

The Takaful Industry Performance

Overview of the Industry Performance

The favourable economic conditions in 2003 was positive for the takaful industry. The contributions of both general and family takaful increased by 14.0% to RM1,014.0 million and assets expanded by 22.1% to RM4,429.1 million. This increased the industry's market share for contributions to 5.4% and assets to 5.6%. Market penetration of family takaful business expanded to 4.5% in 2003. As part

of the initiative to attract consumers, takaful operators launched new takaful plans to provide consumers with an increased and broader array of products. In addition, existing takaful plans were reviewed to ensure the benefits offered remain competitive. Moving forward, the industry is in a strong position to expand further in an environment of stronger economic performance projected for 2004.

Performance of Family Takaful Business

New Business

New business contributions trended upwards with growth registered in all family takaful plans. The increase in individual takaful plans were predominantly generated from mortgage reducing term takaful, spurred by the expansion in disbursements of mortgage financing by the Islamic financial institutions. In addition, the provision of Islamic house financing facility provided by the Government to the civil servants continue to secure demand for this product. Another development in the individual takaful plans was the introduction of new education takaful plans as well as enhancements to existing plans, prompted by the growing public consciousness for provision of a secured education fund for their children.

Chart 1.1
Net Contributions

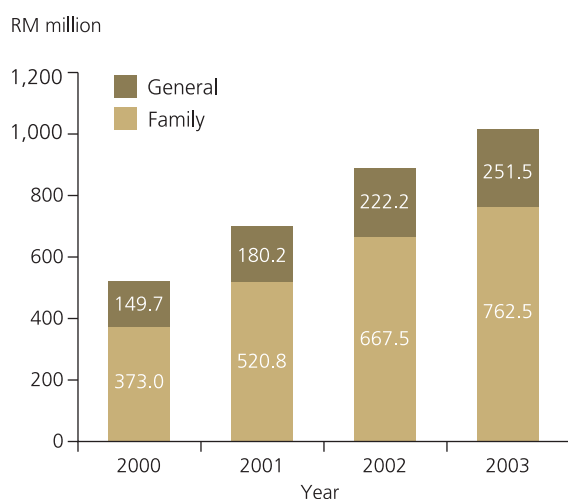


Table 1.1
New Business

	No. of Certificates		Sums Participated		Contributions	
	Total	Total (exclude SATK ¹)	Total	Total (exclude SATK ¹)	Total	Total (exclude SATK ¹)
	unit		RM million		RM million	
2000	209,256	191,726	12,350.7	11,405.5	764.8	297.3
2001	229,199	205,873	13,990.5	12,817.1	952.0	368.8
2002	237,037	237,037	14,174.8	14,174.8	452.2	452.2
2003	265,035	265,035	18,330.0	18,330.0	511.0	511.0
	% change					
2001	9.5	7.4	13.3	12.4	24.5	24.0
2002	3.4	15.1	1.3	10.6	-52.5	22.6
2003	11.8	11.8	29.3	29.3	13.0	13.0

¹ Excludes the annuity scheme (SATK) marketed to contributors of the Employees Provident Fund which was discontinued in May 2001

