

Malaysia Motor Insurance Market By Insurance Type (Third Party Liability, Comprehensive), By Distribution Channel (Agents/Broker, Bank, Online, Others), By Region, Competition, Forecast & Opportunities, 2020-2030F

Market Report | 2025-01-24 | 82 pages | TechSci Research

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Report description:

The Malaysia Motor Insurance market was valued at USD 2.12 Billion in 2024 and is expected to grow to USD 3.98 Billion by 2030 with a CAGR of 2.20% during the forecast period. The Malaysia Motor Insurance market is primarily driven by the rising vehicle ownership, due to the growing middle class and urbanization, has significantly increased the demand for motor insurance. As more people own vehicles, the need for coverage against accidents, theft, and damage becomes essential. Also, government regulations mandating third-party insurance coverage for all motor vehicles have played a crucial role in expanding the market. The increasing frequency of road accidents and rising repair costs have also contributed to the market's growth, as consumers seek comprehensive protection. Also, growing awareness of the financial benefits of insurance, along with the development of digital platforms that simplify policy purchasing and management, is enhancing consumer engagement and driving the growth of motor insurance in Malaysia.

Key Market Drivers

Rising Car Accidents Across the Region

The rising car accidents across Malaysia is a significant driving factor for the country's motor insurance market. As the number of vehicles on the road increases, so does the likelihood of accidents, whether due to human error, road conditions, or other factors. As a part of this, according to a recent study, as of 2022, there were around 545,000 traffic accidents in Malaysia, which is more than the year before. With the most traffic accidents, 2019 was the riskiest year for drivers on Malaysian roads in the previous ten years. Malaysia has seen a steady rise in traffic accidents, leading to greater awareness of the importance of motor insurance coverage to mitigate financial risks from damage, injuries, or third-party claims.

The increasing frequency of road accidents has created a greater need for comprehensive motor insurance policies that cover both own damage and third-party liabilities. In response, consumers are opting for policies with higher coverage limits, as they seek protection against escalating repair costs and medical expenses. The government's focus on improving road safety, along

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with the rising costs of vehicle repairs and medical treatments, has further highlighted the value of having adequate insurance coverage. Also, as road accidents often result in lengthy claims processes and expensive litigation, insurance policies that cover legal costs and ensure prompt claim settlements are becoming more popular among consumers. Insurers are responding by offering products that cater to these emerging needs, including policies with extended coverage and accident-specific benefits. Overall, the rising rate of car accidents in Malaysia has been a major catalyst for the growth of the motor insurance market, driving demand for more comprehensive and affordable insurance solutions.

Growing Sales of Car Is Influencing Its Market Growth

The growing sales of cars in Malaysia is a key driving factor for the expansion of the motor insurance market. As the nation experiences economic growth, an increasing number of consumers are purchasing vehicles, particularly among the middle class. As a part of this, according to a recent study, as of 2023, the sales value of produced vehicles in Malaysia, including passenger automobiles and commercial vehicles, will be about 50 billion Malaysian ringgit. The value of sales for produced automobiles in the country has consistently increased over time. This trend has led to a higher demand for motor insurance coverage, as more vehicles on the road create a need for financial protection against accidents, theft, and damage.

The rise in car sales is also influenced by improved access to financing options, affordable car loans, and attractive promotions by car manufacturers, which make purchasing a vehicle more accessible. As vehicle ownership increases, so does the need for various types of insurance coverage, ranging from basic third-party liability to comprehensive policies that cover a wide array of risks, including accidents, fire, and theft. The demand for motor insurance is also driven by the desire for peace of mind among car owners, as the costs of repairing or replacing a vehicle, along with medical expenses resulting from accidents, can be significant. With an increasing number of vehicles on the road, insurance providers are tailoring policies to suit the evolving needs of consumers, offering coverage for both new and used cars, along with additional benefits such as roadside assistance and car repairs. As car sales continue to grow in Malaysia, the demand for motor insurance is expected to remain strong, further propelling the market's expansion.

