

Malaysian Takaful Association

Four decades of Takaful trust
Safeguarding the future together



Shape the future
with confidence

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Message from MTA Chairman

Over the last four decades, Malaysia's Takaful industry has grown at a remarkable pace, more than doubling its asset base of just RM23 billion in 2014 to nearly RM55.6 billion today. Recently, the industry has also witnessed growing engagement and demand of Takaful products by the Malaysian market, evidenced by the rise of Takaful penetration rate to 19.5% in 2023.

Takaful's strong growth performance is a sum of the collective dynamics of market participants, including Takaful companies, agents, consumers, and its responsive regulatory infrastructure. In addition, the Takaful industry has continued to show resilience and positive growth, demonstrated by CAGR of 49.8% for zakat payments by Takaful operators and 22.6% of participant surplus sharing for the last 10 years.

A key highlight of the Takaful industry's progress this decade is the accelerated adoption of digital solutions post COVID-19 which has provided significant ease and convenience for Takaful customers in their financial planning journey.

Malaysia's Takaful industry's strong and dynamic growth continues to be well-supported by the Value-based Intermediation for Takaful (VBIT) Framework as well as the Financial Sector Blueprint (FSB) 2022-2026. In addition, the Malaysia International Islamic Financial Centre (MIFC) has played a vital role in driving Malaysia's Islamic finance industry and strengthening the Takaful ecosystem.

Our sincere and grateful thanks to all participants who have contributed and shaped Malaysia's Takaful industry to be a solid and competitive industry today.

We hope that the years ahead will see greater collaborations between Takaful players and relevant public and private organisations to steer the Takaful industry to new heights!



Elmie Aman Najas

Chairman,
Malaysian Takaful Association

Message from MTA CEO

As we celebrate 40 years of the Takaful industry's remarkable journey, our focus is firmly set in bolstering the development of Takaful strategic initiatives for brighter prospects of the future Takaful landscape.

In particular, our transition from MTA Reform Plan Islah23 to Hijrah27 Industry Roadmap for Growth marks a significant milestone of the Takaful industry development. Hijrah27 aims to innovate and turn Takaful into a household name and accelerate quality growth in Malaysia, which will not only support MIFC aspirations but other past strategies in navigating the industry development. This industry roadmap for growth will also guide our next steps focusing on digitalisation, product innovation, and financial inclusion to ensure the Takaful industry continues to thrive and serve the diverse needs of our community.

To reflect on the last four decade's achievements and look forward to the future, it is our pleasure to share the pivotal achievements and impactful initiatives of the Takaful industry through the MTA 40th Anniversary Report. The 40th Anniversary Report underscores our commitment to visibility in paving the way to a promising future of Takaful industry through value creation for the industry, society, and nation.

As we look forward to celebrating the 40th milestone together, we wish to express our sincere gratitude to Bank Negara Malaysia (BNM), all Takaful operators and agents, partners, and staffs within the industry including Majlis Agama Islam, Jabatan Agama Islam, universities, Islamic Learning Institutions, Islamic Banking & Finance Institute Malaysia (IBFIM), Chartered Institute of Islamic Finance Professionals (CIIF), Association of Shariah Advisors in Islamic Finance Malaysia (ASAS) as well as Life Insurance Association of Malaysia (LIAM) and Persatuan Insurans Am Malaysia (PIAM) for their utmost contribution and commitment in shaping the Takaful industry to what it is today.



Mohd Radzuan Mohamed
CEO,
Malaysian Takaful Association

Joint foreword: Sector leaders

As Malaysia advances into the next decade, we can confidently reflect on the commendable 10.5% double-digit Takaful growth of asset base in the last decade. If anything, the success of the Takaful's industry is attributed to Malaysia's dynamic, diverse and well-regulated Islamic finance sector which has propelled Takaful operators, agents, supporting industry groups and customers to participate cohesively and close the protection gap, particularly for the underserved and unserved market segments.

With Malaysia's dynamic economic growth prospects and sizeable population of over 34 million, the Takaful industry is in prime position to elevate its industry growth performance and accelerate its product and service innovations. Over the recent decade, despite the COVID-19 global pandemic, Takaful's steady and significant growth could not have been achieved without sound Malaysia Takaful's governance led by BNM's regulatory supervision and standard setters' industry guidelines such as the FSB 2022-2026 and the Risk Management in Technology (RMiT).

More recently, MFRS 17 - Insurance Contracts which takes into effect since January 2023, sets the Takaful industry to a higher standard, fostering increased transparency, comparability, and accountability through enhanced reporting requirements. In addition, the accelerating demands for transparent financial reporting and the implementation of a range of current and new accounting standards require organisations to fast track digitally-driven finance transformation to optimise reporting efficiencies.

As the Takaful industry progresses with the continued adoption of innovative technologies and adaptation to climate change, it is integral for Takaful operators to step up their operational efficiencies, explore new market opportunities and flex their agility in managing evolving risks to ensure business continuity and remain relevant and resilient.

We look forward to continue supporting Takaful's industry steadfast growth and seamless transition into the next exciting digital decade of transformation.

CONGRATULATIONS to the Takaful industry on achieving 40 years successfully!



Brandon Bruce Sta Maria
Asean and Malaysia
Insurance Sector Leader,
Ernst & Young PLT



Ahmad Hammami Muhyidin
Malaysia Takaful Leader,
Ernst & Young PLT

Malaysia's Takaful industry performances

Takaful performance: At a glance



10.6% CAGR
(2013-2023)
Takaful growth



19.5% (2023)
Family Takaful
penetration rate



RM55.6b
Takaful funds
assets



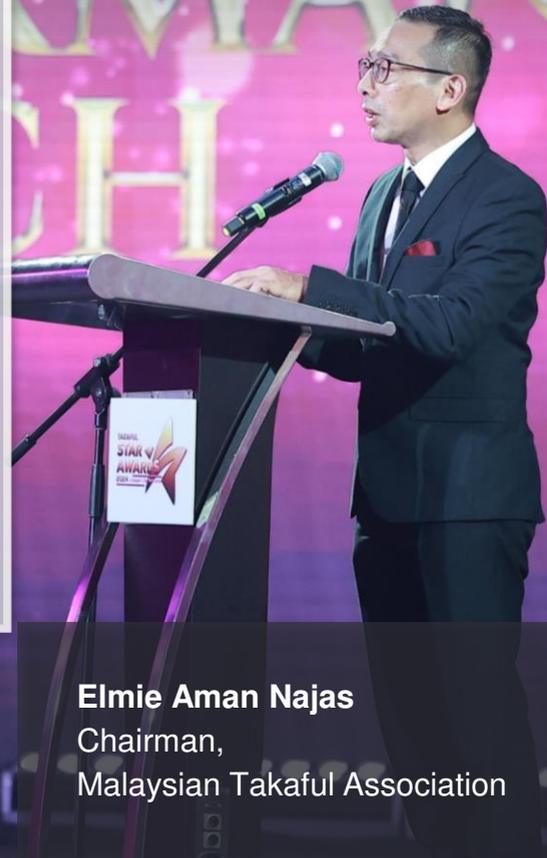
49.8% CAGR
(2013-2023)
Zakat payable by
Takaful operators



22.6% CAGR
(2013-2023)
Surplus sharing to
participants



15.8% CAGR
(2018-2023)
Total net certificate
benefits



Elmie Aman Najas
Chairman,
Malaysian Takaful Association

Takaful in trends, 2021-2024

Increasing search interest on Takaful

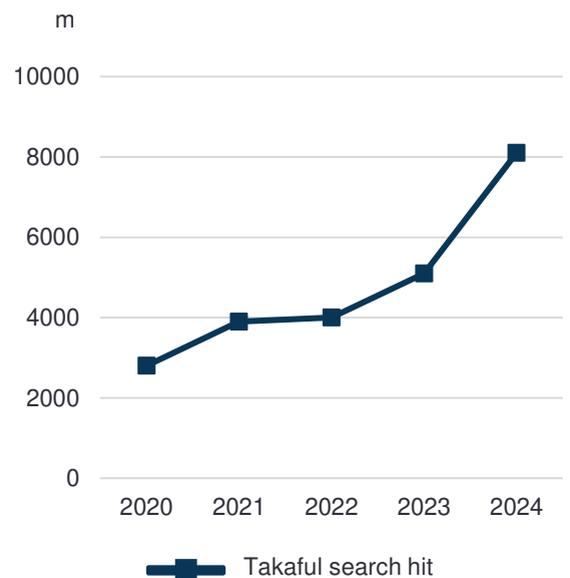


Malaysian search interest related to Takaful vs insurance has shown a **favourable incline towards Takaful**, notably for the past two years.

Top five highest region search interest on Takaful

- | | |
|-------------------|-------------------------------|
| 1 Malaysia | 4 Bahrain |
| 2 Brunei | 5 United Arab Emirates |
| 3 Maldives | |

Google trends Takaful





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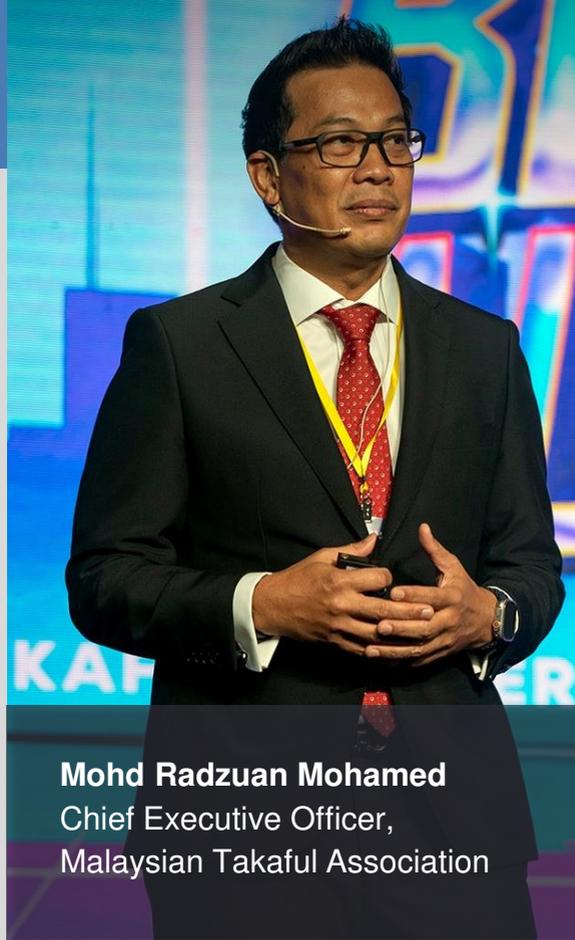
The growth of the Takaful industry is more than just a financial milestone—it represents a profound commitment to providing ethical, *Shariah*-compliant solutions that ensure the financial well-being of individuals, families, and businesses.

”

Tan Sri Azman Mokhtar

Chairman, Malaysia International Islamic Financial Centre (MIFC)

Malaysia's Takaful industry achievements



Mohd Radzuan Mohamed
Chief Executive Officer,
Malaysian Takaful Association

Takaful visibility 2021-2024: At a glance

Reach



99 on ground events



62 webinar



12 industry conferences



24 others

Audience demographics by gender

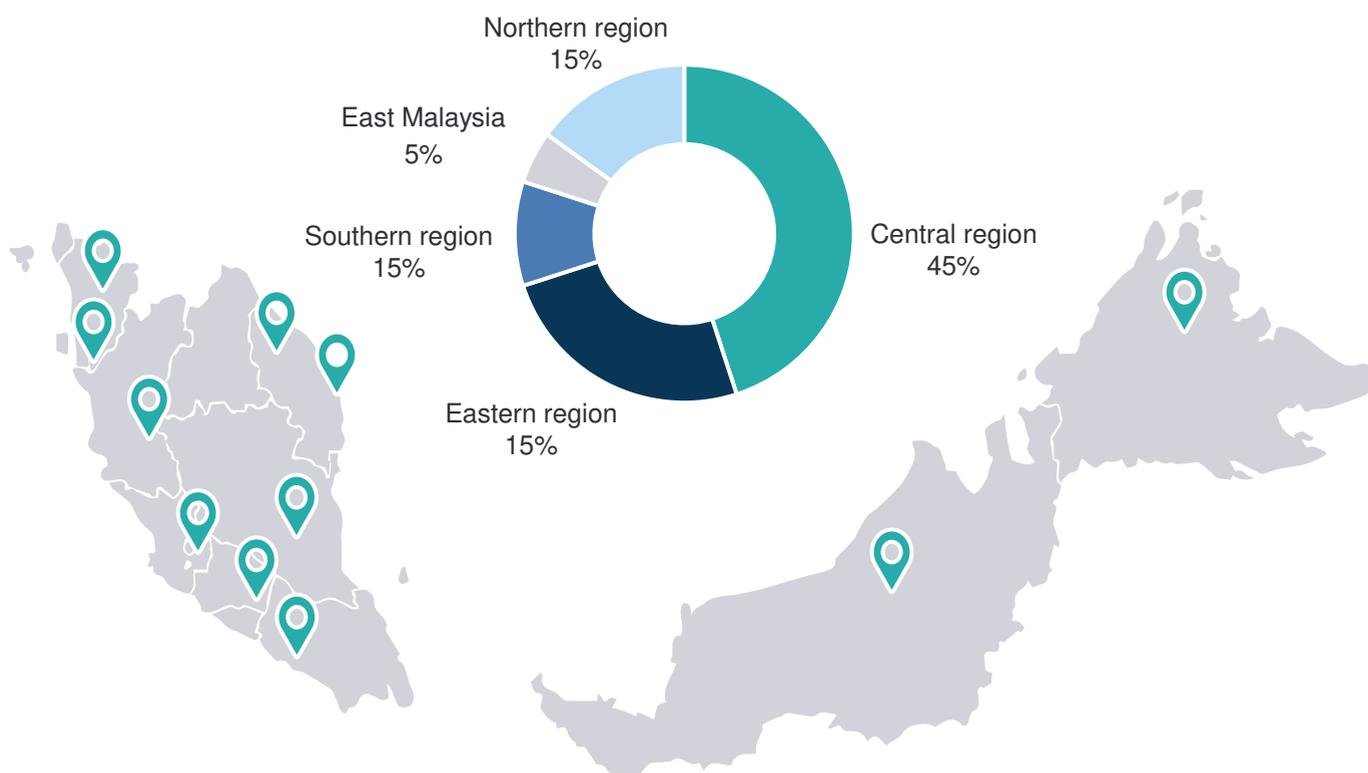


54%



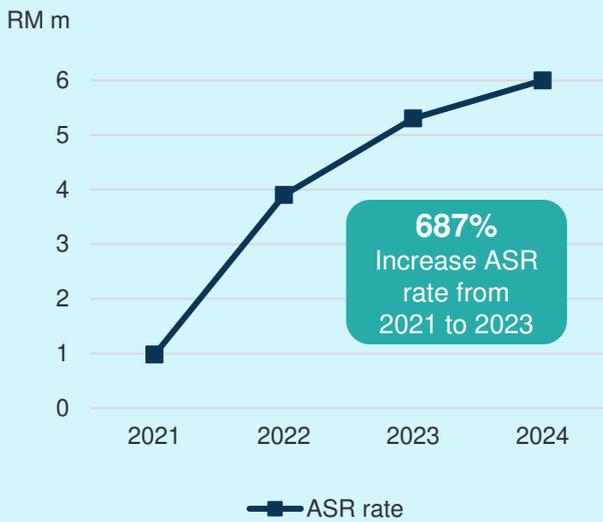
46%

Takaful visibility across Malaysia



Takaful visibility engagement, 2021-2024

Media engagement and advertisement sales rate



Key impacts of ASR to Takaful visibility

- Increased reach and awareness
- Reaching new audiences
- Trust building and credibility
- Support for government and industry initiatives

Webinar engagement

Reach



27,147
watched
webinar online



2016
engagement



64 webinars
conducted

Audience demographics



57%



43%

Top performing webinar



**Takaful Hi-5 series
– Winner TSA**
5.8k reach



**Sembang Santai
Takaful**
2.8k reach

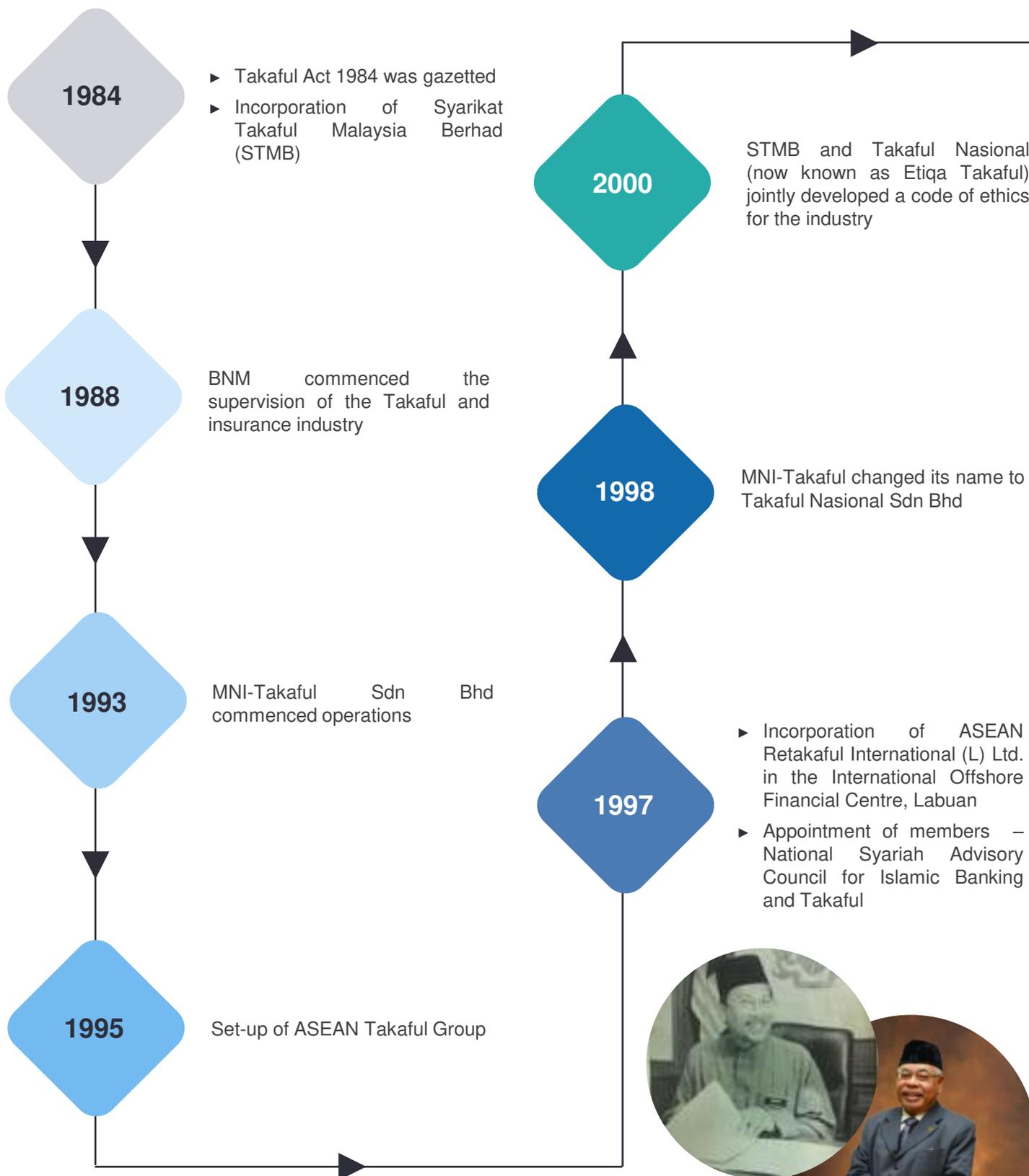


**MTA Sustainability
Webinar**
2.2k reach

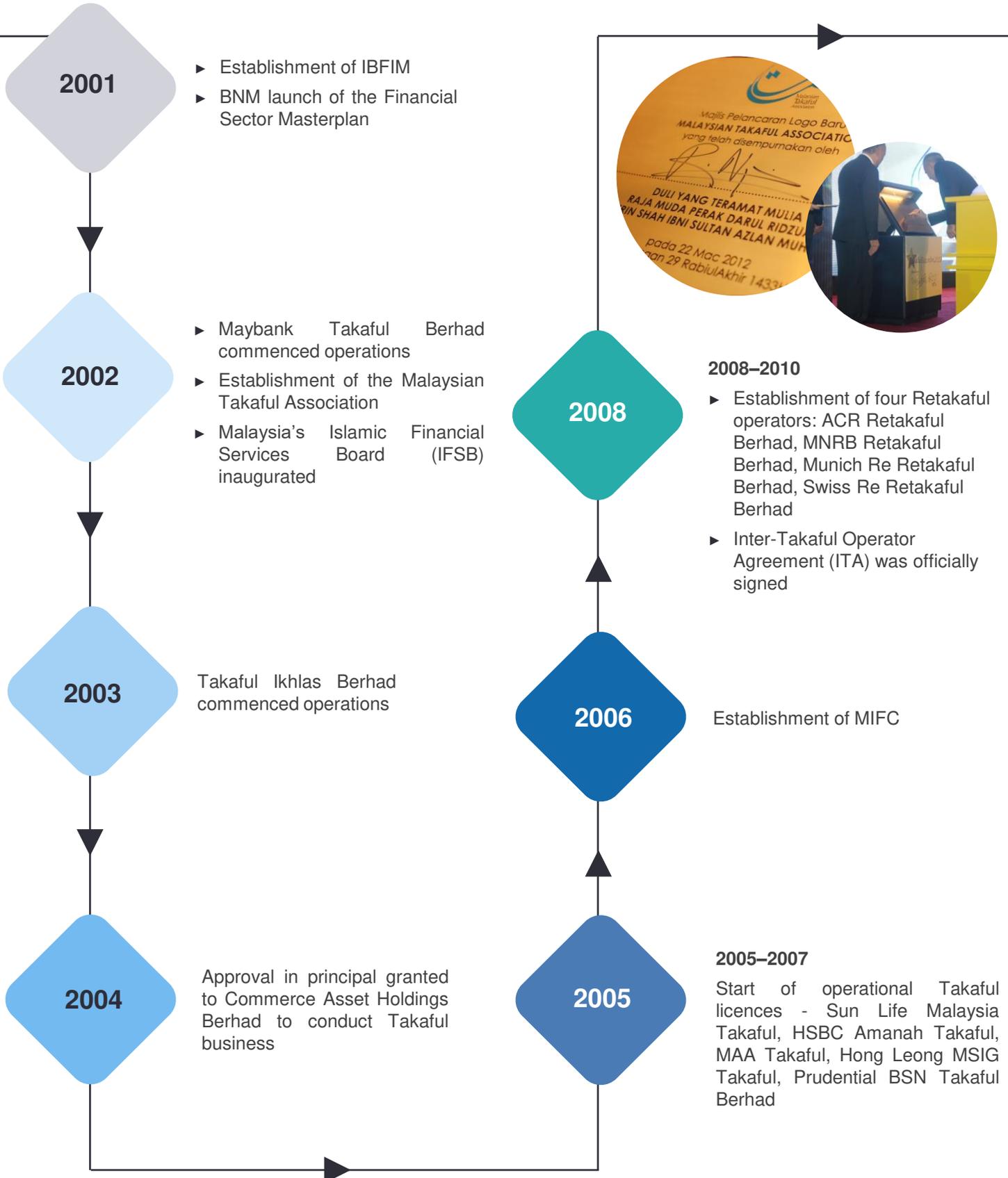


**Tazkirah
Ramadhan Series**
1.5k reach

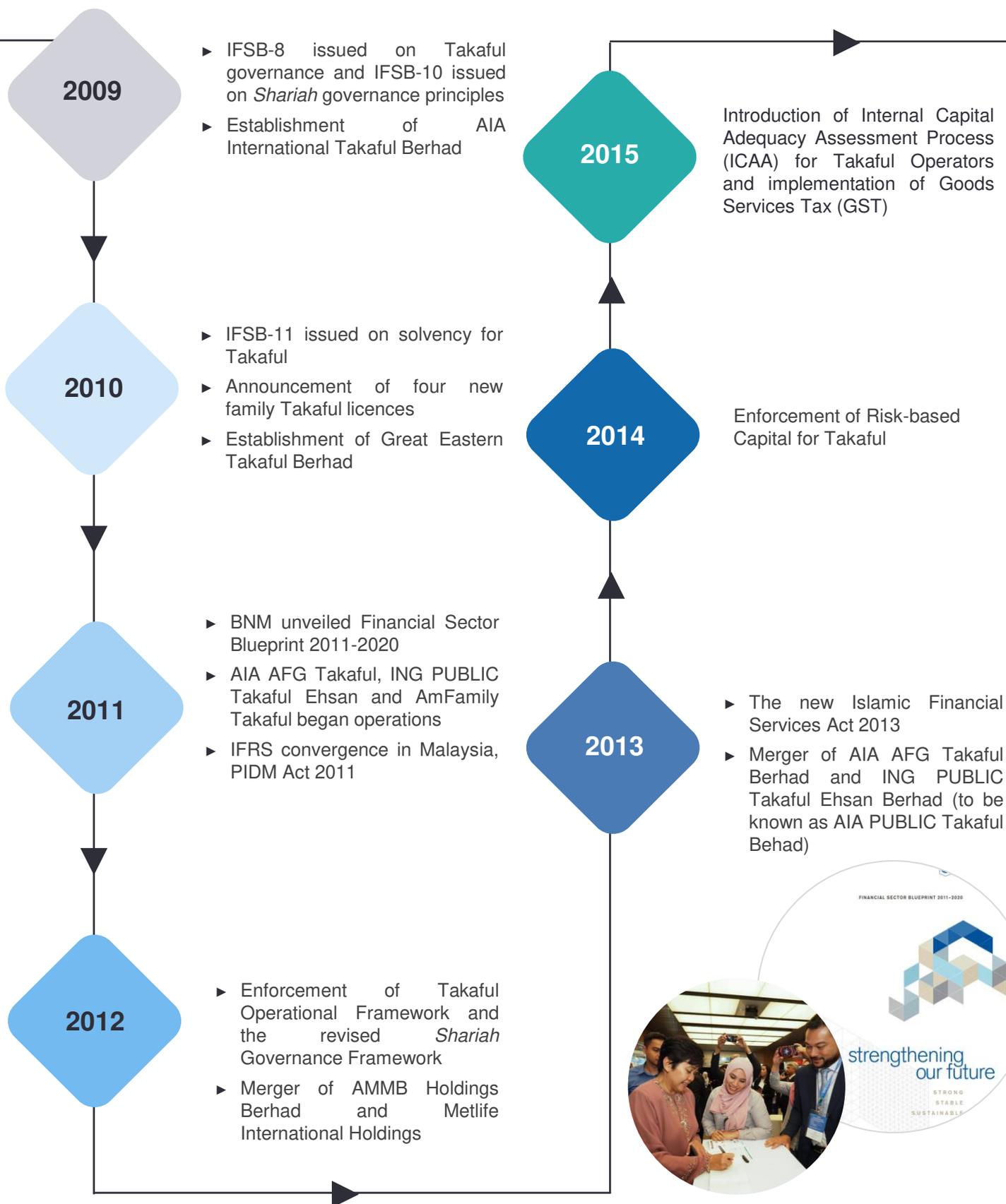
Key milestones: Malaysia's Takaful industry



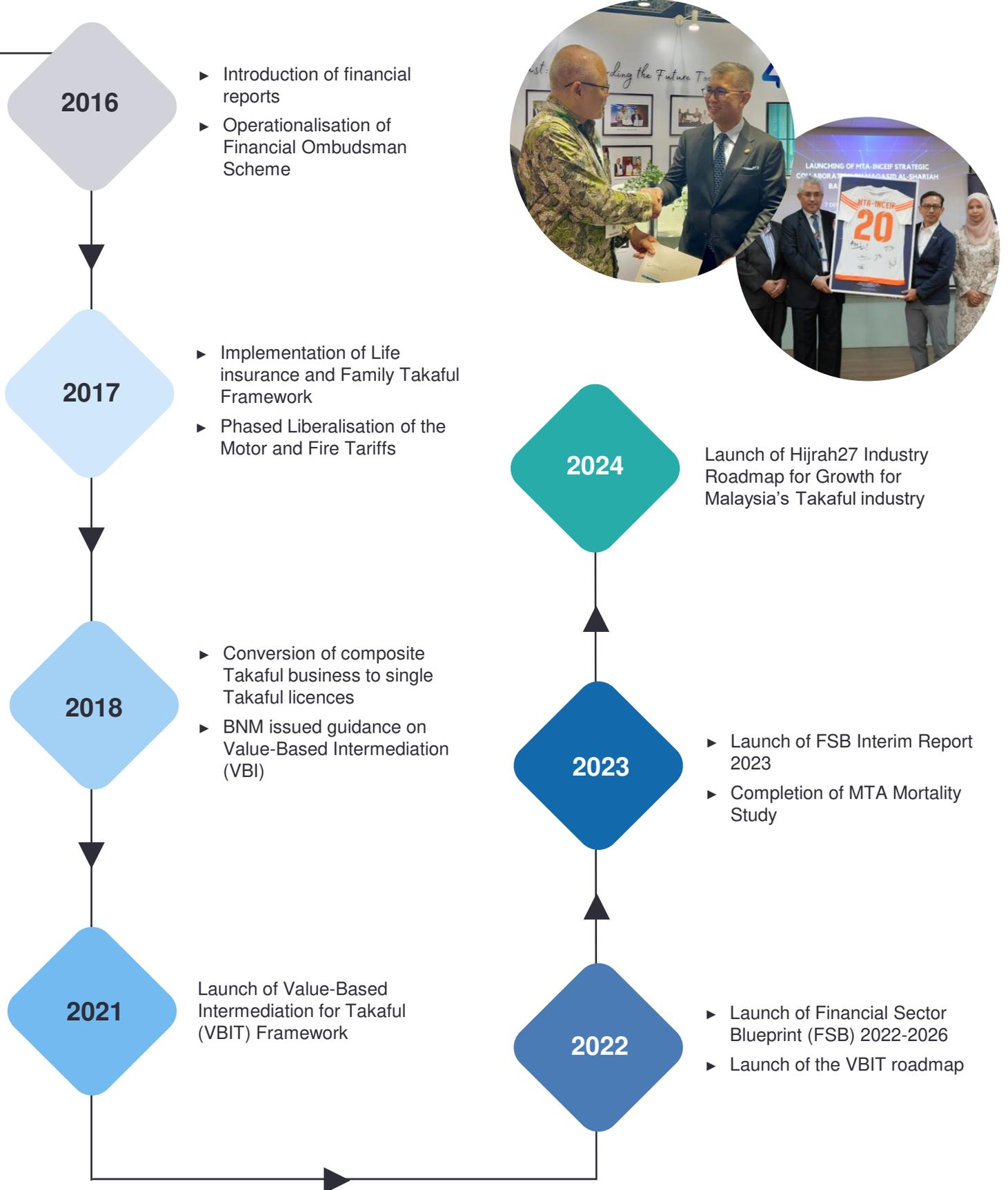
Key milestones: Malaysia's Takaful industry (cont'd)



Key milestones: Malaysia's Takaful industry (cont'd)



Key milestones: Malaysia's Takaful industry (cont'd)



Celebrating Takaful's journey



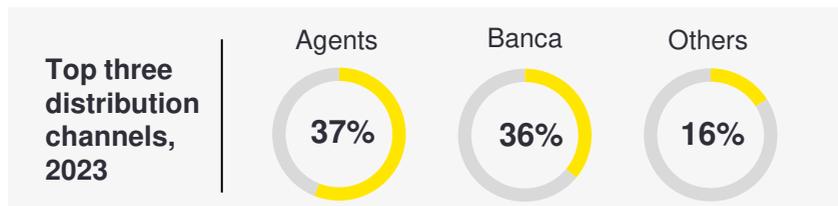
Digital distribution channels



Going forward, the digitalisation trend of distribution channels introduced in this decade will continue to be a formidable force in the Takaful industry. In particular, the Takaful industry has seen an acceleration in the deployment of digital solutions post COVID-19 pandemic, providing ease and convenience for the *rakyat* in their financial planning journey.

Since the launch of the Policy Document on Direct Distribution Channels for Pure Protection Products in September 2018, the Takaful industry has introduced a variety of products accessible through online platforms and branch walk-ins at Takaful operators nationwide including some government's initiatives such as:

- ▶ **EPF *i-Lindung*** (launched in 2022): The Employees Provident Fund (EPF) launched the *i-Lindung* platform under the Members Protection Plan to facilitate the purchase of Takaful products consisting of critical illness protection at affordable contributions from Account 2.
- ▶ ***Perlindungan Tenang* Voucher Programme** (2021-2022): Government initiative under Budget 2021 and 2022 offering financial aid scheme to assist in purchasing *Perlindungan Tenang* products.
- ▶ **Race for Cover Towards Takaful campaign** (Launched in 2020): Encourage member companies to develop more microTakaful, online, critical illness (CI), and other products for the market in increasing awareness of Takaful among Malaysians.
- ▶ ***mySalam* B40 Takaful Protection Scheme** (launched in 2019): Offer free Takaful protection scheme to the B40 community, which includes hospitalisation and critical illness benefits.



Source: *ISM Statistical Yearbook*, Insurance Services Malaysia Berhad (ISM), 2023

Agents' professionalism

Licensed insurers and Takaful operators' (ITOs) agents remain as the key distribution channel for Takaful and insurance products. Over the years, agents' professionalism in the Takaful industry has continued to improve, guided by a number of frameworks and professional development initiatives such as:

- ▶ BNM's Professionalism of Insurance and Takaful Agents (PITA) 2023 Framework
- ▶ BNM's Life Insurance and Family Takaful Framework (LIFE) 2015
- ▶ MTA electronic learning platform (e-LMS)
- ▶ The Takaful Leaders and Agents Summit (TLAS)

These initiatives do not only enhance the skills and knowledge of Takaful and insurance agents but also the level of professionalism and integrity as they play a significant role in providing sound advice to the customers and public as a whole on the Takaful industry.

Sources:

- ▶ *Malaysian Takaful Association (MTA) Annual Report*, Malaysian Takaful Association, 2023
- ▶ *Malaysia Insurance and Takaful Customer Satisfaction Survey*, Malaysian Takaful Association, 2022
- ▶ *Professionalism of Insurance and Takaful Agents*, Bank Negara Malaysia, 2023



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The Takaful and insurance sector is at a pivotal point, facing evolving trends and emerging risks. We must keep up with these trends, capitalise on technology, and innovate to close critical protection gaps.

”

Dato' Seri Abdul Rasheed Ghaffour

BNM Governor

Launch of the Malaysian Insurance Institute Brand Refresh, 18 September 2024

Celebrating Takaful's journey (cont'd)

Strategic direction

Collectively, the VBIT, FSB and MIFC Leadership Council (MLC) play significant roles in setting a strategic direction for the development of Malaysia's Takaful industry. In particular, the Malaysia's Islamic finance marketplace, served by the MIFC Community, was founded on the launch of the MIFC initiative in 2006. By fostering an environment of innovation, excellence, and integrity, the MIFC is positioning Takaful as a critical component in driving the growth and resilience of the overall Islamic financial ecosystem.

In addition, the MLC, was established in 2022 to spearhead the next phase of growth for Islamic finance in Malaysia by guiding and aligning its efforts with national strategic development plans and blueprints.

The Takaful industry's key focus of 2024 is the MIFC Leadership Council Position Paper, which is strategically paving the way to strengthen the Takaful industry.

Reporting requirements

The Takaful industry is well-guided by sound industry governance and reporting requirements such as the Risk Management in Technology (RMiT) and MFRS 17 - Insurance Contracts. The RMiT sets out BNM's requirement in strengthening financial institutions' management of technology risk, which came into effect on 1 January 2020.