Table 1.2
Distribution of New Business by Plan

	2000	2001	2002	2003	2001	2002	2003	2000	2001	2002	2003	
No. of Certificates	unit				% change			% share				
	Ordinary Family	191,717	205,871	236,939	263,101	7.4	15.1	11.0	100.0	100.0	100.0	99.2
	Individual	190,486	204,660	235,468	260,968	7.4	15.1	10.8	99.4	99.4	99.4	98.4
	Group	1,231	1,211	1,471	2,133	-1.6	21.5	45.0	0.6	0.6	0.6	0.8
	Annuity ¹	9	2	98	1,006	-77.8	4,800.0	926.5	0.4
	Investment-linked	-	-	-	928	-	-	-	-	-	-	0.4
Total	191,726	205,873	237,037	265,035	7.4	15.1	11.8	100.0	100.0	100.0	100.0	
Sums Participated	RM million				% change			% share				
	Ordinary Family	11,405.5	12,817.1	14,174.8	18,317.0	12.4	10.6	29.2	100.0	100.0	100.0	99.9
	Individual	6,348.8	8,407.4	10,015.8	11,379.4	32.4	19.1	13.6	55.7	65.6	70.7	62.1
	Group	5,056.7	4,409.7	4,159.0	6,937.6	-12.8	-5.7	66.8	44.3	34.4	29.3	37.8
	Annuity ¹	-	-	-	0.2	-	-	-	-	-	-	...
	Investment-linked	-	-	-	12.8	-	-	-	-	-	-	0.1
Total	11,405.5	12,817.1	14,174.8	18,330.0	12.4	10.6	29.3	100.0	100.0	100.0	100.0	
Contributions	RM million				% change			% share				
	Ordinary Family	297.0	368.7	451.3	502.9	24.1	22.4	11.4	99.9	99.9	99.8	98.4
	Individual	248.8	330.2	412.2	452.8	32.7	24.8	9.8	83.7	89.5	91.2	88.6
	Group	48.2	38.5	39.1	50.1	-20.1	1.6	28.3	16.2	10.4	8.6	9.8
	Annuity ¹	0.3	0.1	0.9	4.9	-66.7	800.0	444.1	0.1	...	0.2	1.0
	Investment-linked	-	-	-	3.2	-	-	-	-	-	-	0.6
Total	297.3	368.8	452.2	511.0	24.0	22.6	13.0	100.0	100.0	100.0	100.0	

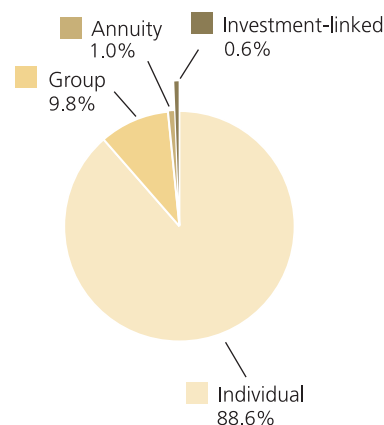
¹ Excluding SATK
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Performance of the annuity takaful plans was encouraging with new contributions surpassing previous years' collection. The benefit of the plan, which provides lifetime income for the annuitants after retirement, alleviates concerns on loss of income to the annuitants. Given the demographic transition towards an ageing society, the acceptance of annuity takaful plans by the public is expected to increase.

The first investment-linked takaful plan was introduced early this year. The plan, which generated new takaful contributions of RM3.2 million, allows the participant to define the investment portfolio for the contributions to be invested whilst receiving protection. Currently, the investment-linked takaful plan features two types of investment portfolio, income and balanced funds.

The entry of new takaful operators has accelerated the expansion of takaful business.

Chart 1.2
Distribution of New Business Contributions



The takaful plans that were offered by the new players ranged from the traditional mortgage term reducing takaful to other personal takaful plans. For the year 2003, new contributions registered by the new takaful operators amounted to RM38.7 million, representing 7.6% share of total family takaful new contributions. A total of 12,097 units of new certificates were issued with sums participated of RM1,048.8 million.

In terms of distribution channel, direct marketing and agents remained the major contributor garnering 86.3% of total new business contributions. New business sourced through bancassurance accounted for 13.0% whilst the balance 0.7% was secured by brokers.

Terminations

The proportion of sums participated that were terminated during the year increased to 13.9% involving 82,152 certificates. Terminations caused by surrenders recorded an increase to 2.0%, which were largely caused by early settlement of mortgage financing by participants and encashment of the takaful plans for its surrender value. Percentage of terminations by death remained unchanged at 0.1%.

Table 1.3
Terminations of Sums Participated

	Death	Surrender	Maturity and Other Causes	Total
	RM million			
2000	17.6	200.0	869.6	1,087.2
2001	30.2	286.9	2,795.1	3,112.2
2002	39.8	460.2	3,457.7	3,957.7
2003	55.2	1,081.3	6,301.8	7,438.3
	% share			
2000	1.6	18.4	80.0	100.0
2001	1.0	9.2	89.8	100.0
2002	1.0	11.6	87.4	100.0
2003	0.8	14.5	84.7	100.0
	% of sums participated in force at the beginning of the year			
2001	0.1	0.8	8.2	9.1
2002	0.1	0.9	7.1	8.2
2003	0.1	2.0	11.8	13.9

Business in Force

Certificates in force for takaful industry grew by 21.1%. Sums participated for all takaful plans, excluding annuity, expanded with overall growth of 18.6%. Takaful operators' portfolio in terms of certificates in force was relatively balanced with 49.3% and 50.7% spread between annual and single contributions business. Individual takaful plans accounted for 93.1% of the RM394.2 million total annual contributions, followed by group and investment-linked takaful plans with 6.6% and 0.3% share, respectively.

