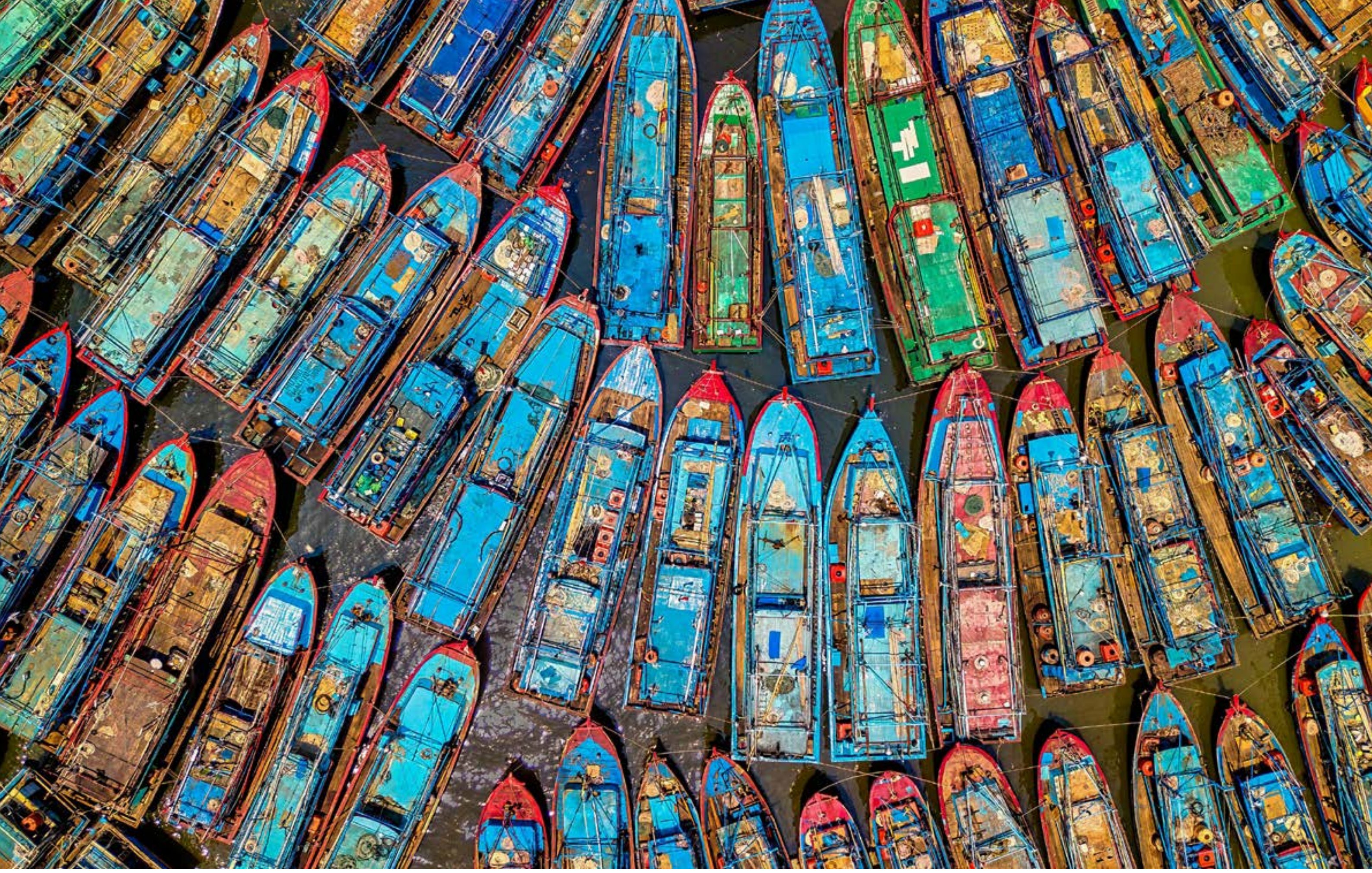

# Asean Insurance Pulse 2025

## Retaining large, complex risks in ASEAN insurance markets

Exclusive Partner

MALAYSIAN RE

Prepared by

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SUBSTANCE IS OUR STRENGTH

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Supporting Organisation

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ASEAN Insurance Pulse 2025

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# Contents

# Foreword Malaysian Re

Dear Readers,

ASEAN – home to some 690 million people – is a vibrant region that is experiencing healthy economic growth. The IMF, for example, is forecasting a GDP growth rate of 4.2 % for 2025 and 4.1 % for 2026, firmly above the 3.2 % and 3.1 % global averages. Across our diverse region, rising incomes, digitisation, infrastructure investments and the increasing impacts of climate change are driving ever higher risk protection needs. However, even in the most mature ASEAN re/insurance markets, penetration rates are still relatively low compared to other global regions. Capacity remains limited and retention ratios are low, in particular for large, complex and capital-intensive risks.

In this edition of the ASEAN Insurance Pulse, we explore the obstacles that are holding back ASEAN re/insurance market development and identify solutions to enable market growth and better protect our region's communities.

Overall, this research finds that although global markets are vital risk transfer partners, a stronger focus on regional market development could increase our industry's resilience and its contribution to economies and society. Solutions to boost the domestic and regional retention of core, strategic economic risks include regional pooling, lower domestic solvency requirements and enhanced regional expertise, in particular in catastrophe modelling. Notably, for regional pools to be successful, interests must be aligned.

Furthermore, multiple formal and informal service trade barriers are in place across ASEAN. While domestic markets may benefit from such barriers, this research shows that barriers should only be temporary in order to foster innovative, cost-efficient, sustainable risk protection. Another key finding is that greater supervisory coordination across our region would enhance regional re/insurance capacity provision.

We would like to express our deepest appreciation to the re/insurance professionals who agreed to be interviewed by our researchers at Faber Consulting – their insights made a valuable contribution to this report. We are also extremely grateful to Bank Negara Malaysia, the ASEAN Insurance Council, the General Insurance Association of Malaysia (PIAM) and the respective Insurance Associations of ASEAN countries for their steadfast support of ASEAN Insurance Pulse.

We hope that you enjoy reading this edition and look forward to your feedback.

**Ahmad Noor Azhari Abdul Manaf**
President & Chief Executive Officer,
Malaysian Reinsurance Berhad

# Foreword Faber Consulting

We are pleased to present Asean Insurance Pulse 2025.

We would like to express our deep gratitude to Malaysian Re for enabling this research. Through its continued support of ASEAN Insurance Pulse, Malaysian Re demonstrates its commitment to advancing ASEAN re/insurance markets and strengthening the role of insurance.

As in past years, alongside desktop research, this report incorporates valuable insights from CEOs and senior executives of reinsurance and insurance companies operating in the ASEAN region derived from video conversations.

We are extremely grateful to all the survey participants for their time and shared expertise.

This year's findings are of particular interest as they indicate the balance between market access and development on the one hand, and market competitiveness and sustainability on the other.

We hope that you find this report helpful for your business and the communities that you serve.

**Henner Alms**
Partner
Faber Consulting

**Andreas Bollmann**
Partner
Faber Consulting

# Executive summary

This year's ASEAN Insurance Pulse looks at the premium retention capacity and capabilities of ASEAN insurance markets. We investigate the current market environment, compare the ASEAN reality to other global insurance markets, and present examples and approaches that could help to strengthen ASEAN's ability to underwrite and retain more risk.

This report also reflects on the market expertise and experience of senior executives of insurance and reinsurance companies operating in the ASEAN region. The perspectives of these experts on the potential to retain more risk mirror the maturity of the respective insurance market in which they are based. In smaller, less advanced markets, local insurers are struggling with access to complex risks, data, analytics, talent and capacity. In more advanced and liberalised markets, insurers are pondering how to best support large and rapidly increasing risks in their economies, be those in natural catastrophe, engineering, or in more traditional personal lines where risks are also undergoing rapid change.

**PROTECTING AND RETAINING LARGE COMPLEX RISKS**

As affluence rises, infrastructure projects multiply, natural catastrophe impacts increase and digital distribution gains ground, demand for risk protection is set to accelerate. However, domestic capacity remains too small to shoulder large, volatile exposures. The threat of large correlated losses across markets, coupled with limited surplus capital, curbs local insurers' willingness to retain risk.

Furthermore, sophisticated catastrophe modelling, exposure data and actuarial expertise are unevenly developed across ASEAN insurance markets, further depressing regional retention capabilities and reinforcing the reliance on global players. In addition, the momentum to strengthen retention and resilience is hindered by a range of formal and informal trade barriers that limit competition, reduce capacity and hinder innovation in local insurance markets.

As the region works toward stronger cooperation in risk sharing and premium retention, the persistence of national-level protectionism fragments the market, weakens negotiating power and drives up cost. Instead of pooling risk or building regional reinsurance ecosystems, insurers often rely on global capacity, even for regionally manageable exposures. However, unlocking cross-border collaboration, diversifying capital sources and strengthening domestic resilience all depend on and benefit from open, fair and efficient insurance markets, without compromising on local priorities. Thus, fewer barriers would translate into more regional risk retention, deeper market development and greater collective security.

Creating a more open, harmonised reinsurance landscape will require stronger regulatory cooperation, supportive bilateral and multilateral trade frameworks, and consistent adherence to global standards. The ASEAN insurance and reinsurance sector has already understood that its growth prospects depend on closer collaboration across markets.

The ASEAN Insurance Council (AIC) has become the industry's focal point for that collaboration. The ASEAN Renewable Energy Pool (AREP), presented in greater detail on pages 24–25 of this report, is just one example of an AIC initiative to build ASEAN expertise and capacity for large risk exposures.

**THE VIEWPOINT OF ASEAN INSURERS**

Based on the in-depth interviews conducted, access to information and expertise, risk capacity and capital, and market size or scale are essential to retain risk. ASEAN markets can be ranked according to the availability of these factors. Market size or scale are key to attracting talent and investing in expertise. Limited scale impedes the diversification of large risks. Furthermore, exposures are rising rapidly for many large, complex risks, in particular relating to natural catastrophes and climate change, energy and property. Smaller markets are not prepared for these developments. Expertise is required to hold large, complex risks and goes hand in hand with the availability of capital, which demands financial savviness and market conditions conducive to the free transfer of capital.

Perspectives were mixed as regards which risks ASEAN insurers should retain more of. In the least developed markets, some see little opportunity to improve their risk retention capabilities because the abovementioned preconditions are not met. In more advanced markets, suggestions included carving out a niche for ASEAN markets where they possess a competitive advantage, such as in Takaful. Other recommended focusing on bulk business lines such as motor, property and health, which are themselves evolving fast. Interviewees that see the sector as a facilitator of domestic economic development advocated to hold more risks that are important to their economy, such as marine hull, renewable energy, large data centres and natural catastrophe risk.

Forms of collaboration vary greatly across the ASEAN region. Depending on the alignment of interests, these range from rather loose schemes of knowledge sharing and data exchanges, to risk pools and traditional reinsurance arrangements. Where interests are closely aligned, pools or even captives tend to be more common. Closer collaboration among ASEAN insurers could translate into higher retentions, but the discrepancy between insurers in the most and least developed markets is seen as a hurdle.

Common platforms such as pools enable knowledge sharing and provide access to risk. However, interviewees were often sceptical, pointing out "unconvincing experiences" in the past as members had not enough "skin in the game". High executional risks are seen in the underwriting as well as in the durability of pools. Governmental support could be important to motivate insurers to cooperate – proposals included common regulation to bridge market differences and public private partnerships (PPPs) where governments engage with insurers.

Insurers held a balanced view regarding the impacts of formal and informal trade barriers. In less mature markets, some form of protection was welcomed to develop and build up a local industry. However, to cover large, complex risks, ASEAN markets also need foreign expertise and capacity. For a healthy, innovative, cost-effective market, and to best protect policyholders, barriers should be strictly monitored and only maintained temporarily.

