

THE ROLE OF FINANCIAL KNOWLEDGE ON LIFE INSURANCE AND FAMILY TAKAFUL AWARENESS

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ABSTRACT

The Government of Malaysia wants national life insurance and family takaful penetration rate to breach 75 per cent by the end of 2020. It realises that to attain this goal, it has to raise the population's awareness of the benefits of life insurance and family takaful. Central Bank's data from 2017 revealed the life insurance penetration rate and ownership in Malaysia were discouraging. The penetration rate was reported at 56 per cent, meaning there is another 19 percentage point to cover to reach the 2020's target. Ownership level was also low as only about one-third of the populations and less than 20 per cent of adults were protected by life insurance. One explanation that links the low level for life insurance demand among Malaysians is their inability to objectively evaluate the benefits of life insurance protection. It has been suggested in the literature that a lack of financial knowledge would hinder one's ability to interpret financial information accurately. Thus, it is fair to believe that the level of financial knowledge will have a direct effect on life insurance and family takaful awareness, and eventually the demand for life insurance products. The main purpose of the paper discusses the literature linking financial knowledge and life insurance awareness. Some suggestions on how to alleviate life insurance awareness among Malaysians are also included.

INTRODUCTION

The life insurance and family takaful sector is one of the major components of the Malaysian financial market. Bank Negara Malaysia (BNM) reported the sector maintained strong forward momentum in 2017 with 8.1 per cent growth in asset value compared the previous year (BNM, 2018). Total insurance and takaful assets in 2017 reached RM309 billion and the central bank expected the industry to remain strong based on a high capital adequacy aggregate ratio, at 23.38 per cent by the end of 2017, compared to the minimum requirement of 13.0 per cent. As the sustainable growth of the insurance and takaful sector is generally important in driving the growth of the country's economy, it makes sense for the stakeholders to explore and understand the factors affecting the awareness, and subsequently the demand for life insurance.

In addition to contributing to the country's economic growth, life insurance and family takaful also play an important role in maintaining the financial and social well-being of families and the community. While in principle insurance and takaful products serve as a risk management tool, the innovation and rapid growth of the sector has expanded its use, including in the areas of personal financial planning. In principle, personal financial planning is important for the majority of society because individuals who have properly implemented financial planning will enjoy greater financial freedom in the future.

Several factors are affecting the effectiveness of personal financial planning. One of the factors that are often said to contribute to the development of a good personal financial planning plan is the level of individual financial knowledge, even more so when it involves life insurance. As explained by Lin, Bruhn and William (2018), the decision-making process related to life insurance and family takaful products and

services is more complex than other financial instruments. Tennyson (2011) added that complexity often occurs in life insurance and takaful products because their concepts are less commonly encountered or used by most individuals comparing other financial products and services.

In this regard, this chapter seeks to uncover and discuss the possible links between financial knowledge and awareness among Malaysians as well as their participation in the life insurance and family takaful market. For this purpose, several aspects will be explained in the next sections. These include the status of ownership of life insurance and family takaful in Malaysia; the role of financial knowledge in the process of financial decision making; linkages between financial knowledge and life insurance and family takaful awareness; initiatives towards raising awareness of life insurance; and lastly, the summary section.

OWNERSHIP OF LIFE INSURANCE AND FAMILY TAKAFUL IN MALAYSIA

Life Insurance Association of Malaysia (LIAM, 2018) reported there are 16 family life insurance and takaful companies operating in Malaysia as of this writing (source: LIAM website, accessed January 2020). This is an increase compared to 13 companies in 2016 and 14 in 2017 (BNM, 2018). In terms of the value of protection, LIAM reported a six per cent increase when the value of protection reached RM1.38 trillion in 2017 compared to RM1.3 trillion for 2016. The perspective on the per capita insured value for the two years also saw an increase of RM42,992 in 2017, up from RM41,055 in 2016. Also, the value of premiums from the new policies increased by 3.8 per cent in 2017 compared to the previous year, bringing the total 2017 annual premiums for life insurance and family takaful to RM10.1 trillion.

