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Headline	Tough Year for Insurance Companies				

Allianz Malaysia Bhd CEO Zakri Khir(pic) told StarBiz: “For the next six months at least, the market will be extremely challenging for insurers because this phenomenon is unprecedented and we are in uncharted waters."

PETALING JAYA: Insurers are in for a tough year as the coronavirus disease (Covid-19) pandemic may dampen earnings and premium growth.

To minimise the impact on their businesses, insurance companies, among others, are banking on their digital capabilities in the absence of direct interaction between agents and their clients with the movement control order (MCO) in place.

ALLIANZ MALAYSIA BHD CEO Zakri Khir told StarBiz: “For the next six months at least, the market will be extremely challenging for insurers because this phenomenon is unprecedented and we are in uncharted waters.

“As for the general insurance industry, the impact will mainly be seen in travel policies as people are reluctant to make plans in view of travel restrictions.

“In terms of the company’s motor business, policyholders will still need to renew their motor insurance policies so we will not see an immediate impact to our balance sheets, “ he said.

However, Zakri said the segment would also take a hit as manufactures and supply chains are impacted and new business from motor insurance would be slow.

Consumer sentiment is at all-time low, he said, adding that people would cut back on spending.

“Once the pandemic ends, we hope things will pick up and sales will recover, ” he said.

Motor insurance is a significant segment of Allianz Malaysia's general business and makes up 62.6% of its portfolio. The motor insurance business contributed RM1.38bil to the company's gross written premium (GWP) last year while the remaining RM821.4mil was from the non-motor business comprising property, health, personal accident, liability and marine.

"As for our life business, agents will find it difficult to transact face-to-face business due to mobility constraints and social distancing but this is where we have to rely on our digital channels to continue to do business.

"We have invested a lot into digital in the last few years and this will allow us to continue our business as usual.

"On the hindsight, the pandemic will trigger much more concern over health, presenting insurers an opportunity to boost healthcare policy sales and hopefully, increase health insurance penetration among Malaysians, " Zakri said.

At the closed of trading, the company's shares rose 0.16% to RM12.54, with a market capitalisation of RM2.22bil.

For the year ended Dec 31,2019, Allianz Malaysia's net profit rose to RM492.5mil against RM377mil the previous year.

Based on statistics from the Life Insurance Association of Malaysia, new business total premiums for 2019 stood at RM11.8bil, an increase of 14.19% compared to RM10.3bil in 2018.

Traditional business, investment-linked and group business recorded strong growth at 30.12%, 11.05% and 10.79% respectively.

The general insurance Industry, on the other hand, registered a decline of 0.8% in 2019 with total gross direct premiums of RM17.41bil. Motor remained the largest class with a market share of 48.3% followed by fire at 19.3%.

Meanwhile, Syarikat Takaful Malaysia Keluarga Bhd group CEO Datuk Seri Mohamed Hassan Kamil(pic below) said the pandemic and the MCO have posed challenges in achieving the company's business target for the year.

“We are unable to conduct business face to face in reaching out to our business partners and customers effectively during the MCO period.

“The mortgage takaful business may witness a slowdown due to the delay in loan processing during the MCO and more cautious property buying decisions among customers in view of the business environment uncertainty.

“However, we expect to see greater business opportunity in the takaful business for personal loans. Banks are targeting more personal loan business to address short-term financial needs of customers, ” he said.

Takaful Malaysia has implemented various digital strategies and infrastructure to develop the online business to further diversify its business portfolios in the last three years, he said.

Hassan expected further growth in its online motor takaful business as more customers have started to take advantage of the convenience of online transactions, especially during the MCO period.

“In 2019, we achieved a double-digit growth of 40% for our online motor takaful business. In addition to motor takaful, we have a full range of online protection products to meet various needs of the customers.

“We have rolled out our new Click for Cover mobile app recently, ” he said.

The Click for Cover mobile app caters for all protection needs in one application, especially during the pandemic outbreak.

Hassan said it has also increased its presence in social media to cross sell online products, especially targeting the customers who may not have access to intermediaries for face to face selling.

Currently, they can purchase additional coverages for life and medical via the portal, Click for Cover.

Hassan also said due to the company’s small equity exposure, the impact from the massive drop in share prices has not affected Takaful Malaysia significantly.

“Companies with much larger equity exposure may suffer losses in excess of RM1bil and this will impact their solvency position in the short term.

“We have seen large fair value gains in our sukuk and fixed income portfolio mainly due to the drop in overnight policy rate. This has helped strengthen our capital adequacy ratio, ” he noted.

Syarikat Takaful Malaysia Keluarga Bhd is 59.5% owned by BIMB HOLDINGS BHD. For the financial year ended Dec 31,2019, the company achieved a higher net profit of RM364.8mil compared with RM294.9mil in 2018.

The company’s shares closed at RM3.29,1.23% higher, representing a market capitalisation of RM2.72bil.

With the MCO, Etiqa Insurance and Takaful group CEO Kamaludin Ahmad(pic above) said the company must be more “creative” on how to best serve the customers.

“We anticipate that with the enhanced ways, we can achieve flattish growth, otherwise if we had not implemented the new enhanced services, we may end the year with a contraction, ” he added.

In view of the reduction in the face-to-face meetings between the company’s intermediaries and customers, Etiqa would primarily be leveraging its digital sales tools by intermediaries and online direct channels to ensure that sales and servicing activities could continue, Kamaludin said.

“We note that some customers will have difficulties paying premiums and if not addressed, it will lead to policy lapses for the customers or bad debts for us. So we are working on flexible payment options. For this, we have the support of the broader insurance industry as well, ” he said.

Etiqa achieved a record high GWP of RM8.0bil in 2019 with 61% from its life and family takaful sectors.

Etiqa is an insurance subsidiary of MALAYAN BANKING BHD (Maybank). Maybank has a 69.05% stake in Maybank Ageas Holdings Bhd, the holding company of Etiqa’s Malaysian and Singaporean entities. Ageas Insurance International holds the remaining 30.95% stake in Maybank Ageas Holdings.