

INTRODUCTION

(1) Objective of this Exercise

Insurance, a service industry, has grown rapidly in not only Malaya but other countries as well. This growth came about with the increasing demand for its service. The increased demand from individuals for personal security, from businesses for insuring part of the risk and so forth presented the insurance industry with a challenging complexity. It is therefore, inevitable that this industry underwent considerable specialisation to meet the demands. Quite recently we heard of the liquidation of "Mushroom Companies" (insurance), as a result of legislation in Malaya. What were the causes for this move and why was it necessary? To answer these questions requires an understanding of the practices of insurance companies. In a less developed economy like ours the true importance of this industry is not very obvious to the public. This is because the industry has not reached a very developed stage like in the United Kingdom and the United States. It is believed that the importance of insurance in the economy increases with the development of the economy.

The purpose of this exercise is therefore, to bring to light the practices of insurance, the principles under which the institution operates, the policies the insurance companies adopt and how they practice in this country, and finally the legal environment in which the insurance companies operate. It is also intended that this exercise will reveal the growing importance of the industry as a whole and the important contributions and insurance companies make towards our developing economy.

(11) Scope and Limitations

This exercise will attempt to portray a very broad picture of the primary types of insurance companies in Malaya and their various activities. Since it is difficult to examine the policies of the companies individually, this exercise will endeavour to provide a generalisation of the policies of these companies, so as to enable a broad coverage. The same applies for the practices of these insurance companies. A survey of the legal environment will be attempted. (Incidentally legislation plays a particularly important role in the insurance industry). On the whole, study will show the extent of development of the insurance companies (which includes the industry) the problems they face and brief

discussion on their prospects.

However it should be stressed that this is a very general study. Depth in certain areas is sacrificed to make way for the presentation of a complete general picture. The examination of policies and practices of individual insurance companies is not possible here. Instead, generalisations made on the possible policies and practices the insurance companies tend to adopt. Moreover, it is difficult to distinguish the policies of companies in Malaya from their practice.

Apart from the above there were other factors which posed as obstacles in the course of the study. Firstly complete statistical data are not available and materials are also lacking. Management, as mentioned earlier, of the companies is ignorant of the precise policies of their companies. The co-operation, especially from the smaller companies, received is rather poor. For instance, to obtain a short interview may have to be preceded by a few appointments! Furthermore in the course of the interview interruptions were constant and information have often been unconsciously mis-stated. Most of the insurance companies are growing concerns and as such, perhaps out of fear, provide vague answers to some questions put forward.

Other limitations include the short period of time to conduct all interviews continuously and the time consuming process of sorting out the questionnaire. Moreover the survey is conducted on a sample basis and this may induce generalisations at times.

#### (111) Method of Approach

There are about ninety-three insurance companies in Malaya. The companies were separated into life and general insurance companies as stipulated by legislation for registration. Out of the total of seventeen life insurance companies seven were chosen from random sampling. The following factors were taken into account :-

- (a) all companies incorporated in Malaya
- (b) the amount of annual premium income

For general insurance business, fifteen out of a total of eighty two general insurance companies were selected. The factors are the country of incorporation as in the selection of life insurance companies, secondly the premium income too. Thirdly the type of general business such as motor insurance, fire insurance, marine insurance and so forth. It was seen that the sample should include at least one company which gives emphasis to any one of the types of general insurance business.

After the samples have been chosen, most of the

information was collected through personal interviews with each of the selected companies. During the interviews a set questionnaire was completed. Apart from these interviews, with companies, interviews with the Insurance Commissioner were also obtained.

References to textbooks, journals, annual reports and conferences, magazines like the "post magazine and Insurance Monitor" and Acts, Ordinances and Enactments were also made to provide the basis for the questionnaire. They also made possible an understanding of the operations of an insurance company and the legal environment.

