Smartening up with more relevant insurance solutions

Insurers need to evolve their product offerings to meet the wealth structuring needs of HNW and UHNW clients, says Thomas Henze of Swiss Life. Being more specialised is essential amid tougher regulations and negative interest rates.

- *Many of the wealth structuring products sold in Asia are not necessarily the most favourable for clients taking into account international rules*
- *There is growing interest in variable universal life (VUL) as well as a product aimed at those who want to structure their wealth for future generations, but at the same time also want to optimise their tax situation*
- *Going forward, insurance companies will either offer everything and be of a certain size to withstand market disruption – or they will be very specialised in what they do differentiate its offering*
- *Swiss Life is planning to create country-specific products to withstand any potential scrutiny by local and global regulators*

In an environment buffeted by sweeping changes led by automatic exchange of information (AEOI) between tax authorities globally and the prevailing negative interest rates, providers of wealth structuring solutions of all types are forced to rethink their offering.

At Swiss Life, for example, the first signs of change are visible in its product portfolio. Although the firm has always concentrated on servicing HNW and UHNW clients via insurance solutions since its entry into Asia in 2008, that focus has now become even sharper.

Thomas Henze, chief executive officer of Swiss Life in Singapore, says this forms part of the group's broader push to review the relevance of its wealth restructuring tools – especially to ensure these do not breach the laws in any of its clients' jurisdictions. "Many of the wealth structuring products sold in the region are not necessarily the most favourable for clients taking into account international rules, and wealth managers would do well to use certain structures in combination with insurance solutions," he explains.

THOMAS HENZE
Swiss Life

THE RIGHT PRODUCT

Broadly, most of Swiss Life's products are investment-focused and highly flexible to enable them to be put under one of two categories: either those geared towards providing liquidity by incorporating a high component of death cover, or those addressing basic insurance needs like succession planning, investor and asset protection.

Swiss Life is careful not to offer products that can increase its capital requirement. This, the firm believes, is important to ride the pressure from the negative interest rate regime.

"We are well-positioned with our products as they allow for a high degree of flexibility as well as coming with a very small capital requirement," says Henze. "We are not providing any types of investment guarantees and all the risks relating to performance are borne by the policyholder."

Variable universal life (VUL) is one example. Although this does not come with a fixed return, Swiss Life has seen growing interest – bolstered by the fact that both crediting rates and returns are dwindling on universal life policies with guaranteed returns.

Henze refers to Swiss Life's VUL solution as "a hedge against early demise".

More specifically, it allows the policyholder to allocate assets into bonds and shares, but at the same time also makes an additional provision of liquidity that is paid if the client dies earlier than expected. "The client could be looking at an investment horizon of, say, 20, 30 or 40 years. In the event they die early, there is a certain liquidity gap, which we cover and we provide for," he explains.

Another product built around a similar theme and which has gone on to become popular among wealthy individuals and families is aimed at those who want to structure their wealth for future generations, but at the same time also want to optimise their tax situation.

While addressing these basic needs, the type of solutions usually come with a very low death cover, as they provide a simple succession planning tool for policyholders. "The nomination of beneficiaries is an easy and simple process and in most places, that's a very simple way to distribute wealth to the next generation," explains Henze.

JOINING THE DOTS

Not all of changes Swiss Life has made are geared towards revamping its product line-up. "We have made certain investments on the product side," says Henze, "but we have also expanded our business development team, and we are looking to invest further in our operations."

The aim is to ensure the firm stays relevant as changes take place in terms of the distribution model.

"There is a trend evolving in Europe where major banks are setting up their own brokerages and referring their clients internally to their in-house independent distributors. It is not expected that this trend will emerge in Asia in the short term," says Henze.

Yet the question is whether banks are going to exclusively go down this route, or whether more third-party, independent brokerages will emerge.

More broadly, in preparing itself for the future, it is also important for Swiss Life to become a more diverse player as the market gets crowded and the competition for clients' wallet more intense. "For insurance companies, the future is going to be similar to what is happening for many of the banks," explains Henze.

"Either you are a wholesaler who has everything in the portfolio and you have a decent size that allows you to withstand the market disruption. Or you have to be very specialised in what you do and how you do it. There will be not much in-between." ■

Getting clarity

With fiscal transparency expected to become more important than ever, Swiss Life is planning to take its product offering to the next level.

Over the next few years, its priority is to create country-specific products that can withstand any potential scrutiny by local and global regulators.

Initially, given that local rules vary widely and sometimes might not be as clearly stated as people would like, the goal is to ensure wealth managers understand how these solutions work and can explain clearly to clients the implications on their succession planning, tax situation or retirement.

Henze believes that Swiss Life has already built a niche for itself when it comes to working within the parameters of the local regulatory frameworks. "We have invested a lot of time in clarification [of the rules] so that we are in a position to demonstrate to our clients the impact certain products could have if they buy them," he adds.