Rapid Urbanization & Rising Economic Growth

Rapid urbanization and rising economic growth are pivotal driving factors for the Malaysia motor insurance market. As a part of this, according to a recent study, as of 2022, Malaysia's urban population will be around 26.5 million. Over the last decade, Malaysia's urban population has grown by more than four million people, demonstrating an upward trend in urbanization. As the country experiences increased urbanization, more people are migrating to cities, leading to higher car ownership rates. In urban areas, having a personal vehicle is seen as a necessity for convenience, mobility, and accessibility to work, education, and other services. This shift is fuelling demand for motor insurance as car owners seek protection against risks associated with city driving, including accidents, theft, and damage caused by heavy traffic and road conditions. At the same time, Malaysia's growing economy has led to higher disposable incomes, enabling more individuals to afford vehicles. With greater purchasing power, more consumers are opting for a wider range of vehicles, from compact cars to luxury models, each requiring suitable motor insurance coverage. Economic growth also fosters a more favorable environment for car manufacturers, leading to promotions, financing options, and lower-interest loans, which further boost vehicle sales.

As urban areas become more congested and vehicle ownership rises, the need for motor insurance is becoming more pronounced. In addition to mandatory third-party coverage, consumers are increasingly looking for comprehensive policies that offer greater protection against the risks inherent in urban driving, such as accidents, theft, and vehicle breakdowns. The combination of rapid urbanization and economic growth is expected to continue driving the expansion of the motor insurance market in Malaysia in the coming years.

Key Market Challenges

Higher Premium Rates

Higher premium rates are a significant challenge for the Malaysia motor insurance market. As the cost of vehicle repairs, medical treatments, and third-party liabilities continues to rise, insurers are forced to increase premium rates to maintain profitability. This can be a burden for many consumers, particularly those with lower or middle incomes, as they may find it difficult to afford comprehensive coverage. The rising rates are also a result of the increasing frequency of road accidents, as higher accident rates lead to more claims, which in turn push up the overall cost of insurance. In addition, vehicle theft, vandalism, and rising repair costs for modern vehicles are contributing to higher premiums. Also, the need for insurers to manage risk in a volatile market,

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exacerbated by rising inflation and changing regulatory requirements, also impacts premium rates.

While comprehensive coverage is essential for protecting against potential risks, higher premiums can deter consumers from purchasing adequate insurance, potentially leading to underinsurance. Some consumers may opt for lower-cost, minimal coverage, which may not fully protect them in the event of a serious incident. This creates a gap in coverage that could expose policyholders to significant financial risks. Insurers in Malaysia are attempting to balance the need for higher premiums with the growing demand for affordable policies. However, the challenge of rising premium rates remains a key concern for both consumers and insurers in the market.

Limited Awareness Among Consumers

Limited awareness among consumers is a notable challenge in the Malaysia motor insurance market. While motor insurance is mandatory for vehicle owners, many Malaysians still lack comprehensive knowledge about the various types of coverage available and the benefits of having adequate insurance. This gap in understanding often leads to consumers opting for the bare minimum coverage required by law, such as third-party liability insurance, without fully considering the benefits of more extensive policies that protect against theft, accidents, or damage to their own vehicle. Many consumers also fail to recognize the importance of factors like coverage limits, deductibles, and exclusions, which can impact the extent of protection they receive. As a result, they may find themselves underinsured, especially in the event of an accident or theft, leading to significant financial loss. In some cases, consumers may not fully understand the terms and conditions of their policies, which can result in misunderstandings or disputes when filing claims.

Also, the diverse range of insurance products and providers can make it difficult for consumers to compare policies and select the most appropriate coverage for their needs. This lack of clarity, combined with the complexity of policy documents and the numerous add-ons available, deters some consumers from making informed choices. To overcome this challenge, insurance companies in Malaysia must invest in consumer education and transparency, providing clear, accessible information about insurance options and helping consumers make more informed decisions about their coverage.

Key Market Trends

Rising Demand for Usage-Based Insurance Policies

The rising demand for usage-based insurance (UBI) policies is a key trend in the Malaysia motor insurance market. UBI policies, which charge premiums based on a vehicle's actual usage rather than a flat rate, are gaining popularity as they offer more personalized and affordable coverage. These policies use telematics devices or mobile apps to track driving behaviour, including factors such as mileage, speed, braking patterns, and driving time. As a result, safe and low-mileage drivers are rewarded with lower premiums, while those with higher risk profiles pay accordingly. The growing preference for UBI is largely driven by the increasing awareness of cost-effective and flexible insurance options. With the rising cost of traditional motor insurance premiums, many consumers are seeking ways to reduce their insurance expenses. UBI allows them to pay for insurance coverage that is directly aligned with their actual driving habits, making it particularly attractive to low-mileage and infrequent drivers. Also, as more consumers become aware of the potential benefits of telematics-based insurance, such as discounts for safe driving and real-time feedback on driving habits, the demand for UBI continues to rise. This trend is further supported by advancements in technology, with insurers increasingly adopting digital platforms and telematics devices to track and analyze driving behavior. As the trend toward personalized and flexible insurance continues, UBI is expected to play a pivotal role in shaping the future of the Malaysia motor insurance market.

