

## **Chapter Four**

### **Great Eastern Life Assurance (Malaysia) Berhad**

#### **4.1 Introduction**

Insurance touches every aspect of our life in modern times and applies to more than just to protect against the loss of property as it was intended for earlier. It only includes the loss of life much later. As time progress, to meet the increasing and changing needs of individuals, additional products are obtained by the combination of the three basic plans that is whole life, endowment and term insurance.

People buy insurance with the intention of protecting the family from the loss of income, debts due to business, mortgage and or other creditors in the event of death of the breadwinner. As people become more affluent, there exists a greater area needing protection. The need to prepare for the future also arises. Education plans and health plans are the newest insurance products to join the categories of insurance contracts.

For this reason, Great Eastern has made it their business to provide insurance coverage for every need in a person's lifecycle. The categorization of the company's products meant that Great Eastern could stay more focused. The primary aim of Great Eastern is to provide financial protection and savings to individuals, families and businesses through various forms of life and health insurance. Great Eastern has been consistently performing and strengthening its position in the life insurance industry and is now the largest insurance company in Malaysia. Great Eastern continued to dominate the

Malaysian life insurance market, accounting for 18.4 per cent of total market share in 1999.<sup>11</sup>

## **4.2 Corporate Background**

The Great Eastern Life Assurance Company Limited was incorporated on 26 August 1908 in the Straits Settlement. It is the largest asset-based life insurer in Singapore and Malaysia with over S\$13.8 billion in assets and offices in Singapore, East and West Malaysia, Brunei, Indonesia as well as a representative office in Shanghai, China.

The company started operations with a staff of only 15 and assets worth S\$70,000. Its first office was in Winchester House on Collyer Quay in Singapore and its operations were initially concentrated in Singapore and the principal towns of Malaya, such as Kuala Lumpur and Ipoh. Business grew rapidly and soon the Company was offering life insurance plans throughout Malaya and Borneo and to the people of Java, Sumatra, Ceylon, India, Burma, Thailand, and Hong Kong. And by 1931, the Company's expansion had prompted a move to its own building, The Great Eastern Life Building at Cecil Street.

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<sup>11</sup> The Sin Chew Jit Poh newspaper, 13 February, 2001, p.2.

Even World War II failed to disrupt the Company's operations. When Japanese occupation forces took over The Great Eastern Life Building, the Company's loyal employees helped to preserve vital records - at great risk to himself or herself.

That the Company was able to emerge relatively unscathed from those troubled times was due to the dedication of its staff and the foresight of its directors in their judicious investment of the Company's assets, both locally and abroad. Equally important was the strong support from loyal clients who revived their policies after a lapse of four years.

Consequently, the Company was able to resume operations as soon as the War was over. Indeed, a valuation of its assets in 1946 showed Great Eastern to be in a very favorable financial position.

To better serve an increasing number of Malaysian policy owners, a Principal Office was established in Kuala Lumpur, and numerous branch offices were opened throughout Malaysia. Keeping pace with the rapid growth, Great Eastern moved its Head Office in 1976 to the OCBC Center, then the tallest building in Singapore.

In November 1999, the holding company, The Great Eastern Life Assurance Company Limited ("GEL(S)") underwent a major change by restructuring GEL(S) into a wholly owned subsidiary of Great Eastern Holdings Limited. In Malaysia, the branch operations were fully domesticated in pursuant to section 217 of the Insurance Act, 1996 effective from 1 January 1999.<sup>12</sup> The domestication exercise meant that all the

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<sup>12</sup> Annual Report of the Great Eastern Life, 1999, p.3.

Company's Malaysian insurance business, assets and liabilities were transferred to a Malaysian-incorporated company, Great Eastern Life Assurance (Malaysia) Berhad.

Today, Great Eastern operates in Singapore, Malaysia, Brunei, Indonesia and the People's Republic of China. The company has the flexibility, expertise, resources and financial strength to deliver their promises. The company provides insurance coverage to 1.6 million policies in-force amounting to gross premium income of RM2.055 billion backed by total assets in excess of RM10.3 billion and paid-up share capital of RM100,000,005 in 31 December 1999.

