

Board Matters Quarterly

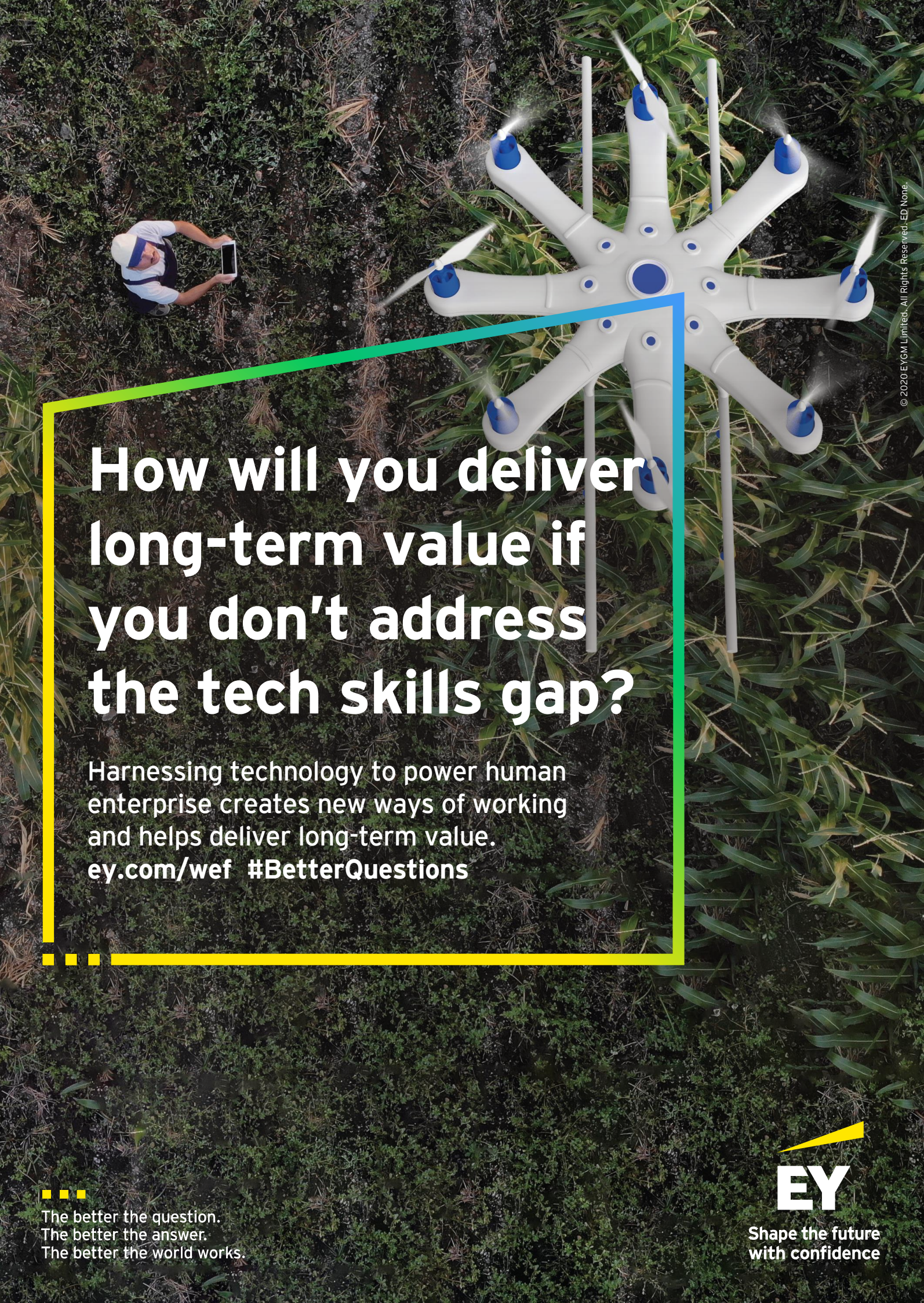
Issue 1, 2025



The better the question.
The better the answer.
The better the world works.



Shape the future
with confidence



How will you deliver long-term value if you don't address the tech skills gap?

Harnessing technology to power human enterprise creates new ways of working and helps deliver long-term value.
ey.com/wef #BetterQuestions



The better the question.
The better the answer.
The better the world works.



Shape the future
with confidence

Board Matters Quarterly

Board Matters Quarterly offers thought-provoking perspectives and insights into leadership and governance issues for boards and audit committees, providing support to navigate an increasingly complex business environment.