Based on the aforesaid data, the growth of the country's life insurance and family takaful sector is aggregating positively. However, such information should not be used as a sole yardstick to conclude that the level of involvement of Malaysians in the sector is satisfactory. BNM's target and aspirations for life insurance and family takaful penetration rates by 2020 are at 75 per cent. However, the penetration rate in Malaysia as in 2017 was only 56 per cent. This shows that it is still much lower than the targeted level. As such, relevant parties in the sector have many tasks in hand to achieve a target deficit of 19 per cent before the end of 2020. Compared with developed countries, the current rate of penetration of life insurance and family takaful in Malaysia is relatively unfavourable. Although the penetration rate has surpassed the 50 per cent level, it does not mean that more than half of the country's population has protection. This mainly due to the definition of insurance penetration rate, which does not distinguish individuals who have more than one life insurance or family takaful. Therefore, the actual percentage of Malaysians who are covered is less than the rate of penetration of insurance because it is common in every country, Malaysia including, where some policyholders have more than one insurance protection.

Less than half of Malaysians are covered by life insurance or family takaful. According to BNM (2018), the number of Malaysians with at least one life insurance policy or family takaful is 36.5 per cent at the end of 2017, slightly higher than 2016 at 34.5 per cent. This means about one out of every three residents of the country has a life insurance policy. The remaining two-thirds of Malaysians are uncovered by any life protection policy. As a protection, life policies are more important for adults, especially individuals who play the role of breadwinners to a family institution, a micro-study based on BNM revealed that the actual position on life insurance ownership among the adults in the country is extremely unsatisfactory. For instance, the percentage of adults in Malaysia

who have at least a life insurance policy in 2015 is just over 16 per cent, and more alarmingly, it is a decline compared to the 18 per cent recorded in 2011 (BNM, 2016b).

Life insurance policy ownership scenarios are particularly critical for low-income groups. The central bank of the country conducted a study in 2015. The study measured the involvement of Malaysians in the products and services offered in the financial sector in the country. Although the Malaysian public involvement in the financial sector, especially in the banking sector, is high; but their involvement in the life policy sector, particularly among the low-income households, also known as B40, is alarming. BNM (2016a) reports that as of the end of 2015, the protection of life policies affecting the B40 group was only four per cent. Lack of coverage for life insurance or family takaful policy can have serious financial consequences to family members if breadwinners of B40 families suffer immature death.

THE ROLE OF FINANCIAL KNOWLEDGE IN PERSONAL FINANCIAL PLANNING

Alba and Hutchinson (1987) describe knowledge as information that is learned, organized, represented, and stored in the mind. In this regard, financial knowledge can be interpreted as financial information that an individual learns and is then cognitively organized, represented and subsequently kept in mind. Researchers have long believed that increasing knowledge leads to higher levels of perception, attitude and behaviour. Thus, it is unsurprising many researchers have shown research interest in this area in their quest for greater understanding between knowledge and behaviour. The study of, Yantis, Norwood and Montano (1985), for example, provides empirical evidence that behavioural predictions can be better predicted by intentions when higher levels of knowledge are present than low levels of knowledge. In the financial management, Liebermann and

Flint-Goor (1996) suggest that individuals who have a better understanding of financial market operating procedures should be able to make more effective financial decisions.

Studies examining the impact of knowledge on the behaviour of individuals in the field of finance are extensive. Researchers such as Chen and Volpe (1998), Hilgert, Howard and Beverly (2003); Lusardi and Mitchell (2006, 2007), Robb and Sharpe (2009), and Robb (2011) have shown that financial knowledge and financial behaviour are positively correlated. In other words, their findings support the argument that higher levels of financial knowledge lead to better financial behaviour. In the Malaysian context, Sabri, MacDonald, Hira, and Masud (2010) have also found that individuals with high financial literacy are more likely to exhibit efficient financial behaviour and at the same time, are less likely to have financial problems. Kotzé and Smit (2008) based on evidence from South Africa and Song (2012) using data from China have linked individuals' inability to make good financial results due to lack of financial knowledge. Kotzé and Smit (2008) also point out that one exerts less effort to make financial decisions as well as experiencing more decision inaccuracy dealing with financial matters. In the context of retirement savings, Song (2012) conducted an experimental study in which one group of households provided financial education related to compounding interest rates made a better pension contribution than the control group. The findings of Kotzé and Smit (2008) and Song (2012) show the impact of financial knowledge and the need for financial education. They have shown that increasing financial knowledge can lead to a more financial activity and reduced decision failure.

Motivated by the findings that linked financial knowledge and behaviour, many financial authorities in developed countries, including the United States, have recognized the importance of financial knowledge.

