

# ***EAAC Country Report Malaysia***

## **1. Geography**

- a. Malaysia lies in the tropical area of South East Asia. The country covers an area of about 330,252 square kilometers, consisting of Peninsular Malaysia and the states of Sabah and Sarawak and Wilayah Persekutuan Labuan in the north-western coastal area of Borneo Island. The two regions are separated by about 540 kilometres of the South China Sea. Peninsular Malaysia covering 131,713 square kilometers has its frontiers with Thailand in the north and Singapore in the south, while Sabah

The Capital of Malaysia is Kuala Lumpur City which is located in the middle of the Peninsular Malaysia.

- b. Area

There are in total 83 districts in Peninsular Malaysia (excluding Wilayah Persekutuan Kuala Lumpur and Wilayah Persekutuan Putrajaya), 24 districts in Sabah and 31 districts in Sarawak.

In addition, there are 3 Federal Territories in Malaysia, that is Federal Territory of Kuala Lumpur, Federal Territory of Labuan and Federal Territory of Putrajaya.

## **2. Demography**

- a. Population Structure

	<b>2002</b>	<b>2003</b>	<b>2004</b>
Population (Million)	24.5	25.0	25.6
Growth Rate		+2.1%	+2.4%
Labour Force (Million)	9.9	10.2	10.6
Unemployment Rate	3.5%	3.6%	3.5%

b. Population by Sex

	<b>2002</b>		<b>2003</b>		<b>2004</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
No of Population (Thousand)	12,487	12,040	12,752	12,296	13,023	12,558
% Split by Sex	50.9%	49.1%	50.9%	49.1%	50.9%	49.1%
Life Expectancy (Years)	70.7	75.3	71.0	75.5	71.0	76.0

c. Population by Age

	<b>2002</b>		<b>2003</b>		<b>2004</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
0 – 4	12%	12%	12%	12%	12%	12%
5 – 9	11%	11%	11%	11%	11%	11%
10 – 14	11%	10%	10%	10%	10%	10%
15 – 19	10%	10%	10%	10%	10%	10%
20 – 24	9%	9%	9%	9%	9%	9%
25 – 29	8%	8%	8%	8%	8%	8%
30 – 34	8%	8%	7%	8%	7%	7%
35 – 39	7%	7%	7%	7%	7%	7%
40 – 44	6%	6%	6%	6%	6%	6%
45 – 49	5%	5%	5%	5%	5%	5%
50 – 54	4%	4%	4%	4%	4%	4%
55 – 59	3%	3%	3%	3%	3%	3%
60 – 64	2%	2%	2%	2%	2%	2%
65 – 69	2%	2%	2%	2%	2%	2%
70 – 74	1%	1%	1%	1%	1%	1%
75 +	1%	1%	1%	1%	1%	2%

d. Birth Rate, Death Rate and Infant Mortality Rate

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Crude Birth Rate ('000)	23.2	22.6	22.2	21.9	21.3
Crude Death Rate ('000)	4.5	4.6	4.6	4.7	4.6
Infant Mortality Rate ('000)	6.6	7.0	6.6	6.3	5.9

### 3. Economy

a. National Product

	<b>2002</b>		<b>2003</b>		<b>2004</b>	
	<b>RM Billion</b>	<b>% Change</b>	<b>RM Billion</b>	<b>% Change</b>	<b>RM Billion</b>	<b>% Change</b>
GDP	361.6	8.1	394.2	9.0	447.5	13.5
GNP	336.6	9.0	371.7	10.4	423.1	13.8
Gross National Savings/ GNP (%)	34.6		36.3		37.1	

b. Exchange Rate

	<b>2002</b>	<b>2003</b>	<b>2004</b>
Per 1 unit			
US Dollar	3.8000	3.8000	3.8000
EURO	3.5919	4.2989	4.7190
Pound Sterling	5.7097	6.2105	7.0420
Singapore Dollar	2.1228	2.1814	2.3115
Per 100 units			
Japanese Yen	3.0386	3.2824	3.5980
Thai Baht	8.8399	9.1578	9.5600
Philippine Peso	7.3682	7.0112	7.0800
Indonesia Rupiah	0.0409	0.0444	0.0422

