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Syarikat Takaful confident of staying ahead of rivals

Firm looking to expand market share this year

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PETALING JAYA: Syarikat Takaful Malaysia Keluarga Bhd (STMKB) is unperturbed by the tough operating environment as it strives to outpace its competitors with a bigger market share.

STMKB group CEO Datuk Seri Mohamed Hassan Kamil told StarBiz that the company was optimistic to outperform key market players by expanding its market share this year.

"As for the first quarter of this year, we are still leading the family (life) takaful industry with 29% market share and the first runner up position in the general takaful industry with a 25% market share.

"Our operational efficiency, solid business expansion and financial strength will bolster the company's key business objectives to deliver superior and reliable returns," he said.

Hassan said STMKB was optimistic to stay ahead of its competitors and sustain its market position via the implementation of across-the-board strategies via multiple distribution channels besides upholding strong financial fundamentals and capital position.

The country's oldest takaful player saw its earnings rose 37.8% for the first quarter ended March 31, 2019 (Q1 19) on higher net wakalah fee income arising from business growth in its family takaful segment.

During the quarter in review, the company posted a net profit of RM96.4mil, translating to an earnings per share of 11.7 sen, compared with RM69.98mil, or 8.5 sen per share, in the previous corresponding quarter.

RHB Research is projecting earnings growth of 17% and 13% for the financial year 2019-2020 (FY19-FY20) ending Dec 31 for STMKB.

It said this should be mainly driven by the family segment's earnings growth of 34% and 14% for FY19-FY20 and 12% and 9% growth in wakalah fee income.

The research house its maintaining its buy call on the counter with a new increased target price of RM7 which is derived using the Gordon Growth Model (GGM).

For 2019, Hassan said the STMKB Group is anticipated to maintain at least a double digit growth barring any unforeseen circumstances.

For the family takaful business, he said the primary growth driver is from its Islamic bank partners where the company is leveraging on the loan growth of these partners.

"Our bank partners continue to target for more Islamic financing in both housing and personal loans.

Hassan: We are aggressively looking for a joint venture local partner to assist us with the expansion.

"Some of our bank partners have started to penetrate the SME segments, and this strategic direction has created a new business opportunity for us to work together to provide takaful solutions for SME clients," he said.

The other key growth driver is the mortgage takaful for civil servants who obtained housing loans from Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA).

"We have achieved a commendable growth in this segment with our effective network to reach out to the civil servants.

"Moving forward our focus is to further improve and optimise our distribution network for LPPSA business by actively recruiting and retaining our productive agency force," he noted.

For the general takaful business, Hassan said the key growth drivers were the online motor distribution and non-motor takaful products.

The group would continue to develop and enhance the digital ecosystem to support the online distribution strategy, adopt pricing segmentation approach to target customers with better claims experience, especially for motor takaful.

As for its Indonesian operations, Hassan said: "We are aggressively looking for a joint venture local partner to assist us with the expansion and to comply with the local shareholding limit rule of 80%.

"Given the low insurance penetration rates and potential market to grow Islamic insurance, we will continue with our efforts to deliver strategic initiatives in growing and increasing our market share via bank and agency force and upgrade IT infrastructure to support the production volume and improve operational efficiency," he said.

As for any potential mergers and acquisitions, Hassan said the company would only explore this option if it could clearly add superior shareholder value to STMKB and could complement the company's business growth strategy.

"We are yet to venture into such initiatives at the moment," he noted.

On the outlook of the takaful and conventional insurance sector this year, he said it is set to remain on a positive note in tandem with the Government's ongoing initiatives to spur the demand for protection amongst the consumers.

Taking into account of the low penetration rate, rising urbanization, escalating medical costs and ageing population in addition to strong demand in the Islamic banking and finance sector, the Islamic insurance industry is poised to sustain its healthy growth momentum.

Given the growing domestic economy, Malaysia's takaful industry is anticipated to continue in outpacing its conventional counterparts and further strengthen its position as the leading takaful market in Asean.

Digitalisation, among others, would remain as the buzzword and would be a key component in driving agile growth in a competitive environment, he added.

However, Hassan cautioned that the takaful industry players must take into consideration of the challenges ahead.

"While improving economic conditions are projected to present a prospective outlook this year, takaful operators are still required to deal with a plethora of internal and external issues related to technology, talent, regulations, distribution channels, product development as well as mergers and acquisitions in the market.

"In order to swiftly adapt to the rapidly changing economy and consumer expectations, ongoing digital transformation is identified as a vital facet in reaping the benefits of the untapped market to achieve growth," he said.