# ASEAN non-life insurance market overview

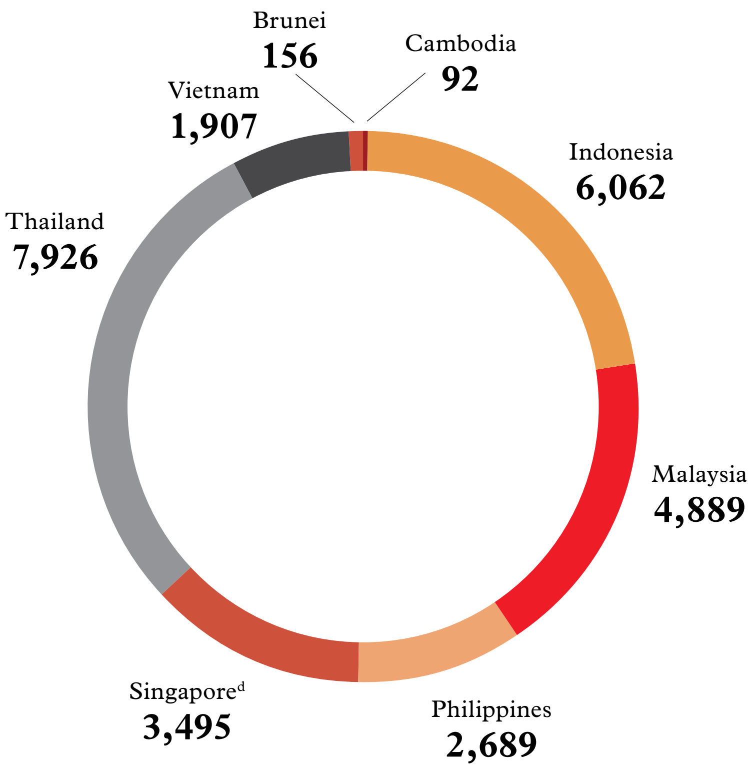
### 690 MILLION PEOPLE, USD 4 TRILLION GDP AND SIGNIFICANT POTENTIAL FOR INSURANCE GROWTH

With a combined population of nearly 690 million, ASEAN is home to around 1.5 times as many people as the European Union (EU). However, its collective GDP, at roughly USD 4 trillion, is only one-fifth of the EU's USD 20 trillion. This divergence highlights the region's central paradox: vast demographic scale and growth momentum, but lagging productivity, capital intensity and income levels compared to advanced economies. For insurers, this signals a landscape of both constraint and immense potential.

**Figure 1: 2023[a]/2024[b] Non-life[c] insurance gross written premiums,**
USD millions

[a] Philippines, Vietnam;
[b] Brunei, Cambodia, Indonesia, Malaysia, Singapore, Thailand;
[c] Excluding medical/health insurance;
[d] Singapore Insurance Fund Business only. In Singapore, the Monetary Authority of Singapore (MAS) requires insurers to maintain separate funds for onshore and offshore businesses. The Singapore Insurance Fund (SIF) covers insurance funds and businesses related to Singapore policies, i.e., policies domiciled in Singapore. By contrast, the Offshore Insurance Fund (OIF) relates to offshore policies issued through an insurer's business in Singapore that are not Singapore policies.

Source: Faber Consulting AG, based on data provided by regulatory authorities



## NON-LIFE INSURANCE MARKET SIZE EXCEEDS USD 27 BILLION

The non-life insurance sector vividly illustrates these dynamics. As shown in figure 1, with gross written premiums (GWP) of approximately USD 7.9 billion, Thailand is ASEAN's largest insurance market, followed by Indonesia, Malaysia and Singapore. At the lower end, Brunei writes USD 92 million and Cambodia approximately USD 156 million, while Vietnam and the Philippines sit in the middle. Despite healthy economic growth, non-life insurance penetration remains modest (see figure 6 on page 29). Singapore (1.8 %), Thailand (1.9 %) and Malaysia (1.4 %) outperform their ASEAN peers, but still fall short of the EU's 3.0 %. Vietnam (0.7 %), Indonesia (0.6 %), and the Philippines (0.6 %) point to even greater room for expansion.[1]

For insurers and reinsurers, the implication is clear: ASEAN's markets remain underinsured relative to their size and trajectory. As affluence rises, infrastructure projects multiply and digital distribution gains ground, and also given the rising threat of climate change, demand for risk protection is set to accelerate. Capturing this upside will require tailored approaches that reflect each market's level of maturity, regulatory environment and consumer readiness.

## PREMIUM RETENTION AND LINE-OF-BUSINESS EXPOSURE

Premium and risk retention ratios reveal how much risk insurers are both willing and able to keep on their own balance sheets. These ratios serve as a lens into solvency strength, capitalisation, technical expertise and appetite for volatility, while also reflecting strategic arbitrage between the cost of raising additional equity and the cost of reinsurance.

To illustrate the scale. In 2024, non-life GWP across 30 European countries totalled EUR 580 billion (around USD 604 billion), more than twenty times the size of the ASEAN non-life insurance market. Including inwards non-life reinsurance, the European total rose to EUR 798 billion (USD 831 billion).[2] Of this, approximately 75 % was retained and 25 % ceded. This retention level, while robust, is broadly comparable to ASEAN insurance markets, where ratios range from 52 % in the Philippines to 79 % in Indonesia (figure 2), albeit positioning Europe at the high end of the spectrum.

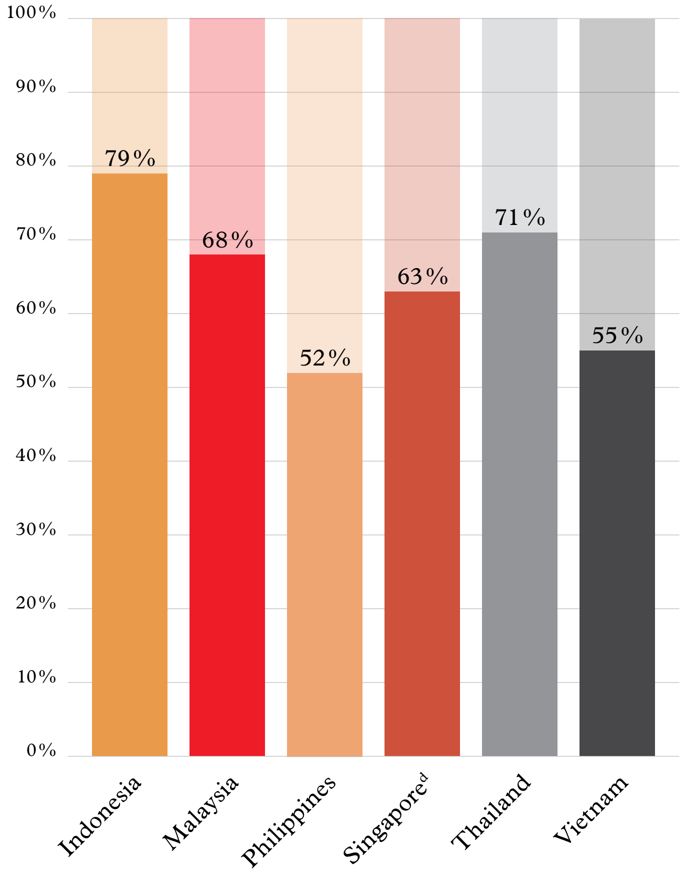
> "The current level of premium retention of some complex risks is an issue. Higher levels would encourage insurers to build up the necessary expertise. We don't talk here about highly volatile natural catastrophe risks, but for instance risks in infrastructure, personal cyber, life and also marine cargo, which is an important risk in the ASEAN region. Strengthening our expertise in important risks has also been a key motivation to establish the ASEAN Renewable Energy Pool. Renewable energy is an important growth industry for our region and its insurers. It is mandatory that we understand and can assess these risks ourselves."
>
> **Ahmad Noor Azhari Abdul Manaf, President & CEO of Malaysian Re**

1 Non-life insurance penetration figures: Swiss Re sigma 3/2024 - World insurance: strengthening global resilience with a new lease of life
2 European Insurance and Occupational Pensions Authority (EIOPA)

**Figure 2: Non-life[a] premium retention ratios for the six largest ASEAN insurance markets, 2023[b]/2024[c]**

[a] Excluding medical/health insurance
[b] Philippines, Vietnam
[c] Indonesia, Malaysia, Singapore, Thailand
[d] Singapore Insurance Fund Business only

Source: Faber Consulting AG, based on data provided by regulatory authorities



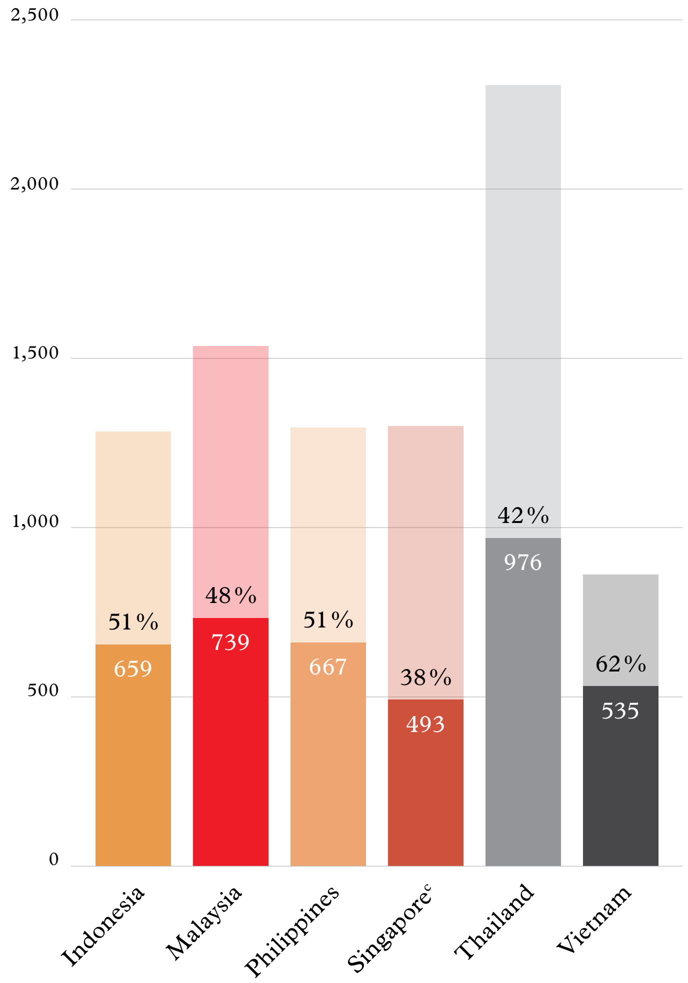

**“While aviation and marine hull premiums are relatively small, property and engineering premiums are substantial, accounting for a large share of total premium outflows across ASEAN.”**

On a consolidated basis, the ASEAN insurance market retains around 68 % of its non-life premiums. However, retention ratios vary significantly across markets and lines of business. Motor insurance, for example, is largely retained, with ratios ranging from 98.4 % in Indonesia to 84.2 % in Singapore. By contrast, retention for aviation and marine hull risks is much lower, from 11.8 % (aviation, Vietnam) to 57.6 % (marine hull, Singapore). Property and engineering lines also exhibit below-average retention, reflecting market characteristics such as the scale of major projects and significant exposure to natural catastrophe risks. These covariant risks are capital-intensive and difficult to diversify. While aviation and marine hull premiums are relatively small, property and engineering premiums are substantial, accounting for a large share of total premium outflows across ASEAN: from 38 % in Singapore to 62 % in Vietnam (figure 3).

**Figure 3: Property and engineering premiums ceded for the six largest ASEAN insurance markets, 2023[a]/2024[b],** USD and share of total ceded non-life premiums in %

[a] Philippines, Vietnam
[b] Indonesia, Malaysia, Singapore, Thailand
[c] Singapore Insurance Fund Business only

Source: Faber Consulting AG, based on data provided by regulatory authorities



## BUILDING ASEAN'S RESILIENCE – WHY COOPERATION, REINSURANCE AND REGIONAL POOLS MATTER

ASEAN's insurance markets sit on some of the world's most exposed fault lines – geologically, climatically and financially. Earthquakes, cyclones and floods strike with predictable regularity, yet, as shown above, local insurers and reinsurers still retain only a fraction of the risk embedded in property and engineering portfolios. The reason is simple: domestic capacity remains too small, too thinly capitalised and too constrained by solvency requirements to shoulder large catastrophe exposures. The result is heavy reliance on international reinsurance markets and, increasingly, innovative pooling solutions.

