NOTEBOOK

Making takaful more inclusive

L-R: Messrs Muhammad Fikri Mohamad Rawi, Adnan Zaylani Mohamad Zahid, Dr Bello Lawal Danbatta and Mr Vincent Shi

Takaful represents 17% of total combined premiums in Malaysia, but to make the next leap in growth, it has to be made more inclusive and affordable.

By Ridwan Abbas

Within the context of Malaysia, takaful is often seen as way to help increase insurance penetration among the masses but affordability has proven to be a big obstacle to the industry's growth. Several speakers alluded to this at the Takaful Rendezvous 2019 in Kuala Lumpur last month, suggesting that both insurers and takaful providers have to find a way to make protection much more affordable for people - especially in emerging economies.

"Something has to change to increase the affordability for consumers," said Takaful Malaysia CEO Dato' Sri Mohamed Hassan Kamil while chairing a panel discussion among C-suite leaders.

This was in response to a comment during the Q&A session that premium rates today would need to fall by as much as 50% if the industry really wants to bridge the massive protection gap.

The panel had earlier touched on the regular discussion around multi-channel distribution and digital transformation as enablers for growth within the segment.

Zurich Takaful Malaysia CEO Mukesh Dhawan said that takaful operators should leverage the ecosystem provided by Islamic banks to optimise their distribution reach, especially among the middle-income bracket in Malaysia known as the 'M40'.

Mr Tobias Frenz

Munich Re managing director for life and health in Southeast Asia Tobias Frenz touched upon digital transformation and the use of data to augment that underwriting and claims process. He said that digital transformation presents opportunities for insurers and takaful operators to enhance their business models. For example, he cited the

(L-R): Dato' Sri Mohamed Hassan Kamil and Mr Mukesh Dhawan use of predictive underwriting that allows for on-the-spot insurance transaction, given that consumers today expect quick turnaround time.

Knowing your consumer


Mr Vincent Shi

Putting consumers at the forefront of the business is non-negotiable these days. In that regard, SCOR Asia managing director Vincent Shi revealed interesting insights from the company's annual consumer survey – which is due to be released later this month.

The survey, which spans a host of markets including Asia, revealed that 57.7% of those polled believed that their life insurance product offered 'good value for money'. In that regard, price still appears to be a major factor when buying insurance.

Respondents also said that quick transaction time when buying a policy was a critical factor – with 75% expecting a turnaround within 24 hours. The survey also revealed that wellness programmes and health tips were highly valued by consumers in terms of their interaction with their insurers.

Sustainability

Another factor that was raised was aligning takaful to sustainability, seeing how takaful is a natural fit for the ESG agenda.

Islamic Financial Services Board secretary general Dr Bello-Lawal Danbatta believes that takaful operators should play a leading role in looking at ESG issues and deliver a value-added proposition to society beyond just profits.

"Climate change and disaster recovery are important issues of the day and the takaful sector can play an important role in delivering social-based protection," he said.

Dr Danbatta also touched on the need for regulators to be ahead of the technology curve in order to supervise insurance and takaful companies effectively.

"If we want takaful operators to be technologically smart, then regulators and standard-setting bodies need to be even ahead of the players. Supervisors need to improve the speed of their supervision in order to keep pace and identify non-compliance," he said.


Dr Engku Rabiah Adawiah

Meanwhile Institute of Islamic Banking and Finance, Int'l Islamic University Malaysia Dr Engku Rabiah Adawiah spoke about potentially realising the UN Susutainable Development Goals (SDGs) through takaful. The discussion is a pertinent one given how the movement to create a more responsible corporate capitalism is gaining momentum.

In order to fulfil the 17 SDGs set out by the UN, takaful has to be inclusive and serve the needs of vulnerable segments of society. These include women, people of different abilities, the middle class as well as the lower socioeconomic groups.

Digital ecosystem

In his keynote address earlier in the day, Bank Negara Malaysia assistant governor Adnan Zaylani Mohamad Zahid, also made the point about integrating social finance into takaful in order to make protection more viable for consumers.

In order to do that, he urged takaful companies to optimise digital technology to improve access for consumers, and to be fully plugged into the digital ecosystem.

"Efforts should continue to be undertaken by the industry to provide seamless customer experience by digitising operational processes, expanding distribution outreach and also upskilling the intermediaries."

Mr Adnan added that technology can help "reinvigorate the distribution in the business", and encouraged market players to test innovative business models and solutions in Malaysia. He revealed that to date, Bank Negara has received 80 applications under the Financial Technology Regulatory Sandbox – of which, 12 relate to insurance and takaful services.

"As we facilitate viability testing of these propositions, we have been gathering data and experience that will allow us to make evidence-backed regulatory adjustments, for new and incumbent market players to operate under a regulatory framework that is more risk-proportionate.

"This will cater for new designs of offerings and business modality, while remaining effective in promoting financial soundness and stability," he said.

Realising opportunities in Malaysia

Since, 2017, takaful operators in Malaysia have been offering a suite of pure protection, medical and other products through the direct digital channel. While the majority of takaful sales still comes from the top two traditional channels – agency and bancassurance – digital distribution has contributed to greater accessibility of takaful products in the market.

It has in part contributed to the double digit growth in Malaysia's takaful segment in the first six months of the year ending 30 June, as revealed by Malaysian Takaful Association chairman Muhammad Fikri Mohamad Rawi.

He revealed that general takaful business grew by 16.4% in the first half of this year to MYR1.6bn ($380m), while family takaful registered 29.6% growth to MYR3.3bn.


Mr Gopal Kiran

In a discussion on InsurTech, EY Asean FinTech leader Gopal Kiran said that collaboration is the easiest way for takaful operators to engage with InsurTech players. One area where traditional insurers have worked with InsurTech firms is in providing coverage for the 'gig economy'. He revealed that 30% of the total workforce in the US and Europe is comprised of the gig economy, while the figure stands at 23% for Malaysia.

As the line between full time employees and contractual workers start to blur, corporates will struggle to define and provide benefits like health insurance and worker's compensation. Takaful operators can take advantage of this gap, and potentially provide solutions like health insurance with contributions shared by multiple employers and worker's compensation covering a changing and fluid workforce.

Takaful Rendezvous 2019 was organised by *Asia Insurance Review* and sponsored by ReMark.