c. Balance of Payment

	2002	2003	2004
In Million			
Current Account	30,494	50,848	57,967
Capital & Financial Account	-11,941	-12,146	-5,895
Overall Balance	14,191	39,059	42,340

d. Inflation Rate

	2002	2003	2004
Consumer Price Index (%)	1.8	1.2	1.4

e. Yield Rate – Malaysian Government Securities

	2000	2001	2002	2003	2004
10-yrs MGS	5.79%	3.81%	4.05%	5.10%	4.85%

#### 4. Insurance Industry

a. Development of Life, Annuity and Health Insurance Industries

The Insurance Annual Report 2004, published by Bank Negara of Malaysia, reported that the insurance industry registered a double-digit growth in 2004, mostly supported by robust growth in the life sector. The combined premium income, life and general, increased by 17.2% to achieve RM 22,039 Million.

Life Insurance growth is mainly contributed by strong growth in single premium investment-linked and endowments plans.

There was not much annuity premiums written in Malaysia in year 2004. Previously, the growth was attributed by the Annuity Scheme written by a consortium of local insurers allowing withdrawals from the Employee Provident Fund to purchase an annuity plan.

Health Insurance market continues to be an important market for insurers. Government is also keen to ensure more population become self-insured in order to reduce dependency on government assistance.

The outlook for insurance industry remains positive. Increase in economic activity, rising income levels and strong domestic consumption, as well as growing awareness among both business enterprises and individuals would continue to result in increased demand for insurance.

b. Number of Insurance Company

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Direct Insurer				
Life	8	7	7	7
General	36	28	27	26
Composite	8	9	9	9
Reinsurer				
Life	1	1	1	1
General	9	8	8	5
Composite	1	1	1	1

c. Product Type

All major types of products are available in Malaysia :

- Whole Life
- Endowment
- Term
- Unit-Linked
- Annuity

In addition, single premium products, especially capital guaranteed, fixed crediting rate are increasingly becoming popular.

d. Experience Mortality Table and Mortality Rate

Male Mortality Rate with Duration 2 years and above (Ordinary Life 1998 - 2002)

Age	Males			
Attained	With Medical		Without Medical	
Group	$E_x$	$q_x$	$E_x$	$q_x$
10 - 14	54.89	0.20	499.83	0.27
15 - 19	48.79	0.84	425.35	1.09
20 - 24	58.47	1.08	642.70	1.13
20 - 29	78.92	1.03	1,023.41	0.97
30 - 34	117.51	1.01	1,184.99	0.98
35 - 39	168.23	1.10	1,161.37	1.25
40 - 44	218.64	1.36	981.00	1.77
45 - 49	222.80	1.88	704.29	2.65
50 - 54	175.86	3.43	399.18	4.70
55 - 59	115.10	6.19	140.54	7.72
60 - 64	70.53	9.60	49.93	13.72
65 - 69	30.37	16.66	12.81	25.76
70 - 74	10.35	27.44	3.69	44.18
Total	1,370.46	2.92	7,229.09	1.75

Female Mortality Rate with Duration 2 years and above (Ordinary Life 1998 - 2002)

Age	Females			
Attained	With Medical		Without Medical	
Group	$E_x$	$q_x$	$E_x$	$q_x$
10 - 14	38.93	0.31	379.96	0.23
15 - 19	30.85	0.26	281.13	0.36
20 - 24	37.85	0.37	514.79	0.35
20 - 29	63.56	0.27	1,014.01	0.36
30 - 34	82.66	0.47	1,054.92	0.48
35 - 39	98.29	0.69	919.63	0.64
40 - 44	105.46	0.93	711.05	0.88
45 - 49	90.14	1.10	474.39	1.51
50 - 54	74.06	2.07	248.63	2.43
55 - 59	64.74	3.55	86.87	4.21
60 - 64	45.37	5.49	32.60	6.32
65 - 69	22.37	10.59	9.24	15.05
70 - 74	8.03	19.19	3.53	27.79
Total	762.31	1.80	5,730.75	0.80