Aligned with the IFRS 17 - Insurance Contracts published and revised by the IASB, the Malaysian Accounting Standards Board (MASB) introduced MFRS 17 - Insurance Contracts, which is effective for fiscal years starting on or after January 1, 2023.

Following the release of MFRS 17, the MASB Standing Committee on Islamic Financial Reporting has recommended revisiting the previous agreement of MFRS 4, which MASB adopted in 2008 that is applicable to Takaful agreements. The MASB has determined that Takaful is covered by MFRS 17, in line with the standard's relevance to mutual organisations that accumulate risk in a separate fund from the policyholders of the mutual entity.

In supporting the implementation of MFRS 17, MTA collaborated with EY in conducting industry trainings, forums, guidance notes as well as issuing illustrative financial statements prepared in accordance with MFRS 17 for Takaful companies.



Sources:

- ▶ Malaysia International Islamic Financial Centre (MIFC) website, 2024
- ▶ Issues Bulletin 1: MFRS 17 Insurance Contracts, Malaysian Accounting Standards Board (MASB), 2020
- ▶ Issues Bulletin 2: Columnar Presentation of Takaful Funds in Takaful Entity Financial Statements, MASB, 2020
- ▶ Issues Bulletin 3: Reporting Qard in the Takaful Fund Column within Takaful Entity Financial Statements, MASB, 2021

Celebrating Takaful's journey (cont'd)

Enhancement of TBE



2012

Prior to 2012, Takaful agents are required to take the Pre-contract Examination for Insurance Agents (PCEIA) organised by the Malaysian Institute of Insurance (MII).

2012-2020

From 2012-2020, Takaful agents are then required to take the TBE with IBFIM.

2019

On 27 August 2019, candidates are able to download the Mandarin version of TBE textbook upon registration for the TBE and are able to sit for the TBE in Mandarin at any of the 21 Open University Malaysia (OUM) branches nationwide.

2020-2022

Starting from October 2020, MTA fully organises the TBE where the examination transitioned to fully digital.

2022

MTA fully administers the TBE including the examination proctoring.

2023

MTA revised the TBE textbook.

Initiatives

MTA has implemented the following initiatives to increase the number of candidates taking the TBE:



Partnership with three universities to incorporate TBE as part of the syllabus and coursework.



Promotions and offers starting 9 September 2024.



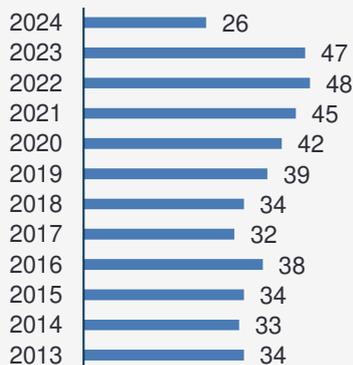
Participated in universities career day and open day events.



Launched e-LMS, an electronic learning platform for agents to enhance their knowledge in the field.

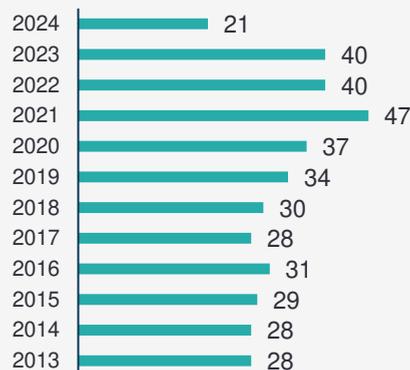
1. Number of registered candidates

No. of people ('000)



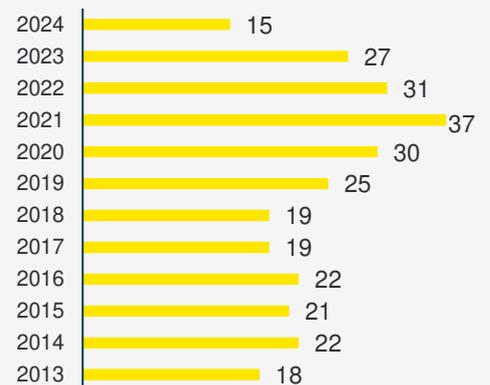
2. Number of candidates who sat for the exam

No. of people ('000)

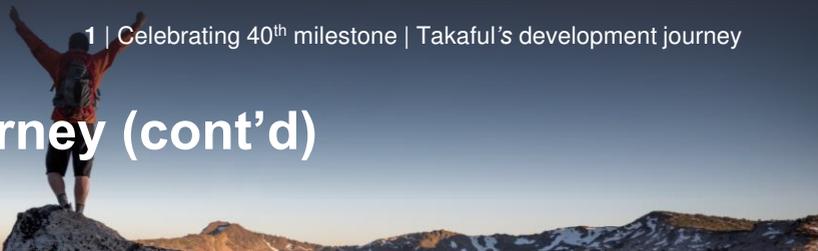


3. Number of candidates who passed the exam

No. of people ('000)



Celebrating Takaful's journey (cont'd)



Products by Takaful industry

Perlindungan Tenang



In July 2021, BNM produced the *Perlindungan Tenang* Policy Document, which is mandatory to all licensed Takaful operators and insurers, with objective to provide coverage or solutions for the unserved and underserved segments. The document specifies that the products provided must comply with the five fundamental principles of the *Perlindungan Tenang* Framework which are:

- ▶ Affordable
- ▶ Easily accessible to the target segments
- ▶ Provide good protection value
- ▶ Easy to understand
- ▶ Easy to purchase, make nominations and make claims

Further, Takaful providers offer diverse family protection plans with coverage up to RM80,000, encompassing death, disability, accidental medical costs, hospital stays, critical illnesses, funeral costs, and *khairat kematian* or *badal haji*, starting at RM25 yearly. The plans offered include:

- ▶ AIA i-Starter Plan
- ▶ BSN Takaful Sakinah
- ▶ Etiqa MyRumah Takaful
- ▶ Etiqa POS Tenang
- ▶ FWD Kasih
- ▶ Great Eastern MikroSayang
- ▶ HLM Takaful Tenang and Tenang 75
- ▶ IKHLAS Perlindungan Tenang
- ▶ PruBSN Lindungi
- ▶ Takaful myTenang Care
- ▶ Zurich Z-Prihatin Takaful

<i>Perlindungan Tenang</i> , 2023	No. of certificate for family Takaful	Annualised contribution for family Takaful	Annualised contribution for general Takaful
	301,940	RM23.6m	RM9,056

Promotional initiatives

<p>On ground activities</p> <ul style="list-style-type: none"> ▶ <i>Hari Bersama Pelanggan</i> ▶ Roadshow initiated by the association ▶ Collaboration with universities ▶ On ground activities by direct marketing team 	<p>Engagement with gig economy</p> <p>Partnering up with gig economy platforms</p>	<p>Engagement with third parties</p> <ul style="list-style-type: none"> ▶ Collaboration with digital banks ▶ Worksite marketing with banks and various agencies 	<p>Enhancement of product and special discount promo</p> <ul style="list-style-type: none"> ▶ 10% discount ▶ RM20 e-wallet credit 	<p>Social media advertising</p> <ul style="list-style-type: none"> ▶ Online advertising e.g., Google and Facebook ▶ Introducing customer campaign to raise awareness for sales and renewal
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Source: *Interim Report for Takaful FSB Programme*, Malaysian Takaful Association, 2023

Celebrating Takaful's journey (cont'd)

Protection by Takaful industry

MyCoverage

Under the LIFE Framework initiative, MTA and LIAM collaborated on the development of an industry financial education website named MyCoverage. The website (available to public since 2019), provides information about life insurance and family Takaful products as well as *Perlindungan Tenang* products.

i-BR1M

- ▶ MTA took centre stage in coordinating and executing the Malaysian government's *Bantuan Rakyat 1 Malaysia* (BR1M) programme that came with Takaful protection (i-BR1M) to certain categories of recipients.
- ▶ The Ministry of Finance appointed and tasked 10 Takaful operators to execute and manage the program by introducing the benefits of Takaful protection to nearly four million BR1M recipients (around 56.6% of the total BR1M recipients of close to 7 million).
- ▶ The i-BR1M launch took place on 22 February 2014.



Source: MTA Annual Reports, Malaysian Takaful Association, 2014 and 2019

Malaysia: Major events impacting Takaful and insurance industry

Natural disasters

- ▶ Access to financial services e.g., credit, insurance, and Takaful is crucial for SMEs to bolster resilience against floods, yet it remains a significant challenge in Malaysia.
- ▶ The 2021 floods led to the Takaful industry's highest claims of RM2.2 billion, highlighting a critical underinsurance issue, as only 16% of vehicles in flood-prone areas had flood damage coverage, according to BNM.
- ▶ In 2023, MTA supported flood victims, particularly in Johor, through their 'Takaful-4-All' campaign, which includes expedited claims, essential item collection, and on ground assistance.

Key environmental risks

The Takaful and insurance industry plays an important role in ensuring the successful transition to a low carbon economy and mitigating the impact of climate change.

Two main ESG-related risks include:

- ▶ **Physical:** Extreme weather and health hazards due to pollution or diseases when underwriting Takaful and insurance for company assets affected by climate change.
- ▶ **Transitional:** ITOs face reputational risks by insuring or investing in polluting industries, as it may appear they are not contributing to climate change mitigation and adaptation efforts.

COVID-19

The Takaful market in Malaysia is outpacing traditional insurance despite the global financial challenges posed by COVID-19. A 2022 PIDM survey revealed that the pandemic raised health risk awareness, leading higher-income individuals to increase their insurance coverage. However, the economic strain caused more lower-income individuals to contemplate or enact insurance surrender or reduction, a trend not as prevalent among the financially steadier higher-income group.

Sources:

- ▶ *Bracing for Climate Realities: How ESG is Influencing Insurers' Strategies in Malaysia*, Bursa Malaysia, 2023
- ▶ *Managing Flood Risks, Leveraging Finance for Business Resilience in Malaysia*, World Bank, Bank Negara Malaysia, March 2024
- ▶ *Why don't urban millennials insure?: Encouraging Malaysian Financial Resilience*, Perbadanan Insurans Deposit Malaysia (PIDM), 2022
- ▶ EY analysis





Adnan Zaylani Mohamad Zahid,
Deputy Governor, Bank Negara Malaysia

Islamic Finance news

REDmoney

Islamic Finance news

IFN ASIA
FORUM
2024

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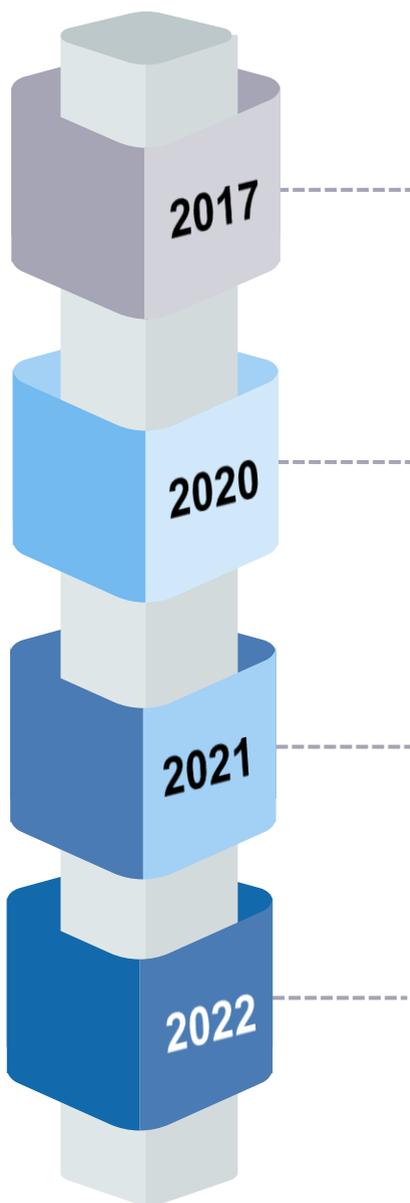
Since the introduction of the Value-based Intermediation for Takaful (VBIT) framework in 2022, the Takaful industry has shifted towards value-driven growth, prioritising empathy and inclusivity in financial protection.

Adnan Zaylani
BNM Deputy Governor
IFN Asia Forum 2024, 25 September 2024

”

Malaysia Takaful: Contributing to the community

In the past four decades, the Takaful industry has been committed in building relationships with the community aligned with the VBIT initiatives as follows:



Perlindungan Tenang

Launched by BNM to expand the availability of quality Takaful and insurance solutions to meet the needs of the unserved and underserved segments.

CleanWater Project (2017-present)

Sustainability initiative to support water sanitation projects in rural areas ensuring access to clean water for communities and promote social well-being.

Financial Literacy Month (FLM) (2020-present)

Organised by Financial Education Network (FEN) to enhance consumers' awareness on key financial issues and improve financial literacy through a number of programmes such as roadshows and webinars.

COVID-19 Test Fund (MyCTF)

Subsidised the costs of the COVID-19 test for policyholders who are most at risk including healthcare frontliners.

Sharing Session on Climate change and the Role of Joint committee on climate change (JC3)

Focused on the importance of climate change and how Takaful can become the enabler to support the climate change sustainability agenda.

Fund4Cause Program

A voluntary contribution platform that enables member firms to support MTA-endorsed causes, which has achieved the VBIT and the FSB 2022-2026 objectives through innovative funding mechanism such as the VBIT Development Fund, Social Takaful Fund, Industry Capacity Building Fund and the Takaful Branding Fund.



Sources:

- ▶ MTA Annual Reports, Malaysian Takaful Association, 2017-2024
- ▶ Bank Negara Malaysia Annual Report, Bank Negara Malaysia, 2023

Malaysia Takaful: Contributing to the community (cont'd)

Takaful Financial Literacy Programme

- ▶ Takaful Masuk Kampung (2022-present): To increase the local community's awareness on the importance and responsibility of financial planning as well as Takaful protection.
- ▶ Financial Industry Collective Outreach (FINCO): MTA organised a career fair in collaboration with FINCO to raise awareness on financial literacy among public and secondary school students.

Plant 1,000 trees in 3 years (2022-present)

Sustainability initiative to preserve nature and combat climate change

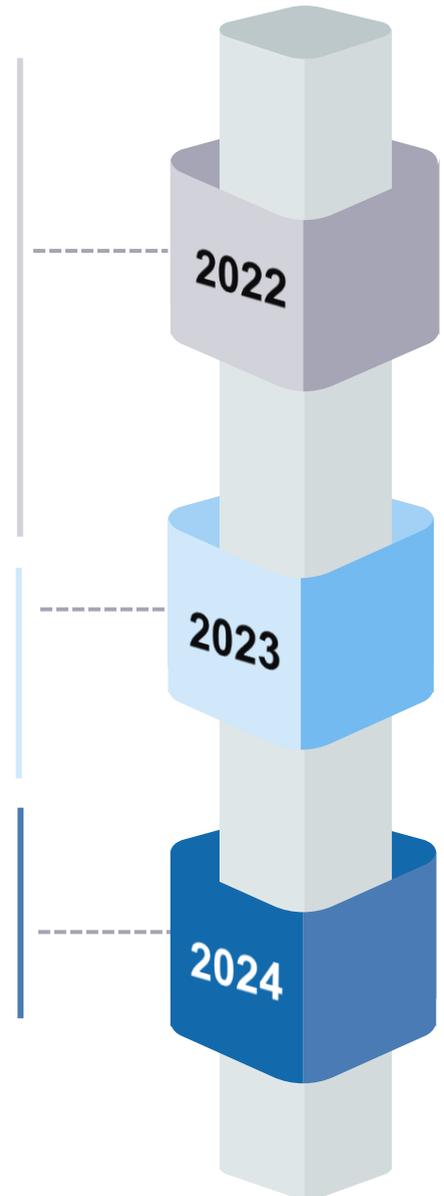
- ▶ Planted 500 trees at *Sungai Chua* Recreational Park and *Kampung Sijangkang* Recreational Mangrove Forest.
- ▶ Planted 1,000 trees at *Hutan Simpan Kapar Tambahan*.

Takaful4All

Enhanced public awareness regarding the concept and benefits of Takaful and promote financial literacy.

Takaful Post-Retirement Medical Cover Project

Provide comprehensive medical coverage for retirees, ensuring financial security and access to necessary healthcare services post-retirement.



Source: MTA Annual Reports, Malaysian Takaful Association, 2022-2024



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Evolving landscape

- ▶ Economic outlook
- ▶ Industry size and growth trends
- ▶ Emerging trends
- ▶ Regulatory frameworks and reforms

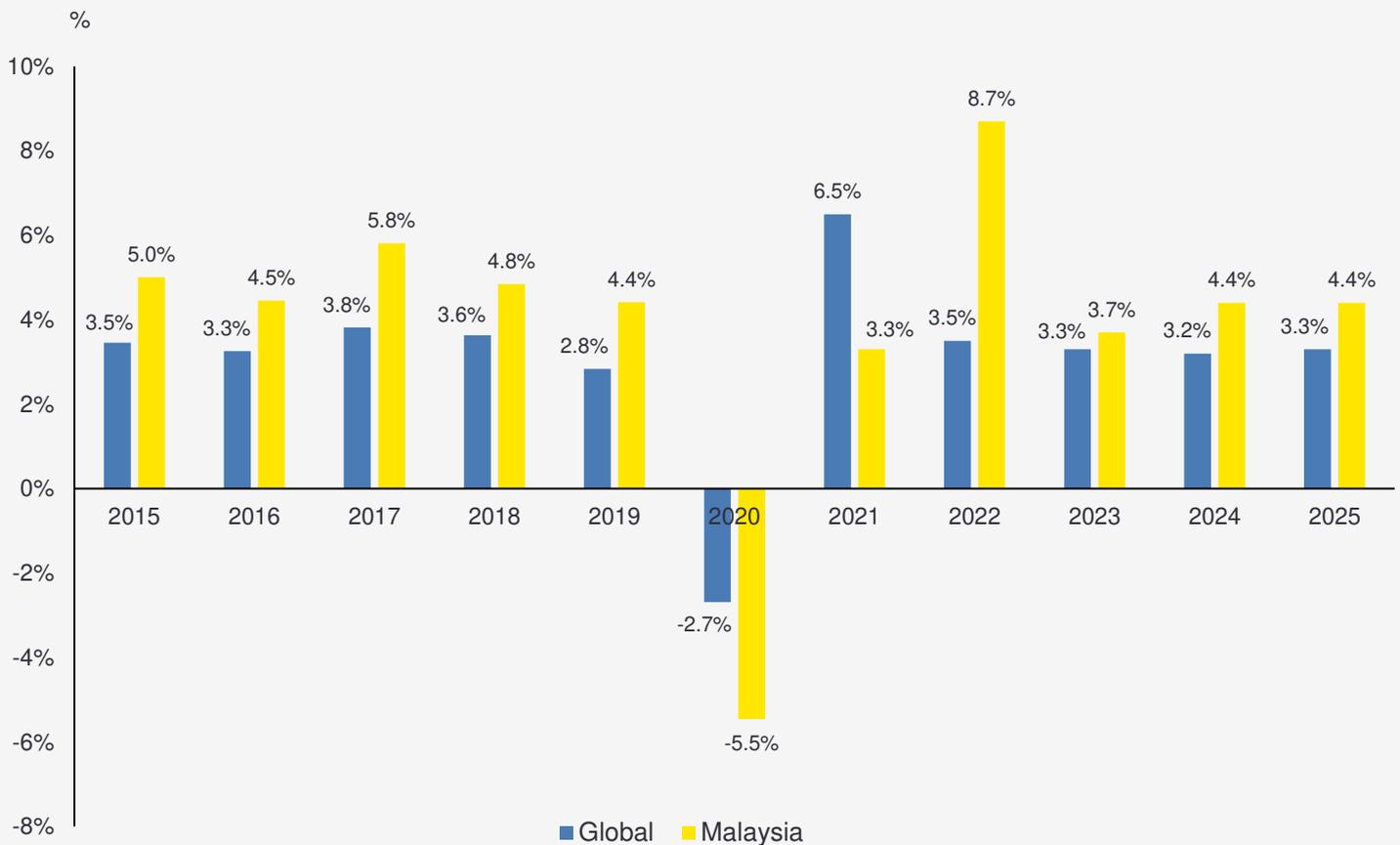
Economic outlook: Global and Malaysia

Steady global growth sets a positive outlook for the insurance industry

The global economy is projected to grow steadily at 3.2% over 2024 to 2025, with a slight uptick in advanced economies and a minor deceleration in emerging markets.

Malaysia's economy is expected to grow moderately by 4.4% over 2024 to 2025 supported by, a strong recovery of electrical and electronics (E&E) exports, private spending and investment, inbound tourism activity, and the strengthening of the ringgit.

Chart 1: Real GDP Global and Malaysia, 2015-2025F (year-on-year % change)



Sources:

- ▶ *International Monetary Fund (IMF), 2024*
- ▶ *Economic and Financial Developments in Malaysia in the Second Quarter of 2024, Bank Negara Malaysia, 2024*

Global Takaful

GCC and Malaysia drive global Takaful industry

Global Takaful contributions are estimated to have grown by 6.5% in Q3 2023, reaching US\$24.1 billion. This was significantly contributed by strong growth (21%) in the general Takaful segment during the period. The growth shows a major risk reassessment, especially in retail and some commercial areas with high claims and inflation.

The expansion trends were primarily fuelled by significant increases in the motor, health, and property sectors within the Gulf Cooperation Council (GCC) area, and to a lesser extent, the East Asia and Pacific (EAP) region.

Together, these regions constituted about 85% of the worldwide Takaful market share as of Q3 2023.

Similarly, global Takaful contributions in 2023 were mainly from three regions; the GCC (61%), EAP (24%) and Middle East and North Africa (MENA) (12%).

Moving forward, the Takaful industry's growth momentum is expected to be driven by the socio-economic and demographic trends of key Islamic finance markets, such as Saudi Arabia, Malaysia and the UAE.

Chart 2: Share of Takaful industry relative to the insurance sector by country (Q3 2023)

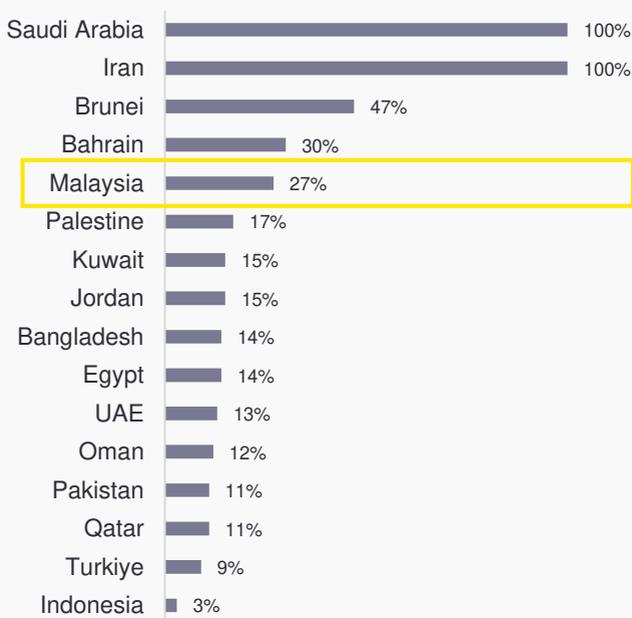
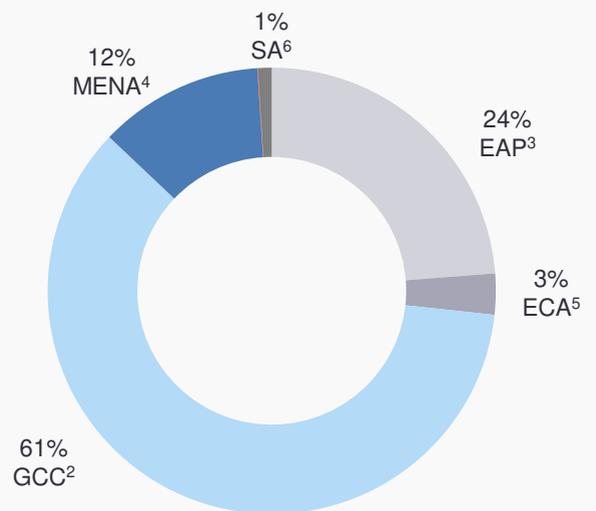


Chart 3: Takaful distribution of gross contribution by region, 2023¹



Notes:

¹ Gross contribution refers to "in-force" policies

² GCC countries include Saudi Arabia; Bahrain; Kuwait; Oman; Qatar; United Arab Emirates

³ EAP countries include Australia, Brunei Darussalam; China; Indonesia; Japan; Malaysia; Philippines; Republic of Korea; Singapore, Thailand

⁴ MENA countries include Algeria; Egypt; Iran (Islamic Republic of); Iraq; Jordan; Lebanon; Libya; Morocco; State of Palestine; Syrian Arab Republic; Tunisia; Yemen

⁵ Europe and Central Asia (ECA) countries include France, Kazakhstan; Kyrgyzstan; Russian Federation; Serbia; Tajikistan; Türkiye; Uzbekistan; Germany; Ireland; Luxembourg; United Kingdom

⁶ South Asia (SA) countries include Afghanistan; Bangladesh; Sri Lanka; Maldives; Pakistan, India

Sources:

- ▶ *Islamic Financial Services Industry Stability Report*, Islamic Financial Services Board (IFSB), 2024
- ▶ EY analysis

Global insurance

Strengthening global resilience

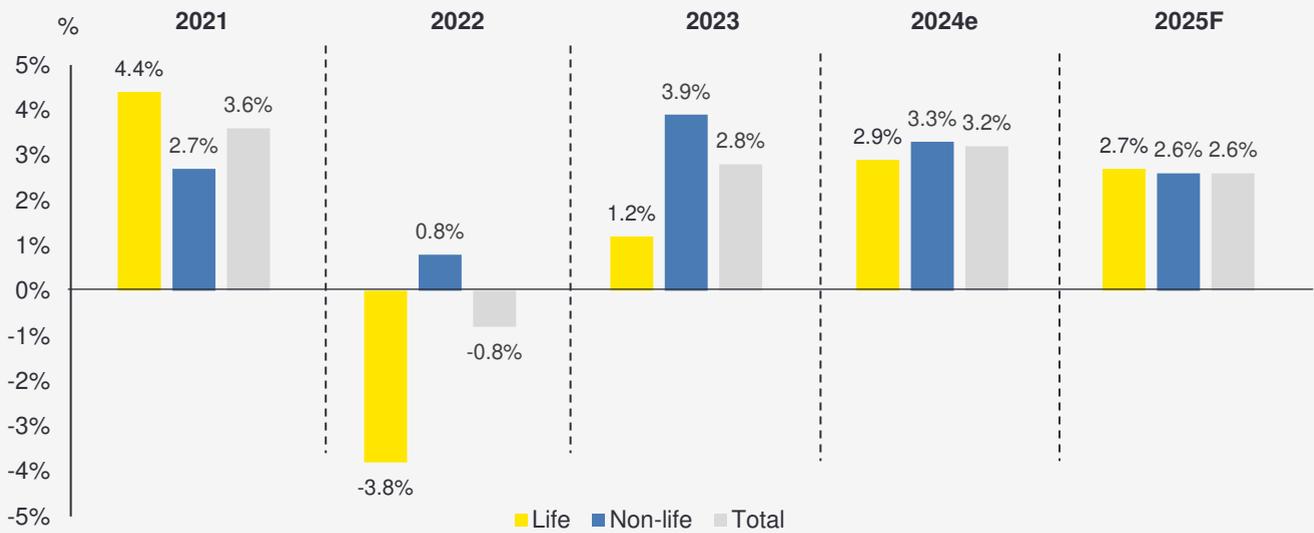
Consistent economic expansion, robust employment conditions, increasing real earnings due to easing inflation, and elevated interest rates are fueling a surge in insurance demand.

Projected growth for total insurance premiums in 2024 is 3.2%, driven by increased demand for life savings products due to higher interest rates and sustained growth in non-life insurance from a strong market.

Investment gains from these rates are expected to enhance insurer profitability, with a significant revival in life insurance, particularly in developed markets, contributing to half of the global life premium growth over the next decade.

Further, the non-life insurance premiums, particularly in the property and motor sectors are increasing in view of rising claim costs. While non-life premiums saw a 3.9% growth in 2023, market conditions are expected to soften by 2025 as claim costs decrease.

Chart 4: Real premium growth, non-life and life, 2021–2025F



Source: Sigma 3/2024 – World insurance: strengthening global resilience with a new lease of life, Swiss Re Institute, 2024



Malaysia Takaful and insurance: Market share and penetration

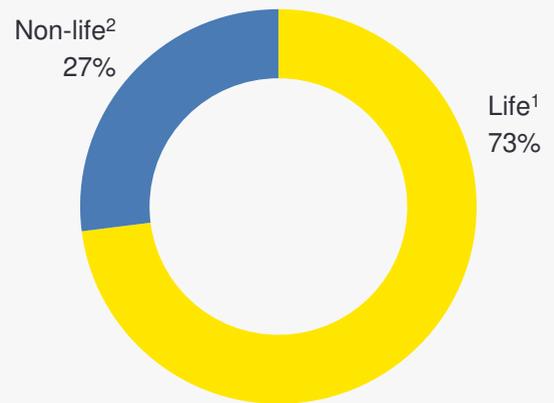
Modest market penetration rate presents growth opportunities for ITOs

Malaysia's burgeoning middle class and young demographic present significant opportunities for growth in the life/family and general segments of the Takaful and insurance market.

Overall, the market penetration rate of Malaysia's life insurance industry is at 39% and 20% for family Takaful in 2023. By 2026, the overall growth of Takaful and insurance penetration rate is targeted to grow by an estimated 5% (as a % of GDP).

The market share of the family Takaful and life insurance segment is at 73%, compared to the Takaful and general insurance at 27% as of 2023.

Chart 5: Malaysia – Share of family Takaful/life and general Takaful/life, 2023



Total net premiums³: RM75 billion

Malaysia: Takaful industry players

- | | |
|---|--|
| 1 AIA Public Takaful Berhad | 11 Prudential BSN Takaful Berhad |
| 2 AmMetLife Takaful Berhad | 12 Sun Life Malaysia Takaful Berhad |
| 3 Etiqa Family Takaful Berhad | 13 Swiss Re Retakaful |
| 4 Etiqa General Takaful Berhad | 14 Syarikat Takaful Malaysia Am Berhad |
| 5 FWD Takaful Berhad | 15 Syarikat Takaful Malaysia Keluarga Berhad |
| 6 Great Eastern Takaful Berhad | 16 Takaful Ikhlas Family Berhad |
| 7 Hong Leong MSIG Takaful Berhad | 17 Takaful Ikhlas General Berhad |
| 8 Malaysian Life Reinsurance Group Berhad | 18 Zurich General Takaful Malaysia Berhad |
| 9 Malaysian Reinsurance Berhad | 19 Zurich Takaful Malaysia Berhad |
| 10 Munich Re Retakaful | |



Notes:

- ¹ Life insurance includes conventional life insurance and family Takaful
- ² Non-life includes general insurance and general Takaful
- ³ Net premium refers to "in-force" policies

Sources:

- ▶ ISM Statistical Yearbook, ISM, 2023
- ▶ Financial Sector Blueprint 2022-2026, BNM, 2022

Malaysia Takaful

Family and general Takaful drives the Malaysian market

In Malaysia, Takaful products command a niche market with a contribution of RM15.1 billion in 2023.

Over the last eight years (2015-2023), the Takaful segment saw strong growth of contributions of Takaful 12.3% CAGR, surpassing conventional insurance at 3.4%.

Chart 6: Takaful contributions vs insurance premiums¹

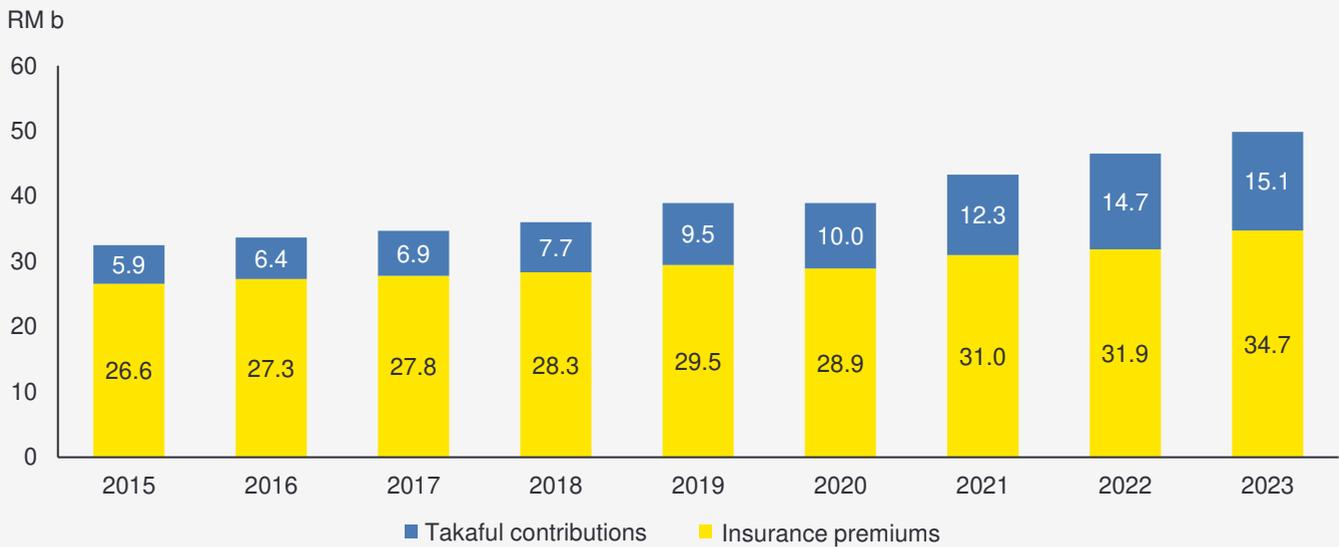


Chart 7: Takaful contributions - family vs general Takaful¹

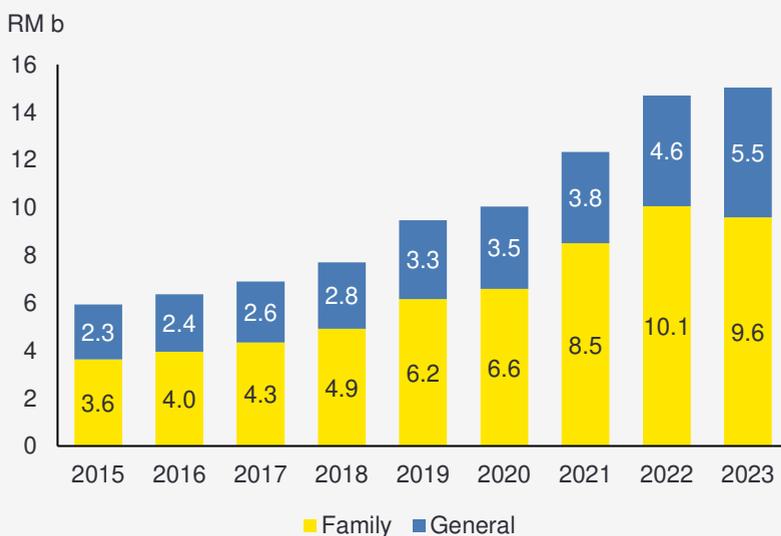
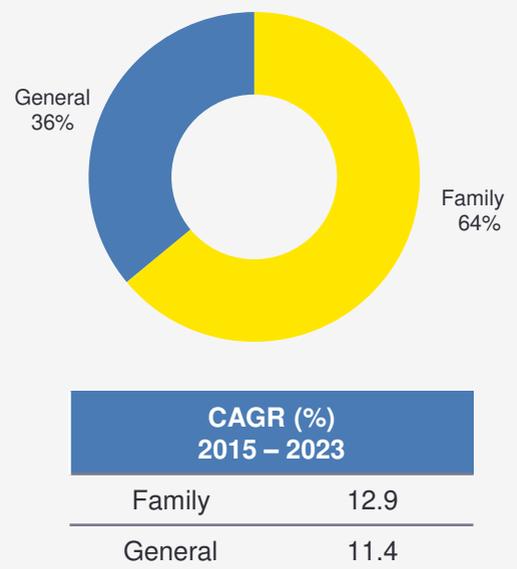


Chart 8: Malaysia - share of family vs general Takaful, 2023



Note: ¹ Family Takaful contributions were calculated based on new business contributions and general Takaful contributions were calculated based on gross written contributions.