The OECD's 2025 study on disaster risk-sharing in Southeast Asia[3] underscores this reality. Its analysis shows that catastrophe exposures, when concentrated on single balance sheets, create outsized solvency charges and threaten the stability of smaller carriers. For many local players, the capital required to retain meaningful shares of catastrophe risk would simply exceed available resources. This structural mismatch between exposure and capacity explains the persistent cession of premiums abroad and the difficulty of building strong regional retention.

Risk appetite reflects these constraints. Even where demand for property and engineering cover is rising, local insurers remain cautious. Conservative underwriting is less about culture than about necessity: the potential for correlated losses across markets, coupled with limited surplus capital, curbs the willingness to keep risks in-house. Without mechanisms to diversify exposures or tap new capital, the economics of retention simply do not stack up.

The OECD's study also identifies a subtler barrier: know-how. Sophisticated catastrophe modelling, exposure data and actuarial expertise are still unevenly developed across ASEAN markets. Without credible, standardised models, insurers cannot confidently price, capitalise or argue for the lighter solvency treatment of retained catastrophe portfolios. In practice, this knowledge gap further depresses regional retention and reinforces reliance on global players.

The good news is that solutions exist. The OECD's modelling shows that multi-country pools and catastrophe bonds can lower costs, attract alternative capital and deliver rapid liquidity when disasters strike. Crucially, they reduce the capital drag of tail risks, freeing insurers to expand underwriting closer to home.

The path forward is clear: To increase domestic and regional premium retention, ASEAN's insurance community must combine stronger capital tools (ILS, CAT bonds), regional pooling and a concerted push to build catastrophe modelling capability. Only by aligning solvency, appetite and know-how with the scale of regional risk can ASEAN capture more value locally and build true resilience against the catastrophes that will inevitably come.

But progress is not automatic. The momentum to strengthen retention and resilience is hindered by obstacles that impede collective action. It is essential to understand these obstacles, because only by addressing them can ASEAN fully realize the potential of regional insurance and reinsurance capacity.

> "If ASEAN insurers can pool expertise and trust, the region has the potential not just to retain more risk, but to turn insurance into a driver of resilience and economic strength."
>
> **Klaus Tomalla, General Manager, National Insurance Company Berhad, Brunei**

> "In Indonesia, the real constraint is not willingness but capacity: Low capital and weak data quality limit how much risk we can truly retain. Building equity and harmonising data standards across ASEAN must come first."
>
> **Christian W. Wanandi, Secretary General, PT Asuransi Wahana Tata, Indonesia**

3 OECD Working Paper No. 356 (2025): Disaster risk-sharing pools and multi-country catastrophe bonds in Southeast Asia

## Trade barriers in insurance and reinsurance

The insurance and reinsurance industries are vital to regional economic development, financial stability and disaster resilience. In ASEAN countries, however, the integration and efficiency of cross-border re/insurance markets are often constrained by a range of formal and informal trade barriers. These obstacles, whether codified in law or embedded in practice, can limit competition, reduce capacity and hinder innovation in local insurance markets.

### FORMAL AND INFORMAL BARRIERS TO RE/INSURANCE TRADE

Formal trade barriers are explicit, legally enforceable restrictions imposed by governments or regulators. These may include limitations on foreign ownership, mandatory cessions to state-owned reinsurers, capital localisation requirements and reinsurance placement rules that prioritise domestic firms. Formal barriers are relatively transparent but can be complex and restrictive, often reflecting economic nationalism or a desire to promote local capacity.

Informal trade barriers, by contrast, are less visible but equally impactful. These include preferential treatment of domestic reinsurers through regulatory discretion, administrative delays, burdensome approvals, data localisation ambiguity, cultural biases and the absence of regulatory clarity. Although not formally enshrined in law, such barriers often distort the market in practice.

Both types of barrier influence how global and regional reinsurers engage with ASEAN markets, often resulting in constrained cross-border risk diversification, higher costs and limited product innovation.

## A HIDDEN DRAG ON MARKET DEVELOPMENT AND REGIONAL RISK RETENTION

While much attention is rightly given to capital, capacity and market demand, the impact of trade and regulatory barriers in insurance and reinsurance remains underexplored. Yet these barriers, which are often non-tariff in nature, can have an outsized influence on market development, premium and risk retention, and on the pace of regional cooperation.

A closer look at the insurance industry reveals that market access is shaped not only by economics, but by how easy or difficult it is for foreign players to operate. Restrictions such as foreign equity limits, mandatory local partnerships, complex licensing regimes and opaque supervisory standards are not just technicalities, they are decisive factors in whether firms invest, underwrite or withdraw.

A 1999 study by Alan Zimmerman[4] offers valuable insights into how these non-tariff barriers (NTBs) influence market entry decisions. Drawing on interviews with senior insurance executives, Zimmerman reveals how access barriers act as tipping points rather than minor costs, frequently determining whether an insurer enters or exits a market altogether.

Interviews with industry executives confirm a recurring pattern: when access becomes too complex, uncertain or costly, insurers simply walk away. Markets that might otherwise benefit from foreign or regional expertise, capital and competition find themselves underdeveloped, expensive and underinsured. In these cases, trade barriers act less like hurdles and more like gates, which are open or closed. Once barriers pass a certain threshold, the decision is binary: enter or exit.

This dynamic has direct consequences for ASEAN markets. As the region works toward stronger intra-ASEAN cooperation in risk sharing and premium retention, the persistence of national-level protectionism fragments the market, weakens negotiating power and drives up costs. Instead of pooling risk or building regional reinsurance ecosystems, insurers are often forced to rely on global capacity, even for regionally manageable exposures.

It is also important to understand that insurance, unlike physical goods, is a service that depends on trust, ongoing relationships and local credibility. Many formal and informal barriers to trade reflect expectations that insurers must have boots on the ground. Yet in emerging or smaller markets, establishing a full-scale local presence is not always commercially viable, especially for specialist lines or reinsurance operations. In such cases, removing or relaxing restrictive rules could unlock new flows of capital and expertise without undermining local players.

4 Zimmerman, Alan (1997): The impact of services trade barriers: A case study of the insurance industry

### BARRIERS TO TRADE COME AT A HIGH COST – TRADE COSTS IN INSURANCE COULD FALL BY 11–19 % (OECD)

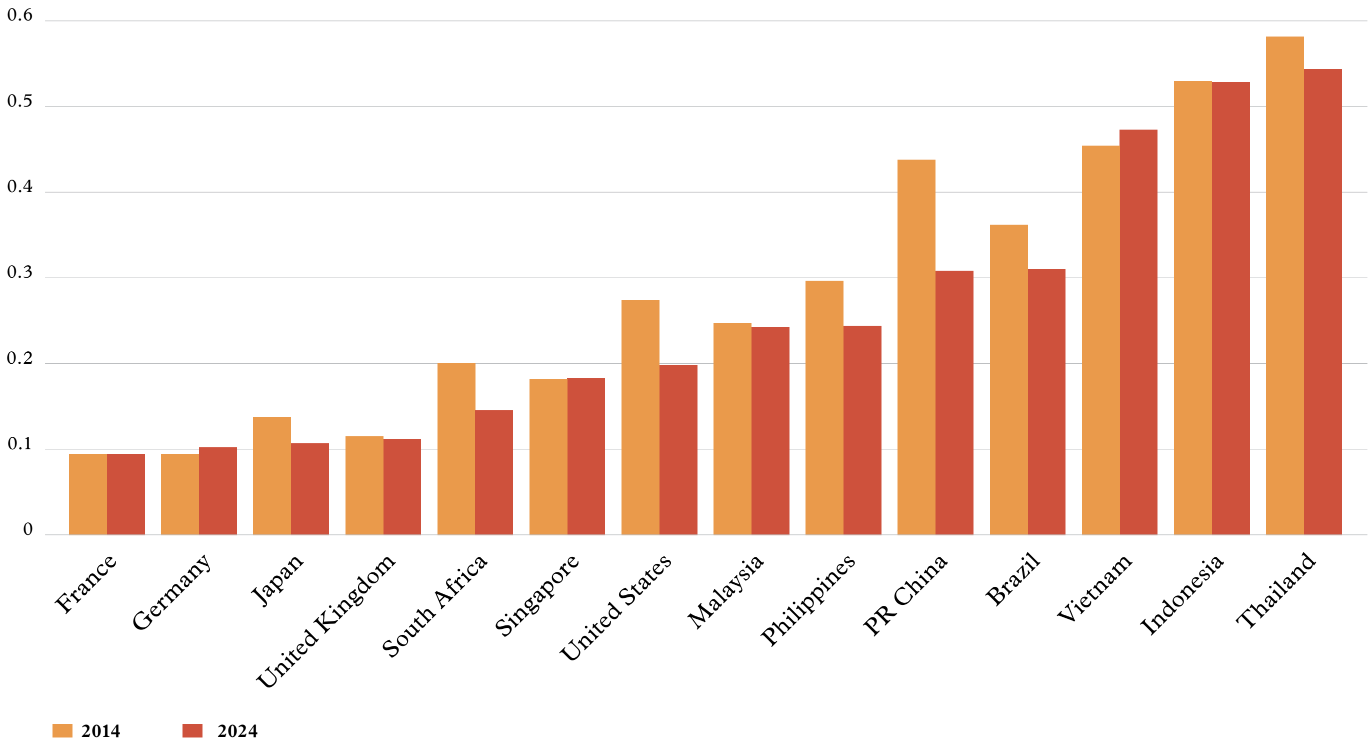
Multiple studies have shown that barriers to cross-border insurance and reinsurance impose significant costs – a fact increasingly evident across global markets. These barriers not only create administrative friction but also raise operational costs for insurers, limit access to essential capacity and slow innovation. For ASEAN leaders aiming to expand protection, mobilise capital and close the region's substantial coverage gaps, this evidence is particularly compelling.

The OECD's Services Trade Restrictiveness Index (STRI) provides one of the clearest snapshots. In 2024, the average global STRI in the insurance sector was 0.21 out of a maximum of 1 (most trade restricted), indicating a relatively low overall level of restrictiveness. In its 2025 update, the OECD found that if countries moved halfway toward the best-practice frontier, cross-border trade costs in insurance services could fall by 11–19 % on average. Key drivers of these costs include rules requiring foreign reinsurers to maintain a local presence, caps on foreign equity and restrictive currency or data regulations. While often intended to protect domestic markets, these measures tend to reduce competition and limit access to global risk pools. For ASEAN economies facing rising climate-related losses and major infrastructure needs, the practical impact is higher prices, fewer choices and slower adoption of innovative risk solutions.

"In ASEAN, our greatest challenge is not a lack of opportunity, but a lack of scale and trust to seize it. What will allow us to retain more risks, share knowledge and build resilience together are stronger ratings, smarter regulation and genuine cooperation - not just statements. In a digital future, insurance penetration matters more than protectionism, and borders will matter less."

**Shahrildin bin Pehin Dato Jaya, Managing Director & Chief Executive Officer, Syarikat Takaful Brunei Darussalam**

**Figure 4: OECD Services Trade Restrictiveness Index (STRI) for insurance, selected countries, 2014 and 2024**[5]




A closer look at the STRI for insurance (figure 4) highlights that the ASEAN member states Vietnam, Indonesia and Thailand maintain relatively high trade barriers compared to other countries. From 2014 to 2024, trade barriers have decreased substantially in roughly half of the countries analysed, while in most others they have remained largely unchanged – and in Vietnam, they have increased.

> "In the Philippines and across ASEAN, the private insurance sector, with the support of governments, must take the lead in developing its technical capabilities, especially in risk modelling and pricing, and increasing regional cooperation such as data-sharing and risk pooling. By investing in knowledge, data and regional cooperation, insurers can move from conservative risk-taking to true value creation and strengthen resilience and economic stability within ASEAN."
>
> **Allan Santos, President, Chief Executive Officer, National Reinsurance Corporation of the Philippines, Nat Re**

5 Source: OECD Data Explorer. Data retrieved on 18 August 2025

**ASEAN RE/INSURANCE MARKET-LEVEL BARRIERS[6] AND CESSION MANDATES**

A wide range of re/insurance trade barriers exist across ASEAN countries.