Table 1.4
Business in Force

	No. of Certificates	Sums Participated	Contributions ¹
	unit	RM million	
2000	572,354	34,167.7	1,257.2
2001	771,265	48,559.0	2,019.0
2002	932,212	53,625.9	2,105.8
2003	1,128,446	63,573.8	394.2
	% change		
2001	34.8	42.1	60.6
2002	20.9	10.4	4.3
2003	21.1	18.6	–

¹ In force contributions reported for 2003 is only for annual contributions

Average Size and Cost of Certificates in Force

The average size of contributions in force increased by 5.8% to RM662. In addition, average size of sums participated in force rose to RM19,882 arising from awareness on the importance of adequate protection. Average cost of certificates in force for individual family takaful plans recorded a marginal increase to RM33, whilst group takaful plans declined by 18.1% to RM6 in 2003.

Income and Outgo

Total income of the family takaful business increased by 21.3% against the decline of 39.6% in 2002. Contributions from ordinary family takaful plans accounted for 99.2% of net contribution income. Earnings from investments rose by 26.2% mainly attributable to income from Islamic bonds. The net rate of investment return of the family takaful fund were in the range of 4.2% to 5.2%. The significant increase in other income by 169.4% was due to profits

Table 1.5
Distribution of Business in Force by Plan

	2000	2001	2002	2003	2001	2002	2003	2000	2001	2002	2003
No. of Certificates	unit				% change			% share			
	Ordinary Family	554,809	726,398	888,879	1,084,038	30.9	22.4	22.0	96.9	94.2	95.4
Individual	552,018	722,763	884,874	1,079,558	30.9	22.4	22.0	96.4	93.7	95.0	95.6
Group	2,791	3,635	4,005	4,480	30.2	10.2	11.9	0.5	0.5	0.4	0.4
Annuity	17,545	44,867	43,333	43,485	155.7	-3.4	0.4	3.1	5.8	4.6	3.9
Investment-linked	-	-	-	923	-	-	-	-	-	-	0.1
Total	572,354	771,265	932,212	1,128,446	34.8	20.9	21.1	100.0	100.0	100.0	100.0
Sums Participated	RM million				% change			% share			
	Ordinary Family	33,222.2	46,247.6	51,404.3	61,388.6	39.2	11.2	19.4	97.2	95.2	95.9
Individual	19,486.0	27,589.4	33,193.5	41,450.1	41.6	20.3	24.9	57.0	56.8	61.9	65.2
Group	13,736.2	18,658.2	18,210.8	19,938.5	35.8	-2.4	9.5	40.2	38.4	34.0	31.4
Annuity	945.5	2,311.4	2,221.6	2,172.5	144.5	-3.9	-2.2	2.8	4.8	4.1	3.4
Investment-linked	-	-	-	12.7	-	-	-	-	-	-	...
Total	34,167.7	48,559.0	53,625.9	63,573.8	42.1	10.4	18.6	100.0	100.0	100.0	100.0
Contributions¹	RM million				% change			% share			
	Ordinary Family	789.1	1,057.8	1,357.5	392.9	34.0	28.3	-	62.8	52.4	64.4
Individual	687.6	945.3	1,213.6	367.1	37.5	28.4	-	54.7	46.8	57.6	93.1
Group	101.5	112.5	143.9	25.8	10.8	28.0	-	8.1	5.6	6.8	6.6
Annuity	468.1	961.2	748.3	-	105.3	-22.1	-	37.2	47.6	35.6	-
Investment-linked	-	-	-	1.3	-	-	-	-	-	-	0.3
Total	1,257.2	2,019.0	2,105.8	394.2	60.6	4.3	-	100.0	100.0	100.0	100.0

¹ In force contributions reported for 2003 is only for annual contributions
... Negligible

from disposal of securities of RM38.6 million.

