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Growing the business

ING has embarked on a three-year plan to transform itself

CECILIA KOK

DR Nirmala Menon gets asked very often about how it feels to be the "woman on top" since taking the helm as CEO/president of ING Insurance Bhd about a year ago. And she always replies that it's a good feeling.

She says, "You have to dream the impossible, and if you can dream it, you can do it."

Truth is, Menon never planned to be where she is today. A physician by training, she was roped in by the company – which was then known as Aetna Universal Insurance Bhd – as a medical director 17 years ago to spearhead its medical division.

Her role then was focused on providing technical support to underwriting and claims as well as in-house medical services to the company's employees.

Leaving the medical fraternity, in which she used to work 36-hour shifts in government hospitals, to join insurance back then was supposed to be a temporary move to enable Menon to spend more time with family.

She was thinking of going back to her medical profession after completing her initial mission at Aetna Insurance.

But it never came to be. She continued to work her way up in the company by heading the operations of the corporate insurance division seven years later, and then, the employee benefits division in the early 2000s, following the acquisition of Aetna Insurance by Netherlands-based ING Group then.

"I think we should not put boundaries on the things we could do to achieve something because at the end of the day, we are the reasons for our own limitations," Menon says.

She does miss the work in a hospital after all these years, she says, but she has no regrets in choosing the career path on which she is walking.

"Being in the insurance industry has moulded me into a much broader personality and has given me a larger perspective of life. I understand more about world events and how markets work compared to what could have been if I had stayed on as a doctor," she shares.

For Menon, being at the helm of the Malaysian operations of ING Insurance is not entirely a paradigm shift because all these years with the company, she has always been taking on the role of driving business growth, albeit on a smaller scale based on the division under her stewardship.

Changing with the times

What Menon finds challenging in her new role is the need to implement change for the company to ensure its continued growth and relevance – and change always involves pain.

"Change is always tough, more so, because we are an old company and have always been a traditional life insurer, with the entire system in the company revolving mainly around this structure. But we are ready for a change," she says, adding that the company has embarked on a three-year journey to transform its image as a traditional life insurer into a leading player in the investment-linked insurance market.

So, over the last year, ING Insurance has been trying to strike a more balanced portfolio to ensure it is on the right track of achieving that goal.

"It is the huge mind set – from the company's internal operations and product manage-

ment to the agency force – that we have got to change in order to capture a ready market," Menon says.

Besides its existing customers who are ready for investment-linked type of products, ING Insurance wants to attract a younger generation of new customers.

"Customers are getting savvier now. They want a product that is not only risk and protection based, but also return-based," Nirmala says.

Rough ride ahead

While it may be true that investment-linked products have been increasingly popular over the years, demand for the product is also closely tied to stock market performance.

TA Research economist Patricia Oh says the investment-linked business of the insurance industry is normally the worst hit in poor market or economic conditions.

In tandem with the poor showing of Bursa Malaysia, new business growth for investment-linked insurance in Malaysia has slowed for the first half of this year.

The Life Insurance Association of Malaysia (LIAM)'s report shows that new business for investment-linked products in Malaysia for that period fell 37.31% to RM1.1bil, compared to RM1.8bil in the first half of last year.

Menon acknowledges that the current bear market is the biggest hurdle for the company to grow its investment-linked business as investors adopt a wait-and-see approach and slowing their purchase of such products.

"We can say what we want about buying behaviours, but at the end of the day, buying is purely a decision based on emotions," she says.

"The public's perception and emotions towards the market are poor, especially so, after the recent US financial crisis. They are wondering when our economy will slip into a depression and what is going to happen to their money – whether it is safer to keep it under their pillow," she explains.

The current tide may seem to have turned against Menon's objective of turning ING Insurance into a front-runner in the investment-linked insurance segment, but she remains unfazed.

She stresses the need for the company to keep its focus on growing that segment because the long-term prospects in the segment are good.

Hence, the company is increasing its efforts in educating the public about the benefits of investment-linked insurance and the importance to adopt a long-term approach, and assuring its policyholders and potential clients about the strength of the company and its ability to deliver on its promises.

