



INSURERS READY FOR NEW INVESTMENT-LINKED RULES

New regulations not expected to impede growth of investment-linked insurance products

The life insurance industry is geared up to embrace new regulatory requirements for investment-linked policies (ILP) that comes in force on 1 July, and does not anticipate it will affect the growth of this key segment of the industry.

Life Insurance Association of Malaysia (LIAM) President Anusha Thavarajah says the industry is positive about the changes as they are important steps in regulating the industry to promote and maintain high corporate governance and professionalism in the administration of investment-linked business.

“The objective (of the regulations) is to ensure that policy owners understand the process, enhance their

understanding of ILP and to protect their interest. Ultimately, the consumer can make an informed decision when purchasing an investment-linked insurance policy,” says Anusha in an interview with *Smart Investor*.

The new regulations were issued by Bank Negara Malaysia (BNM), the regulator of the insurance industry. The new rules require insurers to maintain high standards of governance in the management of its investment-linked business and uphold proper conduct in the sales, marketing and disclosure of information relating to ILP to aid informed decision-making by consumers at all times.

Sums Assured In Force

Type	2017	2018	Difference	Growth
Traditional	336,091,900,260	329,907,951,923	(6,183,948,337)	-1.8
Investment-Linked	527,320,693,482	623,218,419,172	95,897,725,690	18.2
Group Policies	514,483,339,847	556,339,852,874	41,856,513,027	8.1
Total	1,377,895,933,589	1,509,466,223,969	131,570,290,380	9.6

On fears that the new regulations may constrain the growth of investment-linked business, Anusha says, "Ultimately, regulation is to protect consumers."

"If you put in place the right controls, the right communications, and illustrations to help customers understand (ILP), there is no reason why business should slow down," she adds.

The industry is already taking steps to highlight the impending changes. Starting this month, LIAM together with Malaysian Takaful Association are embarking on a three-month educational and awareness campaign on ILP leveraging on digital, social media and traditional media platforms. This is expected to further enhance the consumer understanding of the ILP plans.

Investment-linked products continue to remain the market leader in 2018 with an increase of 18.2% in sum assured to RM623.2 bil from a total of RM1.51 trillion in sum assured for all policies combined.

ILP in force premiums grew by 13.3% to RM18.6 bil from a total in force premiums of RM38.8 bil for all policies combined. From a total of 12.65 million policies in force, ILP registered 7.1% growth to 5.2 million policies in force in 2018. In terms of market share, ILP constitutes 45.1% and 52.9% of new business premiums and in-force premiums respectively last year.

LIAM anticipates investment-linked products will continue to be the key growth driver as it offers flexible and unique features which enable premiums to not only provide life insurance protection but is also partially invested into a specific fund of one's choice.

Increasing penetration rate

Moving forward, Anusha is optimistic the industry will continue to grow as industry players push ahead

with efforts to increase the insurance penetration rate which currently stands at 54%.

Last year, the life insurance industry recorded a moderate growth in insurance coverage among Malaysians, registering a total of RM1.51 trillion in sum assured for all policies combined. This is an increase of 9.6% as compared with the corresponding figure of RM1.38 trillion in 2017.

The total in force premiums grew by 5.7% to reach RM38.8 bil last year as compared with RM36.7 bil in 2017.

As a whole, the life insurance industry registered a total of 12.65 million policies in 2018. Group policies in force grew by 2.9% in 2018. The number of lives covered under group policies registered an encouraging growth of 10.1 million lives in 2018 compared with 9.6 million lives in 2017.

Anusha says one of LIAM's key focus is to drive up the insurance penetration rate. "Bank Negara's target is for the insurance penetration rate to hit 75% in 2020, but that's next year and there's still a lot of work to do. So long as we see a trend that's increasing, that's a good sign."



Anusha Thavarajah

In support of BNM's financial inclusion agenda and to ensure the B40 segment of the society have access to life insurance, the industry players launched 'Perlindungan Tenang – Mampu & Mudah', the first low premium insurance scheme, in November 2017.

"To date, about 30,000 policyholders have signed up for the Perlindungan Tenang products, which is offered by six life insurance companies," says Anusha, who is the CEO of AIA Bhd.

Bright spots

Apart from the Perlindungan Tenang scheme which has been progressing well, Anusha says the industry is also buoyed by the good news from the government during the tabling of the 2019 Budget last November.

She was referring to the special incentives to encourage the purchase of life insurance via a dedicated tax relief of RM3,000 for life insurance premiums and the waiver of stamp duty for low premium products under the Perlindungan Tenang initiative.

"These incentives would over time help to increase the awareness of life insurance and fulfil the needs of Malaysians, in line with the industry's aspiration to promote a fully inclusive society," she adds.

Anusha also highlights that the industry has progressed significantly in recent years following the implementation of various key initiatives under the LIFE Framework introduced by BNM in 2015.

Aimed at supporting the industry's long-term growth and development, the LIFE Framework presented a comprehensive set of requirements with the objectives to promote innovation and a competitive market supported by higher levels of professionalism and transparency.

She says the framework has opened the door for product innovation, with all insurance companies now selling their insurance products online as part of their

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focus to provide multi-channel access for customers.

She points out some of the key initiatives that have been implemented are the revised Guideline on Operating Cost Controls, the introduction of Balance Scorecard (BSC) for agents, as well as the deregulation of operating cost control limits. The BSC is aimed at enhancing the agents' commitment and advisory competency and at the same time reward those who perform above and beyond the limit set.

Riding the digital revolution

As part of the industry's transformation agenda, Anusha says life insurers in Malaysia have

effectively started to embrace digital technology in their businesses to further enhance service delivery and customer experience.

"With the introduction of online account facility, customers are able to check their policy status online, their funds value, status of their policy, status of their claims at their convenient time," she says.

There has also been significant progress in terms of migration towards e-payment. As at end-December 2018, payments made by insurers via e-payment constituted 92.6% of the total volume of transactions and 89.2% of premiums received.

With effect from 1 July, the industry is moving towards electronic identification (e-ID) for agents, by converting their physical cards to e-ID. They will be able to display their identification using their smart phones.

While insurers will continue to push the boundaries on technology, Anusha believes that digital technology will never replace the human touch.

"It will complement the human touch, and will help improve professionalism and productivity, bring costs down and drive penetration up," she adds. **SI**