Great Eastern is the largest and oldest life insurer in Malaysia, and this has been certified by the Malaysia Book of Records and reported in Bank Negara Malaysia's Annual Report 1999.

#### **4.2.1 Corporate Vision, Values, and Mission**

The vision of Great Eastern is to be the choice life insurer in ASEAN and beyond, committed to providing financial security for their customers, recognized for excellence in service, and respected for their integrity, initiative and involvement in the way Great Eastern pursue their business.

Great Eastern's three core values define, in essence, what their stand for are "Integrity, Initiative, and Involvement." These values are reflected in the products that they have and the services that they offer to all policyholder; its agents are well-trained to

advise and assist policyholders in their financial planning. The company will continue to deliver what it promises.

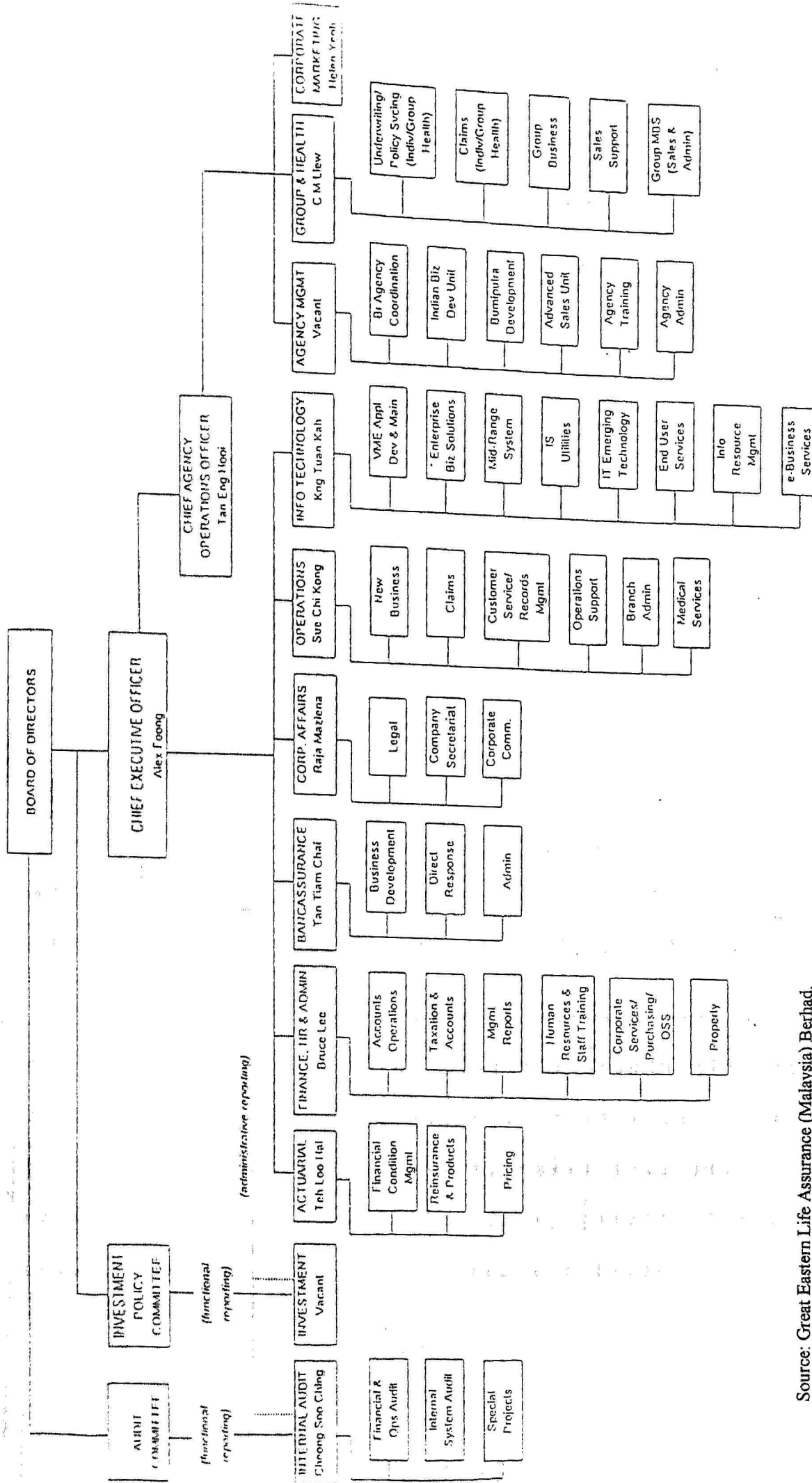
By year 2008, the company will continue to expand its Supremacy in the life insurance industry with assets of RM40 billion and annual net profits of RM400 million.

