NATIONAL REPORT
FOR
MALAYSIA

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1. Actuarial Profession

There is no local examining body for educating/training actuaries. The Insurance Act of Malaysia recognizes as qualified actuaries Fellows of the Institute of Actuaries in England, Fellows of the Faculty of Actuaries in Scotland or Fellows of the Society of Actuaries in America.

The Actuarial Society of Malaysia is a Society representing actuaries in Malaysia with its members being either Fellows, Associates or Students of the respective Institute, Faculty and Society.

There are currently 11 Fellows who are members of the Society, not all of them necessarily working in Malaysia. All but 3 of these Fellows are Malaysian citizens. Except for 2, the rest of the Fellows are employed in the Life assurance industry. The Society also has approximately 40 Associate and Student members.

2. The Economy

The following table gives details of Malaysia's recent growth rates and price inflation.

Year	Economic Growth Rate %	Price Inflation %	Exchange Rate M$ to US$
1986	1.2	0.6	2.60
1987	5.2	0.8	2.49
1988	8.7	2.5	2.67

The Malaysia economy has rebounded strongly from its worst recession in 1984 - 1986. It is expected that the economy will grow on average by 8% p.a. over the next few years.

This growth is expected to be led by the manufacturing sector which grew by 18% in 1988. However, Malaysia is still dependent on commodity prices especially of oil, palm oil and rubber.

3. State Superannuation Benefits

Since 1957 State retirement benefits have been provided through the Employees' Provident Fund (EPF). As the name suggest it is a simple provident fund and it covers all local employees. The contribution rates have gradually increased and are currently 11% of all salary and contractual bonus by the employer and 9% by the employee.

ii. Provident fund paying a lump sum equal to a fixed employer contribution with interest.

iii. Additional voluntary contributions to the EPF.

iv. Many multinational companies and larger Malaysian companies provide lump sum benefits based on final salary. The benefits are around 0.5 months of final salary for each year of service for plans not integrated with the EPF, or around 2.0 months of final salary for each year of service but reduced by the EPF benefit for integrated plan.

In cases (ii) to (iv) the percentage of salary on which the benefit is based is usually 4%; in other words, the tax-deductible maximum (15% less 11% to EPF) has often become also the minimum benefit. Funded plans are usually non contributory to the members.

There are very few plans providing pensions in the private sector. The Government employees however, have a generous pension scheme which is not funded.

Funded retirement plans can be approved by the Inland Revenue with very few requirements. The principal ones are :

o 25% of the assets must be invested in Government securities.

These contributions are accumulated with interest, currently 8% per annum, and benefits are paid in cash at age 55. There are limited facilities for withdrawal before that age for housing and other purposes. The total funds accumulated in the EPF reached M$38 billion in 1989. Over 90% of these funds are invested in fixed interest Government Securities.

The Social Security Scheme, called SOCSO, provides benefits for accidental employment injuries, death and total and permanent disability. Currently only workers earning M$1,000 per month or less are covered. SOCSO continues to cover employees after their monthly earnings exceed M$1,000. In such instances their earnings are, for benefit and contribution purposes, considered to remain at M$1,000. The cost of coverage is paid by the employer.

4. Occupational Superannuation Benefits

The provision of superannuation benefits is constrained by the level of employer contributions to the EPF, currently 11%. Furthermore there is a ceiling on tax-deductible expenditure by employers of 15% of total salaries.

Retirement plans fall into the following categories :

i. Unfunded arrangement providing a lump sum benefit equal to a fixed percentage of total career salary.

- 80% of the assets must be approved investments (this includes the Government Securities requirement).

- No cash benefits can be paid before age 55 (except in the event of death or ill-health).

Under an approved plan, the investment income of the fund is tax free, and benefits are tax free to members. There is very limited provision for the funding by additional contributions of past service (i.e. pre scheme service) benefits and the relatively low contribution rates mean that trust funds are normally established only by the larger employers.

There are no requirements to fund retirement benefits in Malaysia although there are now moves by the accounting profession for recognition of contractual retirement benefits in the company accounts. Most employers have written agreements with their trade unions which are renegotiated every three years, and these agreements invariably include a clause on retirement benefits. This quite often take the form of additional contributions to the EPF.

Expatriates

Expatriates employed in Malaysia can contract out of the EPF. The Inland Revenue Malaysia will give approval to private retirement plans providing benefits for expatriates and, if membership is restricted to them alone, all investment constrains are removed. The fund may be invested entirely off-shore.

5. Life Assurance

There are 18 life assurance companies in Malaysia. Only 40% of total life assurance premium are written by locally incorporated companies. No new life assurance licenses are likely to be granted by the government.

The mainstays of the life assurance business in Malaysia continue to be the traditional whole life and endowment policies. No unit linked policies are permitted by the authorities. The industry suffers from high lapse rates. Less than 10% of the population are insured and total life premium income amounts to only 2.5% of GNP.

Life insurance companies are taxed at corporate rate (35%) on investment income including capital gains. Commissions are not deductible and only a portion of management expenses are allowable. However, there is relief of 2% of the life fund in determining taxable income.

Actuarial valuation are required annually and must be completed on a basis as stringent as the 'minimum basis'.

6. Others Areas

One promising area for actuaries is in general insurance, initially in the area of claims provision. However, the scarcity of actuaries compounded with the lack of actuaries trained in general insurance could dampen progress in the involvement of actuaries this field.