Policymakers of large economies have conducted to examine the role of financial education programmes, including the application of behavioural finance and aspects of financial risk assessment (Schuchardt et al., 2009). In Malaysia, the importance of financial education is also voiced by the central bank. In delivering a keynote address of the conference entitled "Towards an effective financial education strategy for Malaysia – Realizing financial well-being", the Deputy Governor of BNM had emphasized the importance of financial education in personal financial management, especially when individuals undertake future financial planning and risk management (*The Star*, 2017, 3 October)

The worrying scenario in Malaysia is the low level of knowledge of its people. Numerous reports and studies over the past 10 years have reflected and provided empirical evidence on the reality of inadequate financial knowledge among Malaysian society. A study conducted by the World Bank in 2014 found that only one out of every three adults in the country is categorized as financially literate (Klapper, Lusardi, & Van Oudheusden, 2015). The study which comprised 140 countries, indicated 36 per cent of Malaysian adults had achieved satisfactory financial literacy. Although the performance is better than a few neighbouring countries such as Indonesia (32 per cent) and Thailand (27 per cent), Malaysia's position is far behind Singapore. Data for Singapore found that nearly two-thirds (59 per cent) of the country's adults had achieved satisfactory financial literacy.

The findings of the World Bank for Malaysia for 2014 on the level of financial literacy are consistent with the evidence by Lim, Zatul Karamah and Hamidi (2014a). In a study involving 1,191 income earners, Lim et al. (2014a) employed 24 financial-based questions covering several financial aspects such as investment, financial planning, interest rates and inflation. They found 69.8 per cent of participants did not reach the satisfactory level

in financial knowledge. In other words, less than one-third of the respondents achieved satisfactory financial knowledge. It is worth to note that the findings of Lim et al. (2014a), when viewed in more detail, indicated 53.1 per cent of the respondents had attained formal education at least at the college diploma level. Accordingly, it signals that individuals with good formal education do not necessarily command good financial knowledge. The gap between the level of formal education and financial knowledge was proven earlier by Zaiton, Lim and Jainurin (2008). The study which surveyed 513 university students in various fields of study, revealed that the level of financial knowledge of university students was low when, in aggregate, as only two of the seven financial questions employed in the study recorded satisfactory accuracy responses.

An aspect that needs to be clarified about the importance of financial knowledge is the negative impact it can have when financial decisions are guided by ones' inability to conduct proper financial analysis. This is particularly relevant in the context of this discussion as a good financial planning plan usually involves life insurance or family takaful that plays a role as a risk protection tool. Individuals wishing to formulate a financial planning plan have the option of either doing it themselves or seeking financial advisory services. In the ideal situation, the individual should seek the services of a financial consultant if he or she does not have a good knowledge of the financial product to be sought. Robb, Babiarz and Woodyard (2012) provide an interesting finding where financially literate individuals are more likely to seek finance professional advice and service on investment, savings, mortgage decisions, insurance, and tax planning. This tendency may be due to their appreciation and confidence in the value-added from finance professionals. A contradicting situation was reported by Boon, Yee and Ting (2011) when they found that Malaysians seemed reluctant to rely on financial advisors to realize their

financial goals. Malaysians may be more likely to make financial investment decisions on their own. The results of Boon et al. (2011) deserve further focus as it raises concerns that the individuals might have misunderstood the roles of finance professionals in assisting those in need of financial advice. Considering the studies of Klapper et al. (2015), Lim et al. (2014a) and Zaiton et al. (2008) that found the majority of Malaysians are financially illiterate, a lack of meaningful client-advisor relationships in the personal finance sector may result in poor and inefficiency financial planning, which subsequently could hinder the rapid growth of the industry in Malaysia, including those related to life insurance and family takaful.

LINKAGES BETWEEN FINANCIAL KNOWLEDGE, LIFE INSURANCE AWARENESS AND FAMILY TAKAFUL AWARENESS.

It is advisable that adult individuals, especially those who carry out their responsibilities as a breadwinner in their family, have life insurance or family takaful policy to protect their family's financial well-being. In this regard, an increase in awareness of the role and benefits of having a life insurance policy in a family will encourage the community to use these financial instruments. However, BNM and LIAM's less favourable statistics on Malaysian citizenship in life policies, especially those of the B40, may be used as an indication that awareness of the importance of life insurance or family takaful is still at an unfavourable level. This section, therefore, seeks to delve into and explain whether the level of financial knowledge influences the level of life insurance awareness or family takaful.

