

FINANCE

INSURANCE

SUN LIFE MAKES ITS DEBUT IN MALAYSIA

The insurance industry sees the entry of a global insurer that distributes through banks and other channels. *By Tho Li Ming*

Early last year, Canada's Sun Life Financial Inc and Khazanah Nasional Bhd teamed up to buy stakes of 49% each in CIMB Aviva Assurance Bhd and CIMB Aviva Takaful Bhd. Subsequently, CIMB Aviva Assurance was renamed Sun Life Malaysia Assurance Bhd and CIMB Aviva Takaful, Sun Life Malaysia Takaful Bhd. CIMB Group retains a 2% stake in the companies.

Sun Life Financial may be new to Malaysia but not to Asia, where it has had a strong presence for more than a century. The insurer currently has operations in markets such as Indonesia, Vietnam, the Philippines, Hong Kong, China and India. In Indonesia, CIMB and Sun Life started a joint-venture company called CIMB Sun Life in 2009.

Ooi Say Teng, CEO of Sun Life Malaysia Assurance, says the strength of the company is the reputation of its two largest shareholders. "Life insurance is unique as people cannot see or hold the products they buy. What they are buying is a promise. The ability of the company to meet future contractual liabilities becomes important [for policyholders]."

"The reputation of our shareholders clearly instills confidence. Sun Life Financial has been rated well over the years. Standard & Poor's rated it AA (very strong) in March 2009, Moody's rated it Aa3 (excellent) in February 2009. Last August, AM Best affirmed it at A+ (superior) with a stable outlook."

Sun Life Financial was one of the few insurance companies in Canada and the US that didn't need to seek financial assistance from regulators after the global financial crisis of 2008. Ooi says the Malaysian arm will benefit from the company's financial prudence, as well as

other core strengths. "We will tap the technical know-how and expertise of Sun Life Financial in the fields of protection, health and retirement."

Since the formation of Sun Life Malaysia, several new products, such as medical cards, endowments and investment-linked products, have been introduced. Currently, Sun Life has 15 conventional and 17 takaful products. Some conventional products have takaful counterparts. The company is maintaining its focus on life insurance at the moment, so consumers here will not see the products that its parent company sell, such as dental or short-term disability insurance, for which there is no demand at the moment.

While Sun Life's suite of products may be similar to what is offered in the market, Ooi believes their unique selling point is the way they are sold and packaged: through a bank. At present, Sun Life is one of the few insurers in the country that do not have an agency force. The company has a 20-year agreement to distribute its products in all of CIMB bank branches throughout the country.

The wide reach of the bank's network will make it convenient for customers to walk in and enquire about Sun Life's products. Ooi says what is important is not just the product but also the delivery channels and the convenience that the company affords. "Our product proposition is that we match ourselves to the bank's market segments. From there, we identify the most appropriate channels to reach out to the client and work with the bank to identify suitable products."

Within the bank's channel, three groups of employees sell different products targeted at different segments. Personal financial consultants market all Sun Life's



“
OUR PRODUCT
PROPOSITION
IS THAT
WE MATCH
OURSELVES TO
THE BANK'S
MARKET
SEGMENTS.
FROM THERE,
WE IDENTIFY
THE MOST
APPROPRIATE
CHANNELS TO
REACH OUT TO
THE CLIENT
AND WORK
WITH THE BANK
TO IDENTIFY
SUITABLE
PRODUCTS.
”

PERSONAL MONEY | FEBRUARY 2014

products to the mass market, while relationship managers sell term, investment-linked and endowment products targeted at high-net-worth customers. A third group of bank employees, referred to as insurance specialists, is dedicated to selling investment-linked products aimed at customers who are in the middle- or higher-income class.

"These insurance specialists start from what we call warm leads, since the individuals who walk into a bank are mostly customers and have an existing relationship with the bank. The insurance specialists are full-time bank employees with fixed salaries, so they don't earn sales commissions. As they are not directly sales-incentivised, they can approach customers from a more holistic-value-proposition perspective. They can focus more on their client's asset creation, distribution and protection needs," says Ooi.

To ensure that these specialists are well trained and fully equipped, only a few are trained every month. To date, 44 have been trained and placed in selected branches. Another 56 have been picked for training. Like insurance agents, insurance specialists are required to be certified by sitting for the same qualification exams. Sunlife also requires that they have two years of sales experience, a proven track record and a diploma at least.

Selling products through banks requires an entirely different approach from dealing with agents. Many customers tend to rush in and out of a bank after performing their transactions. Sun Life is aware of this fact and has simplified the design of its products as well as the application process. Many of its insurance products contain a "guaranteed issuance" feature, whereby customers can obtain approval for the policy on the spot, with less underwriting and details needed from them.

"We can do this because the bank has prior knowledge of the individual's financial standing. All they have to do is answer four or five questions,



Selling products through banks requires an entirely different approach from dealing with agents. Sun Life has simplified the design of its products as well as the application process.



with no need for medical underwriting and premium loading. For instance, our 'SmartLife' product, which is sold to employees of companies that use our bank for their payrolls, guarantees acceptance as long as they are employed."

In order to manage the risks that could arise from guaranteed acceptance, Ooi says the company has introduced some clauses in the policies, such as imposing a waiting period. "Like products bought through other channels, we may only pay out a partial amount if a death claim owing to natural causes is made during the first few months of the policy coming into effect. However, we will still approve for full claims for death due to accidental causes."

There are still some products with higher sums assured that require underwriting. For instance, the Ultimate Term Plan is a term insurance protection product that offers a minimum sum assured of RM1 million. The product contains features such as VIP service, an assigned doctor at a preferred medical centre and paramedic service. Even so, Ooi contends that products like this are still among the cheapest in the market. "Even if customers have to undergo underwriting, our Ultimate Term Plan product is one of the most convenient and least demanding. This goes back to the point of selling [these products] to people we already know: the bank's customers. Making the process more convenient for customers makes for a better experience."

Sun Life also bundles its products with those of the bank, offering customers the option of buying protection products when they apply for personal loans, mortgage loans and hire purchase. Moreover, it sells its products via direct marketing and telemarketing channels. The company also markets group insurance products to large organisations and takaful products to government servants under Lembaga Pembangunan Perumahan dan Bandar.

An insurance company is judged not just by its product coverage, but also the ease of filing claims. Ooi is especially proud of the way the company handles its claim processes. "Since we don't have agency force, the claims come directly to us or the bank employees. To assist customers, we engage paramedics to obtain the claims documentation. We also closely monitor the turnaround time for claims, which we aim to approve or decline in 14 days unless further investigation or more documentation is required. Since Sun Life came on board, we are proud to say we have not received a single claim that required intervention from the Financial Mediation Bureau."

Sun Life is considering introducing new products such as universal life, which contains adjustable savings and insurance components, as well as guaranteed returns. Another product that could be created is a whole-life policy that contains the hybrid features of a traditional par and non-par product. Traditional par products allow customers to share the profits that the company makes, while for non-par products, customers don't have that option. 