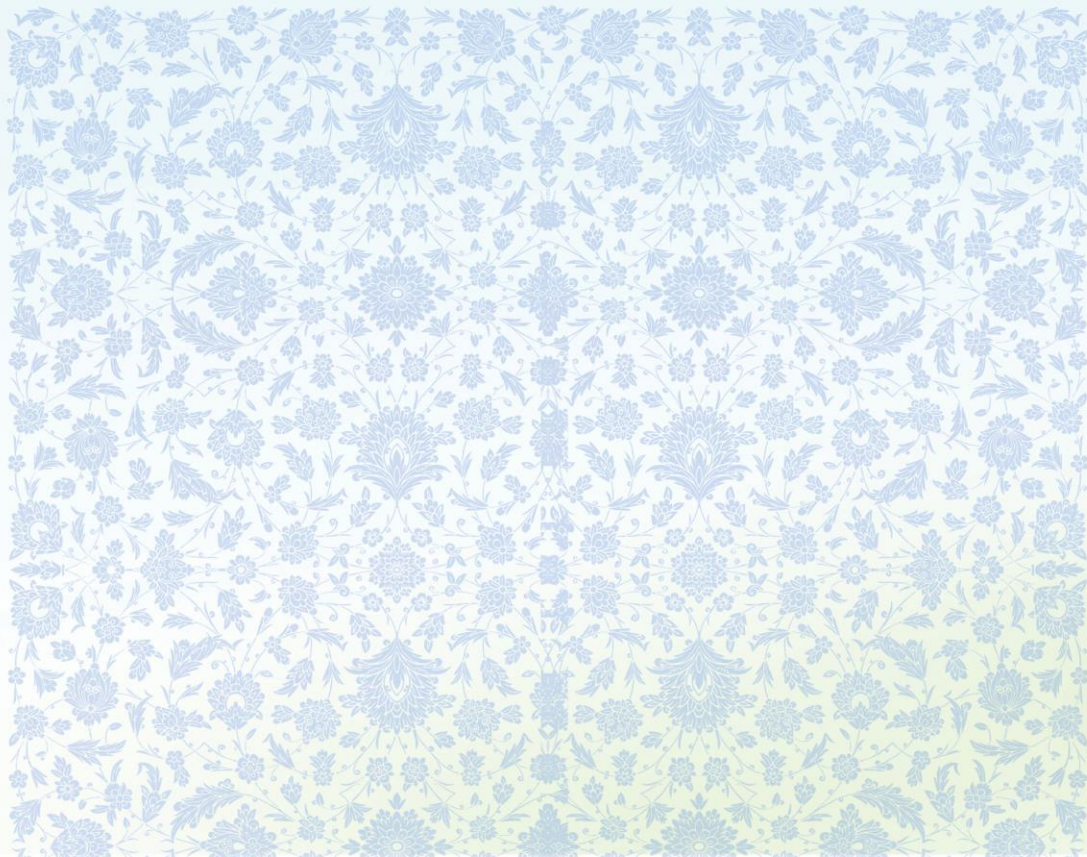


# IN THE NAME OF GOD





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**BIMEH MARKAZI**  
CENTRAL INSURANCE OF IR IRAN



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IRAN INSURERS SYNDICATE

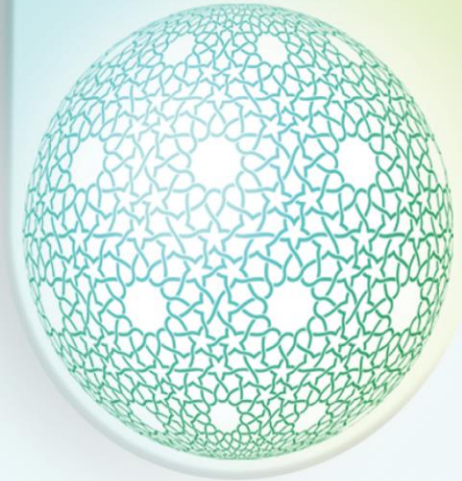


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## The Evolution of Insurance Industry Ecosystem

(Takaful, Governance, Modern Technologies)

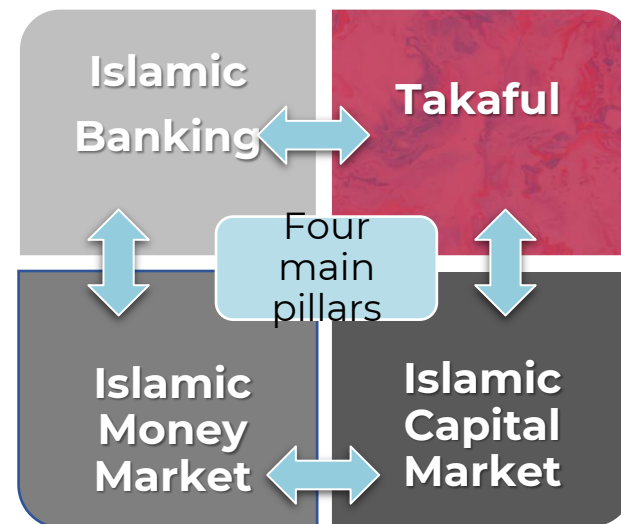
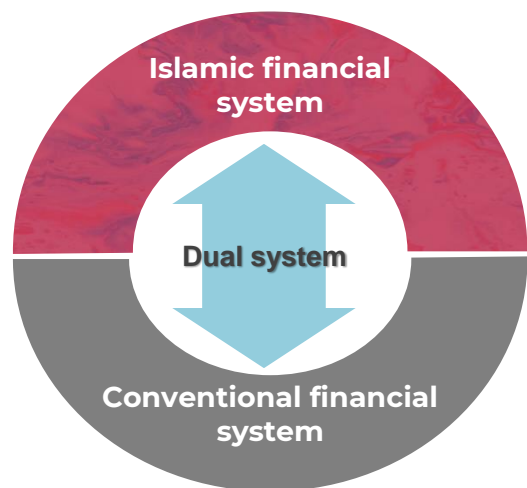


