

# Foreign insurers tap Malaysian market

Financial liberalisation results in more potential for growth

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**D**ESPITE the external global headwinds and challenges in the local insurance market, more foreign insurers are eyeing the Malaysian insurance market and this trend is expected to continue.

Foreign players are keen to tap the local insurance market as they know there is good value in the sector. At the same time, local players too are strategising to carve a larger market share amid growing competition in the sector, according to industry observers and players.

Besides the prevailing foreign interest, the insurance industry has, of late, also seen a spate of mergers and acquisitions (M&As), thanks in part to the Government's liberalisation of the financial services sector.

## Liberalisation

Besides the issuance of new insurance and takaful licences, the liberalisation of the financial services sector in 2009 has set the tone for M&As by raising foreign shareholding in the insurance sector to 70% from 49%, spurring growth.

The liberalisation of the sector continues to come under focus, due in part to the Financial Sector Blueprint (2011-2020). The aim of the blueprint, among others, is to facilitate greater injection of foreign expertise in the insurance and takaful broking and loss adjusting industries to better support insurance and takaful business.

Some of the recent notable M&As in the Malaysian insurance landscape is Canada-based Sun Life Financial Inc/Khazanah Nasional's acquisition of 98% stake in CIMB Aviva Assurance and CIMB Aviva Takaful (from Aviva International Holdings Ltd and CIMB Group Holdings Bhd) and Prudential Insurance Co of America/Bank Simpanan Nasional's pending acquisition of Uni.Asia Life Assurance.

The list goes on to include AIA Group's purchase of ING's Malaysian insurance business, Zurich Group's acquisition of MAA Assurance and Mitsui Sumitomo Insurance Group's purchase of a 30% stake Hong Leong Assurance. The latest to join the fray is AMMB Holdings Bhd who is in search of a suitable partner to hive off its 51% as reported by foreign wires.

## Profitability

Deloitte Malaysia enterprise risk services director Raja Shahrman Raja Harun Al Rashid says there is potential growth in the industry because of Malaysia's growing population and sound economic fundamentals.

"Given the improved standard of living among Malaysians, there is a greater demand for investment-type products. In addition, given the greater awareness on the importance of insurance coverage among individuals and businesses, the demand for insurance products and services is expected to continue.

"As for foreign players, as long as they can bring diversification to the product offerings as well as operating efficiency, they should be able to record commendable profits," he tells *StarBizWeek*.

Life Insurance Association of Malaysia (LIAM) president Vincent Kwo sees the life insurance penetration rate of 41% as having room for further growth.

It is this fact, he says, that has attracted foreign players despite the challenges in the market. Ernst & Young Malaysia partner (assurance) Brandon Bruce Sta Maria agrees.

He says Malaysia continues to draw foreign



Raja Shahrman: 'As long as foreign players can bring diversification, they should record profits.'



Kwo says foreign players are attracted by opportunities for top-line and profit growth in Malaysia.

players as there are opportunities for top-line and profit growth in a stable, well-regulated market supported by continued government economic transformation initiatives.

Malaysia's relatively young and under-insured population, coupled with continued regulatory enhancements, will help spur the industry, he notes.

Total insurance penetration remains relatively low at about 4.8% as of 2012, he says. He adds that the compounded annual growth rate for the industry as a whole for 2010 to 2012 was about 11%, with estimated year-on-year growth for 2012 at about 9%.

Manulife Insurance Bhd CEO George Chew says that apart from the low penetration rate of insurance (compared with penetration rates of more than 100% in other countries in the region) and with an average of one to two products per person, there is huge potential for growth. Total premiums from the insurance industry, expressed as a percentage to gross domestic product (GDP), was about 4% in 2012. Therefore, there is a lot of room to grow, he says.

## Competition and strategies

Raja Shahrman does not discount the fact that liberalisation of the industry will pose competition to local players. However, in the bigger picture, he says relaxation on ownership by new foreign entrants will mature the insurance industry.

"Healthy competition will promote the development of new product offerings and technical skills over the long term," he explains.

Sun Life Malaysia Assurance Bhd CEO Ooi Say Teng says insurers need to develop highly professional and competent workforce to deliver quality service in order to be competitive.

Technology will make customer experience with the company simple, effective and positive. The aim is to create a unique seamless experience to differentiate a company from its competitors, he says.

Ooi adds that insurers need to thrive on challenges through continuous reinvention to

keep themselves relevant. Most importantly, they need to be able to prove to consumers that they (insurers) have their lifetime security in mind, he adds.

Allianz Malaysia Bhd CEO Jens Reisch says it will continue to expand and diversify its agency, bancassurance and alternative distribution channels as well as use the social media channel to reach out to Malaysians to promote and provide advice on Allianz services.

## Agency force

Allianz is an established brand with a wide distribution network and years of experience, he says. Building on the brand's strength, distribution reach and wide product mix will provide "A-Z solutions" that exceed customers' expectations.

As the agency force constitutes more than 90% of Allianz Life Insurance Malaysia Bhd's various distribution channels, Reisch says there are plans to diversify and strengthen agency market segmentation to expand Allianz agency franchise.

"The One Malaysia Agency Project is aimed at recruiting bumiputra agents in order to nurture them to become future agency leaders through the Allianz Agency Entrepreneur Development Program. We have identified potential growth areas and will continue to expand the presence of our agency in the East Coast, Sabah and Sarawak. Our goal is to have more than 10,000 life agents by 2015," he says.

As for its general insurance arm Allianz General Insurance Co (M) Bhd, he says it now has more than 6,000 agents and will expand its agency force moving forward.

"Our new partnership with HSBC for life and health insurance is a regional partnership. It is also an added channel in which HSBC will help to promote our products. Another area that we will focus on is retirement.

"Allianz will position retirement strongly and roll out a retirement savings plan by the first quarter of next year. Life expectancy is going up and people live longer but not many are prepared to sustain their (current) life-style upon retirement," Reisch explains.