PROVIDENT and pension funds (PPFs) continue to support socio-economic development by mobilizing and channelling medium to long-term funds to finance public and private sector projects.

Total resources of the nine PPFs, comprising the EPF, the Social Security Organisation (Socso), the Armed Forces Fund, the Pensions Trust Fund and five other private PPFs, expanded by 8.9% to RM243.29bil as at end-June 2002 (end-June 2001: RM223.33bil).

Gross contributions to EPF accounted for the major portion of the increase to constitute 84.6% of total gross contributions.

Gross contributions of PPFs during the first half of the year, however, declined by 9.4% in tandem with the lower number of contributors.

During the period, withdrawals were significantly lower, amounting to RM7.45bil (January-June 2001: RM14.20bil), resulting in higher net contributions.

The bulk of withdrawals were made by EPF contributors through three main withdrawal schemes, namely for government pensionable employees, the purchase of personal computers as well as those leaving the country.

However, the EPF terminated the withdrawal scheme for purchases of personal computers in August.

Investment income of PPFs rose by 9.5% to RM6.48bil, reflecting the improved investment environment.

The PPFs shifted their investment strategy to corporate bonds and equities to constitute 52.2% of total investments (end-June 2001: 49.9% share). Investment in Malaysian Government securities (MGS) registered a smaller increase of 1.3% to account for a 47.8% share of total investment.

The performance of the insurance industry (life and general insurance business) was mixed during the first half of this year.

Life insurance business was significantly affected by the termination of the annuity scheme by the EPF.

Excluding single premium annuity business, new business premiums, however, recorded an increase of 28.1%. New sums insured grew moderately by 4.9% to RM70.37bil.

Total assets of life insurance funds expanded by 14.5% to RM47.51bil. In contrast, the performance of general business was more buoyant with gross direct premiums recording a double digit growth of 18.4% to RM3.79bil in the first half of this year (January-June 2001: RM3.20bil).

Motor insurance increased by 12.3% and continued to account for the largest share at 43.4% of total gross direct premiums.

Steps to enhance the development of the takaful industry include promoting competition and accelerating expansion of takaful business.

In particular, the licensing of a third takaful player, which started operations in July, would further contribute to the growth of the takaful business.

The takaful industry experienced slower growth, with total contributions for new certificates and total new sums of family takaful business, recording RM209mil and RM76.69bil respectively in the first six months (January-June 2001: RM277mil and RM83.19bil, respectively).

*Also see chart on page 12.*