# Emerging Markets in the Takaful Industry



# OVERVIEW OF MALAYSIA TAKAFUL INDUSTRY

- Takaful in Malaysia developed as component of comprehensive Islamic financial system operating in parallel with conventional financial system



## Dual Financial System

The mandate for developing dual financial system explicitly codified in Central Bank of Malaysia Act 2009

## Comprehensive Islamic Financial System

- Ensure sustained industry viability via optimised synergies from interlinkages
- Underpinned by:
  - Strong and diversified players
  - Wide range of products and vibrant financial market



# MTA : AN INTRODUCTION

## WHO?



- Malaysian Takaful Association (MTA) was established on November 2002 under the Societies Act 1966



- MTA is a trade association representing all 18 licensed Takaful and Retakaful operators in the country



- The objectives are to promote the interests of its members and to lead and supervise the exercise of self-regulation within the Takaful industry

## WHAT WE DO?



- A voice for the industry regulatory or other matters.
- Liaise with the stakeholders of the industry especially with the regulator – BNM.
- Release notice, best practise, guidelines, process for the industry.
- Industry initiatives or studies.
- Takaful Basic Examination (TBE).
- Agent Registration – OTARS.



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# LIST OF MTA MEMBERS

## Family Takaful



AmMetLife Takaful



HongLeong MSIG Takaful  
مركز الترخيص والحوكمة

PRUDENTIAL BSN  
TAKAFUL



## General Takaful



## Retakaful





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The Malaysia Financial Sector Blueprint 2011-2020 articulates the importance of financial inclusion to ensure balanced and sustainable economic growth as Malaysia progresses towards becoming a high income nation. Measures to reduce poverty and promote social mobility are within the structural economic policies and public social protection schemes. However, the availability of MT/MI products is highly important as an additional or alternative coping strategy for households.

Note : In the Bank's Financial Capability and Inclusion Demand Side (FCI) Survey conducted in Jan 2015 shows:

- a. 76% of respondents admit having difficulty to raise RM1000.00 to meet emergency needs; and
- b. 6% of respondents have confidence to meet financial obligations for at least 6 months after income loss.



## MICROTAKAFUL/MICROINSURANCE OFFERS AN EFFECTIVE COPING STRATEGY BY PROVIDING THE FOLLOWING:



- Immediate temporary relief in the event of financial difficulty



- Access to financial resources to cope with sudden large expenses.



- Peace of mind knowing that financial relief is available in an easy and timely manner



- The Malaysian population is divided into 3 categories based on monthly household income. This is to monitor, create a financial assistance plan and carry out the subsidy and initiatives to help out the population.

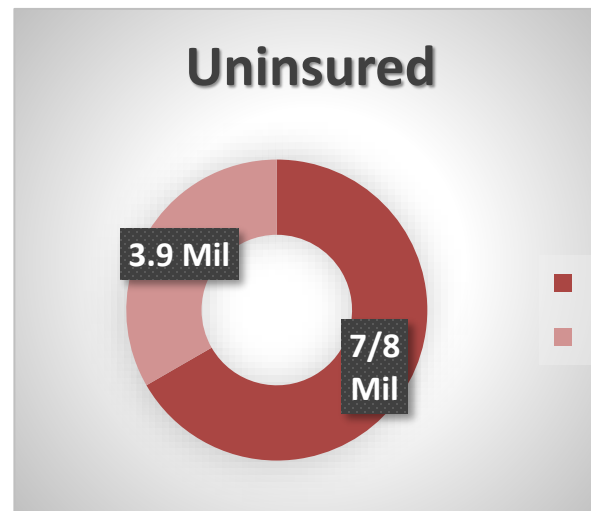
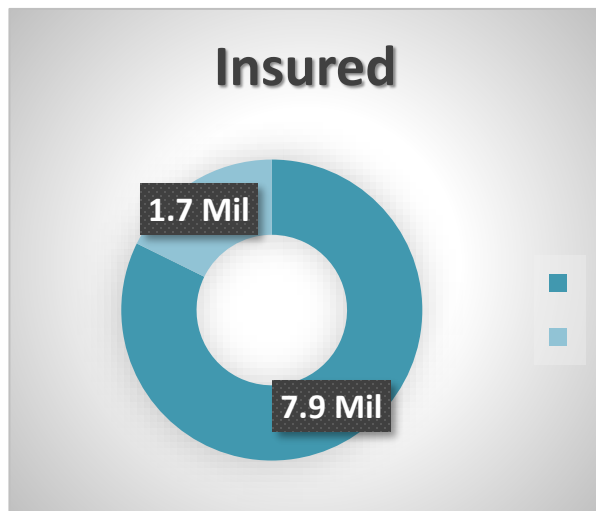
No	Year	Population in Malaysia	B40	M40	T20	Takaful penetration
1	2016	31.7 mil (29 mil citizens)	<RM4360	RM4361- RM9619	>RM9619	14.6%
2	2019	32.5 mil	<RM4850	RM4851- RM10970	>RM10970	16.0%
3	2022	33.0 mil	<RM5249	RM5250- RM11819	>RM11820	20.1%

