Publication	Smart Investor Magazine	Section/Page No.	Special Focus
Date	March - April 2023 Issue	Lead Article	
Headline	More Than Half of Malaysians Do Not Have Any Insurance		

MORE THAN HALF OF MALAYSIANS DO NOT HAVE ANY INSURANCE

Insurance is a means of protection from financial loss where a party agrees to compensate another party in the event of loss, damage, or injury; in exchange for a fee. In other words, insurance is a risk transfer mechanism where you transfer your risk to the insurance company to get coverage for any financial loss you may face due to unforeseen events. The emotional and psychological loss can never be compensated, but at least the financial loss can be compensated with insurance.

Insurance planning is the foundation of a good financial plan, ensuring that you have a backup plan to provide enough income and to fund medical expenses in the event of unforeseen circumstances. These include premature death, total permanent disability, critical illnesses, accidents, and hospitalisation, in terms of personal risk.

Regionally, insurance penetration in ASEAN hovers around 3.5% of GDP with protection gaps in life, health, and disaster coverage. Meanwhile, the Life Insurance Association Malaysia (LIAM) states that only 4 out of 10 Malaysians have insurance coverage. In Malaysia, the insurance penetration rate remains relatively low compared to other developed countries, but it has been steadily growing in recent years.

The pandemic has significantly impacted countless industries and economies, and the insurance industry is not exempt from this. While many Malaysians experience financial instability, these same Malaysians also understand from first-hand experiences the importance of having insurance to ensure financial stability during unexpected events. There was an increased awareness of certain insurance products, such as health and life insurance. However, lack of protection and underinsurance among Malaysians has persisted even after entering the endemic stage.

Most of us are still without insurance because of low exposure and awareness, with financial planning not taught in schools and colleges and universities. There's also the concern with affordability, where 43% of those surveyed without insurance have stated that they cannot afford to buy insurance. The high cost of living, high inflation and high-interest rates are the main causes for insurance to be unaffordable for most Malaysians.

Smart Investor interviewed several key figures from the relevant authorities and industry experts to learn more about the statistics, the current state of the industry post-Covid, and what can be done to increase the penetration rate among Malaysians, among other things. SI

THE STATE OF MALAYSIA'S INSURANCE INDUSTRY POST-PANDEMIC

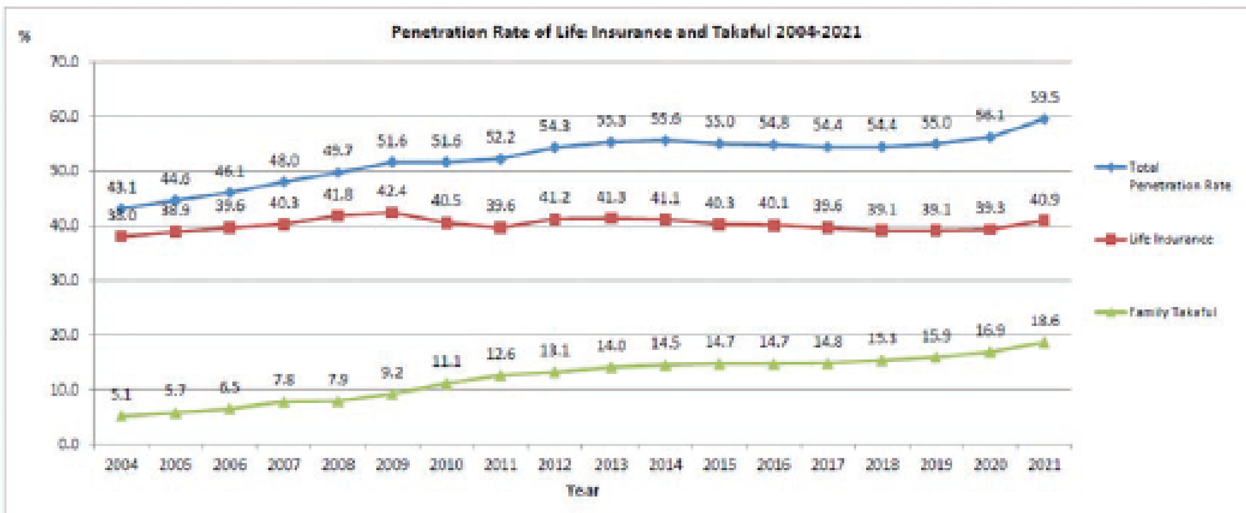
With a health crisis like the pandemic, and a poorly performing economy, how has Malaysia's insurance industry fared since? Here's a look at where we are now.

