

PLAN WELL
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04
TAX PLANNING |
Budget 2020
and the
taxpayer

05
OUTLOOK |
Corporate Malaysia needs
to revitalise to withstand
new challenges, says PNB

08
TRENDS |
Global dealmaking
and IPOs expected
to rebound in 2021



Tackling challenges head-on

AIA Bhd's products have changed to reflect the needs of the country, corporate Malaysia and the younger generation, says newly appointed CEO Ben Ng. He talks about what the insurer is doing to grow its business and stay ahead of the curve. Turn to our Cover Story on Page 6.

TACKLING CHALLENGES HEAD-ON

BY PATHMA SUBRAMANIAM
AND VANESSA GOMES

It has only been two months since Ben Ng became CEO of AIA Bhd, but he has spent more than two decades in the insurance industry. And he aims to use this expertise to drive the company forward.

Ng takes the helm at a time when competition is heating up and digital-only entrants are joining the fray. The insurer is also working with industry players to meet Bank Negara Malaysia's target of increasing the national life insurance penetration rate to 75% next year from about 54% currently.

Despite the ongoing efforts of stakeholders to boost this number, the reason for the low penetration rate is that many Malaysians are still not convinced of the importance of insurance, says Ng. One of the contributing factors is a low level of awareness and acceptance among consumers to treat insurance as an integral part of their wealth plan.

"In the case of Hong Kong and Singapore, insurance is widely accepted [there]. That is why I believe the penetration rate in Singapore could surpass 70% with some people holding up to three policies," he says.

Having observed the depth of insurance penetration in these high-income economies and developing ones, Ng says insurers need to be able to anticipate consumer needs and continuously innovate to achieve growth.

Two years ago, Bank Negara set a target of achieving a national life insurance penetration rate of 75% or more by 2020. Last year alone, the life insurance industry registered a total of 12.65 million policies, according to data provided by the Life Insurance Association of Malaysia (LIAM).

While there has been a general increase in the take up of life and non-life insurance products, Bank Negara's statistics suggest that 41% of Malaysians own at least one individual/group life insurance policy or family takaful. The pricing and affordability of the policies were cited as the main reason for the low penetration rate.

Concerned that the country is still far from achieving the national insurance penetration target, Finance Minister Lim Guan Eng said last month that the government is likely to review its estimates next year and promised to assess the problems.

"What these statistics show is that while people are starting to realise the necessity of being insured, there is still a lot of room for growth. The 2012/2013 Underinsurance Study in Malaysia, conducted by Universiti Kebangsaan Malaysia and LIAM, showed that the average mortality gap for each member in a family is RM100,000 to RM150,000. This is an indication that many Malaysians are still underinsured," says Ng.

"Insurers play an important role in providing coverage to Malaysians to



Everybody needs insurance, whether they realise it or not. We need to better our agents to convince people to believe in insurance.

- Ng



assist them in all stages of life. This is showcased through our products that offer protection up to 100 years old for individuals and their families. What is also important is for individuals to take steps early in life to ensure that they are able to progress in life with minimal health concerns as well."

Another major reason for the low penetration rate is the capabilities of agents, including convincing people of the importance of having insurance. Being an insurance agent or adviser in places like Singapore and Hong Kong is considered a full-time occupation, Ng points out. That is because the regulatory process in those countries is so rigorous that agents are required to regularly update their licences, keep abreast of the changes in the industry and continue to educate themselves.

"Additionally, in Hong Kong, I think one in three of our 3,000 agents have the Million Dollar Round Table (MDRT) qualification status. But in Malaysia, only about 1,300 agents have achieved the qualification. Of that number, more than 500 are with AIA," he says.

"By comparison, in Indonesia, the insurance penetration rate is still in the single digit because it is a less developed market and there is less consumer understanding and acceptance. This shows the difference in the maturity of consumers as well as the skills and capabilities of the insurance advisers."

Insurance agents are encouraged to get the MDRT qualification as the global association assists agents in their personal and professional growth as well

as ensure that they adhere to ethical standards when it comes to servicing clients. That is why AIA established its Elite Academy to provide up-and-coming agents — or life planners as it calls them — with the necessary knowledge and skillset to excel in their profession. It features an 18-month onboarding programme that hones the agents' financial and social media marketing knowledge while providing them with individual coaching and mentoring sessions.

AIA, with total assets of RM54.7 billion as at June 30, is among the top three insurers in the country by asset size. It currently has 3.9 million customers nationwide and a 14,000-strong agency force.

Ng highlights that of the 54% who are insured, the take-up rate is much lower among the bumiputera demographic. This is due to several challenges, including access to rural areas. "The bumiputera portion is about 15% of the figure, whereas the non-bumiputera penetration rate is more than 50%," he says.

With that in mind, Ng is looking to empower more bumiputera agents to engage these communities and expand the range of takaful products offered by AIA Public Takaful Bhd. "Takaful has been one of our growth engines in recent years. So, hiring more bumiputera agents and giving them a wider range of takaful products will be another way to reach out to our customer base," he says.

"AIA Public Takaful was established in 2011. So, it is only eight years old. But the takaful industry has the advantage of leveraging AIA's conventional business,

which has been around for 71 years. So, that is 71 years of learning the dos and don'ts of rapid growth."

The advent of insurance technology (insurtech), although still nascent in Malaysia, has removed the distribution layers and enabled consumers to purchase insurance products without the need for an intermediary. Nevertheless, the agency force is still crucial to the life insurance industry as there are advisory needs to be fulfilled, says Ng.

"Everybody needs insurance, whether they realise it or not. We need to better our agents to convince people to believe in insurance. That is why we have an 18-month programme that also includes training. And we have all the technology support to enable our agents to acquire and serve customers," he adds.

