

# Takaful sector set to double growth rate

2 May 2016

**The Star**

## **Number of policies expected to rise 10% to 5.05 million in 2016**

KUALA LUMPUR: Malaysia's Islamic insurance industry is set to double its growth rate this year as companies focus on selling cheaper policies in rural areas, according to the nation's takaful body.

The number of policies would rise 10% to 5.05 million in 2016, compared with 4.3% growth in 2015 and a 1% estimated expansion of non-Islamic business, Malaysian Takaful Association chairman Ahmad Rizlan Azman said in an interview in Kuala Lumpur.

Insurers entering the micro-takaful market and the liberalisation of commission structures are the biggest drivers, he said.

Around a quarter of Malaysia's 31 million people live outside of cities and Government efforts to boost the insurance penetration rate to 75% by 2020 from 55% are supporting demand. Companies offering syariah-compliant policies look set to benefit disproportionately as most rural Malays are Muslims.

"Growth prospects still remain positive just by the virtue of the fact that the takaful base is smaller relative to overall insurance industry," said Ahmad Rizlan, who is also chief executive officer of Etiqa Takaful Bhd, Malaysia's biggest Islamic insurer.

Takaful is based on mutual assistance, where policy holders contribute a sum of money to a common pool managed by a company. The funds are used to pay for claims and any excess is returned to customers. Syariah law prohibits the payment of interest and embraces both profit and risk-sharing.

There were 12.56 million non-Islamic insurance policies in Malaysia at the end of 2015, according to data from the association. Growth in takaful has pulled back from as fast as 8.3% in 2013.

This is due to the "slow expansion and development of agency distribution and the lack of awareness and understanding about takaful among consumers and their unwillingness to make the switch from conventional," said Syarikat Takaful Malaysia Bhd group managing director Datuk Seri Mohamed Hassan Kamil.

The industry needs to improve distribution channels if it is to meet its goal of increasing the number of takaful policies to 8.5 million by 2020, said the association's Ahmad Rizlan. A new set of rules on commissions and allowing sales without advisory requirements would make achieving the target easier, he said.

"The introduction of the new framework is anticipated to boost the penetration rate," said Syarikat Takaful's Mohamed Hassan. "There is plenty of room for organic growth." — Bloomberg