

# Non-life protection gaps in ASEAN

The second issue of **ASEAN Insurance Pulse** will focus on how a lack of awareness, education and financial literacy must be overcome to close the region's protection gaps. By Zainudin Ishak of Malaysian Re.



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Non-life protection gaps will come under the spotlight in Malaysian Re's second issue of ASEAN Insurance Pulse, a survey based on interviews with senior executives from insurance companies, intermediaries and trade organisations operating across ASEAN.

Such protection gaps are a serious threat to economic growth and societal progress. Uninsured disaster losses in particular can reach proportions that adversely affect the fiscal position of a number of countries, while it is common for exposure levels to be growing faster than the underlying economy as a result

of urbanisation and associated asset concentration.

The vast majority of executives in ASEAN are in favour of a more active role for the public sector in tackling protection gaps. The spectrum of concrete recommendations ranges from subsidised schemes (for example, in agriculture) to tax incentives, compulsory insurance requirements, awareness and education campaigns, a more appropriate regulatory policy mix between customer protection and market development, and the insurance of public assets to pool solutions for natural perils.

Unfortunately, polling shows broad agreement that the insurance industry has not done

enough to narrow protection gaps. The most frequently mentioned shortcomings refer to a neglect of awareness building (both in terms of exposures and available risk solutions) as well as a lack of sufficiently innovative and flexible products.

The most acute and relevant protection gap is in the healthcare sector, according to the latest ASEAN Insurance Pulse survey. With rising costs and exacerbated by medical inflation, existing public schemes reach their limits and often no longer meet the needs of the population. Natural disasters rank second as 80% and more of economic losses generally remain uninsured in the ASEAN region due to lack of exposure awareness,

with disastrous consequences for public budgets, private savings and business continuity. Property, especially residential cover, features third, as risk awareness of homeowners remains low.

The survey finds Indonesia as vulnerable to protection gaps, given the country's wide spectrum of natural perils, followed closely by the Philippines, with a large typhoon and flood exposure. Among the smaller countries, Cambodia is vulnerable, not only to flood risk but also due to the absence of pre-funded (public or private) healthcare schemes.

The root causes of the region's non-life protection gaps are a lack of awareness, education and financial literacy. Many, if not most, people neither understand their real exposures nor the potential role of insurance in risk mitigation. Culture and mind-set rank second. In many countries, a fatalistic attitude prevails and people tend to rely on governments as a lender of last resort.

Lack of affordability is also cited as a common obstacle to the wider use of insurance. However, even though poverty remains a widespread phenomenon in some ASEAN countries and insurance prices can be inflated due to high distribution costs, many executives argue that people would be willing

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to buy insurance if they properly understood the products and their benefits.

New digital technologies are viewed as the most promising approach to narrowing non-life protection gaps in the ASEAN region. Generally, young populations are highly tech savvy and open to exploring new ways of buying and using insurance products. More relevant insurance products were the second most frequently mentioned remedy. In many countries, insurers do not offer appropriate need-based solutions (in terms of both price and cover) to the low-income segments of the population. Finally, a significant number of executives look at governments to improve the availability and affordability of retail and wholesale insurance by introducing compulsory schemes which create sufficiently large risk communities and risk pools.

To read more on this topic, make sure to download a copy of the ASEAN Insurance Pulse from Malaysian Re's website when it is launched in November 2018. ■



## On the pulse

The ASEAN Insurance Pulse is based on in-depth interviews with 35 senior executives from regional and international insurance companies, intermediaries and trade organisations operating across the Association of South-East Asian Nations (ASEAN) region and provides an authoritative overview of the current state and future prospects of the region's US\$23 billion non-life insurance markets. In addition, it takes executives' pulse on the Asian Economic Community (AEC) project and its implications for the region's insurance markets. Formally launched on December 31 2015, the AEC aims to create a single market by 2025 to facilitate the free movement of goods and services, including insurance, among the 10 South-East Asian ASEAN countries.

As the national reinsurer, Malaysian Re believes that the ASEAN Insurance Pulse will serve as a reliable guide to understanding what insurers, reinsurers and intermediaries expect of this integration as well as to identifying impediments facing the ASEAN insurance marketplace.

The second ASEAN Insurance Pulse will be launched in November 2018.

### About

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Zainudin Ishak is the President & Chief Executive Officer of Malaysian Reinsurance Berhad, a position he has held since Apr 2015. He holds an Associateship of Malaysian Insurance Institute (AMII). He has accumulated over 30 years of experience in insurance industry covering a range of business and functional roles earned in various capacities in the domestic and multinational corporations in Kuala Lumpur, Hong Kong and Kingdom of Saudi Arabia, inclusive 12 years stint as CEO. He has also served as the Chairman of Malaysian Takaful Association from 2012 to 2015.

In addition to his current role, he also sits on board of Financial Park Labuan and Management Committee of PIAM (General Insurance Association of Malaysia).

### Malaysian Re

Malaysian Reinsurance Berhad (Malaysian Re) is a wholly owned subsidiary of MNRB Holdings Berhad. As the national reinsurer, Malaysian Re continues to enhance the competitiveness and efficiency of local insurance companies in an increasingly globalised marketplace through its active involvement in leading and underwriting their reinsurance needs. Leveraging on its breadth and depth of experience and expertise, strong fundamentals and proven record of accomplishment, Malaysian Re has grown in stature as an international player having established a strong market presence in Asia and the Middle East.

Malaysian Re is the largest national reinsurer by assets in the South-East Asia region.