

WELCOME SPEECH BY MR ANTONY LEE, CHAIRMAN OF PIAM
GENERAL INSURANCE AGENTS CONVENTION (GIAC) 2018
“DISTRIBUTION IN A DIGITAL ECONOMY – CUSTOMER @ CORE”

Welcome to the second ever General Insurance Agents Convention

In the house today we have...

En Adnan Zaylani Mohamed Zahid, Assistant Governor of BNM,

Ms Lau Chin Ching, Director of Insurance Development for BNM,

And senior officials from MDEC, Chubb, Hernan, Socar, PIAM and of course, all your favourite insurance companies.

How many of you were there?

How many of you remember anything?

Wonder why you are back?

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Since our first event in 2016, there has been quite a bit of change. We not only have a **new government, we also have a new governor**, so the pace of change is unprecedented. Overall, there is a great sense of optimism in the country and for the first time many of us are actually proud to say we are Malaysians.

Not sure how many were here at our inaugural event in 2016. For those who weren't, allow me a brief moment to update you and for those who were here to refresh your memories.

The big topic in 2016 was of course the phased liberalisation. Deputy Governor Jessica Chew in her speech highlighted the profound change that was coming. **For the prior 30 years, almost 60% of the entire industry had been tariffed.**

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We said that you would see **more benefits for consumers** with more innovative products, greater efficiency through technological innovation, more diversified delivery channels, but **most importantly for all of you a huge potential to expand your roles as intermediaries.**

Consumers facing even more choices would need smart people to explain the changes and also good advice on which products would suit them best. There would need to be greater professionalism so that we could improve the image of the industry which would in turn lead to greater insurance penetration. Too many Malaysians were still underinsured - flood was a good example.

Back then, the agency force was the main distribution channel, accounting for 62% of all policies sold. DG Jessica asked for all of you to play a greater role in educating the public on the need for insurance and she did say you would all still be highly relevant going forward.

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Fast forward to 2018 and what do we see....

Product Innovation - almost 200 new products were submitted to PIAM, and a total of 76 have been launched.

Greater competition - Consumers are definitely winning - prices for certain fire products have fallen by as much as 30%, whilst for motor we do see rates coming downwards although these have been more limited due to BNM's controls.

Agency Transformation - you still remain the main distribution channel, again over 60% of all business, that's over 10.5 billion for 2017. For 2015 it was 10.1 billion. So there has been some growth.

But there are some interesting details too. In terms of overall agents the 39k number is about the same - marginally higher by 160 agents.

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But we do we see consolidation happening - the smaller agent sector, i.e. those earning less than 50k now only make up 40% of the entire agency force vs almost 45% in 2015.

But the premium only represents 4% of the total! Those earning 50k and above actually dominate with over 96% of all premiums written. In fact the top tier, those earning 250k and above represents 20% of all agents and control 77% of all production. Production per agent has also increased by 3.2% in 2017 vs an industry that saw almost zero growth. In 2017 you are all therefore doing very well vs the market.

The new Governor recently highlighted that insurance penetration was still a major issue for Malaysia relative to GDP at below 2%. It appears we seem to have made little progress since 2016. We need to all rally to address this. The lower income group, i.e. the B40 are extremely vulnerable.

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According to BNM, 8 million don't have life policies, healthcare inflation is running at over 15%, and we have an ageing population. Without adequate insurance only 60% of Malaysia's engine is running well.

We need some radical transformation and innovation is going to be the key. Hence the focus on our theme of the digital economy for this year's conference. At the core of all things digital is still the customer, and we need to ensure our products are relevant so they want to buy them.

What is digital? Take out handphone.

Why is it important? I don't think I need to tell you all but here are some statistics:

- From 2010-2016 the digital economy in Malaysia grew 9% a year and is expected to make up 20% of the economy in 2020.
- Of the digital economy, e-commerce makes up 40%.

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- Malaysians love technology. We rank 41 out of 180 countries on the digital adoption index. And I'm sure for the young generation it's even higher.
- And, we have great success stories of home grown businesses that have grown beyond Malaysia. Grab and Lazada are two examples.

So what are the opportunities for agents?

Many of you are already using digital to do business. Lady agent, example of travel insurance via WhatsApp and never meeting customers. So much more efficient not having to travel and meet people face to face. Also lower costs and increases efficiency. New government has committed to lowering broadband pricing. Minister Gobind announced recently a mandatory standard on access pricing which has seen 30% reductions.

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Of course, there are threats for cyber security, impact to jobs from AI which means we need to innovate to overcome and create solutions for security and new jobs that embrace digital.

But the most important aspect is consumer empowerment. An unhappy customer can reach a big audience so we all have to up our game. This will help improve our reputation. So I urge you all to embrace by upgrading your knowledge of new products in the digital age, and learn how to use these technologies. Of course human contact will always be your differentiator. Machines can't do that.

Think of yourself as bloggers and influencers. You all know the celebrity ones in other industries e.g. fashion and travel, etc. I think this is where together we can address the poor understanding of insurance amongst the Rakyat!

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Hope you enjoy the programs today and of course take advantage of the great networking opportunity.