**Brunei** permits 100 % foreign direct investment in insurance and reinsurance entities under the Insurance Order 2006 and related legislation. While Brunei's insurance and reinsurance market is closed in structure, it is open in practice, relying heavily on cross-border arrangements. While formal barriers, such as regulatory frameworks and market size, limit direct trade, informal barriers, including opaque approvals, market familiarity and religious preferences, further restrict the practical opportunities available to foreign re/insurers. Commentators note that, although the market is formally open, it is small and bureaucratic. Red tape, unpredictable enforcement and limited competition may deter foreign investors.[7]

**Cambodia** maintains a relatively open reinsurance framework in principle but imposes stringent formal barriers including compulsory cessions (20 % to Cambodia Re), retention rules (e.g., non-life risks with total sums insured of up to USD 500,000 are to be retained or reinsured within Cambodia), right-of-first-refusal requirements, and prior regulatory approval of reinsurance agreements. Informally, regulatory discretion (e.g., veto powers and credit rating thresholds) creates further unpredictability.

**Indonesia** employs strong formal mechanisms to channel risk domestically through Indonesia Re. The regulator OJK previously required 100 % cession of "simple risks" (e.g., life, health, motor) to domestic reinsurers like Indonesia Re. Exemptions, which are subject to OJK approval, exist for multinational, global medical or foreign-designed products. A new product developed by a foreign reinsurer may be reinsured with that reinsurer for up to four years, after which time any new policies must comply with local cession requirements. If the OJK grants an exemption, offshore cession may be allowed up to 75 %, with at least 25 % ceded to domestic reinsurers, similar to the rules for "non-simple risks". Regulation 39/2020 eased this, removing fixed cession percentages but allowing offshore placements only with reinsurers from countries with bilateral reinsurance treaties. For "non-simple risks", a 25 % local minimum cession remains. Data localisation rules remain unclear, particularly regarding offshore storage of personal and citizenship-related information. Branches of foreign insurers are not permitted and can only enter the Indonesian market if they enter a joint venture. Foreign insurers will still be capped to a maximum of 80 % ownership within the joint venture. While gradual liberalisation is occurring, uncertainty around definitions and ongoing regulatory discretion represent informal challenges. The issue of data localisation remains unresolved.

**Lao PDR** has yet to liberalise reinsurance significantly. While cross-border reinsurance is technically permitted under the national insurance law, foreign entry is tightly controlled through formal licensing and capital requirements. Under the Amended Insurance Law (2020), the Ministry of Finance (MOF) oversees licensing and operations. Insurers and reinsurers must hold a guaranteed deposit equal to 20 % of their registered capital at a locally situated bank. Any change in shareholding of 50 % or more or a merger requires prior MOF approval.[8] Informally, the regulatory process is often described as slow and opaque, and the local market remains small and underdeveloped, limiting practical foreign entry.

**Malaysia** has a tiered system of reinsurance, requiring placements first with Malaysia-based reinsurers, then with Labuan-based reinsurers, before allowing offshore transactions. Direct insurers must cede 2.5% of all classes to Malaysia Re and offer it up to 15% of treaty and facultative reinsurance. These formal structures are reinforced by voluntary mandatory cessions and a 70% foreign ownership cap.

6 Global Reinsurance Forum (2024): Reinsurance Trade Barriers and Market Access Issues Worldwide (ASEAN countries covered: Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam)
7 Generis Global Legal Services (2024): Analysing Foreign Investment Policies in Brunei: Opportunities and Restrictions
8 Tilleke & Gibbins (2020): Amended Law on Insurance in Laos

**Myanmar** has opened up to cross-border reinsurance, but the market is tightly regulated. While foreign reinsurers may participate under specific conditions, formal barriers include credit rating thresholds, overall cession limits and compulsory cessions to the state-owned Myanma Insurance. Three foreign based general insurance companies and three foreign based life insurance companies were also recently allowed to form joint venture insurance companies with local insurers. Foreign ownership is allowed up to 35% in accordance with the "foreign company" thresholds pursuant to the Myanmar Companies Law 2017. Informal barriers include uncertainty in enforcement and opaque regulatory practices.

**The Philippines** allows cross-border reinsurance but only via resident agents, with extensive requirements for demonstrating domestic market exhaustion. This creates a formally protectionist environment that favours the state-owned reinsurer, National Re, which also receives a mandatory cession of 10% of every outward reinsurance treaty and facultative placement. Informal barriers include the burdensome documentation and approval process, limiting efficiency.

**Singapore** is the most open ASEAN market, with minimal formal barriers, although reinsurance with non-resident entities triggers higher capital requirements under the risk-based capital (RBC) framework. The deposit and asset localisation rules for authorised reinsurers may deter some entrants but are generally manageable. Informal barriers are limited.

**Thailand** has liberalised reinsurance placements and eliminated compulsory cessions. However, its RBC framework favours local reinsurers (e.g., Thai Re or other local insurers writing inwards reinsurance) by applying lower credit risk charges, subtly incentivising domestic placements. This constitutes an informal regulatory bias, even though no formal restrictions remain.

**Vietnam** permits cross-border reinsurance but imposes formal constraints such as retention limits and rating requirements. The prohibition on reinsuring more than 90% of a risk, even if foreign capacity is needed, limits risk transfer.

**Figure 5: Summary of key reinsurance trade barriers, 10 ASEAN countries**

| Country | Formal barriers to trade | Informal barriers to trade |
|---|---|---|
| Brunei | Brunei's central bank tightly regulates insurance, requiring documented reinsurance strategies and counterpart vetting; international insurers under the 2002 Order cannot provide services to Brunei residents. | Bureaucratic complexity; unpredictable investor climate; weak competition |
| Cambodia | Compulsory 20% cession to Cambodia Re; right of first refusal; prior approval required | Regulator veto power; rating requirements; approval delays |
| Indonesia | Mandatory local cessions (e.g., Indonesia Re); ownership caps; bilateral treaty requirements | Unclear definitions of "simple risks"; data localisation uncertainty |
| Malaysia | Tiered placement system; mandatory cessions to Malaysia Re; 70% foreign ownership cap | - |
| Myanmar | Compulsory 10% cession to Myanma Insurance; strict eligibility criteria for foreign reinsurers | Discretion in cession acceptance; opaque regulatory enforcement |
| Philippines | Mandatory 10% cession to National Re; domestic market exhaustion requirements | Burdensome documentation and pre-approvals |
| Singapore | Minimum deposit/capital requirements for authorised reinsurers | Higher RBC charges for foreign reinsurers without local presence |
| Thailand | RBC framework incentivises local reinsurers; foreign shareholding capped at 49–100% (conditional) | Subtle regulatory preference via capital treatment |
| Vietnam | 90% reinsurance cap; rating requirements; retention limits | Lack of clarity for direct foreign placements |

## ECONOMIC OPENNESS DOES NOT AUTOMATICALLY DRIVE INSURANCE MARKET DEVELOPMENT

Interestingly, greater economic openness does not automatically lead to insurance market development. Research shows that, particularly in developing and transitional economies, financial regulation, enforcement capacity and policy certainty matter more than laissez-faire liberalisation. In fact, poorly regulated "open" markets may deter responsible insurers due to concerns about adverse selection, legal uncertainty or reputational risk.[9]

**"Markets that strike the right balance between access and oversight tend to attract more sustainable investment and offer better outcomes for policyholders."**

The solution, therefore, is not simply to liberalise, but to modernise. Clear, proportionate and transparent regulatory frameworks, aligned where possible across ASEAN, can lower the cost of doing business, encourage regional risk pooling and retain more premium domestically. Markets that strike the right balance between access and oversight tend to attract more sustainable investment and offer better outcomes for policyholders.

As ASEAN's insurance leaders look to the future, addressing these formal and informal trade barriers must be part of the conversation. Unlocking cross-border collaboration, diversifying capital sources and strengthening domestic resilience all depend on making insurance markets more open, fair and efficient, without compromising local priorities. The opportunity is clear: fewer barriers mean more regional risk retention, deeper market development and greater collective security.

## EXAMPLES OF STRENGTH THROUGH REFORM

### Brazil's insurers benefit from deeper, more competitive markets

Brazil's reinsurance market once operated under rigid rules that forced local cessions and privileged domestic players. When the IMF assessed these policies in its 2012 Financial Sector Assessment Program, it concluded bluntly that mandatory cessions "add cost and possibly hinder market development." Once rules were relaxed, international capacity entered, pricing moved closer to global benchmarks and domestic insurers benefited from deeper, more competitive markets. The lesson for ASEAN is not that local markets should be left exposed, but that blunt restrictions rarely achieve the goal of strengthening resilience. A smarter path lies in risk-based regulation that sets standards without dictating where and how risk must be placed.[10]

9 United Nations Conference on Trade and Development (UNCTAD) (2007): Trade and development aspects of insurance services and regulatory frameworks
10 IMF (2012): Brazil: Detailed Assessment of Observance of Insurance Core Principles

**Transatlantic cooperation boosts efficiency and market access**

Perhaps the most striking evidence comes from the transatlantic market. For decades, US regulators required foreign reinsurers to post collateral of up to 100 % of their liabilities, tying up capital unnecessarily, while the EU imposed its own local-presence requirements on US firms. Both sides recognised these rules as costly and duplicative. The 2017 US-EU Covered Agreement swept them away, replacing them with reciprocal recognition of robust solvency standards. The result: reinsurers could deploy capital more efficiently, insurers gained access to greater cross-border capacity, and policyholders ultimately benefited from more competitive pricing. The agreement did not lower regulatory safeguards; it simply removed redundant obstacles that had been inflating costs.[11]

## THE ASEAN OPPORTUNITY

The persistence of both formal and informal trade barriers continues to undermine ASEAN's goals of financial integration and insurance market development. Building domestic capacity is a valid policy priority, but it must be balanced with the equally important need for global risk diversification and competitive pricing. Many formal restrictions could be rationalised or phased out over time, while informal practices call for greater transparency, consistency and closer alignment with international best practices.

Creating a more open and harmonised reinsurance landscape will require stronger regulatory cooperation, supportive bilateral and multilateral trade frameworks, as well as consistent adherence to global standards such as those of the IAIS[12] and WTO[13]. For ASEAN countries to capture the full economic benefits of insurance and reinsurance, both visible and hidden barriers must be addressed decisively.

**"Experience from other countries shows that proportionate, risk-based regulation combined with openness to global capacity creates stronger markets and provides better protection for businesses and households."**

The strategic implications are clear. Obstacles such as mandatory local retention, collateral requirements or licensing hurdles ultimately increase costs and restrict innovation. Experience from other countries shows that proportionate, risk-based regulation combined with openness to global capacity creates stronger markets and provides better protection for businesses and households. With protection gaps widening and new risks emerging, ASEAN has the opportunity to follow this proven approach by aligning with global best practice, deepening supervisory cooperation and establishing the region as a hub for efficient and innovative risk transfer.

11 OECD (2018): The Contribution of Reinsurance Markets to Managing Catastrophe Risk
12 International Association of Insurance Supervisors (IAIS)
13 World Trade Organization (WTO)

## Regional reinsurance cooperation: Case studies from Africa

Regional cooperation in insurance and reinsurance offers advantages that go beyond what national initiatives can achieve. By pooling risks, capital and technical expertise across borders, regional reinsurers strengthen resilience, enhance premium retention and create economies of scale that individual domestic markets often cannot sustain. These regional institutions demonstrate how shared commitment and collective investment can unlock stronger, more competitive insurance markets while reducing dependence on external capacity. Importantly, they also illustrate how multiple governments can successfully cooperate on governance, compliance and oversight frameworks to create commercially viable, jointly-owned institutions. The following overview highlights two regional reinsurers that showcase the benefits of cooperating across countries - Africa Re and ZEP-RE – both established through intergovernmental collaboration.