1
Why embracing AI strategies in workforce development is crucial for long-term growth



2
How insurers can accelerate value creation from gaps to gains

A woman with long dark hair, wearing a blue denim shirt, stands in a modern office environment. She is looking at a glowing, translucent digital avatar of a person with short, spiky hair. The avatar is reaching out towards the woman. The background consists of vertical bars in various colors (blue, orange, yellow) and a large number '1' in the top left corner.

1

Why embracing AI strategies in workforce development is crucial for long-term growth

By Anil Shivadas and Low Choy Huat

The Malaysian government's announcement of a 5.1% GDP growth for 2024 is a testament to the country's economic resilience, outpacing the initial forecast of 4-5% set in the previous year's budget.

This robust performance, achieved amidst global uncertainties, can be attributed to a combination of improved trade conditions and a surge in foreign investment inflows. Such economic indicators are promising signs of Malaysia's potential for sustained growth and prosperity.

A recent white paper by the World Economic Forum (WEF) underscores the importance of expanding labor and capital inputs for organizations aiming to secure long-term growth. The report particularly highlights the role of technology and artificial intelligence (AI) in particular, as a significant driver of productivity. According to the WEF, AI could potentially enhance productivity in emerging economies by as much as 4.5% over the next decade.

Despite these optimistic projections, the EY AI Pulse Survey reveals a gap in AI adoption among businesses. Just 36% of business leaders report that their organizations have prioritized the development of data infrastructure, which includes quality, accessibility and governance. This is a shortfall, especially considering that 88% of businesses have increased their budget allocations to support such advancements.

The transformative impact of AI on global work practices is undeniable and Malaysia is keen to be part of this technological revolution. However, the journey is not without its challenges. Like many other nations, Malaysia is grappling with issues related to AI adoption, such as governance, preparedness and talent shortages. These challenges must be addressed to fully harness the benefits of AI for the nation's economy.

Implications for Malaysia's workforce

The future of Malaysia's human capital is poised for significant change, driven by the integration of AI, digitalization and sustainability. Research conducted by TalentCorp (Impact Study of AI, Digital, and Green Economy on the Malaysian Workforce), which canvassed the opinions of stakeholders across 10 key Malaysian sectors, indicates that 18% of employees are highly impacted by these technological shifts. The WEF further projects that 39% of the global workforce will experience a disruption in skill sets by 2030. Both studies concur that while AI will drive demand for new skills, it may also render some roles redundant, particularly in certain sectors.

Malaysia's workforce is notably young, with nearly 40% below the age of 30. This demographic is perceived as highly adaptable and poised to realign with evolving organizational talent strategies. Nonetheless, there are concerns about existing skill gaps, especially in areas of digital fluency, which is identified as one of the top five skills in demand according to the FSF.

As we look to the future, it is clear that boards must play a crucial role in addressing the needs and influences of Gen Z – the demographic that will soon dominate the consumer market and the workforce.

It is imperative for board members to consider and implement strategies that will steer their organizations towards a future that is shaped by the preferences and values of this upcoming generation.

Gen Z's influence on the future

The EY Gen Z AI literacy report sheds light on the optimistic view that Gen Z holds towards AI and their ability to identify the transversal and technical skills required to thrive alongside AI technologies. However, despite their inherent digital nativity and openness to AI, there is a noticeable inconsistency in their AI literacy levels. This disparity could have significant implications for businesses if practical proficiency is mistaken for comprehensive AI literacy.

To address this, organizations must commit to equipping this emerging workforce with the knowledge and skills necessary to fully realize AI's potential. This effort may entail embracing unconventional forms of education that resonate with Gen Z, such as learning through social media platforms – a method preferred by 55% of Gen Z, according to survey responses.

The agility of Malaysia's future workforce is crucial and readiness to adapt to new technologies and methodologies is non-negotiable. A concerted effort is required to bridge readiness gaps, which will involve developing AI consensus frameworks, enhancing upskilling efforts and considering the implications for individual career trajectories as part of an organization's AI transition agenda.