Note:

- This is based on the Household Income and Basic Amenities Survey Report 2019, done by Department of Statistics Malaysia.
- In 2016, overall takaful and insurance penetration rate was 46.8% but among B40 segment, penetration was 30.3% only.



## IN A DIFFERENT STUDY DONE IN EARLY 2017, FROM THE 29MIL CITIZENS IN MALAYSIA:



- From 7.9 mil insure, 1.7 mil are B40
- From 7.8 mil uninsured, 3.9 mil are B40
- These figures are estimated from using the 2016 BRIM (government assistance program) recipients as a proxy for the B40 segment.



- Bank Negara Malaysia issues a specification letter in Nov 2017 to introduce takaful and insurance products targeted at the underserved segments. This is an initiative called “Perlindungan Tenang”. It is basically an invitation to all Takaful and Insurance providers to develop and market products that are:

Affordable

Accessible

Good Value

Easy to  
understand

Easy to buy  
and make  
claims



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- Since this invitation and despite numerous awareness campaigns, 10 available products, various distribution channels and product where contributions are as low as RM3/month, the take up rate was still not as envisioned. As at end-2018, there were only 8511 certificates issued by the Takaful industry and less than 50,000 Perlindungan Tenang policies/certificates issued overall.
- According to the Financial Capability and Inclusion Demand Side (FCI 2018) Survey, only 1% of the B40 segment surveyed were aware of the Perlindungan Tenang initiative or products.
- By mid-2019, the 3 Associations for takaful and insurance companies met to decide on how to improve these statistics.



# INTRODUCTION AND PROJECT BACKGROUND

- Milliman was engaged by LIAM, MTA, and BNM to conduct an insurance / takaful demand study among the low-income segment of the population
- A Taskforce comprised of representatives from LIAM, MTA, and BNM provided guidance, direction, and key decisions throughout the project
- The study took place between March 2021 and April 2022
- In line with BNM's latest Financial Sector Blueprint (2022-2026) which has a focus of growing microinsurance/microtakaful



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## Taskforce members:

### ➤ LIAM

- Mark O'Dell
- Prashant Jain
- Prasheem Seebran
- Nancy Tan

### ➤ MTA

- Mohd Radzuan Mohamed
- Shahrul Azlan Shahrman
- Mohd Asri Bin Omar
- Wan Ahmad Najib
- Khairul Anuar Che Yeop
- Shazlyna Abdullah

### ➤ BNM

- Nurul Najiha Md Razak
- Wafiuddin Ahmad
- Khai Sheng Tang
- Nurul Izza Idris
- Suhana Alia Sidek
- Surannit Chit



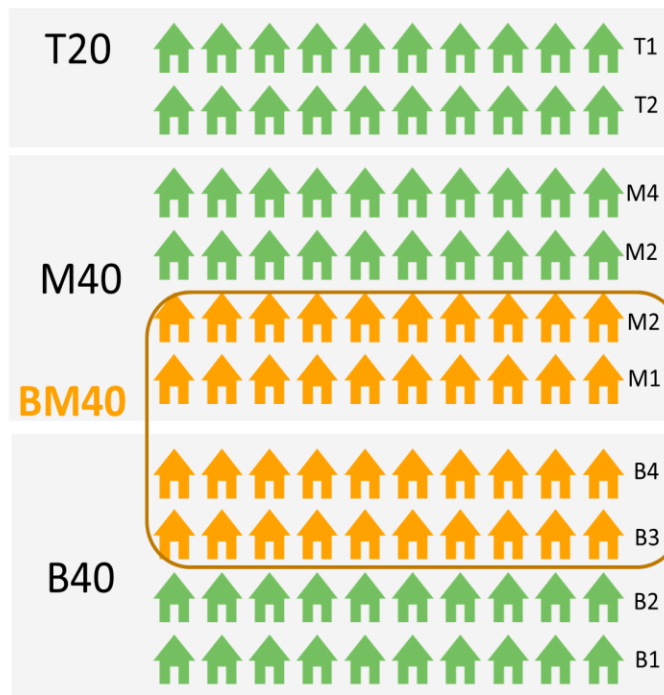
# OBJECTIVE AND TARGET MARKET



## Study Objective

Provide data, information, and insights to help individual insurers design microinsurance and microtakaful products that meet the needs and fit the realities of the low-income target market in Malaysia (specifically the “BM40”)