By Eza Ezamie

According to the Life Insurance Association Malaysia (LIAM), the penetration rate of life insurance and family takaful is 59.5% in 2021, an increase of 3.4% from 2020. The increase was mainly due to the implementation of the *Perlindungan Tenang Voucher* (PTV) Programme by the Government in the year 2020, with the issuance of over 1.7 million policies to PTV recipients.

If we consider policyholders with multiple policies, the percentage is reduced to 41%, which means only four out of 10 Malaysians have life insurance. Out of this, only 4% of households in the lower-income group has some form of life insurance/takaful cover. Indeed, the country's penetration rate is still low as compared to developed countries which stood at 100%.

Among those who do have some form of insurance protection, unfortunately they do not have sufficient coverage for themselves and their loved ones. The average sum assured in Malaysia is still in the region of RM80,000, which is inadequate.



Source: LIAM

> **"The penetration rate of life insurance and family takaful is 59.5% in 2021. If we consider policyholders with multiple policies, the percentage is reduced to 41%, which means only 4 out of 10 Malaysians have life insurance."**

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. There has been a growing interest in takaful products in recent years, and the industry is expected to grow in the coming years.

Smart Investor spoke with several regulators and industry players to find out more about the current state of the insurance industry, medical insurance for women and their babies, education insurance, and the insurance options for retirees. This should cover all the bases for Malaysians, as we take a deep dive into this centuries-old industry.

LESS DISPOSABLE INCOME TO BUY INSURANCE

With high inflation, this has translated to less disposable income and the reluctance to spend on insurance, but that is not the only reason for Malaysians to be lowly insured.

"Traditional insurance is still out of reach for many hence the low insurance penetration rate in Malaysia and around the world especially for the middle- and low-income groups. Thankfully, digitalisation can offer a solution to the problem. As one of the leaders in the insurtech space in Malaysia, Tune Protect Malaysia offers simple end-to end digital insurance products that are easily accessible via our mobile app and website where subscribers can curate products to suit their needs and budget," responds Jubin Mehta, CEO of Tune Protect Malaysia.

Jubin Mehta

Tune Protect provides a wide variety of insurance products to meet every need at any budget. Home Easy is still the cheapest in the market, while the Critical Safe+ (Critical Illness plan) and PRO-Health Medical (hospitalisation & surgical) products have several plans from the cheapest to the highest.

When it comes to getting the most value for money, Tune Protect has taken a few steps which includes:

- Products which are designed to be more functional and affordable with features that are truly useful and necessary, such as buying insurance via their app which cuts out commissions and higher fees;
- Customer-friendly features to suit their needs and budget, and;

- A commitment where customers can purchase insurance in just three minutes, receive a response in three hours, and receive their claims payout in just three days from the date of approval.

Additionally, Tune Protect has launched the Tenang PA Care under the government's PTV scheme to incentivise lower-income groups to seek out and secure insurance coverage as a safety net for themselves and their family.

Winnie Chua

A similar theme is echoed by Winnie Chua, co-founder and chief product officer of PolicyStreet.

"As a licensed Reinsurer and General Insurer, we can underwrite protection coverage for embedment. A recent example of PolicyStreet's efforts in launching embedded protection includes the opt-in Damage Protection Plan available on partnering e-commerce platforms. Starting at less than RM1, Malaysians can enjoy damage protection of up to RM10,000 on more than 800 categories of items available on partnering e-commerce platforms," shares Chua.

Being a disruptor in the insurtech industry, PolicyStreet aims to embed insurance in various consumer goods sectors to provide better protection to all consumers, especially the underserved communities. Another example of the embedded insurance approach is its partnership with Carsome. With every purchase of a second-hand car from Carsome, the consumer enjoys one year's worth of protection against accidents occurring after the car was purchased.

"Among those who do have some form of insurance protection, unfortunately they do not have sufficient coverage for themselves and their loved ones. The average sum assured in Malaysia is still in the region of RM80,000, which is inadequate."

