

# Take5 for business

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Bridging the  
protection gap in  
Malaysia through  
digital transformation



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# Bridging the protection gap in Malaysia

Digital transformation is set to enable expansion of Malaysia's insurance and *takaful* market to RM116 billion by 2030. However, a substantial protection gap remains. Around 10.2 million individuals and 644,000 micro, small and medium enterprises (MSMEs) continue to be unserved, often due to persistent and well-evidenced barriers.

In a recent survey conducted across Malaysia, EY found that within the retail segment, 47% of respondents point to affordability as a key reason for not purchasing insurance, while 41% cite complexity and 27% say products lack personalization. MSMEs face similar issues, with 36% struggling with affordability and 28% finding policies too complex to navigate.

With the right strategy, insurance and *takaful* operators (ITOs) can reimagine how protection is designed, priced and delivered. Globally proven business models, artificial intelligence (AI) driven insights and modular platforms now make it possible to offer affordable, simple and tailored products at scale. More importantly, they can redefine protection to make it accessible, relevant and trusted for Malaysia's underserved communities and enterprises.

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Malaysia's RM78 billion digital insurance opportunity between 2024 and 2030 presents a real chance for new players to drive inclusion, competition and efficiency. Success will depend on designing relevant experience that make insurance more inclusive.



**Ravi Kittane**

Partner, Financial Services  
Ernst & Young Consulting Sdn. Bhd.

## Strategies for insurance digital transformation

Insurance companies should focus on their business value and define a road map to shape technology adoption through three key steps:

**1**

Explore opportunity to **address the unserved** needs of at least 10.2 million people and 644,000 businesses.

**2**

Help consumers **overcome some of the significant barriers** to purchasing insurance, such as affordability, simplicity and personalization.

**3**

**Adapt to changing consumer behavior** i.e., consumers are looking for simplicity in their policies and to feel confident in their policy choices.

