



30 March 2016

Puan Junaidah Mohd Said
 (Deputy Director)
 Financial Sector Development Department
 Bank Negara Malaysia
 Jalan Dato' Onn, 50480
 Kuala Lumpur

Dear Puan Junaidah

RE: INSURANCE COVERAGE & PREMIUMS FOR CAR RENTAL INDUSTRY

Further to our visit and short discussion with regards to the Insurance Coverage and Premiums for the Car Rental Industry, I am pleased to append herewith some pertinent information about the Industry for your information, which we hope will assist you in making decisions pertaining to the Industry.

The Car Rental Industry has come a long way since the early beginnings of car hire in Malaysia in the early 70's. However, in total size, its only approximately 18,000 to 20,000 licensed vehicles, in comparison to Singapore which has approximately 35,000 – 40,000 rental vehicles registered. (Australia with a similar population as Malaysia, has close to 250,000 – 300,000 rental vehicles)

A brief history of the licensing aspect of the Industry:-

In the 70's it was licensed by the Ministry of Public Enterprise, then followed by the Ministry of Tourism and now over the last 4 – 5 years under the purview of SPAD.

It may be of interest to note that Malaysia is one of the few countries in the world that requires a license for every car that is purchased by a car rental company. The norm in most countries is that the Company is licensed and not each vehicle.

Some background to Insurance premiums within countries in Asean:-

Comprehensive Insurance Cover (Hire & Drive)

| Vehicle Capacity | Malaysia | Singapore | Thailand |
|------------------|-------------|------------|------------|
| 1500 c.c. | RM13,081.00 | RM4,365.00 | RM2,342.00 |
| 1600 - 1800 c.c. | RM17,029.00 | RM4,947.00 | RM3,028.00 |
| 2000 c.c. | RM20,912.00 | RM5,238.00 | RM3,702.00 |

CAR RENTAL ASSOCIATION OF MALAYSIA (CRAM)

c/o No. 4 Jalan SS13/3E, Subang Industrial Estate, Subang Jaya, 47500 Selangor Darul Ehsan
 Telephone No. : 603 – 5631 6488 / Fax No. : 603 – 5635 6466

In meetings that the Car Rental Association has held with the Insurance Division at Bank Negara, we have always highlighted the predicament the industry faces with the very high cost and prohibitive premiums with the hope that the Industry will be viewed in the right perspective and priced fairly.

In fact in one of our meetings at Bank Negara, we were told that the industry was unfairly and wrongly categorized and hence, the high risks factors determining the high premiums.

We also like to point out that, for Bank Negara to not only listen to views and opinions of "PIAM", which we believe are very one sided and biased and is very unfair to the Car Rental Industry, as PIAM's only concern is their own.

PIAM is a cartel and its existence is questionable, as their sole purpose is to look after their very own interest.

We request that the Association representing over 70 companies be given a chance to provide their opinions and views, before any final decisions are made.

Products available at a Car Rental Company:-

- Self Drive
 - Daily / Weekly / Monthly

- Chauffeur Driven
 - Transfers
 - Hourly disposal usage

- Long Term Lease
 - Vehicles purchased as Company cars for Company use; mostly for 3 to 4 or 5 years lease

We would like Bank Negara to view all the above product types in totality, in the non – tariff environment to be introduced.

CAR HIRE POTENTIAL IN MALAYSIA

Currently, approximately 75% of the Car Hire market is from the Corporate Sector (Rentals to Companies, to Company Executives who are traveling on business and for Expatriates employed on projects).

The balance of 25% comes from the leisure / tourism segment travelling into Malaysia. This segment is slowly but surely growing each year as Malaysia stands out as the best "driving destination" within South East Asia.

The inbound markets of Europeans, the growing new middle class Indian and Chinese markets, Australians, New Zealanders, make up the most of the tourist rentals.

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We should also take, into account the number of Singaporeans visiting Malaysia per day on business or leisure/holiday, and this contributes the largest and most frequent rental market for operators in Malaysia.

We believe this "inbound" tourists/leisure segment has the potential to grow much bigger as Malaysia continues to spend the advertising dollar on wooing more tourists into Malaysia.

Last but not least, Malaysia has a big untapped lease market within the Corporate Segment, to increase the number of lease vehicles.

In conclusion, we seek your kind consideration to view all the factors in our industry, in deciding the new non-tariff era, which we hope will be introduced soon.

- The Association is ever ready to meet with Bank Negara to discuss any aspect of Vehicle Insurance pertaining to the Industry.

Thank you and best regards.

Yours sincerely

CAR RENTAL ASSOCIATION OF MALAYSIA



Felix Fernandez
President

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