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Liam CEO: Insurance education a top priority



Chief Executive Officer, Life Insurance Association of Malaysia, Mark O Dell. (NSTP/ROHANIS SHUKRI)

By **Adib Povera**

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Early this year, Life Insurance Association of Malaysia appointed its first chief executive officer, Mark O'Dell. With more than 38 years of experience in the industry, he shares with *New Straits Times* his new responsibilities and mission, including improving the penetration rate of life insurance and takaful schemes in Malaysia, which has remained stagnant over the past five years

Question: Bank Negara Malaysia (BNM) has issued new guidelines along with several key initiatives on investment-linked products (ILP), which will be implemented on July 1. Can you tell us the objectives of these initiatives?

Answer: Among the key initiatives following the implementation of the new guidelines include the standards of sustainability tests, as well as annual updates to advise customers on how long their ILP is expected to last, apart from enhancement to product illustrations.

The aim of the guideline is to improve transparency at the point of sale, as well as ensuring consumers would be provided with sufficient and timely information on their ILP policies.

Since it was introduced in Malaysia in 1999, ILPs have become the leading product in terms of sum assured, premiums and number of policies.

ILPs are a popular choice among Malaysian consumers because of its unique features and flexibility combining protection and accumulation in one plan.

The products also provide flexibility for consumers to choose their own level of protection and to vary the amount of their premium payments or coverage depending on their financial circumstances.

Consumers can choose from a wide range of funds to invest in, depending on the risk level with which they are comfortable.

With additional premiums, consumers can add in extra coverage, for example, medical and critical insurance.

Any changes in the amount of premiums paid, coverage, cost of insurance or performance of the investment funds can change the expected duration of the coverage.

Q: What is the current statistics of ILP in Malaysia?

A: ILP constituted 52.9 per cent of all in-force premiums last year.

Q: What can the current policyholders of ILPs expect following the implementation of the new guidelines?

A: Starting July 1, current policyholders of ILP will receive communication materials on the sustainability of their respective policies.

These materials include a template to guide them on ILPs, how the policies work, what could reduce their fund value and what they need to do to ensure the continued coverage until the end of their contract term.

Q: Why is such information important to ILP policyholders?

A: The flexible nature of ILP will subsequently affect the fund value of your policy. The performance of your investment fund will affect the duration of your policy.

If you are informed that your account value is not sufficient to last the entire term of your policy, you have to ask yourself if the current term of your insurance coverage is sufficient for your needs or otherwise.

Consumers will have the option of increasing their premiums, reducing the policy coverage, as well as term or remove extensions of their policies.

Hence, it is important for you to actively manage your policies.

Q: Can you address the rumours suggesting that the premiums paid for new ILP policyholders will be affected following the implementation of the new guidelines?

A: Premiums are not going up as a result of the new guidelines. This is because consumers will be quoted with the premiums (at the point of sale) that will be sufficient until the end of the contract term. The contract terms offered are determined by the insurer and could vary.

Your premiums payable are expected to sustain the policy for the full contract term and nothing changes after the guidelines are in effect.

If the contract term of the policy you buy after the guidelines are effective differs from the contract term offered before the guidelines, your premium payable could be higher or lower depending on the difference in the contract term duration.

Q: What is the current penetration rate of life insurance in Malaysia?

A: The penetration rate of life insurance and takaful schemes has remained stagnant at 54 per cent over the past five years. And out of 100 Malaysians, only 35 people or 35 per cent have multiple insurance and takaful policies.

Q: What efforts are being done to address the stagnant pace of life insurance penetration in Malaysia?

A: In November 2017, BNM introduced Perlindungan Tenang, which offers an affordable protection plan with premiums as low as RM3 per month and the sum assured of between RM10,000 and RM30,000.

The association also sees the need for extensive public awareness campaigns on the importance of adequate protection.

One of the initiatives drawn up is the diversification of distribution channels for life insurance. This is to provide consumers with ways to buy life insurance.

They can either buy life insurance from financial advisers and banks or via online.

Continuous financial education and greater accessibility will help the industry reach out to more Malaysians living in the suburban and rural areas.

Q: What is the progress of Perlindungan Tenang?

A: To date, some 37,600 policyholders have signed up for six life insurance products with a total sum assured of RM714.29 million under Perlindungan Tenang.

Until February this year, a total of RM2.74 million in payments (claims) have been made to policyholders under this initiative.

The Life Insurance Association of Malaysia (LIAM), together with BNM, General Insurance Association of Malaysia and Malaysian Takaful Association, are running programmes to further generate awareness among the people of Perlindungan Tenang.

With all these initiatives and developments, we hope it will help to fulfil our national aspiration to increase the penetration rate to 75 per cent and narrow the protection gap in the country.

Q: From your observation, has the public's attitude to life insurance changed over the years?

A: It depends on demographic groups within the population. To be realistic, people from the lower-income group have a lot of pressing financial needs. It is so often, owning insurance is not high on their list. And death as well as sickness does not happen every day.

Having said that, it is important for all to protect their loved ones from uncertain, potentially financially-draining events, such as sickness and accidents.

To turn around this moment, it is up to the industry to educate and increase awareness among people that they can rely on life insurance in the event of accidents and untoward incidents.

Q: Can employer-sponsored insurance plans reduce the protection gap in Malaysia?

A: According to a study by Universiti Kebangsaan Malaysia, which was commissioned by LIAM, the protection or 'underinsurance gap' among Malaysians is quite alarming.

Although employer-sponsored insurance plan is a good initiative, but the amount insured, in most cases, is inadequate.

The association believes that people should not be complacent if they are relying on the one and only insurance plan, which is provided by their respective employers.

This is because the average sum insured is only RM50,000 for an employee and his family, which might last only two years or even less.

Q: What is LIAM's position on the call made by the Malaysia Psychiatric Association recently for mental health treatment to be included in insurance premiums?

A: The association has set up a committee to identify and deliberate barriers, challenges and ways to address this issue (including mental health treatment in insurance premiums).

In the next few months, the association hopes to announce our position on this issue. There are jurisdictions around the world which include mental health, often with limitations.



Q: On Jan 2 this year, you were appointed the association's first chief executive officer. Are there any changes that you want to introduce in LIAM to stimulate the insurance industry?

A:The mission of the association is all about education, creating awareness and advocacy apart from working closely with regulators and stakeholders.

My first priority is to intensify its spending and focus on education and awareness of the importance of life insurance.

The association is also embarking on efforts to improve the professionalism of some 90,000 insurance intermediaries. This is to ensure that consumers will have access to better advice on their life insurance plans.

At the moment, there are about 73,000 individual agents and 17,000 licensed bank insurance sales representatives.

Q: How can efforts by the association to increase professionalism among insurance intermediaries help improve the national insurance penetration rate?

A: One of the goals of the association is to drive and increase productivity in the industry.

According to the balanced scorecard (implemented by life insurance companies since Jan 1 last year), productivity among insurance intermediaries is relatively low since many of them are part-timers.

I think there is room for material improvements in productivity among insurance intermediaries.

Increasing professionalism among insurance intermediaries has been proven to enhance their skills and effectiveness towards the growth of the life insurance industry.