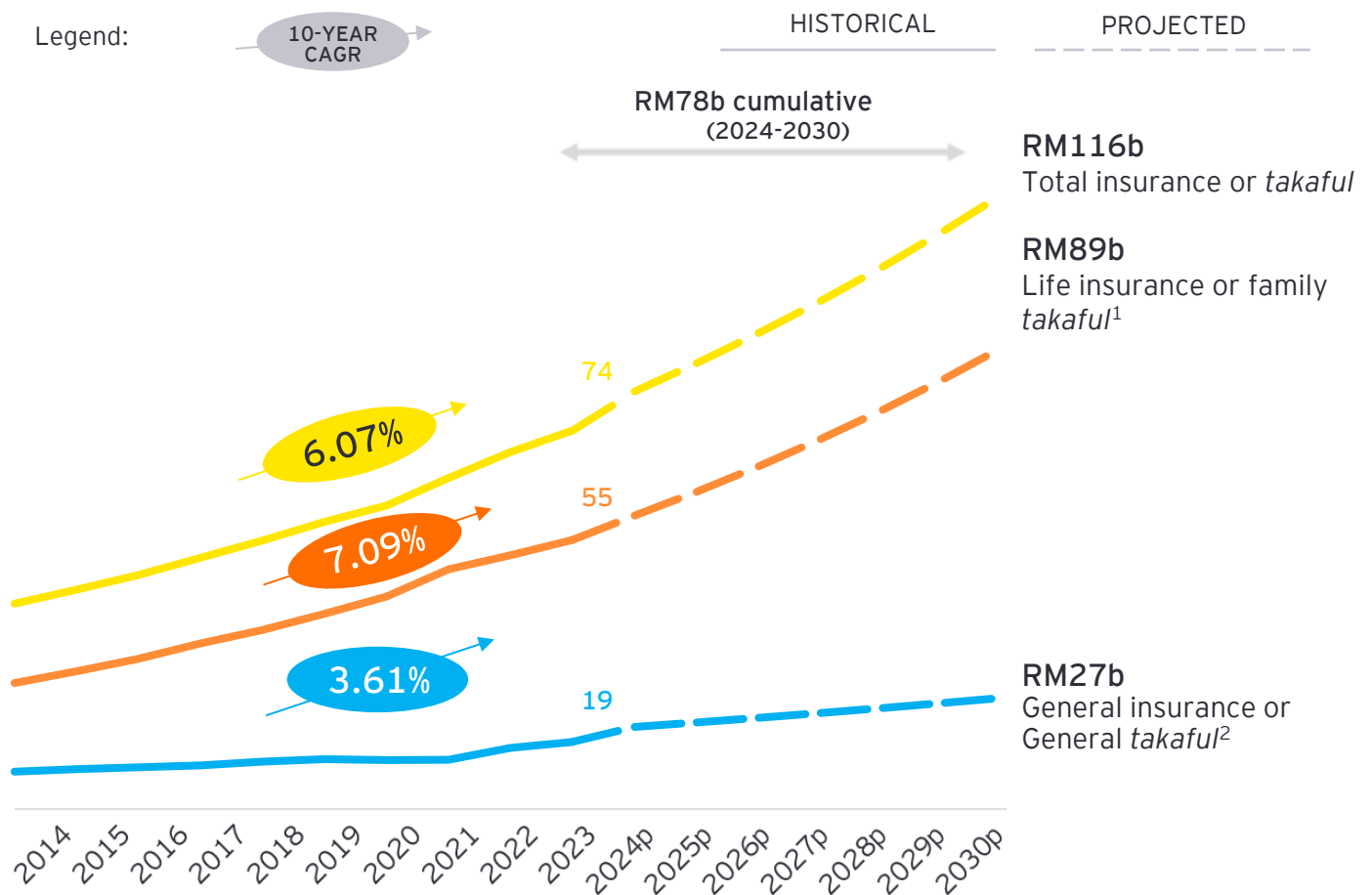
Source: EY analysis



# Malaysian digital insurance outlook

The digital insurance and *takaful* opportunity in Malaysia is estimated to reach RM78 billion cumulatively between 2024 and 2030.

**Overview of insurance and *takaful* market, in RM billion, 2014-2023 historical, 2024-2030 projected**



## Notes:

- Numbers may not add up due to rounding
- <sup>1</sup> Premiums and contributions in force at end of year
- <sup>2</sup> Net premiums

## Sources:

- Bank Negara Malaysia
- ISM Statistical Yearbook
- EY analysis



# Market insights: Retail and MSME survey

To further understand the digital opportunities available, EY engaged Ipsos Malaysia to conduct a survey across Malaysia, spanning retail and MSME segments regarding their attitudes towards insurance and *takaful* products.

## Sample



### Retail

- **Age range:** 18-55
- **Ethnicities:** Malay, Chinese, Indian, Bumiputera
- **Marital status:** Single, married, divorced, widowed
- **Income range:** RM1,999-RM15,000+



### MSMEs

- **Years of operations:** 0-10+
- **Number of employees:** <5-75
- **Business type:** 70% micro, 30% small

## Our findings

EY's survey findings point to a clear opportunity for insurers to address the unserved<sup>1</sup> needs of at least 10.2 million people and 644,000 businesses.

Unserved					
	General insurance*	General <i>takaful</i>	Life insurance	Family <i>takaful</i>	Current spend
Retail	61%* ~11.7 million people	80% ~15.4 million people	53% ~10.2 million people	79% ~15.2 million people	On average, respondents claim to spend 11% of monthly household income on insurance products.
MSMEs	58%* ~644,000 businesses	77% ~855,000 businesses	Not applicable	Not applicable	On average, MSMEs claim to spend 13% of their operating expenses on insurance products.

Notes:

<sup>1</sup> Unserved is defined as respondents who are either not aware of insurance or do not currently have a policy or certificate.

\*For general insurance, the average awareness and current ownership of health, motor and property insurance are considered and is broken down as below:

- Retail - Health (52% unserved), motor (53% unserved), property (77% unserved)
- MSMEs - Health (57% unserved), motor (52% unserved), property (66% unserved)

Source: EY analysis

# Market insights: Retail and MSME survey (cont'd)

## Our findings

To capture opportunity, ITOs need to help consumers overcome some of the significant barriers to purchasing insurance.

Key barriers					
Which barriers are the key factor in your decision to not purchase insurance products?					
Retail	Affordability	Simplicity	Personalization	Access	Awareness
	47% “Affordability of the insurance products.”	41% “Complexity of insurance products makes it hard to decide which product meets our specific needs.”	27% “Insurance products lack personalization and are not tailored to my needs.”	27% “Access to insurance products and related information are limited.”	23% “We are unaware of insurance products.”
MSMEs	Affordability	Simplicity	Personalization	Trust	Communicate value
	36% “Affordability of the insurance products.”	28% “Complexity of insurance products makes it hard to decide which product meets our specific needs.”	22% “Insurance products lack personalization and are not tailored to my needs.”	32% “Lack of trust towards insurance agents or sales representatives of insurance companies.”	26% “We do not see the value insurance products bring to our business.”

