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RAISING ITS GAME

When Sun Life Financial president and CEO Dean Connor pushed for Asia to be the cornerstone of its portfolio, its investors were sceptical. But he proved the naysayers wrong when Sun Life Malaysia made a net income of C$32 million last year. Connor believes the company's commitment to its customers is the reason for its success.

Sun Life Malaysia

A relatively new player on the local insurance scene, Sun Life Financial is a small company with big ambitions.

The Canada-based insurer made the bold decision to venture into Malaysia three years ago, when foreign insurers were exiting the region to focus on their core business. The move was largely attributed to Sun Life's then newly appointed president and CEO Dean A Connor.

In late 2012, when the insurance industries in Europe and Canada were attempting to rebuild their capital positions following the global financial crisis, Connor decided to explore several opportunities, including growing Sun Life's presence in Asia. He also wanted to shift its emphasis from just life insurance to retirement products, bump up group employee benefits in the US and grow its global asset management business.

Although the insurer has grown exponentially in emerging markets over the years, and relatively ubiquitously in some countries for more than a century, less than 10% of its business came from Asia. Seeing this as opportunity for growth, Connor made a push for the region to be the cornerstone of its portfolio.

"We have been in Asia since 1892. We started in Hong Kong and then went to the Philippines in 1895 ... We have operated continuously in Asia since 1892, yet our Asian business, notwithstanding the amazing history, was too small and needed to be bigger," Connor tells *Personal Wealth*.

"By declaring Asia as one of our four pillars, we set a target for our Asian business to grow revenue to 10% from 8% today, and ultimately to 15% to 20% of Sun Life's overall earnings," he says.

"Investors viewed that as very ambitious ... But to be even more ambitious, we set a goal for each of our four pillars, and the goal for Asia was to earn C$250 million (RM726.8 million) by end-2015. [In 2012,] we earned about C$110 million.

So, in 2012, when the UK's second largest insurer Aviva made plans to exit non-core markets and sell its Malaysian business as part of its extensive overhaul, Sun Life grabbed the opportunity to gain a foothold in this market.

It teamed up with Khazanah Nasional Bhd to each buy 49% stakes in both CIMB Aviva Assurance Bhd and CIMB Aviva Takaful Bhd, and secured a 20-year bancassurance agreement. CIMB Group Holdings Bhd retained a 2% stake in both companies, which are now known as Sun Life Malaysia Assurance Bhd and Sun Life Malaysia Takaful Bhd.

Sun Life's progress in Southeast Asia has helped boost Connor's plan to increase the insurer's operating earnings by 10% annually and achieve its lofty target of C$1.85 billion by the end of this year.

"Our investors did not believe in the goals we set. They did not believe we could more than double our earnings in three to four years from Asia alone," he says.

"It starts with a change in the [working] culture, which is focused on creating a high-performance environment and improving productivity. We also want to focus relentlessly on the customer."

Sun Life Malaysia proved the naysayers wrong last year, when it generated a net income of C$32 million — a significant portion of the C$180 million the group earned from the seven Asian countries in which it operates.

"We are on track to achieve our C$250 million target this year ... because when we looked at the business we had on the ground, we were very optimistic we could grow quickly," Connor says.

Sun Life Malaysia has become the fourth largest player in bancassurance and the eighth largest in conventional insurance and takaful products in Malaysia. There are 16 insurers in the country catering for both conventional and takaful products.

"We are so pleased with Malaysia. In its first two years, Asia has performed beyond our expectations. The team here is exemplifying our big change initiatives," says Connor.

Life insurance premiums in emerging Asia are forecast to grow 10% this year and 10.7% next year, compared with the global average of 2.8% and 3.2% respectively, according to Swiss Re, the world's second largest reinsurer, which is based in Zurich, Switzerland.

With a population of about 600 million, Asean is expected to see stronger overall gross domestic product (GDP) growth than the more mature Asia-Pacific economies, the Asian Development Bank said last year.

While Asean accounts for less than 0.25% of the global insurance market, according to research by Norton Rose, demand for health insurance is expected to rise due to the low penetration rate, ageing population, strain on public resources and rising consumer affluence, particularly in Indonesia, Malaysia and Thailand.

The improved outlook was attributed to insurers' focus on new products, increased niche market penetration, better distribution techniques and cost-cutting exercises. "As these countries move up the curve in terms of GDP per capita, insurance penetration grows as well," says Connor.

In the last decade, the government has unveiled a number of stimulus plans and legislative initiatives to help boost the insurance sector. According to the Life Insurance Association of Malaysia (LIAM), 54% of the Malaysian population were insured as at the end of last year.

"We continue to see a shift in responsibility in terms of funding health and retirement needs — from governments and employers to individuals. This is creating new opportunities for group and voluntary benefits.