Sources:

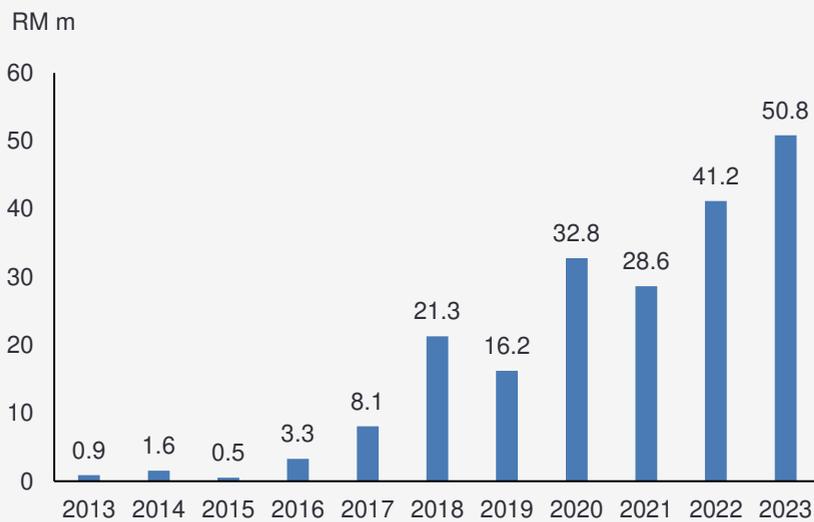
- ▶ MTA Annual Report, Malaysian Takaful Association, 2023
- ▶ Monthly highlights and statistics, Bank Negara Malaysia, 2019-2023
- ▶ ISM Statistical Yearbook, Insurance Services Malaysia Berhad (ISM), 2023
- ▶ EY analysis

Malaysia Takaful: Growth performances

Zakat payments by Takaful operators and participant surplus sharing, have surged in the last eight years, reflecting the industry's enhanced capacity to support mutual financial protection and the growing preference for *Shariah*-compliant insurance solutions among consumers.

Similarly, net certificate benefits have also shown steady growth over the last five years (2018-2023), with a CAGR of 15.8%.

Chart 9: Zakat payable by Takaful operator



CAGR (%) 2015-2023	
Zakat payable by Takaful operator	77.4

Total Takaful surplus sharing to participants	16.0
---	------

CAGR (%) 2018-2023	
Total net certificate benefits	15.8

Chart 10: Total Takaful surplus sharing to participants

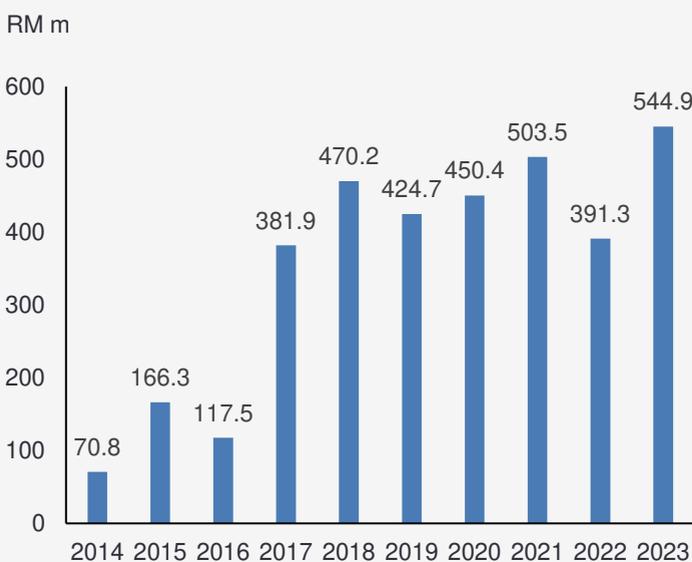
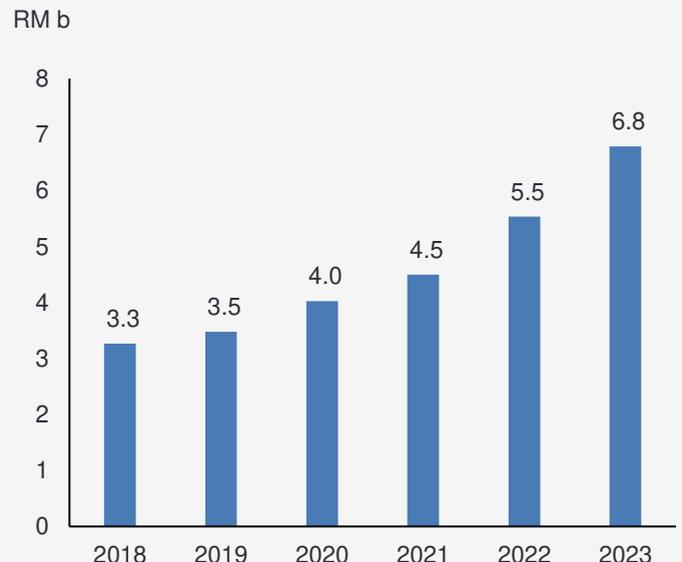


Chart 11: Total net certificate benefits



Sources:

- ▶ Takaful Operator Financial Statements
- ▶ EY analysis

StarAwards 2018

Reach out. Touching lives



“

The path to success begins with a critical examination of where we are today. We need to work as a collective. The Takaful industry’s success is also our success.

”

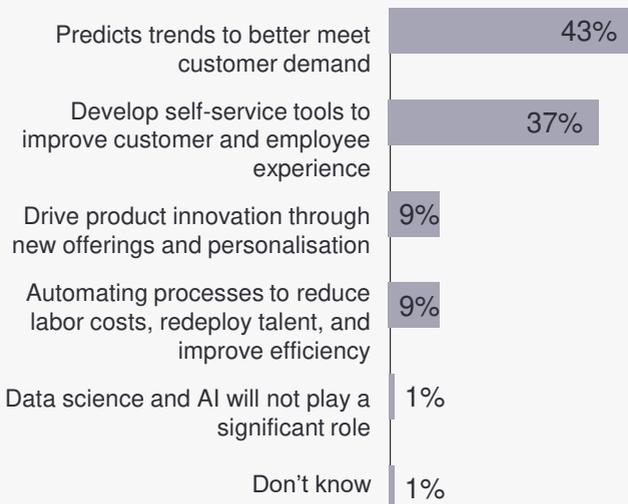
Tan Sri Muhammad Ibrahim
Former BNM Governor
Takaful Star Awards 2018, 23 March 2018

Emerging trends: Integrating AI into Takaful and insurance

Generative AI (GenAI) aims to revolutionise risk assessment, claims processing, marketing, sales and service, and other essential aspects in the Takaful and insurance industry. Insurers who move expediently (in exploring use cases) yet methodically (in standing up governance) will be best positioned to succeed in the GenAI era.

Identifying the full range of risks — from data breaches to reputational issues — and designing the right framework for managing them should be the first priorities. EY Tech Horizon global survey highlights that four out of 10 global insurers planned to use AI to predict trends (43%) and develop self-service tools (37%) to better meet customer demand.

Chart 12: Top ways global insurers plan to use AI and data science



Source: Tech Horizon global survey, EY, 2022



The most high-impact AI use cases in the insurance market include:

1

Actuarial and underwriting: Streamlining the ingestion and integration of data to free underwriters to focus on high-value work that leads to stronger risk selection and more profitable pricing; enhancing product benchmarking.

2

Claims: Automating first-notification-of-loss processes and enhancing fraud detection efforts.

3

Information technology: Strengthening cybersecurity by analysing operations data for attempted fraud, monitoring for external attacks and documenting such attacks for regulatory reporting; generating code across languages e.g., to update Common Business Oriented Language (COBOL) applications and documenting infrastructure and software upgrades.

4

Marketing and customer service: Capturing customer feedback, analysing behavioural patterns and conducting sentiment analysis, tailoring interactions with virtual sales and service representatives, strengthening chatbots' credibility and ability to resolve complex issues.

5

Finance, accounting and risk: Preserving organisational knowledge; enabling real-time analysis and summarisation of documents, monitoring market and investment trends, producing more granular insights into financial and operational performance, creating educational content and interactive training for compliance, and risk-management teams to keep current on the latest regulations.

6

Human resources: Enriching workforce training and development curricula and materials, streamlining performance management and generating internal ratings, strengthening knowledge management, and policy search.

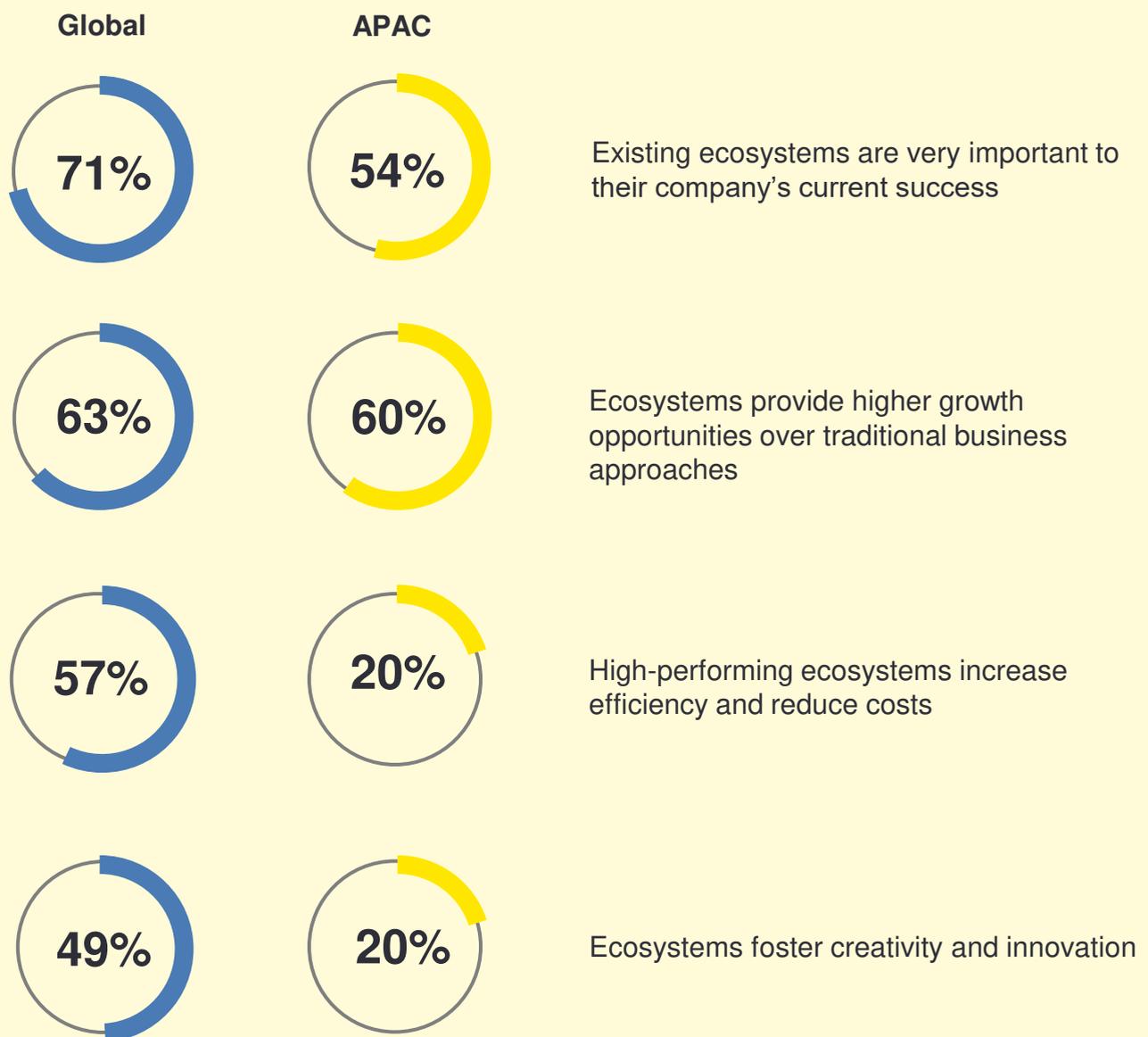
Source: Global Insurance Outlook, EY, 2024

Emerging trends: The expansion of ecosystems and embedded Takaful and insurance

EY Ecosystem Study highlights that two of the most powerful innovations in the industry — ecosystems and embedded insurance are emerging in recent years to deliver what customers want.

While ecosystems provide convenient, one-stop access to a broader set of complementary products, embedded insurance appeals to consumers who want to safeguard important purchases and seamlessly integrate protections into their daily lives. The next generation of embedded goes far beyond the simple mobile phone coverage, travel insurance and product warranties of the past.

Chart 13: What global insurance leaders say about ecosystems



Source: *Ecosystem Study*, EY, 2021-2022

Regulatory frameworks and reforms: Strengthening Malaysia's financial services sector, including Takaful and insurance

Key frameworks, reforms and initiatives

Over the last decade, BNM has developed a number of regulatory guidance and reforms in the financial services sector, including the Takaful and insurance segment.

Among the major initiatives and reforms introduced include:

- ▶ Financial Sector Blueprint, 2022-2026
- ▶ Value-Based Intermediation for Takaful (VBIT) Framework
- ▶ Policy Document on Licensing and Regulatory Framework for Digital Insurers and Takaful Operators (DITOs), 2023
- ▶ Climate Risk Management and Scenario Analysis, 2022
- ▶ Operating Cost Controls for General Insurance and Takaful Business, 2023

In addition, the B40 National Protection Scheme (mySalam) 2019 was introduced to provide free Takaful health protection for the lower income segment of the Malaysian market (B40 and M40).

Aligned with BNM's FSB and the VBIT, Hijrah27 Industry Roadmap for Growth aims to advance digitalisation and integrate technologies such as AI for underwriting and blockchain for transparency in the Takaful industry.

Highlights of key frameworks

- ▶ The FSB sets five strategic thrusts to strive, including funding economic transformation, elevating financial well-being, advancing digitalisation, facilitating transition to a greener economy, and sharpening value-based finance.
- ▶ The VBIT Framework guides the conduct of Takaful Operators business which supports sustainable development and benefits society across five VBIT principles.
- ▶ The Policy Document on Licensing and Regulatory Framework for Digital Insurers and Takaful Operators (DITOs) sets out requirements that account for differences in business and operating models of licenced DITOs while ensuring appropriate safeguards to manage the associated risks.
- ▶ The Climate Risk Management and Scenario Analysis sets out guidelines for financial entities on managing climate-related risks and conducting scenario analysis to bolster the financial industry's stability in the face of climate-related risks and to support a fair and systematic shift towards an economy with reduced carbon emissions.
- ▶ The policy document for Operating Cost Controls for General Insurance and Takaful Business aims to improve financial management, flexibility, and service standards in the industry.

Source: Bank Negara Malaysia





“

Takaful must focus on value-based products and value-added services to better serve protection needs, fulfilling the modality of mutuality and solidarity.

”

Suhaimi Ali

BNM Assistant Governor

Takaful Rendezvous 2023, 26 September 2023

ASIA
INSURANCE REVIEW

Regulatory framework: Value-Based Intermediation for Takaful

The VBIT framework guides the conduct of Takaful operators' business which supports sustainable development and benefits society.

Embracing core values like fairness, transparency, and inclusivity will help Takaful operators to build trust with customers and improve the industry's reputation.

The VBIT framework sets five principles to steer the Takaful industry:

Chart 14: The five VBIT principles

- 1 Financial resilience**

Focus on ensuring the long-term financial stability and resilience of Takaful operators, it recognises the importance of sound financial management, risk mitigation, and prudent practices.
- 2 Community engagement**

Ensure that the benefits of Takaful are accessible and equitable for all segments of society, including underserved communities. Operators are encouraged to design products and services that cater to diverse customer needs and promote financial inclusion.
- 3 Good self-governance**

Emphasise the importance of strong governance, risk management, and ethical conduct within the Takaful industry. Takaful operators are expected to maintain high standards of integrity, accountability, and transparency in their operations.
- 4 Best conduct**

Promote ethical behaviour, customer-centricity, and fair treatment of all stakeholders within the Takaful industry. It emphasises the importance of responsible conduct and integrity in all aspects of Takaful operations.
- 5 Capacity building**

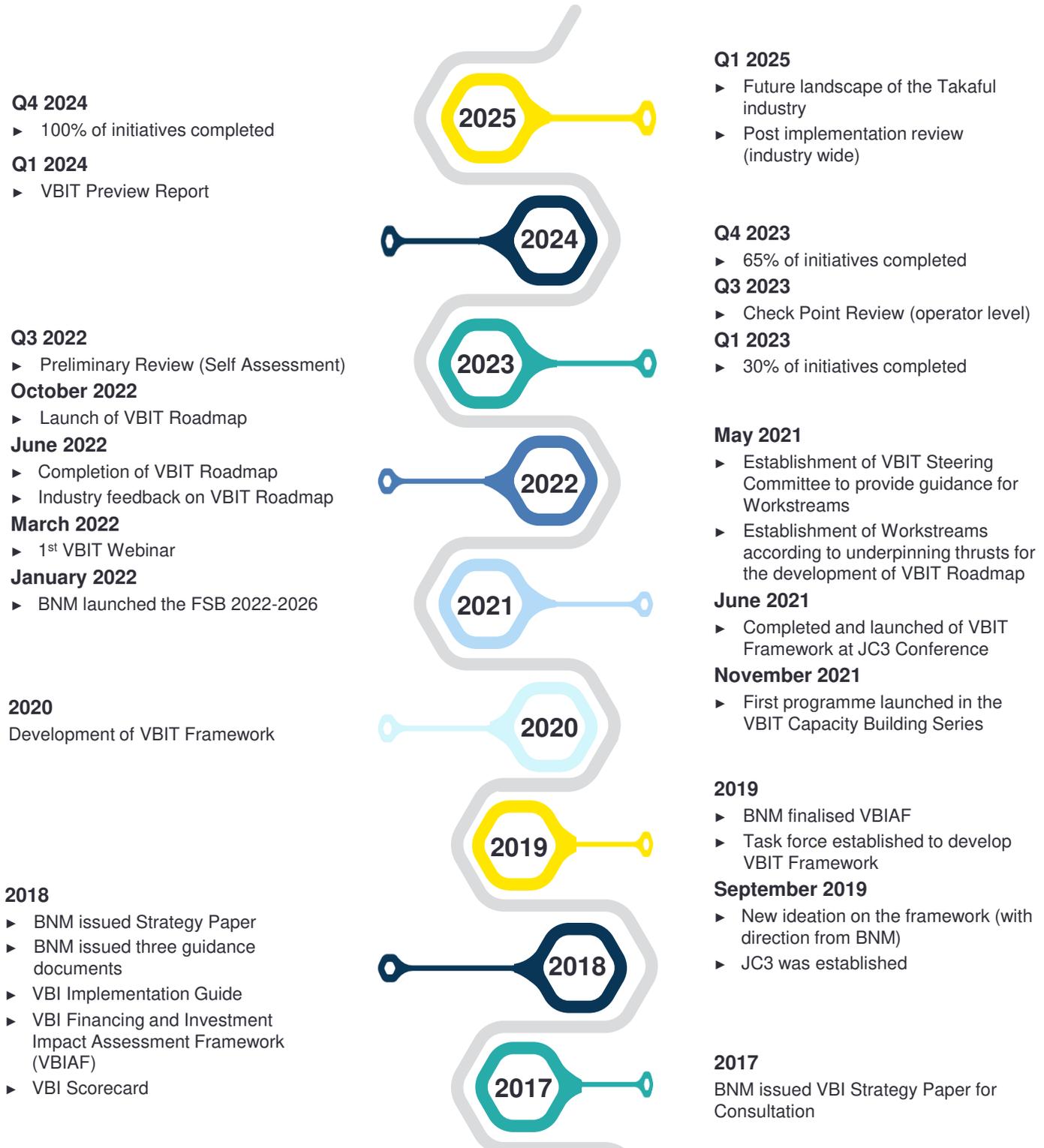
Enhance the capabilities and capacity of Takaful operators to meet the evolving needs of the industry. This thrust recognises that a strong and capable Takaful sector is crucial for its sustainable growth and to fulfil the demands of customers effectively.

Source: *Interim Report for Takaful FSB Programme*, Malaysian Takaful Association, 2023

VBIT Roadmap

The VBIT Roadmap is an industry commitment to creating value for Takaful operators, the government, the regulatory, and the society.

Chart 15: VBIT Roadmap, 2017-2025



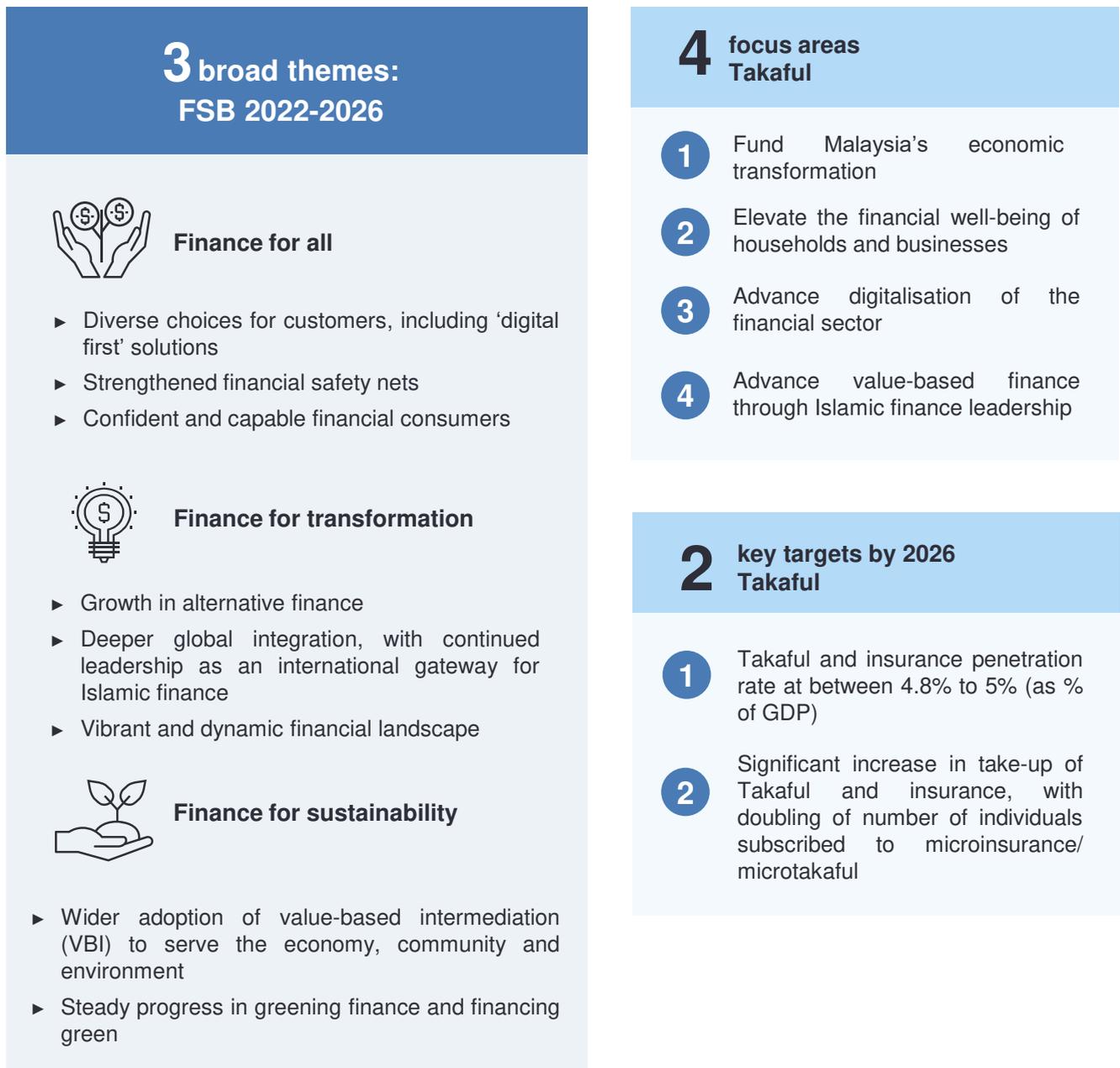
Source: *Interim Report for Takaful FSB Programme 2023*, Malaysian Takaful Association

Regulatory reforms: Financial Sector Blueprint 2022-2026

The FSB 2022-2026 envisions a comprehensive growth plan for its financial sector, driven by three overarching goals such as inclusive finance, financial catalysts for change and eco-friendly financial practices.

The FSB recommends four focus areas and two key targets by 2026:

Chart 16: FSB 2022-2026



Source: *Financial Sector Blueprint 2022-2026*, Bank Negara Malaysia, 2022

Hijrah27, Malaysia’s Takaful roadmap

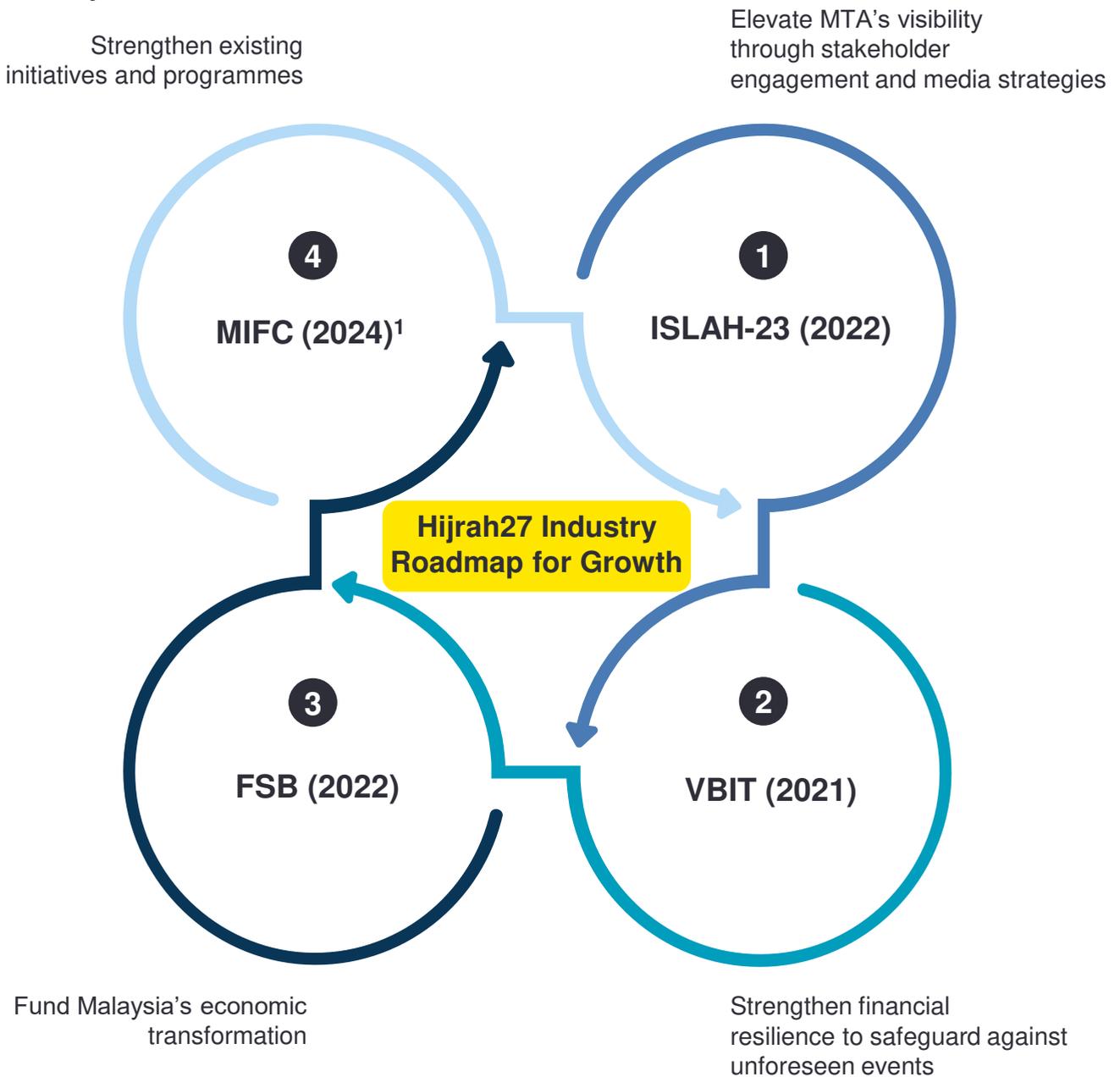
The DNA of Hijrah27 encompasses a combination of current and past strategic policies to guide the development of the Takaful industry.

Hijrah27’s development takes inspiration from other key policies such as the MTA Reform Plan 2022-2023 (ISLAH-23), the VBIT, FSB 2022-2026, and the MIFC Leadership Council Position Paper, which are pivotal in guiding the strategic direction to drive the industry’s overall transformation.

The strategic objectives of Hijrah27 include:

- ▶ Resonation with customers and stakeholders
- ▶ Cohesive industrywide collaboration
- ▶ Transformative innovation via digital
- ▶ Policy and regulatory support

Chart 17: Hijrah27 DNA



Note: ¹ Refers to MIFC Leadership Council Position Paper

Source: *Hijrah27 Industry Roadmap for Growth*, Malaysian Takaful Association, 2024

Regulatory reforms: DITO licences

In July 2024, BNM released a policy document on the licensing and regulatory framework for Digital Insurance and Takaful operators (DITOs) to close Malaysia's protection gap.

DITOs are expected to deliver strong and meaningful value propositions of inclusion, competition and efficiency and close critical protection gaps in digitally-focused segments of the Takaful and insurance value chain.

DITO licence application commences in 2025 and the requirements are summarised as follows:

Chart 18: DITO licence application requirement

- 

Distribution and servicing should primarily be **digital**, with the ability to incorporate **online-to-offline (O2O) capabilities** when the necessary digital infrastructures are unavailable.
- 

A two-year licensing application period between 2 January 2025 and 31 December 2026.
- 

Minimum paid up capital of **RM30 million** for each licence at the beginning of the foundational phase.
- 

Progressive awarding of licences over the two-year application period, with no publicly-mentioned limit to the number of licences awarded.
- 

A foundational period of three to seven years, with the submission of a **seven-year business plan**.
- 

Agency and bancassurance distribution channels are not allowed; however, distribution via **digital platforms** as well as approved financial advisers and Islamic financial advisers are permitted.

Source: *Licensing and Regulatory Framework for Digital Insurers and Takaful Operators Policy Document*, BNM, 2024



“

As new licenses emerge for digital and Takaful operators, incumbent Takaful companies are re-examining their business models and swiftly embracing digital technologies to stay competitive and relevant.”

”

Dato' Haji Syed Moheeb Syed Kamarulzaman
Takaful industry pioneer

Other regulatory reforms

BNM has introduced a number of new regulations and policy guidelines to guide financial institutions, including Takaful operators, in managing the financial risks associated with climate change and in strengthening systemic resilience.

Table 19: Key regulations (policies and frameworks), 2016-2024

2015	2018
<p>Life Insurance and Family Takaful Framework</p> <p>The Framework seeks to foster innovation, competition, and transparency in insurance and Takaful through initiatives across three main pillars:</p> <ul style="list-style-type: none"> ▶ Lift operational cost limits to foster product innovation while protecting policy value. ▶ Expand distribution channels to increase market access and reduce costs. ▶ Enhance market conduct for better consumer protection, advice, and product transparency. 	<p>Strategy Paper Value-based intermediation: Strengthening the roles & impact of Islamic Finance</p> <ul style="list-style-type: none"> ▶ BNM and the Value-based intermediation (VBI) Community of Practitioners have devised strategies to enhance the influence of Islamic banking institutions (IBIs) by promoting practices that benefit the economy, society, and environment while aligning with sustainable shareholder returns. ▶ These strategies, driven by business and tailored to each institution's maturity, focus initially on Islamic banking but are relevant across financial sectors, fostering collaboration for the industry's future direction.
2016	2019
<p>Phased Liberalisation of Motor and Fire Tariffs</p> <ul style="list-style-type: none"> ▶ Since July 2016, Takaful operators and insurers have been able to introduce new motor insurance products at market rates, not bound by the motor tariff allowing for more diverse and competitive offerings. ▶ From July 2017, contributions or premiums for Comprehensive; and Motor Third-Party Fire and Theft (TPFT) Takaful or insurance products, can be set by individual insurers based on market rates, incorporating a wider range of risk factors such as location and vehicle security features. <p>Stress Testing</p> <ul style="list-style-type: none"> ▶ The policy document aims to establish standards and provide guidance for the Takaful and insurance industry on conducting stress tests as part of risk and capital management, which also contributes to the bank's supervisory framework. ▶ It outlines key principles for stress testing, mandates tests under both internally developed and bank-specified scenarios and sets requirements for governance and documentation of stress testing programmes. 	<p>Operating Cost Controls for Life Insurance and Family Takaful Business (OCC-PD)</p> <ul style="list-style-type: none"> ▶ Under the Islamic Financial Services Act (IFSA), the OCC-PD applies to licensed Takaful operators carrying on family Takaful business. ▶ The policy document outlines: <ul style="list-style-type: none"> ▶ The roadmap for the deregulation of operating cost control limits ▶ Expectations on remuneration policies implemented by a licensed person for intermediaries ▶ Requirements relating to the implementation of the balanced scorecard framework ▶ The disapplication of, and adjustments to, operating cost controls for specific products and intermediaries ▶ Enhancements to and rationalisation of requirements relating to agency structures and related expenses ▶ Governance and reporting requirements

Source: Bank Negara Malaysia

Table 19: Key regulations (policies and frameworks), 2016-2024 (cont'd)

2019

Takaful Operational Framework

- ▶ Licensed Takaful operators must manage their business according to Shariah principles and the Takaful Operational Framework, ensuring operational efficiency and the sustainability of Takaful funds.
- ▶ The policy document sets operational requirements for wakalah (agency) and mudarabah (profit-sharing) contracts, with the possibility of adopting other Shariah contracts with approval.
- ▶ Operators are encouraged to adapt and innovate their business models to meet changing market demands and technological advancements, subject to Shariah Advisory Council and Bank approval.

Shariah Governance Framework (SGF)

- ▶ The policy document emphasises the Bank's heightened expectations for robust Shariah governance in Islamic financial institutions, integrating it with business and risk strategies to manage the increasing complexity of the Islamic finance sector.
- ▶ The SGF mandates clear oversight responsibilities for boards and Shariah committees, ensuring effective governance and management of Shariah non-compliance risks. Institutions are expected to prove the effectiveness of their governance structures and foster a strong culture of Shariah compliance across all levels of management.

Data Checking Arrangement with Jabatan Pendaftaran Negara (JPN)

- ▶ Takaful operators and insurance companies, in collaboration with BNM and JPN, initiated a system to proactively inform beneficiaries about Takaful coverage in the event of a policyholder's death.
- ▶ An automated mechanism was established for Takaful operators to cross-check certificate holder statuses with JPN data, streamlining claim verification and accelerating death benefit payouts.

2020

Risk Management in Technology (RMiT)

- ▶ Technology risk involves the dangers of IT and internet use in financial institutions, leading to potential financial losses, service disruptions, or reputational damage.
- ▶ The policy document mandates financial institutions to manage technology risk proportionate to their size and complexity, adhere to minimum standards to protect interconnected networks, and justify any deviations from prescribed control measures with effective alternative risk management practices.