Through these embedded insurance plans, consumers can take up additional protection with minimal to no upfront cost.

Given the low take up of insurance among the lower income class, the government has introduced the PTV Programme from September 2021 to November 2022 for *Bantuan Prihatin Rakyat* (BPR) / *Bantuan Keluarga Malaysia* (BKM) recipients.

"The industry is indeed very grateful to the government for the implementation of the PTV as a social protection to the lower income community. About 8.4 million eligible BPR/BKM recipients were offered a RM50 voucher in 2021 and a RM75 voucher in 2022 to participate in the PTV Programme through the collaboration between the government and the insurance and takaful industry. This initiative has paved the way for the introduction of financial planning among the lower income group in the country. It has encouraged more Malaysians to take up life insurance protection, as an immediate financial relief in the event of misfortune or unforeseen circumstances,"

"Traditional insurance is still out of reach for many hence the low insurance penetration rate in Malaysia and around the world especially for the middle and low-income groups."

says Mark O'Dell, CEO of LIAM.

The PTV received an overwhelming response from the B40 community where over 6.8 million vouchers were redeemed by the BPR/BKM recipients during the period, for the purchase of insurance and takaful products.

Mark O'Dell

"We hope that the new government will consider extending the PTV initiative for the low-income group for the year 2023 as we believe that the PTV programme will further drive the adoption of life insurance among the lower income groups in the country and help fulfil the nation's financial inclusion agenda of achieving higher insurance penetration and household resilience among the population," adds O'Dell.

"The takaful industry can play a role in helping people during times of high inflation by offering flexible payment options and affordable products. For example, some takaful operators offer instalment plans, a monthly payment option or allow customers to adjust their coverage levels to better fit their budgets. Additionally, the industry has been educating consumers about the benefits of takaful and helping them understand how to manage their finances effectively," mentions Nor Azman Zainal, Group CEO of Takaful Malaysia.

It is important to keep in mind that although insurance or takaful coverage may seem like an added expense during times of high inflation, it can provide financial protection in the event of unexpected events and help ensure long-term financial stability.

MEDICAL INSURANCE FOR WOMEN AND THEIR BABIES

In the market today, there are many coverage options for pregnant women and their unborn children ranging from protection against pregnancy complications to death. Getting the necessary coverage for pregnant mothers and their babies is just as important as getting health insurance for yourself.

Among the coverage include women-related illnesses such as osteoporosis, breast and cervical cancer, pregnancy complications and many more. By planning for any uncertainties that lie ahead you can, at the very least, lessen the financial impact arising from a range of women-related illnesses, pregnancy complications, child hereditary illnesses and even death or disability.

Chua opines: "While Malaysia's maternal mortality ratio is relatively low compared to the global average at 68.2 maternal deaths per 100,000 live births, insurance protection can cushion the financial burden from pregnancy and birth complications and even child developmental delays."

With the cost of caring

for an autistic child costing approximately RM5.4 million back in 2016 and presumably increasing alongside the cost of living today, having that financial cushion to fall back on can make a world of difference for parents.

> **"It is best for individuals to consider their specific needs and financial situation and speak to a takaful consultant or their takaful operator for more information on available options."**

"It is best for individuals to consider their specific needs and financial situation and speak to a takaful consultant or takaful operator for more information on available options. The coverage offered by these policies can vary, so it's important to carefully review the terms and conditions of any plan you're considering. Some policies may have limitations on the amount of coverage for certain procedures or treatments, and may exclude coverage for certain complications or conditions," shares Nor Azman.

"Premiums and coverage may vary by age and type of plan chosen and are subject to the underwriting process by insurance companies," adds O'Dell.

WHAT ABOUT EDUCATION INSURANCE – IS IT NECESSARY?

Children's education is something every parent should endeavour to secure for their child at all costs. Hence, an education insurance policy is important as it serves as a savings tool to provide an amount for education costs when the children reach 18 years or above, or go to college. Failing to prepare for their children's education could prevent them from reaching and maximising their full potential.

"Given the escalation in university fees for tertiary education, today's parents should be encouraged to take up an education policy as financial planning to fund for their children's future education. It is also important that the parent or breadwinner is adequately protected to ensure ongoing contributions towards educational savings," states O'Dell.