Personal financial products are becoming more complex (Shapiro & Burchell, 2012). Life insurance and family takaful coverages, for example, have many new features that make them more complex and

expensive. In the Malaysian context, the post-crisis period of 1997 – 1998 saw more efforts by life insurers in offering investment-linked life insurance than traditional life insurance such as term insurance, whole life insurance, or endowment (The Report Malaysia, 2008). The main difference between investment-linked insurance compared to traditional life policies is in the form of cash value accumulation method. Under the traditional life insurance policy, insurance companies will announce annual income or bonuses based on their firm's annual investment performance. Therefore, the ability and capacity of the insurer to declare a stable and satisfactory income or bonus to the insured depends on the investment success of the insurer. When the economy is not favourable, insurance companies will find it difficult to declare a level of income or bonus based on the projection schedule of a life insurance policy. In contrast to investment-linked insurance, some of the premiums paid by the insurer are allocated to purchase unit trusts at market value. Accordingly, the accumulation of cash value of investment-linked insurance is directly dependent on the market price of the unit trust (Binder & Ngai, 2012). As such, the cash value of investment-linked insurance no longer depends on the profitability of the insurance company. In other words, insurance companies have effectively passed on the uncertainty or risk of accumulating policy cash to policyholders, whether they realize it or not.

Complexities associated with life insurance or family takaful are said to have made people less interested in caring about them. One of the main factors identified is the level of language used in the development of the insurance policy itself. Basically, life insurance and family takaful protections are a long-term contract between insurance companies and policyholders. As in other business contracts, the language most often used in the formulation of insurance policies is based on legal language, and it is often difficult for most people to understand. Therefore,

one needs to have sufficient knowledge and understanding of the legal, insurance and financial terms to properly review the contents of the policy. BNM is aware of issues arising from the difficulty of understanding the legal language contained in the insurance policy. As such, the Malaysian central bank has introduced Guidelines on Transparency and Product Disclosure beginning in 2011 (BNM, 2017) to encourage insurance and takaful practitioners to move and adopt more common terms and languages in their insurance and takaful policies. The transition to the common language is intended to help people understand the terms of benefits, exclusions and obligations contained in their policies. To ensure that this aspiration is achieved, BNM has undertaken and will continue to conduct reviews of the sample of policies used by insurance and takaful companies. BNM's efforts towards achieving an insurance policy that is easier to understand by the majority of the populations have shown positive results. According to BNM (2017), about one-third of personal insurance and takaful products (also including motor insurance, property and homeowner's insurance, accident insurance and critical illness insurance) produced in 2016 have used much more common language. The scope of common language use is expected to increase and BNM expects to cover more than three-quarters of total insurance by the end of 2017. BNM is committed and will conduct a more intensive review of policies issued by insurance and takaful practitioners to ensure that the objective of using a common language can be expanded and fulfilled.

The complexity inherent in the protection of life insurance policies also occurs when there are complicated and unfamiliar terms or conditions that lack transparency. One of the reasons leading to this issue is when basic life insurance and family takaful are increasingly being integrated with additional elements such as savings and investments, or medical and health coverages, or all in one package. BNM (2017) explains that

this situation is, among other things, driven by the desire of the insurance company to provide unique products to compete among themselves. However, incorporating various elements and features into life insurance and family takaful insurance package will also increase the risk to the insurance company. Complex coverage plans will make it difficult for insurance companies to predict the claims they will face. To address the higher risks that they will have to face, additional terms of protection and exclusions will usually be included in the policy. More complex life insurance and family takaful products are believed to negatively affect the public's views, attitudes and actions. Not only does this make it difficult for owners and prospective buyers of insurance to understand the full contents of their insurance policies, but the more critical consequence is that people may lose interest in acquiring these products. As such, if these issues are not addressed wisely, the growth prospects of the life insurance and family takaful industry may decline.

The use of legal language, coupled with the increasing complexity of life insurance and family takaful products, has certainly put the role of financial knowledge, particularly in insurance and personal financial planning, to a significant degree. To discuss the possible relationship between financial knowledge and awareness of life insurance and family takaful, this section will further examine whether there is a similarity profile of life insurance and family takaful ownership relative to the level of financial knowledge based on previous studies and reports.

Lin et al. (2018) emphasize that valuation of life policy products is far more complex than other savings and financial investment contexts because their real value can only be realized in the event of compensation claim after an event of a loss. In other words, the nature of the financial risk faced by the life insurance owner is more complex than that of other common financial savings and

investment products. However, as insurance products are extremely important in protecting the socioeconomic interests of a family and society from unforeseen catastrophes, the need for the public in financial knowledge has been cited as one of the important factors in influencing one's awareness, perception, attitude and subsequent behaviour on life insurance and family takaful.