#### **4.3 Operation Review**

Great Eastern has over 92 years of experience and has a reputation for being a professional and innovative company. Therefore, arising from the efforts to upgrade the selling skills of the agency force, the overall average productivity of the company's agents also went up. The company's insurance operations in Malaysia turned in strong results for 1999. Premium income rose to RM2,055 million, while total sum assured plus bonus was increased by 5 per cent from RM88.2 billion in 1998 to RM93 billion in 1999.

For conducting the affairs of any business enterprise in an orderly and effective manner, a suitable form of organization is necessary, the complexity of which depends on the intricacy of the business. Great Eastern organization was formed for a stated purpose or purposes, there is considerable overlapping of function, and specialized divisions and extended their operations beyond their original purposes.

The management team of Great Eastern has effective organization, recognizes that organizational planning is vital to its profitable growth and development. The basic principles applied by management in various business areas also apply to the company. Consequently, effective organizations like the Great Eastern has three main elements that is levels of authority, departmentalization, and fictionalization (See Chart 4.1).



Source: Great Eastern Life Assurance (Malaysia) Berhad.

The proposed merger of the life insurance business between Great Eastern and Overseas Assurance Corporation (Malaysia) Berhad, which has been approved by Bank Negara Malaysia, augurs well for the future of the Group in Malaysia. The rationalization of operations between these two companies in Malaysia will increase scale and will result in more effective use of their resources in agency management, development and training. Post rationalization, Great Eastern would command an estimated market share of over 40% of the life insurance market in Malaysia.

The respective Claims departments of Great Eastern became the Group's first operating units to achieve the prestigious ISO 9002 certification. Other major operating units will be recommended for this accreditation. This represents one of the many of the Group's on-going efforts to improve its methods and processes in its strife for excellence.

#### **4.4 Corporate Developments**

Great Eastern makes it easy for customers to do business with their company. The company provides their customers with high-quality products; services and information that help them manage two critical areas of their lives that is financial and health security.

Great Eastern offers a comprehensive range of products that cater to the changing needs of customers. Great Eastern believe that insurance can improve the quality of life of their valued customers and their loved ones, and therefore shall be celebrated. Great Eastern's commitment towards making insurance a celebration of life was manifested in their bold move of introducing a new logo, which is the lion corporate symbol has always been with Great Eastern, a symbol of leadership, strength and dependability.

Great Eastern took advantage of depressed property conditions to embark on purchasing or developing selective choice properties for the branch network. This enable the company to enhance the capital values of the property portfolio and the related revenues generated from for the future. Construction of the new headquarter, Menara Great Eastern Life at Jalan Ampang in Kuala Lumpur is progressing well. Consisting off two phases, Phase 1 is a 20-storey office block with an adjoining 8-storey podium, scheduled to be completed by the end of year 2001. A top quality 12-storey office block called Wisma Great Eastern Life was also completed in the heart Kota Kinabalu. Beside that, the company also acquired a number of properties in Ipoh, Malacca, and Kluang. It also acquired an adjoining building next to the current headquarters in Jalan Ampang. These acquisitions are for operational use and for branch office relocation purpose.