**Africa Re (African Reinsurance Corporation)**

Founded in 1976 by 36 African states in partnership with the African Development Bank (AfDB), Africa Re was conceived as a pan-African commercial reinsurer born out of multilateral agreement, rather than a single-country initiative. Today, 42 African governments remain shareholders alongside regional insurers and international investors. Its official mandate is to develop African insurance markets, increase regional underwriting capacity and retain premiums within Africa through treaty and facultative reinsurance. In 2024, Africa Re reported a GWP of USD 1.21 billion, total assets of USD 1.88 billion and shareholders' equity of USD 1.16 billion. It is rated A (Excellent) by AM Best (2024, Outlook Stable). Over time, it has commercialised, expanded into the Middle East and selective international markets, and achieved consistent profitability and capital build-up. Independent market recognition and audited reporting confirm that Africa Re has materially increased regional retention and capacity while operating as a commercially rated reinsurer. Its creation and enduring success demonstrate how dozens of African governments can coordinate effectively to build a sustainable, competitive regional institution.

**ZEP-RE (PTA Reinsurance Company)**

Established in 1990 under a COMESA[14]/Preferential Trade Area (PTA) agreement signed by about 20 member states, ZEP-RE represents another model of intergovernmental collaboration aimed at building regional insurance and reinsurance capacity. Its formal purpose is to develop insurance and reinsurance capacity across COMESA/Eastern and Southern Africa, and to promote premium retention and technical skills regionally. Today, eight governments remain direct shareholders, alongside regional insurance and reinsurance companies and development finance institutions – reflecting both its public policy role and its commercial orientation. In 2023, ZEP-RE recorded a GWP of USD 301 million, total assets of USD 481 million and shareholders' equity of USD 336.6 million. AM Best affirmed its B++ (Good) Financial Strength Rating and bbb+ Issuer Credit Rating in 2024 (Outlook Stable). ZEP-RE combines majority regional public and private shareholding with strategic interventions such as capacity building and product development, alongside commercial treaty business, and has progressively commercialised while retaining its development mandate. Its evolution shows how multiple governments within a regional bloc can cooperate to create a financially sound, development-oriented reinsurer serving shared regional interests.

14 Common Market for Eastern and Southern Africa (COMESA)

## The ASEAN Insurance Council (AIC) as a catalyst for integration

Regional integration is rarely driven by government policy alone. In ASEAN, the insurance and reinsurance sector has long understood that its growth prospects depend on closer collaboration across markets. The AIC is the industry's focal point for that collaboration. Since its founding, the AIC has created specialised committees that bring together insurers, reinsurers and regulators to find practical ways to align practices, build capacity and create shared solutions to regional risks.

For senior executives and policymakers, understanding how these committees operate offers a glimpse into the future of ASEAN's insurance architecture – an architecture that is still nationally regulated, but increasingly coordinated at the industry level.

### CROSS-BORDER COVERAGE

Perhaps the most visible example of ASEAN insurance cooperation is the Council of Bureaux (COB), which oversees the region's cross-border motor third-party liability scheme. The COB administers the ASEAN Blue Card, a standardised document that allows vehicles crossing borders to demonstrate compliance with compulsory motor liability requirements. While drivers must still purchase host-country cover, the ASEAN Blue Card harmonises proof-of-coverage and administrative procedures, easing the flow of people and goods. This illustrates how industry cooperation can deliver real benefits for trade and mobility, even without a full mutual recognition of policies.

### BUILDING REGIONAL REINSURANCE CAPACITY

Reinsurance is inherently global, but the ASEAN Reinsurance Working Committee (ARWC) is working to ensure that regional capacity is not overlooked. The ARWC serves as a platform for dialogue with regulators on harmonising supervisory approaches and aligning reinsurance practices across ASEAN markets.

In December 2023, the ARWC took a major step forward by signing a Memorandum of Understanding to establish the ASEAN Renewable Energy Pool (AREP). This initiative will aggregate underwriting capacity from ASEAN reinsurers to support solar and wind projects across the region. AREP is more than a pool, it is a signal that ASEAN reinsurers can provide solutions for regional development priorities, while retaining premium and expertise within the region. For more details, see box on pages 24–25.

> "In protecting their market, the ASEAN governments are treading a fine path. In Malaysia's case, we want to minimise the outflow of our local currency, but also maintain an open market which is attractive for international players to provide us with expertise and capital. We should consider deploying more financial engineering by using capital market tools to access risk capacity - such as by securitising large risks. However, Malaysia insurance market should not compete with the expertise and capacity that Singapore has established over the past years. Instead, we could position Malaysia as a centre of excellence for Takaful and Retakaful capacity. Here we have a strong and acknowledged value proposition and could use our expertise to expand our footprint from the retail to wholesale space."
>
> **Chua Kim Soon, CEO, General Insurance Association of Malaysia, PIAM**

## The ASEAN Renewable Energy Pool (AREP) – building regional expertise and capacity

According to the International Energy Agency's (IEA) Energy Outlook 2024[15], Southeast Asia is projected to account for the highest rise in energy demand globally for the coming decades, second only to India. Driven by its strong economic expansion, population growth and its position as a global manufacturing and industrial hub, the region is expected to contribute about 25% to the global rise in energy demand over the period until 2035. This scenario poses serious implications regarding energy security and sustainability, as the region may depend more on fossil fuel imports and become increasingly vulnerable to rising import costs, and could be faced with a strong increase in $CO_2$ emissions until 2050.

Against this backdrop it comes as no surprise that ASEAN countries have set themselves ambitious net-zero emission goals, with eight out of the ten ASEAN countries pledging to achieve their target by 2050, Indonesia aiming to reach net-zero emissions by 2060 and Thailand by 2065. However, in meeting these goals, ASEAN countries must not only reduce emissions by almost two thirds but also transform their energy production and consumption. While demand for fossil fuel will continue to rise, renewables and clean energy is expected to represent more than 35% of the energy demand growth until 2035, and is thus becoming of strategic importance for ASEAN countries.

### Supporting the expansion of renewable energy

In 2021, at the 4th ASEAN Reinsurance Working Committee (ARWC) meeting, Malaysian Re first proposed the concept of a pool and facility to support ASEAN governments' renewable energy policies. The concept was further developed, and by late 2023 ASEAN national reinsurers Malaysian Re, Indo Re, Nat Re, Vina Re, Thai Re and Cambodia Re signed a Memorandum of Understanding (MoU) to form the AREP, with Malaysian Re acting as the pool's manager.[16] Chubb was selected as lead underwriter for the pool. Hannover Re joined, providing additional expertise and capacity to the pool.

The AREP, firstly, aims to support the region's transition to net-zero emissions by 2050 and to deal effectively with climate change by providing sustainable risk solutions to direct clients within ASEAN.[17] Secondly, the pool addresses the aim to build up the risk capacity and expertise of the regional insurance industry to assess and underwrite this strategic risk.

Furthermore, the region's insurers have themselves committed to deploy ESG strategies and pledge net-zero emissions by 2050. In achieving these goals, the region's insurers are keen to write more renewable energy risk. However,

15 International Energy Agency, Southeast Asia Energy Outlook 2024, October 2024
16 ASEAN Insurance Council, MoU Signing Ceremony on ASEAN Renewable Energy Pool, Dec 2023
17 ASEAN Insurance Council, Congratulations to ARWC Members on the Operationalisation of ASEAN Renewable Energy Pool (AREP), July 2024

while the region had swiftly built up its renewable energy capacity in both on- and off-shore wind as well as solar power generation, the region's reinsurers had limited experience in underwriting renewable energy risk and were eager to establish a knowledge sharing pool.

The AREP officially commenced underwriting operations on July 1, 2024, providing renewable energy facultative reinsurance with a maximum capacity of USD 25.75 million per risk on a PML[18] basis. The target risks will be operational onshore solar and wind accounts within ASEAN, where the pool can act as a capacity provider or support with lead quoting terms.

The pool represents a significant advancement in insurance coverage and support for renewable energy businesses and projects across the region. Since solar and wind energy are risks new to the region, Chubb provides its extensive experience, network and access to the market, as well as its technical knowledge to the underwriting of the AREP. The other ASEAN members will share their insights from their markets. In addition, as the pool manager, Malaysian Re provides its experience with national pools and underwriting facultative risks and international risks, including for solar and wind.

**Gaining access to risks and exposures**

By bringing together these different perspectives, the platform hopes to ensure that the pooled expertise and insights will drive informed and balanced underwriting decisions and help to enrich the expertise of renewable energy risks among the region's insurers and reinsurers. Through the exchange of best practices and underwriting expertise, the pool aims to enhance regional underwriting capabilities, enabling all members to benefit from shared learning and development opportunities.

The experience of the AREP from its first year in operation has been favourable. The pool took a conservative approach, recognisant to not underprice risks and to avoid accumulations with natural catastrophe risks. Furthermore, it focused exclusively on solar and wind onshore. Only in its second year, the pool may open-up and write more and larger risks, also considering floating solar energy generation.

The aim to collaborate on knowledge sharing has worked out well. All pool members gained access to data that in particular the smaller players would not have otherwise seen. Members were able to learn how to underwrite larger and different exposures than they are usually exposed to, enabling them to underwrite more complex risks in the foreseeable future. The participants of the pool hold regular technical meetings, physical workshops and are able to source additional data from brokers across ASEAN that they otherwise would have no access to.

18 Probable maximum loss (PML)

### COOPERATION IN TAKAFUL AND RETAKAFUL

The ASEAN Takaful/Retakaful Working Committee (ATRWC), established in 2022, provides a formal collaboration channel for Islamic insurers and reinsurers. Its mandate is to share data, exchange best practices and coordinate activities that raise Takaful literacy and penetration. Given the importance of Islamic finance in several ASEAN markets, the ATRWC ensures that this fast-growing segment develops within a cooperative ASEAN framework, rather than in fragmented silos.

### EDUCATION AS A UNIFYING FORCE

Harmonising technical standards and professional skills is a quieter but no less critical form of cooperation. The ASEAN Insurance Education Committee (AIEC) coordinates education and training across the region. Its flagship programme, the ASEAN Professional Insurance Diploma (APID), is benchmarked to the ASEAN Qualifications Reference Framework. By giving professionals a portable credential recognised across borders, the APID builds mobility of talent and creates a common professional language.

The AIEC also works with the ARWC to deliver the ASEAN Reinsurance Programme (ARP), which upskills reinsurance professionals across ASEAN.

These initiatives ensure that the region's human capital keeps pace with the industry's growth and integration.

### RESEARCH, HEALTH AND EMERGING RISKS

The AIC has also established forums for forward-looking issues. The ASEAN Natural Disaster Research & Works Sharing (ANDREWS) committee connects insurers, academics and practitioners to share catastrophe data and methodologies, particularly in agriculture and natural disaster risk. By pooling knowledge, ANDREWS lays the groundwork for harmonised approaches to disaster resilience.

Meanwhile, the newly formed ASEAN Health and Medical Insurance Committee (AHMIC) brings markets together to discuss coverage conditions, claims practices and the portability of health benefits. While still at an early stage, AHMIC creates the space for dialogue on one of the most politically and socially sensitive lines of business.

**SHAPING ASEAN INSURANCE WITHOUT REGULATING IT**

The AIC does not wield regulatory authority, as taxes, licensing and policy wordings remain firmly in national hands. However, the Council plays a vital bridging role – forging consensus among industry leaders, developing shared practices and offering coordinated input to regulators.

For policymakers, AIC committees provide fertile ground for pilot initiatives, whether on renewable energy risk pools, Takaful development or catastrophe insurance. For CEOs, the Council offers a platform to influence the regional operating environment, ensuring that ASEAN's insurers and reinsurers are not just subject to global trends, but also active in shaping their own future.

ASEAN's insurance markets remain diverse and domestically regulated. Yet through the AIC, the region's insurers and reinsurers are steadily building mechanisms of cooperation that range from practical (e.g., the Blue Card) to strategic (e.g., the AREP). Together, these efforts are fostering a more integrated insurance community: one with the resilience, capacity and expertise to support ASEAN's broader economic ambitions.

"The ASEAN markets are mostly relatively small and lack the capacity to retain large complex and catastrophic risks. This is not so much a question of technical expertise, which in the case of Malaysia we have, but of capital. We continue to export premiums and profits to the international insurance markets, while we should instead be retaining them to boost our capital to support capacity. If we want to change this, the ASEAN markets should team up and, with the support of governments, define dedicated pool schemes for risks that are important for our markets, retain the profits generated in these pools, and accumulate the capital to steadily build up regional risk capacity."

