

Introduction

We are pleased to present the results and insights from our latest survey of life insurers in Asia, covering their views on the current and future rider landscape in Asia. A total of 80 life insurers participated in this survey, which covered aspects including the most commonly sold riders and distribution channels used, rider attachment rates and strategies to increase rider penetration, key risks associated with selling riders, the impact of IFRS 17, and areas of untapped potential.

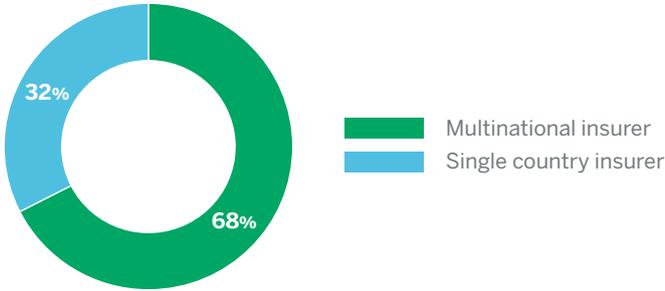
Due to the COVID-19 situation at the time of conducting the survey, Mainland China was not included as many companies faced logistical issues in completing the survey. Most other key Asian markets are well represented, with the most responses coming from Malaysia and Indonesia, followed by Vietnam, India, Thailand, and Hong Kong.

The results of the survey are shown by question, together with overarching commentary on the key findings. We then follow with some considerations for achieving a sustainable rider growth strategy and end with some concluding remarks.

We hope you find this survey an interesting snapshot of how companies manage this important product line. While differences in policyholder preferences and regulatory landscape result in a wide variety of practices across companies, we hope that understanding, and benchmarking against, the different approaches adopted, help you highlight areas for review, refinement or improvement of your own rider portfolio and strategies.

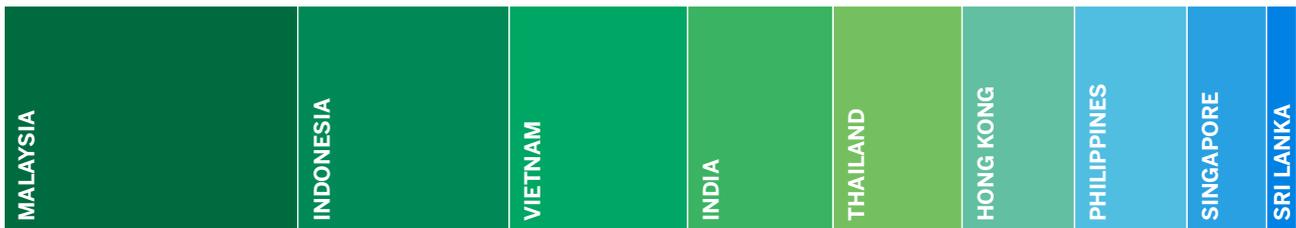
The results of our previous Asia Rider Survey, conducted in November 2014, can be found [here](#) on milliman.com.

01 Is your company a multinational operating in multiple markets or an insurer operating in a single country?



We received a mix of responses from local domestic insurers and multinational insurers, with just over two-thirds coming from multinationals.

02 Which market do you represent in answering this survey?



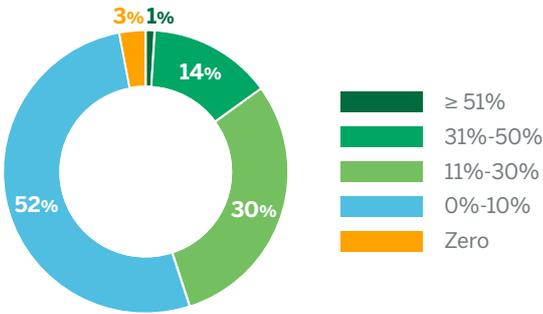
03 Does your company sell riders or standalone protection products (e.g. medical/term assurance)? For the purpose of this survey, the use of the term “riders” refers to both premium-paying and unit-deducting riders, and “standalone products” excludes credit life.



- My company only sells riders and not standalone products
- My company only sells standalone products and not riders
- My company sells both riders and standalone products

Although there is frequently some overlap in the coverage provided by riders and that of standalone protection products, the vast majority of respondents sold a mix of both. This likely reflects the demands of different consumer segments and is a logical strategy where local regulations allow insurers to sell both types of products.

