HNW Insurance in Asia: A Review of the Innovations and Market Outlook

Thomas von Rueti, Chief Commercial Officer of Singlife, gave an informative and lively presentation to the delegates at the Hubbis Indonesia Wealth Management Forum on innovations in the life insurance space for Asia's HNWIs and the wider outlook for the market, products and providers.

SINGAPORE'S DYNAMIC LIFE INSURANCE NEW ENTRANT, SINGLIFE, only enjoyed its first full year of operations in 2018 but very quickly exceeded its own expectations in terms of business generation and financial performance. The company has been further building its early success in offering a simplified digital purchase experience harnessing convenience, transparency and accessibility, while also offering more traditional distribution routes to complement this approach.

In short, Singlife has made a significant impact to the local retail and regional high-net-worth market, with clients and partners embracing the company's products, its approach and their delivery protocols. Singlife has also been successful in adding high-profile corporate investors in the form of Aflac and Aberdeen Standard Investments in early 2019, injecting USD33 million to turbo-charge the company's expansion. And Sumitomo Life of Japan invested USD90 million mid of 2019 becoming a significant shareholder. This bring the total share capital to USD154 million.

The key priorities for Singlife are now to expand the local market footprint, to maintain investment in and implementation of cutting-edge technologies and to expand out into the large neighbouring and highly populous economies of ASEAN.

Starting operations from a small office back in June 2017 with only 11 employees and dedicated first shareholder IPGL, Singlife

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has come a long way in a short period of time. Within a few months of launching, Singlife had the opportunity to acquire the big Zurich Life book of business in Singapore, which added about 5500 clients in one go. "And now in October 2019, we moved into our new office in the middle of the city with over 70 employees, and we just initiated our licensing process in the Philippines. We are also looking at Indonesia and at some of the other Southeast Asian countries. In short, you don't need to be over 100 years old to try to enter new markets, you can do that with a great brand name and even as a start-up, driven by innovation and technology."

For Singlife, he reported, it was always digital-first. "But that doesn't mean offering digital capabilities directly to clients and bypassing advisers. Singlife offers a digital proposition to both channels," he elucidated. "Clients can buy life insurance directly from our website or buy from our wide range of third-party financial advisers through the same digital process - everyone gets immediate quotations, e-underwriting, online approvals, e-notifications, no paperwork and no printed mails. At the moment, some 80% of the business we get comes through the adviser channel and about 20% of the business is made up clients buying directly from the website."

He explained that the firm had recently launched a Universal Life plan for third party financial advisers that does not require medical examination for insurance coverage up to USD2 million, also fully digitally executed. And in November this year, the firm just launched a new life insurance savings plan, the Singlife Account, that is accompanied with a Visa debit card - a first for a life insurer in the region.

On the high-net-worth side, he explained, innovation is a bit easier because there hasn't been much innovation there, with traditional Universal Life dominating around 90% of that business for the past decade.

"But we have added a few more features such as Joint Life," he reported, "so we are the only one at the moment in Asia offering this attractive feature for Universal Life, which is very successful because it gives clients and advisers the additional planning opportunities they need. Joint Life allows couples to generate a joint legacy plan at lower costs or, where one of them is in poor health, to still have a joint life insurance to achieve their legacy objective. We are also the first in Singapore to offer Variable and Traditional Universal Life from the same platform, again making more choices available to clients."

He added that Singlife is offering further comfort options and flexibility to clients. "One thing that has been welcomed is to guarantee the cost of insurance through the

whole duration of the contract. Traditionally, Universal Life always had a current cost and the maximum cost, but we decided to hedge this whole thing and give the client the comfort of guaranteed rates throughout the contract."

Singlife also offered a rate lock option, allowing the clients to lock in interest rates from between 2 to 10 years. "Nobody else has offered that feature with so much flexibility before," he reported, "and we just recently launched multi-pay versions where clients get much more flexibility as an alternative to premium financed cases. All of this is really to provide additional planning comfort, planning options, and planning flexibility."

Von Rueti moved on to his vision of the market's evolution. "The market has been good, but we see the last six months as a little bit tougher because of decreasing interest rates and the flat yield curve," he explained. "Premium financing became less attractive, and providers have come under pressure to reduce crediting rates. But despite all that, we still believe that 2020 is going to be a very good year for high net worth insurance because legacy planning will remain very important for clients, as people have real need for legacy planning whatever the yields, high or low, and whether the markets are up or down."

He reported that Universal Life will continue to play a key role, but variable Universal Life and indexed Universal Life will certainly become strong alternatives. We have as well seen a move from single premium, premium financed cases to multi-pay driven by the flat yield curve.

All in all, von Rueti said Singlife is very positive on the high-net-worth outlook. "Rising HNW numbers, particularly in Asia, drives the demand for high-net-worth insurance, and clients are becoming younger as the shift continues from the first and second generations to the third generation. Younger customers expect innovation in terms of products but also innovations in terms of delivery, for example signing the OTP with a mobile phone. Of course, the high-net-worth process still requires an adviser to engage the client personally, so we do not see the HNW space as a fully-digital-only process, but digital will help the adviser to become more effective and makes servicing the client easier and more efficient."

He also observed that over the last couple of years, the jurisdictions where the providers operate from have become more and more important. "Considering the regulatory situation," he reported, "how well the regulator is regarded, the political stability, social stability, tax treaties and the general reputation of the financial centre are all vital. Singapore has definitely done a good job, and we hope they continue to do a good job in order to compete with other financial centres."

In closing his talk, von Rueti said Singlife is confident that high-net-worth insurance will continue to grow strongly but that providers and distributors should devise more innovation and the location of the carriers will play a much more important role going forward.

"Singlife was founded on the premise that the life insurance industry has not kept pace with innovation, nor with the use of technology and also not provided the necessary customer focus," he concluded. "We are in the right location in the right region and enjoy the right market dynamics." ■