In today's day and age, there are several ways to prepare for a child's education, including but not limited to:

- Endowment policy
- Investment-linked policy
- *Skim Simpanan Pendidikan Nasional* (SSPN)
- *Amanah Saham Didik* (ASD)
- Unit trust

"Depending on the needs and capabilities of the parents, the best method of preparing an education fund can vary from one to another. Regarding whether education insurance is necessary: it is not if the parent has adequate investment vehicles in place in case of unexpected events such as the child's or parent's death or disability," mentions Chua.

"With education takaful, families can make regular contributions to a plan specifically set aside for their children's education. The

"We hope that the new government will consider extending the PTV initiative for the low-income group for the year 2023 as we believe that the PTV programme will further drive the adoption of life insurance among the lower income groups in the country."

contributions are invested, and parents can choose to receive a lump sum pay out at a predetermined date, such as when their child reaches a certain age or begins their tertiary education. In the event of the parent's death, total and permanent disability, or critical illness, the plan may provide a lump sum payment to help the family meet their child's education expenses. Some education takaful policies also offer other benefits, such as a waiver of future contributions in the event of a covered claim," explains Nor Azman.

WHAT ABOUT INSURANCE OPTIONS FOR RETIREES?

When it comes to insurance as with any financial planning, it should be done at an early age. Awareness of critical illnesses is undesirably low in Malaysia. The increasing number of Malaysians infected by these diseases yearly is proof. Heart disease is the number one killer in Malaysia, cancer prevalence is rising, and Malaysia is now dubbed the 'Sweetest Nation of Asia' for its high consumption sugar-laden foods.

Mehta shares: "All these have led to crammed and crowded hospital wards. Too many Malaysians suffer chronic illnesses that could have been prevented with better health and medical literacy. Malaysians have been susceptible to these illnesses, regardless of age, race, or gender, due to their lifestyle choices, family medical history, and a lack of general awareness. The less affluent have it tougher as medical and hospitalisation costs escalate exponentially from time to time."

Tune Protect has two products that are renewable past retirement age - Critical Safe+ where the age eligibility is from 15 days to 60 years old and is renewable up to 70 years old; and PRO-Health, where the age eligibility is from 18 to 45 years old for at sign up, and is renewable up to 65 years old.

It may seem that insurers in Malaysia offer insurance policies covering death and common diseases for consumers approaching and above retirement age. However, access to these policies is limited due to financial limitations or lack of awareness, especially among underserved communities.

"Being an emerging insurtech company, we're focused on serving the underserved through customised employee benefits

"Too many Malaysians suffer chronic illnesses that could have been prevented with better health and medical literacy. Malaysians have been susceptible to these illnesses, regardless of age, race, or gender, due to their lifestyle choices, family medical history, and a lack of general awareness."

and embedded insurance. After the consumers surpass the retirement age, we aim to support these consumers through embedded insurance. While it does not necessarily cover the health complications that come with age, having other aspects of life protected can reduce the financial burden," adds Chua.

Generally, policyholders are covered for a lifetime if they purchase the policy before the age of 65. The government's decision to allow Employee Provident Fund (EPF) members to utilise EPF account 2 to purchase life insurance and medical insurance including critical illness will further enhance the long-term protection and security for the *rakyat*.

"The industry is also working together with EPF and the government on the i-Lindung platform. The i-Lindung initiative augurs well for the promotion of financial inclusion to encourage more Malaysians to take up insurance protection to fulfil their protection needs. We hope that the government will open up the i-Lindung platform to more life insurance operators in the country by offering more products to suit the needs of the *rakyat* and to offer benefits to more consumers in the country," shares O'Dell.

"There are takaful options available for individuals approaching retirement age and those with diseases. It depends on the specific individual takaful plan and the onboarding requirements for that plan. Some individual takaful plans may provide coverage for pre-existing medical conditions, while others may exclude them. Individuals approaching retirement age or with pre-existing medical conditions should consider their needs and options carefully when choosing a takaful plan and may benefit from seeking advice from a financial advisor or takaful expert," concludes Nor Azman.

Some insurance companies in Malaysia have policies for people who are about to retire or are already retired that cover death and common diseases. However, access to these policies is limited due to financial limitations or a lack of awareness, especially among underserved communities.