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Insurance - finding relevant solutions for Malaysian clients

More product innovation, distribution channels and needs-based conversations with customers are all key components of insurance companies being able to capture more of the wealth in the country.

Panel speakers

- ***Ken Yi Lam,** Senior Product Manager, Bancassurance, Standard Chartered Bank*
- ***KL Wong,** Chief Distribution Officer, StandardFA*

The Insurance penetration rate in Malaysia, measured by the ratio of the total number of life insurance and family takaful policies in force compared with the total population, has remained fairly static – within the range of 54% to 56% over the last five years.

This has been against higher total sums insured which rose to RM1,964.8 billion (USD458 billion) in 2016, compared with RM1,852 billion the year before.

But this is still believed to be inadequate even for the insured population. Industry studies estimate an average protection gap in Malaysia of between RM553,000 (for families whose primary wage earner has some form of life insurance) and RM723,000 (for families without any form of life insurance taken by the primary wage earner).

Affordability and access required to service policies in under-served market segments remain key barriers to higher levels of penetration.

DELIVERING A BETTER OFFERING

The priorities for insurance companies to develop their offerings in Malaysia are well-documented in Bank Negara Malaysia's Financial Stability and Payment Systems Report 2016.

More specifically, several important initiatives have been taken in recent years to achieve several key goals: improve transparency; encourage product innovation; and expand channels for delivering insurance and takaful products and services.

These measures are expected to reduce barriers and improve prospects for achieving the 75% penetration target

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set under Malaysia's Economic Transformation Programme. In particular, insurance providers should be able to help enhance individual financial security by developing innovative products, streamlining the underwriting and claims processes, offering competitive pricing and ensuring more flexibility to adapt to the various stages of life of customers.

At the same time, providers need to look to expand distribution channels by adopting fintechs solutions. For example, they can use mobile apps to distribute micro insurance to enhance penetration rates.

KEEPING MONEY ONSHORE

For the insurers themselves, although the industry is profitable, most of the money goes offshore. This happens for a combination of reasons, but mainly for wealthy individuals to achieve investment diversification, find a favourable tax environment, enjoy a higher level of financial privacy and get more competitive pricing.

For providers to retain more onshore, therefore, some strategies to deploy include reducing their pricing and being more innovative. Plus, the regulator needs to provide more tax relief to consumers who buy onshore insurance products.

DELIVERING ON CUSTOMER NEEDS

A big part of determining the success of providers, however, comes down to them – along with advisers – being able to drive the right types of needs-based conversations with clients. In addition to uncovering what clients are trying to achieve, and for whom, providers can also look to diversify the types of insurance products and solutions they sell.

They can do this if they understand how much risk a client can retain, and then they insure the remainder of that risk with suitable insurance products. This all comes down to being able to select the product that suits the needs of an individual client.

NEW BUSINESS FROM A NEW GENERATION

As insurance companies in Malaysia plan ahead for the next five to 10 years, the focus is typically on delivering on the needs of Millennials, as well as on those of Generations Y and Z. These types of customers also demand new tools and a different type of engagement.

For example, the next generation looks to mobile apps to give them a straight-through buying experience, along with features like product promotions, education and an efficient customer service.

There is also a need for high sum assured products for the new generation of business leaders that is stepping up and taking control. At the same time, products for legacy planning for emerging private wealth clients are increasingly required. ■

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