$E_x$  : Number of lives exposed to risks in '000

$q_x$  : Mortality rate multiplied by 1,000

e. Growth of Business In Force

Year	Ordinary Life				Investment	Total
	Whole Life	Endow- ment	Temp- orary	Others	Linked	
	RM million					
2000	3,259.6	2,225.5	352.7	1,193.5	333.4	7,364.7
2001	3,453.3	2,348.1	366.5	1,309.2	602.9	8,080.0
2002	3,781.2	2,425.2	382.4	1,430.1	1,118.1	9,137.0
2003	4,020.0	2,513.1	409.8	1,583.5	1,713.8	10,240.2
2004	4,183.9	2,567.8	451.2	1,674.9	2,402.6	11,280.4
	% change					
2000	6.9	4.3	-4.2	1.6	181.1	7.6
2001	8.7	5.5	3.9	9.7	80.8	10.9
2002	6.7	3.3	4.3	9.2	85.5	11.8
2003	6.3	3.6	7.2	10.7	53.3	12.1
2004	4.1	2.2	10.1	5.8	40.2	10.2
	% share					
2000	44.3	30.2	4.8	16.2	4.5	100.0
2001	43.4	28.7	4.5	16.0	7.4	100.0
2002	41.4	26.5	4.2	15.7	12.2	100.0
2003	39.3	24.5	4.0	15.5	16.7	100.0
2004	37.1	22.8	4.0	14.8	21.3	100.0

f. Growth of New Business/Income Premium

Year	Ordinary Life				Invest- ment	Annuity	Total
	Whole Life	Endow- ment	Temp- orary	Others	Linked		
	RM million						
2000	464.3	520.1	624.2	303.7	533.9	496.1	2,942.3
2001	490.9	824.9	733.7	370.9	413.2	2,414.3	5,247.9
2002	436.9	1,032.8	810.3	409.6	891.6	1.2	3,582.4
2003	508.5	1,514.3	930.5	542.4	1,356.3	-	4,852.0
2004	420.6	2,264.6	1,112.9	578.1	2,238.5	0.4	6,615.1
	% change						
2000	5.9	11.1	22.5	-5.0	205.6	-	54.0
2001	5.7	58.6	17.5	22.1	-22.6	386.7	78.4
2002	-11.0	25.2	10.4	10.4	115.8	-99.9	-31.7
2003	16.4	46.6	14.8	32.4	52.1	-100.0	35.4
2004	-17.3	49.5	19.6	6.6	65.0	-	36.3
	% share						
2000	15.8	17.7	21.2	10.3	18.1	16.9	100.0
2001	9.3	15.7	14.0	7.1	7.9	46.0	100.0
2002	12.2	28.8	22.6	11.5	24.9	...	100.0
2003	10.5	31.2	19.2	11.2	27.9	-	100.0
2004	6.4	34.2	16.8	8.7	33.9	...	100.0

g. Sales Force/Channel Distribution

(i) Sale Force

	2001	2002	2003	2004
Life	88504	87205	86230	82551
General	30881	37879	43401	48678

(ii) New Business by Distribution Channel

	2003	2004
Direct Sales	3%	2%
Agents	56%	47%
Brokers	3%	3%
Bancassurance	38%	48%



## 5. Actuarial Association

### a. Foundation & Office Address

Actuarial Society of Malaysia (Persatuan Aktuari Malaysia or ASM) was founded on 5th October 1978. ASM is the only representative body for the actuarial profession in Malaysia. ASM provides a platform for members of the actuarial profession to raise and discuss technical and public interest issues related to the practice of the profession; to communicate such issues to relevant parties including the public, industry regulators and corporate stakeholders; to provide educational support to actuarial students and professional development to qualified actuaries; and to provide space for members of the profession to build relationships.

Since 20th October 2003, ASM became a Full Member Association of the International Actuarial Association. ASM is committed to working towards becoming a fully fledged professional body with a recognised examination and accreditation system.

