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CAN WE RAISE AWARENESS OF THE IMPORTANCE OF HAVING INSURANCE?

Regulators and industry players need to come together to have a 100% penetration rate.



The Life Insurance Association Malaysia (LIAM) statistics are showing that the penetration rate of life insurance and family takaful is at 59.5% in 2021. With that, we are still far away compared to developed countries which are at 100%. We must be wondering then, "Why aren't people buying

insurance? And what can be done to increase awareness of the importance of having insurance?"

According to Mark O'Dell, CEO of LIAM, some of the reasons on why life insurance is still not a popular option are:

1. It is expensive
2. The misconception that if you are young and healthy,

and that this product is only for when you are getting on with age

3. I am covered by my employer

"Allow us to debunk some of the myth on insurance. Life insurance is affordable, through basic Perlindungan Tenang plans, Malaysians can protect themselves and their loved ones with premiums as low as RM30 per month with coverage between RM10,000 to RM30,000. Untimely deaths, accidents, permanent disablement and critical illnesses may occur at any age. It is always advisable to buy protection when you are young and healthy. Some may think that employee group scheme is available but is it enough? What will happen if you are no longer working?" opines O'Dell.

Ongoing consumer education is seen as a strategy to combat the misconceptions on insurance, to educate on key issues and to guide them to becoming educated consumers. LIAM has been engaging proactively with the young generation for many years. LIAM recently launched its latest campaign on social media targeting the youth nationwide called #NoFOMO Social Wellness Challenge.

The young generation is the key target segment in the industry's consumer education agenda. It is crucial for the youth to be well-equipped with financial knowledge and exposed to personal financial planning so that they can make better informed decisions and become financially responsible adults.

Through the #NoFOMOChallenge, the goal is to inculcate social wellness

habits among the youth, to inspire and nurture them to be creative and innovative as well as to promote the importance of financial planning. It is a crucial part of the overall well-being and a key to achieving their life goals. It encompasses campus roadshows at 40 universities nationwide, 12 classroom workshops, engagements with students' clubs and societies, an educational microsite (www.nofomo.my), fun TikTok challenges, Instagram posts and key opinion leaders (KOLs) postings on social media. The use of social media and KOLs are seen as a strategy to educate and raise awareness about wellness and the importance of financial protection among the young people.

O'Dell adds: "As consumer education is an on-going process, LIAM will continue to proactively work with our key stakeholders particularly the Financial Education Network, an inter-agency platform which is committed to raising the level of financial literacy in Malaysia through various consumer education programmes. The life insurance industry remains committed and focused in pursuing its financial inclusion agenda and the national aspiration in increasing the penetration rate and narrowing the protection gap in the country."

Meanwhile, according to the Malaysian Takaful Association, the takaful penetration rate in Malaysia was 18.6% in 2021, and the new business growth rate of the family takaful business was 16.2% in the first half of 2022. The demand for takaful in Malaysia has



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increased during the Covid-19 pandemic, despite the overall economic slowdown, but a lot still needs to be done.

According to Nor Azman Zainal, Group CEO of Takaful Malaysia, there could be several reasons why people are not getting takaful:

1. **Cost:** For some individuals, the cost of takaful coverage may be a barrier, particularly for those with limited financial resources.
2. **Lack of understanding:** Some individuals may need to fully understand the benefits of takaful or the coverage offered.
3. **Perceived lack of need:** Some individuals may not believe that they need takaful

coverage, particularly if they are in good health and do not have dependents.

Nor Azman highlights the following steps that can be taken to increase awareness of the importance of having takaful:

1. **Education and outreach:** Providing education and outreach to the public on the benefits and features of takaful which can help increase awareness and understanding of the product.
2. **Affordability:** Offering affordable takaful products and payment options can help make takaful more accessible to individuals with limited financial resources.

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3. Partnerships and collaborations: Building partnerships and collaborations with organisations and groups in the community can help increase awareness of takaful and its benefits.

4. Marketing and advertising: Utilising targeted marketing and advertising campaigns can help increase awareness of takaful and its benefits.

“It is important for takaful operators and the industry

to take an active role in increasing awareness of takaful and its benefits, and to make takaful coverage accessible and affordable for individuals and families,” shares Nor Azman.

The global penetration for insurance is low amongst the middle- and low-income groups as they are put off by traditional insurance products that are expensive and complex with its jargon-filled policies.

“Through digitalisation, we hope to narrow the protection gap by focusing on people via simpler and more affordable

products to fit different needs; by simplifying our processes so that purchase is easy, and claims pay-out is timely; and by investing in technology to ensure the end-to-end experience is smooth. Our key focus is on the digitally savvy millennial and gen-Z markets. Their awareness is at an all-time high since the pandemic. They are more appreciative of solutions that are budget-friendly, easy to navigate and are accessible digitally end-to-end, right from sign-up to claims,” says Jubin Mehta, CEO of Tune Protect Malaysia.

According to Winnie Chua, co-founder and chief product officer of PolicyStreet, the low penetration rate of insurance among Malaysians can be attributed to three main factors:

1. LOW EXPOSURE AND AWARENESS

For many Malaysians, their first exposure to an insurance plan is when they enter the workforce, in the form of Group Medical Insurance. Moreover, financial planning is also not taught in schools, with many Malaysian adults remaining oblivious to the risks of financial instability even after joining the workforce.

Due to the lack of exposure to insurance as a concept and awareness towards insurance and financial planning, Malaysians tend to perceive insurance as a ‘good-to-have’ rather than a necessity.

2. LIMITED UNDERSTANDING

As awareness and exposure to insurance is limited among Malaysians, this extends to the awareness of the variety of

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insurance products and their benefits. Aside from common-knowledge insurance, such as health and life insurance, a variety of other insurance products can also safeguard Malaysians' financial security.

These products include protection for all-risk insurance for online purchases, e-wallet balances, or even pets' medical fees. Not understanding the benefits and uses of these niche insurance products result in the persistent protection gap that threatens the financial security of Malaysians.

3. AFFORDABILITY AND VARIETY

With the rising costs of living, many Malaysians simply cannot afford expensive insurance premiums and thus forgo the much-needed protection. Of course, the exception is when the consumers perceive that the likelihood of claims is high and that the protection is worth the value paid in premiums.

Over the years, regulators introduced frameworks such as the 'Life Insurance & Family Takaful Framework' to make Life Insurance more

accessible and cost-effective. Nevertheless, the products are still not widely adopted today as Life Insurance pay-outs are not as common compared to other occurrences such as hospitalisation or flight delays when travelling. Creating affordable bite-sized products that add value in protecting the consumers' everyday life is vital in closing the protection gap.

Increasing the insurance penetration rate among Malaysians requires collaboration across different institutions and industries to create a seamless consumer experience, making it a no-brainer to undertake the protection.

“Aside from exposing youths to financial planning from a young age, digital insurers such as PolicyStreet are embedding insurance products into everyday aspects. Embedded insurance not only increases exposure and understanding but is also designed to be bite-sized and customised to protect the end consumer without financially burdening them. By making opting in for protection a default, value-add decision, we hope to reduce the protection gap and increase financial stability for Malaysians,” quips Chua.

With the governing body, industry players, media, and society playing their part, let us hope that the insurance industry will grow and prosper in the years to come, as more Malaysians are aware on the importance of having insurance and takaful. 