

Know your customers

Insights for Digital Insurers and Takaful Operators

KPMG in Malaysia



Technological advancements offer the insurance industry tremendous opportunities to meet evolving customer needs and regulatory demands. Customer expectations are changing; they now expect their ‘best digital experience’ to be the norm. This means that insurers are no longer competing against other insurers, but rather against the wide range of digital experiences customers now enjoy in their day-to-day living.

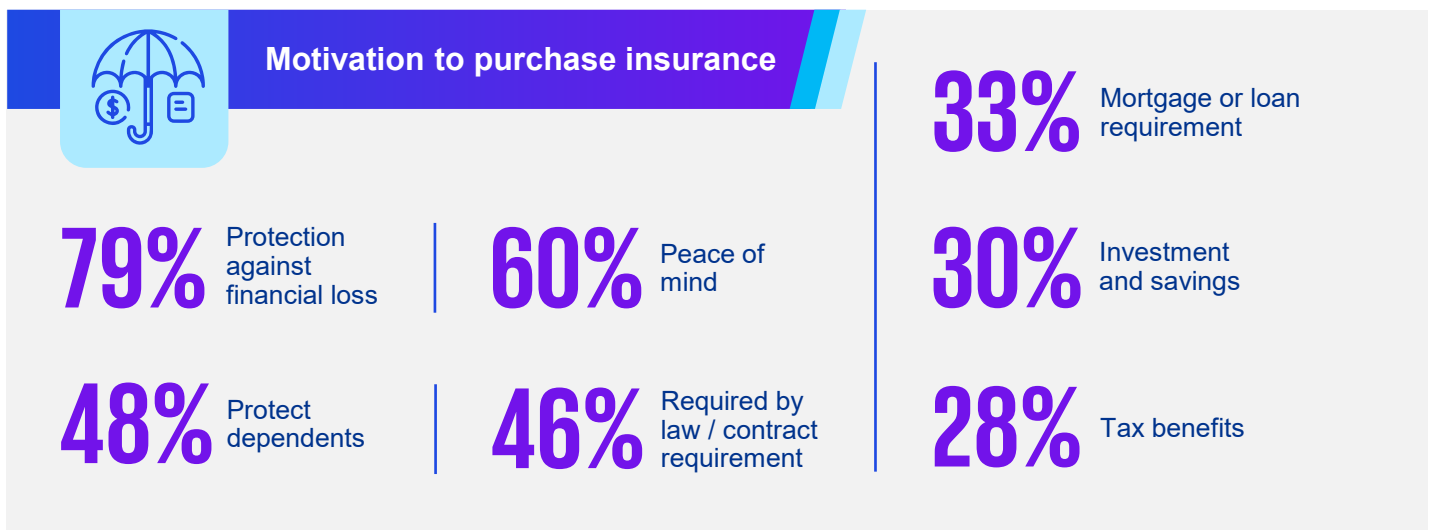
The potential of Digital Insurers and Takaful Operators (DITOs) to offer strong value propositions to the underserved and unserved segments is recognized by Bank Negara Malaysia (BNM), which is the impetus behind the country’s Licensing and Regulatory Framework for Digital Insurers and Takaful Operators (DITO Framework) that is expected to be released in the first half of 2024.¹

At KPMG in Malaysia, we keep our finger on the insurance sector’s pulse with this [series of thought leadership](#). In Part One, we delved into the 3-value

proposition that BNM prescribed for potential DITOs to champion in order to be successful applicants of Malaysia’s first digital insurance providers. We continued in Part Two with clarity of anti-money laundering/counter-terrorism financing (AML/CFT) matters DITOs should know to combat financial crime and provide their customers with the security they expect.

In this third part of the series, we unpack insights from an online survey KPMG conducted to determine the consumer appetite for digital and takaful insurance services in Malaysia, and what it means to DITOs.

The assurance of insurance – what customers want

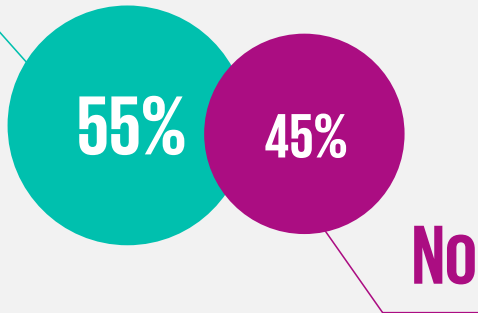


1. [Outcome of Public Consultation on Exposure Draft on Licensing and Regulatory Framework for Digital Insurers and Takaful Operators](#), Bank Negara Malaysia, 5 October 2023

