TABLE OF CONTENTS

ACKNOWLEDGEMENT		
ABSTRACT		
TABLE OF CONTENTS		
LIST OF MALAYSIA STATUTES		vi
LIST OF TABLES		viii
LIST OF FIGURES		ix
СНАР	TER 1 INTRODUCTION	
1.1	OVERVIEW	1
1.2	INSURANCE INDUSTRY IN MALAYSIA	5
1.3	MALAYSIAN AUTOMOBILE INSURANCE INDUSTRY	9
1.4	INFORMATION ASYMMETRY	12
1.5	NEED FOR EMPIRICAL WORK ON THE AUTOMOBILE	
	INSURANCE IN MALAYSIA	14
1.6	ORGANIZATION OF STUDY	16
CHAPTER 2 LITERATURE REVIEW		

CHAPTER 3		THEORETICAL BACKGROUND	
3.1	ECON	OMICS OF INFORMATION: ASYMMETRY	25
	3.1.1	THEORY OF ADVERSE SELECTION	26
	3.1.2	THEORY OF SIGNALING	30
3.2	ALTE	RNATIVE THEORY OF ADVERSE SELECTION	34
3.3	CONCLUSION		37
СНАР	TER 4	RESEARCH METHODOLOGY	
4.1	INTRO	ODUCTION	38
4.2	DATA DESCRIPTION		38
4.3	THE MODEL		39
	4.3.1	TESTING FOR NONLINEARITY OF THE PREMIUM-	
		DEDUCTIBLE SCHEDULE	40
	4.3.2	TESTING FOR SEPARATION	43
4.4	CONCLUSION		45
СНАР	TER 5	RESULTS AND ANALYSIS	
5.1	INTR	ODUCTION	46
5.2	DATA DESCRIPTION		46
5.3	TESTING FOR SEPARATION		47

5.4	TESTING FOR NONLINEARITY OF THE PREMIUM-				
	DEDUCTIBLE SCHEDULE	50			
5.5	SUMMARY OF MAIN FINDINGS	57			
CHAPTER 6 CONCLUSION					
6.1	MAIN FINDINGS	62			
6.2	LIMITATIONS OF THE STUDY	65			
6.3	CONCLUSION	65			
	BIBLIOGRAPHY	66			

LIST OF MALAYSIA STATUTES1

- 1. Age of Majority Act 1971
- Akta Perlembagaan (Pindaan) 1983
- 3. Civil Law Act 1956 Revised 1972 (Act 67)
- 4. Companies Act 1965 (Act 125)
- 5. Contracts Act 1950 Revised 1974 (Act 136)
- 6. Courts of Judicature (Amendment) Act 1976
- 7. Courts of Judicature (Amendment) Act 1984
- 8. Employees Social Security Act 1969
- 9. Federated Malay States Enactment No. 17 of 1937
- 10. Federated Malay States Ordinance No. 49 of 1958
- 11. Fire Insurance Companies Ordinance 1948
- 12. Hire-Purchase Act 1967 Revised 1978
- 13. Income Tax Ordinance 1947
- 14. Insurance Act 1963 (Act 89)
- 15. Insurance Amendment Act 1964 (Act 10/64)
- 16. Insurance Amendment Act 1965 (Act 89/65)
- 17. Insurance Amendment Act 1971 (Act A40)
- 18. Insurance Amendment Act 1973 (Act A182)
- 19. Insurance Amendment Act 1975 (Act A294)

¹ Baduyah, Obeng (1994/95), "Insurans Motor: Perlindungan Kepada Penagambil Insurance dan Pihak Ketiga", Fakulti Undang-undang, Universiti Malaya, p.xv-xvii

- 20. Insurance Amendment Act 1978 (Act A432)
- 21. Insurance Amendment Act 1979 (Act A465)
- Insurance (Assumption of Risk and Collection of Premium)
 Regulation 1980
- 23. Insurance Guarantee Scheme (General Insurance Business)
 Fund Regulation 1978
- 24. Limitation Act 1953 (Act 254)
- 25. Malaysia Act 1963
- Modification of Laws (Road Traffic Ordinance)
 (Extension and Modification Order) 1984, PU (A) 136/84
- 27. Motor Vehicles Enactment No. 16 of 1356 (1938 A.D) (Terengganu)
- 28. Motor Vehicles (Third Party Insurance) Ordinance 1949 (Sarawak)
- 29. Motor Vehicles (Third Party Risks) Rules, 1959 (LN 169/1959)
- 30. Road Traffic Ordinance 1958 (No. 49 of 1958)
- 31. Road Traffic (Third Party Insurance) Enactment 1938 (Johor)
- 32. Road Traffic (Third Party Insurance) Enactment No. 16 of 1356 (1938 A.D) (Kedah)
- 33. Road Traffic (Third Party Insurance) Ordinance 1949 (Sabah Cap. 129)
- 34. Road Transport Act 1987 (Act 333)
- 35. Rules of The High Court 1980
- 36. Rules of The Subordinate Court 1980
- 37. Strait Settlement Ordinance No. 5 of 1938
- 38. Takaful Act 1984

LIST OF TABLES

TABLE 4a	Variables Description for Model 1	41
TABLE 4b	Variables Description for Model 5	43
TABLE 5a	Summary Statistics for Variables Used In The Model	47
TABLE 5b	Results of The Model 5	50
TABLE 5c	Regression Results of The Model 1	54

LIST OF FIGURES

FIGURE 3a	Outcome of Occurrence of Accident Versus No Accident	28
FIGURE 3b	Pooling Equilibrium: Pooling Contract Is Not Robust To	
	Competition	29
FIGURE 3c	Separating Equilibrium	30
FIGURE 3d	Equilibrium Contracts for High-risk And Low-risk	
	Customers	33
FIGURE 5a	Nonlinear Premium-Deductible Schedule	57
FIGURE 5b	Flow Chart: Summary of Main Findings	58