Total outgo of the family takaful fund increased albeit at a lower rate of 26.2%. Net certificate benefits accounted for the

largest share of total outgo with 20.8% amounting to RM201.4 million. Payments for surrenders accounted for 37.8%, followed by death with 25.3% share. The balance 36.9% was payments for maturity and other causes. Management expenses on the other hand, increased by 138.1% arising from the adjustment made to include expenses borne by the shareholders' fund. Excess of income over outgo increased by 18.5% to

Table 1.6
Average Size of Certificates in Force

	Contributions ¹		Sums Participated ²	
	Individual	Group	Individual	Group
	RM			
2000	571	36,368	14,259	4,921,594
2001	598	30,937	16,842	5,132,917
2002	625	35,934	19,849	4,547,022
2003	662	27,991	19,882	4,324,261

¹ Average size of contributions in force - contributions in force divided by number of certificates in force

² Average size of sums participated in force - sums participated in force divided by number of certificates in force

Table 1.7
Average Cost of Certificates in Force¹

	2000	2001	2002	2003
	RM			
Individual	40	36	32	33
Group	7	6	8	6

¹ Contributions per RM1,000 of sums participated in force

Table 1.8
Income and Outgo

	2000		2001		2002		2003	
	RM million	%	RM million	%	RM million	%	RM million	%
Income								
Net Contributions	841.3	95.6	1,219.8	92.2	663.8	83.1	762.5	78.7
Net Investment Income	35.7	4.1	78.0	5.9	110.2	13.8	139.1	14.4
Other Income	2.8	0.3	24.7	1.9	25.0	3.1	67.4	6.9
Total	879.8	100.0	1,322.5	100.0	799.0	100.0	969.0	100.0
Outgo								
Net Certificate Benefits	78.4	8.9	132.7	10.0	178.6	22.4	201.4	20.8
Net Commissions	22.8	2.6	31.5	2.4	46.4	5.8	46.5	4.8
Management Expenses ¹	16.0	1.8	22.6	1.7	25.2	3.2	60.0	6.2
Other Outgo	5.0	0.6	18.3	1.4	34.5	4.3	51.4	5.3
Total	122.2	13.9	205.1	15.5	284.7	35.7	359.3	37.1
Excess of Income over Outgo	757.6	86.1	1,117.4	84.5	514.3	64.3	609.7	62.9

¹ Management expenses in 2003 include the expenses borne by the shareholders' fund in respect of the family takaful fund

RM609.7 million in 2003.

Assets of Family Takaful Fund

Assets of the family takaful fund grew by 22.1% to RM3,861.0 million in 2003.

Ordinary takaful plans accounted for 68.6% of total assets, followed by annuity takaful plans with 31.1% share. Assets held by

the investment-linked takaful plans were comparatively smaller with 0.3% share of total assets valued at RM13.6 million.

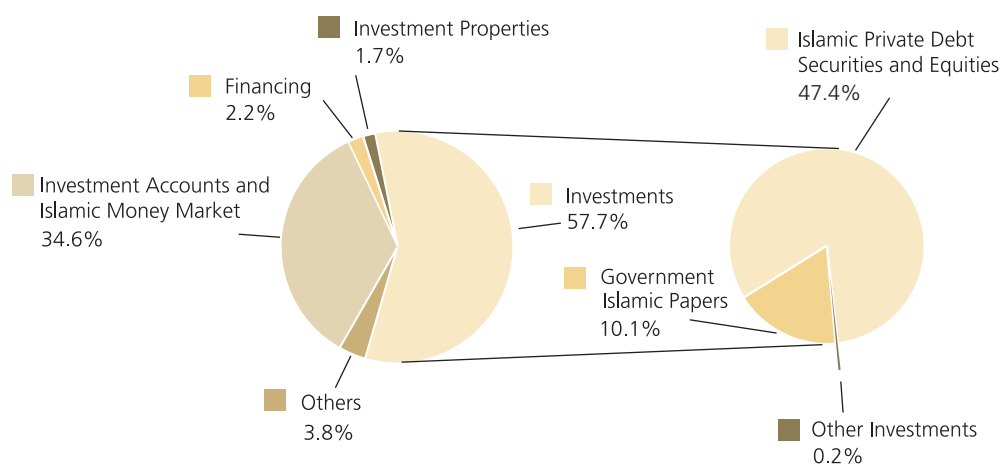
Assets distribution profile remain relatively unchanged, with investments mainly in fixed income instruments. Proportion of placements in investment accounts and Islamic money market