Growth on track

According to TA Research's Oh, business for traditional life insurance products is expected to remain strong, despite the current market conditions, because products that are protection-based are increasingly becoming an essential part of life in a modern society.

LIAM's report shows new business for ordinary life and home service grew 6.38% year-on-year for the first half of 2008 to RM1.09bil, while new business for group policies sector grew 18.71% y-o-y to RM1.2bil.

"We have always been strong in the traditional life and group insurance markets, and we want to continue grow these two segments along with our investment-linked business," Nirmala says.

She adds that ING Insurance is on track to achieve its new business target of RM700mil

by the end of the year. As of August 2008, its total new business premiums have already reached RM526mil, which represents a year-to-date growth of 65%; while its total gross premiums stood at RM1.7bil, or a year-to-date growth of 25%.

ING Insurance currently commands 11.3% market share of the retail business (which includes traditional life and investment-linked) in Malaysia, placing it the third-largest insurance company in the country. In terms of group business (or employee benefits), it is the largest with a market share of 43.6% to-date.

Strengthening distribution channels

The company plans to keep on building its distribution capability for the retail business by expanding its agency force, which current strength is at 9,000. It is planning to recruit an additional 2,500 to 3,000 agents under its three-year plan.

"Agents contribute significantly towards the growth of our brand," Menon says.

Numbers aside, Menon sees the importance of instilling greater professionalism in the company's agency force through training, which will also help build a highly productive force.

"The company has to teach them to be professional and consistently reach a certain standard of productivity," she says, adding that a professional and productive agency force outweighs its numbers.

Besides strengthening its agency force as its main distribution channel, ING Insurance has entered into a strategic alliance with Malaysia's leading bank – Public Bank – to grow its business through the bancassurance channel.

The 10-year exclusive partnership, which started early this year, will enable ING Insurance gain access to regional markets and tap the opportunities.

Undoubtedly, ING Insurance already has a strong brand presence in Malaysia, but the company is not taking this for granted.

The company has various marketing campaigns, including nationwide roadshows

and advertisements both in prints and television, to further strengthen its presence in the country.

Expanding customer base

With the company's customers being made up mainly of Chinese from the lower and middle income group, Menon says it is high time for ING Insurance to look at tapping into the affluent market that comprises professionals of all races.

"There is a group of professionals, with higher disposable income, who can afford to invest more in financial security – and they need it," she explains.

On top of that, ING Insurance also sees the largely untapped lower and middle income Malay and Indian markets as providing opportunities to grow its business.

ING Insurance has yet to obtain a takaful licence which could place the company in good stead to tap into the Malay market, but Menon says the company will continue to bank on the strength and benefits of its existing products to win over the market.

"So far, our products have been designed to cut across race and only target different age groups or gender," she explains.

For instance, its newly launched INGeasi for women series targets the female group in four different life stages. In the pipeline are three other INGeasi series – for family, education and retirement – that will be rolled out in phases by next year.

On how ING Insurance differentiates itself from its competitors in an industry where companies are selling almost-identical products, Menon says the company is banking on its customer-centric model to provide good customer experience.

"Frankly speaking, I don't think there is any insurance product that is any different from others in the market for more than three months because whenever a new product comes out, it gets copied very quickly," Menon says.

"So moving towards a customer-centric model is our strategy, whereby the focus is on making the whole dealings between the

company and its customers easy and fuss free," she reveals.

New opportunity rising

Meanwhile, much has been reported in the press about how a majority of Malaysians are unprepared for retirement. Recent study by the Gerontology Institute of Universiti Pertanian Malaysia finds that more than 60.4% of Malaysians aged 60 years and above have a monthly income below RM500, while 5.7% have no income.

LIAM also reported that only less than 5% of Malaysians are prepared for retirement.

The bulk of it will suffer when they reach retirement as a result of poor financial planning and their employee provident fund, or EPF, savings' real value being diminished by rising inflation rates.

For Menon, this just presents another business opportunity for the company.