**Ng Kok Kheng, Chairman, General Insurance Association of Malaysia, PIAM**

# Viewpoints from ASEAN markets

For this edition of Asean Insurance Pulse, we tapped the expertise of CEOs and senior executives from fifteen insurance and reinsurance companies operating in the ASEAN region. The qualitative interviews that we conducted – the findings of which are presented here, grouped according to the main questions asked – revealed diverse perspectives on the topic of retained risk that often aligned to the level of market maturity.

In essence, the risks retention capabilities of the region hinge on the following factors: access to information and expertise, risk capacity and capital, and market size or scale.

Markets where insurers have little or no access to data, information and capital, and where complex risks are too rare to be underwritten, are likely to be more protected through formal or informal trade barriers than markets that see a fair amount of large, complex risks and are able to consider building up the expertise to write such risks going forward. Similarly, insurers in smaller or less developed markets are more inclined to call for closer collaboration across ASEAN markets and greater regulatory harmonisation than insurers in more developed markets that are geared towards attracting capital through international re/insurance and financial markets.

### CURRENT RETENTION LEVELS FOR COMPLEX AND CAPITAL-INTENSIVE RISKS

Not all interviewees consider the current retention level of large and complex risks to be an issue. Those Insurers in the least developed or smallest ASEAN markets see no alternative to the current regime of ceding such risks internationally, as their markets simply lack the expertise and capacity to retain more. In fact, as one interviewee said, one must "accept the status quo". Insurers in these markets cannot diversity these risks within their own market, either from a talent, knowledge or capital point of view.

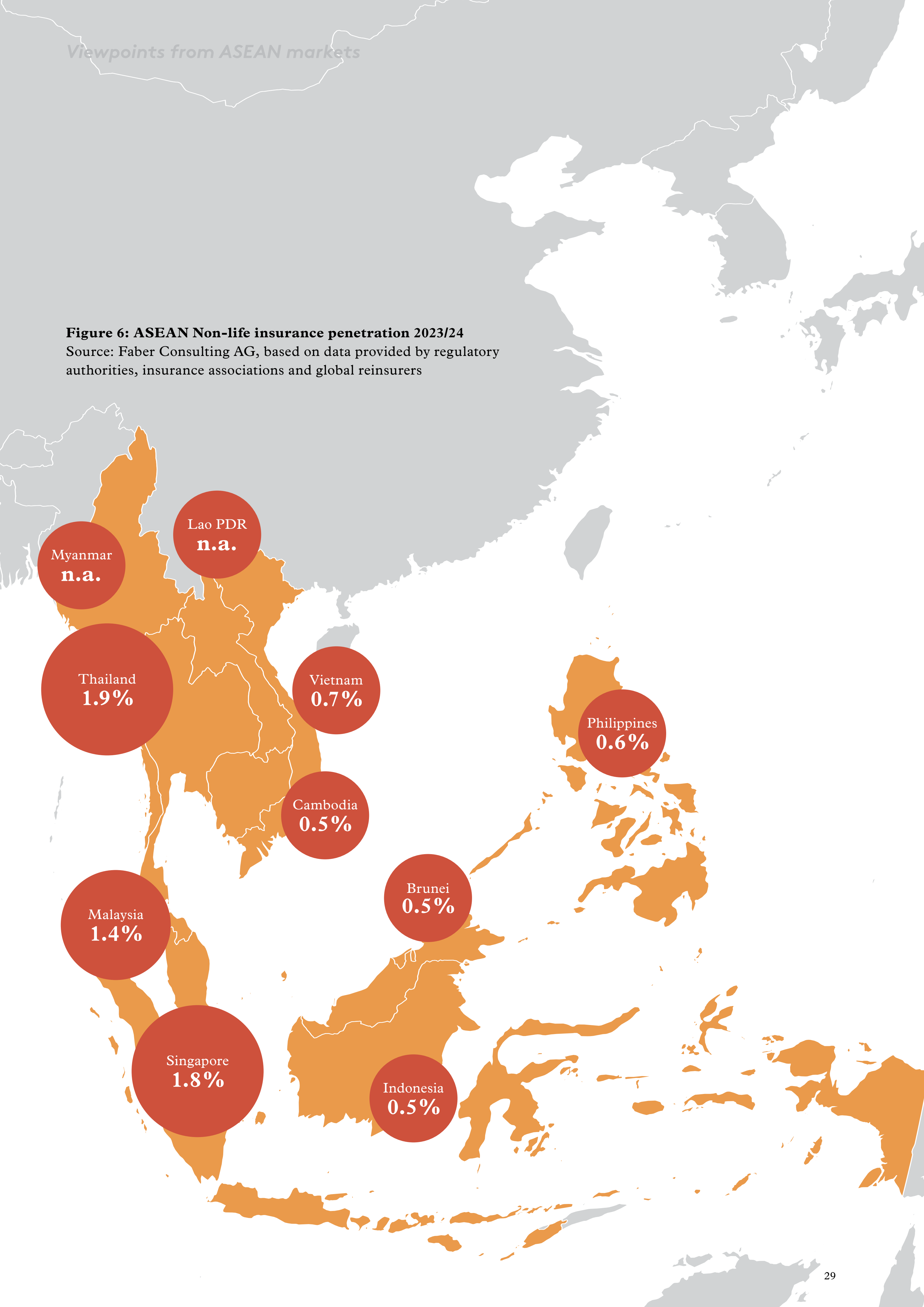
The situation is different in the larger, more advanced ASEAN markets. In some markets, regulation can incentivise limited risk retention. If capital requirements are low – as in the case of Indonesia – insurers may choose to refrain from building up the financial capabilities required to hold more risk and/or to not invest in the necessary underwriting expertise. That approach could change as capital requirements are expected to increase. In other instances, regulators cap the amount of risk that insurers can hold – in which case insurers focus on stable results and proportional reinsurance to protect their downside, but not on retaining complex risks.

The level of retention can differ according to the underlying risk. Insurers can retain a larger portion of risks that offer some inherent diversification. However, when it comes to specialist risks, sufficient market scale is important. If insurers are not be able to diversify a risk within their market, they may decide either not to underwrite or to cede that risk, rather than investing in building up the expertise to hold more of it. Furthermore, a small portfolio of large, complex risks is by definition volatile. That impacts an insurers' risk appetite.

For example, in Malaysia, large data centres have been set up in recent years in the region of Johor which also cater to nearby Singapore. Interviewees noted that some of these data centres by far exceed the locally available capacity for such risks and are thus ceded internationally.

Finally, there is the exceptional position of Singapore. In recent history, Singapore benefited from an increase in overseas insurance funds' from 30 % of premiums ten years ago to 50 % of premiums today, as compared to domestic insurance funds. Singapore has thus become a regional centre of expertise and funding for the region. Interviewees did not perceive a shortage of risk capacity. However, for risks with a high specialisation and volatility, such as aviation, risk appetite remains limited.

**Figure 6: ASEAN Non-life insurance penetration 2023/24**
Source: Faber Consulting AG, based on data provided by regulatory authorities, insurance associations and global reinsurers



**KEY DRIVERS OF RETENTION LEVELS**

Four factors, which closely depend on each other, were named as causes of the current level of risk retention: regulation, market size, expertise and capital.

Firstly, regulation is seen as a necessary precondition to alter the current level of risk retention. Capital requirements may be too low to incentivise players to hold more risk. Consequently, insurers in these regions might just front the risk, passing it immediately to reinsurers. Maximum retention limits defined by the regulator can further aggravate this phenomenon. To protect the security of their markets, some regulators also require insurers to only cede risk to highly-rated reinsurers to optimise the capital relief – this favours large international reinsurers from mature markets.

Secondly, market size was perceived as an issue by all interviewees, apart from those based in Singapore. Size translates into scale, which is seen as a key reason for struggling to attract international talent that could contribute to market advancement. Furthermore, if certain risks are rare, which is more likely in a smaller market, there is little reason to invest in building-up the necessary expertise for their understanding. As a result, if a market lacks scale, costs to retain certain large risks can be prohibitively high.

Limited scale is also seen as an impediment to the ability to diversify or spread large risks. Only a few markets have the efficiency to absorb large risks. Since large risks are mostly syndicated, they require a certain infrastructure, which is only available in large markets.

Furthermore, due to multiple factors including climate change, large losses are not only increasing in frequency but also in severity. Exposures are rising and smaller markets are not prepared for these developments, impacting, for example, energy and property/ catastrophe risks including the aforementioned data centres and large solar and wind farms.

Furthermore, the ability to retain large risks goes hand-in-hand with the size of an economy. The larger an economy, the greater the risks it's insurance market can hold. It thus requires incremental economic growth to increase a market's risk retention ability.

Thirdly, expertise is another quality required to hold large, complex risks. This includes first-and-foremost underwriting expertise, but also access to data, modelling capabilities and actuarial talent. Less developed markets lack expertise and therefore have a higher reliance on foreign reinsurers, including for data. Nevertheless, lack of expertise is a deficiency seen by the interviewees as something that can be overcome, as sophistication in markets including Malaysia and the Philippines is advancing fast

Fourthly, capital requires that the preconditions of regulation, market size/scale and expertise are met. Available risk capacity is typically seen as insufficient to meet exposure or values at risk – mainly due to regulatory requirements, a lack of financial savviness and market conditions, which are not conducive to the free transfer of capital.

Even if all conditions are met, markets might still abstain from writing certain risks, simply due to a lack of risk appetite. Aviation was mentioned recurrently by interviewees as an example of this - exposures are high, a high degree of sophistication is required and costs are substantial to hold the risk unless it can be diversified. Thus, even in a market such as Singapore, less than a handful of the country's insurers are known to underwrite aviation risk.

"The risk retaining capabilities of the ASEAN markets have grown substantially over the past decade. Taking Singapore as an example, overseas insurance funds accounted for just about one third of premiums written in Singapore a decade ago with two thirds originating from the domestic market. Today, the mix is close to 50:50 between overseas and domestic insurance premiums, with overseas funds growing by close to four times in the same period. The type and amount of risk retained is mainly determined by the risk appetite, which varies with insurers. For instance, for aviation and other niche risks such as credit there is a need for reinsurance protection as it would be too costly to hold these risks, given the limited addressable markets and the expertise required."

**Mack Eng, CEO, MSIG Singapore**

### WHERE TO FOCUS RETENTION

Concerning the ability to retain a higher share of risks, there are three schools of thought.

Firstly, some see little opportunity to improve the risk retention capabilities of their market because the preconditions are not met. Markets, for example, lack the scale, expertise and capital to hold more risk, and thus have little choice but to cede it to the international market. Some bemoan that this exposes them to the price volatility of the international reinsurance markets, which often seem to be at their peak when ASEAN markets need more capacity. However, these complaints were mostly focused on natural catastrophe capacity.

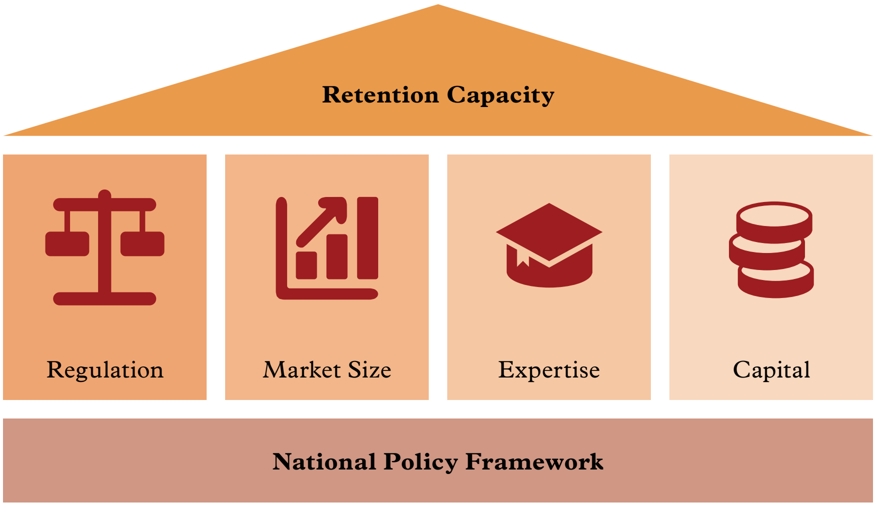
The second school of thought suggests carving out a niche for ASEAN markets in areas where they already possess a competitive advantage. Takaful is a good example. Malaysia, Brunei and Indonesia are pursuing a route not trodden by the international market. Malaysian insurers, for example, are considering expanding on the expertise gained in Takaful to position themselves as a hub for Retakaful coverage.