04 Approximately what percentage of new business premium (unweighted basis, i.e. 100% of single premiums + 100% of regular premiums) currently comes from riders in your company?

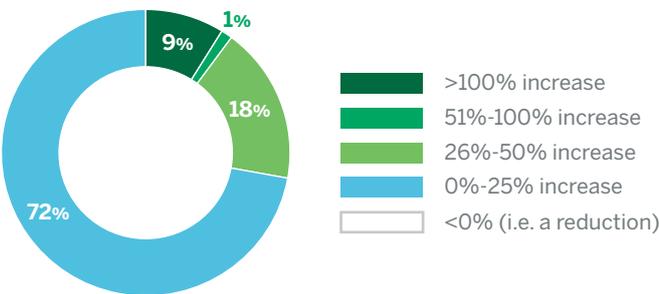


For most surveyed insurers, riders are not a significant source of premium, accounting for 10% or less of their total new business premium.

However, the percentage of respondents for which riders account for more than 30% of their total new business premium increased from around 10% in the 2014 survey to 15% in the 2022 survey, suggesting that riders have gained prominence in the past decade.

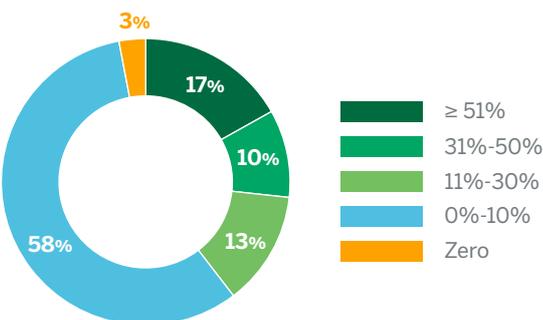
It should also be noted that in certain markets like Malaysia and Indonesia, unit-linked products are prevalent and the riders on these are typically unit-deducting riders (14) and might not be captured as premiums. The inclusion of such unit-deducting riders would likely further increase the prominence of riders.

05 How do you expect this percentage to change over the next three years?



28% of respondents expect the premium contribution of riders as a proportion of their portfolio to increase by more than 25% over the next three years, and none of the respondents expect the contribution of riders to decrease.

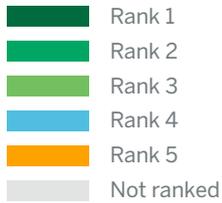
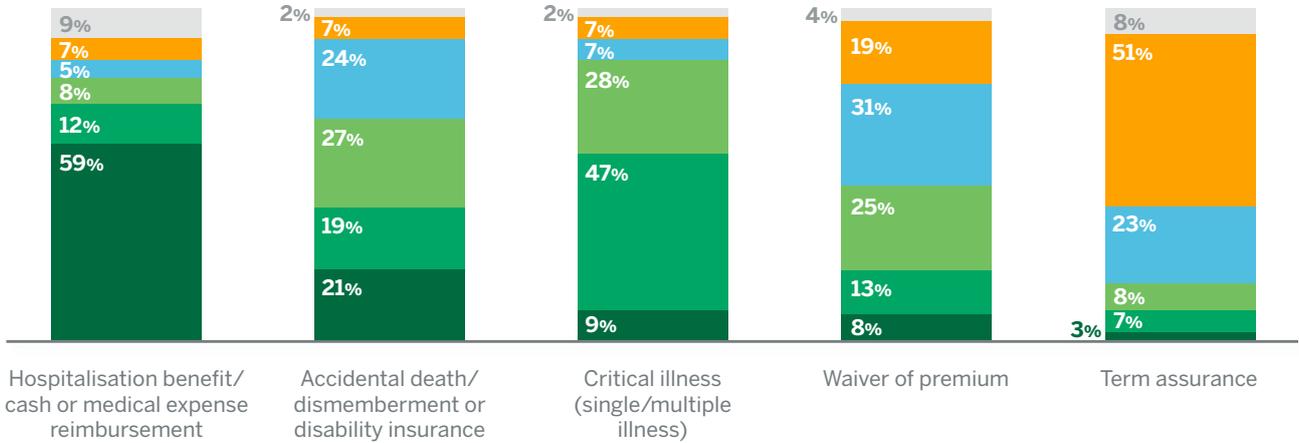
06 As a comparison, approximately what percentage of new business premium (unweighted basis, i.e. 100% of single premiums + 100% of regular premiums) comes from standalone protection products in your company?



To allow a better understanding of the protection landscape, we also asked respondents about the standalone protection products offered.

