

Commercial insurance sector set to grow

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PETALING JAYA: Commercial insurance sector is expected to grow this year unlike the personal insurance line of products that could see some challenging times.

In the personal insurance line of products, only healthcare is still growing, it is inflationary.

"As the Malaysian market develops further, healthcare will often be the leader in growth," said MSIG Insurance (Malaysia) Bhd CEO Chua Seck Guan (*pic*).

Other segments of personal insurance such as car, fire and house insurance are expected to see a slowdown as consumers become more cautious with their spending.

Although there are signs that certain classes of insurance products are coming down, Chua does not expect a complete slowdown.

"The government and regulators will ensure that the economy will continue to grow by doing the rightful things, such as continuing to spend on building infrastructures and mega project initiatives.

"A good example would be the Pengerang project as well as Mass Rapid Transit II and Light Rail Transit line extensions," he said.

While growth in 2015 moderated, the forecast for 2016 is estimated at between 4% to 5%.



Like many other industries, the reasons attributed to the slowdown last year was the introduction of Goods and Services Tax (GST), a weakened currency and generally low commodity prices across the board.

Of these factors, the most significant impact were from the GST and the weakened ringgit.

Chua said that this year would be equally challenging for insurance companies as the GST impact would continued to be felt and was expected to contribute to a rising cost of

claims.

There is a 6% GST imposed on motor repair claims. Insurance companies contend that not all GST payments on claims can be claimed back due to issues related to interpretation of definitions.

"This is costing an additional RM13mil in claims for MSIG, which will eat into the group's bottom line in 2016," said Chua.

Meanwhile, Chua expected the sum insured for the commercial sector such as foreign investments, new plant, new buildings would be increasing.

This is because as items become more expensive, the assets held must also review upwards.

There is also constant infrastructure investment, as the government continues to pump-prime the economy.

"The commercial line remains positive, as there is still growth but it's the personal line growth that actually slowed down the insurance industry especially on the motor insurance segment," he said.

Chua attributed the strength of MSIG to its stable management team and a low staff attrition rates of 10% as compared to the industry's attrition rate of about 17%.

Note: We refer to the *Bernama* report "Insurance sector may grow 4% to 5% in 2016" on Dec 30 where the wrong picture of Chua was used. We regret the error.