Great Eastern's commitment is to put their customers first. The company employs the latest innovative technologies in developing products and services to meet customers' changing needs. Over two million Malaysians have chosen Great Eastern.

#### **4.4.1 Products**

As the largest life insurer in Malaysia, Great Eastern offers a wide range of innovative and unique life products to keep up with their policyholders' changing needs. With a base of approximately 1.6 million policies in-force coupled with their policy owners' greater expectations for quality products and services, policy servicing plays a primary role in answering all queries and policy matters entrusted to their valued policy owners.



Great Eastern has a comprehensive product range to meet the needs of individuals at every stage of his life. Apart from life insurance, the company has policies that include mortgage protection, business protection, employee benefits and medical insurance. Great Eastern products are designed to provide easy, clear benefits, affordable value, and comprehensive after sales service.

Great Eastern products are developed with their experience and resources, and customized to local needs. The company goal is to serve customers throughout the different stages of their lives. A graduate at his first job, a newly wed couple saving for a home, young parents providing for their child's education, an older person looking towards retirement, they can all look to Great Eastern for assistance in planning for the future.

In response to the changing needs of the community, Great Eastern was the first to introduce innovative products such as the 'Living Assurance'; a new concept, which in addition to providing life insurance, the protection pays the full sum assured if a policyholder is diagnosed as having a specified major illnesses.

The good performance of Great Eastern in 1999 was in part attributable to the introduction of new products to meet the discerning and varied needs of the market, in the form of investment-linked plan. Others plans introduced during the year included a term assurance plan, whole life plan, endowment plan, hospitalization plan, businesses a wide variety of employee benefit plan, and mortgage plan. Having the ability to offer a comprehensive range of attractive and competitive products will ensure the company's continued dominance in the Malaysia market.

#### **4.4.2 Services**

Great Eastern believe that a satisfied customer is a valued customer. The company is committed to providing the best level of customer service, as is expected of the largest life insurer in Malaysia.

Great Eastern has a network of 24 branch offices and approximately 15,000 agents throughout Malaysia play a significant role in providing total customer service and care. The demands on agents mean that they must possess sound insurance knowledge, professional level of selling or servicing skills, a desire to serve and care and to provide the personal touch when they give financial advice to customers.

Great Eastern professionally trained servicing staff and agents make it their business to ensure that service requests are dealt with promptly and courteously. Great Eastern value and believe in building long-term relationships with their customers, which are based on trust and managed with the highest professional and ethical standards. Great Eastern agents play a very important role in giving specialized customer-focused and personalized service to their community. Trained to analyze the customers' financial needs, they are equipped to deliver high quality services to their customers through an advanced information technology system known as the Great Eastern Life Marketing System (GEMS). With an understanding of customer lifestyle, current and future financial needs, Great Eastern agents are able to use this system to work out a plan that will best suit customer needs. They are able to recommend the best available solutions to cater for the individual's need to plan for a secure future.

A company is only as good as the people who work for it. This is why Great Eastern places great emphasis on training and upgrading the skills of their staff and agency force to better serve their customers.

Great Eastern also appointed independent paramedical service providers in the Klang valley to enable prospective customers to have their medical examinations done by paramedical personnel in the comfort and convenience of their own homes or offices. Great Eastern also extended the facility of payment of premium by credit card to all modes of payment to meet popular demand by customers.

#### **4.4.3 Information Technology**

Great Eastern also realized early the need to upgrade its services to clients through modern information technology. Accordingly, it became the first life insurance company in the region to computerize its operations. In 1986, it again set precedent as the first life insurance company in this region to operate its computers on an on-line real-time mode. All service departments such as new business, policy servicing, claims, actuarial and cashier's departments are fully on-line. Therefore, Great Eastern had greater efficiency and better service to policyholders and the community.

