

Abdul Rasheed Ghaffour: Launch of the Malaysian Insurance Institute Brand Refresh

Keynote address by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the launch of the Malaysian Insurance Institute Brand Refresh, Kuala Lumpur, 18 September 2024.

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Assalamualaikum and a very good morning.

Distinguished guests, ladies and gentlemen.

I am honoured to be here today to witness the rebranding of the Malaysian Insurance Institute to the Asian Institute of Insurance (All). Having once served on the Board of All, I am proud to be part of this historic occasion.

Since its establishment in 1968, close to 10,000 insurance and takaful professionals have benefitted from internationally recognised training and qualifications delivered by All. This remarkable feat underscores All's integral role in the development and modernisation of the insurance and takaful sector not only within Malaysia, but also across the region.

Let me start by briefly highlighting the performance of the insurance and takaful sector. Compared to last year, new business premiums in the life insurance and general insurance industry recorded double-digit growth in the first half of 2024 to more than RM20 billion. Similarly, the family takaful and general takaful industry also showed strong growth to record total contributions of over RM7 billion.

The Malaysian economy continued to expand, with the economy growing by 5.9% in the second quarter of 2024, supported by resilient domestic demand and recovery in external demand. Importantly, our longer-term prospect is equally bright, as investments rebounded strongly in what is being described as a new 'investment-upcycle'. From the E&E sector to infrastructure projects to renewable energy, there are clear prospects for private and public investments to be sustained going forward. These quality projects will contribute towards higher productivity, greater economic complexity and, ultimately, high-income jobs for Malaysians.

Nevertheless, to realise our full economic potential, it is important that we remain resilient to shocks and disruptions and continue to put risk management at the top of our agenda. This is where insurance and takaful protection can play its part – one that will foster greater stability and resilience in our economy.

Ladies and gentlemen,

The Malaysian insurance and takaful sector is at a pivotal point. We have observed evolving trends and developments, and are also part of the dynamic Asian region with strong prospects and opportunities, that significantly shape the nature of emerging risks facing businesses and consumers today. Consequently, these present both

opportunities and challenges for the sector. Today, I would like to elaborate on these key developments affecting the sector, and offer some perspectives on how we must keep up with these trends.

First, the escalating frequency and severity of global risks that challenge traditional risk models. This includes climate change and cyber threats. Given the dynamic and often unpredictable nature of these emerging threats and their potential to cause widespread impact, conventional risk models that depend on historical data and established patterns for predicting and pricing risks may struggle to address them.

As is commonly the case, the more complex the risk, the harder it is to model and predict. This in turn poses challenges to assess and underwrite such risks effectively. As a result, risk owners may end up facing higher premiums, more stringent underwriting or underinsurance. The impact will be most strongly felt by vulnerable populations, such as low-income individuals and small businesses – especially those in emerging economies – who will find it difficult to afford or access adequate coverage against climate-related risks such as floods and natural disasters.

Second, the technological advancements and shifting customer expectations that demand adaptation and evolution of the insurance sector. The reality is that artificial intelligence, big data and robotics are reshaping the way we live, work and play in profound ways.

As customers become increasingly accustomed to the responsiveness and convenience offered by technology in many aspects of their lives, their expectations will naturally extend to the insurance sector. Insurers are increasingly expected to provide a seamless experience, tailored to the specific needs of various types of covers. An inspiring innovation in this space is 'parametric insurance'. By eliminating much of the paperwork and manual processes associated with traditional insurance claims, parametric insurance can lead to faster payouts and resolution times. Leveraging on the increased availability of data, this speed and efficiency can have a decisive impact on livelihoods where immediate assistance is critical such as in events of natural disasters.

Third, is the rapid ageing of our population. By 2044, 14% of Malaysia's population is expected to be of those 65 years or older, making us an 'aged society'. This so-called 'silver tsunami' phenomenon will see a shrinking share of the working age population supporting a growing share of the old-aged persons. This population segment is often underserved and demands specific needs such as healthcare, long-term care and financial security, but oftentimes have limited access to insurance due to lack of awareness, trust or affordability.

As today's event aims to celebrate All's rebranding and elevate the stature of insurance training and qualifications to a more regionally recognisable level, it would be remiss of me not to talk about developments in the region. This leads me to my fourth point.

We are witnessing an increasingly interconnected insurance market contributed by deeper regional integration. With over 650 million people in ASEAN alone, the insurance and takaful sector benefits from unprecedented opportunities to expand their reach and diversify their offerings to meet the varying protection needs within the region. Further, the industry is able to tap into a broader pool of expertise while

leveraging on larger sources of capital, bolstering its capability to develop innovative products and meet larger protection needs.

Ladies and gentlemen,

There is no denying the formidable realities that lie ahead. But I am confident that the industry is well positioned to navigate these opportunities and challenges. No doubt, the industry's experience in recent years in driving reforms in the areas of medical protection and motor cover have indeed been encouraging. Yet, although we have charted great progress towards ensuring sustainability of coverage and fostering innovation, there is still a lot of work to be done for us.