In most markets, similar to riders, standalone protection products are not a significant source of premium. However, for more than a quarter of respondents, standalone protection products contribute more than 30% of their new business, indicating that there is considerable demand for such products.

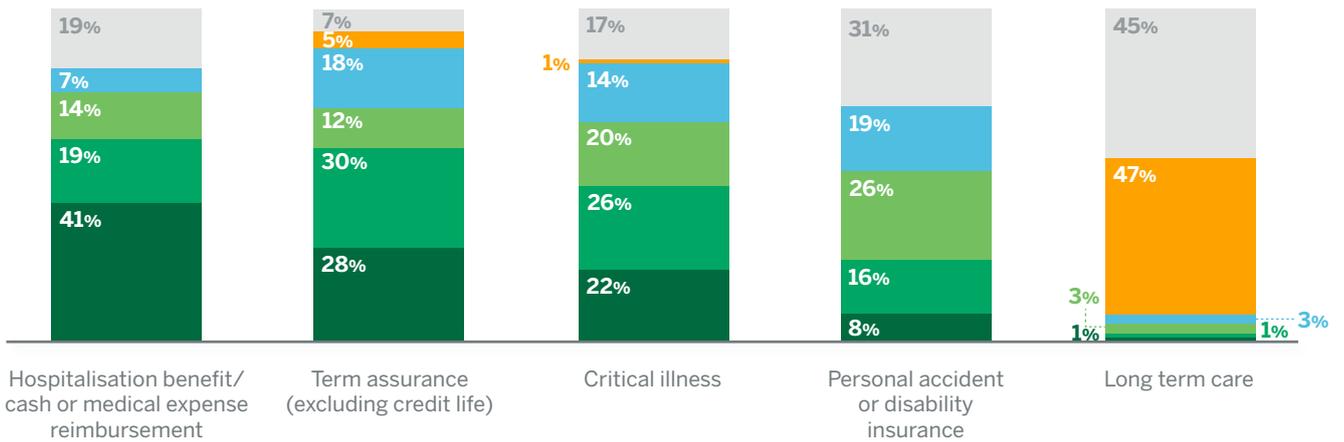
07 Which riders are currently most popular (by volume of sales) in your company in the past three years? Please rank them from highest to lowest. (1 = highest)



Hospitalisation benefit/cash or medical expense reimbursement riders are seen as the most popular type of rider, followed by accidental death/dismemberment or disability insurance and critical illness riders.

The number of respondents citing hospitalisation benefit/cash or medical expense reimbursement as the most popular rider has increased since the 2014 survey, likely reflecting the increased demand for coverage as a result of rising medical costs. In contrast, the sales volume for term assurance riders continues to be low.

08 Which types of standalone protection products are most popular (by volume of sales) in your company in the past three years? Please rank them from highest to lowest. (1 = highest)

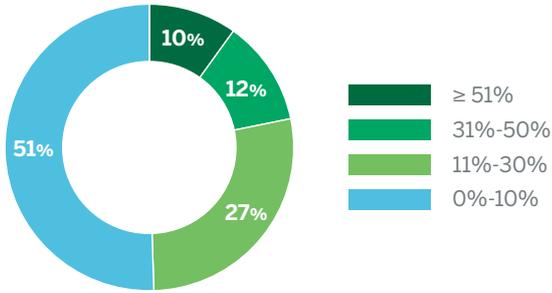


Hospitalisation benefit/cash or medical expense reimbursement is also the most popular standalone protection product for most surveyed insurers. However, it is worth noting that term assurance and critical illness are also more commonly quoted as the leading standalone protection product, which is slightly different to riders.

Although some product differentiation is expected between riders and standalone protection products, this could also indicate a gap in the market for certain standalone products, for example standalone long term care and personal accident or disability insurance.

DETAILED RIDER PROFILE

09 What percentage of the total value of new business in your company currently comes from riders?

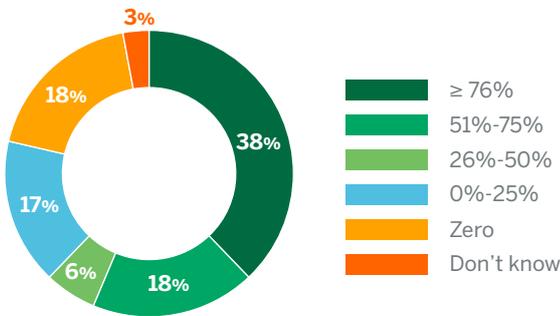


Riders contribute more than 30% of the value of new business ("VONB") for over 20% of respondents.