Growing Demand for Customized Policies

The growing demand for customized policies is a significant trend in the Malaysia motor insurance market. As consumers seek more tailored coverage options, insurance providers are adapting to offer policies that cater to individual needs, preferences, and risk profiles. This shift is largely driven by consumers' desire for more flexibility and the ability to select specific coverage options that suit their lifestyles and driving habits. Customized policies allow consumers to choose add-ons such as roadside assistance, vehicle breakdown coverage, personal accident protection, and coverage for specific types of vehicles, like luxury cars or electric vehicles. Also, these policies may provide options for low-mileage drivers to reduce premiums or offer higher coverage limits for high-value vehicles.

Rising Adoption of Digital Platform

The rising adoption of digital platforms is a prominent trend in the Malaysia motor insurance market. With the increasing reliance

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on smartphones and the internet, more consumers are turning to online platforms to purchase, manage, and renew their motor insurance policies. Digital platforms offer convenience, transparency, and a seamless user experience, allowing customers to compare various policies, view premiums, and make informed decisions from the comfort of their homes. Also, the use of mobile apps and online portals enables consumers to access real-time information, file claims, and receive instant updates on policy details. These digital tools simplify the process of obtaining quotes, making it easier for consumers to find the best coverage at competitive prices. The ability to customize policies and get immediate feedback on pricing and coverage has also enhanced the appeal of digital platforms.

Insurers are increasingly leveraging these platforms to enhance customer engagement, offer personalized products, and streamline the claims process. As digital transformation continues, insurers in Malaysia are focusing on improving user-friendly interfaces and integrating advanced technologies, such as artificial intelligence and chatbots, to provide better customer service and faster claims processing. As the demand for convenience and speed rises, the adoption of digital platforms in the motor insurance market is expected to keep growing, shaping the future of insurance distribution in Malaysia.

Segmental Insights

Distribution Channel Insights

Agents/Brokers dominated the Malaysia Motor Insurance market acting as key intermediaries between insurers and consumers. They provide personalized services, offering advice on the best policies to suit individual needs, helping customers navigate complex insurance terms, and ensuring that they select the right coverage. Agents and brokers also play an essential role in explaining the nuances of policies, including optional add-ons and exclusions, making it easier for consumers to understand their insurance options.

Regional Insights

West Malaysia dominated the Malaysia Motor Insurance market, due to its higher population density, economic activity, and more extensive vehicle ownership compared to East Malaysia. The region includes major urban centers like Kuala Lumpur, Penang, and Johor Bahru, which are hubs for business, tourism, and residential activity, driving significant demand for motor insurance. The increased number of vehicles on the road, combined with higher disposable incomes and a greater awareness of insurance benefits, has led to a larger share of the market. As a part of this, according to the Household Income and Household Expenditure Survey 2022, Malaysia's average household income rose by 2.4% to RM8,479 in 2022, up from RM7,901 in 2019. Also, the more developed infrastructure, along with a wider range of insurance providers and services, contributes to the dominance of West Malaysia in the motor insurance sector. As urbanization continues, the region's role in the market is expected to grow further.

Key Market Players

- ☐ Allianz Malaysia Berhad
- ☐ Pacific & Orient Berhad
- ☐ RHB Bank Berhad
- ☐ Syarikat Takaful Malaysia Keluarga Berhad
- ☐ Etiqa
- ☐ Chubb Insurance Malaysia Berhad
- ☐ Liberty General Insurance Berhad
- ☐ MSIG Insurance (Malaysia) Bhd
- ☐ Generali Insurance Malaysia Berhad
- ☐ BMW Malaysia Sdn. Bhd

Report Scope:

In this report, the Malaysia Motor Insurance Market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

- ☐ Malaysia Motor Insurance Market, By Insurance Type:
 - o Third Party Liability
 - o Comprehensive
- ☐ Malaysia Motor Insurance Market, By Distribution Channel:
 - o Agents/Brokers

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- o Bank
- o Online
- o Others

☐☐Malaysia Motor Insurance Market, By Region:

- o West Malaysia
- o East Malaysia

Competitive Landscape

Company Profiles: Detailed analysis of the major companies presents in the Malaysia Motor Insurance Market.

Available Customizations:

Malaysia Motor Insurance Market report with the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

Company Information

☐☐Detailed analysis and profiling of additional market players (up to five).

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