The company places great emphasis on information technology in Malaysia, with priority in resource allocation in order to ensure greater efficiency and effectiveness. It was one of the first insurers to introduce Great Eastern Life Marketing System (GEMS); which is a comprehensive, state-of-the-art marketing system of the company's insurance plans. GEMS is a user-friendly computer system that will enable 15,000 Great Eastern

agents to provide a new and much higher level of customer service to approximately 1.6 million policies in-force. Great Eastern is proud to be at the forefront in harnessing advanced information technology in serving their customers.

Recent development in information technology offer greater scope for cross-border trade in final or intermediate insurance products, perhaps offering a way out of this dilemma. The revolutionary developments that have taken place in information technology have vastly facilitated the collection, processing and transmission of information.

The technical parameters of the insurance service industry, then, are information and the human skills required to process the information. The need for establishment, which also confers market presence, flows from these technical parameters of insurance. Information technology may, however, serve to alter these parameters in several ways. First, it may speed up the process of information gathering and processing. Second, it may reduce the need for human skills in the processing of information by allowing the substitution of machine-paced operations in the place of labour-paced operations. Third, it may extend the range of products the insurance industry is able to offer its customers.

With information technology, the company is able to offer more sophisticated and specialized products while increasing efficiency and professionalism. The company believes that information technology will lead to greater effectiveness in customer service and enable it to keep ahead off the changing ways insurance companies do business.

#### **4.4.4 Contributions to the Economy**

Great Eastern plays an important part in the development of the local economies through judicious investment programmers. Great Eastern is allowed by Bank Negara Malaysia to invest up to 40% if its investment portfolio in equity. The company however tries to maintain investments at a more prudent exposure of about 30% of its total investment portfolio in equity. The investment funds of Great Eastern were highly liquid. Of this exposure in equity, financial sector remained the largest category of investment funds with a 30 per cent share of total investment funds. Other major sector categories were industrial (20%), trading and services (20%), plantation (10%), property (3%), and other sectors (17%).

Overall, Great Eastern has been actively involved in providing investment portfolio with over RM7,997.6 million invested in the financial market in 1999. The company has built up a strong asset management team. The asset management team took diversified portfolio balanced the level of risk and reward to achieve higher returns and reduced the risk from being too exposed in any one particular sector such as equity market remained the largest category of investment portfolio with a 32 per cent share of total investment of the company. On the other hand, government securities and low risk

bonds were contributed 25 per cent, policy loan (16 per cent), fixed deposits (12 per cent), debenture and loan stocks (9 per cent), and other investment (6 per cent).

On the whole, the Malaysian equity market has steadily recovered in 1999 and the asset management team had been able to capture this strength as well as add value by taking advantage of 1998's volatility in the domestic and regional equity markets.

#### **4.4.5 Contributions to the Community**

Great Eastern is support the Government's aspirations to create a caring society. Great Eastern launched a special charity project called Childrencare on 7 December 1995. This project is special because it is on going and it aims to raise funds for children's charities throughout Malaysia. It has the blessings of The National Unity and Social Development Ministry. Since its inception in December 1995, Childrencare has contributed nearly RM326,494 to various children's charities in Malaysia. The company continued to be active in community services and undertook a series off on-going community projects in 1999.

Donations to Childrencare are placed in a special charity fund called GREAT EASTERN LIFE CHILDREN CARE ACCOUNT. Donations will be used to purchase, specialized equipment, professional training and learning aids to enhance the level of care and improve the quality of life for the special children and to help them become self-reliant for integration into the mainstream of society. Children's charities under the umbrella of the National Welfare Foundation are selected on an annual basis to receive the donations.

Children care aims to promote and reinforce goodwill between the Company and members of the public through community service and at the same time, inculcate a caring and sharing attitude among its staff and members of the field force.

Additionally, other worthy cause also received attention. In 1999, fund raising among the field force and staff members resulted in a collection of nearly RM120,000 for the JE Humanitarian Fund and RM11,285 for the Kosovo Relief Fund. In the field of education, the company continued to extend scholarships to local universities to deserving needy children of policyholders.

#### **4.5 Corporate Performance**

Great Eastern has a strong reputation as market leader, backed by financial strength, professionalism and ethical standards is positioning the Company as the preferred provider of insurance and health care products and services.

