

Experts Review the Best Approaches to Knowledge-based Expansion - of HNW Life Insurance Adoption in Asia

There is a plethora of life policy structures available globally, almost all of which are now widely available in Asia. How do advisors and private clients approach the challenges of choosing between different alternatives such as Whole Life, Term Life, Universal Life, Variable Universal Life, Indexed UL and Private Placement Life Insurance? How do advisors match the right products to the clients? What are some of the critical errors advisors and clients might make in selecting the right policies? What is the current profile of demand in Asia compared to other markets, such as Europe? How do advisors begin the conversations, how should they then work with the specialist distributors and agencies to further advance these solutions for Asia's private clients, and very importantly, how do you participate properly and legally in the fee income/commissions? Does the average private banker or EAM RM/advisor understand enough about the life products and solutions, or what needs to happen to boost their knowledge, engagement and involvement? These and many other questions were tackled by a panel of insurance specialists in a panel discussion at the Hubbis HNW Insurance Summit in Singapore on September 6. Most importantly, they offered their advice on how wealth managers should first listen to clients and understand them, then encourage and nurture them towards insurance solutions that ideally suit them, at whichever stage of life they might be, working productively and compliantly in partnership with the specialists in the market.

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Helping to demystify the HNW Insurance acronyms and simplifying the advantages for private clients

The discussion was designed to be more about the overall approach to HNW insurance than the nitty gritty of policies and their advantages. However, an expert opened the discussion by briefly touching on some of the products, noting that whole life products such as Universal Life have very high death cover, with PPLI at the other end of the spectrum, as that product has low life cover, with premiums paid with assets instead of cash premiums.

In the middle of the spectrum are UL derivatives such as Variable UL with its high death cover but the ability to pay in non-cash assets as consideration for the premium. Additionally, products such as PPLI allow clients to nominate who they want to manage the assets, and therefore retain some element of control.

Another expert clarified some differences between 'permanent' life insurance versus term insurance and savings plans. He explained that term life is a very plain-vanilla product, with clients

paying a premium in exchange for a certain level of sum assured.

Meanwhile, UL, and Whole of Life, involve fairly mainstream financial assets that the insurer buys to give a sum assured to the client at a basic premium. But these assets generally fluctuate markedly in value, meaning that clients may or may not get their sum assured at the end of the day. Clients could instead have Indexed UL, with, for example, performance linked to an index such as the S&P 500.

So, in summary, a panellist said that whole of life is for long-term protection and cash accumulation. Term life is for temporary or fixed-term coverage needs. UL, VUL, and IUL are all associated with high death cover and linkages to asset investment opportunities. And PPLI

is for more tailored complex estate needs and allows more control over a wider range of assets that can be vested in the policy.

Advisors need to be aware of numerous aspects when talking to their private clients about HNW insurance

A speaker highlighted that decisions on structures and policies should involve a variety of key factors to be aware of. For example, the policyholder needs to make sure that if premium financing is used, the sum assured is comfortably able to pay off those obligations, so beneficiaries are not left with a nasty surprise upon the death of the parent or life assured.

Then there is the financial strength of the insurers (meaning the

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ability to deliver on future claims), operational efficiency and the ease with which they work with and service the clients, perceived reputation and credibility, “The insurers have to deliver what they state on the label,” he said. “And advisors really do need to think about those aspects when talking to their clients.”

Policies have riders attached, which need to be carefully reviewed. Details of beneficiaries need to be up to date as circumstances change regularly. Advisors should check that their Wills also link and match their life solutions and other structures. And the clients might need their coverage increased or decreased, and perhaps other policies added as well.

“I would not say clients make mistakes, that is a harsh word,” came another perspective, “but they do need to solicit specialist advice and expertise and then make sure that these policies are executed properly and included as part of smart estate and succession planning.”

Asia lags behind the European market for HNW life products, but adoption and interest are rising apace

A guest observed that in Asia, the use of estate and legacy planning involving life solutions remains some ten years behind the approach and activity in Europe but is catching up fast.