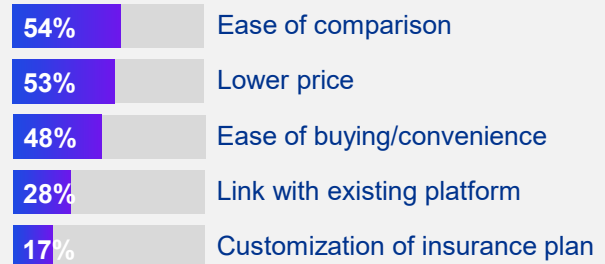


Likelihood of purchasing insurance through a digital platform

Yes



Out of those who indicate 'no', factors that would encourage them to purchase insurance online are:



Most wanted elements to be included in digital insurance products

68% e-medical card and e-guarantee letters

53% Lifestyle – rewards, loyalty program

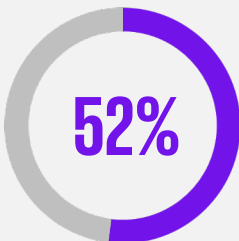
26% Online doctor

49% Recommendations – customized deals and promotions

46% Financial advisory



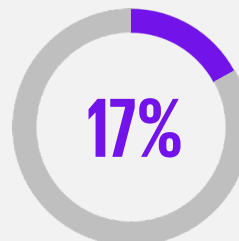
Preferred digital platform(s) to purchase insurance



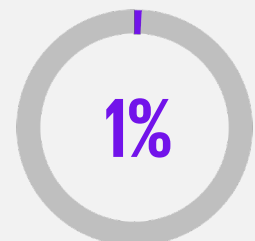
Online banking



App developed directly by insurance company



Wallet app



e-Commerce app

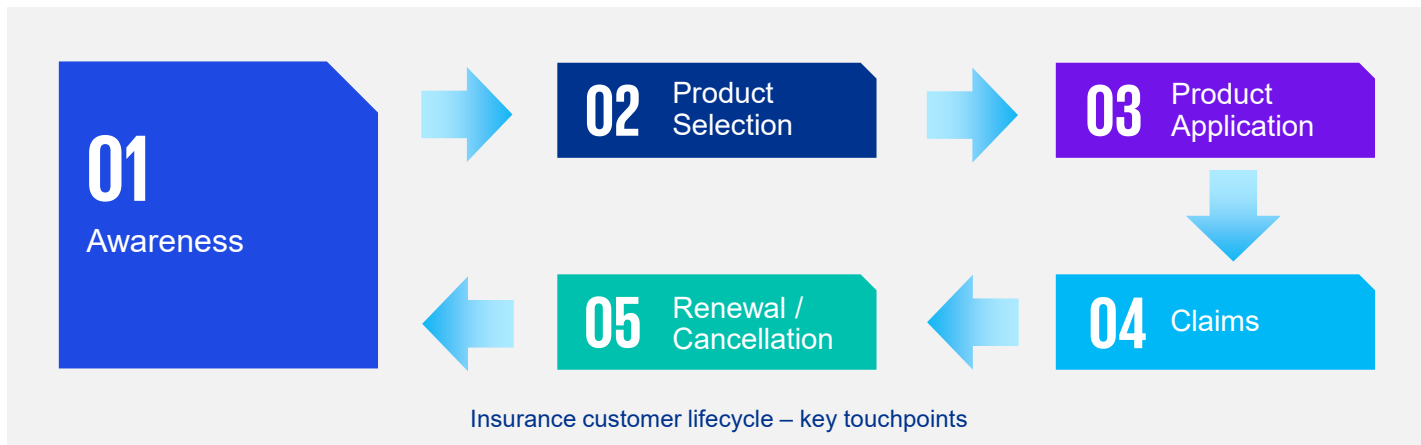
About the survey

The survey was conducted online by KPMG Management and Risk Consulting Sdn Bhd between the period of **April to August 2023** and received **350** respondents who are residents of Malaysia residing in Kuala Lumpur, Selangor, Penang and Johor. Respondents are aged between 16 to 73 years old.

Key priorities for DITOs

1 Build a seamless customer experience

Providing a truly seamless customer experience across their lifecycle does not constitute digitizing the customer's entire journey with the DITO. A successful digital insurer would ensure that they are able to leverage technology at the appropriate touchpoints to ensure that the experience is still personalized.



By dissecting and mapping your customer's journey across the various insurance products on offer, a successful DITO applicant would be able to highlight to BNM the existing friction points faced by customers with their incumbent insurers and highlight ways in which this process can be more customer-centric.

Once the ideal customer journey is mapped, enabling these journeys to become reality is highly reliant on identifying the core insurance platform that will power the user's experience. A typical point of friction for customers applying for insurance products, particularly the more complicated ones, is the extensive information required by the insurer for their pricing and underwriting purposes.

DITOs could look to enhance the customer experience by minimizing the level of details required and leveraging alternative data sources to support underwriting or by integrating with other platforms to pre-fill basic details, always with appropriate customer consent.