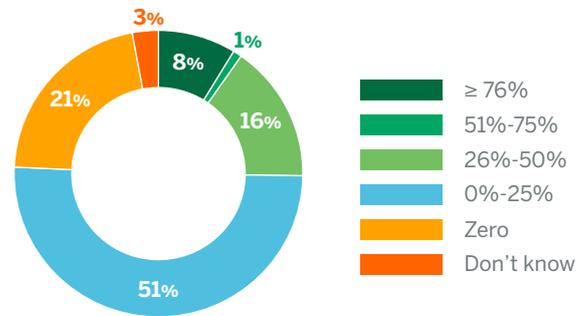
This contrasts with (04), where most respondents said that riders are not a significant source of premium, and is consistent with the findings in the 2014 survey, which indicates that new business margins for riders are generally high compared to those of base contracts.

However, the effect of unit-deducting riders on unit-linked and universal life products as described in (04) should also be noted, whereby these riders contribute to VONB but may not be captured as premiums.

10 What proportion of rider sales in your company (in the last 12 months) was sold via the agency channel?



11 What proportion of rider sales in your company (in the last 12 months) was sold via the bancassurance channel?



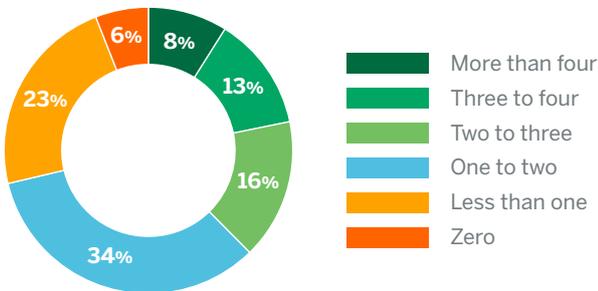
For 56% of respondents, the agency channel accounts for more than half of rider sales, while less than 10% cite the bancassurance channel as accounting for more than half of rider sales. Most respondents indicate that the bancassurance channel typically accounts for less than a quarter of rider sales.

The findings are in line with expectations, as sales of protection-type riders have typically been more prevalent through face-to-face agency distribution in many markets in Asia.

Some companies in Asia have developed successful protection strategies, particularly to achieve higher rider attachment rates, and these have typically been focused on the agency channel. Such strategies have been supported by sales training, incentives and campaigns, and the development of "rider-friendly" base products.

Historically, it has been more challenging for some bancassurers to achieve a high proportion of sales of protection-oriented products outside of credit life, including riders, due to factors such as a greater focus on savings-oriented products, enhanced sales training needed to sell more complex protection riders, and lack of effective sales incentives and marketing campaigns.

12 What is the average attachment rate for riders in your portfolio (i.e. number of riders divided by the number of base policies)?

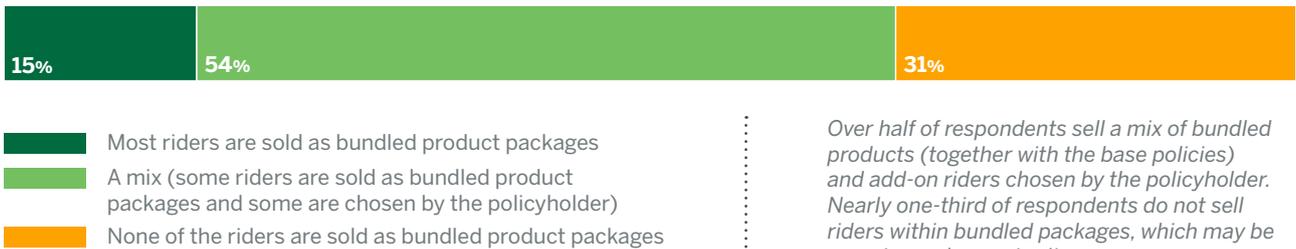


The proportion of respondents with three or more riders per policy has almost doubled compared to the 2014 survey, suggesting that some insurers have increased their focus on riders and become even more successful in increasing rider attachment rates

However, 29% of respondents sell less than one rider per policy or no riders, which is somewhat surprising given the significant new business margins typically attributed to riders.

