

Abdul Rasheed Ghaffour: A legacy of progress, a future of promise

Opening remarks by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Life Insurance Association of Malaysia's (LIAM) 50th Anniversary Dinner, Kuala Lumpur, 22 November 2024.

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As LIAM celebrates its 50th anniversary, allow me to start by taking the opportunity to pay tribute to the visionary leadership and members of LIAM, both past and present, who have been instrumental in charting the growth of the insurance industry.

As I browsed through LIAM's Coffee Table Book, I couldn't help but notice how things have changed over the decades. I joined Bank Negara Malaysia (BNM) in 1988, the same year the insurance regulatory function was moved from the Ministry of Finance to BNM.

The life insurance industry has seen remarkable changes since then. Starting with the agency channel which leverages on personal contacts and relationships, the establishment of the first bancassurance arrangement in 1994 saw the life insurance industry transitioning to a dual-channel system. Subsequently, alternative channels such as Internet insurance and financial advisers were introduced at the turn of the millennium. Diversification of distribution channels has elevated insurance take-up, with the ratio of policies in force to the total population rising from 13% in 1990 to around today 44% in 2023.

Since its inception, LIAM has been at the centre of this journey – playing a pivotal role as a self-governing trade association, as well as bridging between BNM, life insurers, the public and other key stakeholders. LIAM's role has also expanded to include being a partner in policy formulation, a driver in the development of critical industry infrastructures and a strong supporter of nation-building initiatives. This includes insurance awareness and financial education programmes, as well as LIAM's swift response to the call to action during periods of health and economic crises.

The prospect of the Malaysian life insurance industry remains promising. Our economy continues to expand, with a 5.3% growth in the third quarter of 2024, supported by resilient domestic demand and higher export activity. Household spending continues to be supported by employment and wage growth, as well as policy measures. Investment activity would be driven by the progress of multi-year projects in both the private and public sectors, the higher realisation of approved investments, as well as the implementation of catalytic initiatives under the national master plans.

In 2023, new life insurance business premiums grew 11.6% to RM13.4 billion. In parallel, the industry paid out around RM15.4 billion in claims, offering crucial financial protection to households when they need it the most. Further ashore, we are observing that domestic insurance markets are becoming increasingly interconnected, driven by deeper regional integration across ASEAN. With a population of over 650 million people, an expanding middle class and an ageing population, ASEAN presents the insurance industry with significant opportunities to broaden its reach and cater to diversified protection needs.

Against this backdrop, I want to touch on the '3Ts' that the industry needs to embrace in shaping the future of life insurance in Malaysia and beyond.

Let's start with the first 'T', which is **technology and digitalisation**.

Technology and digitalisation offer new possibilities to close protection gaps by making insurance more accessible and affordable, particularly for more vulnerable segments of society. Integrated digital ecosystems and emerging technologies, such as AI, open up opportunities to reach Malaysians who may not have considered insurance before. Insurers tapping into new and innovative technologies can develop more suitable protection products with tailored coverage and pricing, facilitate easier access to products, and make customer experiences more seamless. It is not hard to imagine a future digital ecosystem where Malaysians can access, understand, and get insurance cover as easy as ordering an e-hailing ride – just a few clicks on a mobile phone.

To support digitalisation, BNM has recently enhanced the Financial Technology Sandbox Framework, including to introduce a Green Lane track to speed up the testing of innovative insurance solutions while ensuring regulatory compliance. We have also issued the licensing and regulatory framework for Digital Insurance and Takaful Operators (DITOs), paving the way for new players to innovate and fill existing protection gaps. Additionally, we continue to facilitate the implementation of e-KYC and MyDigital ID in the financial sector, as well as the orderly adoption of AI that will advance digitalisation and expand use cases across the financial sector.

Some of you have already embarked on this journey and leveraged such regulatory advancements with digital innovations that bring us closer to the seamless and accessible insurance experience that we envisioned. We urge others to join this journey in building an industry that is truly fit for this digital age.

Moving on to the second 'T', **transformation** to meet the evolving consumer demands.

By 2044, Malaysia will be an aged nation, with over 15% of our population aged 65 and above.¹ Coupled with the increase in life expectancy, the old age dependency ratio is projected to be three times that of 2010, presenting a growing burden for the working population to support the elderly. This is a pressing challenge, requiring urgent and fundamental transformation to deal with the future realities of the Malaysian population. Addressing this challenge will require a whole-of-nation response, but I trust that the life insurance industry can step up and play its part. For instance, the industry can take proactive steps to develop tailored long-term care and post-retirement income solutions. Innovative models, such as wellness-as-a-service where insurers partner with healthcare providers, would also enable insurers to meet the population's health needs.

Many Malaysian adults also currently live with non-communicable diseases – 33% with high cholesterol, 29% with hypertension and 16% with diabetes.² As such, many are excluded from insurance cover, especially for medical and health protection. It is therefore critical for insurance companies to ensure that financial protection remains available to the broader segments of society, including the lower-income group.