When confronted with high volume and variety of information, individuals are more likely to choose the information that they know and understands, or that they feel understood, during the process of perception formation (Litterer, 1965). Thus, financially literate individuals will be more likely to pay attention to information and facts related to financial knowledge, while having the ability to process financial information more efficiently and accurately. From a cognitive standpoint, they will be more comfortable in processing information that they feel relevant and develop a more positive view on the issue. In other words, someone who is more knowledgeable financial aspects will trigger a better subjective sense of financial products and financial management practices, including aspects related to life insurance. Litterer (1965) explains both positive and negative feelings will have a direct impact on the perception that will come later. In light of the argument, financially literate individuals will have a better ability to process financial information and thus develop a sense of financial relatedness. According to Litterer (1965) further, the perception of an individual is closely related to the action to be taken. Thus, it is fair to argue that good financial and insurance knowledge will lead to a positive perception of insurance, which in turn promotes the attitude towards purchasing insurance.

Several studies indicate that there is a link between the level of knowledge and awareness of life insurance and family takaful. Studies on demographic and geographical factors have found that there are similarities

between levels of financial knowledge and financial preparedness and involvement. The study of Lim et al. (2014a) provides profiles associated with low financial knowledge, among others, those located in rural areas; low formal education; lower income; be in the younger age category; and women. The BNM report (2016b) also states that there is a gap in financial involvement and those who have been identified are in a disadvantageous situation, i.e. the lower-income earners, young people, and women. BNM (2016b) also revealed that coverage of insurance products by insurers is concentrated in more developed regions or states. The central bank also reports that about 60 per cent of insurance agents in Malaysia are in the Klang Valley, Penang and Johor.

A meta-analysis based on the findings of Lim et al. (2014b) and BNM (2016b) report shows consistency in terms of explanatory factors between low knowledge levels and low financial involvement. Both of these phenomena involve the same community. Those who are less well-informed and less involved in finance are more likely than women, low-income, younger, and out-of-town residents. The similarity of factors in describing these two phenomena indicates that financial knowledge plays an important role in the awareness of the realities and possibilities of financial behaviour, and, of course, concerning life insurance and family takaful.

The findings of Zatul Karamah, Lim, Zaiton, Amer Azlan and Rosle (2014) have helped to shed light on the role of knowledge in the realization and consumption of life insurance and family takaful. They found that there was a significant positive relationship between the formal education level and life insurance intake. Zatul Karamah et al. (2014) also revealed a significant positive relationship between attitudes toward the monthly budget and life insurance intake. Their findings are very much in line with Litterer's (1965) argument. Individuals who care and have a positive attitude on personal budget management

have a better understanding of financial management. Not only are these people aware of the importance and benefits of budgeting, but they are often more capable of analysing and making more effective decisions about financial investment products. In other words, in the context of financial knowledge and life insurance policies and family takaful, a good level of financial knowledge tend to form a positive attitude towards life insurance and family takaful, and this positive attitude will be reflected in the behaviour, which is the tendency to have life policy insurance. The positive relationship between financial knowledge and attitudes, and the significant positive relationship between attitudes and behaviour, have been proven by Lim et al. (2014b). In this regard, financial knowledge is important in raising awareness of life insurance products and family takaful.

LIFE INSURANCE AND FAMILY TAKAFUL AWARENESS

The importance of financial knowledge in raising awareness of life insurance and family takaful is beyond dispute. Continuing long-term efforts are necessary to increase financial knowledge especially among the B40 and rural communities. Increasing knowledge and awareness is a time-consuming process. To begin with, insurance companies should be encouraged to focus more on the rural population rather than just focusing on the urban population as it is today. The unavailability of agents and insurance companies in rural areas directly complicates efforts to disseminate life insurance and family takaful information. Not only does this make it difficult to provide information and services, but it is also a hindrance for these communities to approach products and services related to life insurance and family takaful.

To do so and without incurring too much cost to insurers, an alternative option is disseminating information through online

media. The use of online media always allows information to reach a wider audience while being accessible. Meanwhile, the dissemination of accurate information, which is delivered in a language and in a context that is easily understood by all walks of life, will have a greater impact on increasing awareness and knowledge of insurance.

