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Headline	Syarikat Takaful Moves Ahead Of The Curve				

THE insurance industry has the potential to grow if economic factors allow it and the attitude of people towards such services changes.

If this happens, it could see companies in the sector potentially profiting greatly from the trend.

One company that appears to have moved ahead of the pack to capture some of the growth is insurance provider Syarikat Takaful Malaysia Keluarga Bhd (STMK), which counts BIMB Holdings Bhd as its 59.64% shareholder.

STMK had on Thursday reported a strong rise in its financial year 2018's (FY18) bottom line, which rose 42.7% year-on-year (y-o-y) to RM294.92mil on the back of revenue rising 23.4% y-o-y to RM2.64bil.

Its fourth-quarter to end-December performance saw profit jumping 60.86% to RM90.57mil compared with the previous corresponding quarter, while revenue rose 35.5% to RM701.51mil.

It was indeed a record year for STMK in FY18, coming at a time when the industry is trying to break out from its plateaued state into a growth phase.

The country aspires to ensure that 75% of its population is insured by 2020. The under-insured segment of the population in the country is still high, with a penetration rate of around 56% in the life insurance segment, which includes conventional and family takaful insurance.

For an Islamic insurer, the term used for life insurance is family takaful, while general insurance is termed as general takaful.

The trend in premium growth for the life insurance and family takaful industry indicates that it had plateaued at the 50% level since 2009.

Reports in the middle of last year revealed that only 32% of Malaysians owned more than one policy.

It would appear that STMK has moved ahead of the curve to outpace the industry's growth with the provision of family and general takaful insurance products.

In a research note after the results were released, CGSCIMB commented that STMK's FY18 net profit exceeded its forecast and Bloomberg consensus estimates by 14% and 19%, respectively.

This was due to the lower-than-expected tax rate of only 13.2% compared with its projected 20.3%.

"The positive take from the fourth-quarter results was the surge of 45% y-o-y in the quarter's gross earned contributions (GEC or premiums in conventional insurance). We are even more encouraged that the GECs for both family and general takaful expanded in the double-digits at 57.2% y-o-y and 17.6% y-o-y, respectively, in the fourth quarter. This pushed up net profit growth in the quarter to an impressive 60.9% y-o-y," CGSCIMB said.

The research house said that STMK was its top pick for the Malaysian insurance industry due to, among others, the high return on equity of more than 20%.

CGSCIMB has rated the stock as an "add", with a target price of RM4.70.

STMK's shares are trading at a historical high of RM4.10 pursuant to the latest quarterly results.

At a market capitalisation rate of RM3.38bil, the company does rank as a formidable growing local player in the industry that sees much of its share ownership in various insurance companies being owned by foreign holders.