

# Insurance literacy disparity between Singapore and Malaysia

Based on a survey conducted by Sun Life Asia, it was found that Singaporean respondents have a higher level of insurance literacy compared to most other Asian markets. In contrast, Malaysia showed low levels of insurance literacy, with a big untapped pool of Malaysians still unsure about the importance of protection.

By Reva Ganesan



Mr Michael Wei



Mr Raymond Lew

Over a third of Singaporeans want to educate themselves about personal finance but are reluctant to ask for help and only 22% of Singapore respondents currently seek professional help or advice in managing their finances. This is according to Sun Life's Asia Financial Resilience Index published in March 2024.

The survey also reported that Singaporean respondents have above-average levels of life and health insurance coverage compared to most other Asian market surveyed, indicating a relatively higher level of insurance literacy.

Gen X and boomers struggle more with understanding the intricacies of health insurance in Singapore, while Gen Z and millennials are more likely to depend on family members for their insurance needs.

Boomers in Singapore were more likely to cite difficulties related to accessing and understanding health insurance even though they generally enjoy higher levels of coverage compared to other age groups.

Both boomers who are more likely to be dependent on retirement funds

and members of Gen Z who are just beginning their careers find the affordability of insurance to be a significant issue.

Gen Z were more likely to report that they do not see a need for it which can be attributed to their youth.

"Across different markets, the main reasons people cite for not having life and health insurance include a lack of awareness, insufficient education about insurance, its unaffordability, a personal belief that insurance is not necessary, or coverage being already provided by a family member," Sun Life Singapore chief partnership and marketing officer Michael Wei said.

"More effort in raising education and awareness is necessary to raise both insurance literacy and bolster overall financial wellbeing," Mr Wei said.

Insurance literacy is reported to be lower among younger demographics and lower income groups, who are much less likely to be covered by life and health insurance policies.

"What is particularly interesting is that fewer high-income respondents took out new life insurance policies

in 2023 compared to low-income respondents. This may indicate a trend of rising insurance literacy among the lower income group," he said.

Several efforts are underway to improve insurance literacy among Singaporeans, driven by industry associations such as the Life Insurance Association Singapore and government-linked agencies to provide resources to improve financial and insurance literacy among Singaporeans.

Despite 70% of respondents feeling optimistic about achieving their long-term financial goals, only 23% have made financial plans that extend beyond their five-year horizon. "This shows that many are ill-prepared for unexpected financial shocks," Mr Wei said.

"This discrepancy is even more pronounced among the affluent segments of the population – although they might appear better positioned financially, only 48% of high-income individuals plan at least one year ahead, and a mere 24% look five or more years into the future.

"This tells us that wealth does not necessarily correlate with financial resilience. In fact, financial planning



The Sun Life Asia Financial Resilience Index is a report based on a survey of 8,000 people (roughly 1,000 per market) in eight markets: Singapore, mainland China, Hong Kong SAR, India, Indonesia, Malaysia, the Philippines and Vietnam.

of insurance and takaful,” said Sun Life Malaysia CEO and country head Raymond Lew.

The same survey that was conducted by Sun Life Malaysia called *Insure or Unsure: Sun Life Insurance Literacy Survey*, reported that only 28% of 1,107 respondents are confident in their knowledge of insurance and takaful.

The remaining 22% of respondents indicated low to no insurance knowledge while half are uncertain about their insurance knowledge and are dependent on others for assistance.

“With these numbers, we know that more education needs to be done to increase insurance literacy levels in order for Malaysians to achieve financial stability in uncertain times,” Mr Lew said.

Furthermore, the survey reported that women comprised more than half of the respondents who said they felt they didn’t understand enough about insurance, proposing that women are at a higher risk of being under-insured and face greater vulnerability to financial shocks in comparison to men.

Further alarming implications from this data indicate that women were twice as likely to forget crucial details about their insurance or takaful plans. Additionally, they were twice as likely as men to depend solely on agents for policy comparisons and recommendations.

When asked about reasons behind the low levels of insurance literacy among Malaysians, Mr Lew said many individuals still hold an attitude of ignorance toward the subject matter of insurance, resulting in a lack of understanding on the impact of being under-insured.

“Insurance/takaful remains a taboo topic that most people do not make the effort to find out about, hence most people end up not knowing what they don’t know.

“This limits the conversation surrounding the topic because many

assume that they do not need to know much about insurance. To curb the attitude of ignorance, it is crucial to start teaching insurance literacy from young. Its importance must be emphasized in schools to create interest towards the subject from a young age,” Mr Lew said.

Insurance education in Malaysia has largely been led by the regulator, insurance companies and industry bodies such as Bank Negara Malaysia, Life Insurance Association of Malaysia and Malaysian Takaful Association.

However, Mr Lew said that is not enough as there is a big untapped pool of Malaysians who are not insured and remain unsure about the importance of insurance in protecting their finances.

### The future

“It is disheartening to see such low levels of literacy among those surveyed. In today’s ever-changing economy, Malaysians need to bolster their financial resilience by acquiring the necessary knowledge and skills to manage their finances and plans. Insurance literacy is a crucial financial skill, ensuring financial stability during unpredictable times,” Mr Lew said.

“In addition to the many subjects taught in school, it is also important to teach our children financial literacy including insurance literacy as it will have a long-term impact on their lives,” he said.

In Singapore, Mr Wei said, “Although many have health insurance across various age groups, there are still many Singaporeans who are not aware of the insurance options available to them, do not understand how insurance works or how to access it.”

“This tells us that the insurance industry needs to do more by not just educating people but also working to make sure insurance policies are simple enough so that more people are able to understand them better,” Mr Wei said. ▀

gaps are similarly observed across different income levels, with 19% of high-income respondents and 22% of lower-income individuals regularly spending beyond their monthly budgets,” Mr Wei said.

A significant ‘reality gap’ was also highlighted between the confidence Singaporeans have about their financial goals and their actual preparedness for the long-term.

“This blind spot is something that urgently needs addressing across all income brackets to mitigate future financial uncertainties,” he said.

### Malaysia contrast

The local insurance and takaful industry in Malaysia witnessed an increased awareness of the need for insurance protection after the pandemic.

“More people realised the importance of having some form of protection to cushion any financial shocks resulting from unexpected events however there is a critical need to improve Malaysians’ understanding for insurance and takaful, whereby many are still uncertain about their knowledge when it comes to topics