Ng's observations stem from his years of experience working with several insurers in the region. After graduating with a degree in business administration (majoring in actuarial science) from the University of Nebraska-Lincoln in the US in 1995, he started out as an actuarial assistant at Hong Leong Assurance Bhd.

He then got into reinsurance by joining Manulife Re in Singapore in 1997. It was with Manulife that he moved to Vietnam, Hong Kong and Taiwan.

In 2008, Ng was offered the position of CEO at Cardiff — BNP Paribas' insurance arm — in Taiwan. Later, he was invited to join AIA and he eventually moved to Singapore, Hong Kong and Indonesia. He was president director of AIA Financial in Indonesia before taking on his current role.

FROM DEATH TO LIVING BENEFITS

AIA's products have changed to reflect the needs of the younger generation, says Ng. Traditionally, life insurance policies provided a set amount of money to a single beneficiary or multiple beneficiaries when the term ended, matured or the policyholder died. However, insurers today are providing more living benefits to policyholders during their lifetime.

"When people are younger, they are more focused on living benefits. But when people are older, they are probably thinking about what will happen to their children," he says.

"These days, children are very lucky. They just need to look after themselves. My generation has to look after ourselves, our children and our parents.

"I still remember when I was 27, I already had a life insurance coverage of more than RM2 million. I did not come from a rich family, but I felt that my life was at least worth RM2 million because in the event of my death at least my parents would have the money to help them get through life.

"But these days, I do not think that is the case at all. Even after their children graduate and start working, many parents continue to support their children. That is why I find that young adults are more focused on living benefits and investments while the older generation is into life insurance and legacy planning. There is a slight difference in terms of emphasis for the different generations, but we have a wide range of products to meet the different needs."

Ng says adjustable life policies provide the flexibility that most traditional policies do not. These life policies include financial protection in the event of long-term disability and covers loss

of income in the event of a terminal illness as well as provide flexible premiums and length of payment period.

The AIA Vitality programme, for example, was developed in 2016 with this objective in mind. The programme, which is based on behavioural economics, has more than 100,000 members. Participation is open to the group's life insurance and takaful policyholders.

Gone are the days when an insurance company only came in at the end of a policyholder's life, says Ng. Today, the insurer wants to help policyholders maintain a healthy lifestyle through various initiatives and programmes.

"Historically, an insurance company just acted as a payer. Today, we do not want to be just a payer. We also want to be a partner. What does a partner do? We not only help you when you are sick but also help prevent you from getting sick. That is why we have this comprehensive vitality programme," he says.

"AIA Vitality is about getting our customers to exercise, eat well and quit smoking, among others. Basically, it helps you to live a healthy lifestyle and get enough sleep.

"When you are healthy, you are actually rewarded. So, some people get movie tickets while others get e-vouchers. These are the rewards that we find very useful.

"For me, I want to make sure that I earn a reward every two weeks whether or not I actually use the reward. For instance, I was 50 points away from hitting my [daily step] target last night — I was still short of 500 steps. So, when I got home, I walked around my house because it was already 11pm and the system recalibrates at 12am. With one hour to go, I walked until I hit the target."

AIA recently launched a first-of-its-

kind personalised medical case management (PMCM) benefit with its A-Plus MedCare and A-Plus MedCare-i products, says Ng. With this new benefit, clients get personalised treatments and ongoing support throughout their medical journey when they face serious medical conditions.

According to news reports, policyholders who have been diagnosed with a serious or complex condition will be supported by a dedicated, round-the-clock case team that provides guidance and support throughout the entire medical journey, from diagnosis and treatment to progress monitoring and recovery. In the event overseas medical treatment is recommended, due to a lack of local expertise in the relevant fields, A-Plus MedCare will reimburse the cost of the return flight tickets for the policyholder and one companion up to a combined limit of RM10,000 per lifetime.

"The dedicated case team will guide and support these policyholders throughout their medical journey. I am very passionate about this. We launched this benefit in Indonesia in July and in Malaysia earlier this month," says Ng.

"When we talk about being a partner, this is what we mean. It is really about encouraging you to live healthily and when you are sick, we help you to pay your medical expenses. Now, we want to help you get the right diagnosis and treatment too. So, we assign you a [dedicated] case manager for 90 days."

CORPORATE GROUP POLICIES

In addition to improving and growing the insurer's conventional and takaful business, Ng is looking to develop the company's group insurance health plans. He points out that only 25% of the Malaysian workforce is covered by cor-

porate group insurance. So, one of the areas that he hopes to see change and make a difference in is the employee benefits space.

"Interestingly, when looking at the corporate solutions space and comparing it with a more mature market, the majority of employers in Malaysia are self-funding their medical schemes. I think between 70% and 80% of employees in Malaysia are not covered by a group insurance scheme," says Ng.

It is common knowledge that many Malaysians do not have individual term life insurance and health coverage because they believe that their employee medical coverage suffices. But in reality, only 25% of the workforce have wholesome coverage by insurers, says Ng.

He adds that many employers have been footing the cost of their employees' medical coverage, thinking that it would be more cost-effective. On the contrary, the businesses are taking on additional risks, he points out.

"Employers have risks and returns in their respective industries and insurance risk is not something they need to take on themselves. Most of these companies are small and medium enterprises. But a lot of large corporates self-fund their employees' medical coverage too," says Ng.

"We know the headline medical inflation number is growing in the high double digits every year. So, if you are a self-insured large corporate scheme, you are taking on a number of risks.

"Medical inflation will be one of the fastest-rising costs compared with all the other costs of these corporates. As insurers, this is our core business, our bread and butter, so we are able to offer a lot more value-added services and help employers manage their long-term costs." ■