Insurance companies can also re-introduce basic life protection packages. A more affordable basic protection package will certainly have more appeal and will further stimulate interest especially from those who cannot afford to buy premium insurance packages such as investment-linked life insurance. Basic life insurance is usually simple and uncomplicated. Such packages can also be offered directly online to prospective buyers without the insurance agent's service. In this regard, the insurance company may avoid paying a sales commission to the agent. The savings enjoyed by the insurance company can then be passed on to customers in the form of lower insurance premiums. As insurance costs can be reduced, more people in the community will be more interested in knowing life insurance products and services, and their search for information will certainly alleviate their financial knowledge and insurance awareness.

One of the possible causes for the lack of awareness about the importance of life insurance and family takaful maybe the misperception of the purpose of the product. There may be opinions among Malaysians that life protection policies are only for by well off individuals as are they are equating life insurance requirement to the concept of general insurance. In the case of motor insurance and homeowner's insurance, for example, the requirements for insurance protection is based on the ownership of vehicles or property. With that said, they may think that only individuals who own a vehicle or a house should seek insurance protection. Therefore, it is not surprising that many,

especially those who are less well-informed, think that life insurance and family takaful are only relevant and for the rich or the wealthy. This assumption can be logically based on evidence of Ackah and Owusu (2012).

One of the main underlying issue that triggers a lack of awareness of life insurance and family takaful is the low level of financial knowledge. Although several financial education programmes have been implemented, the level of knowledge of the Malaysian public is not yet at the desired level. Going forward, better focused and structured financial education and awareness programmes are needed. Lim et al. (2014a), for example, suggested financial education programmes for female participants to embed financial issues related to women so that these topics are more personal and closer to their heart, which subsequently will foster greater engagement and awareness. Based on the same context, financial knowledge education programmes involving rural and B40 students, for example, may not be appropriate if the contents are about sophisticated investment topics such as stock markets and bonds. Irrelevant topic design not only daunting for them but causing them to lose interest. In other words, the organizers responsible for running financial education programmes must be aware of the background of the participants and develop a more appropriate financial education programme for the achievement of higher impact.

SUMMARY

Life insurance and family takaful are important financial instruments. It is especially beneficial to the beneficiary when the breadwinner of a family experiences premature death. Immediate beneficiaries, especially family members in need of financial supports, can use compensation from insurance companies to cover temporary living costs throughout adjustment that may take years. Despite the importance of life insurance and family takaful,

the rate of ownership of family insurance and family takaful by the people of this country remains low and according to BNM sources, only one-third of its citizens are insured as of 2017. The situation is more alarming as adults and the B40 posted a much lower figure of 16 per cent and 4 per cent in 2015. Respectively, the financial well-being of families without life insurance would be exposed to high risk in the event of an unwanted or unexpected incident on the breadwinners.

One of the key factors that impede awareness and ownership of life insurance and family takaful is the lack of understanding of its citizens in products related to life protection. Life insurance and family takaful policies are long-term contracts that deal with many legal, insurance and financial terms. The policies also divided into several major sections, particularly those involving additional protections such as investment and health. This issue is further exacerbated when Malaysians have low levels of financial knowledge, as evidenced by research by government-linked agencies such as the treasury and academic researchers. Weaknesses in financial knowledge among Malaysians have caused many of them to be overwhelmed by issues related to financial planning failures and financial management mistakes. At the same time, the limited level of financial knowledge also results in their inability to understand and appreciate the function and importance of life insurance policy protection for families.

The community groups found to be at the forefront of poor financial knowledge are women, rural people, low-income earners, and less educated group. Therefore, initiatives in the form of financial education programs aimed at increasing awareness of financial products and life insurance protection in particular, especially among the B40 and younger people, need to be implemented more efficiently. This is especially critical as family members of the B40 family are more negatively affected (Rubayah & Nor Hamizah,

2017) when the breadwinner experiences premature death. Life insurance awareness is also important for young people because insurance taken at a younger age is more cost-effective. Additionally, attaining life insurance at a younger age is less likely to result in rejection by insurance companies. From the perspective of insurance companies, younger prospective customers generally have better health, thus categorized as good prospects. Implementation of education programmes for young people will encourage better financial management habits and ownership of life insurance by these groups may indirectly assist in controlling the wasteful spending often associated with these groups.

Efforts to raise awareness of life insurance and family takaful require the cooperation of many parties. Life insurers especially LIAM members and government agencies such as BNM have been working hard to ensure that the involvement and ownership of life insurance by Malaysians can be enhanced to a more satisfactory level. However, efforts to educate critical target groups such as the rural and B40 communities, young people, and women need to be given more attention so that life insurance ownership of these groups can be alleviated. This goal may not be immediately possible, but if continuous efforts are made, life insurance penetration and ownership will certainly increase.

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