2021

Perlindungan Tenang

- ▶ The *Perlindungan Tenang* initiative aims to extend affordable, accessible, and easy-to-understand Takaful and insurance coverage to underserved communities, simplifying the purchase and claims process.
- ▶ The policy document outlines regulations to foster innovation in microtakaful and microinsurance, broaden distribution, and enhance consumer protection.
- ▶ Qualification criteria cover product guidelines, bundled offerings, *Perlindungan Tenang* partners for distribution, operational enhancements, and product oversight protocols.



Table 19: Key regulations (policies and frameworks), 2016-2024

2022	2024
<p>Climate Risk Management and Scenario Analysis</p> <ul style="list-style-type: none"> ▶ Climate change poses significant financial risks to institutions and the stability of the financial system, potentially impacting long-term economic growth. ▶ BNM expects financial institutions to urgently build climate resilience, strategically plan for long-term scenarios, comprehensively strengthen risk management for climate-related risks, and collaborate holistically with stakeholders to manage systemic impacts. ▶ This policy document outlines principles and requirements for managing climate-related risks, aiming to enhance the financial sector's resilience, and suggests integrating these principles into broader environmental risk management frameworks. 	<p>Climate Risk Stress Testing Methodology Paper</p> <ul style="list-style-type: none"> ▶ The 2024 Climate Risk Test (CRST) exercise is primarily intended to facilitate financial institutions' learning and capacity building in addressing risk from climate change. ▶ Financial institution must aim to gain vital hands-on experience in measuring the impact of climate-related risks on their assets, Takaful and insurance liabilities and business operations through the 2024 CRST exercise. ▶ The 2024 CRST exercise will provide financial institutions an opportunity to refine their existing risk management strategy and explore new stress testing approaches that are relevant for assessing climate-related risks.
<p>2023</p> <p>Professionalism of Insurance and Takaful Agents</p> <p>The objectives of the policy document are:</p> <ul style="list-style-type: none"> ▶ To require ITOs to ensure that their agents are competent, qualified and act professionally in the best interest of customers at all times. ▶ To improve public confidence in the integrity of ITOs agency workforce as a trusted and reliable channel for distribution of Takaful and insurance products. <p>Operating Cost Controls for General Insurance and Takaful Business</p> <p>The operating cost control requirements aim to achieve the following objectives:</p> <ul style="list-style-type: none"> ▶ Facilitate a dynamic and responsive marketplace that meets the evolving needs of customers. ▶ Foster healthy competition in the Takaful or general insurance sector to enable customers to receive the best products and services for their needs, including appropriate sales advice. ▶ Ensure all intermediaries adopt high standards of professionalism, while being remunerated appropriately for their efforts and performance. 	<p>Risk-Based Capital Framework for Insurers and Takaful Operators (RBC2)</p> <ul style="list-style-type: none"> ▶ The Exposure Draft (ED) presents suggested regulations and instructions for evaluating the capital sufficiency of licensed insurers and Takaful operators, along with professional reinsurers and retakaful operators, within the Bank's comprehensive review process of the capital adequacy framework. ▶ The proposed improvements to the capital adequacy framework aim to accurately represent the risks faced by insurers and Takaful operators with responsive measures, standardise capital assessments within the industry while acknowledging different business models, and align with international capital standards, tailored for the Malaysian market. <p>Broader Application of Ta'awun in Takaful</p> <p>The ED outlines proposed Shariah and regulatory guidelines aimed at maximizing Takaful's role in enhancing financial stability and inclusivity, consistent with Shariah principles (<i>maqasid</i> Shariah).</p>

Source: Bank Negara Malaysia

Regulatory developments: Other Takaful markets

Indonesia

In March 2024, Indonesia's Financial Services Authority (OJK) launched the Roadmap of Financing Companies Development and Strengthening 2024-2028. The roadmap aims to guide and bolster financing companies in Indonesia, requiring collaboration and commitment from the industry for effective monitoring. It also seeks to foster a robust, inclusive, tech-savvy industry with integrity, contributing to sustained economic growth.

Further, in July 2023, OJK extended the deadline for (re)insurers to separate Takaful units to December 2026, promoting shariah-compliant insurance growth and market expansion.

In November 2023, OJK introduced the 2023–2027 Roadmap for Indonesian Islamic Banking, designed to guide the creation of a strong, efficient, and competitive sector with a significant economic impact.

Developed with stakeholders, the Roadmap focuses on five core areas:

- ▶ Industry structure and resilience
- ▶ Digitalisation
- ▶ Islamic banking traits
- ▶ Economic contribution
- ▶ Regulatory oversight

Chart 20: Development of Indonesia's banking roadmaps



Selected GCC

UAE

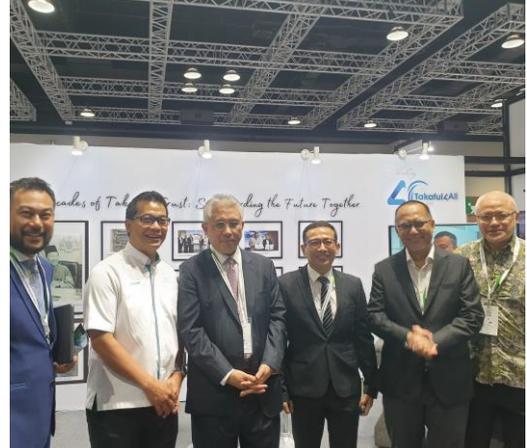
The new Federal Decree-Law No. 48 of 2023, revises the insurance regulatory framework, emphasising the central bank's enhanced supervisory role. Central Bank of the UAE (CBUAE) highlights the law's application to the Takaful sector, ensuring compliance with Takaful principles, and underscores the CBUAE's authority to regulate insurance data. The law streamlines licensing, governance, and dispute resolution, with a compliance deadline set for 29 May 2024.

Saudi Arabia

In 2021, the Cooperative Insurance Companies Control Law was revised to boost the financial sector's sustainability and empower the central bank to protect stakeholders in the insurance domain. Key regulatory enhancements include rules for health insurance risk pools aiding SMEs and a standard for medical malpractice coverage. Additionally, the central bank introduced new insurance products, including self-driving vehicle coverage and various liability and property insurances.

Sources:

- ▶ *Roadmap of Financing Companies Development and Strengthening 2024-2028*, Otoritas Jasa Keuangan, 2024
- ▶ *Indonesia Islamic Economic Masterplan (2019-2024)*, Indonesia Ministry of National Development Planning, 2019
- ▶ *Indonesia Islamic Banking Development Roadmap 2022-2025*, Otoritas Jasa Keuangan, 2022
- ▶ *Roadmap for the Development and Strengthening of Indonesian Islamic Banking 2023-2027*, Otoritas Jasa Keuangan, 2023
- ▶ *Sustainable Finance Roadmap Phase II (2021 - 2025)*, Otoritas Jasa Keuangan, 2021
- ▶ *Federal Decree-Law No. (48) of 2023 Regulating Insurance Activities*, UAE Legislation, 2023
- ▶ *The Saudi Insurance Market Report*, Saudi Central Bank, 2021





3

Growth Performance

- ▶ Industry dynamics
- ▶ Financial dynamics
- ▶ Customer dynamics
- ▶ Talent dynamics

EVOLUTION	METRIC	ACTUAL VS TARGET
	REVENUE	
	PROFIT	
	ONTIME DELIVERY	
	AVG. ORDER SIZE	
	NEW CUSTOMERS	
	MARKET SHARE	
	CUSTOMERS	
	ORDERS	

Malaysia: Takaful and insurance industry

Improving economy, new technologies and business transformation of operators are driving demand growth of Takaful and insurance products

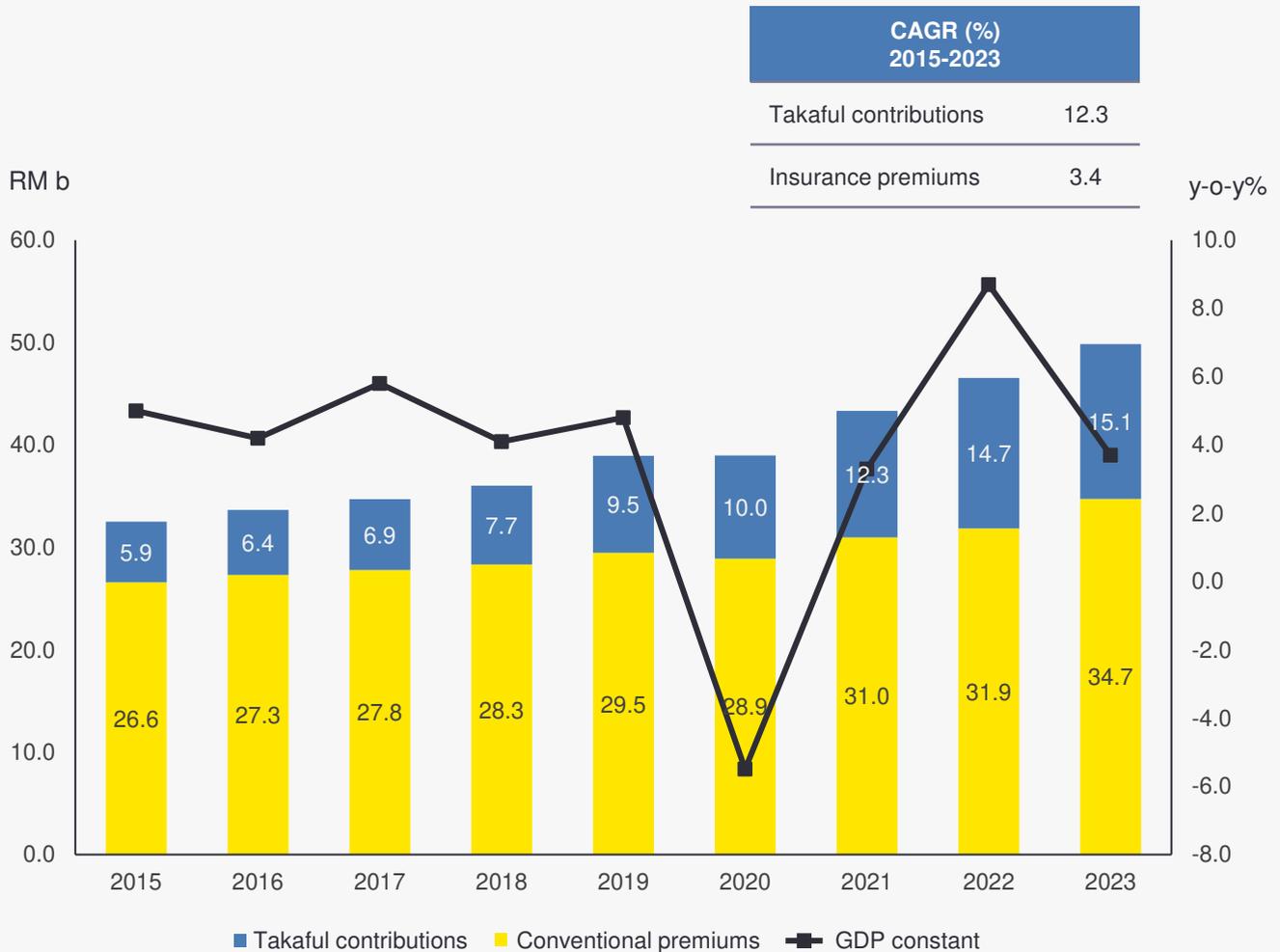
Over the recent decade, despite global economic challenges, Malaysia’s relatively strong and steady economic growth has supported the growth of the Takaful and insurance sector.

Over the last nine years (2015-2023), Malaysia’s Takaful industry has consistently grown at a CAGR of 12.3%.

The Takaful market penetration rate rose from 15% to 19.5% in 2023, reflecting the growing engagement and acceptance of Takaful principles by the Malaysian market. Takaful’s strong market growth is marked with an expanded range of 15 product segments of which Motor and Ordinary Family Takaful was prominent.

Continued industry transformation spurred by the adoption of digital technologies will further drive industry growth in existing and new, unserved, and underserved markets.

Chart 21: Malaysia’s Takaful, insurance, and GDP growth



Note: Family Takaful and Life Insurance Contributions were calculated based on New Business Contributions/Premiums and General Takaful and General Insurance Contributions were calculated based on Gross Written Contributions/Premiums

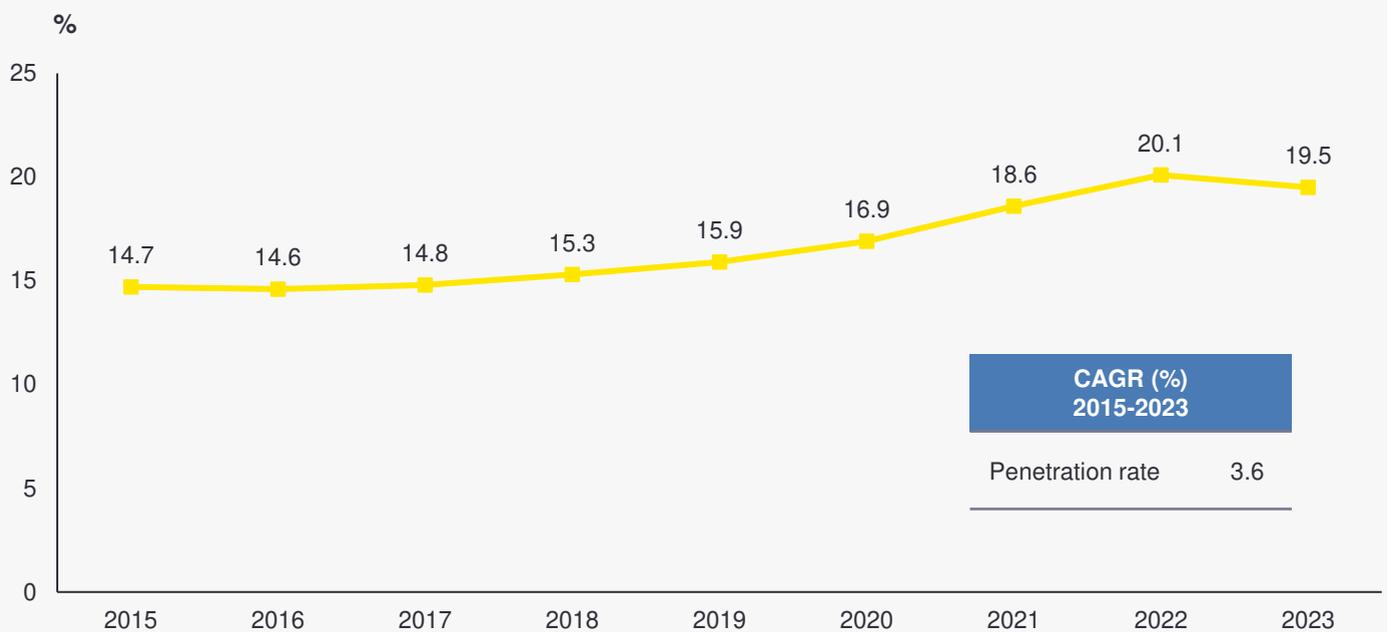
- Sources:
- ▶ ISM Statistical Yearbook, ISM, 2023
 - ▶ EY analysis

Market penetration

Family Takaful sector on steady growth track

The market penetration rate for family Takaful has grown steadily by 3.6% CAGR over the last nine years. The family Takaful penetration rate levelled up and stabilised near 20% over 2022-2023.

Chart 22: Family Takaful market penetration rate



Source: *Penetration rate*, Malaysian Takaful Association, 2023



“

Takaful has shed its past, emerging as a beacon of trust and partnership; now, to soar to new heights, the Takaful industry must stand poised to make protection affordable and accessible for everyone.

”

Dato' Seri Hassan Kamil

CEO, Syarikat Takaful Malaysia Berhad, 2006-2021

Malaysia: Takaful

Takaful continues to record double-digit growth

Malaysia’s Takaful segment fund assets and Takaful contributions have expanded double-digit by 10.7% and 12.3% respectively in the last nine years, 2015 to 2023.

In particular, fund assets for family and general Takaful grew 10.8% and 10.1% CAGR and Takaful contributions for family and general Takaful grew 13.0% and 11.4% CAGR, respectively.

Chart 23: Takaful - fund assets and contributions

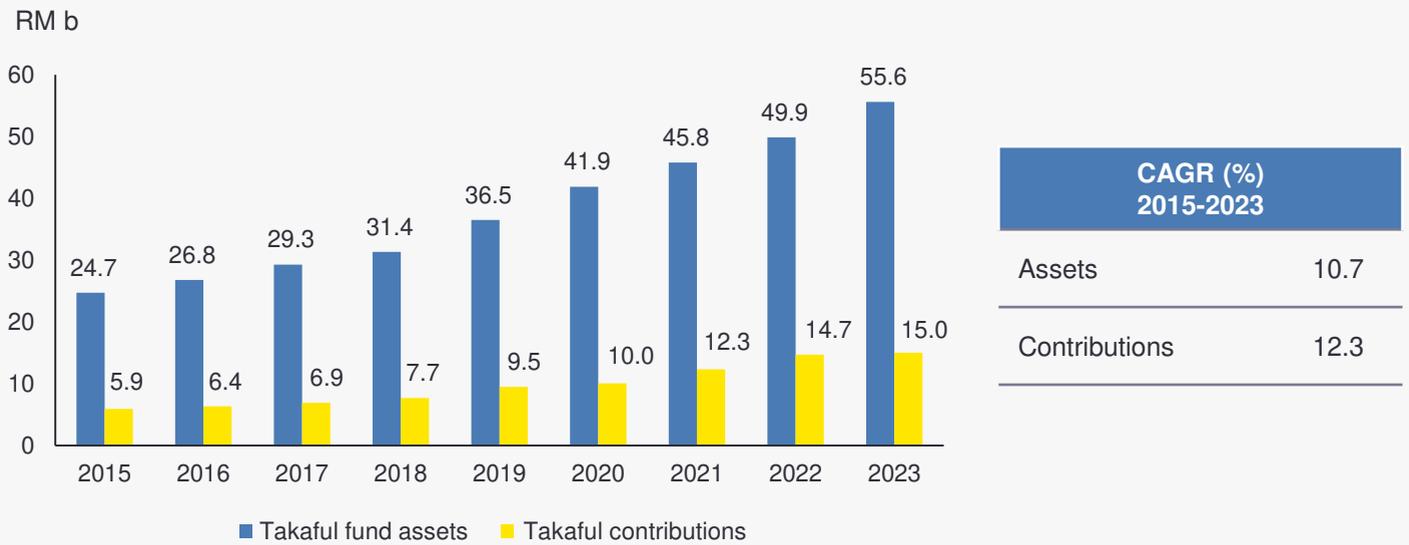


Chart 24: Fund assets - family and general Takaful

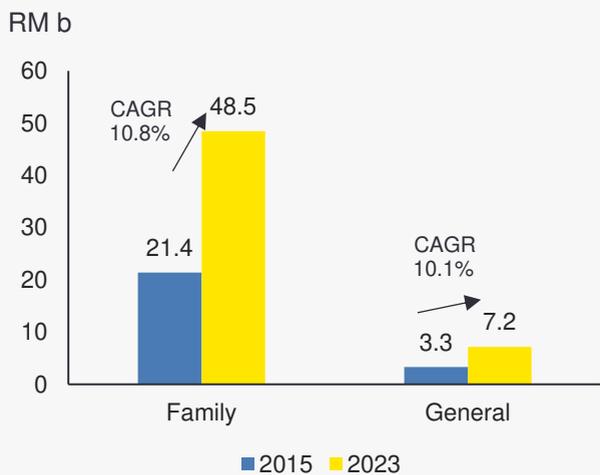
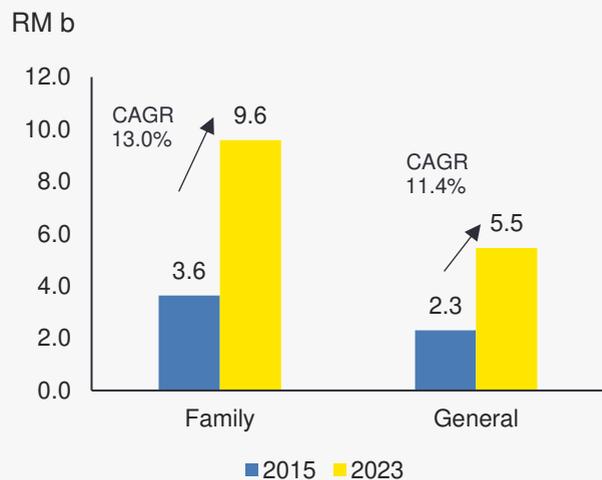


Chart 25: Takaful contributions – family¹ and general Takaful²



Notes:

¹ Calculated based on new business contributions

² Calculated based on gross written contribution

Sources:

- ▶ ISM Statistical Yearbook, ISM, 2023
- ▶ EY analysis

Malaysia: Insurance

Insurance registered steady and modest growth

Overall, the fund assets of Malaysia's insurance grew moderately at 5.0% CAGR while insurance premiums growth was contained at 3.4% CAGR over 2015 to 2023.

Fund assets for life insurance grew 5.2% CAGR in tandem with general insurance at 3.5% CAGR. However, insurance premiums for life and general insurance tapered to 5.0% and 2.6% CAGR, respectively.

Chart 26: Insurance - fund assets and premiums

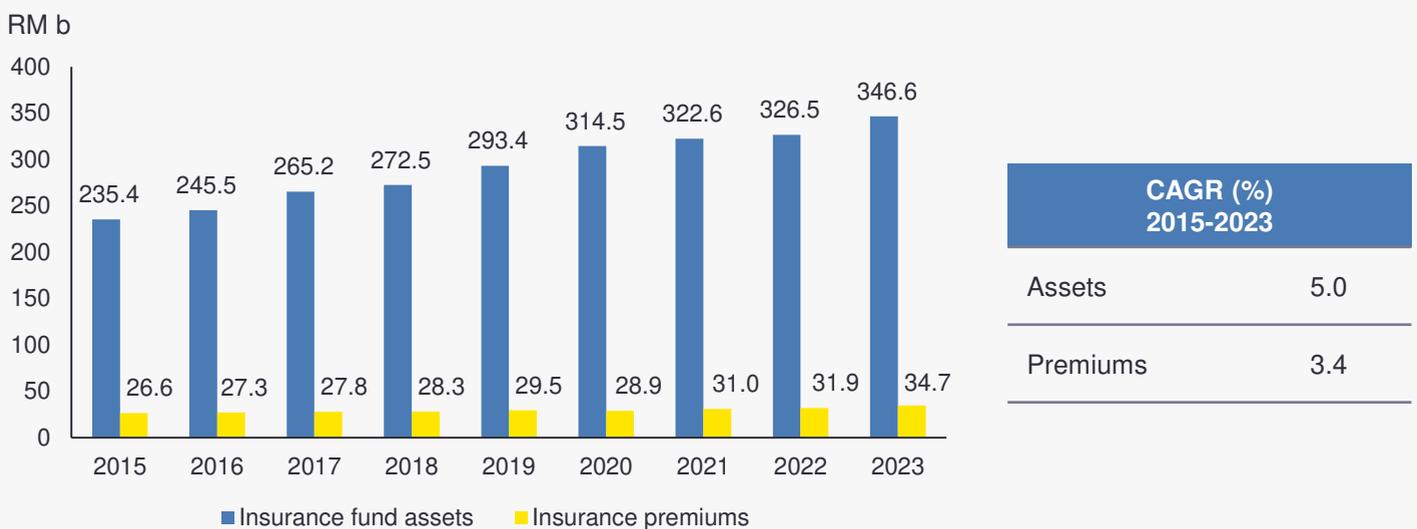


Chart 27: Fund assets - life and general insurance

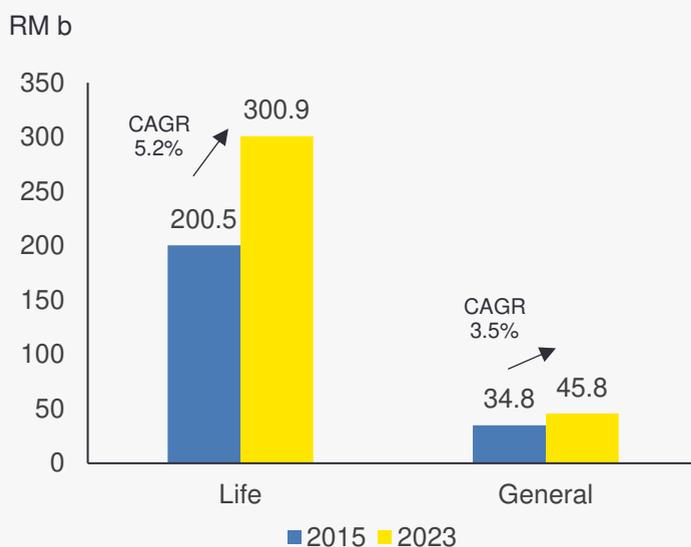
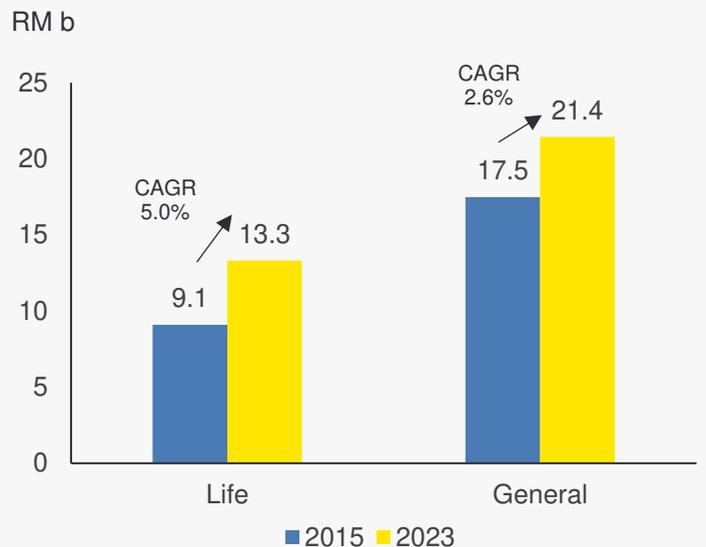


Chart 28: Insurance premiums – life¹ and general insurance²



Notes:

¹ Calculated based on new business premiums

² Calculated based on gross written premiums

Sources:

- ▶ ISM Statistical Yearbook, ISM, 2023
- ▶ EY analysis

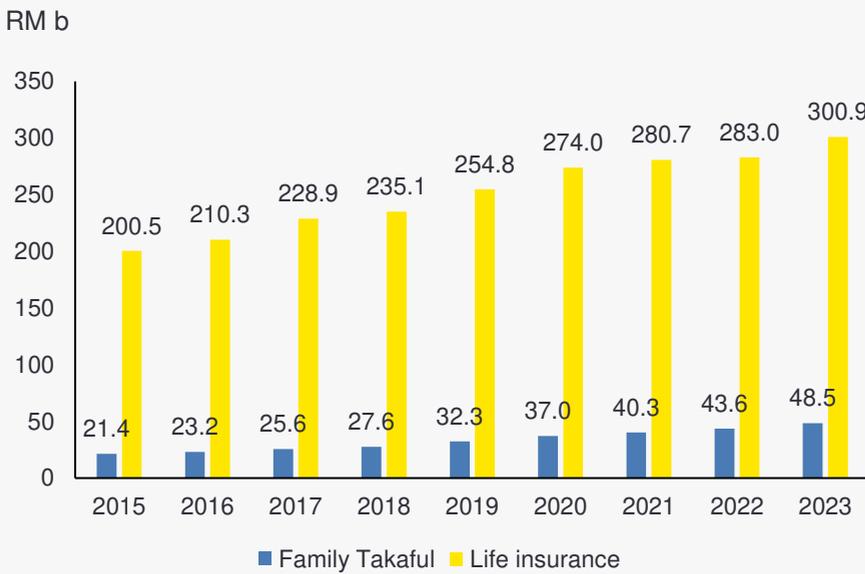
Malaysia: Fund assets

Growth rate of Takaful’s fund assets surpasses conventional insurance

Over the past nine years, the growth rate of fund assets for both the family and general Takaful segments is twice that of conventional insurance.

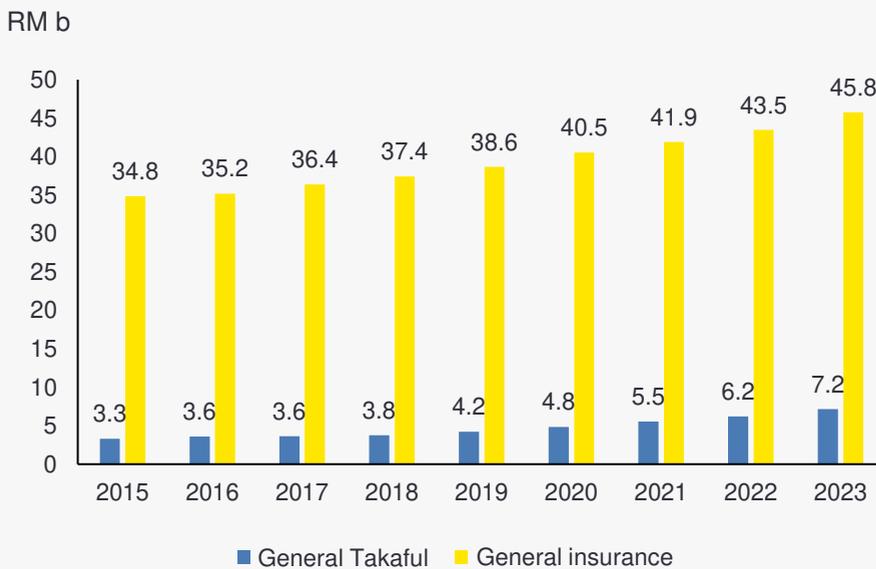
In particular, family Takaful fund assets expanded by 10.8% CAGR whilst general Takaful by 10.1% CAGR over 2015 to 2023.

Chart 29: Fund assets – family Takaful and life insurance



CAGR (%) 2015-2023	
Family Takaful	10.8
General Takaful	10.1
Life insurance	5.2
General insurance	3.5

Chart 30: Fund assets – general Takaful and general insurance



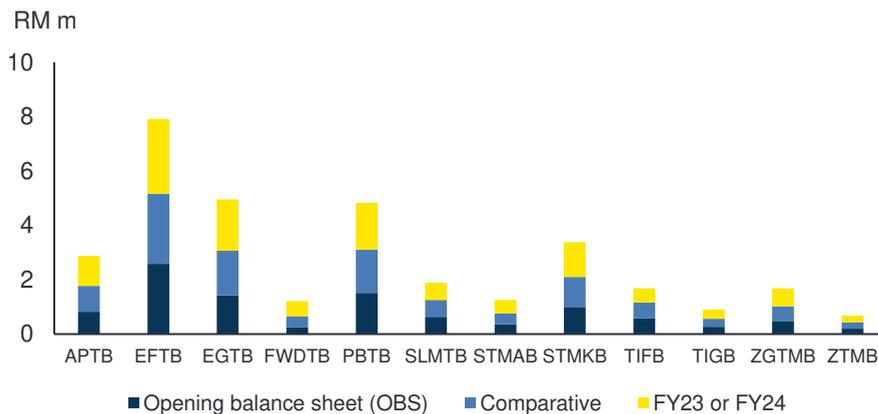
Sources:

- ▶ ISM Statistical Yearbook, ISM, 2023
- ▶ EY analysis

Dashboard: Takaful results

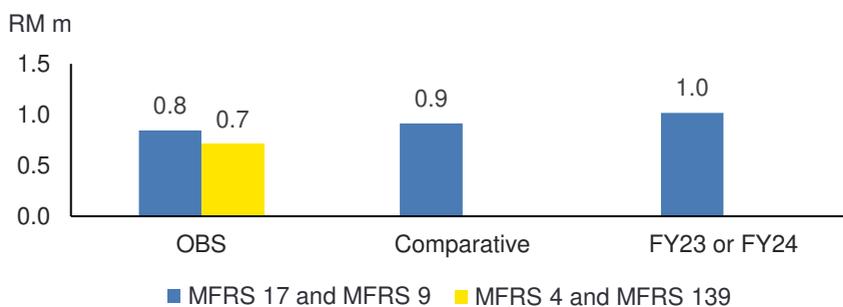
Shareholder's equity change

Chart 31: Shareholders' equity in MFRS 17 and MFRS 9 by entity



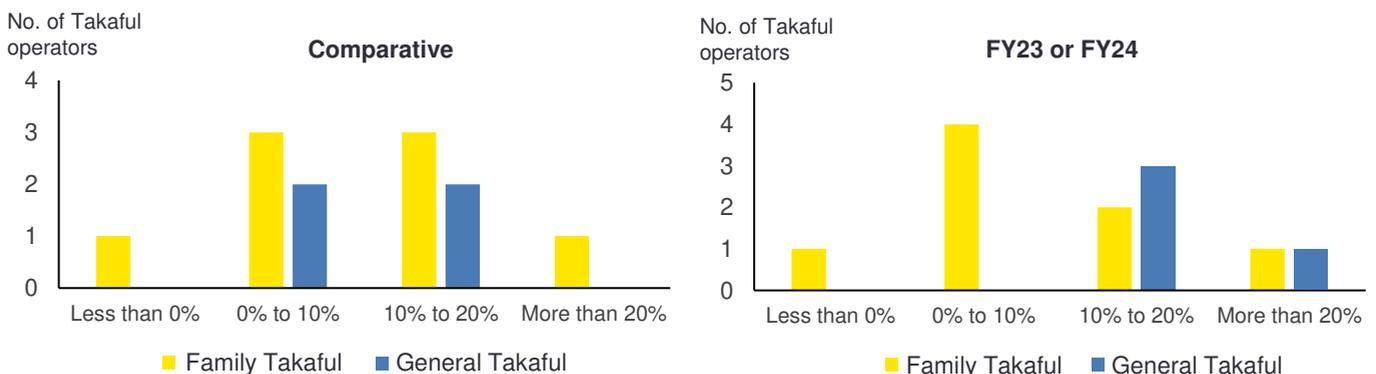
The change of shareholder's equity in MFRS 17 and MFRS 9 ranges between -0.7% and 50.9% for OBS, and -12% and 39.8% for FY23 or FY24.

Chart 32: Comparison of MFRS 17 and MFRS 9 vs MFRS 4 and MFRS 139



The average shareholders' equity for 12 Takaful operators¹ has increased by RM0.1m upon OBS restatement of MFRS 17 and MFRS 9. Meanwhile, the average balance for comparative and FY23 or FY24 are RM0.9m and RM1.0m, respectively.

Chart 33: Average percentage change for shareholder's equity in MFRS 17 and MFRS 9



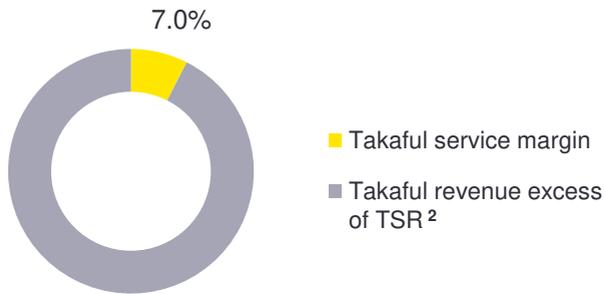
Majority of Takaful operators recorded change of shareholders' equity in MFRS 17 and MFRS 9 between 0% to 20% (family Takaful: 6%, general Takaful: 4%) at comparative balances. For FY23 or FY24, majority of family Takaful operators recorded change of shareholders' equity between 0% to 10%, while majority of general Takaful operators recorded at 10% to 20%.

Note: ¹ The financial performance information encompasses all members of the Malaysian Takaful Association (a total of 12 Takaful operators), with the exception of AmMetLife Takaful, Great Eastern Takaful, and Hong Leong MSIG Takaful, as their financial statements for FY24/FY23 are not publicly available as of 28 October 2024. Additionally, the data does not include the financial results of retakaful operators associated with the MTA.

