



**LABUAN FINANCIAL SERVICE AUTHORITY (LABUAN
FSA) IMPACT REINSURANCE COMPANY'S PROFIT IN
MALAYSIA**

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15 NOVEMBER 2010

DECLARATION OF ORIGINAL WORK



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“DECLARATION OF ORIGINAL WORK”

I, Noor Atikah Binti Kadir, (I/C Number: 870318-29-5224)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:

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LETTER OF SUBMISSION

17 November 2010

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Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “Labuan Financial Service Authority (Labuan FSA) impact reinsurance company’s profit in Malaysia” to fulfil the requirement as needed by the faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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TABLE OF CONTENTS	PAGE
INSIDE TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v -vi
TABLE OF CONTENTS	vii-ix
1.0 INTRODUCTION	
1.1 Background of The Study	1
1.1.1 Background of the Company	
1.2 Problem Statement	5
1.3 Research Question	8
1.4 Objective of Study	8
1.5 Scope of Study	8
1.6 Limitation of Study	9
1.7 Significance of Study	10
1.8 Definition of Terms	11
2.0 LITERATURE REVIEW	
2.1 Definition of Labuan FSA	14
2.2 Offshore Company	18
2.3 Onshore Company	20
2.4 Impact	21
2.5 Reinsurance	22
2.6 Company Performance	24
2.7 Reinsurance Market	26
2.8 Profit	27

1.0 INTRODUCTION

This chapter consists of the Background of the study, Background of the company, issues related to the study, purpose of this study that were carried out at the first place and that definition of certain technical terms used throughout the study.

1.1 Background of study

The insurance involves three parties operating the business. It is including the primary insurance, intermediaries and reinsurance. The main functions of reinsurance are to retain the large premium risk, spread the hazardous risk and the fluctuation of the annual aggregate claims experience by the primary insurer. (Carter, *Reinsurance: The Purpose of the Reinsurer*, 1979)

In the some countries, the reinsurance practiced by two way of business which are offshore and inshore authority. Basically in the inshore regulation, the reinsurance company imposed all the rules and taxes. An offshore enjoyed tax-exempt and these companies not authorized to engage in business in the constituting jurisdiction. Bermuda Island, Cayman Island and Labuan Island are some example for offshore authority island in the insurance business.

There are about 10 reinsurance companies in Malaysia before Malaysia Reinsurance Berhad (Malaysian Re) was formed in 1972. Next, Bank Negara Malaysia (BNM), the body that regulates, authorize and supervise all the insurance based companies in Malaysia announced the fixed rates of certain business portfolio compulsory to be retain to Malaysian Re. As a result, the market share of other reinsurance drops drastically. Some of this reinsurance surrendered their license while some registered under Labuan Financial Service Authority (Labuan FSA). Therefore, only five (5) reinsurance left in Malaysia. It includes Munich Reinsurance, Toa Reinsurance, Swiss Reinsurance, Hannover Reinsurance as well as Malaysian Re. On 2006, Asia Capital Reinsurance joined the reinsurance business and makes the total reinsurance company to six (6) until now.