Its correspondence address is :

Actuarial Society of Malaysia  
C/o Actuarial Department  
Great Eastern Life Assurance (M) Berhad  
Level 20, Menara Great Eastern  
303, Jalan Ampang  
50450 Kuala Lumpur

### b. Number of Members

Fellows	47
Associates	33
Students	180
Observers	6
<b>Total</b>	<b>266</b>

### c. Professional Activity

ASM has organised a number of seminars/conferences to promote the profile and image of actuarial professional in Malaysia. For eg., With Profit Seminar – Speakers from UK, Australia and Singapore shared their experiences and developments in the respective countries

ASM has also drafted a Practice Note on Asset Share Methodology, which aims to assist practising actuaries in the computation of asset share. ASM hopes to put in place this first Practice Note by 2005.

d. Educational Activity

- Fellows of the Institute of Actuaries, Faculty of Actuaries, Society of Actuaries, Institute of Actuaries of Australia, Canadian Institute of Actuaries are recognised as qualified actuaries and will be admitted in the class of “Fellow” to the ASM.
- The ASM does not conduct its own actuarial examinations but classification of membership to the Society would correspond to the members’ classification of membership to the above-mentioned professional bodies.
- Fellows of professional bodies mentioned in no. 2 are recognised.

e. Conduct and status of Appointed Actuary

- Appointed Actuaries of life insurance companies in Malaysia **must** be residents. In addition, they must demonstrate familiarity with the Malaysian insurance industry and regulations. Fellows of the Institute of Actuaries, Faculty of Actuaries, Society of Actuaries, Institute of Actuaries of Australia and Canadian Institute of Actuaries are recognised for this purpose.
- Currently, there are no requirements for Appointed Actuaries in non-life insurance. However, the regulators may request for non-life reserves to be certified by an actuary.

f. Future prospect and major challenges and issues facing the actuarial profession

- *Expansion of the role of actuaries outside the life insurance area* – Actuaries currently have very small role in general insurance. We expect regulations to require actuarial certification of IBNR in near future. Should tariffs be relaxed, actuaries will also have an important role in pricing. The challenge is how to promote the actuarial profession to the General Insurance industry?
- *Profile of the actuarial profession* – few people in Malaysia understand the roles and responsibilities of actuaries. Need to actively promote the profession, and give the public an understanding of what we do. Greater communication to public on relevant issues, like insurance and retirement benefits.
- *Small number of qualified actuaries in Malaysia*, and brain drain to other countries. Malaysia only has about 30 actuaries practising in the country. How to attract more actuaries to work in the country?

- The role of the actuary in the insurance industry, given the environment of low interest rates, weak investment markets, regulatory changes and a demand for greater transparency.

## 6. Regulation

### a. Pricing

Companies may set premium rates so long as they are certified by the Appointed Actuary.

Companies are required to submit the particulars of a new product along with the actuary's certification to the Bank 30 days before offering the product to the public. During these 30 days, the Bank may prohibit the sale of the product or require changes to be made to the product if it is deemed that the product is unsuitable or the sales material misleading.

There are a few changes in the product pricing recently. Effective July 1, 2005, companies must pay cash surrender value not less than the asset share.

### b. Reserve Accumulating Method

Statutory valuation method is net premium method allowing for some modifications. The valuation method and basis prescribed covers mortality and interest assumptions. Products covering other contingencies will require the actuary to choose an appropriate method and basis.

Maximum valuation interest rate is 4% p.a. for regular premium policies, 4.5% p.a. for single premium policies and 5% p.a. for annuities.

For annuitants, the table prescribed is a(90)m and a(90)f. For all others, the prescribed table is the Statutory Valuation Mortality Table 1996, which is given in the Insurance Regulations 1996.

Minimum solvency margin for life insurers is the higher of:

- a. Sum of 4% of valuation net liabilities, 0.1% of Sum-at-risk for policies with term 2 years or less, 0.2% of Sum-at-risk for policies with term over 2 years and 25% of single premium riders.

OR

- b. RM50 million.

c. Future Prospect

Currently, the regulator is proposing a new solvency framework, the Risk Based Capital Framework. It is still in the conceptual stage, but is expected to be effective in 2006.

*Main Source of Information :*

*Insurance Annual Report 2004, Bank Negara Malaysia*  
*Yearbook of Statistics, 2004, Department of Statistics, Malaysia*