As healthcare costs continue to rise, ensuring affordable and accessible medical and health insurance becomes increasingly important. Recent revisions to the policy document on Medical and Health Insurance/Takaful (MHIT) business will require ITOs to provide lower-cost options for MHIT products with copayment features. This is intended to empower policyholders by giving them greater options and to encourage them to make more needs-based use of healthcare services. This will in turn help contain medical claims inflation and escalating premiums. It also sets out the establishment of a central medical claims data platform to pave the way towards improving transparency of medical costs.

The industry can also explore advanced medical technology applications, including wearables and telemedicine. This will allow insurers to better support preventive care and offer more comprehensive, adaptable health protection solutions to a broader consumer base. Modernising exclusionary clauses in life and health coverage is also an important aspect of transformation, including potentially moving towards community-rated products.

There is also a growing need for innovative and inclusive insurance solutions that not only cater to evolving consumer preferences but also ensure affordable and accessible protection, particularly for lower-income groups. For instance, some insurers in regional countries, for example, China and the Philippines do offer innovative bite-sized life insurance products, in particular in partnership with mobile operators. This lowers acquisition costs for insurers, and in turn, provides consumers with easier access to affordable cover. Additionally, these efforts should be complemented with creative financial literacy initiatives to enhance household resilience among the lower-income segment.

These are only a glimpse of some possible ideas, but I believe that the industry will rise up to the challenge with more ideas and solutions to address the transformative needs of our economy. BNM remains committed to fostering a conducive environment for innovation on new business models and solutions. We welcome any engagement to explore how we can best facilitate responsible innovation for the benefit of all.

Turning to the third 'T', **talent development and retention.**

In particular, as the world embraces digitalisation, there is an ever-growing demand for a workforce that can adapt to and leverage new technologies effectively. To this end, the Future Skills Framework (FSF), launched in July, aims to facilitate the industry in building new talent pipelines and succession pools through reskilling and talent development. BNM will support the effective implementation of the FSF, but ultimately, it is for the life insurance industry to remain agile to adopt data-driven decision-making and build a strong pool of digitally skilled professionals.

Yet, it is not just technical expertise that matters. Insurance agents – who serve as the face of the industry – play a critical role in bridging insurers and customers. This is why we raised standards on the Professionalism of Insurance and Takaful Agents, in keeping with customers' increasingly greater expectations of agents in the areas of

professionalism, personalisation and efficiency. We also introduced further enhancements to requirements on Product Transparency and Disclosure to make product information more accessible.

On the industry's part, we expect LIAM and member institutions to continue leading by example in supporting the education and professionalism of the agency force. Well-trained agents will empower Malaysians to make informed financial decisions. We also call on the industry to continue putting consumers at the heart of the business, prioritising their needs – particularly those of vulnerable communities – and ensuring fair treatment at all times.

The '3Ts' culminate in what I believe is the most important 'T' of all, **Trust**.

Right from the start, trust has been the bedrock of the insurance industry. In the early days, insurance was a simple promise – a hand-written policy, a firm handshake and a nod of trust. While we have long moved away from informal promises to formal policies, the essence remains unchanged. Insurance is, at its core, a business of delivering promises. The industry must therefore continue to uphold that promise, as the trust we nurtured will lay the foundation for growth in the future.

As we look ahead, the future for Malaysia's life insurance industry is promising, filled with new opportunities to serve and protect. But this future won't come without its challenges. From the rapid technological shifts and emerging risks to rising consumer expectations, there's much to navigate. LIAM and the industry members must therefore take a whole-of-nation approach, embracing collaboration with ecosystem stakeholders and the Government to ensure that we are in a strong position to meet these challenges.

Within the region, there is also a unique role and potential for LIAM. As ASEAN economies become more integrated, LIAM and member companies can also contribute in aligning industry standards and practices, strengthening the industry's underwriting capacity, as well as supporting broader talent development initiatives alongside the Asian Insurance Institute. This will help bolster the industry's capacity to develop innovative products and meet the larger protection needs of the region.

Against these emerging developments, BNM will review the Life Insurance and Family Takaful Framework, which was introduced back in 2016, to further facilitate the growth of life insurance and family takaful in the years to come. We thus welcome inputs from the industry as we chart the next stage of development.

In closing, I would like to extend my sincere gratitude to LIAM for its partnership and leadership over the years. Your unwavering support, collaborative spirit, and dedication are much appreciated. As we rejoice the progress we have achieved thus far, we also look forward to continuing this journey together. Here's to the future of life insurance in Malaysia, to the industry leaders and members who drive it forward, and to the people whose lives are made better by it.

Congratulations to LIAM for 50 years of dedication to advancing the life insurance industry in Malaysia!

¹ World Bank (2020), [A Silver Lining: Productive and Inclusive Aging for Malaysia](#).

² CodeBlue (2024), [Over Two Million Adults In Malaysia Live With Three NCDs: NHMS 2023](#).