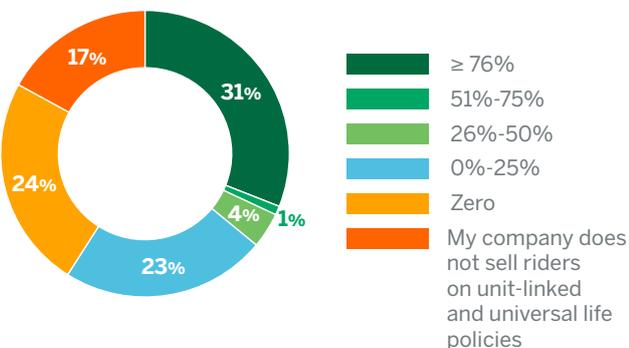
There is still a significant proportion of respondents selling less than one rider per policy. These insurers may wish to consider revisiting their current rider strategy given the success of other respondents in this area.

13 To what extent does your company sell riders already bundled into product packages as opposed to the policyholder choosing riders in addition to the base policy?



Over half of respondents sell a mix of bundled products (together with the base policies) and add-on riders chosen by the policyholder. Nearly one-third of respondents do not sell riders within bundled packages, which may be an untapped opportunity.

14 For riders on unit-linked and universal life policies, what proportion of riders are sold by your company as unit-deducting riders (as opposed to premium-paying riders)?



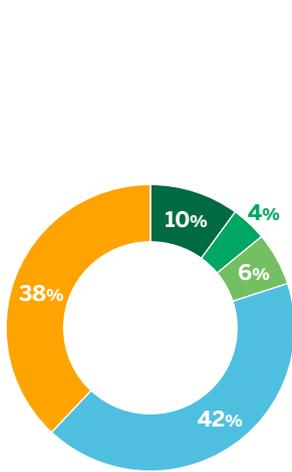
There appears to be a wide range of responses, with almost a third of respondents saying that unit-deducting riders make up more than 75% of their unit-linked and universal life riders, while almost half of the respondents say that less than 25% of their unit-linked and universal life riders are unit-deducting in nature.

This spread of responses differs by market, with markets that sell more unit-linked products tending to have a higher proportion of unit-deducting riders, while those selling more universal life products tending to have more premium-paying riders.

Of note, there are several surveyed insurers that do not sell any riders on unit-linked and universal life. This is surprising and may be an opportunity for these insurers to consider given the general popularity and profitability of riders in Asia.

RIDER EXPERIENCE

15 How has the lapsation behaviour of policyholders with riders been different from those without riders in your company?



- Somewhat lower lapses for those with riders
- Significantly lower lapses for those with riders
- Somewhat higher lapses for those with riders
- Significantly higher lapses for those with riders
- No material difference
- Don't know, we do not perform such analysis

Of those who do perform such analyses, almost a third of respondents found that the attachment of riders affected the lapse experience on the underlying base policy. Where policies with riders experienced lower lapses, this is likely due to policyholders being incentivised to maintain the coverage provided by riders, for example medical and hospitalisation benefits. On the other hand, policies with riders also typically lead to a higher overall customer spend to cover the attached riders and the base policy, which may explain why some of these policies experienced higher lapses than those without riders.

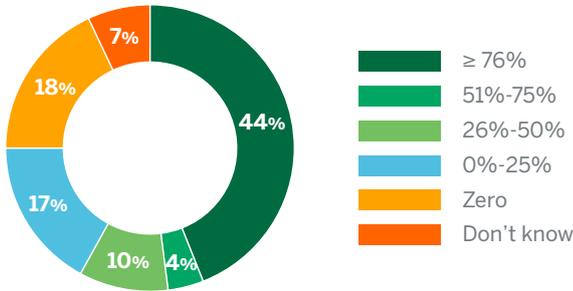
Of note, 38% of respondents either do not know, or do not analyse, the impact of rider attachment on base contract lapsation behaviour. This proportion has increased since the 2014 survey, which is somewhat surprising given the likely increase in availability of data to carry out such analyses. It may be something for insurers to consider in their drive to gain a better understanding of factors that affect policyholder behaviour and to refine their lapse assumption setting.

16 What has been your experience when increasing premium rates at renewal for yearly renewable term (YRT) riders and riders with non-guaranteed rates (e.g. medical and critical illness riders)?



Most respondents encountered issues when increasing premium rates at renewal for YRT riders, with the distribution of responses being broadly similar to that in the 2014 survey. Although distribution and regulatory difficulties were commonly cited, nearly a quarter of respondents indicated that they faced multiple difficulties.