In addition to an unparalleled claims experience, consumers are looking for simplicity in their policies and to feel confident in their policy choices.

	Aspects of consideration when selecting an insurance provider (Ranked)	Factors that would help alleviate concerns for purchasing fully digital insurance products	Online insurance purchase expectations via third-party platform
Retail	1. Speedy claims settlement 2. Good claims settlement ratio 3. My money is safe with insurer 4. Rate of return on investment 5. Lower premium amount compared to others	<ul style="list-style-type: none"> <li>Easier to purchase and manage policies (59%)</li> <li>Simple-to-understand policy (58%)</li> <li>Increase in user base and reviews (42%)</li> </ul>	<ul style="list-style-type: none"> <li>I can compare different policies between insurance providers (60%)</li> <li>I can make my claims online (40%)</li> <li>I do not have to rely on agents for purchase or service (39%)</li> </ul>
MSMEs		<ul style="list-style-type: none"> <li>Simple-to-understand policy (62%)</li> <li>Increase in user base and reviews (49%)</li> <li>Recommendations from friends and family (48%)</li> </ul>	<ul style="list-style-type: none"> <li>I can compare different policies between insurance providers (59%)</li> <li>I can make my claims online (50%)</li> <li>I do not have to rely on agents for purchase or service (41%)</li> </ul>

# Global exemplary digital initiatives

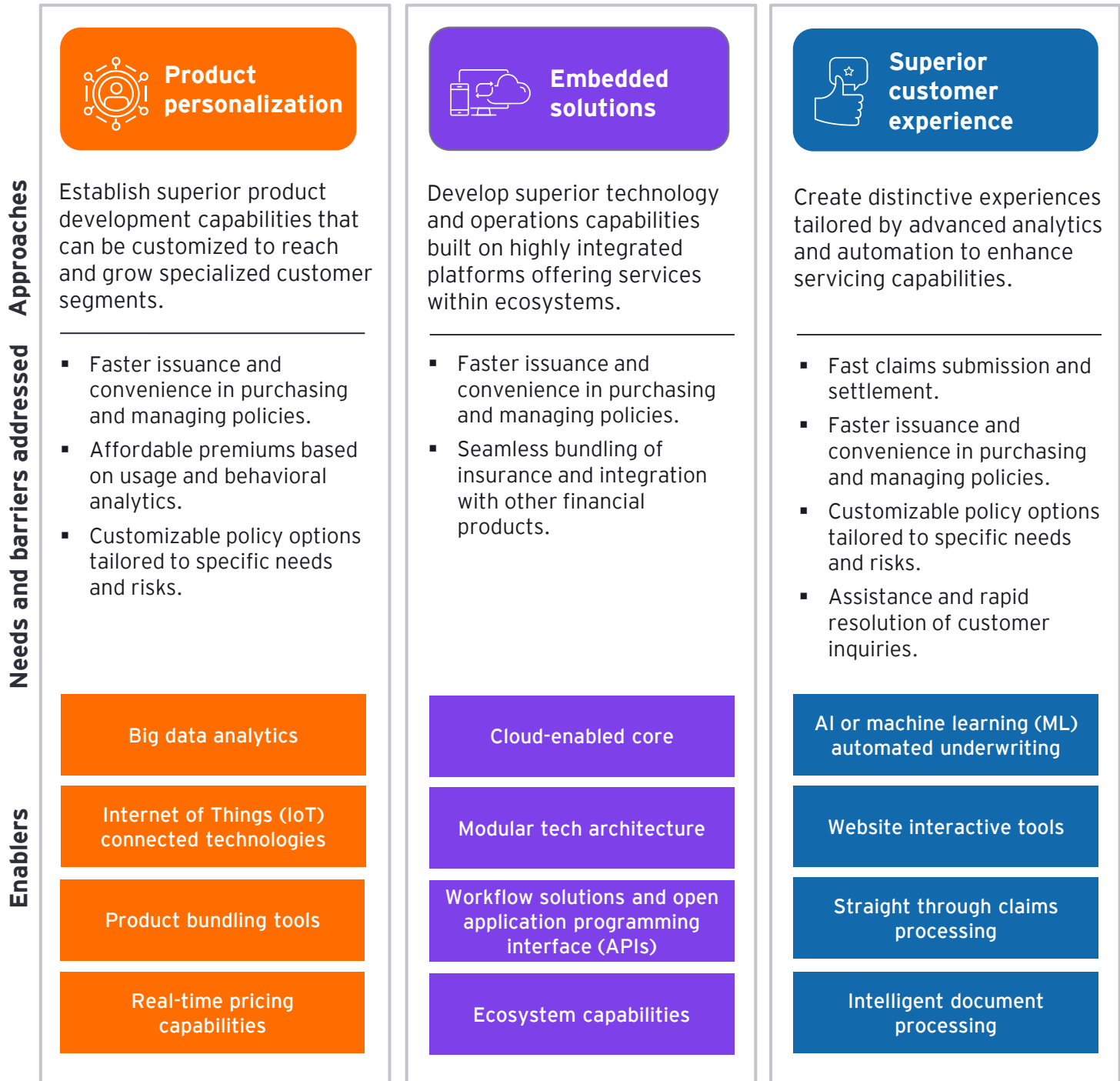
Some of the exemplary digital initiatives from global companies include:

	Initiatives	Case study examples
 <p><b>Product personalization</b></p>	<p>Achieve product personalization via data-driven insights and tailored offerings to deliver value and reach new segments via:</p> <ul style="list-style-type: none"> <li>▪ Marketing offers</li> <li>▪ Service offers</li> <li>▪ Risk controls</li> <li>▪ Anticipated support</li> <li>▪ Relationship messages</li> <li>▪ Web and content personalization</li> </ul>	<p><b>US-based insurance company</b></p> <ul style="list-style-type: none"> <li>▪ Provide coverage to small businesses, offering a variety of simple and tailored products, to a diverse range of industries.</li> <li>▪ Key success factors: <ul style="list-style-type: none"> <li>▪ Develop tailored policies for 1,300+ professions.</li> <li>▪ Build applications for policy management and claims filing.</li> <li>▪ Use AI to streamline applications and claims, improving turnaround time.</li> </ul> </li> </ul>
 <p><b>Embedded solutions</b></p>	<p>Unlock new revenue streams across direct-to-consumer (D2C), business-to-business (B2B) and business-to-business-to-consumer (B2B2C) via:</p> <ul style="list-style-type: none"> <li>▪ Infrastructure as a Service (IaaS)</li> <li>▪ Embedded capabilities</li> <li>▪ Licensed partnership</li> </ul>	<p><b>Indonesia-based InsurTech</b></p> <ul style="list-style-type: none"> <li>▪ D2C and B2B2C customer relationships leveraging its marketplace and IaaS enablement businesses.</li> <li>▪ B2B partners can develop and distribute customized insurance products for their respective customer platforms.</li> <li>▪ Key defining characteristics: <ul style="list-style-type: none"> <li>▪ Digital insurance enablement</li> <li>▪ Product variety and relevance</li> <li>▪ Technology integration</li> <li>▪ Rapid distribution and go-to-market (GTM)</li> <li>▪ Customer-centricity through partnership</li> </ul> </li> </ul>
 <p><b>Superior customer experience</b></p>	<p>Utilize advanced technologies and AI advancements to achieve operational and service excellence to deliver differentiated experiences through:</p> <ul style="list-style-type: none"> <li>▪ Automated claims processing with AI-powered extraction and intelligent automation.</li> <li>▪ Augmented underwriting process with AI and human involvement.</li> </ul>	<p><b>US-based InsurTech</b></p> <ul style="list-style-type: none"> <li>▪ Process, approve and disburse payment for eligible claims within one day.</li> <li>▪ AI-powered tool automates claim submissions and guides users through quick, accurate filing.</li> <li>▪ More than 1.8 million claims settled in one day since the launch of automated claim processing using AI.</li> </ul> <p><b>Australia-based InsurTech</b></p> <ul style="list-style-type: none"> <li>▪ Utilize AI to pre-fill customer information using property and satellite data.</li> <li>▪ AI system analyses data (e.g., property size, number of rooms) to underwrite.</li> <li>▪ Enable customers to obtain insurance coverage in less than three minutes.</li> </ul>

Source: EY analysis

# Moving forward

To advance digital transformation, ITOs should consider three key approaches to reach the unserved and bridge barriers across the value chain as follows:



Source: EY analysis

EY teams are ready to help ITOs advance their digital transformation journey by shaping tailored product strategies, building innovative architectures and improving customer experiences with the right technology enablers.



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