Great Eastern is a firm believer that employees are the most important assets of any organization. The company place great emphasis on employees' development programmes and at the same time, reward generously our employees who contribute to the Company's growth.

By having multifaceted employees' development programmes, combined with an attractive and fair remuneration system, Great Eastern are able to provide ample opportunities to our workforce, which comprises of more than 1,000 employees, to fulfill their dreams and career aspirations.

Great Eastern recognize the need to develop their staff in order to remain competitive. Great Eastern had own Staff Training Department with comprehensive programmes of products, skills and competency training for all levels of staff. The company also had dedicated computer-training center complete with the necessary IT facilities. Besides these year-round comprehensive in-house training programmes, company staff also has the opportunities to attend external courses/seminars relevant to their work. As a learning organization, staff is encouraged to develop and grow with the organization.

Great Eastern performed excellently in 1999. This is in tandem with the steady improvement and financial recovery of the Malaysian economy following the regional economic crisis of 1997/98. Great Eastern remain the oldest and the largest life insurer in Malaysia and had weathered the economic crisis well and have emerged even stronger.

Bonus declared and to be distributed to their participating policyholders increased 11.4 per cent from RM5,396 million in 1998 to RM6,011 million in 1999 as promised. A sharp increase in total assets of Great Eastern by 20.4 per cent from RM8.6 billion in 1998 to RM10.3 billion in 1999. Great Eastern has the strong financial backing of cash and deposits, investments in corporate securities and government securities, and policy loans (See Appendix C), these all of the financial backing still dominated in life insurance industry. Therefore, policyholder's future and interests are well protected.



#### **4.6 Special Features of Great Eastern Compared to its Competitors**

This part takes a brief look at the performance of the 18 life insurers (See Appendix D) in Malaysia using the latest audited results released by the DGI annual report in 1999 and 2000. The analysis is decomposed into four components, which is total assets, total bonus paid, cash and deposits, and annual premium.

Great Eastern is one of the oldest and certainly the most established life insurance company in Malaysia. It is a testimony to their strength and resilience that despite these major upheavals, the company achieved continued success and growth. The company achieved marked gains as it expanded in tandem with the region's economic growth. The last two years (1998 to 1999) have seen double-digit growth rates for total assets of Great Eastern, its had increased by 20.4 per cent to RM10,372.7 million in 1999.

It is financially the strongest life insurer with the backing of OCBC Bank, one of Asia's strongest bank groups. Unlike many of its competitors who have had to cut their declared bonuses due to difficult investment conditions. Great Eastern continues to meet its bonus declaration obligations. Therefore, total bonus paid to performed well in 1999. Total bonus paid increased by 11.4 per cent to RM6,011.0 million. However, cash and deposits in Bank Negara Malaysia having decline by 35.8 per cent to RM1,236.7 million.

Beside that, Great Eastern enjoys high brand recognition as the leading life insurer in the minds of the Malaysian public. Accordingly, new annual premiums still showed strong growth in 1999 although at a slower pace. It grew by 5.4 per cent to reached RM264.0 million (See Table 4.1).