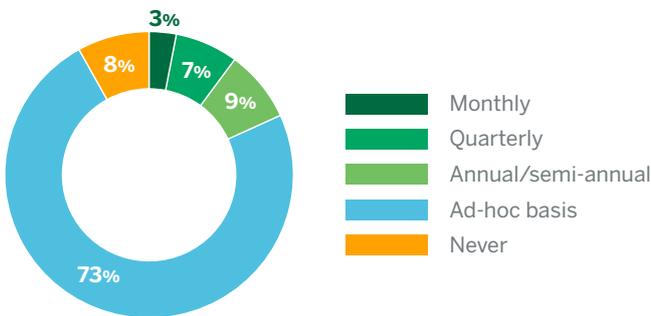
17 What proportion of your riders (including unit-deducting riders) pay commission rates which follow the rates payable on the base policy (as opposed to having a separate commission scale for riders)?



Almost half of respondents sell more riders with commission rates following the base policy.

This represents an increase from the 2014 survey, where a larger proportion of respondents sold more riders with their own commission scale.

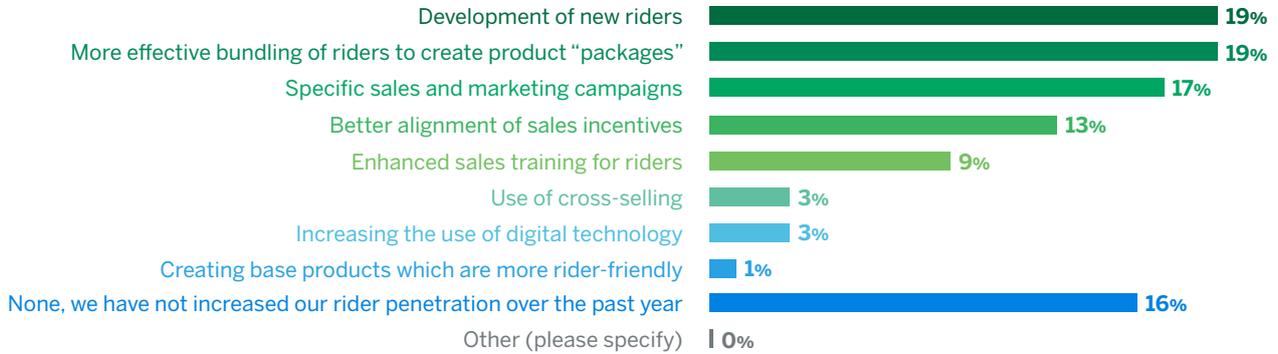
18 How frequently does your company run sales and marketing campaigns specifically targeted at promoting sales of riders?



Over 80% of respondents say they conduct rider-specific sales and marketing campaigns on an ad-hoc basis or not all, rather than on a regular, structured basis. This is surprising given the high profitability of riders in general in Asia.

The breakdown by rider new business value shows consistent findings to the 2014 survey, whereby surveyed insurers that carry out regular rider marketing campaigns also registered a higher contribution to VONB from riders. Out of respondents with more than 30% of VONB contributed by riders, more than a third carry out rider marketing campaigns on a regular basis, while out of respondents with less than 10% of VONB contributed by riders, only 17% (i.e. half of the figure for respondents with more than 30% of VONB) carry out rider marketing campaigns on a regular basis.

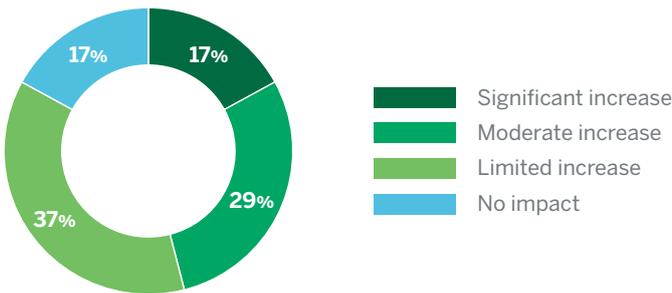
19 What was the single most effective action your company has undertaken to increase rider penetration over the past year?



Compared to the 2014 survey, respondents attribute success in increasing rider penetration to a wider range of factors. In addition to the creation of more effective product bundles, the development of new riders, as well as rider-specific sales and marketing campaigns have been cited as key effective actions. These findings are consistent with the higher proportion of respondents that implement some form of rider marketing compared to the 2014 survey (18), and are likely also linked to an increasing focus on protection within underlying product strategies.

