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## NATIONAL REPORT FOR MALAYSIA

### The Profession

A qualified actuary for the purpose of certification under the Insurance Act is defined as a fellow of the Institute of Actuaries and Faculty of Actuaries in the United Kingdom and the Society of Actuaries in the United States. This has remained unchanged since the introduction of the Insurance Act in 1963.

A revised Insurance Act is expected to be introduced in Parliament later this year and it is widely expected that the definition of Actuary would be enlarged to include fellows of the Institute of Actuaries in Australia and the Society of Actuaries in Canada.

There are five life insurance and thirteen composite insurance companies in Malaysia. In addition, there are two Takaful operations. Takaful companies conduct the traditional life and general insurance business but on the Islamic basis. There is a separate Takaful Act for the purpose of regulating the Takaful Industry. There are forty-one companies writing general business only.

All life and Takaful (life division) operations are required to have Appointed Actuaries. In addition, there is a requirement that unless there are special circumstances, all life fund should have at least one in-house actuary (who may or may not also be the Appointed Actuary). Given the limited number of actuaries in Malaysia currently, there is expected to be a delay before this requirement is implemented in full.

The system of Appointed Actuaries is expected to be enhanced in the future with a requirement to prepare bonus reserves valuations (the statutory valuation is on a net premium basis) and eventually Dynamic Solvency Testing.

The members in the profession as at November 1995 are :

•	Fellows	:	18
•	Students	:	60
•	Others	:	25

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## Economic Overview

Malaysia has enjoyed tremendous economic growth over the last seven years and this has been achieved with relatively low inflation rates.

GDP growth together with CPI over the seven years were :

Year	GDP Growth (%)	CPI (%)
1995	9.6	3.5
1994	9.2	3.7
1993	8.3	3.6
1992	7.8	4.7
1991	8.7	4.7
1990	9.7	3.1
1989	8.7	2.8

The country currently enjoy full employment and this has put pressure on wages. Salary increases currently vary between 8% to 10% per annum.

Interest rates have crept up recently. Short term interest rates are now running between 6.5% to 7% per annum. The increase is partly due to monetary policy to stabilize the local currency which has been under speculative pressure due to a large current account deficit. This large current account deficit is expected to be temporary and is due to imports of capital goods necessary to implement the various infrastructure projects in Malaysia.

The Ringgit exchange rate is currently as follows :

- US\$1 : RM2.55
- ¥100 : RM2.41
- £1 : RM3.90

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## **Superannuation**

Superannuation in Malaysia continues to be overshadowed by the State Provident fund (the EPF). Employees are required to contribute at 11% of salaries while employer's contributions are fixed at 12% of salaries. Recently, the Government increased, for the second time, the tax deductible contribution limit for employers by 1% to 17% of salaries, whilst maintaining the statutory employer's EPF contribution rate at 12% of salaries. This signals the Government's commitment to encourage employers to supplement the statutory EPF contribution rates with private retirement plans.

In an effort to make Malaysia a fund management center for the region, it is expected that the government will take further steps to liberalize the significant funds already tied-up in the EPF (expected to reach RM100 billion in 1996).

## **Life Insurance**

In 1994, the taxation basis of life insurance funds was improved paving the way for better returns for policyholders. The new basis imposes a tax on investment income at 8% and a tax on that portion of surplus attributable to shareholders at the corporate rate (currently 30%).

In 1996, Bank Negara implemented guidelines controlling the maximum compensation payable to Agents together with guidelines on desired limits on management expenses. It is expected that smaller companies will benefit with the control placed on agency compensation. However, small companies will probably not be able to meet the limits placed on management expenses (which are expressed as a percentage of premium income).

Bank Negara expects all life insurance companies to pass on the benefit of the new tax basis and Agency remuneration structure to the policyholders.

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## **General Insurance**

Actuaries involvement in the life insurance industry is currently restricted to determining IBNRs. It is not required for an actuary to certify the IBNRs but where the amount involved is large, actuaries are usually engaged to give an opinion on the appropriate IBNR.

The recently introduced statutory reporting format for claims progression is very extensive and it is expected that in three to four years sufficient data would have been collected to enable actuaries to give a good estimate of IBNRs.

## **Health Insurance**

The Government is still grappling on the question of whether there is a need to revamp the existing healthcare delivery system. In the meantime, private hospitals are booming and many new ones are being planned.

Due to the resistance from some doctors to the recent establishment of HMO's, the Government has recently introduced guidelines for HMO's and doctors participating in HMO's. There are currently three HMO's operating in Malaysia.

## **Conclusion**

Public awareness of the work of actuaries is still very limited. However, judging by the greater number of Malaysian students pursuing the actuarial course, it is expected that a greater number of actuaries will qualify in the near future. Following this, public awareness of the profession could only improve.