Sources: EY analysis and respective Takaful operators' published financial statements

Takaful service margin

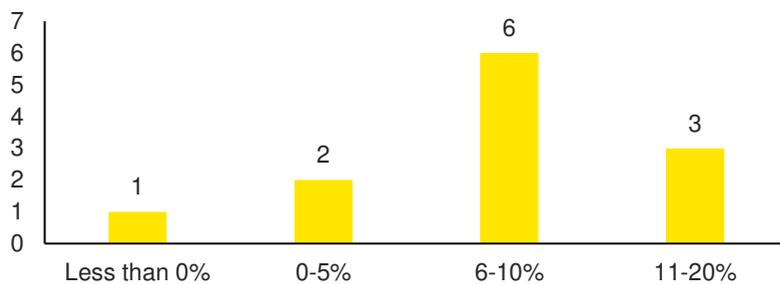
Chart 34: Average Takaful service margin (Takaful service result (TSR) as of % of Takaful revenue), FY23 or FY24



Average Takaful service margin for 12 Takaful operators¹ is 7.0%.

Chart 35: Takaful service margin (TSR as % of the Takaful revenue), FY23 or FY24

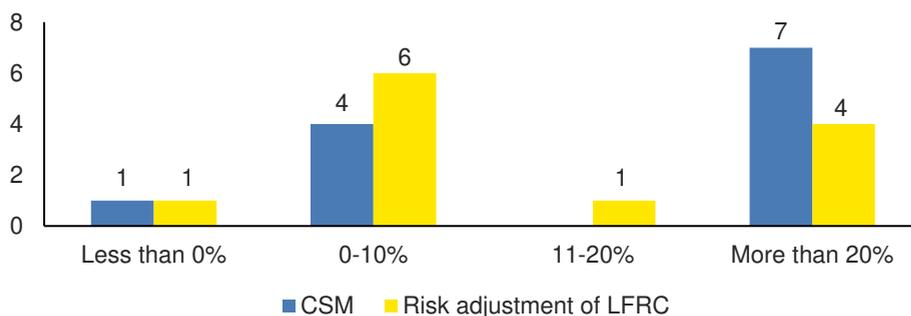
No. of Takaful operator



Majority of Takaful operators recorded Takaful service margin between 6 and 10% for FY23 or FY24.

Chart 36: Release of CSM (as % of TSR) and risk adjustment of LFRC (as % of TSR), FY23 or FY24

No. of Takaful operator



In FY23 or FY24, majority of Takaful operators recorded release of CSM of more than 20%, while most Takaful operators recorded risk adjustment of LFRC between 0-10%. Three Takaful operators adopt full Premium Allocation Approach (PAA) and are categorised under 0-10% range for CSM release.

Notes: ¹ The financial performance information encompasses all members of the Malaysian Takaful Association (a total of 12 Takaful operators), with the exception of AmMetLife Takaful, Great Eastern Takaful, and Hong Leong MSIG Takaful, as their financial statements for FY24/FY23 are not publicly available as of 28 October 2024. Additionally, the data does not include the financial results of retakaful operators associated with the MTA.

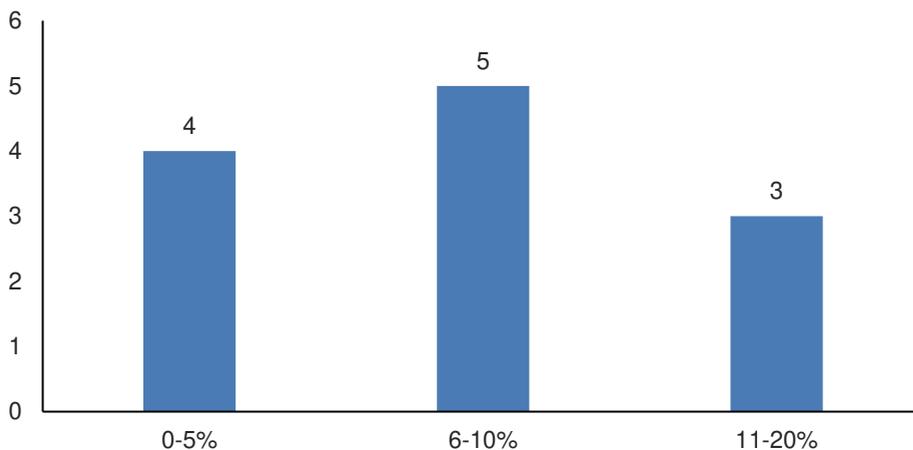
² The Takaful revenue excess of TSR represents the % of Takaful service expenses and net expenses/income from retakaful certificates held of Takaful revenue.

Sources: EY analysis and respective Takaful operators' published financial statements

Contractual Service Margin and Risk adjustment

Chart 37: Contractual Service Margin (CSM) release ratio in the period to total at start of period, FY23 or FY24

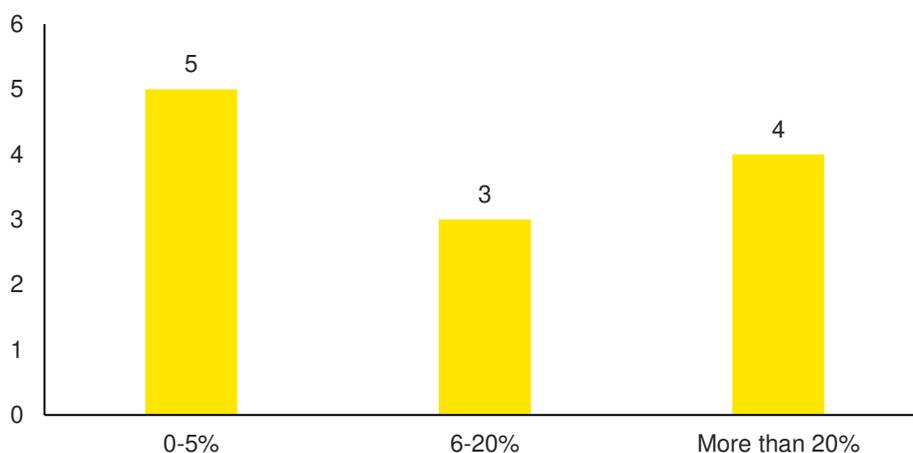
No. of Takaful operator



Majority of the Takaful operators recorded CSM release ratio between 6% and 10% in FY23 or FY24. Three Takaful operators adopt full PAA and are categorised under 0-5% range.

Chart 38: Risk adjustment release ratio in the period to total at start of period, FY23 or FY24

No. of Takaful operator



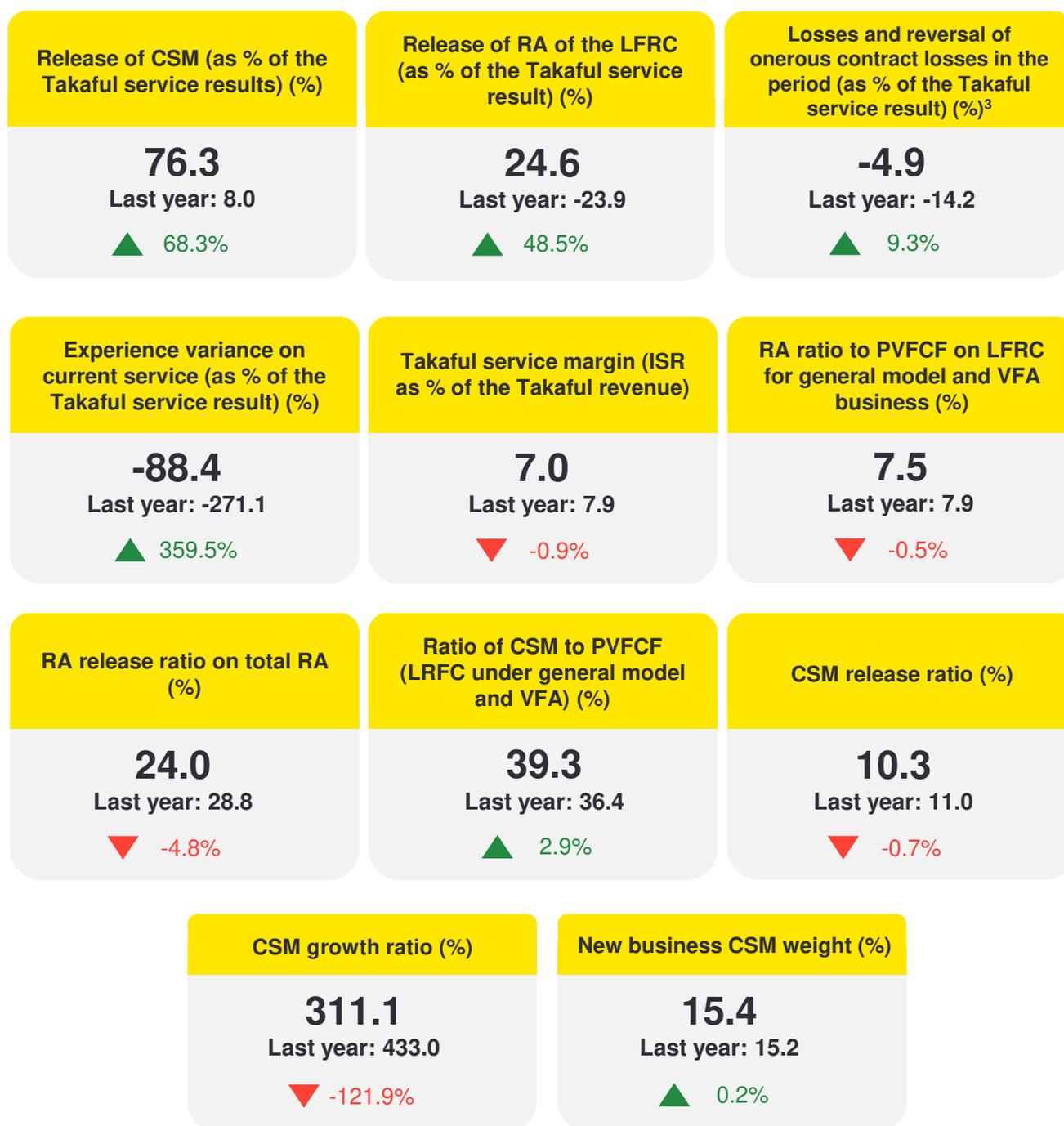
Risk adjustment release ratio for four Takaful operators for FY23 or FY24 is more than 20%. Three Takaful operators adopt full PAA and are categorised under 0-5% range.

Note: The financial performance information encompasses all members of the Malaysian Takaful Association (a total of 12 Takaful operators), with the exception of AmMetLife Takaful, Great Eastern Takaful, and Hong Leong MSIG Takaful, as their financial statements for FY24/FY23 are not publicly available as of 28 October 2024. Additionally, the data does not include the financial results of retakaful operators associated with the MTA.

Sources: EY analysis and respective Takaful operators' published financial statements

Takaful performance dashboard¹

Chart 39: Automation of results for quick view of key ratios and performance



Notes:

¹ The dashboard can be enhanced to include entity-specific financial information based on published financial statements.

The financial performance information encompasses all members of the Malaysian Takaful Association (a total of 12 Takaful operators), with the exception of AmMetLife Takaful, Great Eastern Takaful, and Hong Leong MSIG Takaful, as their financial statements for FY24/FY23 are not publicly available as of 28 October 2024. Additionally, the data does not include the financial results of retakaful operators associated with the MTA.

Source: EY Insurance Insights Dashboard and respective Takaful operators' published financial statements

Malaysia: Policies in force - Life and family Takaful

Strong demand growth for family Takaful – individual and group

Over the last nine years (2015-2023), individual ordinary family Takaful policies recorded growth of 4.8% CAGR whereas family Takaful's Group ordinary (+4.8% CAGR), life insurance investment-linked (+5.9% CAGR) and even life insurance Group ordinary (+0.5% CAGR).

Policies within the lowest CAGR are in annuities for both life insurance and family Takaful as the market strategy for annuity products has shifted towards being a standalone product to retirement plans under investment-linked products, reflecting evolving consumer preferences and industry dynamics.

Table 40: Family Takaful certificates and life insurance policies in force, 2015-2023

	Family Takaful			Life insurance		
	No of certificates in force ('000)		CAGR (%)	No of policies in force ('000)		CAGR (%)
	2023	2015		2023	2015	
Individual ordinary	4,681	3,228	4.8	5,964	8,219	-3.9
Investment-linked	1,394	973	4.6	6,651	4,215	5.9
Group ordinary	505	347	4.8	28	27	0.5
Annuity	20	27	-3.9	65	95	-4.6

Sources:

- ▶ *Monthly highlights and statistics*, Bank Negara Malaysia, 2015-2023
- ▶ EY analysis



“

Challenges remain significant – climate risk, ageing nation, cost of living pressures, and advancement of technologies – all of which requires the Takaful industry to continue to innovate and be responsive to these needs.

”

Suhaimi Ali

BNM Assistant Governor

VBIT Conference 2024, 15 October 2024

General Takaful product mix

Motor business dominates general Takaful

The general Takaful industry grew moderately by 12.5% CAGR over 2015-2023.

The motor business accounts for over two-thirds (67%) of the general Takaful product mix.

Over 2015 to 2023, general Takaful products for motor grew double-digit CAGR in terms of gross written contributions.

Table 41: General Takaful – product trends

	Gross written contribitons (RM million)		
	2023	2015	CAGR (%)
Motor	3,644	1,424	12.5%
Non-motor	1,808	876	9.5%

Chart 43: Composition of general Takaful performance, 2023

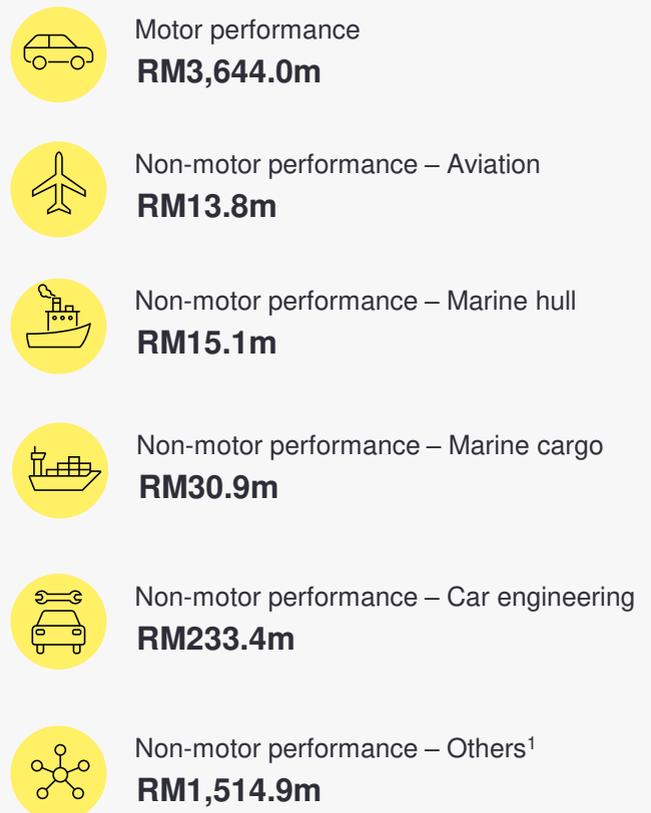
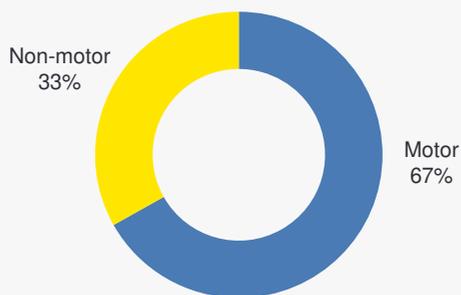


Chart 42: General Takaful portfolio mix



Gross written contributions: RM5.5b (2023) | CAGR 11.4% (2015-2023)

Note: ¹ Others include fire, personal accident, medical, and health as well as miscellaneous

Sources:

- ▶ *ISM Statistical Yearbook*, ISM, 2023
- ▶ *MTA Annual Report*, MTA, 2023

General insurance product mix

Motor insurance remains a core segment

The general insurance industry grew moderately by 2.6% CAGR over 2015-2023.

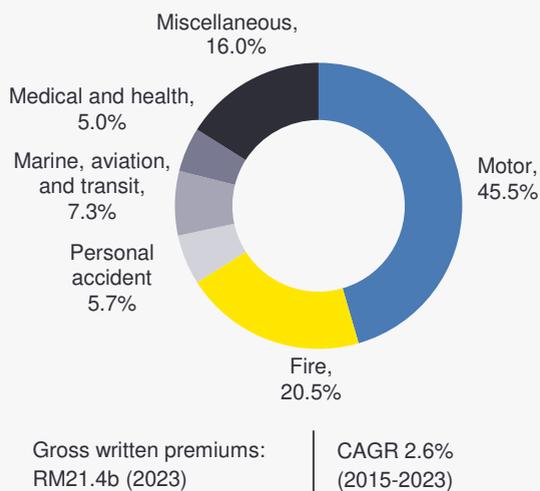
Motor insurance accounts for nearly half (45.5%) of general insurance policies followed by fire insurance (20.5%).

Fire insurance policies recorded growth of 4.4% whilst motor insurance grew moderately at 2.4% CAGR over the last nine years.

Table 44: General insurance - product trends

	Gross written premiums (RM million)		
	2023	2015	CAGR (%)
Motor	9,754	8,098	2.4%
Fire	4,397	3,119	4.4%
Personal accident	1,212	1,301	-0.9%
Marine, aviation, and transit	1,558	1,695	-1.0%
Medical and health	1,078	963	1.4%
Miscellaneous ¹	3,440	2,307	5.1%

Chart 45: General insurance portfolio mix



Note: ¹ Miscellaneous includes bonds, contractor's all risk and engineering, liabilities, others, workmen's compensation, and Employers' liability

Source: *ISM Statistical Yearbook*, ISM, 2023



Summary of financial results of Malaysia's Takaful operators

Between 2014 and 2024, Malaysia's Takaful operators have seen notable financial shifts, showcasing a decade of industry transformation and resilience. Set out below is a summary of among the **top answers selected for financial results** based on the % of respondents, from the MTA 40th Anniversary Industry Survey 2024 vs MTA 30th Anniversary Industry Survey 2014.

Financial ratios	2024 (% of respondents)			2014 ¹ (% of respondents)			Change		
Average return on equity (%)									
Between 6-10	31%			44%			↓		
Between 16-20	23%			11%			↑		
Average expense ratio (%)									
<20	54%			58%			↓		
Between 20-30	15%			5%			↑		
Average claims ratio (%)									
Between 41-50	15%			24%			↓		
Between 51-60	15%			24%			↓		
Average commission ratio (%)									
Between 5-10	46%			6%			↑		
Between 16-20	8%			33%			↓		
Average combined operating ratio (%)									
Between 61-70	15%			11%			↑		
Between 81-90	23%			42%			↓		
Average reTakaful ratio (%)									
<10	31%			21%			↑		
Between 31-40	15%			16%			↓		
Average profit margin (%)									
Between 11-15	38%			29%			↑		
Average investment yield (%)									
Between 3-5	77%			37%			↑		
Mix of investment portfolio (%)									
	Cash	Equities	Bonds	Cash	Equities	Bonds			
<10	54%	77%	8%	21%	42%	21%	↑	↑	↓
10-15	15%	15%	8%	16%	21%	26%	↓	↓	↓
16-20	8%	0%	15%	21%	11%	11%	↓	↓	↑
>20	23%	8%	69%	42%	26%	42%	↓	↓	↑

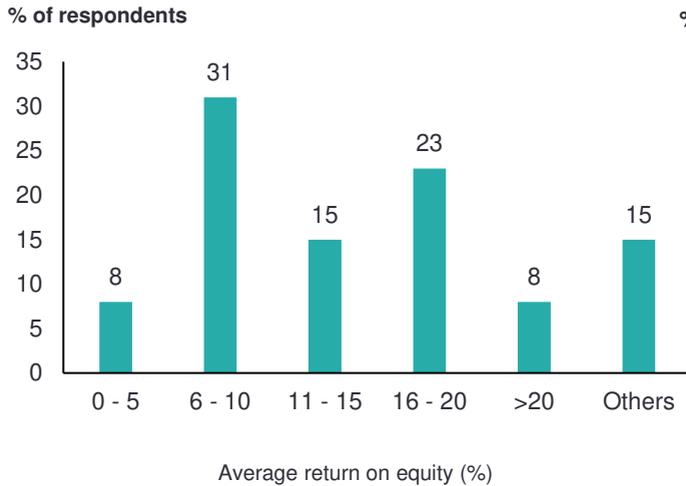
Notes:

- ▶ All financial ratios are calculated based on MFRS 4 numbers.
- ▶ Online survey period was from 5 August 2024 to 30 August 2024. The total survey respondents was 13.
- ¹ Financial results extracted from MTA 30th Anniversary Report 2014.

Financial results of Malaysia's Takaful operators

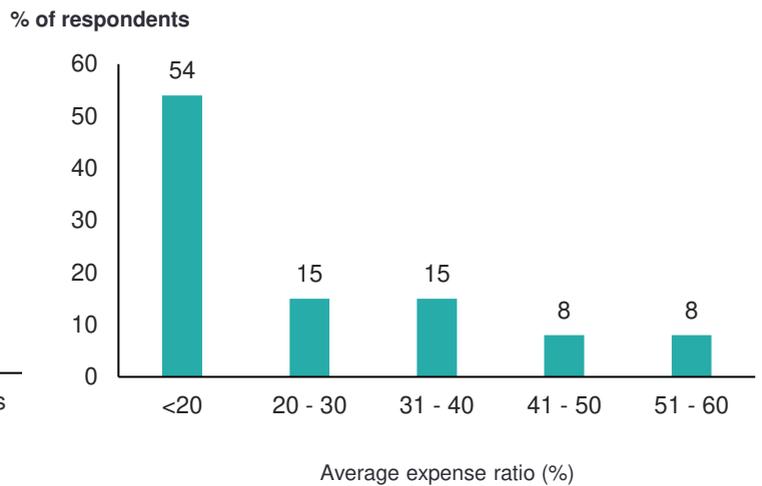
Set out below are the latest financial results from MTA 40th Anniversary Industry Survey 2024 which provide indicators of Malaysian Takaful operator performance.

Chart 46: Average return on equity¹



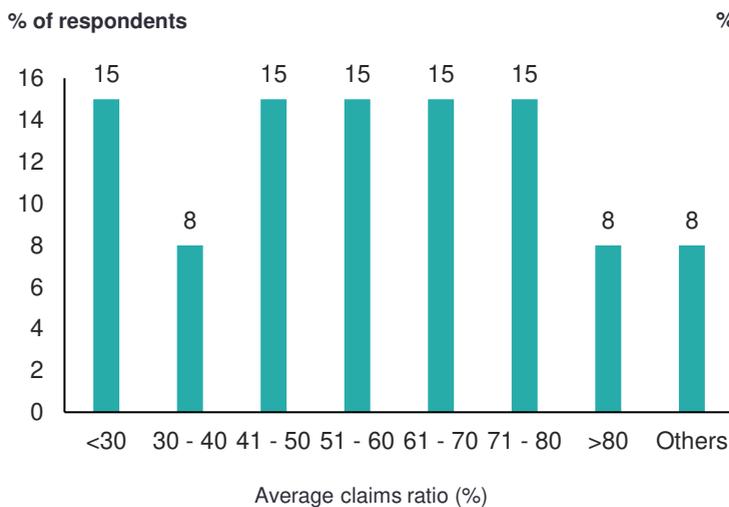
Nearly one-third (31%) of respondents indicate that average return on equity is between 6% and 10%, showing similar trend from a decade ago.

Chart 48: Average expense ratio²



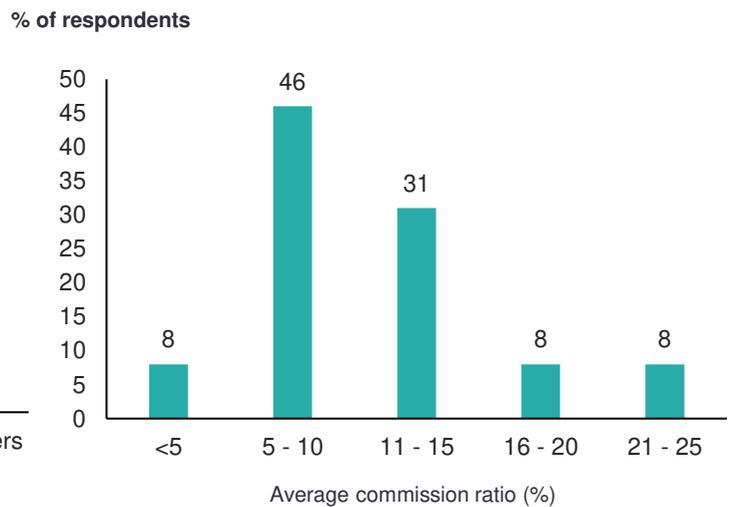
More than half (54%) of respondents indicate that their average expense ratio is less than 20%, similar to 58% who reported the same range of average expense ratio in 2014.

Chart 47: Average claims ratio³



30% respondents state that their average claims ratio is between 40% and 60%, compared to 47% of the respondents who reported average claims ratio within the same range in 2014.

Chart 49: Average commission ratio⁴



Nearly half (46%) of the respondents state that the average commission ratio is between 5% and 10%, which is lower compared to the average commission ratio of about 17% reported by 33% respondents in 2014.

Notes:

¹ Return on equity = Profit/surplus before tax and/or zakat attributed to shareholders divided by total shareholders' equity

² Expense ratio = Total general and administrative expenses divided by net earned premiums/contributions

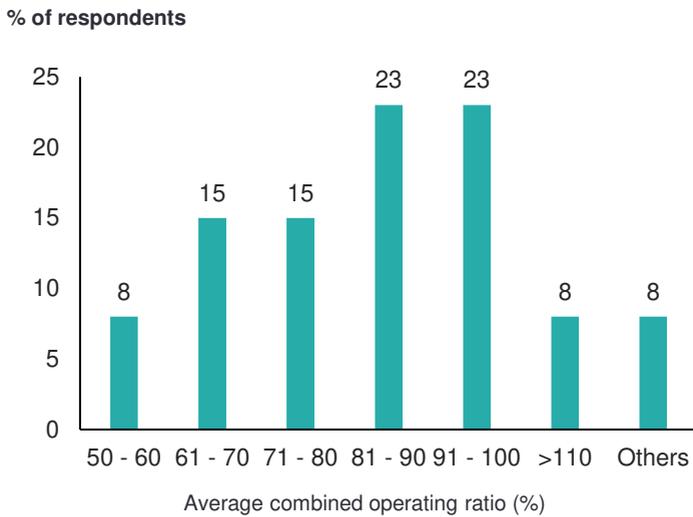
³ Claims ratio = Net benefits and claims incurred divided by net earned premiums/contributions

⁴ Commission ratio = Net commission paid divided by net earned premiums/contributions

All financial ratios are calculated based on MFRS 4 numbers.

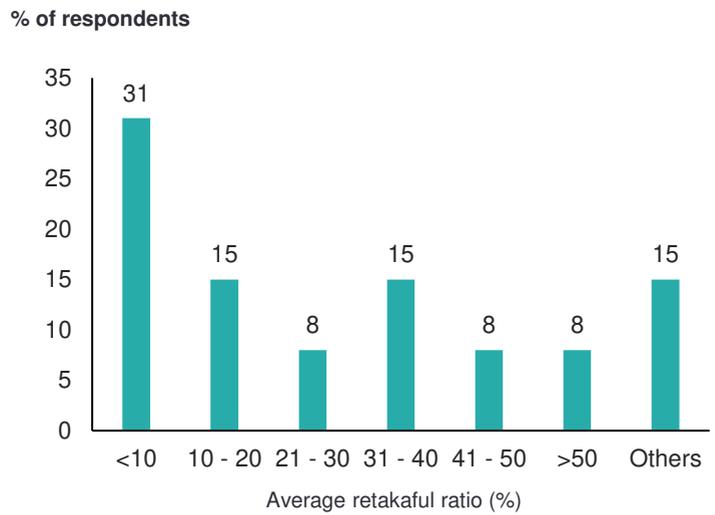
Online survey period was from 5 August 2024 to 30 August 2024. The total survey respondents was 13.

Chart 50: Average combined operating ratio⁵



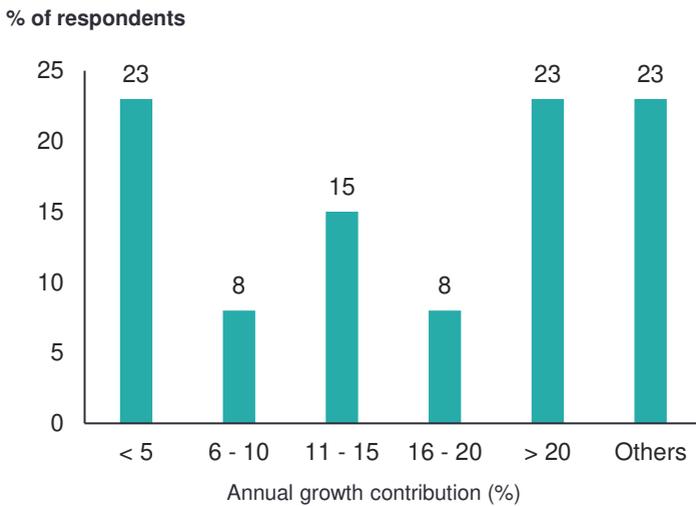
Nearly half (46%) of respondents indicate that their average combined operating ratio is between 81% and 100%; of which 23% have a ratio between 81% and 90% and 23%, between 91% and 100%. Similar to 2014, 24% respondents indicated their average combined operating ratio is within the same range between 81% and 90%.

Chart 52: Average retakaful ratio⁶



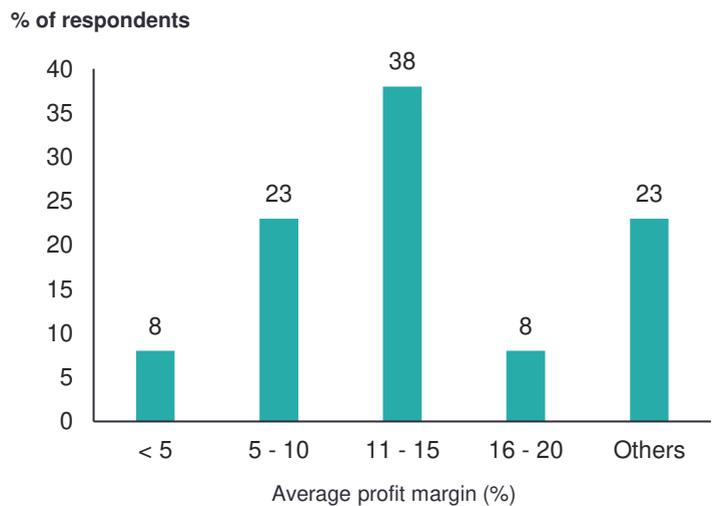
Nearly one-third (31%) of respondents state that their average retakaful ratio is less than 10%, compared to a mixed bag of results of 21% respondents who reported less than 5% or over 20% growth in 2014.

Chart 51: Annual growth contribution⁷



For more than two-fifths (40%) of respondents, the annual growth contribution to their portfolios is either less than 5% or more than 20%, indicating a polarised performance with a significant number experiencing either low or high growth. In comparison, almost half (47%) of respondents indicated that their average annual premium growth is about 11.2% in 2014.

Chart 53: Average profit margin⁸



More than one-third (38%) of respondents state that their average profit margin is between 11% and 15%, similar to average profit margin of about 10.7% in 2014.

Notes:

⁵ Combined operating ratio = Claims ratio + commission ratio + expense ratio

⁶ Retakaful ratio = Gross written contributions ceded to reinsurance/retakaful divided by gross written premiums/contributions

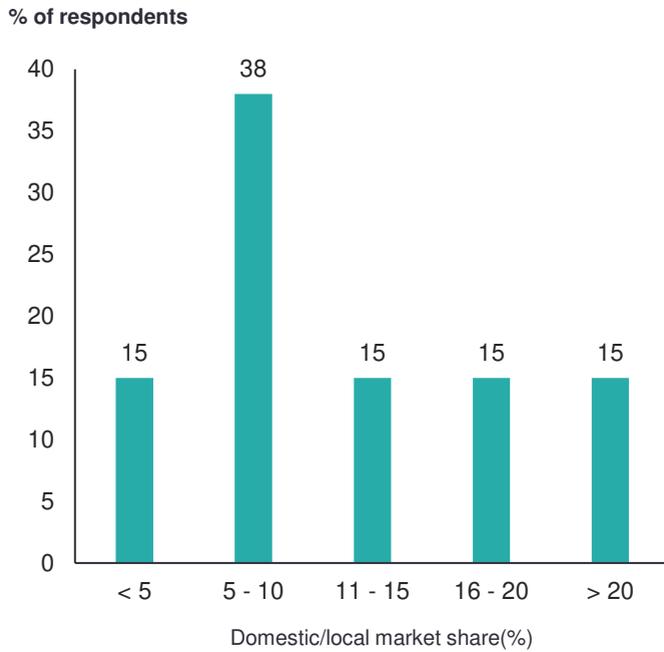
⁷ Total contribution (i.e., first year contribution + renewal contribution + single contribution) during the year less total contribution last year divided by total contribution last year multiplied by 100%

⁸ Profit margin = Net profit/(loss) for the year divided by gross earned contributions

All financial ratios are calculated based on MFRS 4 numbers.

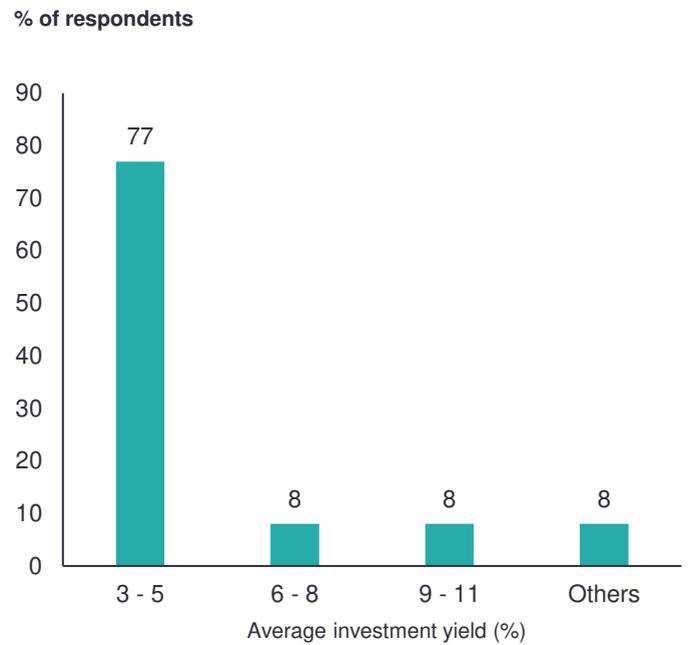
Online survey period was from 5 August 2024 to 30 August 2024. The total survey respondents was 13.