There is some variation between responses from multinational insurers and single-country insurers, whereby a larger proportion of the former group undertook a range of actions, including bundling of riders and alignment of sales incentives, while a larger proportion of respondents in the latter group did not see an increase in rider penetration over the past year.

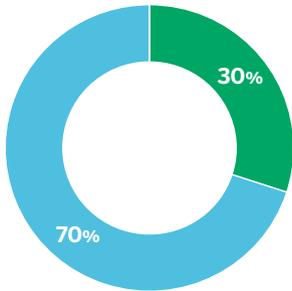
20 How do you see digital technology impacting the sales of riders in your company over the next three years?



More than 80% of respondents foresee technology leading to an increase in rider sales over the next three years.

However, compared to the 2014 survey, more respondents expect no impact from technology. This may reflect insurers' experience of the practical limitations of digital technology or a focus on other strategies to increase rider penetration.

21 How do you expect the introduction of IFRS 17 to change your company's focus on riders going forward?

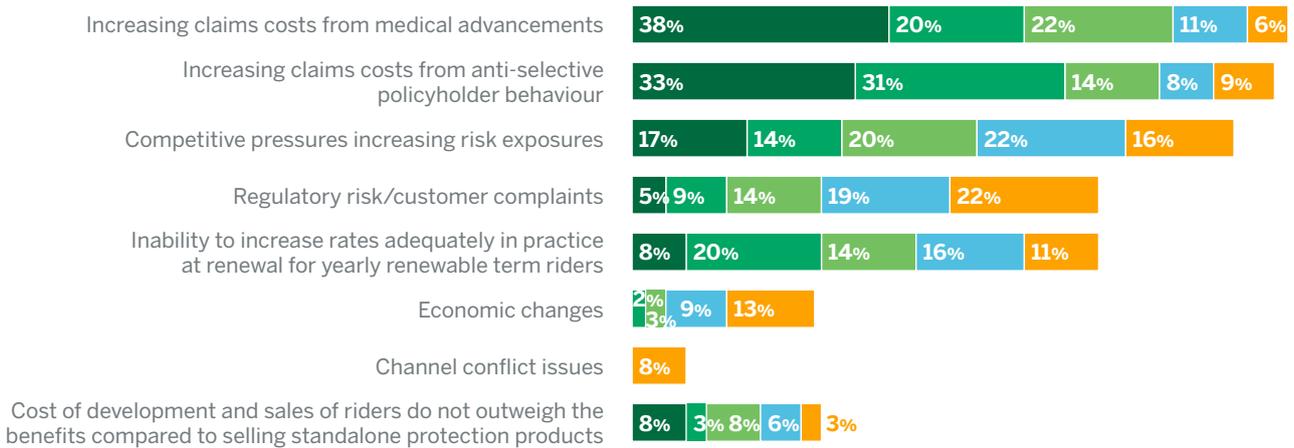


- Expect it to increase sales
- Expect it to decrease sales
- No change expected

Although most respondents expect the introduction of IFRS 17 not to have any impact on their focus on riders, almost a third of respondents expect an increased focus on rider sales, while none of the respondents expect a decrease.

The increased focus on rider sales may reflect the strategies of many insurers to increase the insurance component (and thereby insurance revenue) within contracts. It could also be related to the impact on overall profitability or speed of profit emergence.

22 What do you see as the key risks associated with selling riders in your market? Please rank them from highest to lowest. (1 = highest)



Note: The individual bars do not add up to 100% as only the top five risks identified by respondents have been shown here.