Thirdly, instead of reaching for the stars, several of the industry leaders that we spoke to suggested focusing on core lines of business or risks that are core or strategic for their economy. Several interviewees see the main deficiency of their market not so much in the low retention of large and complex risks, but rather in the still significant protection gap, particularly within the low-income bracket of society. There are calls for focus to shift to the bulk of the business and criticism of focusing attention on specialty risks. Those we spoke to emphasised that motor, property and health are evolving fast in light of current trends and innovations, such as electronic vehicles (EV), the emergence of the aforementioned data centres and rapidly rising medical inflation – and that these challenges should be closer to the heart of domestic insurers than interest in large, complex risks.

"Regional and local insurers typically have a deep understanding of their local markets, where the bulk of their business originates. In Malaysia, we note that the core lines of business are evolving fast. Take motor for example, electronic vehicles require a different approach to underwriting. Similarly in property, the rising number of data centres warrant different underwriting expertise. For health and casualty, insurance companies in some markets may face liability claims inflation and rapidly rising medical inflation. Large, complex risks – often specialty risks or high-limit programs – require not only expertise and capacity, but also economies of scale, since building the expertise to underwrite them is only worthwhile if enough of these risks are available."

**Marcel Omar Papp, Head Retakaful, Swiss Re Asia Pte. Ltd., Malaysia Branch**

**Figure 7: Key drivers of market premium and risk retention**




By contrast though, many insurers understand themselves as facilitators of their domestic development. Thus, they suggest that the region's domestic insurers should be able to cover the risks that are important to their economy, such as marine hull in Malaysia given the importance of the country's shipping industry. Therefore, they perceive it as a shortcoming of the national insurance industry that it has insufficient expertise and capacity to write this risk.

The formation of the ASEAN Renewable Energy Pool (see pages 24–25 for more details) is based on a similar motivation – that the region's insurers should be able to underwrite risks that are essential to the region's ambition of becoming a net zero carbon emitter – albeit at the regional level.

Finally, with climate change affecting the ASEAN region more severely, insurers stressed that the sector must further expand its climate risk expertise, as this requires highly specialised local knowhow and insights.

## STRENGTHENING RETENTION THROUGH STRONGER COLLABORATION

Opinions were divided as regards whether closer collaboration among ASEAN insurers would translate into higher regional premium retention. The large discrepancy between insurers in the most and least developed markets is perceived as the main hurdle to closer collaboration.

At the less developed end of the market spectrum, interviewees cited lack of data, data quality, analytics and modelling capabilities, as well as lack of access to complex risks, as the main challenges for higher risk retention – the view was that improvements in these areas would enable them to learn, build experience and eventually retain more risk.

However, at the other end of the spectrum, interviewees emphasized that a lack of common interest is the main reason that closer collaboration is unlikely. For more developed markets, the value proposition of close cooperation with less developed markets is not compelling.

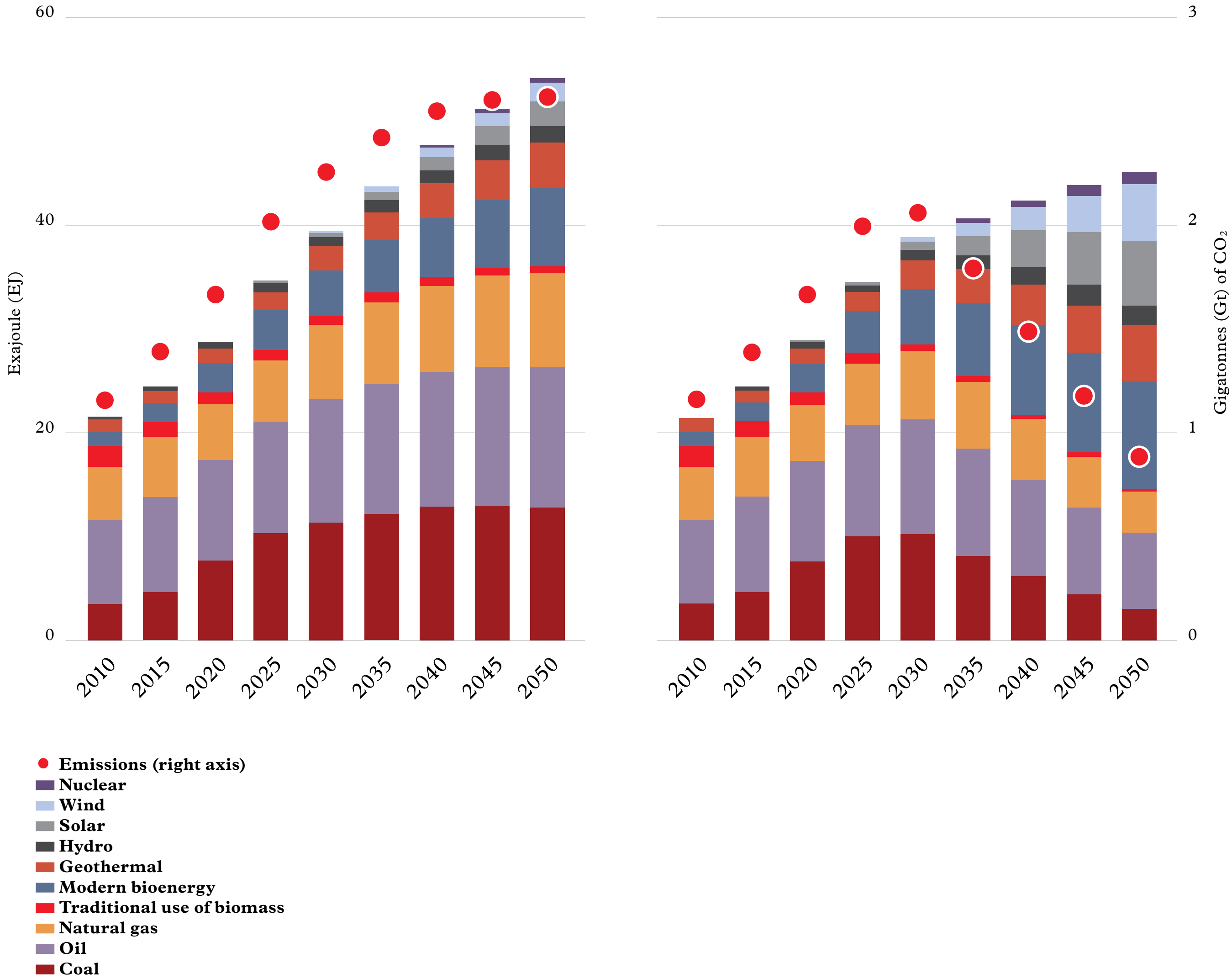
"It is important for domestic markets to have well capitalised insurance players with strong underwriting expertise. The objective should not be to have them retain more risk, but instead to retain the right level of risk and make good use of the support international markets can provide. Our industry's priority should be to support the development of domestic markets to enable the growth of the overall pie and reduce underinsurance in the ASEAN markets."

**Pavlos Spyropoulos, Regional Managing Director Asia Pacific, Tokio Marine Kiln**

**Figure 8: Large, complex risk trends – Outlook on Southeast Asia's energy mix and CO2 emissions.** Southeast Asia's future energy mix will be dramatically re-shaped by mid-century if countries achieve their announced national climate goals.
Source: IEA[19]

**Stated Policies Scenario:** The direction of travel for the energy sector based on today's policies

**Announced Pledges Scenario:** Assumes that all national energy and climate targets made by the Southeast Asian governments are met in full and on time, including long-term net zero goals.




19 International Energy Agency (IEA), Southeast Asia Energy Outlook 2024

Common platforms such as pools were often mentioned as a good way to bridge the gap between the most and least developed markets. To share knowledge and provide access to risks otherwise beyond scope are seen as the main benefit of such platforms. However, interviewees warned that pools have often been unable to overcome divergent interests as participants predominately pursue their own goals, rather than a common benefit.

In addition, interviewees emphasized that the interests of developed and less developed markets are very different. Interviewees thus brought the role of governments into play as the only force able to define a framework in which ASEAN insurers might be motivated to cooperate. Such frameworks could range from common regulation to bridge market differences to PPPs where governments engage with insurers to learn about certain risks, such as climate change, and jointly develop risk mitigation measures.

Finally, some interviewees pointed out that many regional insurers lack the sophistication to retain more risks, as their focus on writing mostly proportional treaties demonstrates. Secondly, the market is quite opportunistic. When rates are low, insurers cede the risks to the international reinsurers. If rates go up and reinsurance becomes expensive, cedents seek other avenues to avoid the additional cost.

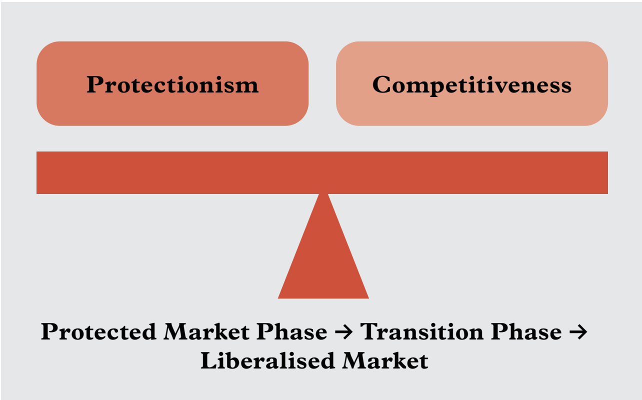
## SUITABLE FORMS OF COLLABORATION

Forms of collaboration vary greatly across the ASEAN region. Depending on the alignment of interests, they range from rather loose schemes of knowledge sharing and data exchanges, to risk pools and standard risk sharing through reinsurance.

In markets including Brunei, Vietnam and the Philippines, interviewees advocated closer cooperation to learn from each other, provide training, and to share data and possibly modelling capabilities. As a further step, they could imagine reciprocal exchanges to bundle and share certain risk among a loose collaboration of insurers. However, interviewees pointed out that not only commercial but also governmental or regulatory will is needed to create the preconditions for closer collaboration.

Where interests are closely aligned, pools or even captives can be more common. Historically, there have been a number of national pools in the ASEAN region. The AREP, managed by Malaysian Re, stands out as an example of insurer and reinsurers from across the region collaborating to pool a single type of risk (see pages 24–25 for more details). Another collaboration that was frequently mentioned was the SEADRIF[20] initiative of the ASEAN+3 countries in partnership with the World Bank – an initiative to provide disaster risk financing and funding.

**Figure 9: Between protectionism and competitiveness: The trade barrier balance**




20 Southeast Asia Disaster Risk Insurance Facility (SEADRIF)

For most interviewees, the sharing of knowledge, data and experience is still the main motivation for pools such as the AREP. High executional risks are seen in the underwriting as well as in the durability of pools. Beyond clearly defining what kind of risks are underwritten, volume must be high enough to be able to gather sufficient data, spread the risk within the pool and avoid risk concentration.

Interviewees remarked that both good and bad risks should enter pools. However, the concern is that pools are only "participatory" – members retain the good risks for themselves, share the bad ones, and withdraw profits if the pool succeeds despite these odds. Thus, to enable the growth of expertise and capacity, profits should be retained and not redistributed to shareholders or members.

Finally, some interviewees pointed out that reinsurance as the traditional approach to syndicate large risks remains the most efficient form of risk sharing. They see the rise in captives or pools mainly as a reaction to rising reinsurance rates and expect that once rates come down, interest could wane. Besides, pools are not without risk, as their ability to pay claims in the case of disaster remains to be tested.

Furthermore, some shared concerns that an increase in regional capacity to retain more risk misses the point because ultimately it should not be the aim of insurers to hold more risk, but to expand coverage and insurance penetration. Those sharing this concern prefer clear, one-to-one collaborations, where insurers source specialist expertise for a predefined price to expand their capabilities.