## Target market (“BM40”)



Monthly household (HH) income ranging from RM 3,150 to RM 7,400\*

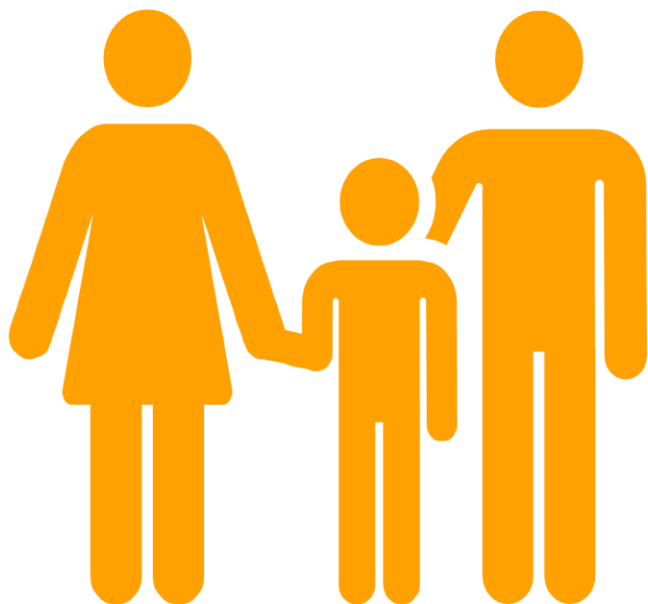
\*Based on the mean HH income of the B40 to the mean of the M40, as per 2019 data from [Department of Statistics Malaysia](#).



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## BM40 represent a huge opportunity



IN MALAYSIA

BM40 MAKE UP OF MORE THAN

**3.05 MILLION  
HOUSEHOLDS**



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Their needs are not  
homogenous



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# Methodology



# RESEARCH APPROACH

## Part 1 Desk research - market segmentation (March – June 2021)

3  
segments  
selected



Gig economy  
workers



Young families



Sales and  
service workers

## Part 2 Field research / qualitative research (July – November 2021)

36  
Complete

In-depth structured  
qualitative interviews  
across the three  
selected segments

## Part 3 Field research / quantitative surveys (Dec. 2021 – April 2022)

1,245  
Complete

Quantitative surveys in  
5 regions of Malaysia to  
validate and expand  
upon the qualitative  
results

## Part 4 Results (April – May 2022)

Report +  
Events

- 1 Virtual Industry  
Townhall presentation
- 2  
practitioner  
workshops
- Multiple company  
1:1's

Detailed methodology, including recruitment process and quality control methods, can be found in the full Report.



## KEY RESEARCH QUESTIONS

What types of risks do BM40 households worry about the most?

What are the high-level impacts of these risks?

What types of coping mechanisms do they rely on?

Which channels do they prefer for getting information on or purchasing financial products?



What preferences do they have for various coverages, value-added services, or marketing messages?

What are their attitudes and perceptions of insurance / takaful?

What experience do they have with insurance / takaful?



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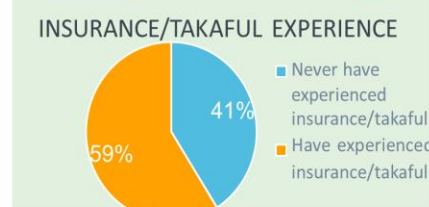
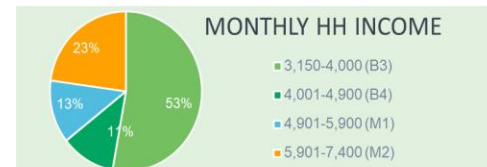
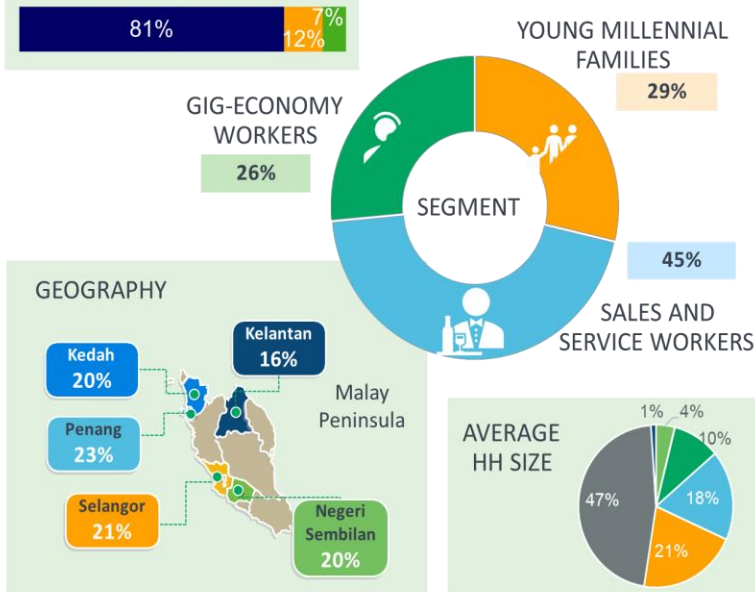
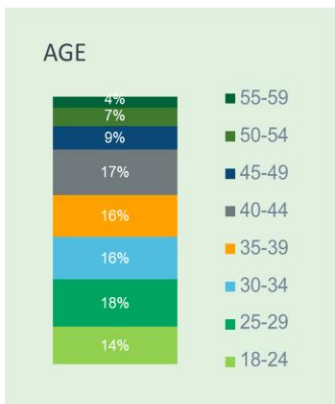
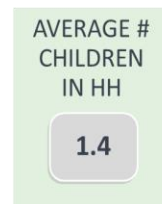
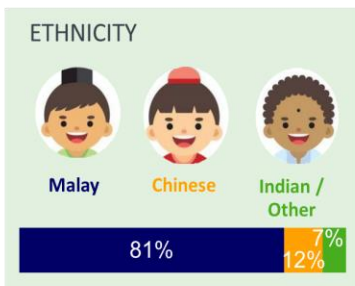
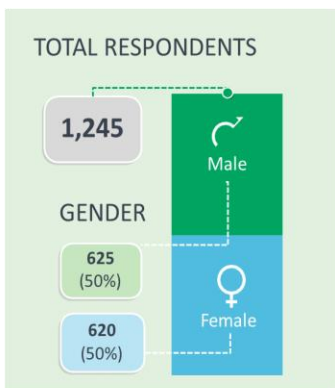
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# Key highlights from the BM40