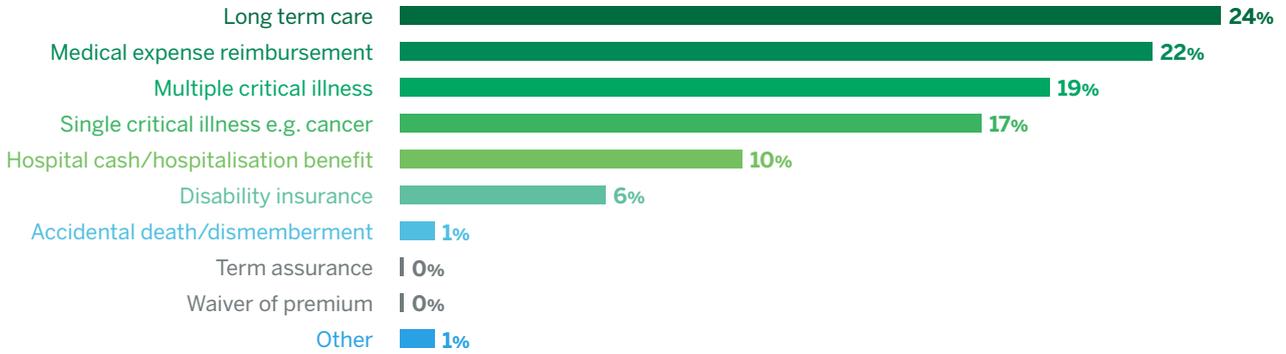
- Rank 1
- Rank 2
- Rank 3
- Rank 4
- Rank 5

By a wide margin, increasing claims costs are most commonly cited as the key risk associated with selling riders, whether due to medical advancements or anti-selection by policyholders. In contrast, economic changes and channel conflict issues are seen as less pertinent risks.

These findings are consistent with the 2014 survey, reflecting increased consumer awareness and continuing concerns over medical inflation.

Of note, there is some variation across markets, with some markets identifying anti-selection as a more pressing issue, while others emphasise medical advancements or an inability to increase rates as a greater risk.

23 Which rider type do you think has the most untapped potential in your market over the next three years?



Long term care, medical expense reimbursement and critical illness riders are the most commonly cited by respondents as those with untapped potential, despite concerns around medical costs. Of note, long term care is regarded as an emerging rider type, with the proportion of respondents citing room for growth increasing by threefold since the 2014 survey.

The responses are also in line with the rising awareness of chronic diseases in Asia over the past decade, and the associated costs for medical care.

Key takeaways

- ✓ Riders are a growing product line in Asia, typically sold through the agency channel. All survey respondents expect the premium contribution of riders to increase as a proportion of their portfolio in the next three years. (05 , 10 , 11)

- ✓ Riders provide a significant uplift to VONB for many insurers. (09)

- ✓ Hospitalisation benefit/cash or medical expense reimbursement, critical illness and accidental death/dismemberment or disability insurance remain the most popular riders in Asia. (07)

- ✓ Although in most markets, standalone protection products, like riders, are not a significant source of premium, there is evidence of product differentiation between riders and standalone protection products, whereby term assurance and critical illness are more commonly quoted as the top standalone protection product, in addition to medical and hospitalisation coverage. (08)

- ✓ Less than 20% of respondents carry out rider campaigns on a regular basis, but those that do register a higher contribution to VONB from riders. (18)

- ✓ Although the percentage of surveyed insurers for which riders account for more than 30% of their total new business premium increased since the 2014 survey, a significant proportion of respondents selling less than one rider per policy may be missing out on a significant source of value. (04 , 12)

- ✓ Almost a third of respondents expect an increased focus on rider sales following the implementation of IFRS 17, while none of the respondents expect a decrease. (21)

- ✓ Increasing claims costs is most commonly cited as a key risk associated with selling riders, whether due to medical advancements or anti-selection by policyholders. (22)

- ✓ Long term care is seen as an emerging rider type, with the proportion of respondents citing room for expansion in this area increased almost threefold since the 2014 survey. (23)

Conclusions

Overall, these findings suggest that riders have gained prominence considerably in the past decade and provide insights on the opportunities and risks associated with riders in Asia.

Considering the continued popularity of coverage provided by riders, the potential boost to profitability and persistency from increasing rider attachment rates, and the increasing focus on protection strategies by insurers in Asia, it is expected that a successful rider strategy will be an increasingly key driver of value going forward.

The survey also shows that many insurers in the region are not optimising riders to the full, and there is room for growth.

In this light, some questions which insurers in Asia may wish to consider:

- Based on the metrics in the survey, where is your company positioned compared to others?
- Do your product and distribution strategies adequately reflect the potential for rider sales?
- Which rider types should you focus on going forward, and what additional efforts are needed to develop emerging rider types?
- Have you optimised your rider strategy in light of IFRS 17?
- Do you have the right enablers and operational mechanisms in place to increase rider penetration? If not, what are the priority areas you need to enhance?

With the above in mind, it may be a good time to revisit your company's rider strategy to ensure that you are harnessing the full potential of riders.

For further information, please contact your usual Milliman consultant or either of the contacts listed below.



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