"The government has a goal of improving penetration to around 75%. That means a lot of support to spur the industry forward. As that happens, our business will grow with it," says Connor.

Based on Sun Life's experience in the Philippines, the statistics are encouraging, he says. The insurer is currently the market leader in the country, with more than two million customers, despite the its population surpassing the 100 million mark. "So you see, there is a big opportunity to grow in the region," Connor adds.

As part of its marketing efforts, Sun Life Malaysia has replicated the Canadian "Money for Life" campaign — a digital programme that allows users to have a glimpse at their future selves in six possible scenarios using face-recognition software and ageing technology.

"It is a real differentiator in terms of understanding how the customer feels about a product and how the distributor sells the product. The campaign is about the experiences around us and creating that confidence in the customer about their financial future.

"The purpose of the cămpaign is not to push a product, but to help create awareness. It focuses on a life segment and poses different financial needs and how needs change over time, so that people can plan what they want to buy and shape how they think about life and health insurance. It is not so much a product as it is a planning tool," Connor says.

BROADENING DISTRIBUTION CHANNELS

Sun Life Malaysia's products are mainly marketed through CIMB Bank's 320 branches and to the bank's 7.8 million customers across the country. The products are packaged and sold according to the needs of its customers with the help of about 170 insurance specialists.

The insurer actively promotes 40 products under its conventional and takaful licences across multiple distribution channels, including bancassurance, direct marketing and telemarketing, as well as corporate and governmental bodies. It also sells takaful policies through Bank Rakyat.

Sun Life personal consultants are tasked with helping create suitable financial plans for their customers. These plans usually involve investment-linked products and helping customers identify the kind of products that will help them achieve their goals.

This approach is a much better one than just saying: "Here's our best product this week", Connor points out, adding that the company's unique selling proposition lies in being customer-centric rather than product-centric. "It is about knowing what is best for them [customers] and protecting what is dear to them," he says.

Customer needs are not very different across the globe, Connor says, stressing that health, education and retirement are universal concerns. "Everybody has these questions around the world ... and people are living longer these days. But how we approach them is different by market."

Sun Life's current distribution arrangement does not include an agency force. In order to increase its reach and visibility, Connor acknowledges the need for an agency force, as the industry in Malaysia is dominated by insurers with a large number of agents. But this is not part of the insurer's immediate plans as CIMB's customers remain its priority.

"Ultimately, our goal is to build an agency in Malaysia. We have an agency force everywhere else. We operate multi-channel distributions, such as wealth agencies and banks ... and we intend to bring that here eventually. But our first duty is to do as much as we can for the bank's customers because the bank has 7.8 million out of the 16 million bankable customers in the country, and we have just scratched the surface in meeting their needs.

"So, job one is to do more for CIMB customers. We have made great progress, sales have more than doubled in the first two years ... in the medium to longer term, we will come back and look at forming an agency force," says Connor.

Sun Life Malaysia

Once Sun Life Malaysia takes the lead in bancassurance, the company will consider rolling out the agency model, he adds. "But to do that five years from now, you have to start planning now. That is why we are rolling out a new initiative called the 'Most Respected Agency'," he says.

The aim of the theme is to capitalise on Sun Life's overall image as an insurance agency that takes pride in quality over quantity in the best interests of consumers. "We have identified four key values in order to be the 'most respected agency' in the country. First and foremost is caring and looking after the customers. We identified a bunch of initiatives with the customer in mind and a bunch of ways of measuring how good a job we are doing for the customer," Connor says.

"We never had the largest number of agents in any of the countries, even in the Philippines or Canada ... But quality is in our DNA."

Much of this is attributed to the professionalism and values embodied by the brand, which has become stronger with the work done by Sun Life Financial Asia president Kevin Strain and Sun Life Malaysia CEO Ooi Say Teng, says Connor.

"Our chief distribution officer [Strain] moved here and Malaysia was involved in the creation of the 'most respected agency' strategy. He is using that to train the 170-odd specialists we have, and someday this will be the basis to create an agency in Malaysia."

In the meantime, Sun Life Malaysia is widening its distribution channels by taking advantage of Khazanah's investees, which include telecommunications giant Celcom and healthcare services, such as hospitals, where Sun Life currently offers group and individual life policies.

Through Celcom, the insurer markets its health and accident products as well as individual life policies to the network's customers. Through this channel alone, Sun Life Malaysia earns almost RM500,000 a month from regular premium sales.

NEW PRODUCTS IN THE WORKS

In Malaysia, where Muslims make up 60% of the population, takaful products perform exceptionally well as they strictly adhere to the shariah regulations. Moreover, as these products are not limited to Muslims, they are gaining in popularity among non-Muslims as an alternative to conventional insurance products.