Table 1.9
Assets of Family Takaful Fund

	2000		2001		2002		2003	
	RM million	% share	RM million	% share	RM million	% share	RM million	% share
Property, Plant and Equipment	1.0	0.1	1.0	...	3.1	0.1	7.2	0.2
Investment Properties	52.7	3.4	59.6	2.2	61.8	2.0	66.0	1.7
Financing	55.6	3.6	91.4	3.5	89.3	2.8	84.0	2.2
Investments	564.8	36.6	1,302.7	49.3	1,725.1	54.6	2,227.2	57.7
Government Islamic Papers	155.9	10.1	176.9	6.7	273.5	8.7	389.5	10.1
Islamic Private Debt Securities and Equities	401.8	26.1	1,120.6	42.4	1,447.0	45.8	1,829.2	47.4
Other Investments	7.1	0.5	5.2	0.2	4.6	0.1	8.5	0.2
Foreign Assets	1.2	0.1	7.5	0.3	7.7	0.2	7.7	0.2
Investment Accounts and Islamic Money Market	508.8	33.0	1,142.2	43.2	1,183.6	37.4	1,337.2	34.6
Cash and Bank Balances	27.8	1.8	25.9	1.0	70.4	2.2	98.9	2.6
Other Assets	330.5	21.4	14.4	0.5	21.8	0.7	32.8	0.8
Total	1,542.4	100.0	2,644.7	100.0	3,162.8	100.0	3,861.0	100.0

... Negligible

Chart 1.3
Composition of Assets of Family Takaful Fund



trended downwards with the realignment of investment strategy to higher returns instruments. Consequently, funds invested in Islamic private debt securities and equities increased by 26.4%. Financing, which are mainly secured, declined by 6.0% to RM84.0 million. Foreign assets held of RM7.7 million, were investments in subsidiary and associate companies in Indonesia, Sri Lanka and Saudi Arabia.

Valuation Report

In line with the growth of business in force, participants' fund strengthened to RM2,390.7 million. Total valuation liabilities, valued using

the Statutory Valuation Mortality Table 1996 for ordinary family takaful and a(90) Mortality Table for annuity, increased by 14.0% to RM2,143.7 million. The bulk of the valuation liabilities were from mortgage takaful plans. The ratio of participants' fund to valuation liabilities, which reflects the ability of the funds to cover the liabilities, increased marginally from 107.7% to 111.5% in 2003. The aggregate actuarial surplus increased by 70.6% to reach RM247.0 million.

For the group account, participants' fund registered a growth of 21.4% to RM184.7 million. The unearned contributions reserves and provision for claims incurred but yet to be submitted increased by 15.1% and 51.9% to RM116.1 million and RM24.1 million, respectively. Surplus for the group account increased by 25.6% to RM44.5 million. Surplus of both participants' special account and group account is distributed to eligible participants based on the practice of the takaful operators as specified in the terms of the takaful plan.

Table 1.10
Valuation Result¹

	2002	2003	% change
	RM million		
Participants' Special Account			
Participants' Fund	2,025.4	2,390.7	18.0
Valuation Liabilities	1,880.6	2,143.7	14.0
Surplus	144.8	247.0	70.6
Group Account			
Participants' Fund	152.2	184.7	21.4
Unearned Contributions Reserves	100.9	116.1	15.1
Provision for Claims Incurred but Yet to be Submitted	15.9	24.1	51.9
Surplus	35.4	44.5	25.6

¹ Based on calendar year figures

Performance of General Takaful Business

Contributions Growth and Distribution

The general takaful business recorded a steady growth in year 2003. Gross contributions increased by 21.1% to RM403.0 million with all sectors recording double-digit growth. The motor sector, despite a 6.9% decline in the sales of motor vehicles in 2003, managed to achieve a stronger growth of 17.8% to RM120.4 million.