# Demographic profile of the 1,245 survey respondents

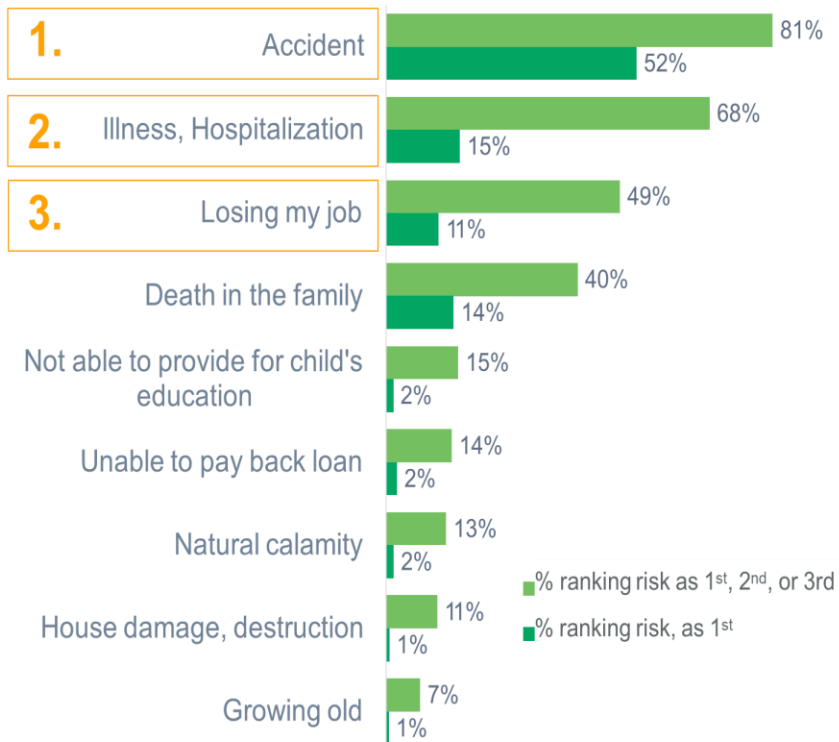
(Profile of the participants in the 36 qualitative interviews is roughly the same mix as the surveys)



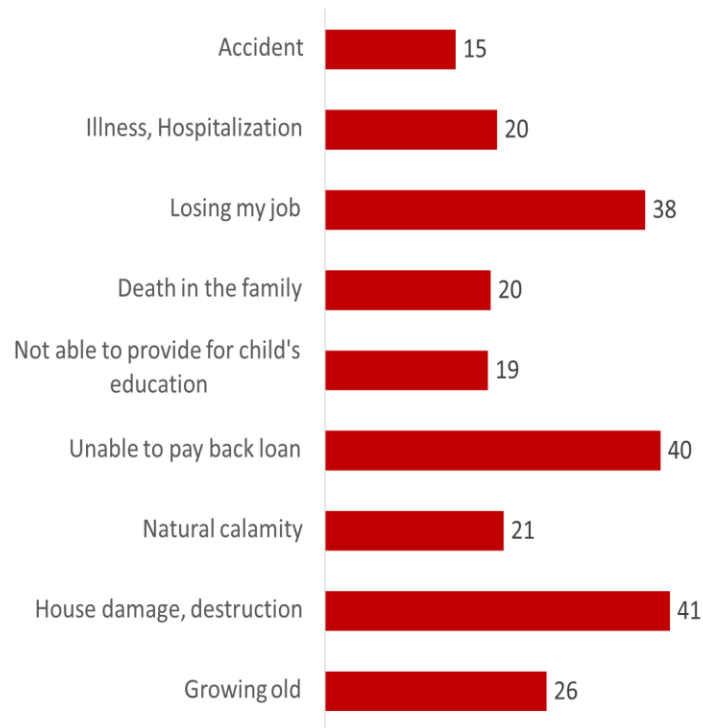


# BM40 SEGMENT - RISKS

## Top Risks / Concerns



## Average estimated out of pocket expenses / costs\* (RM '000s)



\*Estimates provided by respondents who ranked the risk in the Top 3, based on actual experience with the shock OR a hypothetical estimate.