Chart 54: Domestic/local market share⁹



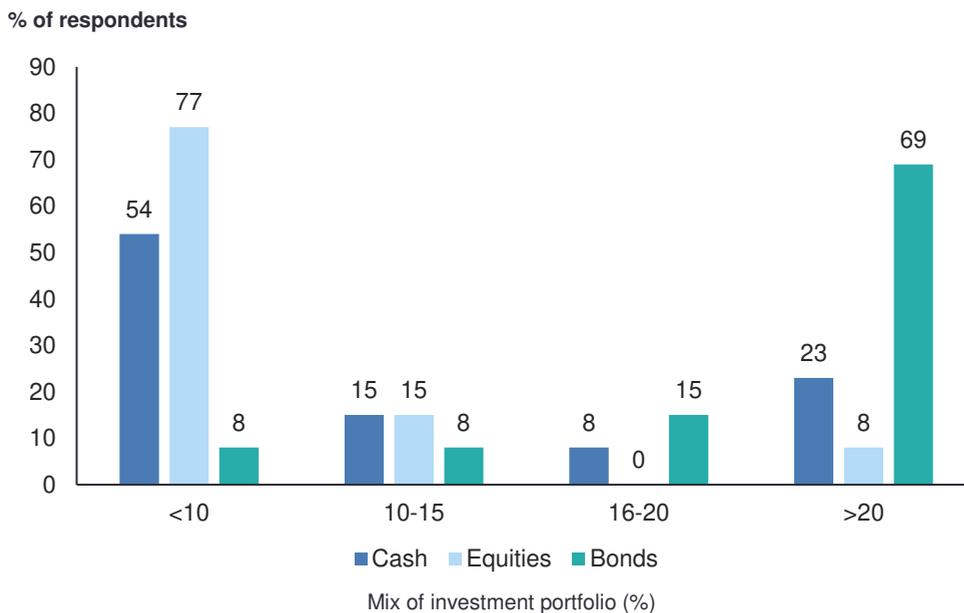
More than one-third (38%) of respondents indicate that their domestic/local market share is between 5% and 10%.

Chart 56: Average investment yield¹⁰



Over three-quarters (77%) of the respondents indicate that their average investment yield is between 3% and 5%, which is within the same range of 4.8% average investment yield reported in 2014.

Chart 55: Mix of investment portfolio¹¹



For 77% of the respondents, the average holdings for equities is less than 10%, reflecting their low-risk appetite, similar to 42% who held less than 10% of equities in their portfolio in 2014.

Notes:

⁹ Total of dividend income and investment income divided by total cost of financial assets multiplied by 100%

¹⁰ This financial metric was not included in the 2014 survey

¹¹ Cash and cash equivalents divided by total of cash and cash equivalents and financial assets multiplied by 100%

Investment in equity divided by total of cash and cash equivalents and financial assets multiplied by 100%

Investment in bonds divided by total of cash and cash equivalents and financial assets multiplied by 100%

All financial ratios are calculated based on MFRS 4 numbers.

Online survey period was from 5 August 2024 to 30 August 2024. The total survey respondents was 13.

Mortality study

MTA appointed Actuarial Partners Consulting (APC) to conduct the mortality study for Takaful industry in Malaysia, which marks the first mortality experience study commissioned by MTA. The Takaful industry has never undertaken an industry-wide mortality study previously and has been using mortality tables MO8388, MO9903, and M1115, which were developed using the experience of savings products such as whole life, endowment, and investment-linked products from the life insurance industry.

This first Takaful industry mortality study was successfully completed in July 2024. In addition to providing valuable insight for the Takaful industry, the study established a framework for ongoing experience monitoring and future enhancement, which will benefit MTA members, and the broader community connected to the Takaful industry.

Based on the mortality experience observed in this study, APC proposed a joint mortality study with LIAM to compare mortality experience between Takaful and life insurance industry from 2016 to 2020. The proposal also includes construction of a new mortality table for credit protection products, a lapse study and a critical illness (CI) study for the Takaful industry as well as annual mortality monitoring. MTA is currently evaluating the proposals for next step.

- ▶ To investigate the mortality experience of the Takaful participants of MTA member companies for the period from 2016 to 2021.
- ▶ The inclusion of data from 2021 is intended to evaluate the impact of COVID-19 pandemic on the mortality experience within the Takaful industry.

47.9 million participant years with an average exposure of eight million participant years per year from year 2016 to 2021.

- ▶ The results show that some exposures exhibit higher mortality rate than others, such as smoker, non-underwritten certificate, sum participated lower than RM10,000 and occupation class 2 and 3.
- ▶ The report also shows data credibility, which is used to determine whether the existing mortality tables provide reasonable fit to the underlying Takaful experience.



- ▶ Analysed the mortality experience for each product type by comparing the actual death count observed with the expected death count, which was computed using exposures from 2016 to 2020 and the mortality tables MO8388, MO9903, and M1115.
- ▶ Consistent with the methodology adopted by the Continuous Mortality Study (CMI) of the Institute and Faculty of Actuaries (IFoA), United Kingdom.

Mortgage Reducing Term Takaful (MRTT) products represent the largest exposure at 33.2%, followed by Personal Financing Reducing Term Takaful (PFRTT) products at 28.8% and the remaining are Investment-Linked, Endowment and Temporary products.

- ▶ COVID-19 impact analysis: The MRTT's mortality experience for 2021 is approximately 20% to 50% higher than that from 2016 to 2020.
- ▶ The mortality experience of Takaful participants was also compared to that of the general Malaysia population, using data sourced from DOSM. The results shows that mortality experience of Takaful participants are approximately 32% to 59% lower than the general Malaysian population.

Source: *Mortality Studies of Malaysian Takaful Participants from Year 2016 to 2021*, MTA, 2024

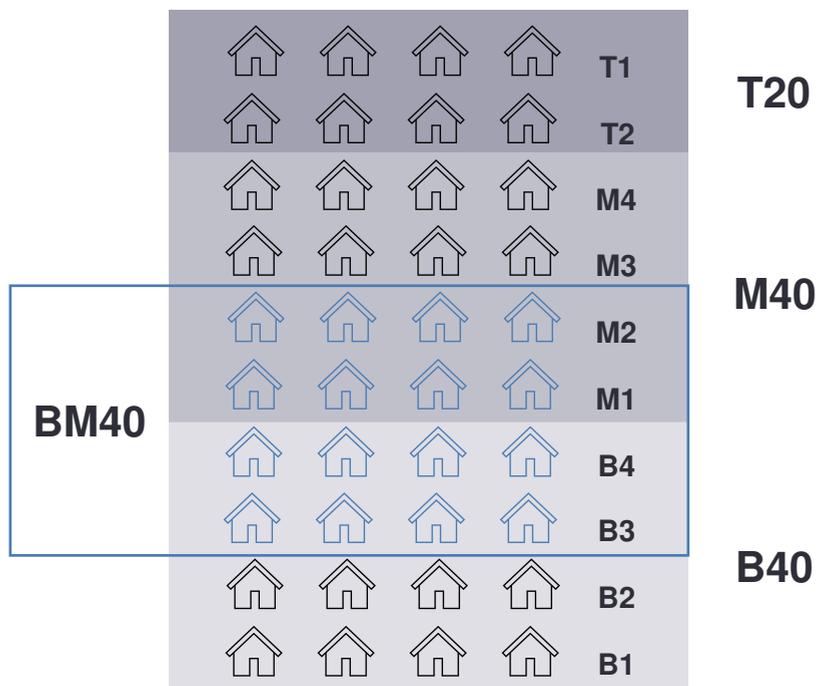
Microinsurance/Microtakaful Demand Study

Understanding the BM40 market in Malaysia

In this study, the key target market is BM40, defined as the upper half of the Bottom 40 percent of households, and the lower half of the Middle 40 percent.

The BM40 segment comprises households with mean monthly household (HH) income ranging from RM3,152¹ to RM7,348¹, thereby covering upper B40 and lower M40.

Table 58: Key target market – BM40



	Mean monthly HH income (RM)	Mean ² HH income urban areas (RM)	Mean ² HH income rural areas (RM)
T20	RM18,506	RM19,911	RM11,052
M40	RM7,348	RM8,088	RM4,700
B40	RM3,152	RM3,545	RM2,286

Notes

¹ From the mean of B40 to mean of M40 in data as of 2019

² Based on the mean calculated from decile households' data as of 2019

Source: *Microinsurance/Microtakaful Demand Study: Understanding the BM40 market in Malaysia*, Life Insurance Association Malaysia (LIAM) Malaysian Takaful Association (MTA), 2022

Key findings on overall BM40 – Risks

Top risks or worries across segments are accidents, health issues, and income loss. A death in the family is also a concern for many.

The estimated out-of-pocket expenses or incurred costs (whether hypothetical or experienced), ranged between RM15,000 and RM41,000. However, top risk (accident) has the least estimated out-of-pocket expenses.

Chart 59: Top risks or concerns

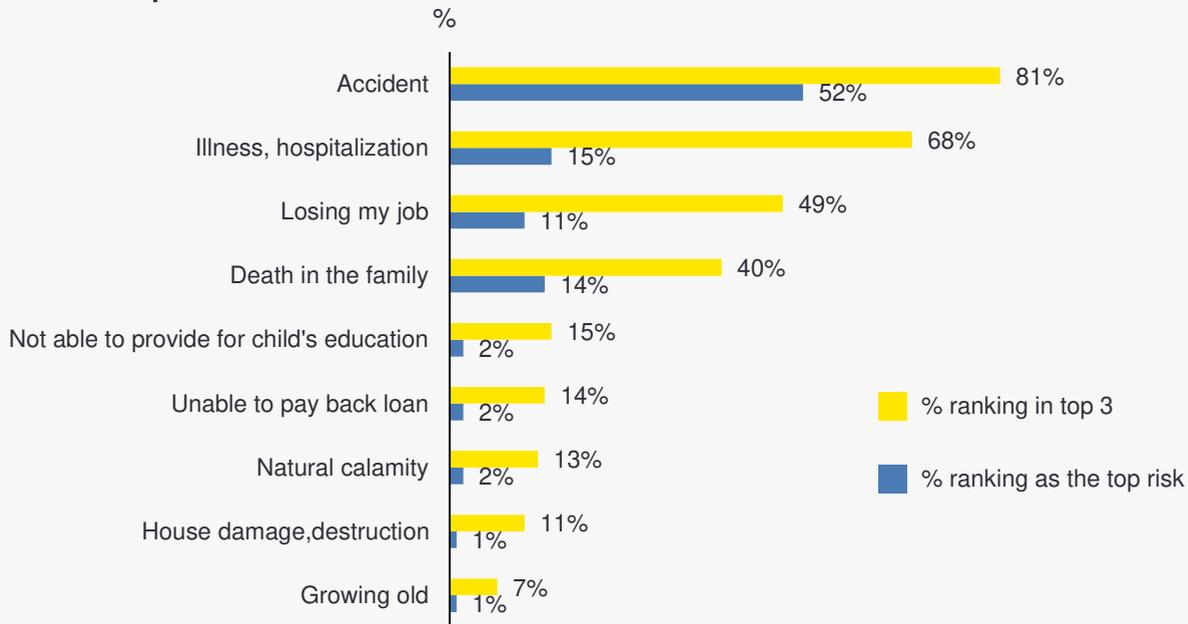


Chart 60: Average estimated out of pocket expenses/costs¹



Note: ¹ For each of their top three risks or concerns, respondents were asked to estimate the out-of-pocket expenses costs for a shock event, as a total lump sum. If the respondent did not experience the shock in the last 12 months, they were asked to estimate what they think the costs would be should the shock occur.

Source: *Microinsurance/Micotakaful Demand Study: Understanding the BM40 market in Malaysia*, Life Insurance Association Malaysia (LIAM) Malaysian Takaful Association (MTA), 2022

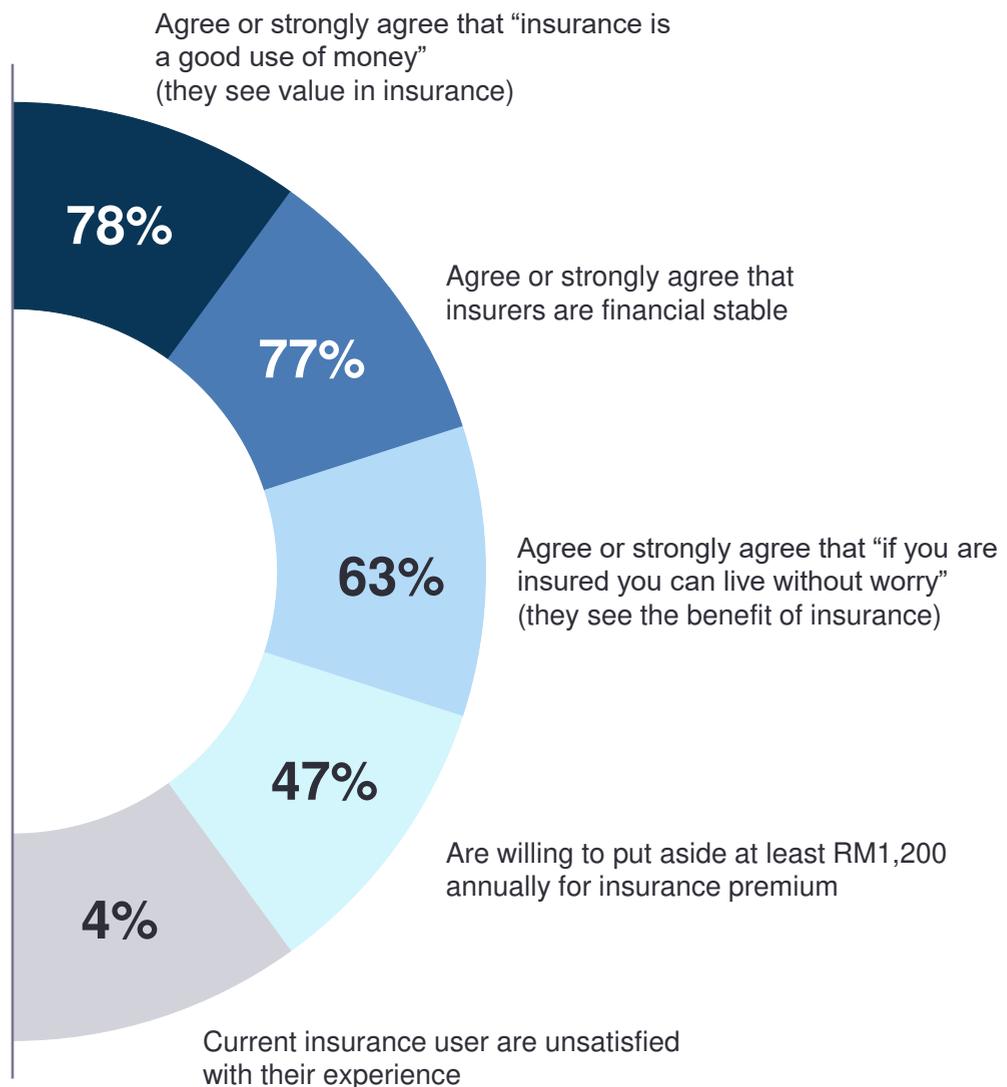
Key findings on overall BM40 – Perceptions

The BM40 market segment generally understand the purpose of and need for insurance and perceive insurance cover positively. However, more than a quarter (26%) of those without insurance do not think that it is a priority due to financial constraints.

In addition, nearly half (44%) believe that insurers sometimes try to get out of paying claims suggesting lack of trust.

With the overall positive perception of Takaful or insurance, the Takaful operators are taking collaborative efforts to implement success measures in addressing the challenges for underserved markets under Hijrah27 Industry Roadmap for Growth.

Chart 61: Overall respondent perceptions on insurance



Source: *Microinsurance/Microtakaful Demand Study: Understanding the BM40 market in Malaysia*, Life Insurance Association Malaysia (LIAM) Malaysian Takaful Association (MTA), 2022

Customer Satisfaction Survey (CSS)

Consumer Satisfaction Index (CSI) Score

CSI score serves as a key performance indicator for assessing customer satisfaction levels. CSI index ranges from 0 to 100, and higher scores indicate higher customer satisfaction. CSI score provides a common yardstick to compare the performances of ITOs and associations with respect to customer satisfaction.

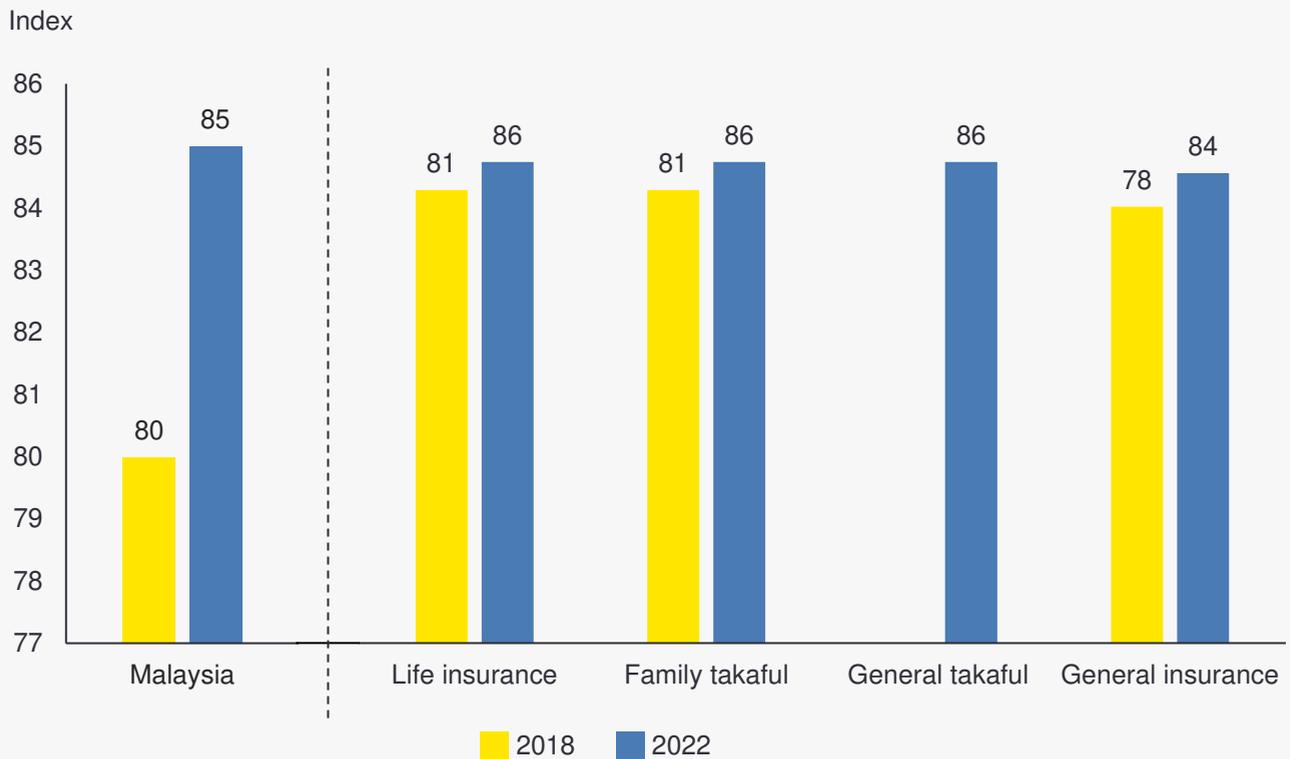
Despite the pandemic, customer satisfaction has improved in 2022. This improvement has been observed across all segments of the insurance industry such as life insurance, general insurance, and family Takaful and general Takaful.

Top performing operators

Based on the CSS 2022, two of the Takaful operators (TOs) are among the top five performing TOs with respect to customer satisfaction. The respective TOs are:

- ▶ Prudential BSN Takaful Berhad
- ▶ Zurich Takaful Malaysia Berhad

Chart 62: Customer Satisfaction Index (CSI) Score



Note: In 2018, there was only one ITO from general Takaful participated in CSS exercise. This was due to the incomplete conversion of composite licence Takaful companies to single Takaful businesses. Hence, comparison with 2018 is not available for general Takaful.

Source: *Malaysia Insurance and Takaful Customer Satisfaction Survey*, Malaysian Takaful Association, 2022

Drivers of satisfaction by industry

Customers from life insurance and general insurance place importance on privacy handling and service efficiency (knowledgeable staff, timely and satisfactory complaint/query resolution). At the same time, general insurance customers expect quick response time at the call centre, while life insurance customers value prompt query follow up. Initial interaction plays a bigger role in driving satisfaction among Takaful customers.

Both family Takaful and general Takaful customers emphasise the need for transparent explanations of product details. Unique to family Takaful, there is a high regard for products that align with customer needs, and easy and simple purchase process (ease of comparing plans, ease of submitting document). On the other hand, general Takaful customers value post-purchase servicing (knowledgeable staff, satisfactory query/complaint outcome), timely receipt of certificate and ease of getting quote.

Table 63: Top five drivers of satisfaction by industry

Family Takaful	General Takaful
71% Served in timely manner – call center	87% Satisfied with queries/complaint outcome
89% Transparent product details	86% Staffs are knowledgeable
88% Product meets customer needs	87% Timely receipt of policy
78% Ease of comparing plans	86% Transparent product details
86% Ease of document submission	88% Ease of getting a quote

Life insurance	General insurance
86% Staff are knowledgeable	84% Careful handling of privacy
82% Timely queries/complaint resolution	83% Served in timely manner – call center
87% Careful handling of privacy	87% Staff are knowledgeable
85% Satisfied with queries/complaint outcome	84% Satisfied with queries/complaint outcome
79% Prompt query follow up	83% Timely queries/complaint resolution

Source: *Malaysia Insurance and Takaful Customer Satisfaction Survey*, Malaysian Takaful Association, 2022

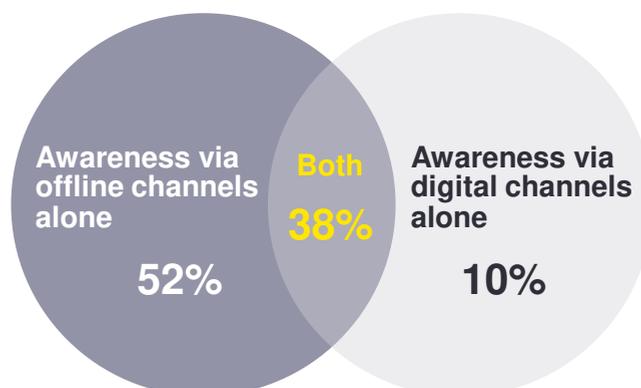
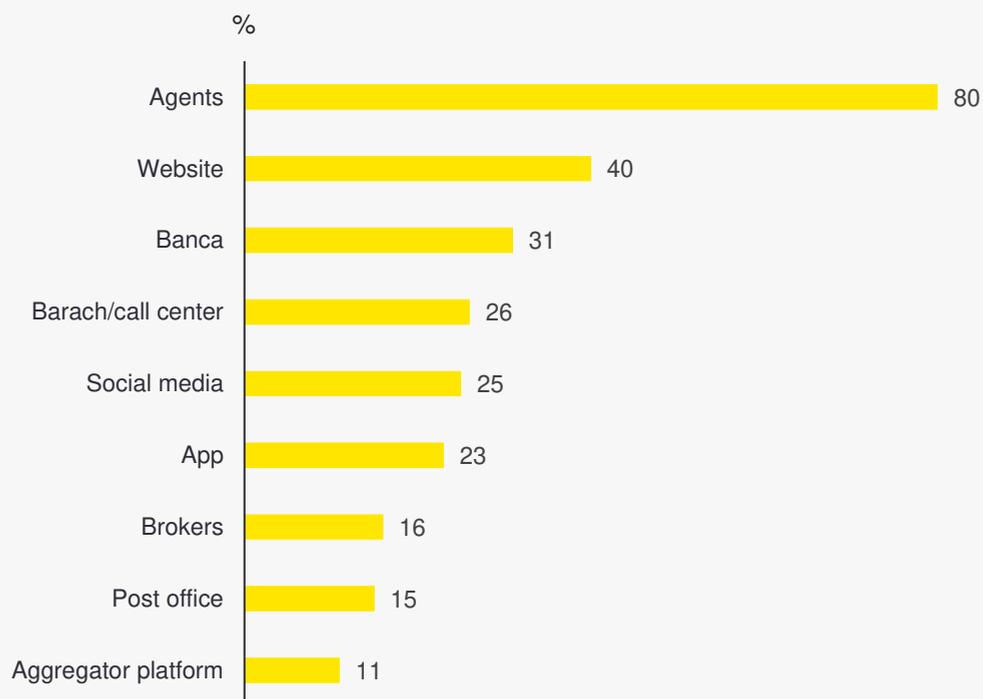
Distribution channel dynamics

The agent channels provide the majority (80%) of Takaful and insurance awareness, particularly for life insurance and family Takaful.

With the rapid adoption in digital technologies, there are opportunities to leverage on digital channels to step-up product awareness and improve service delivery efficiencies.

In fact, the increasing preference for online channels for Takaful and insurance purchase reflects the evolving digital landscape. Customers value the convenience and quick accessibility offered by digital channels for researching and purchasing Takaful and insurance products. ITOs may explore the need to invest in digital capabilities aside from leveraging on agents to educate customers about digital capabilities, particularly for customer service post-purchase.

Chart 64: Source of Takaful and insurance awareness



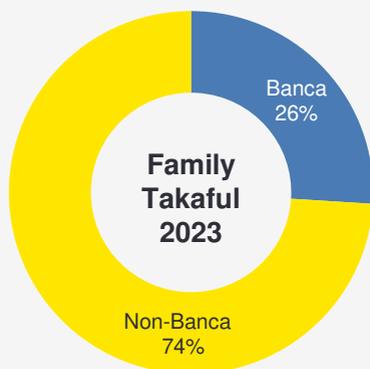
Source: *Malaysia Insurance and Takaful Customer Satisfaction Survey*, Malaysian Takaful Association, 2022

Registered agents in family and general Takaful

The Malaysian Takaful industry has 108,158 registered individual Takaful agents in 2023 compared to 78,979 in 2014.

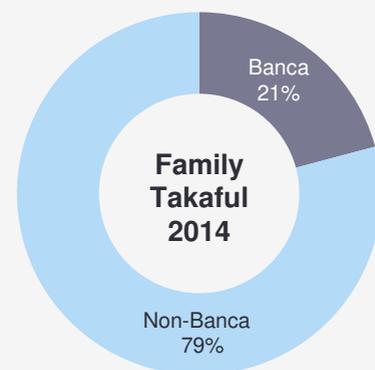
Over the last 10 years, registered individual Family Takaful agents increased moderately from 21% in 2014 to 26% in 2023 whereas registered individual General Takaful agents increased from 10% to 45% in 2023.

Chart 65: Registered individual Takaful agents – family, 2023



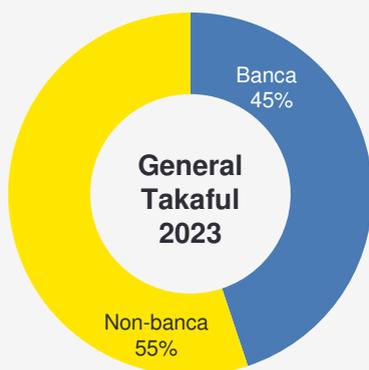
Registered individual agents
(Family Takaful): 94,053 agents

Chart 67: Registered individual Takaful agents – family, 2014



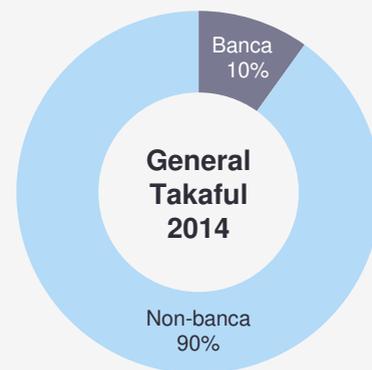
Registered individual agents
(Family Takaful): 63,913 agents

Chart 66: Registered individual Takaful agents – general, 2023



Registered individual agents
(General Takaful): 14,105 agents

Chart 68: Registered individual Takaful agents – general, 2014



Registered individual agents
(General Takaful): 15,066 agents

Source: MTA Annual Report, Malaysian Takaful Association, 2023

Talent development: Key priorities

The Future Skills Framework for the Malaysian financial sector is an integral component of the FSB 2022-2026, which constitutes a single point of reference on job roles and skills aligning with the needs of the industry. The framework provides details on career development pathways for those working or aspiring to work in the sector and the capacity-building programmes for the acquisition of the vital skills.

This framework is also designed to benefit multiple stakeholders including Takaful and insurance industry across the financial sector talent ecosystem, enabling each sector to make better informed decisions and play its role effectively.

In addition, the framework is also aligned with Hijrah27's objective, which is to transform, attract and retain talent within the Takaful industry through new training programmes as well as leadership development efforts and initiatives.

Chart 69: Financial sector: Benefits of a Future Skills Framework



Source: *Financial Sector Blueprint 2022-2026*, Bank Negara Malaysia, 2022

Future Skills Framework for Malaysian financial sector

The Future Skills Framework (FSF), is a financial sector-led initiative, accounts for a single point of reference on job roles and skills, aligning with sector needs for the next three years. It provides details on career development pathways for those working or aspiring to work in the sector and the capacity-building programmes for the acquisition of the vital skills.

7 Financial services sub-sectors

Out of 159 job roles

137 are related to Takaful and insurance

14 Job clusters

10 Prime skills clusters

159 Job roles

2 Power skills clusters

Seven financial services sub-sectors

1 Retail banking and Islamic retail banking

2 Corporate and commercial banking and Islamic corporate and commercial banking

3 Investment banking and Islamic investment banking

4 Development financial institutions

5 Digital banking and Islamic digital banking

6 Insurance and Takaful

7 Digital insurance and digital Takaful¹

14 job clusters

Sales and distribution channels

Customer relations and advisory services

Actuarial management

Product innovation and management

Integrated operations and management

Digital, data, and IT operations

Finance management and operations

Supply chain and procurement management

Brand, marketing, and communications

People advisory and solutions

Sustainability management

Islamic financial and Shariah advisory

Legal and corporate secretarial services

Governance, risk, and compliance

159 job roles

10 prime and 2 power skills clusters

Prime skills

Technical skills of priority that are job-role specific

Branding and communications

Customer experience management

Digital and data integration

Financial products and services

Growth and partnerships

Investment and financial management

People management and development

Procurement management

Risk management, governance, and regulatory compliance

Sustainable finance and insurance

Power skills

Fundamental skills relevant for all job roles, complementing prime skills

Branding and communications

Social intelligence

157 skills consisting of 142 prime and 15 power skills

Note: ¹ Job roles under digital Takaful and digital insurance are provisional and will be validated with the sub-sectors once licences are issued.

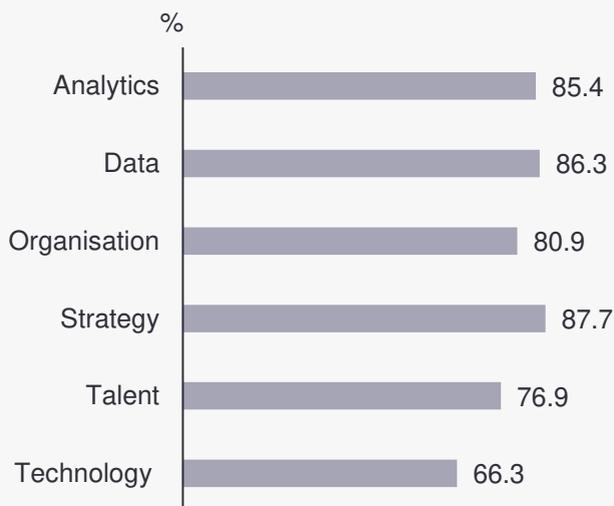
Source: *Future Skills Framework for the Malaysian financial sector*, AICB, IBFIM, MII, 2024

Upskilling talent is critical as AI financial services gain popularity

Emerging financial service applications enabled by artificial intelligence/machine learning (AI/ML) such as robo-advisory platforms, aggregator services, and personal financial management are gaining market acceptance. This places greater urgency particularly on Takaful and insurance agents to consider how their business practice must evolve to remain relevant through digital transformation and adoption of higher standards of professionalism.

The Data-Driven Organization Report 2021 (DDO) indicates that the industry is in the mid-range of maturity with further scope for talent building capability. More initiatives and focus should be put in the upskilling agenda to closely match actual organisational skill demands in a digitalised marketplace.

Chart 71: Future DDO journey vision



A large majority of Malaysian Takaful organisations indicate that there are future plans to adopt or enhance adopted data-driven practices, particularly in Strategy (87.7%) and Analytics (85.4%).

Source: *Data-Driven Organization Report*, Center of applied data science (CADS), 2021

Chart 70: Moving forward with talent



Data literacy upskilling

- ▶ Address talent gaps and skill areas in data literacy
- ▶ Integrate data analysis and AI training and upskilling



Data driven human resources (HR)

- ▶ Develop the strategic human capital and talent management roadmap
- ▶ Ensure data is available to perform data analysis in every HR processes



Talent experience and mobility

- ▶ Match best-fit candidates to encourage cross-mobility and collaboration





4

Growth outlook

- ▶ Growth and opportunities
- ▶ Industry risks and challenges
- ▶ Business risks radar
- ▶ Next era

Malaysia outlook: Tapping the underserved markets, locally, and regionally

Relative to its developed regional peers, Malaysia's young and middle-class demographics provide the potential to achieve a higher market penetration rate in the next era.

By 2026, Malaysia targets to strengthen financial safety nets, especially for the most vulnerable by achieving:

- ▶ Takaful and insurance penetration between 4.8% to 5% (as % of GDP)
- ▶ Significant increase in take-up of Takaful and insurance, with doubling of number of individuals subscribed to microinsurance/microtakaful



“

Takaful and insurance play a key role in the development and resilience of our financial markets. In the recent episodes of heightened market volatility, Takaful and insurance companies, alongside banks, have had an important stabilising effect on markets.

”

Tan Sri Nor Shamsiah Mohd Yunus

Former BNM Governor

Malaysian Insurance Institute (MII) Summit,
28 September 2018

Source: *Financial Sector Blueprint 2022-2026*, Bank Negara Malaysia, 2022

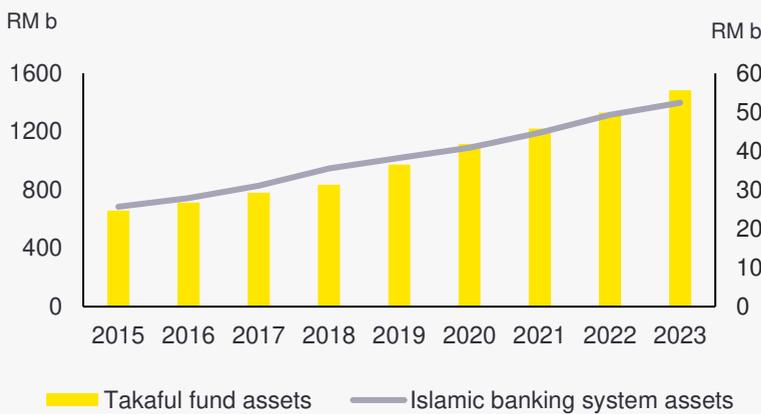
Malaysia Takaful: Growth prospects

Prospects for the Malaysian Takaful industry continue to ride on the strength of the Islamic banking and finance sector which offers a wide and trusted distribution base.

Despite challenging macroeconomic conditions, market opportunities in underserved market segments such as the expanding middle-class segments across Malaysia’s urban areas and MSME segments.

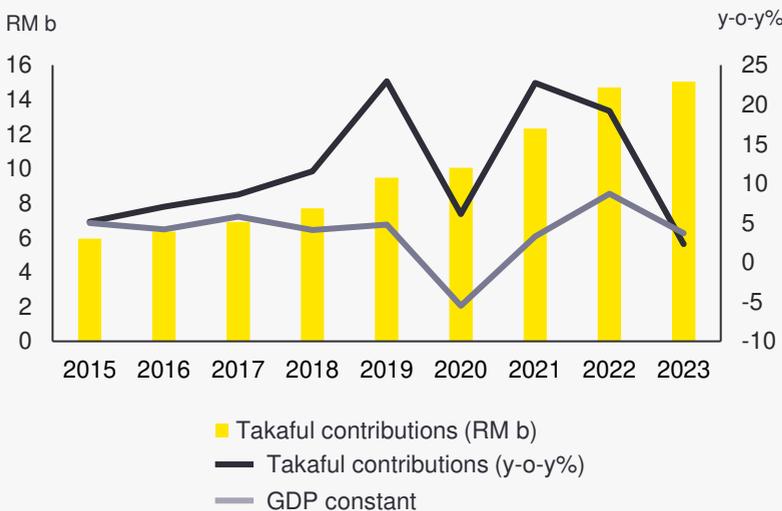
Over the medium to long term, the growth potential for the Malaysian Takaful industry will be shaped by is subject to the implementation of the FSB 2022-2026 and the VBIT frameworks.

