net Earned Premiums for the respective class.*



KEY ISSUES FACING MOTOR 2015

Note: General Insurance figures only

Total Motor Net Claims Incurred (RM million)





	2011	2012	2013	2014	2015
Net Claims Incurred	4,162	4,235	4,780	5,036	5,290
% of change	-	 2%	 13%	 5%	 5%

INDUSTRY PERFORMANCE – 2015



Note: General Insurance figures only

Third Party Bodily Injury (RM million)

	2011	2012	2013	2014	2015
Net Claims Incurred	1,464	1,358	1,605	1,805	1,943
% of change	-	 7%	 18%	 12%	 8%

INDUSTRY PERFORMANCE – 2015



Note: General Insurance figures only

OD, TPPD & Theft (RM million)					
	2011	2012	2013	2014	2015
Net Claims Incurred	2,698	2,877	3,175	3,231	3,347
% of change	-	↑ 7%	↑ 10%	↑ 2%	↑ 4%

** OD = Own Damage ; TPPD = Third Party Property Damage*

**RM 14.5 Million Paid by Insurers
Daily for motor claims on
property damages, bodily
injuries and theft**



Phased Liberalisation of Motor and Fire Tariffs

- Motor and Fire Tariffs have been in place for more than 30 years
- Industry engagement and discussion with BNM on the Roadmap since 2013
- Comprehensive study with lessons learned from other markets

- Final Roadmap announced at BNM's Annual Report Briefing on **23 Mar 16**
- Policy Document issued on **30 Jun 16**
- **Phased Liberalisation of Motor and Fire Tariffs**

1 Maintain orderly market and preserve safety and soundness of the industry

2 Moderate the increase in competition and innovation to enable industry and consumers to adapt to the changes gradually

3 Minimise risk of policy reversal, resistance from stakeholders and adverse public reaction

4 GUIDING PRINCIPLES



- **Gradual** market transition to market-based pricing supported by prudent risk management and practices

4 GUIDING PRINCIPLES



- Access to basic protection or compulsory lines remain affordable. Any adjustment to the prices of such products is implemented **gradually.**

4 GUIDING PRINCIPLES



- Consumers' interests remain protected through enhanced transparency and improved sales and marketing practices

4 GUIDING PRINCIPLES



- **Stability** in the general insurance and takaful market is preserved

EXPECTED OUTCOMES



- Differentiated rates according to risk profiles
- Wider range of motor & fire products
- Higher efficiency level
- Diversified delivery channels
- **Expanded role of intermediaries**

Phase I (2016 to 2019)

- Premiums to gradually vary with limited product innovation
- Promote initiatives to align premiums with risk characteristics and cultivate healthy competition
- Qualitative and quantitative indicators will be introduced to assess readiness of industry for full liberalisation and may complement existing supervisory assessment

Phase II (2019 onwards)

- Removal of tariffs contingent upon industry's readiness for full liberalization
- Freedom to price premiums
- Freedom to design products

PHASED LIBERALISATION

Timeline	Motor Business	Fire Business
Prior to 1 July 2016	<ul style="list-style-type: none">▪ All available products are defined in the Tariffs and are subject to tariff rates▪ Gradual adjustments to tariff rates for identified risk groups	
Effective from 1 July 2016 onwards	<p style="text-align: center;">Flexibility in product offering</p> <ul style="list-style-type: none">▪ A licensed person shall continue to offer the same products at the same prices that were being offered as at 30 June 2016. Such products shall be offered in accordance with the Tariffs▪ A licensed person may introduce new products at premium or takaful contribution rates as determined by the licensed person (market rates)	

PHASED LIBERALISATION

Timeline	Motor Business	Fire Business
Effective from 1 July 2017 onwards	Gradual Tariffs adjustments	
	<ul style="list-style-type: none">▪ The pricing for Third Party products¹ shall be in accordance with the Motor Tariff and any pricing adjustments which the Bank may specify for identified classes of vehicles	<ul style="list-style-type: none">▪ The pricing of fire products¹ shall be in accordance with the Fire Tariff and any pricing adjustments which the Bank may specify for identified categories of risks
	Flexibility in product pricing	
	<ul style="list-style-type: none">▪ The pricing for Comprehensive and Third Party Fire and Theft products¹ will be liberalised. Licensed persons will be able to determine the premium or takaful contribution rates for such products	

¹ Inclusive of optional add-on covers for the product as defined under the Tariffs.

PHASED LIBERALISATION



¹ Inclusive of optional add-on covers for the product as defined under the Tariffs.

POLICY REQUIREMENTS



- New products must provide meaningful additional value to consumers or address specific risk protection needs which are not met by existing products under the tariffs
- Insurers shall not introduce any new product to circumvent the relevant tariff

- Fair business practices and adequate disclosure
- Inform consumers of their duty to take reasonable care not to make a misrepresentation in answering any questions asked by the insurer

Explain the following clearly

- Key risk factors on which the premium is based
- Essential clauses, endorsements or warranties
- Level of excess and other limitations of cover

- Approval of policy wordings by industry association is required for all new products before they are submitted to BNM
- Standardise wordings, terminologies and definitions for the benefit of consumers and the industry

- Set up **Industry Product Review Board (IPREB)**
- Work closely with Malaysian Takaful Association (MTA)

- **Fraud Intelligence System (FIS)** to be implemented in 2017
- Motor and Fire products to be made available for purchase via **aggregators** by 2018

- BNM and PIAM set up a Joint Task Force on Communications – impact on consumers
- Ensure a **Co-ordinated, Consistent and Clear** message to the public

- For information and updates please visit

- www.PIAM.org.my





THANK YOU