# BM40 SEGMENT - COPING

## Top 3 risks coping mechanisms



### 2. Insurance

59% have 1 or more (non-motor) insurance products (*discussed next*)

### 1. Personal savings

48% say that their savings are not enough

### 3. Sell or pawn assets

Carries additional burdens which can compound the impact of the risk

## Top coping mechanisms (% of survey respondents ranking in Top 3)

Own savings **78%**

Insurance **56%**

Sell or pawn assets **40%**

Loan from a bank or financial institution **39%**

Government assistance (SOCSSO, EPF, MySalam, Peka B40) **33%**

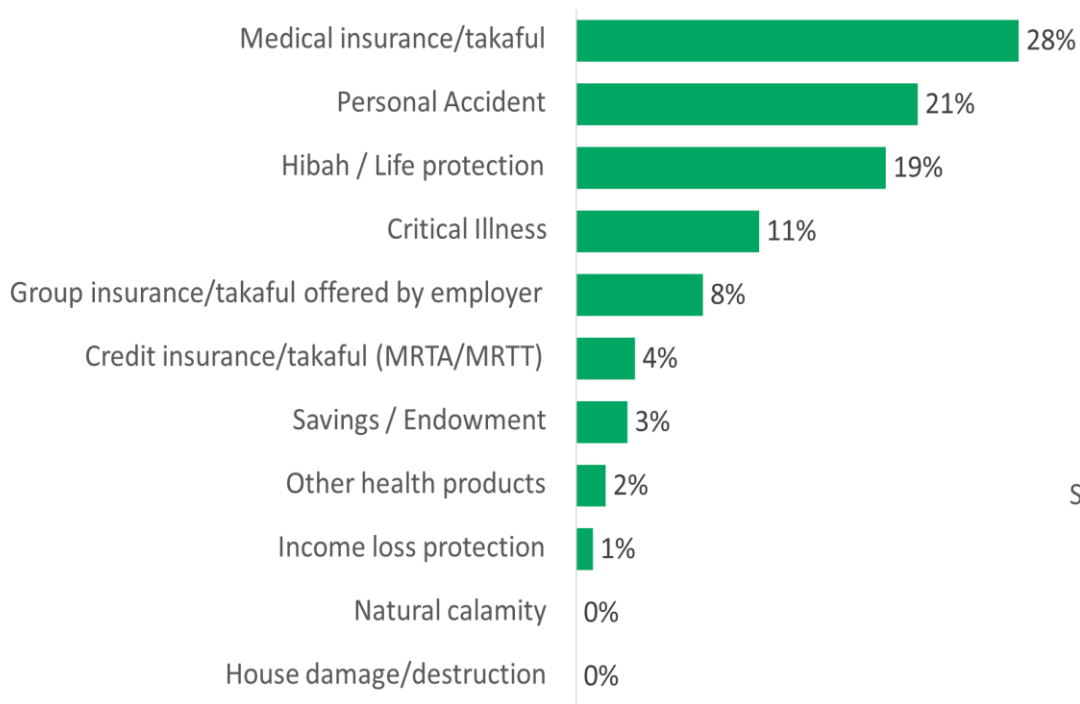
Borrow from family or friends **28%**

Seeking additional work **26%**

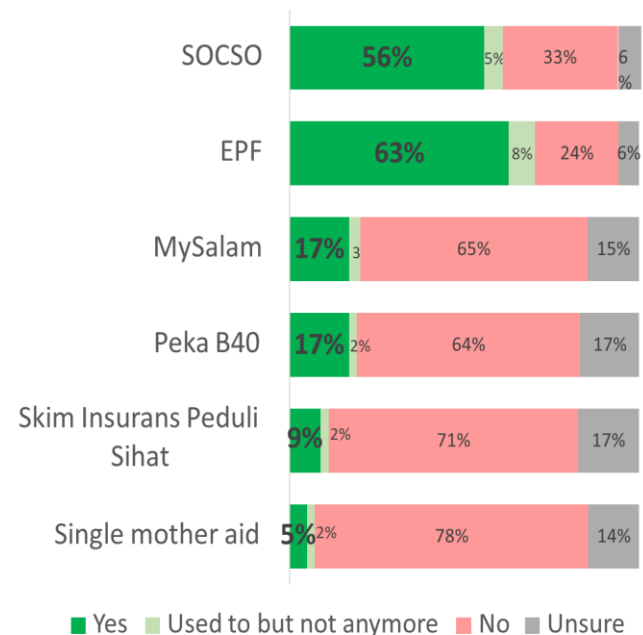


# BM40 SEGMENT – USAGE OF INSURANCE / SOCIAL PROTECTION

Proportion of respondents with various types of insurance



Proportion of respondents participating in various public protection schemes







## BM40 SEGMENT – INSURANCE PERCEPTIONS

### Perceptions of insurance



Insurance is  
logical

70% disagree that “it does not make sense to be insured as nothing serious will happen to me”