Sun Life Malaysia offers medical insurance, endowment policies and investment-linked products in both the conventional and takaful space. At the moment, it is its takaful products that draw everyone, regardless of their faith, as they focus on the principle of sharing surplus dividends.

"Before Sun Life took over [from Aviva], surplus was never declared. Once the company stabilised, and we put in place robust financial discipline, we distributed the surplus to takaful policy holders for the first time last year. We expect to continue [the payout] this year," Connor says.

The company plans to introduce more products this year, one of which is a top-up medical plan for customers who are already covered under the group insurance policies provided by their employers. The plan, which can be attached to any other policy, will pay for claims that exceed the limit set under the group policy.

"The medical top-up is for group benefit customers, where your employer's insurance covers you to a certain limit. You just have to buy this top-up, at a cheaper rate. It is portable, so even if you change jobs or retire, you can continue with the top-up.

"Even if you don't have the first layer of [insurance] protection, chances are that for minor surgery, it won't be a huge damage to your savings. When you are hit with one major illness [and costly medical bills, that is where] we come in," he says.

This product, which Sun Life expects to roll out by the middle of this year, is aimed at boosting one's coverage upon retirement. "It is very important for people who are currently employed that when you retire [healthcare] is not going to be costly and you don't have to cover at a high premium."

Sun Life Malaysia

Building on the success of its takaful programmes, Sun Life Malaysia plans to introduce a shariah-compliant life insurance product this month that will allow a nominee to perform the policy holder's haj pilgrimage should the latter die prematurely.

Despite the positive growth in Asia, there are challenges. Like other global insurers, Sun Life is saddled with a protractedly low global interest rate environment, especially in Europe and the US. Such an environment poses a major threat to the business models currently used by insurance companies, by reducing investment income and squeezing product margins.

"Some parts of the insurance industry — products, pricing and profitability — are challenged by low interest rates. We are so focused on building the Asian pillar and here, in Malaysia, because the products [we offer] are generally less sensitive to interest rates," says Connor.

Health insurance and accident insurance, for instance, do not rely on built-up investment income over long periods, as they do not depend on low interest rates, he adds.

Despite the global economic uncertainties, the outlook for life insurance remains positive as it remains an essential product in the area of wealth management — for saving, investing and passing on wealth to the next generation. Ooi notes that existing conditions have helped people realise that life insurance will help protect one's wealth and family.

"Life insurance takes into consideration the long-term perspective of economic factors instead of the short term. Thus, one should not get overly alarmed and think that their protection and financial benefits will be eroded immediately," he says.

With Malaysia's young population and expanding middle income bracket, the demand for protection and wealth accumulation products is rising, Ooi points out. One other important aspect is having enough saved for your golden years, he adds.

Statistics from the Employees Provident Fund (EPF) show that 80% of its contributors will not have enough savings in their retirement fund when they hit 55. The majority of them will not be able to live above the RM830 poverty line in Peninsular Malaysia, especially when more than 75% of its members earn RM2,000 or less a month.

"In general, and not just Malaysians, people are not fully prepared for retirement. The general rule of thumb is you need to have two-thirds of your last salary to maintain your lifestyle post-retirement.

"This does not include medical bills and cost of debts. If you are debt-free, in terms of savings, you have to save at least one-third to achieve the two-thirds," says Ooi.

"For Malaysians, this is actually easier than you think. Saving 30% of your salary may seem big, but take into consideration your EPF contribution, which already contributes about 23% towards your retirement. The gap is only 10%."

Apart from financial services and tools, Sun Life also focuses on philanthropy. Its global network is committed to diabetes awareness programmes. Connor says the health and wellness trend has helped the company to educate its clientele.

Last year, Sun Life Malaysia kick-started its campaign by handing out more than 250 diabetes monitoring devices and supplies to underprivileged families. This was part of its "Brighter You" initiative, undertaken with non-governmental organisation Diabetes Malaysia, which provides direct financial assistance to people affected by the disease.

"Diabetes was chosen because it is an epidemic and because no one in insurance, around the world, has stepped up to talk about and deal with it ... We think it is a very important topic, so it is the centrepiece of our campaign," Connor says.

While Sun Life is still new to the country, its commitment to its customers will not waver, says Connor. The insurer turns 150 this year — this is a testament to its long-term commitment to its customers worldwide, he adds.

"It is a pretty remarkable achievement to be able to survive and strive. Our oldest customer in Hong Kong took out a policy in 1949 and he turns 100 next year. Our longest standing policy holder in the Philippines took out her policy in 1946," says Connor.

"So, we are making promises that we expect to keep for many decades [to come]. That is how we think about our business." E