

M A R A I N S T I T U T E O F T E C H N O L O G Y

A STUDY ON THE PROBLEMS RELATING TO
RATING AND UNDERWRITING OF
PRIVATE CAR INSURANCE
IN MALAYSIA

A report submitted to The School of Business and Management, MARA Institute of Technology, Shah Alam, in requirement for the partial fulfillment of the Advanced Diploma in Business Studies (Insurance).

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TABLE OF CONTENT

	PAGE
ACKNOWLEDGEMENT.....	i
ABSTRACT.....	ii
CHAPTER	
1. INTRODUCTION AND DATA COLLECTIONS	
1.1 Introduction.....	1
1.2 Overview of the current situation....	3
1.3 Problem Statement.....	10
1.4 Objective of Study.....	12
1.5 Scope of Study.....	13
1.6 Limitations of Study.....	14
1.7 Methodology.....	15
2. BASIC CHARACTERISTICS OF PRIVATE CAR INSURANCE AND THE THEORETICAL BASIS FOR RATING	
2.1 Private Car Insurance.....	16
2.2 Elements in Premium Rate.....	18
2.3 Acceptability Factors.....	19
3. THE PROBLEMS IN THE CURRENT MOTOR UNDERWRITING	
3.1 Cash Flow Underwriting.....	22
3.2 High Concentration of Motor Business.	27
3.3 Premium Rate Structure.....	30
3.4 Rating Factors.....	33
3.5 Management Expenses.....	37
4. RATING OBJECTIVES	
4.1 The Goals of a Rating System.....	39
A Set of Rate That Are Adequate,	
4.2 Non-excessive and Equitable.....	42
5. THE CONSTRUCTION OF THE NEW RATING CRITERIA	
5.1 Garaging.....	52
5.2 Age of Driver.....	53
5.3 Marital Status.....	54
5.4 Driving Experience.....	55
5.5 Usage.....	56
5.6 Type of Car.....	57
5.7 Driving Record.....	59
5.8 No Claim Discount.....	61
5.9 Sum Insured.....	62
5.10 Accumulation of Loadings.....	62
5.11 The Statistics Result.....	63
6. CONCLUSION.....	66
BIBLIOGRAPHY	
APPENDIXES	

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ABSTRACT

Motor insurance are possibly the most important insurance policies from the consumer's point of view. For a vast majority of people, motor insurance constitutes their only point of linkage with the general insurance industry, as it is mandatory for vehicle users to have minimum Third Party 'Act' insurance covers.

It is therefore not surprising that it has gained the reputation of being the class of insurance which constitutes the greatest concern to the public and to the regulatory authorities. Any increase in premium rates or costs or when inadequate services are provided would invite much publicised community criticism.

Many aspects of the motor insurance have been studied in the past. For example, a great deal of information may be found in published sources concerning underwriting, the role of intermediaries, motor claims and methods to minimise vehicle damage fraud.

Moreover, the amount of research that has been conducted in the area of rating in private car insurance is negligible. It is hope that this paper will help to fill this gap in insurance knowledge and will stimulate others to probe more deeply in this area.

CHAPTER 1
INTRODUCTION AND DATA COLLECTIONS

1.0 INTRODUCTION

The successful underwriting of any insurance business requires that the premium rates charged commensurate with the risk presented and have an adequate margin for acquisition costs, management costs and profits.

The claims statistics of the Malaysian motor insurance industry reflected in Appendix 1 clearly demonstrates that motor insurance has generally been undergoing poor performance. The incurred loss ratio shot up a sky high of 95% in 1988, but amazingly it plunge down to 75% in 1990.

However, with an average of 83.68% from 1980 to 1990, Malaysia has the highest loss ratio in motor insurance business in ASEAN as reflected in Appendix 2.