Insurance is  
helpful

63% agree or strongly agree that “if you are insured you can live without worry”



Insurance is  
valuable

78% agree or strongly agree that “insurance is a good use of money”



Insurers are  
stable

77% agree or strongly agree that insurers are financially stable



Current  
experience is  
satisfactory

Only 4% of current insurance users are unsatisfied with their experience



Some  
willingness  
to pay

47% are willing to put aside at least RM1200 annually for insurance premiums



Insurance is  
expensive

59% agree or strongly agree that insurance is expensive, and 48% of those who don't have insurance say that cost is the primary reason



26% of those without insurance say it's because it is not a financial priority



# BM40 SEGMENT - DISTRIBUTION

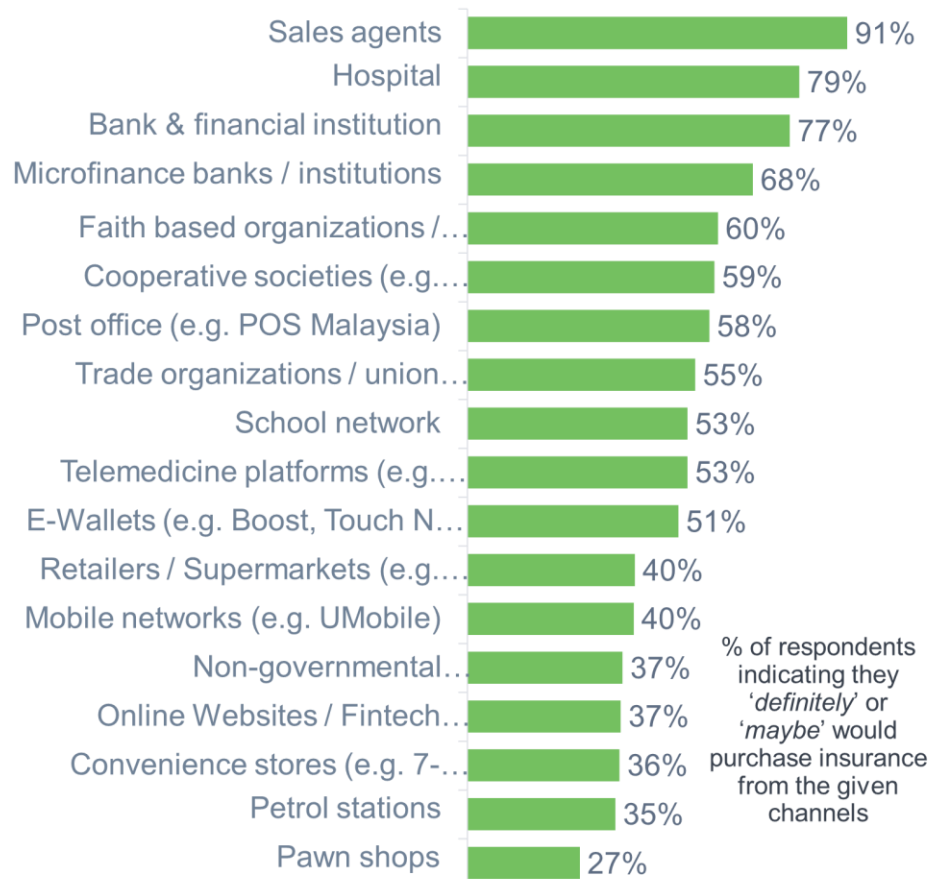
## Access

### Preferred payment methods

- 84%** Mobile money / e-wallet
- 82%** Debit card
- 48%** Credit card
- 48%** Cash payment at convenience store
- 26%** Mobile credit (pre-paid)
- 12%** Call centers

% of respondents ranking the method among their Top 3 preferred methods

### Openness to channels for insurance purchase





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## POSSIBLE SEGMENTS CONSIDERED

- A. Gig economy – 940k B40
- B. Self employed women – 440k B40
- C. Employed women – 1.5mil B40 (but many covered by EFT and Socso)
- D. Young Families – 5mil B40
- E. Sales and Service workers – 1.1mil B40
- F. SME (both workers and owners) = 2.3mil B40 (many products and govt support for this segment)



# SEGMENTATION OF BM40

## Key learnings

### Gig workers “Kekal Bertahan”



- Unstable work → worry about income loss
- Affordability for insurance is key
- More distrustful of insurance / takaful providers
- More willing to purchase through non-bank channels

### Young families “Celik Kewangan”



- Wide diverse segment → wide product range
- Future- and child-orientated and digital savvy
- Comparatively higher willingness to pay and more experience with insurance

### Sales and service workers “Peramah”



- Heavily impacted by Covid-19
- Rely on word of mouth and family members in managing finances
- Comparatively more skeptical and likely to report that insurance is not a priority

Full segment results and details will be available in the Report



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# Where to go from here?




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## How do the research topics relate to product design?