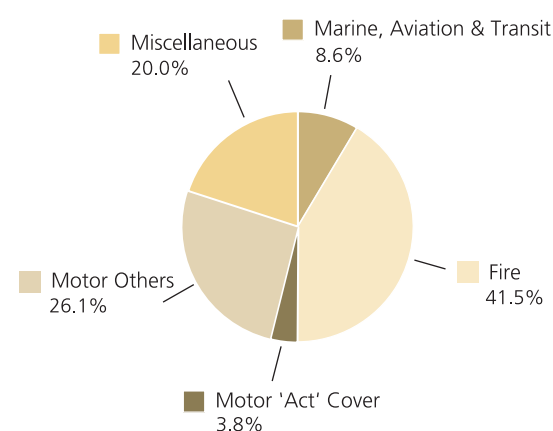
Table 1.11
Distribution of Gross Contributions

	Marine, Aviation and Transit	Fire	Motor			Miscellaneous	All Sectors
			'Act' Cover	Others	Total		
RM million							
2000	7.2	82.4	13.8	61.6	75.4	37.7	202.7
2001	11.0	115.9	15.9	75.8	91.7	48.2	266.8
2002	20.9	149.5	16.2	86.0	102.2	60.0	332.7
2003	34.9	167.2	15.2	105.2	120.4	80.5	403.0
% change							
2001	53.3	40.8	15.5	22.9	21.6	27.6	31.6
2002	89.5	28.9	2.0	13.5	11.5	24.5	24.7
2003	66.8	11.8	-6.2	22.3	17.8	34.1	21.1
% share							
2000	3.6	40.6	6.8	30.4	37.2	18.6	100.0
2001	4.1	43.5	6.0	28.4	34.4	18.0	100.0
2002	6.3	44.9	4.9	25.9	30.8	18.0	100.0
2003	8.6	41.5	3.8	26.1	29.9	20.0	100.0

Intensive marketing efforts were embarked during the year, which focused on securing more business from franchise dealers and local authorities. The new takaful operators contributed 2.5% of the industry's total gross contributions for motor sector. Similarly, miscellaneous sector recorded favourable growth of 34.1% whereby contractors' all risk and engineering and personal accident were the dominant sub-sectors. Following a surge in gross contributions of 89.5% in 2002, the marine, aviation and transit sector registered another 66.8% increase in contributions to RM34.9 million. The growth was partly attributable to increased participation in coinsurance arrangement coupled with hardening of contribution rates. Lower growth rate of 11.8% was recorded by the fire sector as a result of stricter underwriting policy implemented during the year in an effort to curb claims cost. The fire sector, however, remained the dominant sector accounting for 41.5% of total gross contributions, followed by motor and miscellaneous sectors with 29.9% and 20.0% share, respectively. Percentage of total gross contributions from marine, aviation and transit sector remained small at 8.6%.

In terms of distribution channels, takaful operators relied heavily on direct marketing, contributing 51.1% of total gross contributions.

Chart 1.4
Distribution of Gross Contributions



This was reflective of the business lines underwritten by the takaful operators such as fire and motor takaful plans, which are simple in nature. The opening of new branches in 2003, including the operation of service centres at the new takaful operators' head offices had enhanced clients' access to these takaful plans. Brokers and agents played equally important roles in increasing the takaful market penetration. Business secured by brokers was 19.6% whilst 19.0% were sourced from agents and 10.0% was through bancassurance.

During the year under review, the overall net

Table 1.12
Distribution of Net Contributions

	Marine, Aviation and Transit	Fire	Motor			Miscellaneous	All Sectors
			'Act' Cover	Others	Total		
RM million							
2000	1.6	48.5	13.2	59.4	72.6	27.1	149.8
2001	3.4	57.8	14.6	73.3	87.9	31.1	180.2
2002	6.8	73.7	16.0	82.3	98.3	43.5	222.2
2003	12.4	74.2	13.7	100.8	114.5	50.4	251.5
% change							
2001	116.4	19.2	11.0	23.5	21.1	14.9	20.3
2002	100.7	27.4	9.5	12.2	11.8	39.7	23.3
2003	82.2	0.8	-14.8	22.6	16.5	15.8	13.2
% share							
2000	1.1	32.4	8.8	39.6	48.4	18.1	100.0
2001	1.9	32.1	8.1	40.7	48.8	17.2	100.0
2002	3.1	33.1	7.2	37.0	44.2	19.6	100.0
2003	4.9	29.5	5.5	40.1	45.6	20.0	100.0

Table 1.13
Retention Ratio¹

	Marine, Aviation and Transit	Fire	Motor			Miscellaneous	All Sectors
			'Act' Cover	Others	Total		
%							
2000	21.7	58.9	95.7	96.3	96.3	71.7	73.9
2001	30.7	49.9	92.0	96.7	95.9	64.6	67.6
2002	32.5	49.3	98.8	95.6	96.1	72.4	66.8
2003	35.5	44.4	89.8	95.8	95.1	62.6	62.4

¹ Percentage of net contributions to gross contributions

retention ratio declined to 62.4%, attributable to cessions of large risks from the fire and marine, aviation and transit sectors for hedging purposes. Net retention ratio of the miscellaneous sector declined to 62.6% caused by low retention in the contractors' all risks and engineering sub-sector. Motor sector and other miscellaneous sub-sectors recorded net retention ratios of above 90.0%.

