



# MITBA: Insurance brokers provide more value than agents

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By LEE CHERNG WEE

THE professionalism and independence of insurance brokers have enabled them to provide more value to consumers than insurance agents, said Malaysian Insurance & Takaful Brokers Association (MITBA) chairman Mohamad Abdullah yesterday.

"One agent can represent two insurance companies while a broker represents the buyer. The agent only sells products from his own company while a broker can shop around for the best insurance product that suits the client.

"In the event of claims, brokers become negotiators and fight for their clients," Mohamad told a press conference in Kuala Lumpur yesterday.

Insurance brokers are licensed by Bank Negara Malaysia and are responsible for the advice given to clients under their professional indemnity. "We can be



sued for the wrong advice given to clients or if there is negligence," he said.

While most insurance agents serve normal consumers, brokers' clients are mainly corporates and mega projects.

"They are unlikely to have the depth, knowledge and technical expertise to do insurance on terrorism, big vessels and independent power producer plants like the brokers.

"Agents only sell normal insurances such as motor and household," said MITBA committee member V Jeyaratnam.

Mohamad gave an example where brokers would advise clients to include an escalation clause in view of rising inflation.

"It would be a problem if the claim is filed today and the payment is only made a year later with rising inflation. The escalation clause would protect the client," said Mohamad.

Insurance brokers currently hold 36.9% share of the RM5.65 billion non-motor general insurance market. MITBA targets to increase its share to 50% in three years by penetrating under-insured sectors such as agriculture

and small- and medium-industries (SMI).

"We are working with Agrobank to insure farmers by repackaging it into micro-credit schemes. Meanwhile, the SMIs only insure their property as required by the authorities.

"They are not aware that they can also insure their loss of profit, staff welfare and staff liability. These are the areas that insurance brokers are looking into," said Mohamad.

MITBA expects premiums transacted by brokers to rise 12.76% to RM2.35 billion this year on inflation, the expansion in the oil and gas sector which many brokers are serving and in innovative products.

The association is trying to rectify the perception that consumers need to pay extra costs for a broker's services.

"In actual, brokers do not charge any fee as they earn brokerage from the insurance companies. Fee is only involved in specific cases where brokers are commissioned to conduct special studies or to develop specific risk management programmes," said Mohamad.

MITBA has recently changed its name from Insurance Brokers Association of Malaysia to better reflect the growing Takaful business.