Chart 72: Malaysia - Islamic banking system and Takaful industry total assets



CAGR (%) 2015 – 2023	
Malaysia’s Islamic banking system	10.7
Malaysia’s Takaful industry	9.3

Chart 73: Malaysia’s Takaful growth



CAGR (%) 2015 – 2023	
Malaysia’s Takaful contributions	12.3
GDP constant	-3.7

Sources:

- ▶ *Financial Stability Review*, Bank Negara Malaysia, 2023
- ▶ Department of Statistics Malaysia (DOSM), 2023



“

Our ability to implement a pragmatic Islamic financial system in Malaysia is truly a blessing from Allah. Today, Islamic banking and finance is a viable and competitive alternative financial system that operates successfully in the mainstream.

”

Tan Sri Dr. Zeti Akhtar Aziz
Former BNM Governor
Islamic Finance Week, 26 October 2001

Malaysia Takaful: Segment outlook

Malaysia's diversified economy and favourable demographics continue to offer opportunities for Takaful operators. Shifting customer preferences and competitive pressures require insurers to respond to changes with the right strategy, speed, and agility.

With customer connectivity a key priority, there needs to be scalable investment in the appropriate technology platforms for effective interactions with customers across product areas and locations. In addition, optimising operational efficiencies, from front-end sales to back-end support, can help mitigate competitive pressures and address regulatory compliance.

With Takaful, as an emerging sector of the broader insurance industry, we anticipate Malaysia's Takaful players to continually raise the benchmark for its service deliverables in its aspirations to lead Takaful's growth in regional and global markets.

Despite regulatory reforms such as tighter capital requirements and sustainability guidelines, Malaysia's demographic dynamics bode well for the Takaful industry's long-term growth potential. The push for constant innovation in the provision of aggregated or bundled financial service products to meet customers' long-term objectives is key to staying relevant in a highly competitive industry.

Points to note

Family Takaful

- 1 Low family Takaful penetration rate of 19.5% in 2023 of the population offer growth opportunities.
- 2 Steady growth in investment-linked policies for both life insurance and family Takaful (5.9% and 4.6% CAGR, respectively over 2015-2023) indicate opportunities for innovative product offerings.

General Takaful

- 1 The dominance of motor insurance in the general insurance and general Takaful segment highlight the need and market potential to insure other emerging risk areas.
- 2 There is emerging interest in non-motor segment under general Takaful product mix (CAGR 12.5% over 2015-2023).

Source: EY analysis



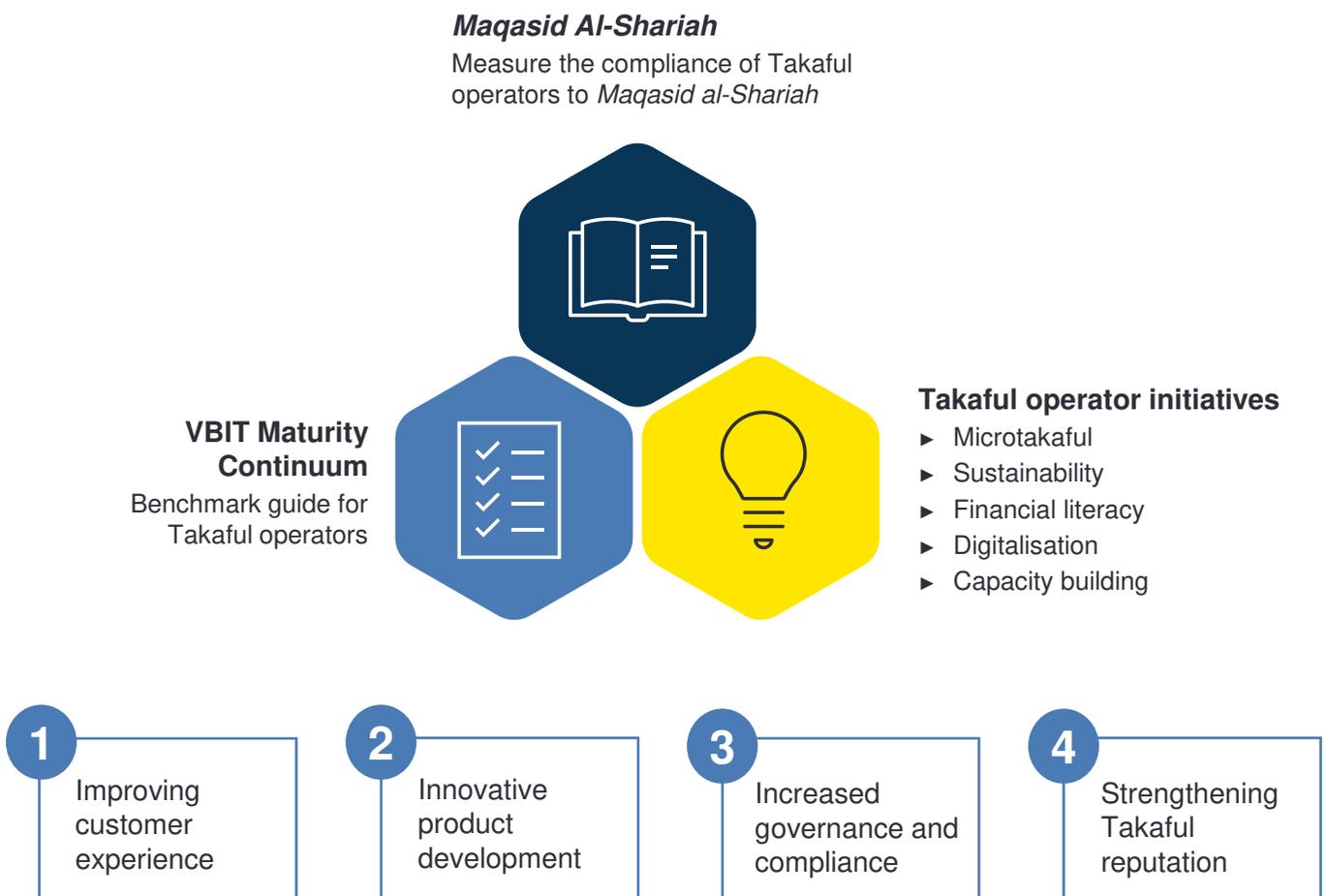


Malaysia Takaful: Growth drivers

In a connected world, Malaysia’s Takaful industry will continue to face external challenges particularly on global economic uncertainties and climate changes. In strengthening industry resilience and ensuring its long-term sustainability and stability, the industry is guided by the FSB 2022-2026 and the VBIT frameworks.

The Takaful FSB Programme aims to strengthen the industry and make it a more vibrant and sustainable sector of the Malaysian economy. The industry must stand together to support the programme and work collaboratively to implement its initiatives and achieve its full potential.

Chart 74: Takaful growth drivers



Source: *Interim Report for Takaful FSB Programme*, Malaysian Takaful Association, 2023

Maqasid Shariah Scorecard

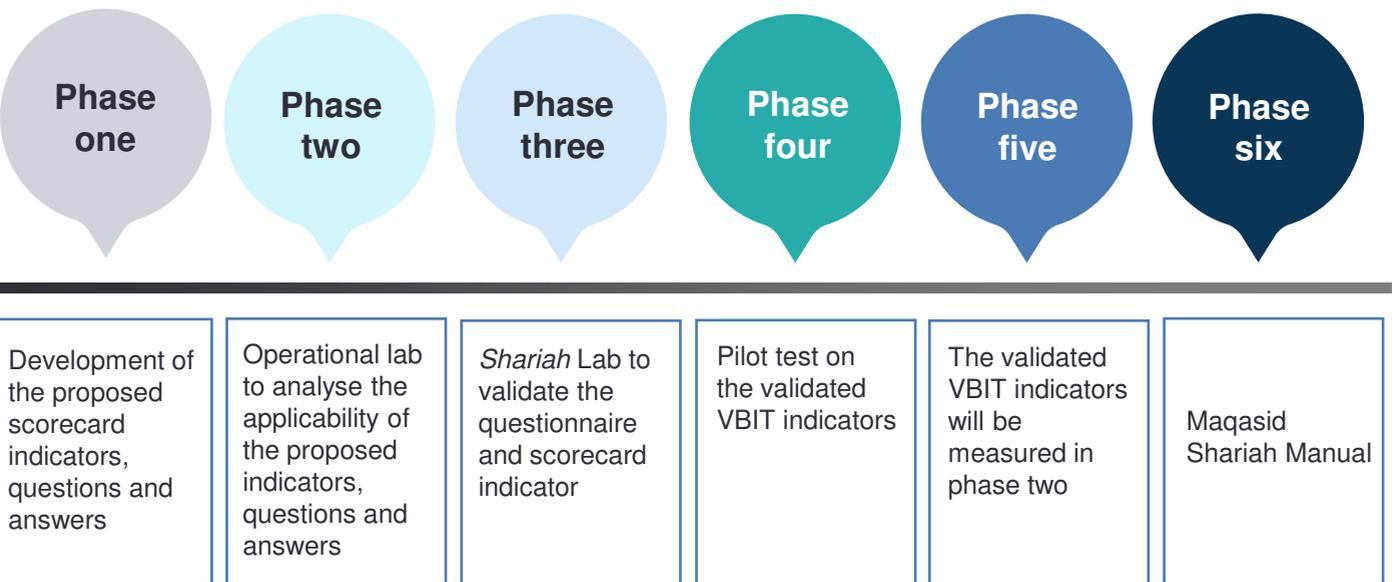
MTA launched the Maqasid Shariah Scorecard (MSS), a transformative initiative aimed at assessing the Takaful industry’s impact and sustainability.

Officiated by BNM Assistant Governor, Suhaimi Ali at the VBIT Conference on 15 October 2024, the scorecard aligns with the *Maqasid al-Shariah’s* principles, which focus on preserving key aspects such as faith, life, wealth, lineage, and intellect.

The MSS enables the Takaful industry to:

- ▶ Facilitate the achievement of *Maqasid* compliance through strategic planning, enhanced decision making, advanced reporting and full transparency.
- ▶ Contribute to the achievement of BNM’s Takaful desired outcomes, and Malaysia’s economic vision.
- ▶ Accurately measure its business and non-business performance based on well-defined key performance indicators (KPIs), clear targets and precise timelines.

Chart 75: MSS implementation phases



Source: *Maqasid Shariah Score for Islamic Financial Institutions*, Malaysian Takaful Association, 2024



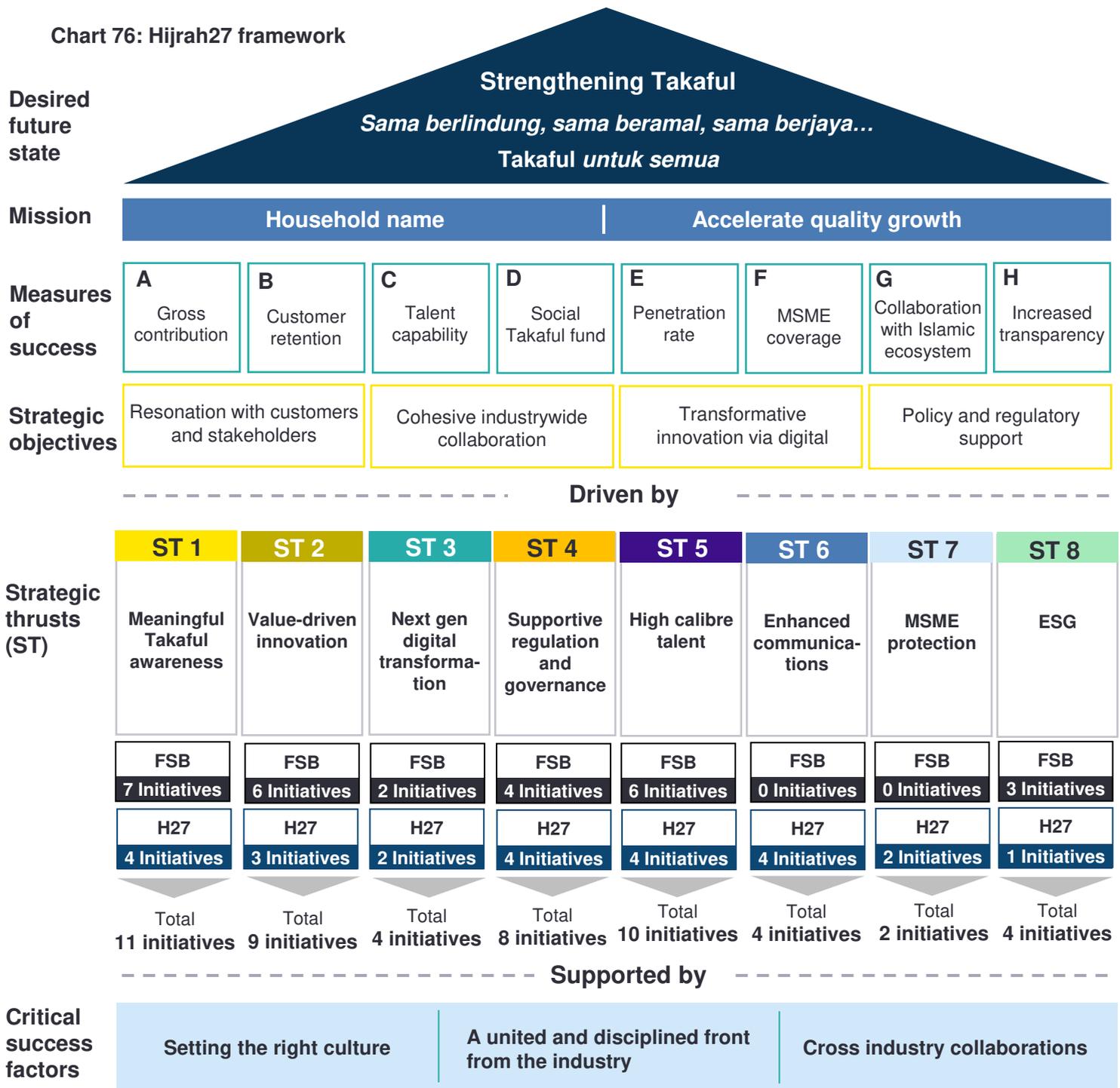
Hijrah27, Malaysia's Takaful industry roadmap for growth

MTA has embarked on the development of Takaful industry transformation plan with the aim towards advancing Takaful called Hijrah27.

Hijrah27 is envisioned to be the new industry lead roadmap, building on key plans and documents.

Hijrah27: Strategic framework	To make Takaful a household name and accelerate quality growth	8 Strategic thrusts	24 Initiatives
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Chart 76: Hijrah27 framework



Source: Hijrah27 Industry Roadmap for Growth, Malaysian Takaful Association, 2024

Growth outlook

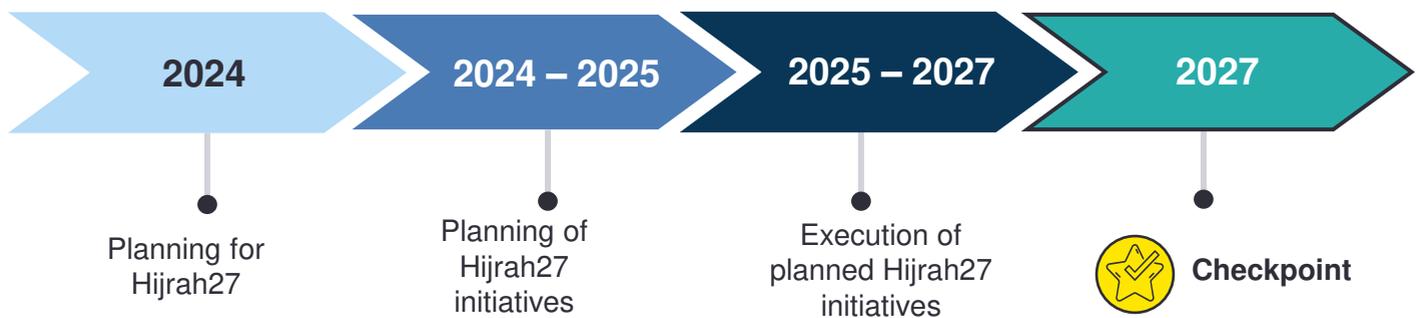
Hijrah27, charting the next chapter

To chart the next chapter of Takaful era, Hijrah27 includes key initiatives such as:

- ▶ Increasing the penetration rate of Takaful products through digital platforms
- ▶ Introducing new and tailored Takaful products aimed at underserved markets
- ▶ Leveraging partnerships to accelerate innovation and regional growth

The various initiatives under Hijrah27 will be implemented by Q4 2025 and will reach a checkpoint in Q4 2027, where Hijrah27 will reach its lifecycle to guide the next chapter's development.

Chart 77: Hijrah27 timeline



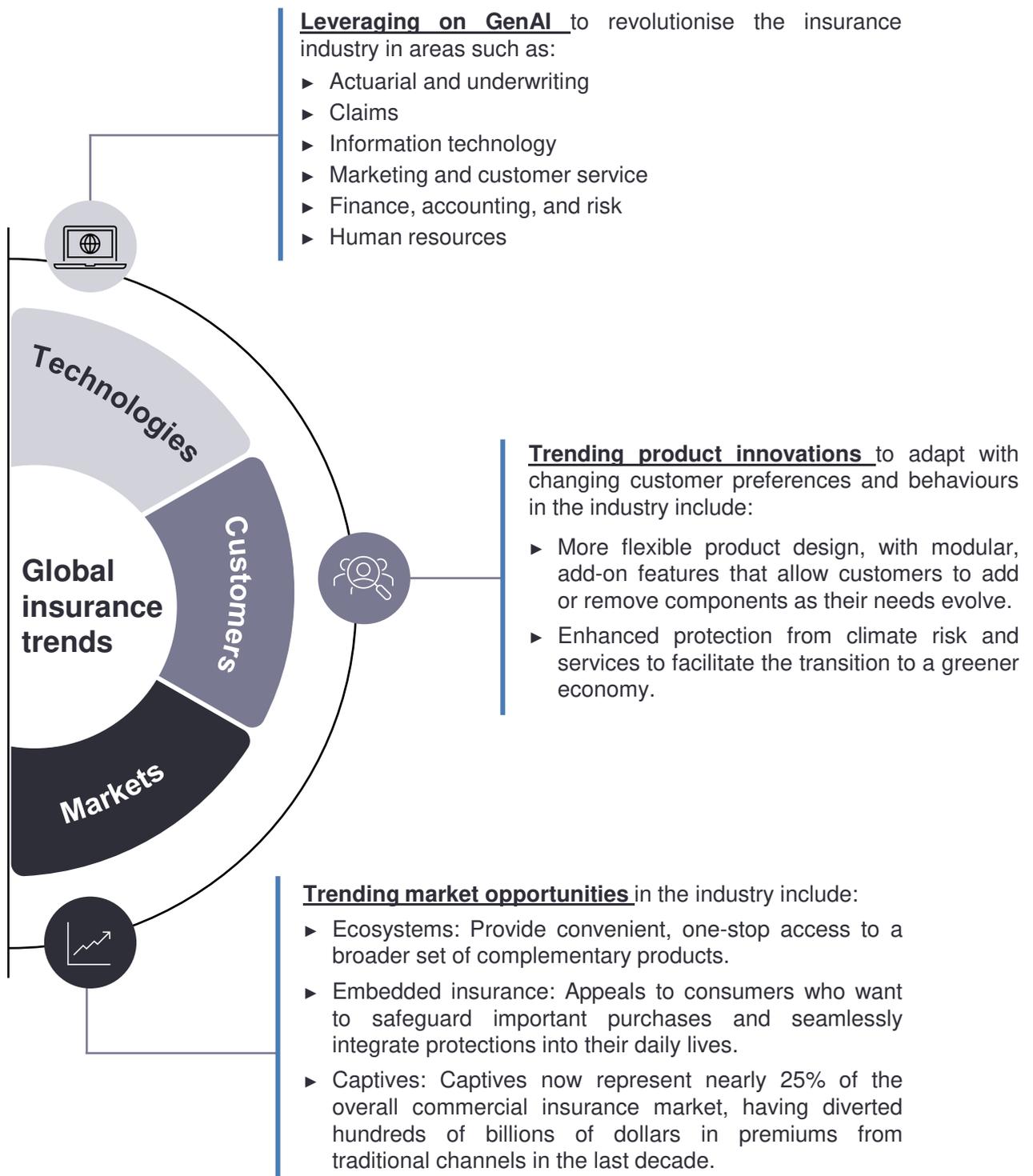
Source: *Hijrah27 Industry Roadmap for Growth*, Malaysian Takaful Association, 2024



Global insurance trends to consider adopting

Moving forward, Malaysian Takaful operators can take heed of global insurance trends for technologies, customers and markets, as reported in EY Global Insurance Outlook 2024:

Chart 78: Global insurance trends



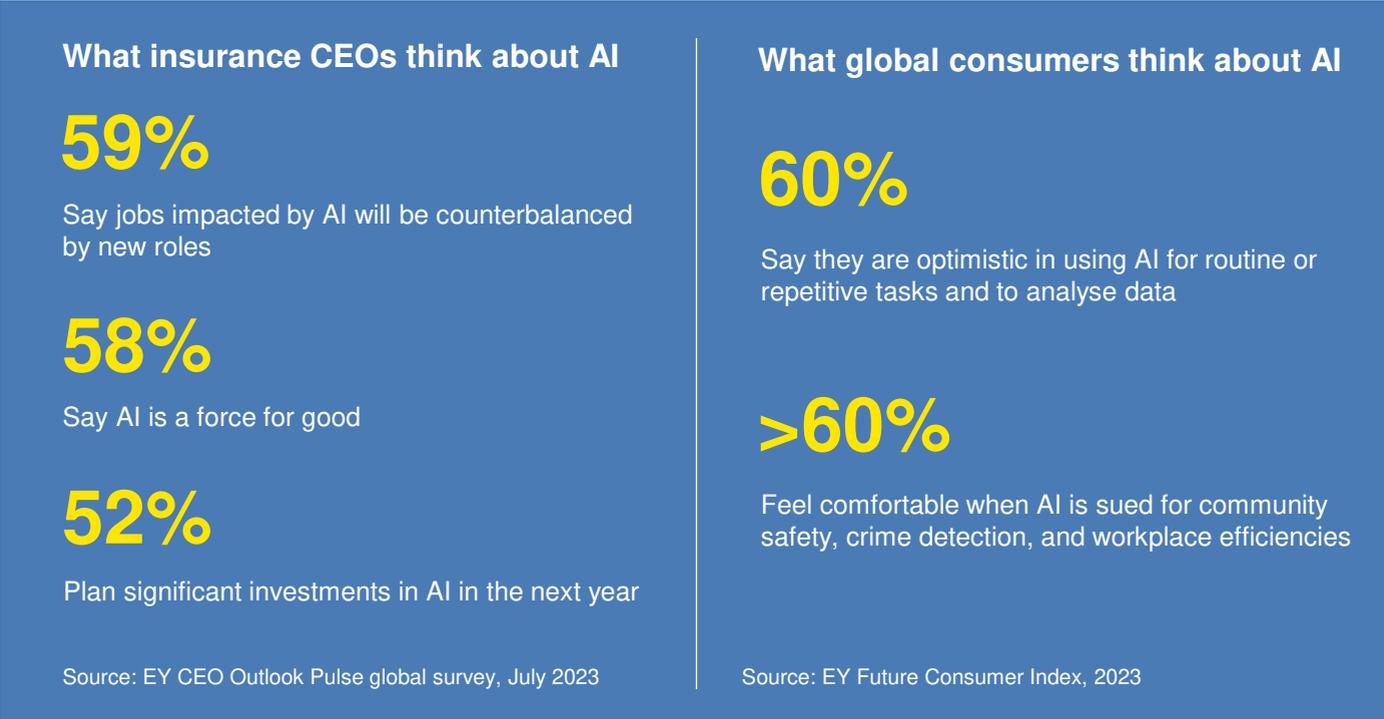
Source: *Global Insurance Outlook*, EY, 2024

Preparing for the transformative impact of AI

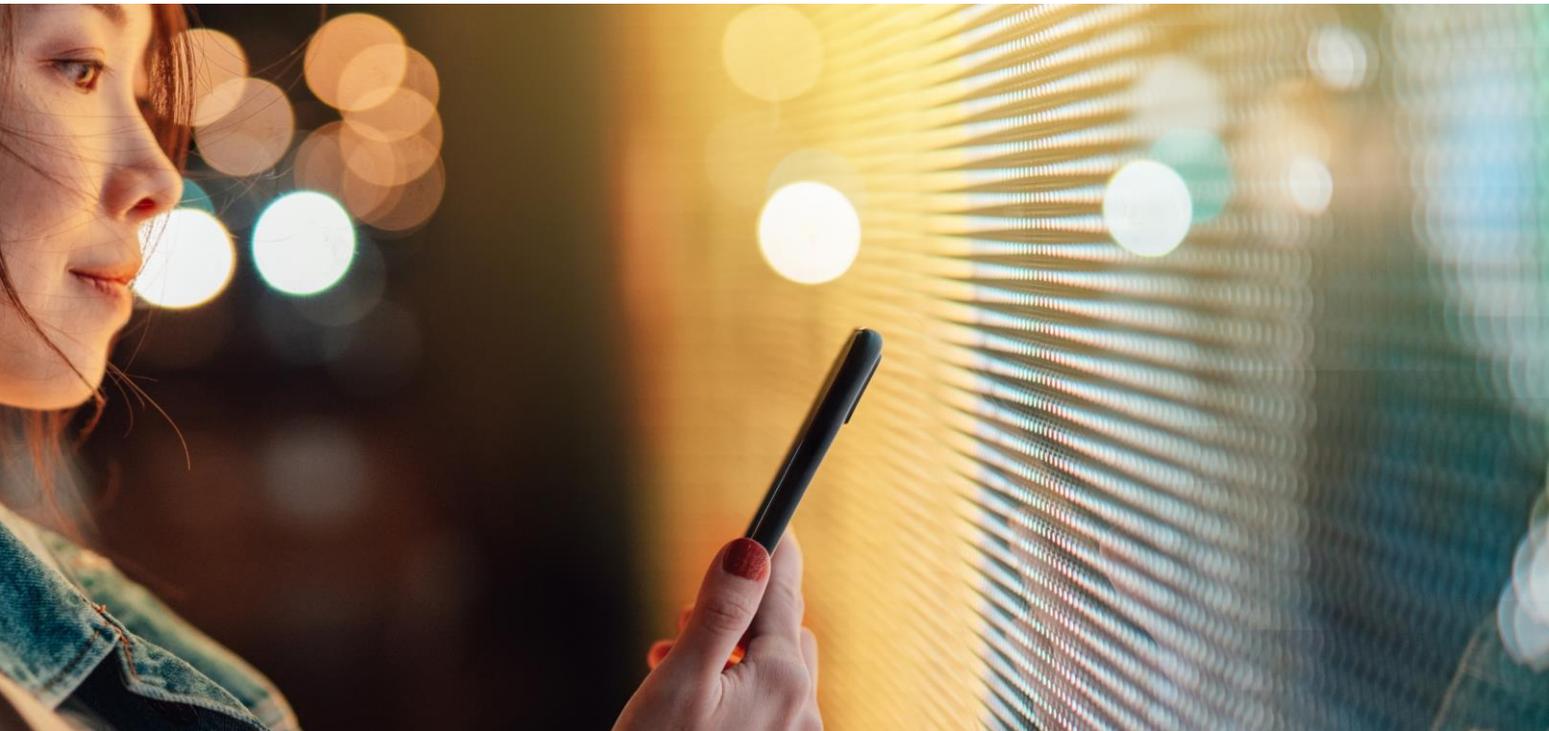
Senior leaders across industries — along with futurists, strategists and philosophers — are thinking deeply about the full range of impacts and implications of artificial intelligence (AI), including generative AI (GenAI).

Companies and regulators view AI as a transformative asset across key business dimensions, and urgent action is necessary to build strong and transparent control and governance frameworks.

Chart 79: What insurance CEOs and global consumers think about AI



Source: Global Insurance Outlook, EY, 2024



Industry risk outlook

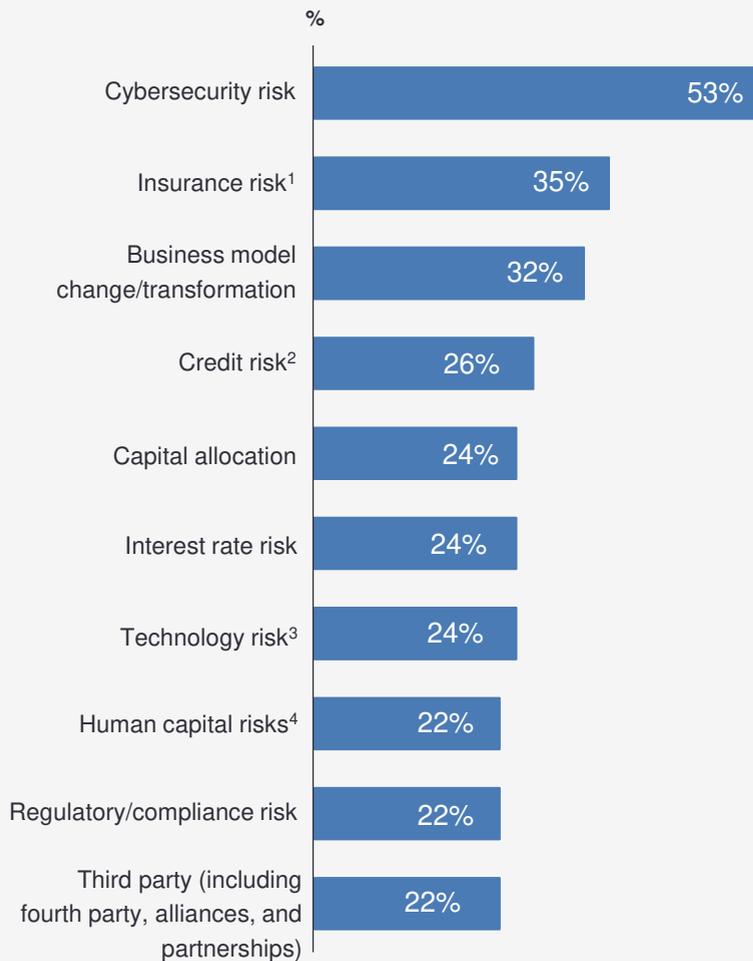
Cybersecurity risk is the top risk priority

EY global survey of chief risk officers (CROs) risk management priorities, highlight that over the next 12 months, the top risk priority is cybersecurity risk.

Other key risk priorities include insurance risk (35%) and business model change or transformation (32%).

The specific risk priorities are as follows:

Chart 80: Risk types or risk management or management topics that will require the most attention from the CRO?



Notes:

¹ Include underwriting risk, including lapses, catastrophic (CAT), and longevity risk

² Include country, sovereign, and concentration risk

³ Include risk of inadequate management, or maintenance of technology systems, networks, assets, and applications

⁴ Include fatigue, wellbeing, talent, skills

Source: *Risk management in a time of transformation*, EY, 2024



Understanding AI risks

AI promises to deliver considerable benefits, from increased operational effectiveness and reduced costs, to elevated customer experiences and greater predictive intelligence. But the risks — both financial and otherwise — are every bit as significant as the potential benefits and closely intertwined.

Maximising AI ROI requires a comprehensive understanding of risks, which include:

What global consumers think about AI

60%

Say they are optimistic in using AI for routine/repetitive tasks and to analyse data.

>60%

Feel comfortable when AI is used for community safety, crime detection and workplace efficiencies.

Source: Future Consumer Index, EY, 2023

Chart 81: AI's risks



Sensitive data

The potential misuse or mishandling of sensitive data, including personally identifiable information can lead to breaches of privacy, a risk intensified by the vast amounts of data AI systems process.

Transparency issues

The black-box nature of some AI models makes it difficult to explain or understand their decision-making processes, raising concerns about accountability.

Biased and false outcomes

AI models, when trained on biased data, can spread or even worsen existing prejudices, leading to unfair policy terms and pricing or claims denials; hallucinations.

Balanced human-AI collaboration

Knowing when to apply human judgment versus following AI-generated recommendations can be challenging.

Privacy concerns

Continuous monitoring (e.g., through telematics and wearable devices) may be seen as invasive by consumers worried about constant surveillance.

Reliability and replicability

If not properly maintained or updated as conditions change, AI systems could produce inaccurate or outdated results that affect policy decisions and claim outcomes.

Cyber

Adversarial prompt engineering, manipulation of inputs and other attacks can lead to unintended fraudulent activities and the loss of training data or even a trained LLM model.

Source: *Global Insurance Outlook*, EY, 2024

Business risks radar

Addressing new and evolving business risks

The top three business risks for Malaysian-based Takaful operators in 2024 include:

- 1 Evolving regulations
- 2 Lack of financial ability
- 3 Rated retakaful shortage

The ever-changing regulatory environment remains the top business risk in the Malaysian Takaful industry in 2024 similar to the trend from a decade ago. The implementations of the FSB 2022-2026, the VBIT Framework, the Climate Risk Management and Scenario Analysis and other regulations as well as the need for Takaful operators to comply with them accordingly were cited as the top business risk.

For the last decade, Takaful operators have been focusing on developing their business transformation strategies in addressing the new challenges and opportunities catalysed by technological challenges and rising competition. To continue thriving in the Takaful industry and the ever-evolving market landscape, the operators are now considering strategic approaches to overcome financial and strategic risks such as lack of financial ability, rated retakaful shortage, and others.

Table 82: Business risks – overall ranking, 2024

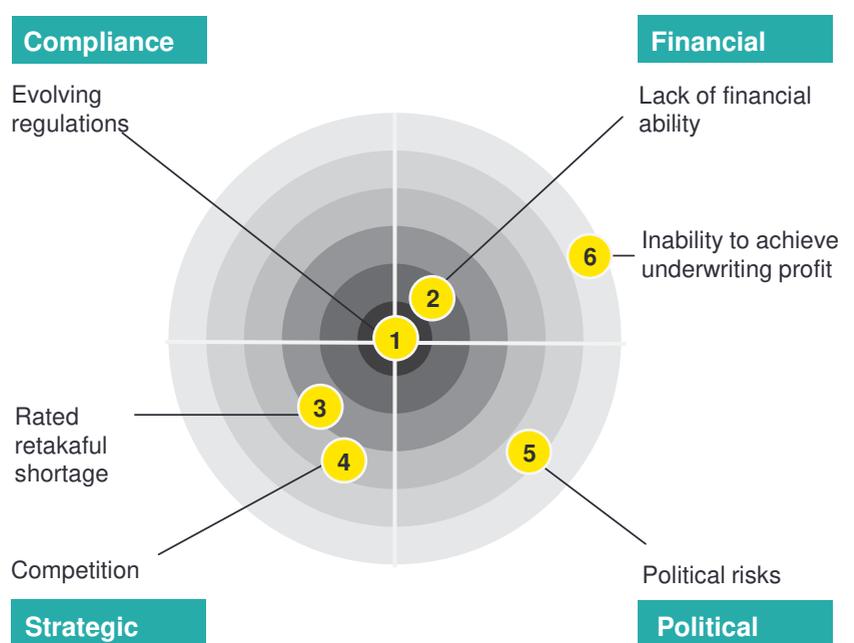
Business risk	Ranking 2024	Ranking 2014
Evolving regulations	1	1
Lack of financial ability	2	6
Rated retakaful shortage	3	10
Competition	4	2
Political risks	5	11
Inability to achieve underwriting profit	6	4
Global economic uncertainties	7	5
Cybersecurity risks*	8	N/A
Business model change/transformation	9	3
Misaligned cost base	10	9
Ineffective enterprise risk management	11	7
High-risk investment portfolios	12	8
Environmental risks*	13	N/A

Notes:

* These risks are included to align with the Global Industry Risk Outlook 2024.