A total of RM151.5 million was ceded out to retakaful and reinsurance companies, of which 61.3% were ceded out to Malaysian companies including those operating in Labuan International Offshore Financial Centre. The balance RM58.6 million was contributions ceded and retroceded abroad. The largest outflow, 66.6% or RM39.0 million was from the fire sector. Other contributors were contractors' all risks and engineering sub-sector amounting to RM8.4 million and marine, aviation and transit sector with net outflows of RM7.0 million. Overall net outflow arising from cessions abroad, after claims recoveries and commissions received, amounted to RM58.5 million.

Claims Experience

The year 2003 saw a decrease in gross claims paid of 14.5% to RM104.1 million. From the total gross claims paid, 24.4% or RM25.4 million were borne by retakaful and reinsurance companies under the retakaful arrangement. The industry's overall claims experience improved with claims ratio declined from 54.4% to 37.3% in 2003. The improvement in claims ratio was across all sectors of general takaful business. Stringent underwriting policy adopted for fire sector during the year was effective in curbing claims cost. The fire claims ratio declined significantly from 23.3% to 6.1% in

Table 1.14
Claims Ratio¹

	Marine, Aviation and Transit	Fire	Motor			Miscellaneous	All Sectors
			'Act' Cover	Others	Total		
%							
2000	102.5	11.3	50.8	35.9	38.8	77.4	39.0
2001	103.6	15.1	61.7	46.6	49.1	76.1	45.0
2002	65.8	23.3	67.1	65.1	65.4	73.1	54.4
2003	29.3	6.1	245.6	16.8	46.3	64.0	37.3

¹ Net claims incurred as a ratio of earned contribution income

2003. The overall motor claims ratio improved to 46.3% due to review of claims provision in motor others sub-sector. Claims provision released during the year amounted to RM15.5 million. However, claims ratio for the motor 'Act' cover sub-sector escalated to 245.6% due to additional provisioning for Incurred But Not Reported (IBNR) claims reserves of RM8.4 million. The claims ratio for marine, aviation and transit sector improved to 29.3% whilst the miscellaneous sector recorded a claims ratio of 64.0%.

Underwriting Experience and Operating Results

Underwriting profit for the year increased by 2.8% to RM74.6 million. In terms of underwriting expenses, net commissions paid increased by RM4.4 million, in line with the

Table 1.15
Underwriting Experience

	Earned Contribution Income	Net Claims Incurred	Net Commissions	Management Expenses ¹	Underwriting Profit
RM million					
2000	131.3	51.2	-1.1	8.5	72.6
2001	162.5	73.1	7.0	11.8	70.5
2002	199.2	108.2	4.7	13.7	72.5
2003	230.0	85.7	9.1	60.6	74.6
	% change	% of earned contribution income			
2000	-	39.0	-0.8	6.5	55.3
2001	23.8	45.0	4.3	7.2	43.4
2002	22.6	54.4	2.3	6.9	36.4
2003	15.5	37.3	3.9	26.4	32.4

¹ Management expenses in 2003 include expenses that were borne by the shareholders' fund in respect of the general takaful fund

