Sell & Protect: Insurance Opportunities for Wealth Advisers & their HNW Clients

A panel of insurance market experts gathered at the Hubbis Independent Wealth Management Forum to cogitate on the state of the life insurance market and its derivatives as it pertains to Asia. The key message from the panellists was that insurance solutions offer protection, savings, wealth enhancement potential, tax mitigation or deferral and the ability to assist in estate and legacy planning. Those advisers and asset managers attending the Forum, they said, would therefore be well advised to become ever more knowledgeable of the suite of solutions on offer in the region.

These were the topics discussed:

- *How do you first address the wealth structuring and legacy questions?*
- *Should insurance products form part of a holistic wealth structure?*
- *How can you understand the insurance needs of HNW clients?*
- *How important is service and flexibility in the HNW insurance market?*
- *How can you discover the right opportunities and have a needs-based conversation with clients? How can you follow a simple process to increase sales?*
- *Which are the hot HNW insurance products in the market and why?*
- *How can you increase the likelihood of success after introducing a client to a broker? What's your role? What role do the brokers play?*
- *Where is the HNW market moving towards, onshore or offshore?*
- *How do the insurers differentiate through wealth planning and structuring, combined with insurance and trusts?*
- *The impact of digital delivery of insurance.*

PANEL SPEAKERS

- **Marcus Hinkley**, Head of Private Client Services - Asia, Hawksford
- **Walter de Oude**, Founder & Chief Executive Officer, Singapore Life
- **David Varley**, Chief High Net Worth Officer, Sun Life Hong Kong, Sun Life Financial
- **Mark Smallwood**, Wealth Structuring and Client Advisor

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DAVID VARLEY
Sun Life Financial

"**WHEN IT COMES DOWN TO THE DESCRIPTION** of this session," one guest observed as the discussion began, "it is all about how we sell insurance more effectively. We must be showing our clients how insurance provides solutions to certain of their problems, making sure we deliver what they need precisely, and not what we want to deliver for our performance targets, or for other reasons."

Tailored to market needs

"We have rapidly become the largest writer of direct to consumer life insurance on a self-executed direct-to-customer proposition," said one expert. "We have been incredibly successful in positioning ourselves as a boutique alternative in the high net worth space for people that are looking to Singapore as a destination for their wealth and as it meets their insurance needs. We have seen a marked increase in the appetite from high net worth customers who are looking to solve their insurance needs, to look at Singapore as a domicile for their solutions. The solutions in favour are ordinary universal life-type traditional products as well as the variable universal life product. Having a comprehensive set of services available for high net worth clients means that we can offer services in accordance with their needs."

MARCUS HINKLEY
Hawksford

Insurance: core to any HNW portfolio

He continued by emphasising his strong belief that insurance forms a part of any wealth portfolio, whether a high net worth customer or a mass affluent or a high retail buyer. "Everybody needs to have a comprehensive view of their financial services and insurance plays an important role, not just in terms of the death cover and legacy planning that it provides but also as an alternative to the other investment classes that might form part of an overall portfolio. So it is vital to find ways to execute more and to make insurance more readily available to the clients."

Less leverage

Another leading figure in the market said that single premium pay universal life for roughly the last 10 years had been a great story as long as it was giving a 4% to 5% crediting rate, with a borrowing rate of 2%, and therefore great arbitrage, as well as huge amounts of cover, and the fees and commissions had also been appealing. "However," he remarked, "interest rates have gone up, crediting rates are not keeping up and so actually the bankers and brokers that sold these products have to go back to these clients and say, I am sorry, the product we sold is universal life solution which works some of the time, it may not work all the time, you need to top up to keep that policy going. That is always an awkward conversation to have. Clients are not stupid, they say, well, this does not make sense to me to put in a single premium and financing considering where the interest rates are."

Whole of Life

Accordingly, this expert noted that change is occurring, with a lot more whole of life policies because of the guaranteed and continuous cover. "We are also seeing more regular paying policies," he explained. "Clients are saying they need the protection, they want it to help with their estate planning, succession and legacy planning, but spread the plan out five or 10 years or even further than that, and in the future, when interest rates come down, then finance the policy. There has definitely been a move in Asia, especially in North Asia, to whole of life solutions in the last 12 months. We were doing 5% to 10% of our business on regular pay policies 12 months ago, but now it is 50%."

MARK SMALLWOOD
Wealth Structuring and Client Advisor

Part of your discretionary suite

Another guest agreed, noting that the whole point is to offer as much flexibility as possible to clients and regular payment seems to be a logical solution for this space. "We advise asset managers and family offices who are taking responsibility for the overall financial well-being of an HNW client to learn more about life insurance and its value-added as part of the ordinary course of their discretionary management. Access to multiple companies, products and solutions will benefit those kinds of discussions and help particular clients and their needs as to how insurance can fulfil their requirements."

Looking outside the box

Another panellist explained that in Asia he had seen a trend towards looking outside the classic box of succession planning, legacy planning structures, increasingly towards things such as insurance, especially because from the tax angle, insurance can provide some great solutions or great advantages

that trusts, for example, do not have. He said that advisers therefore need to look outside the box in order not to end up missing opportunities to support the clients. As an example, he said that there are some interesting opportunities for tax deferral or other tax deferral or capital gains mitigation advantages that if not known by the adviser weakens their value to the clients.

PPLI expands

The discussion turned then to private placement life insurance (PPLI). "These opportunities are certainly part of our suite of offerings," said one expert. They are structured mechanically by taking a variety of assets and wrapping them in an insurance wrapper, thereby transferring the actual ownership of the underlying assets to the insurance company and replacing that with an insurance contract in the name of the insured, or his trust or his beneficiaries which then represents the value of underlying assets.

"THESE OPPORTUNITIES ARE CERTAINLY PART OF OUR SUITE OF OFFERINGS,"

"In Europe," he explained, "this has been more prevalent for asset management purposes than in Asia, which has traditionally tended to be rather more skewed to traditional universal life. We do however now see that the PPLI structures are becoming more regular features in Asia, particularly for tax and other reasons and particularly in some markets such as Indonesia and Singapore as they are such a neat way to manage things. It is a great structure for transfer in the future."

WALTER DE OUDE
Singapore Life

Enhance your offering

The discussion closed with one panellist explaining how important it is that advisers, brokers and bankers truly understand their clients' needs, understand UL, VUL, PPLI and whole of life, and then match those to the clients' precise requirements for protection, for savings and for passing on wealth. "There has definitely been a shift in the last five years to more Asian-based solutions out of Singapore and Hong Kong in recent years," he noted. In short, the solutions and delivery available in the region are far more accurately tailored to the market than ever before. ■