**Table 4.1: Performance of Life Insurers in Malaysia by Components (RM million)**

| Company      | Total Assets    |                 | Total Bonus Paid |                 | Cash and Deposits |                | Annual Premium |                |
|--------------|-----------------|-----------------|------------------|-----------------|-------------------|----------------|----------------|----------------|
|              | 1998            | 1999            | 1998             | 1999            | 1998              | 1999           | 1998           | 1999           |
| EL           | 8,611.9         | 10,372.7        | 5,396.0          | 6,011.0         | 1,952.5           | 1,236.7        | 250.5          | 264.0          |
| IA           | 4,588.9         | 5,635.3         | 1,347.7          | 1,454.0         | 1,038.9           | 873.5          | 156.4          | 202.2          |
| ETNA         | 2,250.5         | 2,996.1         | 1,393.1          | 1,617.3         | 473.1             | 501.8          | 104.3          | 123.7          |
| UNI          | 1,622.2         | 1,648.0         | 119.6            | 143.4           | 293.8             | 233.7          | 29.3           | 32.9           |
| OAC          | 1,536.0         | 1,823.7         | 924.3            | 1,070.5         | 419.7             | 410.2          | 53.5           | 53.5           |
| AL           | 1,245.0         | 1,375.7         | 757.2            | 861.3           | 350.4             | 305.7          | 34.3           | 41.2           |
| PD           | 1,187.6         | 1,545.2         | 842.7            | 917.4           | 193.9             | 237.8          | 94.9           | 78.2           |
| MAA          | 972.4           | 1,410.0         | 423.9            | 520.8           | 133.3             | 151.8          | 117.5          | 160.4          |
| MCIS         | 947.2           | 1,035.8         | 260.0            | 362.4           | 99.3              | 29.5           | 51.7           | 57.8           |
| HL           | 793.5           | 1,056.5         | 341.2            | 458.1           | 296.5             | 367.0          | 51.9           | 71.4           |
| JHC          | 657.9           | 757.1           | 272.2            | 336.1           | 194.0             | 101.8          | 30.7           | 28.5           |
| MBL          | 440.7           | 634.3           | 32.7             | 56.7            | 123.7             | 182.0          | 42.0           | 36.2           |
| SIME         | 297.0           | 320.1           | 53.6             | 60.0            | 100.2             | 96.8           | 4.6            | 2.4            |
| ARAB         | 248.4           | 314.2           | 20.1             | 27.9            | 97.1              | 50.3           | 19.4           | 23.7           |
| TALA         | 205.3           | 224.4           | -                | -               | 109.8             | 97.7           | 6.8            | 8.6            |
| MBA          | 188.7           | 233.1           | 0.5              | 0.5             | 31.9              | 59.7           | 10.1           | 12.9           |
| AMAL         | 172.2           | 237.6           | 33.0             | 34.0            | 45.8              | 67.2           | 2.0            | 2.8            |
| EON          | 79.6            | 97.1            | 44.1             | 57.5            | 14.0              | 16.4           | 7.3            | 11.0           |
| <b>Total</b> | <b>26,314.9</b> | <b>31,706.9</b> | <b>12,262.1</b>  | <b>13,988.6</b> | <b>5,967.7</b>    | <b>5,019.8</b> | <b>1,067.2</b> | <b>1,211.3</b> |

