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Headline	Takaful To Outperform Peers				

“We are looking at improving our digital capabilities and technology to better support our bank partners in marketing and distributing our regular contribution advisory products.”

Nor Azman Zainal



PETALING JAYA: The pandemic is causing much change in the insurance sector but takaful operators feel they have an edge in terms of growth over their conventional counterparts.

Malaysia’s oldest takaful operator Syarikat Takaful Malaysia Keluarga Bhd group chief executive officer Nor Azman Zainal believes that the concerns of the takaful industry are about the overall impact of the outbreak of Covid-19 on the economic environment, particularly prospects for growth and profitability in underwriting as well as investment portfolios.

“In light of the outbreak, takaful operators and insurance companies are hard-pressed to adjust their budgets and implementation plans, cash flow expectations as well as investment portfolios in order to stay competitive in the insurance and takaful industry.

“The takaful industry in Malaysia is anticipated to continue to outperform its conventional counterparts and further strengthen its position as the leading takaful market in Asean. “The long-term outlook for the takaful sector remains positive, taking into account the current low penetration rate, rising standards of living, escalating medical costs and ageing population in addition to robust growth in the Islamic banking and finance sector,” he pointed out.

The general business segment is anticipated to witness intense competition among industry players that would spur the introduction of innovative products and services in a more liberalised market environment to register better underwriting profit and increase market penetration.

Takaful Malaysia is aiming to see its earnings bounce amid the uncertainties and challenges posed by the Omicron variant on the economy.

The takaful operator, which saw a 12% drop year-on-year in net profit in the third quarter (Q3) ended Sept 30, 2021, is also looking at strengthening its foothold in the competitive takaful space.

In an interview with StarBiz, Nor Azman said the company would leverage on its lead position in single contribution products and focus on regular retail contribution products channeled via bancatakaful as well as other channels to diversify its business portfolio.

The retail market in the bancatakaful business remains a huge untapped market for the group to provide protection and savings products to the retail customers of its bank partners, he said.



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He said the group's focus in 2022 would be to tap on its established bancatakaful partnerships with leading Islamic financial institutions to introduce new savings and investment-linked advisory products, and further promote its online takaful solutions to the bank's clientele.

"We are looking at improving our digital capabilities and technology to better support our bank partners in marketing and distributing our regular contribution advisory products," he noted.

In terms of digitalisation, he said Takaful Malaysia would embark on digital solutions to offer a differentiated experience of customised services for corporate clients to strengthen market reach in the employee benefits (EB) segment.

"The company will constantly improve its client engagement via service propositions to retain and generate profitable business on the back of the stiff market competition.

"We will also explore and strengthen our partnership marketing with affiliate partners with a larger customer base for cross-selling of our family takaful products," he added.

On the general takaful business, Nor Azman said it would strike the right balance between underwriting margins and business growth to further penetrate the market and secure a lead position among the key industry players.

For the motor takaful business, he said Takaful Malaysia would continue to build an online motor customer base and penetrate the other segment while maintaining its existing corporate agency force. As at Dec 31, 2021, it had more than 2,700 corporate agents.

The company would also adopt a pricing segmentation approach for targeted groups with better claims experience to drive the growth of its motor takaful business, he pointed out.

To stay connected with consumers, especially millennials and social media users, he said it would intensify the group's brand presence via digital platforms as part of its customer engagement and digital distribution strategies.

Furthermore, Nor Azman said the takaful operator would continue to assess its investment strategy to achieve stable and adequate investment yields while focusing on disciplined expense management to accomplish operational excellence.

Family takaful is currently the biggest contributor to the group's earnings, accounting for about 67%, while general takaful accounts for 33%.

In terms of market share, Takaful Malaysia is ranked second in the family takaful business with a 20% share as of the third quarter of 2021, while also maintaining the second spot for its general takaful with 23.4% market share.

Takaful Malaysia reported a net profit of RM72.6mil for Q3 of FY21, which was 12% lower y-o-y and 11% down quarter-on-quarter.

This brought nine-month earnings to RM255.3mil – down 1.54% – from the previous corresponding period.

RHB Research, in a report, said the day one impact of the Malaysian Financial Reporting Standards 17, which is expected to come into effect on Jan 1, 2023, could see a 15% to 20% drop in forecast FY23 earnings. Shareholder equity is expected to drop by 25% to 30%, RHB estimated.

But the research firm said it has not accounted for these changes in its forecasts.

"Our FY21-FY23 forecast profit after tax and minority interest has been lowered by 7%, 22%, 15%," RHB said in its report. Meanwhile, CGS-CIMB Research said it was lowering its FY21 net profit forecast by 7.7%. This was due to the 9.4% cut in projected investment income, in view of the weaker-than-expected nine-month investment income, the research house said.