Example for perceptions and understanding of insurance

Research topic / question	Relevant data generated	Link to product / scheme design
 <b>Perception and understanding of insurance</b>	<ul style="list-style-type: none"><li>• Understanding of insurance and how it works</li><li>• Perceptions and beliefs about insurance and insurers</li><li>• Specific experiences with insurance</li></ul>	<ul style="list-style-type: none"><li>• To identify marketing and communication strategies</li><li>• To design field agent training programmes</li><li>• To facilitate consumer protection mechanisms</li></ul>

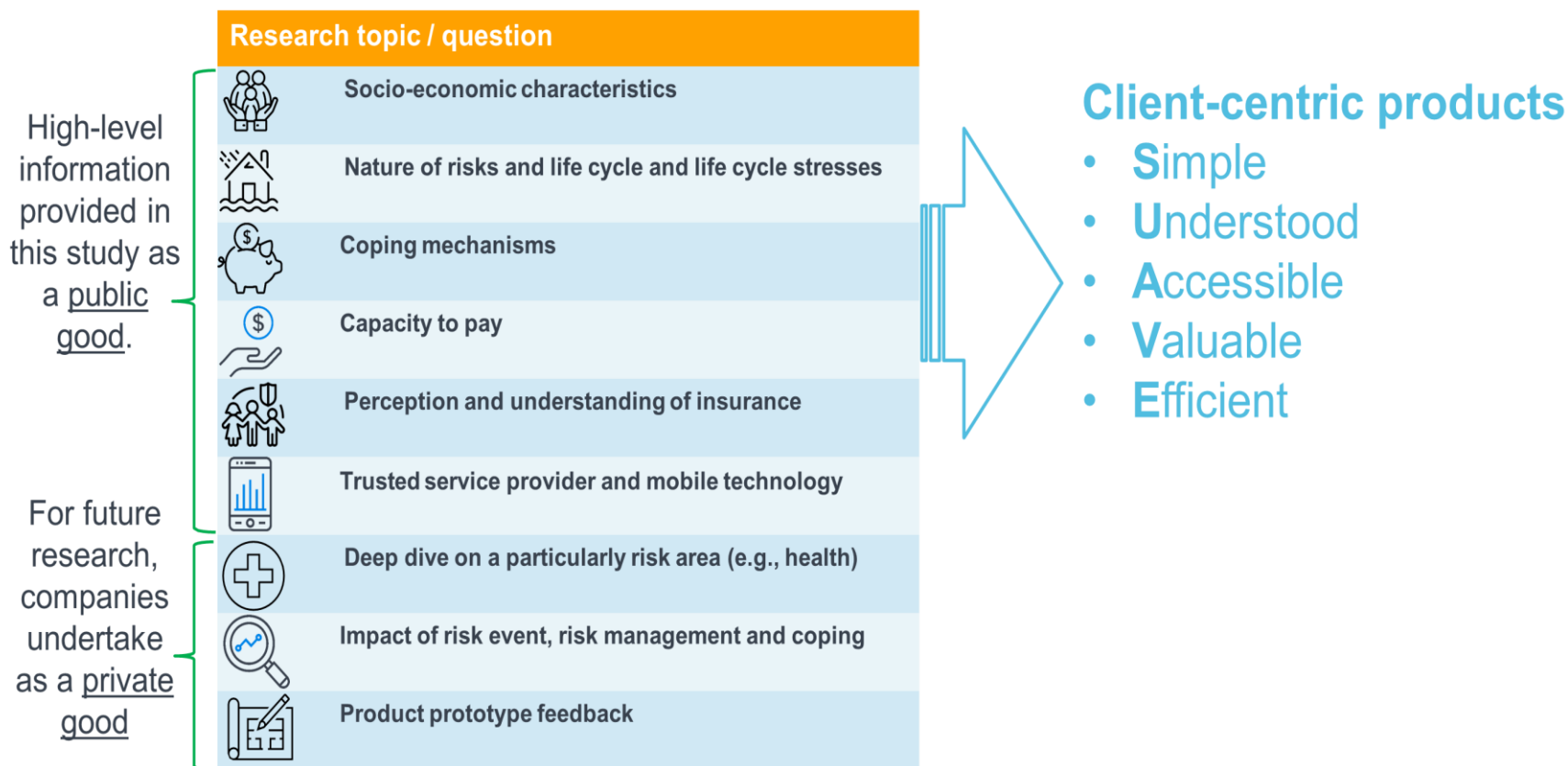
E.g. Insurance is viewed positively but seen as expensive



Focus marketing efforts on how the monthly cost of insurance compares to other common purchases



# HOW DO THE RESEARCH TOPICS RELATE TO PRODUCT DESIGN?





## GOVERNMENT SUPPORT FOR MT/MI

- PTV50 – 30 Sept – 31 Dec 2021
- PTV75 – 1 Jan – 31 Dec 2022
  - 15 July 2022 – RM5 commitment from participants
  - Included motor takaful/insurance, which is compulsory

No	Year	No of certificates
1	2018	8511
2	2019	6368
3	2020	9451
4	2021	293,946
5	2022	984,438
6	Aug 2023	183,383





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- In 2021, the Central Bank of Malaysia issued a guideline on Perlindungan Tenang. Predominantly this guideline relaxes the requirements to develop the product and also the requirements for a MT/MI agent in terms of qualifications, maintenance of contract, submissions, etc.
- This is to expand the availability and quality of takaful and insurance solutions to meet the needs of the underserved and unserved to promote their financial and social resilience.