Boards' consideration



Considering the Impact Study of AI, Digital, and Green Economy on the Malaysian Workforce, boards must take a proactive stance to ensure their companies remain competitive in driving productivity growth and are not sidelined during the digital transformation. This involves:

- 1 Championing in-house training and development programs to upskill and reskill employees in AI, digital and green economy skills, while addressing the holistic growth of the workforce.
- 2 Implementing talent retention strategies that include creating personalized career development plans and fostering talent mobility to broaden skill sets and prepare employees for future roles.
- 3 Fostering collaboration to build stronger synergy with government bodies, academic institutions and training providers to ensure that effective solutions are implemented efficiently and in a timely manner. Initiatives like TalentCorp's MyMAHIR Future Skills Talent Council exemplify this endeavor and encourage such collaborations to equip Malaysian talent with in-demand skills.

In conclusion, Malaysia's economic growth highlights the critical need for strategic AI integration within workforce development to bridge existing skill gaps and leverage the adaptability of its youthful population. Boards must prioritize comprehensive in-house training, robust talent retention and collaborative skill-building initiatives to ensure the nation's sustained success in the digital era. By doing so, Malaysia can look forward to a future where its workforce is not only prepared for the challenges of tomorrow but is also actively shaping the digital landscape.

Anil Shivadas and Low Choy Huat are Partners at Ernst & Young Consulting Sdn. Bhd. The views reflected above are those of the authors and do not necessarily reflect the views of the global EY organization or its member firms.

2

How insurers can accelerate value creation from gaps to gains

Even as shifting global dynamics challenge insurers, the [2025 Global Insurance Outlook](#) shows there have never been more viable paths to innovation-led growth across the industry. Indeed, the huge gaps in protections against cyber and climate threats - with 99% of losses from cyberattacks and 60% from natural disasters uninsured - plus the massive shortfall in retirement savings present compelling value creation opportunities. Strategically orienting the enterprise around richer data and fully modernized technology is one critical step.

Uninsured losses

99%

of losses from cyberattacks are uninsured

Source: Munich Re Cyber Survey 2024

60%

of losses from natural catastrophes are uninsured

Source: Swiss Re Sigma

But whether insurers prioritize new product development, mergers and acquisitions (M&A) or geographic expansion in their growth strategies, a few key actions can unlock growth through innovation.

1. Design purposeful products

The biggest protection gaps - retirement savings and climate - are poised to get even bigger. The global retirement savings gap is set to grow from US\$106 trillion in 2022 to US\$483 trillion in 2050. Thanks to longer lifespans and aging populations worldwide, there is greater need for products that deliver income for older citizens. That's how insurers can promote financial security across society.

The "silver tsunami" - the huge demographic wave of baby boomers reaching retirement age - will cause a spike in demand for financial estate planning services as well as life and health insurance augmented with wellness programs. In the US alone, those aged 65 and over will grow from 58 million in 2023 to 82 million in 2050. Leading insurers will need to position themselves for the coming transfer of assets by demonstrating clear value propositions.

Global retirement savings gaps

\$106t

Gap in 2022 (in USD)

\$483t

Projected gap in 2050 (in USD)

Source: Swiss Re

Purpose can also provide the motivation to deliver climate solutions with more robust coverages and tailored prevention services for the huge populations - over 40% worldwide, according to Geneva Association - that live in high-risk areas. Strengthening climate protections necessitates rethinking traditional approaches to risk management, pricing and claims modeling. Purpose can also fuel positive collaborations and partnerships with governments and other stakeholders, an important step given the increasing likelihood of new government mandates.

US citizens aged 65+

58m

In 2023

82m

In 2050 (projected)

Source: LIMRA, US Census Bureau

2. Personalize offerings to expand share of wallet

Usage-based products, modular add-on features and tailored pricing demonstrate to consumers that you are committed to serving their unique needs - a proven way to promote loyalty and engagement. Artificial intelligence (AI) tools can help in this area with tailored messaging, more accurate pricing and faster underwriting and binding processes.

On-demand coverage and real-time risk prevention are other ways that personalization strategies can add value. AI and advanced analytics can also target the highest-potential customers for product bundles and other offerings that maximize customer value.

Technology boost

10-25%

increase in operating profits for insurers with successful data and analytics strategies

35%

increase in employees' underwriting capacity from generative AI (GenAI)-enabled automation

3. Seek innovation at scale

With a lean and highly automated operating environment, insurers can look to scale low-margin products to new segments via partners and ecosystems and other channels. The rapid expansion of embedded offerings demonstrates what's possible.

Parametric insurance - policies that pay out when specific events occur - expands the type of attractive products insurers can deliver to new customers and is expected to grow to US\$29.3 billion by 2031. Parametric solutions have gained traction in the agricultural industry and as protection against natural disasters, but can also be applied to business interruptions, supply chain disruptions and cyberattacks.