Online survey period was from 5 August 2024 to 30 August 2024. The total survey respondents was 13.

Chart 83: Top six Takaful business risks in Malaysia

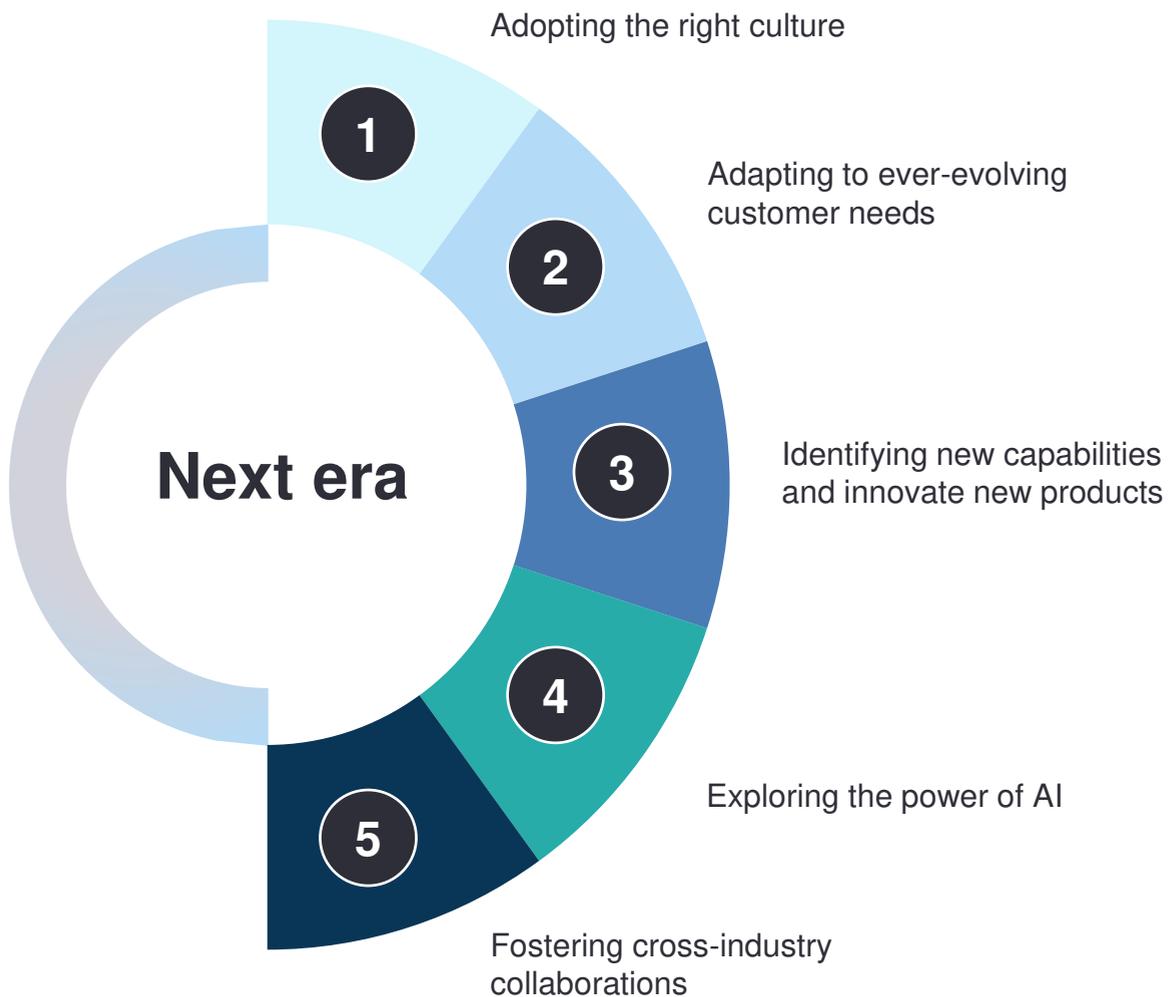


Malaysian Takaful: Next era

Moving forward, Hijrah27 is set to guide all stakeholders, from regulators to partners in driving sustainable growth and innovation to shape a dynamic future for Malaysia's Takaful industry.

To remain relevant and resilient into the next era, Takaful operators should step up their agility based on Hijrah27's goals by:

Chart 84: Malaysian Takaful: Next era



Sources:

- ▶ *Hijrah27 Industry Roadmap for Growth*, Malaysian Takaful Association, 2024
- ▶ *Global Insurance Outlook*, EY, 2024

5

Appendices

- ▶ Takaful's development journey
- ▶ Growth and opportunities
- ▶ Abbreviations
- ▶ Glossary of terms
- ▶ List of charts and tables
- ▶ References
- ▶ Thought leadership and publications
- ▶ Contacts

Incorporation of Takaful operators in Malaysia

- 1984** Takaful Malaysia was established in 1984. The company separated its composite license into two in 2018 with **Takaful Malaysia Keluarga** as the holding company, which owns 100% of **Takaful Malaysia Am**.
- 1993** Incorporation of MNI Takaful Sdn Bhd which was rebrand as Takaful Nasional Sdn Bhd in 1998 and later merged with Maybank Takaful Berhad to form **Etiqa Takaful Berhad** in 2006.
- 2001** Maybank Ageas Holdings Berhad commenced operations in 2001 and merged with Malaysia National Insurance Berhad and its subsidiary, Takaful Nasional Sdn Bhd in 2005 to create Etiqa Takaful Berhad, which now operate as **Etiqa Family Takaful Berhad** and **Etiqa General Takaful Berhad**.
- 2002** Takaful IKHLAS commenced as **Takaful Ikhlas Sdn Bhd** in 2002, transitioned to Berhad status in 2014, and separated its composite license into family and general Takaful entities in 2018.
- 2004-2005** Commerce Asset Holdings Berhad and **Sun Life Malaysia Takaful Berhad** launched their Takaful operations with Sun Life maintaining operations in 2024.
- 2006-2007** **Hong Leong MSIG Takaful Berhad, Prudential BSN Takaful Berhad, AIA AFG Takaful Berhad, ING Public Takaful Ehsan Behad, MAA Takaful Berhad, and HSBC Amanah Takaful Berhad** started operations with Hong Leong MSIG and PruBSN remaining active in 2024.
- 2010** **Great Eastern Takaful Berhad** was established and continues to operate under the same name in 2024.
- 2011** **AIA Public Takaful Berhad**, the successor to ING Public Takaful Ehsan and AIA AFG Takaful along with **AmMetLife Takaful Berhad** began operations and continues to run in 2024.
- 2016** Zurich Insurance acquired MAA Takaful Berhad and now operates as **Zurich Takaful Malaysia Berhad** and **Zurich General Takaful Malaysia Berhad**.
- 2019** **FWD Takaful Berhad** acquired HSBC Amanah Takaful Berhad and continues to operate under the same name in 2024.



MTA at the world stage



OECD-ADBI OJK Roundtable on Insurance and Retirement Savings and Asia

- ▶ The roundtable discussions highlighted crucial trends and hurdles in regional insurance and retirement savings
- ▶ Key themes include:
 - ▶ Tour de table: Market and regulatory developments in Asia
 - ▶ Insurance in a changing climate
 - ▶ Financial protection gaps in retirement savings and insurance for natural hazards
 - ▶ Pension challenges in Asia
 - ▶ Leveraging technology to improve the delivery of insurance and pensions
 - ▶ Enhancing the availability of long-term financial instruments for insurers and pension funds.



Global Forum on Islamic Economics and Finance

- ▶ Launched the Maqasid Shariah Scorecard (MSS) for VBIT progress report.
- ▶ Announcement of Post Retirement Scheme Initiative as part of MIFC impact project.



Islamic Finance News (IFN) UK Forum 2024

- ▶ Presented on Maqasid Shariah Balance Scorecard for Islamic finance institutions.
- ▶ This is an opportunity for MTA to introduce the efforts made by the Takaful industry in Malaysia in becoming a hub of Islamic financial knowledge in the world.



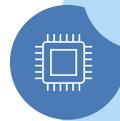
2nd ASEAN Takaful/Working Group (ATRWG)

- ▶ On 23rd July 2024, MTA represented Malaysia in the 2nd ASEAN Takaful/Retakaful Working Group Meeting (ATRWG)
- ▶ The agenda featured a regulatory comparison across Brunei, Indonesia, Malaysia, and select Middle Eastern nations, updates on Takaful/Retakaful, plans for future webinars and training to enhance skills of ASEAN Takaful experts and learners, and insights into Malaysian Re's adoption of IFRS 17.



Insurtech Connect Asia 2024

- ▶ Future of navigating Takaful in Malaysia: Navigating the Evolving Landscape
- ▶ Digitalisation and Technology in Takaful: Transforming Operations, Innovating Experiences



IFN Asia Forum 2024

- ▶ IFN Asia Forum 2024 leveraged Kuala Lumpur's position as the centre of Islamic capital-rising activities by volume and its diversity of instruments and issuers to explore.
- ▶ Halal financing through the banking and capital markets, within the context of current macroeconomic conditions, rising importance of sustainability, and digitalisation.



Composite licensing

The Islamic Financial Services Act 2013 (IFSA 2013) which came into effect in June 2013 mandates the Takaful operators to separate their composite licences and operate their general and family businesses under distinct entities. This requirement is also required for their conventional counterparts under the Financial Services Act 2013 (FSA 2013).

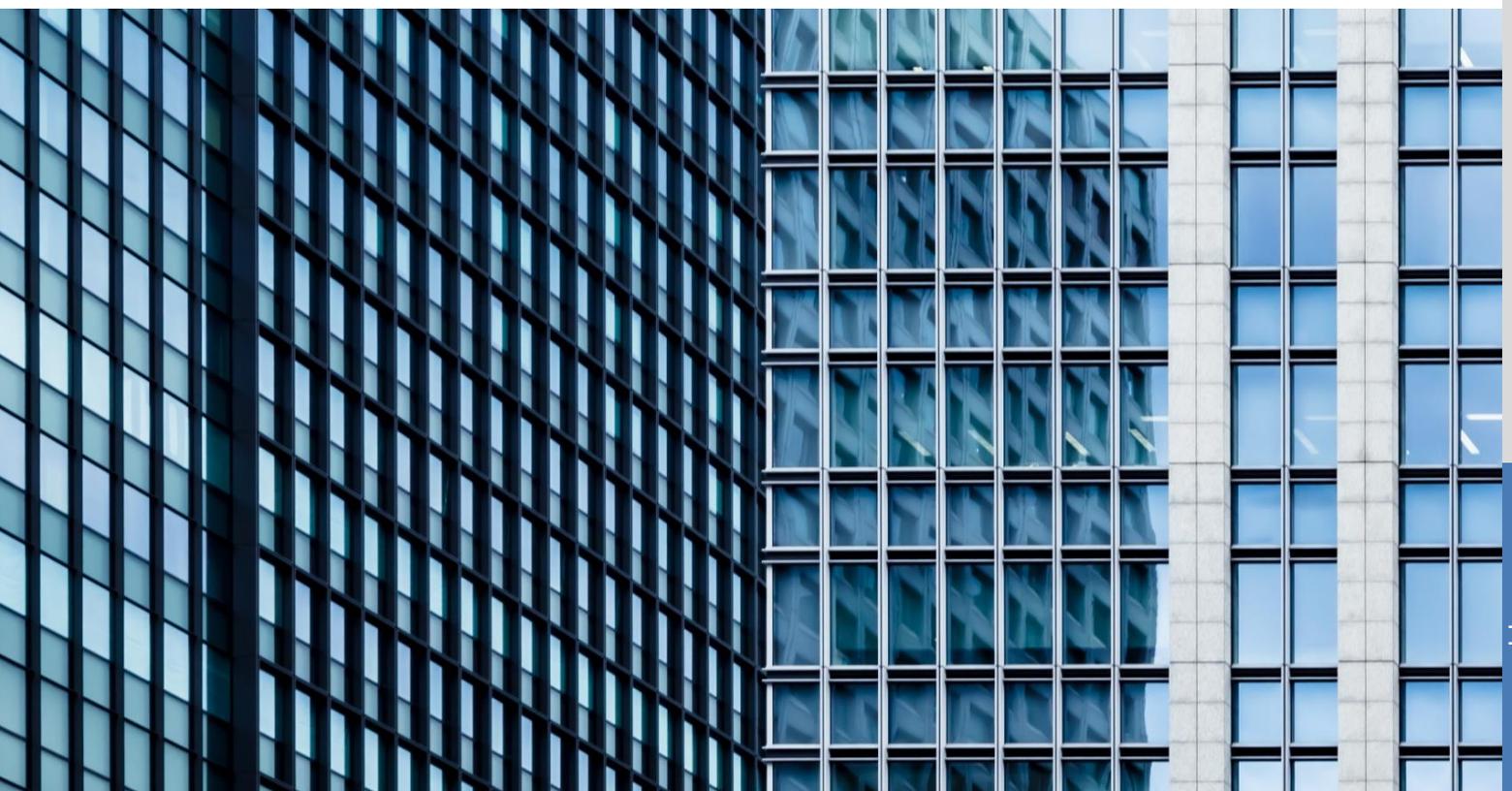
At the end of 2017, Malaysia was home to 11 Takaful operators; three specialised in family Takaful while eight were composite operators operating both the family and general Takaful businesses. This landscape underwent a significant shift in 2018 pursuant to the IFSA 2013 requirement for the operators to split the composite business into separate family and general Takaful entities. The following table summarises the changes that have taken place in the Malaysian Takaful market.

Before conversion	After conversion
1 Etika Takaful Berhad	A family Takaful business licence is granted under a new name of Etika Family Takaful Berhad (EFTB) as a new holding company to manage the family Takaful business. The general Takaful business is transferred to a newly incorporated entity, Etika General Takaful Berhad (EGTB).
2 Hong Leong MSIG Takaful Berhad	The company name remains. Ceased composite licence effective 1 July 2018. Exit general Takaful business, and focus on family Takaful business only.
3 HSBC Amanah Takaful (Malaysia) Sdn Bhd	On 3 November 2018, the company handed over its general Takaful operations to Zurich General Takaful Malaysia Berhad (ZGTMB). Subsequently, its family Takaful division was purchased by FWD Group and rebranded as FWD Takaful Berhad.
4 Zurich Takaful Malaysia Berhad	Focus on family Takaful business only. Transfer all general Takaful business to a newly-incorporated entity, i.e. Zurich General Takaful Malaysia Berhad. Effective 1 June 2018.

Source: *Analysing the technical efficiency of general Takaful industry in Malaysia: A non-parametric approach*, ResearchGate, 2022

<p>5 Prudential BSN Takaful Berhad</p>	<p>The company name remains. Ceased composite licence with BNM approval 29 June 2018; high court order 12 September 2018. Exit general Takaful business and focus on family Takaful business only.</p>
<p>6 Sun Life Malaysia Takaful Berhad</p>	<p>The company name remains. Focus on family Takaful business only, effective 1 July 2018.</p>
<p>7 Syarikat Takaful Malaysia Berhad</p>	<p>A family Takaful business licence is granted to STMB under a new name of Syarikat Takaful Malaysia Keluarga Berhad (STMKB) as a holding company to manage the family Takaful business.</p>
<p>8 Takaful Ikhlas Sdn Bhd</p>	<p>The family Takaful business licence is granted to Takaful Ikhlas Berhad under a new name of Takaful Ikhlas Family Berhad. Its general Takaful business is being managed by a new company, Takaful Ikhlas General Berhad; effective 30 November 2018.</p>

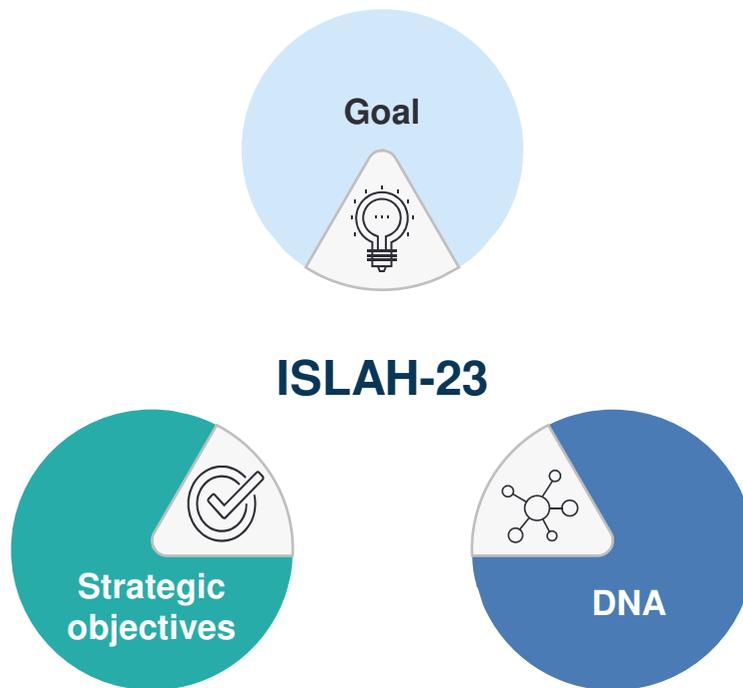
Source: *Analysing the technical efficiency of general Takaful industry in Malaysia: A non-parametric approach*, ResearchGate, 2022



ISLAH-23

The ISLAH-23 (launched in June 2022), is a reform plan to build and strengthen MTA via four key strategic objectives, which are funded by Fund4cause.

To strengthen its capacity to facilitate and position the Takaful industry and Islamic finance towards achieving greater heights.



- ▶ Establishing visibility for MTA
- ▶ Adopting best governance practice
- ▶ Achieving operational efficiency
- ▶ Attaining organisational sustainability

Complemented by the industry's:

- ▶ The VBIT Framework and Roadmap launched in June 2021 and October 2022, respectively
- ▶ FSB 2022-2026

Source: MTA Annual Report, Malaysian Takaful Association, 2022



IFRS 17 - Insurance contracts

Despite the positive objectives behind the implementation of IFRS 17, this standard introduces numerous challenges and opportunities for Takaful operators and insurers. Key difficulties and strategies for addressing them include:

Outdated and complex IT systems - Prompt collaboration with experienced IT vendors and consultants is essential.

Board readiness - Conducting informational workshops for the board, executive committees, and audit committees on IFRS 17.



Higher operational costs - Firms need to budget for multi-year implementation expenses.

Workforce skills - Ongoing training and mentoring with practical scenarios and case studies, as well as hiring experts proficient in insurance.

Dedication to change implementation - Establishing steering groups with specific duties to manage the transition.

IFRS 4

- ▶ Recognition of profits at the commencement of the contract.
- ▶ Revenue comprises premiums and can also include an investment element.
- ▶ Reinsurance is computed on a net basis.
- ▶ Market variable changes impact the P&L.
- ▶ Disclosures clarify financial statement amounts for users.
- ▶ Flexibility in segregating components.

IFRS 17

- ▶ Immediate recognition of revenue is not allowed. Losses on burdensome contracts must be recognised early.
- ▶ Revenue, excluding any investment elements, reflects the decrease in liabilities as the entity delivers insurance services and associated risk diminishes.
- ▶ Reinsurance is determined independently.
- ▶ Fluctuations in market variable values can affect either the P&L or OCI.
- ▶ Disclosures provide more specificity and detail.
- ▶ Components must be separated only when they are distinct.

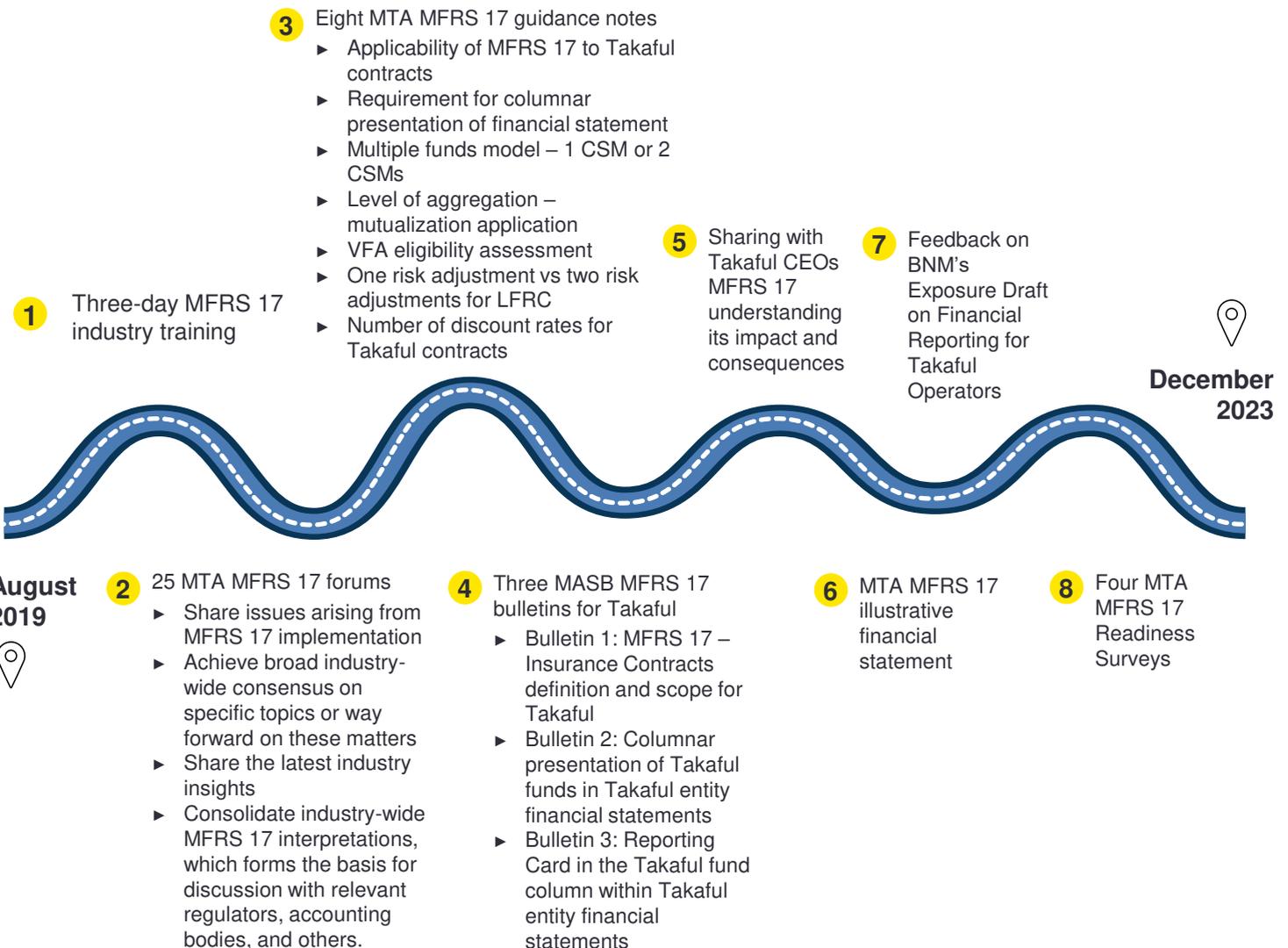
Source: EY analysis

MFRS 14 areas

MFRS 17 requirements

Variety of treatment depending on type of contract and entity interpretation	Consistent accounting for all insurance contract by all companies
Estimates such as discount rates for long-duration contracts not updated	Estimates update to reflect current market-based information
Discount rate based on estimates does not reflect economic risks	Discount rates reflects characteristics of the cash flows of the contract
Lack of discounting for measurement of some contracts	Measurement of insurance contract reflects time value where significant
Underwriting revenue are recognized based on cash basis	Underwriting revenue is recognized over time based on services provided
Underwriting and investment performance not clearly and separated disclosed	Separate information about investment and underwriting performance

MTA and EY: MFRS 17 journey



Skim Takaful Tanaman Padi (STTP)

The Skim Takaful Tanaman Padi (STTP) is a scheme specifically tailored to provide mutual financial assistance and assistance to participating farmers (participants) who suffer damage or permanent loss to their rice crops due to natural disasters, crop pests and diseases covered under the STTP.

Announced by Prime Minister Dato' Seri Anwar Ibrahim at the Malaysian Agriculture, Horticulture and Agrotourism Exhibition (MAHA) in September 2024, the shariah-compliant scheme has an initial fund of RM50 million to provide protection to rice farmers.

The Takaful protection offered up to RM3,000 for natural disasters per hectares with terms and condition as stated below:

<p>50% of the total compensation if the damage occurs during the vegetative phase</p>	<p>75% of the total compensation if the damage occurs during the re-phase</p>	<p>100% of the compensation amount if damage occurs during the maturity phase</p>
<p>RM1,500 per hectare</p>	<p>RM2,250 per hectare</p>	<p>RM3,000 per hectare</p>

Source: *Skim Takaful Tanaman Padi*, Agrobank, 2024



Abbreviations

Abbreviation	Definition	Abbreviation	Definition
ADB	Asian Development Bank Institute	LFRC	Liability for Remaining Coverage
APAC	Asia–Pacific	MASB	Malaysian Accounting Standards Board
APT	AIA PUBLIC Takaful Berhad	MFRS	Malaysian Financial Reporting Standards
ASEAN	Association of Southeast Asian Nations	MIFC	Malaysia International Islamic Financial Centre (MIFC)
AI	Artificial Intelligence	MLC	Malaysia International Islamic Financial Centre Leadership Council
AI/ML	Artificial Intelligence/Machine Learning	MESA	Middle East and South Asia
BNM	Bank Negara Malaysia	MTA	Malaysian Takaful Association
CAGR	Compound annual growth rate	OECD	Organisation of Economic Co-operation and Development
CEO	Chief Executive Officer	OJK	Otoritas Jasa Keuangan (Indonesia's financial authority)
COBOL	Common Business Oriented Language	PAA	Premium Allocation Approach
CRO	Chief Risk Officer	PBTB	Prudential BSN Takaful Berhad
CSI	Consumer Satisfaction Index	PITA	Professionalism of Insurance and Takaful Agents framework (Malaysia)
CSM	Contractual Service Margin	PIDM	Perbadanan Insurans Deposit Malaysia
DITO	Digital Insurance and Takaful Operator	PVFCF	Present Value of Future Cash Flow
EFTB	Etiqa Family Takaful Berhad	RA	Risk Adjustment
EGTB	Etiqa General Takaful Berhad	SEA	South East Asia
FSB	Financial Services Board	SLMTB	Sun Life Malaysia Takaful Berhad
FWDTB	FWD Takaful Berhad	STMAB	Syarikat Takaful Malaysia Am Berhad
GCC	Gulf Corporation Council	STMKB	Syarikat Takaful Malaysia Keluarga Berhad
GDP	Gross Domestic Product	TIFB	Takaful IKHLAS Family Berhad
GenAI	Generative AI	TIGB	Takaful IKHLAS General Berhad
GELM	Great Eastern Life Malaysia	TOs	Takaful operators
HLA	Hong Leong Assurance Berhad	UAE	United Arab Emirates
IFSB	Islamic Financial Services Board (Malaysia)	VBIT	Value-Based Intermediation for Takaful
IFRS	International Financial Reporting Standards	VFA	Variable Fee Approach
IMF	International Monetary Fund	ZGTMB	Zurich General Takaful Malaysia Berhad
ITOs	Insurance Takaful operators	ZTMB	Zurich Takaful Malaysia Berhad
ISR	Insurance Service Margin		
LIFE	Life insurance and family Takaful framework (Malaysia)		

Glossary of terms

Abbreviation	Full definition
Common Business Oriented Language (COBOL)	High-level computer programming language designed for business use.
Contributions	Monetary contributions provided once or periodically by a participant to a Takaful pool. Part of these contributions will be treated as <i>Tabarru'</i> (donations with the objective of common good) and the remaining portion will be used for investment.
Contractual Service Margin (CSM)	The unearned profit component of the insurance contract liability presented in the balance sheet and recognised in the income statement as a company provides services under insurance contracts.
DITO	DITOs specialise in digital services, offering innovative insurance models and products that cater to customer needs. They aim to fill in coverage gaps within digital markets, working alongside traditional insurance providers and contributors in the industry.
IFRS	International Financial Reporting Standards (IFRS) are a set of accounting rules currently used by public companies in 168 jurisdictions.
Liability For Remaining Coverage (LFRC)	An entity's obligation to investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (ie the obligation that relates to the unexpired portion of the coverage period).
<i>Maqasid al-Shariah</i>	Preservation of order, achievement of benefit and prevention of harm or corruption, establishment of equality among people, causing the law to be revered, obeyed and effective as well as enabling the <i>ummah</i> to become powerful, respected, and confident.
<i>Mudarabah</i>	An agreement between the entrepreneur and the capital provider in a business venture to share profits of the joint venture based on an agreed profit-sharing ratio. Losses are borne by the capital provider only.
Mortgage Reducing Term Takaful (MRTT)	MRTT helps you settle you outstanding home financing amount in the event of death or total and permanent disability (TPD).
Personal Financing Reducing Term Takaful (PFRTT)	A form of credit insurance offering comprehensive financial protection.

Abbreviation	Full definition
Premium Allocation Approach (PAA)	A simplified method for measuring insurance contract revenue and expenses over time.
Present Value of Future Cash Flow (PVFCF)	Which corresponds to the present value of all future cash flows from premiums, insurance benefits, and costs attributable to the contract.
Retakaful	A contract whereby one party, for a consideration, agrees to indemnify another party, wholly or partially, against loss or liability the latter has covered under a separate and distinct Takaful contract.
Risk Adjustment (RA)	The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.
<i>Ta'awun</i>	Mutual assistance or cooperation for good causes.
Takaful	Mutual protection or guarantee provided by a group of people against a defined risk or catastrophe befalling one's life, property or any form of valuable assets. Operationally, Takaful refers to participants mutually contributing to a common pool of funds with the purpose of having mutual indemnity in the case of a peril or loss to any of the participants.
<i>Shariah</i>	Islamic canon law is derived from three sources: the <i>Quran</i> , the <i>Hadith</i> or <i>Sunnah</i> and <i>Ijtihad</i> (<i>Ijma</i> and <i>Qiyas</i>). <i>Ijma</i> means consensus of scholars and <i>Qiyas</i> means analogical reasoning based on <i>Quran</i> or <i>Hadith</i> precedents.
<i>Wakalah</i>	Agency
VBIT	VBIT is a Takaful industry aspiration for adoption of best practices and services providing sustainable impact benefitting people, business and society whilst realising the intended outcomes of <i>Shariah</i> (<i>Maqasid Shariah</i>).
Variable Fee Approach (VFA)	A modification of the general model for insurance contracts with direct participation features, where the policyholders share in the profits and losses of the insurance company.

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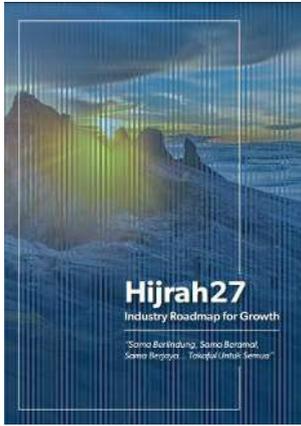
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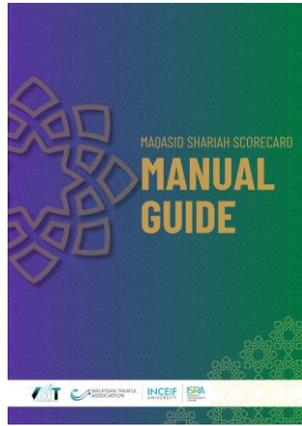
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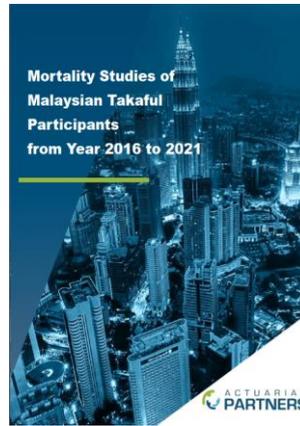
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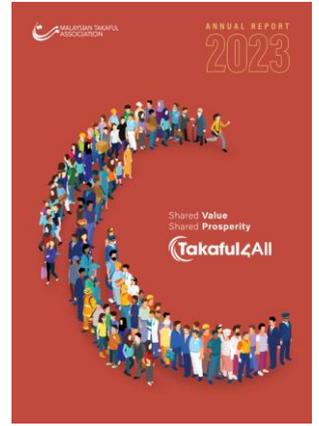
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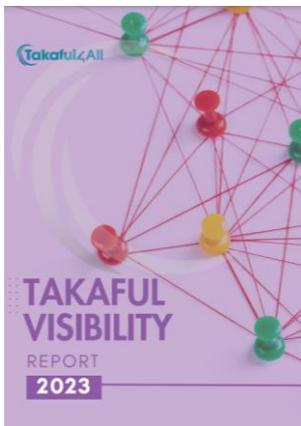
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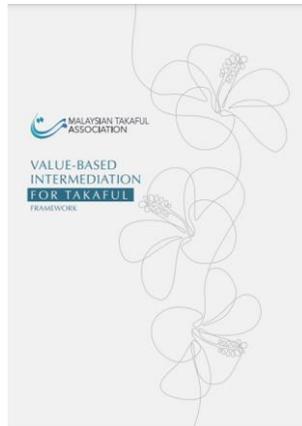
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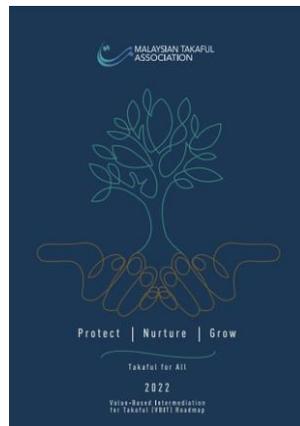
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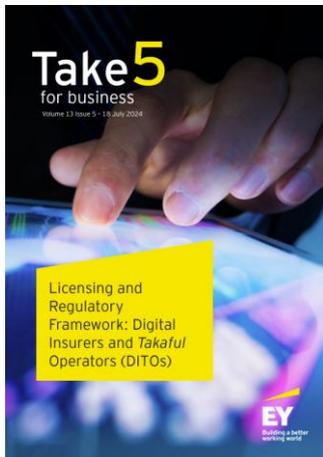
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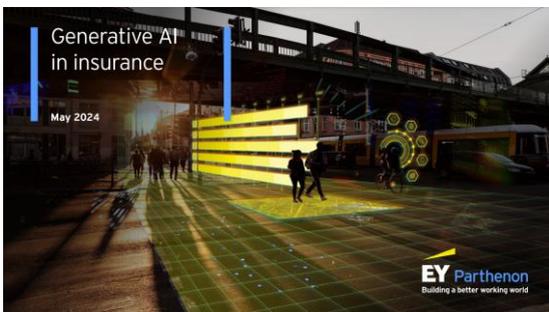
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Contacts

Malaysian Takaful Association



Mohd Radzuan Mohamed
Chief Executive Officer
Malaysian Takaful Association
radzuan@malaysianTakaful.com.my



Shazlyna Abdullah
Executive secretary
Malaysian Takaful Association
shazlyna@malaysianTakaful.com.my



Hasri Hamidan
Chief Operating Officer
Malaysian Takaful Association
hasri@malaysianTakaful.com.my

EY



Brandon Bruce Sta Maria
Asean and Malaysia Insurance
Sector Leader
Ernst & Young PLT
brandon.bruce@my.ey.com



Ahmad Hammami Muhyidin
Malaysia Takaful Leader
Ernst & Young PLT
ahmad-hammami.muhyidin@my.ey.com



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