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Pandemic prompts HNWIs to raise insurance coverage, plan for family

With decades of experience, Sun Life is well-positioned to safeguard the wealth of high net worth individuals amid uncertain times

INCE the Covid-19 pandemic began in 2020, insurance and wealth solutions group Sun Life has noticed an uptick in demand for whole life and savings plans among its clients. More individuals have also been devising financial plans for their families, and some demographics – such as women and youth – are more involved in wealth planning than they used to be.

Michael Wei, Sun Life Singapore's chief partnership and marketing officer, says that during the pandemic, there has been a rise in the number of high net worth (HNW) and ultra high net worth (UHNW) individuals who are paying more attention to their succession and wealth planning needs for future generations. More have also increased insurance coverage for themselves and their families in recent years, as a result.

"We notice more HNW patriarchs are including their families in active conversations with regards to overall protection and generational wealth transfer planning needs.

"There is also a growing trend of women joining the league of HNWIs and demonstrating pro-activeness in planning for their wealth protection and succession for the next generation," Wei says.

Sun Life Singapore, a branch of Sun Life Assurance Company of Canada, is an international financial services organisation that has been providing insurance and wealth and asset management solutions to individuals and corporate clients worldwide for more than 150 years.

It expanded into Asia 130 years ago and currently has a presence in territories such as China, Hong Kong, India, Malaysia, the Philippines, Indonesia and Vietnam.

Over the years, the company has noticed shifts in the way HNW and UHNW individuals approach their wealth planning. For instance, in recent years, Sun Life has observed that life products with higher sums assured are popular. Generally, HNW individuals value higher guaranteed death benefits and these are a major factor when they consider taking up a legacy plan.

In addition, they are considering savings plans to diversify their portfolios and whole life plans to preserve wealth and plan for generational wealth transfer planning.

With interest rates continuing to hover at historic ows, it has been more challenging for universal life



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PHOTO: YEN MENG JIIN

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Sun Life Singapore chief executive Belinda Au

plans to deliver their expected returns.

In light of this, Sun Life has observed that there has been an upward trend of HNW individuals taking up whole life or savings plans for wealth preservation and legacy planning as alternatives to traditional universal life plans.

In terms of demographic trends, there has also been a difference in goals between HNW men and women. Men tend to focus on wealth accumulation, while women tend to focus on wealth protection instead.

Another trend that Sun Life has observed is that younger individuals are more likely to focus on growing and protecting their wealth, whereas older individuals tend to focus more on how they can pass their wealth on to future generations.

While HNW individuals that the company works with are in their mid-40s on average, newly minted HNW individuals in their 30s are beginning to reach out to the company too.

As they recognise the importance of diversification, younger HNW individuals are more likely to take up more savings plans than their older peers, Wei says.

Additionally, younger HNW individuals appear to be more proactive than their older peers in seeking out wealth planning information and advice; whereas their older peers may have been guided more by their wealth advisers or bankers to start their wealth planning journey.

The wealth planning journey

Sun Life's Wei adds that there are a number of factors that are relevant for HNW individuals to take note of when thinking about their wealth planning
needs in terms of protection, wealth preservation and succession planning.

First, such individuals need to think about the types of assets they would like to pass down to their future generations, as well as estate equalisation.

Estate equalisation is the process by which HNW individuals can ensure the equal passing of their wealth to the next generation. For instance, if the HNW individual owns a business that is managed by some of his heirs but not others, a properly crafted universal life insurance could help the individual satisfy his inheritance obligations to his heirs equally without having to liquidate the business.

Second, HNW individuals should seek a trusted adviser who can help to guide them on their wealth planning journey.

Finally, they should also assess the value of their businesses and personal investments regularly to manage liability risks.

As affluence grows in Asia, Sun Life notes that there has been a growing trend of HNW individuals setting up family offices to manage family wealth. In such cases, insurance could be used as an instrument for wealth planning, which would offer greater coverage and protection.

How Sun Life can meet HNW individuals' needs

While Sun Life has been a relatively new entrant to the Singapore market, the company is confident that its balanced team, which comprises experts with both local and international experience, can work together to meet the needs of its distributors and clients here.

Sun Life Singapore chief executive Belinda Au says that since the company launched its flagship Future-S product in April last year, it has received over 400 applications with premiums estimated to be worth more than US\$1 billion by the end of last year. "Into 2022, our number of applications has been

very positive and we aim to better serve the insurance needs of more HNW individuals through our close partnership with the broker agencies and private banks," she says.

The Future-S product has benefits such as flexibility in payment terms, high guaranteed cash value of 85 per cent as well as death benefit and cash value growth through additions that can be layered on top of the whole life plan. The company has also moved to adapt its offerings to local demand.

After the company first launched its Future-S plan, it began receiving feedback that clients preferred a lower guarantee, lower premium plan as some clients here may already have bought similar legacy insurance plans from other companies.

As a result, such clients were more willing to trade off lower guaranteed death benefits for lower premium amounts.

"Taking the feedback into consideration, we revised our Future-S insurance plan to introduce an additional new third guaranteed death benefit option, 'NextGen', to cater to the needs of our clients," Wei says.

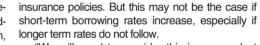
This additional option provides an additional layer of guaranteed death coverage that goes beyond the original sum assured for policyholders until they tum 85. The sum assured will then be determined by the amount of coverage selected when the policy is crafted. NextGen's guaranteed cash value could also rise up to 100 per cent of premiums paid.

Rising interest rates

As inflation rates continue to rise and central banks around the world begin to raise interest rates, Sun Life says that it will continue to take a prudent approach to product development to ensure that its insurance products are sustainable in both high and low interest rate environments.

"We often think of interest rates as one dimensional, but we need to consider changes throughout the entire yield curve. As an insurer, we keep a keen eye on various risks including changes in the shape of the yield curve," Sun Life Singapore's chief actuary Benjamin Root says.

When yield curves are steep and upward slowing, it may be attractive for HNW individuals to borrow at short-term rates to fund long-term investments in their



"We will need to consider this in our product design to ensure that the value proposition to clients is still attractive in such an environment and to consider ways to better serve our clients in such an environment," Au says.

Furthermore, while inflation rates are difficult to predict in the long run, Root says that the company would continue to meet clients' needs in mitigating rising expenses without taking on unnecessary or short-sighted risk.

Notably, inflation rates hit an all-time high of almost 24 per cent in June 1920. Back then, Sun Life already had 55 years of experience under its belt.

"As a reputable financial organisation with over 150 years of operation globally, Sun Life is well positioned to navigate through various market cycles and design insurance products sustainably into the future," Au says.





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