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PM: INSURANCE INDUSTRY MUST BE PRO-ACTIVE

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KUALA LUMPUR, Aug 21 (Bernama) -- The local insurance industry must have a pro-active attitude when opening up new markets and introducing new products that are suitable to needs of society, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

Such a strategy should be used to meet the needs of insurance which were becoming more sophisticated and complex, he said at the launch of Persatuan Agen-Agen Insurans Jaminan Pendapatan Hidup Melayu Malaysia (JAMIN) here.

The prime minister said the awareness of insurance among the people in the country was still low and was reflected in the number of insurance policies that were now in force.

For every 11 persons in the country, only two had insurance policies that were in force and this showed that the scope for the industry was wide, he added.

Dr Mahathir said the level of the industry's achievement in the country was still not satisfactory when compared with the more established foreign insurance markets.

The prime minister said that it was the responsibility of those in the industry to ensure that those who could afford insurance policies should receive adequate protection.

"This is a social responsibility which must be fulfilled in line with the government's call for a more caring corporate sector," he said.

Referring to the industry's structural problems and rising cost of operations, he said life insurance companies should not allow their costs to reach high levels.

Escalating costs merely showed that cost controls in these insurance firms were not effective and if left unchecked, they (rising costs) would affect their financial position and resilience, he added.

Dr Mahathir said companies which emphasised on effective cost controls would be able to operate in the long run.

He said the government's efforts alone were not enough to overcome the structural problems and the agency force should adopt a "give and take attitude" for the interest of the country.

The increase in the incomes of the agency force should be reflected by improved productivity and not just high commissions, the prime minister said.

Dr Mahathir said the government planned to make the life insurance industry a major, sound and successful component of the country's financial and services sector.

In the process to address the structural problems, he said each involved party should be prepared to set aside their personal interests for the sake of the nation.

Referring to bumiputera agents in the life insurance industry, Dr Mahathir said although their numbers had increased, their overall profile had not changed over the years, accounting for not more than 10 percent of the total.

At the end of 1993, the number of bumiputera agents totalled 5,736 or 8.4 percent of the total number. Out of that, many were just part-time agents.

Dr Mahathir urged JAMIN to help the part-timers to become full time professional agents so that their productivity and performance could improve.

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