This thought process on the product design should also be tied to the customer segments being targeted. DITO applicants should consider that the customer group that would be more inclined to make such purchases would be those of the younger generations, being more literate and open to exploring technological solutions, as reflected in our survey results.

2 Keep it personal

As DITOs are unable to leverage face-to-face or in-person interactions with consumers for product distribution, integration of AI-based chatbots with customer call centers is vital to create a pleasant customer journey, especially considering that the top three (3) concerns when purchasing insurance online, as highlighted by the survey respondents are:

Rank	Top 3 concerns with purchasing insurance online
01	Lack of guidance/understanding regarding products offered
02	Lack of personal support for claims
03	Security and confidentiality





Aligned with BNM's emphasis on sustainable business model in the DITO Framework, applicants must go beyond the offering of microinsurance or bite-sized products and venture into higher premium products such as life and medical insurance. This may appear challenging, particularly with most urban customers in the M40 or above income bracket are likely to already possess traditional insurance products. However, as a digital native company powered by a scalable technology stack, DITOs are poised to disrupt the industry and capture market share in these key product segments.

This is where enhancing the level of personalization based on active needs can help to build a sustainable business model, i.e., 'keeping it personal'. Examples of this are rewarding customers for being active by integrating their smartwatch data or car telemetry to adjust the customer's insurance premium based on their driving patterns. The crux lies in anticipating and understanding customers' needs proactively, ideally even before they are aware of them. DITOs would do well to also leverage big data trends to understand their customers and optimize business growth plans.

3 Leverage strategic alliances

Forming the right alliances is key to building a sustainable business model that will assure BNM to award the license to a DITO applicant. Macroeconomic, technological and social trends are changing the rules of the game for insurers. At the same time, evolving regulatory requirements and accounting standards are forcing insurers to refocus and adapt key processes in areas such as risk management, accounting and finance.

Against this backdrop, insurers need to move quickly and boldly, thus affecting the need to draw on new capabilities and technology solutions from across a broad ecosystem of partners. The advantageous alliances will enable the DITO to be agile in offering comprehensive suites of products with unique value propositions to attract new customers and foster loyalty among existing customers.

To pinpoint the right partners, consider the following steps:



Evaluate your strengths and weaknesses:

With a multitude of players in the insurtech ecosystem, finding the right partner can be a time-intensive endeavor. An in-depth evaluation of your organization's gaps and weaknesses is a good place to start, as it streamlines the search for a compatible partner.



Start conversations early:

Allocate sufficient time for discussions with potential partners to foster a deep understanding of each other's expectations. This also ensures alignment of goals and enhances the foundation for successful collaboration.



Conduct your due diligence:

In the evolving landscape of startups emphasizing unique value propositions and disruptive technologies, take the opportunity to conduct a thorough due diligence. This is vital to assure that potential partners possess the desired capabilities for successful collaboration, laying the foundation for a relationship grounded in trust and dependability.



Strategic partnering:

Assess whether partnering is the exclusive path forward, as there are instances where cultivating in-house capabilities may prove more beneficial in the long-term.

With the benefit of having a modern digital platform at their core, insurtechs are able to form partnerships and seamlessly integrate with various stakeholders including incumbent insurers and non-insurance players. This allows them to tap into new customer segments or leverage their existing customer base. Some of the more prominent types of partnerships include:

Reinsurance services partnership:

This strategic partnership serves multiple purposes, instilling confidence and providing assurance to insurtech customers' regarding claims' disbursement. Simultaneously, the partnership helps to facilitate insurtech penetration into riskier, unserved, or underserved customer segments. In return, incumbents can strategically leverage insurtechs' digital-native customer experience and advanced technologies such as AI to enhance their market position.

Embedded insurance or 'insurance-as-a-service' partnership:

Leveraging on their digital-native foundation, insurtechs are built on top of an agile technology stack that enables seamless integration with other platforms. Their open architecture empowers insurtechs to forge strategic partnerships with non-insurance players, allowing them to seamlessly 'embed' insurance offerings into various customer journeys, such as online device purchases.

Leveraging incumbents' established operations partnership:

Insurtechs partner with incumbents to act as an agent to develop and distribute a fully digital bespoke insurance product. With this, the incumbent can leverage insurtechs' digital customer experience which can attract new customer segments, while insurtechs are able to offer insurance products with more substantial coverage to attract customers.



How KPMG can help

Following BNM's announcement that the DITO Framework will be published within the first half of 2024, prospective applicants are now presented with an opportunity to develop more robust business plans and strategies that will act as the bedrock for business growth.

With KPMG's multidisciplinary advisory services, no matter where you are along your license application process, we are ready to support you along your journey. Covering the broad scope from market feasibility assessments, helping build a robust 5-year financial projection for the submission, or identifying the right partners for your consortium, KPMG has the industry knowledge and expertise to support you.

This is Part 3 of a series of thought leadership by KPMG in Malaysia.
Read the series at www.kpmg.com.my/dito.

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