Table 1.16
Assets of General Takaful Fund

	2000		2001		2002		2003	
	RM million	% share	RM million	% share	RM million	% share	RM million	% share
Property, Plant and Equipment	5.4	1.6	7.0	1.9	0.5	0.1	1.3	0.2
Investment Properties	24.6	7.4	27.5	7.3	34.4	7.4	33.8	5.9
Financing	12.8	3.9	15.4	4.1	14.3	3.1	13.6	2.4
Investments	121.9	36.9	129.5	34.6	190.5	41.1	257.2	45.3
Government Islamic Papers	29.1	8.8	17.9	4.8	46.4	10.0	59.4	10.5
Islamic Private Debt Securities and Equities	90.7	27.4	110.1	29.4	142.5	30.7	196.4	34.6
Other Investments	2.2	0.7	1.6	0.4	1.6	0.3	1.4	0.2
Foreign Assets	0.5	0.2	2.5	0.7	2.5	0.5	2.5	0.4
Investment Accounts and Islamic Money Market	109.5	33.1	160.1	42.7	170.3	36.7	202.3	35.6
Cash and Bank Balances	8.0	2.4	14.3	3.8	12.7	2.7	4.8	0.9
Other Assets	47.8	14.5	18.5	4.9	38.9	8.4	52.7	9.3
Total	330.5	100.0	374.8	100.0	464.1	100.0	568.1	100.0

increase in business volume. Management expenses, which included the expenses borne by the shareholders' fund in general takaful business, increased by 342.3% to RM60.6 million. Underwriting profit before the inclusion of this expense would be RM117.7 million.

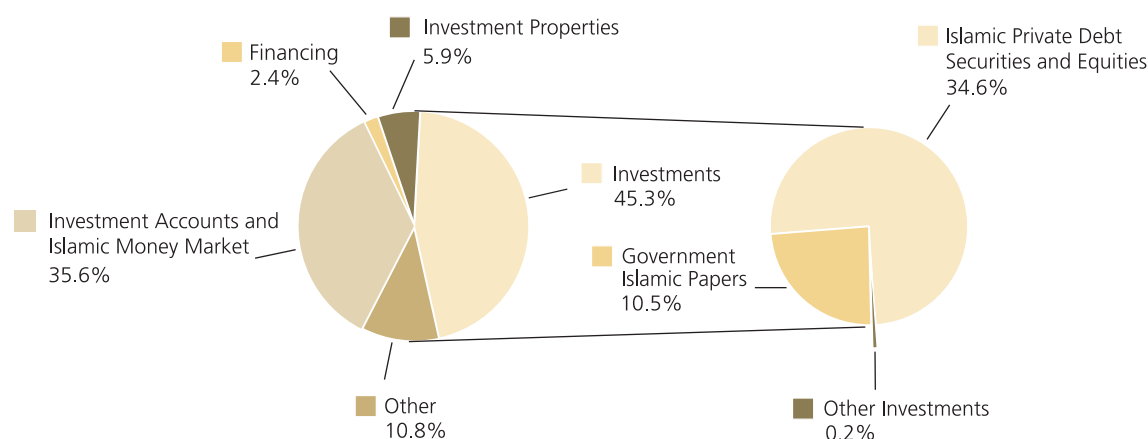
The operating profit of takaful operators increased by 3.4% to RM75.4 million in 2003. Net investment income generated for the year was RM21.5 million of which income

from investment in Islamic bonds constituted RM14.5 million and RM6.0 million was from investment accounts and Islamic money market. Total outgo amounted to RM21.5 million of which 47.2% from amortisation of premium on securities and 16.9% from provision for bad and doubtful debts. Other major sources of outgo were taxation and impairment in value of investments.

Assets of General Takaful Fund

As at end of 2003, assets of general takaful

Chart 1.5
Composition of Assets of General Takaful Fund



fund registered growth of 22.4% to RM568.1 million. Liquidity level remained high with 35.6% assets placed in investment accounts and Islamic money market. Funds allocated to investments in Islamic private debt securities and equities increased in light of favourable investment conditions with 61.0% were invested in Islamic bonds.

Technical Reserves

The technical reserves maintained by takaful operators in 2003 were adequate with technical reserves ratio of 126.8%. Total provision for outstanding claims increased by 4.3% to RM170.9 million of which RM54.5 million or 31.9% was IBNR claims reserves. Similarly, unearned contributions reserves also increased by 20.3% to RM147.9 million.

Table 1.17
Technical Reserves

	Unearned Contributions Reserves	Provision for Outstanding Claims	Technical Reserves
	RM million		
2000	82.0	103.7	185.7
2001	99.8	128.4	228.3
2002	122.9	163.8	286.7
2003	147.9	170.9	318.8
	% of net contributions		
2000	54.8	69.3	124.0
2001	55.4	71.3	126.6
2002	55.3	73.7	129.0
2003	58.8	68.0	126.8