By Daisy Ning
Head Life & Health Reinsurance APAC ex. China

Inclusivity is an increasingly common term in business circles, but what does it mean in the context of insurance, and why is it so important?

Put simply, inclusive insurance ensures the protection of risks to health, lives, and livelihoods is extended to all segments of society – especially the most vulnerable. This mission is critical because despite our industry's best efforts, millions of people across APAC still lack adequate coverage, presenting an existential challenge to regional prosperity and stability. New research from Swiss Re sheds light on some of the reasons for these gaps – and encouragingly, suggests clear steps to advance inclusivity globally.

The Swiss Re Institute's (SRI) Life & Health Insurance Inclusion Radar shows just how much work needs to be done. Of the 16 countries assessed globally in terms of inclusiveness of life & health coverage – five advanced markets and 11 emerging markets – none achieved consistently high scores. These patterns are also present in the five APAC countries covered in the Inclusion Radar – Australia, India, Indonesia, Japan, and Vietnam. The concern deepens when we look at SRI's Mortality Resilience Index, which estimates how financially protected people are in event of a breadwinner's death. Around 90% of the population remains unprotected from shocks in India and Vietnam, and 80% in Indonesia. Even in relatively wealthy Japan, over 30% of the population remain unprotected.

Gaps like these warrant concerted attention, and immediate action. We need to improve and innovate and do better as an industry.

A call for transformation

The L&H Inclusion Radar's '3As' framework represents a roadmap for insurers looking to understand how best to invest resources into underserved markets and consumer segments. The 3As – availability, accessibility, and affordability – are the major factors that influence inclusivity in each insurance market.

The availability dimension indicates whether plans and products exist that adequately cover the full range of L&H insurance needs. Accessibility measures the ease of acquiring coverage. And affordability reflects whether products and plans are fairly priced and within the financial means of potential customers.

Based on these three metrics Japan scored highest in our region at 0.66 (where 1 is the highest level of inclusion and 0 is the lowest), and in fact ranked a commendable second place globally, bolstered by an exceptional accessibility score. India and Australia, meanwhile, both scored 0.52 in aggregate, but for very different reasons. Australia's strongest suit was affordability, while India did better in terms of availability and accessibility. The lower scores of Indonesia and Vietnam's insurance markets underline the complex challenge of balancing inclusivity across all three dimensions.

Different markets, different lessons

So, what lessons do these markets hold?

The first, from Japan, is its effectiveness in making L&H insurance highly accessible to a broad spectrum of customers and its novel approaches to distribution.

Insurance is readily available at high traffic locales. For example, simple cancer insurance products are sold in post offices and since the pandemic, life insurance has been available in local convenience stores. This helps Japan stand out from other markets in fostering trust and amplifying accessibility to the fullest possible extent.

In Australia, our research points to a widening mortality protection gap that may appear concerning, but is likely explained by a major change in regulations to prevent high-pressure selling,unfair contract terms, and increase disclosures. Further reforms are in the works to help customers to get sound financial advice. This should lead to greater transparency, and better and more credible information sharing from insurers, with positive implications for all 3As and ultimately insurance uptake as a result.

Regulation and policy have also proven a route to improving affordability in India and Indonesia. India is grappling with a so-called 'Missing Middle', an underserved group who can't afford private plans but do not qualify for government insurance. In response, insurance regulator is taking steps to encourage insurance innovation, with the aim of ensuring every Indian person and enterprise has appropriate insurance protection by 2047. The Indonesian government, on the other hand, allows consumers to deduct life insurance premiums from their taxes in a bid to enhance insurance affordability.

The industry's role in a more inclusive future

These successes show that to an extent, every market needs to carve out its own approaches to improving insurance inclusivity. But we believe there is also much we can do as an industry to address weaknesses across the 3As. As industry leaders, we have the responsibility to mobilise minds and resources to make genuine change.

First, we can undertake more research to enhance our understanding of consumers' diverse needs across markets and segments of society, especially traditionally underserved communities. Country-specific findings can form the foundation of tailored solutions that address specific consumer pain points and market gaps, whether distribution bottlenecks or a lack of disposable income.

Related to this, we should learn to reduce our reliance on conventional distribution channels and boldly experiment with new options. We can establish partnerships – both in terms of people and representation and technology-enabled distribution - to attract new customer segments and engage with people in settings they feel comfortable in. Digital channels not only provide an efficient and relatively low-cost means to reach traditionally underserved consumers; they also create the possibility of gaining insights from data analytics that can be used to refine our distribution and sales approaches even further.

We can also be more open to experimentation and innovation in underwriting processes and product design. Examples include offering microinsurance products, which are great for low-income segments as they provide small face amount coverage at low premiums, or extending group life insurance beyond the traditional employer / employee space, or simply simplifying complex underwriting process to accelerate insurance buying process.

Swiss Re

Finally, sound regulation and policy are an important part of the inclusivity toolkit, and as industry leaders, we have a duty to engage with regulators actively and consistently. We also need to recognise this engagement is a two-way street.

We've seen with the examples of Australia, India, and Indonesia how the right policies can improve inclusivity. Maintaining open dialogue with regulators, calling persistent gaps to their attention, and supporting them in their goal of protecting their vulnerable populations will help us all strike the right balance between customer protection, and ensuring the innovation and financial resilience our industry needs to thrive.

While it will not always be easy, I urge insurers to rise to the challenges our Inclusion Radar has identified. By making life and health insurance more available, accessible, and affordable, we will not only close protection gaps, but foster a broader customer base for the long term – not to mention improve societal wellbeing and make a difference to countless lives across our diverse region.

-End-