She says it is timely for ING Insurance to look at providing a solution for people entering into retirement age.

"ING worldwide is very well-g geared towards providing that sort of expertise. We are banking on our access to our international group resources to bring all that knowledge and use it towards coming up with products customised for the Malaysian market," she says.

Show of solidarity

The local life insurance industry has a great future in Malaysia, and the currently under-penetrated market of only 40% presents ample opportunities for companies to grow their business – be it in the traditional life or investment-linked.

This compares to Singapore, with an insurance penetration rate of 100%; in the US, 80%; and Japan, 400%.

"It is a matter of time and the effort. We need to spend more time to educate the public on the value of insurance and financial independence and planning," Menon explains.

However, in view of the recent shock that has struck the US – where financial icons that were financially strong and stable have crumbled – Menon feels that the local insurance industry has to show solidarity to ensure the industry remains strong.

"We have to work together to ensure the public do not lose faith in the local insurance industry, although it is a known fact

that the local insurance industry is protected by the central bank," she opines.

National Association of Malaysian Life Insurance and Financial Advisors president Michael Kok in a recent statement assured the Malaysian public that the local insurance industry, under the regulation of Bank Negara, remained resilient towards the global financial crisis.

As the saying goes, there is an opportunity in every crisis, and taking the circumstances in her stride, Menon says, "They are just stepping stones and opportunities for us to improve ourselves."

Like many companies, ING Insurance is taking the advantage of the down market to pick up good stocks that have fallen below their fair values. It is also actively managing its portfolio to minimise risks and maximise returns.

"Through our prudent approach in managing our funds, we have put the company in a strong financial position," Menon says.

Making disciples

Besides improving business performance of ING Insurance, it is also Menon's objective to make the company the preferred employer in the industry.

Hence, she has implemented a mentor-mentee programme to ensure the company's staff gets the right coaching and guidance to climb up the ladder within the organisation.

"We want to help our staff to chart out a future for themselves in the company," she says.

Menon adds that she wants to

develop a corporate culture where everyone enjoys coming to work because they know their purpose in the company and have that desire for success.

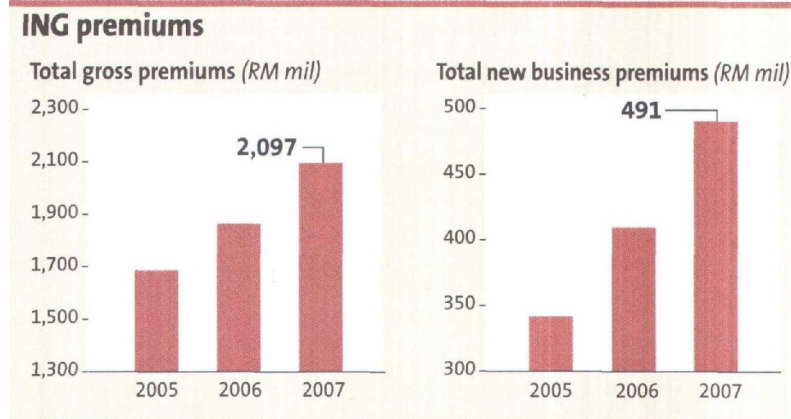
"I always tell my staff that they have to love coming to work, and if they don't, it just means that they have to rethink their purpose in staying on with the company," she says.

"On the company's goals and strategies, I always make sure that I communicate them personally to all levels of staff," she says, attributing this to the predominantly "right-brain" management style of her.

While conceding that she is aggressive, decisive and result-oriented, three of which are "left-brain" qualities, Menon says she has also brought in the emotional, caring and nurturing elements into the way she manages the organisation since assuming the role of CEO/president.

The caring part of her is also evident in the company's policies towards corporate social responsibility (CSR).

Menon says ING Insurance will continue spending no less than RM1bil each year on giving back to society. Among the main projects in which the company has been actively involved include the charity foundation for children born with cleft lip and palate as co-sponsors, a large-scale forest rehabilitation programme for Danum Valley in Sabah and sponsorship of a lion at Zoo Negara.



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