“We all need to move away from the paradigm that insurance is only used for creating wealth or creating a huge pot of money, all of which is good, but insurance is also a fantastic tool for planning and structuring, for example, PPLI for smart legacy planning, for the transfer of wealth that the client



has built up for the next generation, for protection, for privacy, and especially for tax planning, as well.

An expert observed that Europeans are very focused on tax planning and Asia is very liquidity planning orientated. In Europe, HNW life insurance solutions have been around much longer, so there is often multi-generational planning, and the focus is more on wealth preservation, Asia is a much more entrepreneurial and optimistic region with clients looking forward with growth in mind. In Asia, there is a need to increasingly separate family assets from business assets, as the two historically are closely intertwined, whereas in Europe there are very clear lines of separation.

Another expert observed the Asian market tends to be more reactionary to trends and more inconsistent. There is often not enough knowledge amongst advisors of newer products that might better suit their clients, so they tend to stick to promoting older types of policies that were more established, such as UL, rather than, for example, PPLI.

There is less understanding of the value of blended approaches, for example HNW insurance plus annuities for predictable cash flows or predictable lump sums at the end of clearly defined terms.

Being true to the client, putting their situations and their needs first, and avoiding becoming a salesperson for products

A guest reiterated the need in Asia to reverse engineer the process – looking first closely at the clients and not leading with the products. “Asia remains somewhat of a product-driven market, but it must be seen as part of a wider set of solutions,” he advised. “When talking with your clients, it may take more than one session to really, truly uncover what the clients are looking for, or what needs the clients actually have. Sometimes, the clients may not even know it themselves; they may even learn it from their friends, and then they will come and ask about it. This gives you the advisors the opportunity to shine by raising

all these issues early on, being a leader in the thought process.”

“We never start off by talking about insurance, because as I said, there is a negative connotation of that,” he continued. He explained they have encapsulated this in what they call PATEC. The acronym stands for: Privacy protection through a compliant structure; Asset protection by law; Tax Savings, higher net returns and simplified reporting; Estate planning separate from ordinary estate; and Cash to ensure sufficient liquidity at the time of a death.

In a knowledge-based society, it is clear that the wealth management community needs to understand more about HNW insurance products and their applications, hence there is a rising swell of energy directed at training and education

These observations led the panel to further discuss knowledge amongst

the wealth advisory community, with all these experts agreeing that much more needs to be done to boost knowledge, engagement and involvement among bankers and RMs.

“That is a core reason we are all gathered here today,” a panellist commented. “Networking and the relay of information is central to this mission. And by the way, Hubbis also has its own training platform, Wealtra, that aims to promote knowledge across the broadest landscape of wealth management.

The final words – the wealth management advisors can oil the wheels, but it is the experts who must drive the cars and cross the finish lines with these clients

Whereas a banker can potentially take a client all the way from concept to execution for a financial product such as a structured product deal, they cannot do so with HNW insurance policies from both a knowledge and a

compliance perspective. It is vital for these RMs and advisors in the private banks and EAMs and MFOs to participate in opening the conversations, having sufficient knowledge and confidence to nurture the clients along the right paths, but they then need to work with the genuine experts at the specialist brokerages to compliantly and expertly guide these clients over the line.

A guest crystallised this advice as follows. “For wealth managers, number one, identify the clients in need and their needs. So this could typically be younger clients, young entrepreneurs who need family income protection, middle-aged entrepreneurs who need more wealth growth and wealth preservation, and older founders or entrepreneurs, who are looking at these solutions as part of their overall liquidity, wealth transfer and legacy planning. Then, number two, engage the best partners, a good number of whom you will have heard from or met today.” ■

For a more detailed look at this topic, we invite readers to listen to the roughly 30-minute VDO of the panel by clicking [HERE](#).

And interested in being part of the discussion? Be sure to save the date of our Hubbis HNW Insurance Summit – Singapore 2024, which is taking place on Wednesday 4th September, 2024.

Register for the forum by [CLICKING HERE](#).

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