

MARKET PROFILE – MALAYSIA



Despite the challenges posed by COVID-19, the Malaysian life insurance sector recorded moderate single-digit growth of 4% in total business in 2020, which can be attributed to a slowdown in the business environment, but the industry is optimistic of a turnaround in 2021 as economic activities resume.

By Jimmv John



Data from the Life Insurance Association of Malaysia (LIAM) reveal that the total in-force premiums increased 5.3% to MYR43.4bn (\$10.2bn) in 2020 from MYR41.2bn in 2019. The total sum assured grew 4.3% to MYR1.7tn in 2020 from MYR1.6tn previously and the total number of policies recorded a marginal growth of 0.9% to MYR12.8m in 2020 from MYR12.7m in 2019.

Premium income from renewals increased by 6.3% in 2020, supported by benefits offered by insurers such as discounts on premiums and extension on premium renewal dates, helping customers continue their insurance coverage during the pandemic. Furthermore, increased awareness and COVID-19 assistance offered by life insurance policies encouraged policyholders to renew their policies.

Lessons from the pandemic

Despite a challenging business environment from changing consumer behaviour and restrictions on face-to-face selling following the tightening of COVID-19 standard operating procedures to curb the



Mr Raymond Lew

spread of virus, the insurance industry as a whole managed to sustain well.

Sun Life Malaysia CEO and president/country head Raymond Lew said that there are important perspectives which the industry has gained from the pandemic and this has potentially helped.

“Due to the pandemic, many now perceive sustainable financial and health protection planning being critical to safeguard themselves and loved ones from unforeseen situations. In other words, insurance is slowly moving away from being an afterthought and more and more people are willing to adjust their savings and budgets to take up an insurance or takaful plan or to extend their coverage,” he said.

For Sun Life Malaysia, 2020 was a challenging year, but the company seized the opportunity to educate its clients on the importance of sustainable financial and protection planning and continue to help them stay protected during this trying time. Sun Life began offering its first ESG-themed fund for clients in July this year.

Boost for digital platforms

Insurers have benefited from digital

transformation as consumers became more accustomed to purchasing insurance and managing transactions through online platforms. The insurance industry's robust response to the pandemic has also enhanced the industry's reputation.

Hong Leong Assurance CEO and LIAM president Loh Guat Lan said that COVID-19 has accelerated the growth of the digital economy in Malaysia by three to four years, while making it possible for businesses to continue despite lockdowns and social distancing.

"Technology is greatly helping the insurance industry to stay connected virtually with its customers, agents and employees, without the previous face-to-face interaction," she said. The pandemic also resulted in insurers becoming more explorative and innovative in enhancing their value propositions by developing plans that suited the needs of the customers.

"A number of insurers introduced microinsurance, which are easily accessible via the direct channel platform and have also extended premium payment deferment to SMEs that have suffered a loss of income due to the COVID-19 pandemic," said Ms Lan.

Industry response to the pandemic

Insurers came together in solidarity to implement various measures to assist policyholders affected by the pandemic to continue with their livelihoods. One of the very first initiative taken by all life insurers and family takaful operators in the country is to allow a three-month deferment premium/contribution payment for policy/certificate holders financially affected by the pandemic and are unable to earn an income.

"This was done without affecting their protection so that they can continue remaining protected during these trying times and so far, over 1m policyholders have been granted the premium-deferment relief, involving a total of over MYR1.6bn in premium payment," said Ms Lan.

Another initiative from the industry was the setting up of the COVID-19 Testing Fund in March 2020 by LIAM, General Insurance Association of Malaysia and Malaysian Takaful Association to support the ministry of health's efforts to conduct more COVID-19 testing for policyholders and a total of MYR10m was pledged towards this fund.

Sun Life Malaysia launched various client support measures including a complimentary COVID-19 medical assistance fund and a complimentary coverage for post-vaccination effects. "We ramped up our digital engagement efforts and have kept our communication lines open with information and guidance to help clients stay financially protected and informed," said Mr Lew.

Market challenges

Malaysians generally perceive insurance as expensive and over half of the country's population is still without life insurance coverage, with life insurance penetration rate in Malaysia hovering at about 54% for the past five years.

"We are doing our best to educate them that insurance is all about budgeting and they can always purchase the right insurance policy based on the size of their needs," said Ms Lan.

Based on a study undertaken by LIAM and Universiti Kebangsaan Malaysia, there is a huge protection gap for families with life insurance policies. The average sum assured in Malaysia is about MYR50,000, which is inadequate.

Out of the 50.4% of 16m working adults aged between 20 and 59, some 7.8m are uninsured. However, the pandemic has greatly increased awareness among Malaysians on the importance of financial protection as a safety net in facing uncertainties in life. Mr Lew believes that some of the critical challenges facing the industry include the changing consumer sentiments, digital push and product innovation.

Technology to the rescue

Mr Lew believes that the pandemic has served as a catalyst for digital transformation in Malaysia.

"We saw how insurers increased

their digital efforts - from product offerings, payment systems, claims handling to underwriting and even fraud management," he said.

At Sun Life, the pandemic and the resulting movement restrictions triggered a deeper look into the company's digitalisation. "Our employees seamlessly adopted work-from-home with no impact to client services and quality and our sales advisers were introduced to online trainings and huddles as well as equipped with non-face-to-face selling tools to allow them to continue their prospecting activities despite being at home," said Mr Lew.

Hong Leong developed an AI-enabled CRM platform that allows it to anticipate and detect customers' life events which its agents can access. The company also introduced the first bite-size, stackable insurance product through its online platform to cater to the lower-income groups and increasing insurance penetration across the country.

Greater awareness of life products

Malaysians are more aware of the importance of life insurance due to the challenges brought by COVID-19. "They now understand that investing in an insurance plan not only takes care of their current financial needs, but also provides them future financial security," said Ms Lan. She anticipates growth in the segment with insurance companies continuing their efforts in providing other forms of support to help policyholders to keep their policies in force.

On its part, the government has also introduced Perlindungan Tenang vouchers to offer simple and affordable microinsurance products to low-income groups, and allow EPF withdrawal to purchase life insurance.

Ms Lan believes that this collective effort gives them the confidence that insurance penetration in the country will greatly improve by the end of 2021. "We remain optimistic and confident that the industry will rebound from the pandemic, stronger and better in the near term," said Mr Lew.

In 2020, Sun Life not only managed to ensure continuity of its operations and services, but also achieved its highest quarterly sales in Q32020, a first in Sun Life Malaysia's history. ■