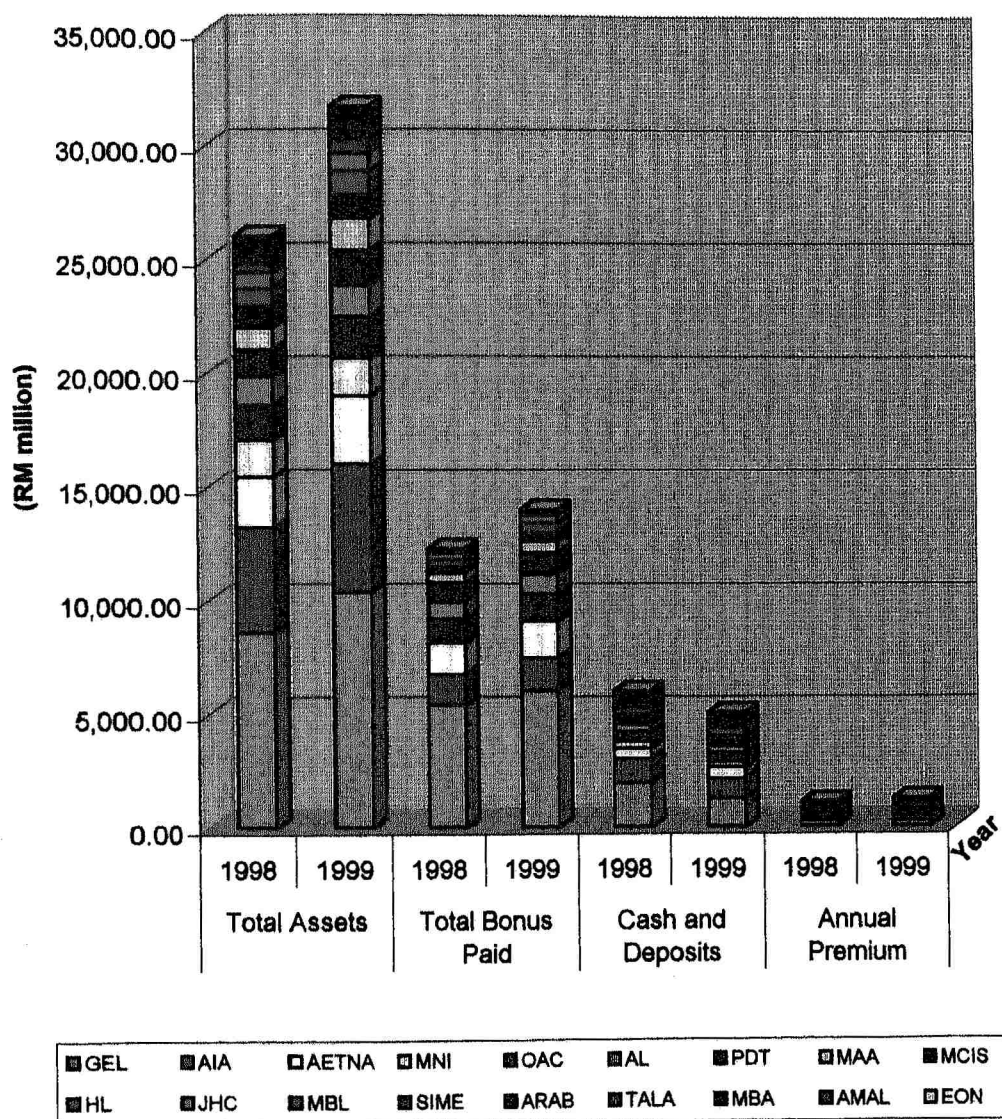
Source:

Annual Reports of the Director General of Insurance, 1999.

Annual Reports of the Director General of Insurance, 2000.

The shares of total assets, total bonus paid, cash and deposits, and annual premium in the life insurance industry are depicted in Figure 4.1. The share of total assets of Great Eastern continued to remain dominate with share of 32.7 per cent compare with others life insurer in Malaysia. On the other hand, the market share of total bonus paid continued to remain dominant with share of 43.0 per cent in life insurance industry. Although market share of cash and deposit decline from 32.7 per cent to 24.6 per cent, but its share still remain dominant in this industry. In terms of new annual premium Great Eastern is also dominant with share of life insurance industry recorded by 21.8 per cent.

**Figure 4.1: Distribution of Components of Life Insurers in Malaysia**



Source:  
Annual Reports of the Director General of Insurance, 1999.  
Annual Reports of the Director General of Insurance, 2000.

#### **4.7 Outlook and Prospects**

In the 92 years since its incorporation, Great Eastern has experienced two world wars, the Great Depression of the 1930s, and cyclical recessions. In developing their people, in offering quality products and services, and in capitalizing on information technology, they have one basic objective which is to meet the financial needs of people by providing financial protection and savings through life insurance.

Their focus on excellence ensures that each Great Eastern plan comes with the assurance of certainty and peace of mind. Just what one would expect from an organization with 92 years of experience and a strong asset base of over RM10.3 billion in 2000.

#### **4.8 Conclusion**

Being the largest and oldest life insurer in Malaysia, the company intends to develop new products and expand its services to meet consumers' needs in Malaysia. Great Eastern's primary aim is to provide financial protection and savings to individuals, families and businesses through various forms of life and health insurance.

Great Eastern has for a long time been a well-known and trusted name in Malaysia. To further strengthen this position, the company will continue with efforts to increase public image activities.

Today, however, with improved communication facilities and better service from Great Eastern, proof of death is established more promptly, and claims are paid immediately upon proof of death and entitlement.