Parametric insurance market size

\$11.7b

In 2021 (in USD)

\$29.3b

In 2023

Source: Swiss Re

4. Use regulation as a prompt to innovate

The combination of more and more stringent rules in Europe and softening oversight in the US may create an unbalanced competitive playing field, with 61% of insurers cite evolving regulatory requirements as the top operational challenge for the year ahead. But firms that go beyond a minimalist, check-the-box approach may generate business value from their compliance programs.

Consider how the EU Financial Data Access (FiDA) legislation, slated to be enacted in 2025, paves the way for consent-based data sharing across pension, savings and nonlife insurance companies and products. That's an invitation for firms seeking to expand their offerings. Similarly, the opportunity to participate in government pension schemes requires insurers to enhance their ability to share data securely and seamlessly. The Danish Compromise is reshaping the competitive landscape by creating new opportunities in bancassurance channels in Europe. Lastly, more detailed disclosure and reporting standards should prompt more automation and integration of data flows.

Regulation prep

61%

of insurers cite evolving regulatory requirements as the top operational challenge for the year ahead

5. Embrace a unified data strategy for the entire enterprise

Success in the digital age demands that every business have a unified data strategy - one that is comprehensive and led by the C-suite. Because better data underpins every aspect of the business and is crucial to innovation, the data and technology agenda must be driven by the CEO, rather than the IT team. Further, strategic planning and resource allocations - basically any and all senior management decisions - should be redesigned to reflect the richer data sets executives now have at their disposal.

A data strategy must reflect the need to harness the power of AI and other advanced technologies and define the necessary components of a flexible, future-ready data infrastructure. It will also need to establish appropriately robust governance models and controls environments for fully automated processes to ensure quality and build trust.

6. Commit to serving the underserved

What industry wouldn't like to find tens of millions of new customers? For insurers, devising new solutions (e.g., micro coverages, starter policies) for just 1% of the estimated four billion underserved people worldwide could result in 40 million new customers, according to research from Forrester. Here again, it's all about purpose - delivering protections to the people who need them most.

New products - more affordable, easier to buy and modify - hold the key. Parametric policies, microinsurance for smaller farmers and precise coverages for small businesses and gig workers are just a few of the ways to create value for underserved segments. Carriers in some emerging markets offer health and life insurance for as little as US\$0.20 per month. It will take bold strategic thinking and creative action to deliver what these customers want (and can afford), but the underserved (who contribute to the lion's share of the worldwide protection gap) offer the biggest potential for insurers to sustain their solid bottom-line performance.

Serving the underserved

40m

projected new customers from
engaging just 1% of the four billion
insured, low-income people worldwide

Source: Forrester

Summary

Volatility and uncertainty - both within individual markets and across regions - define the global insurance industry to an extent not seen in decades. The run of economic prosperity and integration that benefitted the financial services sector for several decades seems gone forever. But insurers are uniquely qualified to create value during periods of instability. Those that target investments in AI-enabled tech and stronger data management capabilities to personalize communications and products will be able to create more value, create it faster and deliver it to more customers and communities than ever before.

This article was sourced from EY Center for Board Matters: How insurers can accelerate value creation from gaps to gains

Contacts

**Dato' Abdul Rauf Rashid**

Malaysia Managing Partner,
Ernst & Young PLT

Tel: +603 7495 8728
abdul-rauf.rashid@my.ey.com

**Preman Menon**

Malaysia Strategy and Transactions Leader,
Ernst & Young PLT

Tel: +603 7495 7811
preman.menon@my.ey.com

**Farah Rosley**

Malaysia Tax Managing Partner,
Ernst & Young Tax Consultants Sdn. Bhd.

Tel: +603 7495 8254
farah.rosley@my.ey.com

**Chow Sang Hoe**

Malaysia Consulting Managing Partner,
Ernst & Young Consulting Sdn. Bhd.

Tel: +603 7495 8696
sang-hoe.chow@my.ey.com

**Ong Chee Wai**

Malaysia Assurance Managing Partner,
Ernst & Young PLT

Tel: +603 7495 8776
chee-wai.ong@my.ey.com

**Ismed Darwis**

Malaysia Markets Leader
Ernst & Young PLT

Tel: +603 7495 8749
ismed.darwis@my.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets. Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2025 Ernst & Young Consulting Sdn. Bhd.
All Rights Reserved.

APAC no. 07011012
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/my