Insurers and takaful operators will need to expand their capacity and readiness to narrow critical protection gaps and strengthen financial safety nets. This means adapting and innovating in several areas.

1. First, in capitalising technology and digital innovation to close the coverage gap. The Internet of Things or artificial intelligence opens up opportunities for richer data and automation to significantly enhance the accuracy of underwriting assessments, in turn, supporting better cost control and transparency. This opens the pathway to develop more specialised, needs-based products, particularly to serve at-risk segments.
2. Second, augmenting protection with prevention. Insurers and takaful operators have a unique role in not only providing real-time risk mitigation solutions, but also influencing and incentivising positive behaviours over the long term. For example, in the areas of life and medical, we are already seeing partnerships with food, fitness and medical providers which motivate consumers to make healthier lifestyle choices by rewarding lower premiums.
3. Third, creating a more inclusive insurance ecosystem. By enhancing financial and digital literacy, particularly among the unserved and underserved segments, industry players help ensure all Malaysians have access to the protection they need.
4. Fourth, as we continue to advance towards deeper regional integration, insurers and takaful operators must remain ever-ready to respond to, and serve the needs of the region, ensuring that their offerings resonate with the diverse communities and contribute to sustainable economic growth of the region.

We cannot overlook the importance of public-private collaboration in these areas. The synergy created from such partnerships can strengthen the contributions from the insurers and takaful operators. These could take the form of development of sophisticated risk transfer solutions that can manage large-scale and emerging risks that are beyond the capacity of individual institutions.

At Bank Negara Malaysia, we are actively laying the foundation for a competitive, efficient and inclusive protection landscape. This involves driving meaningful initiatives to modernise the existing regulatory framework, making it more principles-based while opening avenues for insurance and takaful operators to innovate and test new solutions. Guided by the principles of parity, proportionality and neutrality, we have refreshed our Regulatory Sandbox and introduced the Licensing and Regulatory Framework for Digital Insurers and Takaful Operators. These steps are designed to

help the industry deliver strong and meaningful value propositions that support the goals of inclusion, competition and efficiency.

To complement this front, we continue to strengthen our regulatory framework to uphold sound financial and business practices. This includes enhancing the Policy Document on Responsibility Mapping and raising standards on the Professionalism of Insurance and Takaful Agents. I believe that these policies are integral not only to improve the oversight and governance of insurers and takaful operators, but to also inspire public confidence in the integrity of the agency workforce as a trusted and reliable channel for distribution of insurance and takaful products. For many, their first contact with insurance would have been through an agent-initiated meeting. For this reason, agents need to be competent, qualified and act professionally in the best interest of customers at all times.

Beyond this, we strive to make critical protection solutions more accessible and targeted. As one of the countries with the highest cost of private medical care in Southeast Asia, an important priority for us at the Bank is to improve access to affordable insurance and takaful coverage through the revised Policy Document on Medical and Health Insurance and Takaful and Perlindungan Tenang microinsurance and microtakaful. These efforts are pursued in tandem with broader reforms being pursued by the Government to improve Malaysia's healthcare system, including healthcare financing.

Ladies and gentlemen,

As we intensify efforts to advance the insurance and takaful sector, a key component is all-round, holistic professionalism – a workforce that is not only technically proficient, but also fully committed and uncompromising on ethical standards and professional excellence. This ensures that the industry's efforts are met with confidence and collaboration, with full trust by customers, paving the way for sustainable growth.

The recently launched Financial Sector Future Skills Framework, or FSF, is a step in the right direction. As a single point of reference on future skills and career pathways, the industry can now leverage on the FSF to better anticipate the reskilling and upskilling needs of all levels of staff, including agents and agency leaders. By doing so, we empower our people to adapt to roles that are continuously evolving.

I would like to commend the exemplary leadership demonstrated by All which proactively aligned its modules with the FSF framework. We appreciate the continuous commitment to futureproof and shape the insurance industry by nurturing a workforce that is well-prepared for the challenges of the future. Our hope is that All programmes will continue to consistently meet the highest standards of integrity, professionalism, and ethics, to reinforce our collective dedication to excellence. At the same time, we encourage the industry to provide full support in leveraging on All's offerings to reinforce the level of professionalism and trust within the insurance and takaful sector.

I am confident that, in time, All will fully live up to its name, offering training programmes and qualification that are widely adopted and well regarded across the whole of Asia.

Ladies and gentlemen,

In closing, I would like to see the insurance and takaful sector remain relevant, thrive, and continue to play a pivotal role in contributing to the nation's broader economic and social development in the years ahead. Such vision cannot be achieved in silo and will require a whole of nation approach. I also wish to reaffirm the Bank's steadfast commitment to driving essential reforms within this sector. By working together, we can transform our aspirations for a more competitive, efficient, and inclusive protection landscape into reality.

Once again, I look forward to seeing All drive the insurance and takaful sector to greater heights. Thank you.