

Motor, fire insurance pricing to be market-driven, says Bank Negara
The Malaysian Insider
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The motor and fire insurance sectors will be restructured with more market-driven pricing, Bank Negara Malaysia (BNM) deputy governor Datuk Muhammad Ibrahim said today.

He said this would pave the way for the development of products that are more responsive to consumer and business needs in the two most dominant lines of business in the Malaysian general insurance sector.

"Importantly, this development will be critically dependent on insurance and takaful companies building strong internal underwriting and risk pricing practices to ensure the sustainability of the business, particularly in the highly competitive motor insurance segment," he said in his keynote address at the 5th Malaysia Insurance Summit in Kuala Lumpur.

He said the development is critical to remove the current market distortions that undermine the long-term sustainability of motor insurance.

"The industry cannot afford to take a short-term view, it must keep its sights on building the foundations for operating in a more diverse and mature market, with stronger value propositions for consumers," he said.

Muhammad said the other major development in Malaysia is the introduction of the Life Insurance and Family Takaful Framework.

He said the life insurance and family takaful sector's focus is to increase the penetration level, as measured by the number of policies in force per population, from 56% currently to 75% by 2020 as envisaged in the Economic Transformation Programme.

"Product innovation remains key to achieving this target, particularly in the micro-insurance and micro-takaful space which would expand the reach to the underserved segments of society," he added.

Muhammad said both these initiatives would allow the industry greater operational flexibility to innovate, while ensuring that consumers' interests remain adequately protected.

"Our goal remains unchanged – to ensure Malaysians have the opportunity to avail themselves of efficient and effective means to manage risks with insurance and takaful solutions that are appropriate for their circumstances," he said.

He said in tandem with these developments, insurers and takaful operators must be fully accountable for the conduct of their intermediaries in ensuring that customers receive proper advice and quality service throughout the duration of the policy.

He added that it is important for adequate training to be provided and the right remuneration and incentive structure is implemented to promote a committed and professional agency force.

Muhammad said the Financial Services Act provides the central bank with explicit and expanded enforcement powers, including monetary and non-monetary actions in addition to private and public reprimand as well as direction to make restitution to aggrieved parties.

He said as a result of supervisory interventions by BNM, more than RM30 million in premiums were refunded to the affected policyholders due to mis-selling practices in the sale of life insurance products in the past.

"The enforcement measures undertaken signal the central bank's low level of tolerance for misconduct.

"It also serves to remind the industry of BNM's expectation for common complaints and grouses against the industry such as delay in claim settlement and mis-selling practices by agents to be completely eliminated or at the very least reduced significantly," he added. – Bernama, October 7, 2015.

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