"For a market to retain more risk is a question of three components: regulation, expertise and capital. Regulators may encourage insurers to hold more risk but must be able to oversee that risk retention. Once insurers hold more risk, they will invest in and recruit the necessary talent and expertise to manage that risk. With a growing expertise confidence in the marketplace may increase, which is a precondition to attract capital, which evidently is necessary to back up the higher risk retention."

**Antony Lee, Deputy Chairman, PIAM**

**ROLE OF GOVERNMENTS AND REGULATORS**

Many ASEAN governments exert a strong influence on regulators and, as a result, on the insurance markets to implement policy priorities: for example, by intervening to assure the affordability of insurance by controlling certain rates, sheltering their markets against the volatility of international markets, or restricting currency outflows to maintain a certain trade balance.

Such policies might also reflect the interests of insurers. In less mature markets, insurers frequently voiced concerns that they are not yet able to succeed in a liberalised market and demand protection until their markets have matured sufficiently to build up capacity, expertise and talent. That includes regulatory requirements to retain frequency risks within the country or compulsory cessions to limit the outflow of capital.

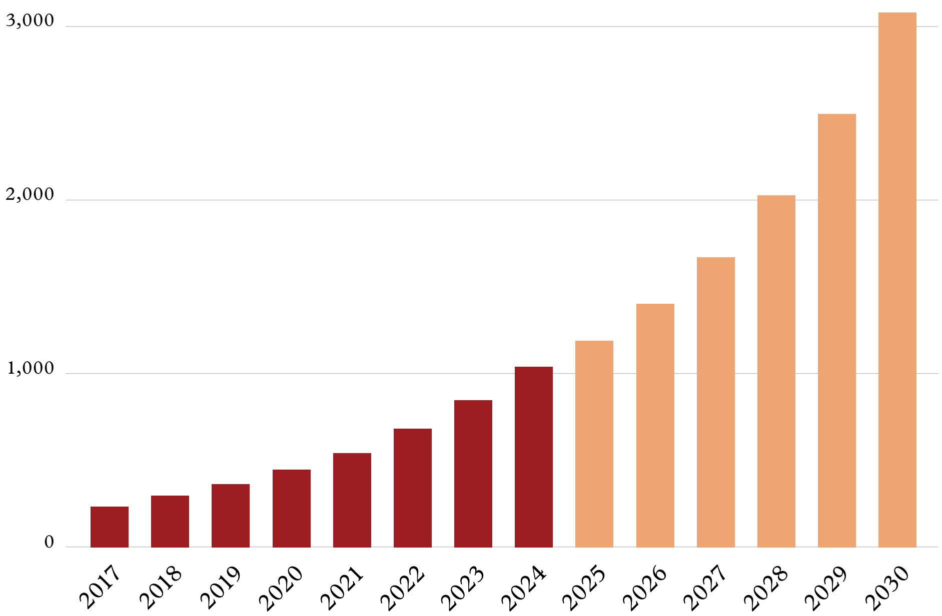
In more mature markets, insurers repeatedly demanded that governments and regulators act as change agents or enablers, transitioning markets to international standards and opening them up to attract foreign capital and knowhow. In this respect, the introduction of international risk management or solvency frameworks, such as RBC frameworks, is vital to improve the robustness of local markets and enable the harmonisation needed to expand and shoulder larger risks.

Many of those we spoke to voiced practical demands. Firstly, as economies of scale are essential to retain more risk, interviewees advocated a harmonisation of regulation across ASEAN, which would help to expand, diversify portfolios and strengthen expertise. Within the current status quo, regulators should ensure that business is only ceded to reinsurers with high levels of security, solvency and expertise. The capital relief or capital risk charge that an insurer obtains from ceding risk to a reinsurer is seen as a fair measure in channelling business to the right partner. However, insurers should avoid fronting business and ensure aligned interests with risk transfer partners.

In Singapore, the region's most sophisticated market, the government pursues a low taxation regime to attract capital and talent, and to invite competition. However, its interests extend beyond insurance to include the promotion of innovation, citizens' welfare, the creation of opportunities for the workforce to grow and prosper, and to attract jobs with higher salaries.

Nevertheless, Singapore is rarely seen as a role model for the other ASEAN markets. Markets should define their own space. Malaysia, for example, should position itself as a centre for Takaful and, given the recognition that it has already established in this field globally, also as a hub for Retakaful. It was also suggested that regulators should promote and advance financial tools that improve insurers' access to capital markets as an additional source of risk capital.

**Figure 10: Large, complex risk trends – Cyber insurance gross written premium, Asia/Oceania,** USD millions
Source: Munich Re[21]




"ASEAN's insurance markets have made great strides in strengthening stability and professionalism. The next step is to deepen our regional cooperation - through shared pools, knowledge platforms and harmonised frameworks - to build the confidence and capability needed to retain more complex risks at home. With the right partnerships and continued regulatory evolution, ASEAN can turn its diversity into a collective strength."

**Vietnam National Reinsurance Corporation, Vina Re**

21 Munich Re, Cyber Insurance, Risks and Trends 2025

## RISKS OF HIGHER REGIONAL RISK RETENTION AND HOW THESE COULD BE MITIGATED

There is significant interest in regional pools and schemes. But concerns are substantial.

The most frequently mentioned risk of retaining a greater share of large or complex risks is the ability or rather inability to honour claims. While geographically the region is large, its heterogenic insurance markets are often small. Thus, complex or large risks pose a challenge as they are difficult to spread or diversify. Correlations might go unnoticed as technical expertise in these risks and the availability of robust, reliable data is low. Furthermore, insurers fear the imbalances in the region. Considering the size of some markets, exposures can be huge. Thus, risk appetites greatly differ.

In the less mature markets, concerns were raised regarding a lack of trust and confidence. There is a fear that a concerted effort to retain more risk might be doomed due to market disparities. Natural catastrophe, cyber or health insurance gaps can be substantial. However, interviewees detected an unwillingness to share data, which is an essential precondition for closer collaboration. Furthermore, not only are markets very different, but also their pace of development varies greatly, with some introducing advanced regulation while others lag behind.

Finally, some interviewees highlighted that building up expertise is a long-term project, requires patience, sufficient economies of scale and substantial investments. As a result, the current system of risk transfer might prove to be the most efficient solution.

## ATTITUDE TOWARDS FORMAL OR INFORMAL TRADE BARRIERS

Interviewees held a balanced view regarding formal and informal trade barriers, such as compulsory cessions or restrictions to market access.

In the less mature markets, some form of protection might be required to develop and build up a local industry with the necessary expertise and capacity to provide protection to the market. However, protected or sheltered markets tend to be less efficient than open markets. ASEAN markets need foreign expertise and capacity to cover large, complex risks. Thus, ASEAN markets must also be able to attract foreign capital.

There is a strong argument in favour of a certain level of protection for ASEAN markets. Risks are changing rapidly and the traditional paradigm that expertise gained in advanced markets can be transferred to benefit emerging markets no longer holds true. By contrast, to understand the natural catastrophe challenges that the ASEAN countries are confronted with, insurers need to invest in research and be present in the region. Thus, while global players should deploy expertise to the region, knowhow must be built-up by a layer of local players as well. This might require some kind of protection, for instance compulsory cessions, for as long as these local players are not yet able to compete with their foreign counterparts.

Compulsory cessions are frequently installed to support the build-up of local expertise, reduce the outflow of capital and increase capacity. However, these rules should only be maintained temporarily and strictly monitored for their effectiveness with the goal to establish knowhow, serve the local market and compete with the international market. Once that level is attained, barriers to trade should be reduced, as can be currently witnessed in Malaysia, where the market is in a transitional phase, or as in Singapore, where compulsory cessions to SIN Re have been discontinued.

Better collaboration between markets and the harmonisation of trade barriers and regulation would, according to interviewees, enable the establishment of a competitive regional insurance industry. However, markets are heterogeneous and at different stages in their development. Digital technology was proposed as an avenue to harmonise markets.

Finally, some interviewees emphasized that penetration is more relevant than retention. As such, barriers to trade should not only be temporary, but ultimately be removed as compulsory measures are counterproductive to the very idea of risk transfer and a well-diversified market. Protectionism increases costs and reduces innovation, and regulators should instead strive to protect consumers.

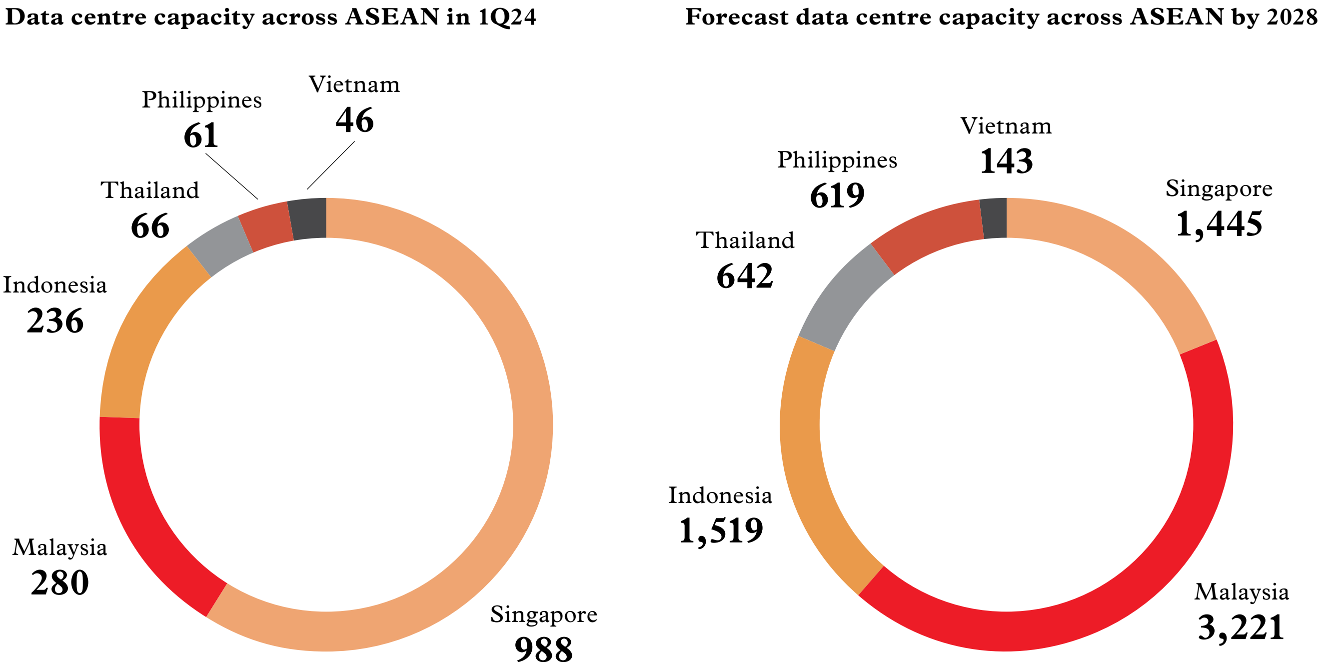
## LINES OF BUSINESS WITH THE GREATEST POTENTIAL TO INCREASE RETENTION IN THE NEXT 5–10 YEARS

Interviewees see the potential to retain more natural catastrophe business, some traditional property and casualty business, specialty business such as cyber, infrastructure, energy and marine, and personal lines business – in particular for the low-income segment. However, all these opportunities pose the challenge of requiring local expertise and commitment.

Firstly, there is obviously the growing natural catastrophe risk which is affecting ASEAN countries in ever more pressing ways. Be it in the form of rising risks from tropical cyclones such as typhoons, more frequent flooding, droughts or rising sea levels or be it due to increasing values deployed.

The perspective of many international insurers was that rather than reaching for large, complex risks, ASEAN insurers should focus on retaining more conventional property and casualty risks. For instance, for the bulk business of ASEAN insurers, such as motor, the transition from conventional to electric vehicles requires a different type of underwriting and risk management. In the property line, data centres in the South of Malaysia present an enormous opportunity but are currently not covered by local capacity. And although the legal frameworks are well developed throughout the ASEAN region, casualty is still only written by a few players in less mature markets.

**Figure 11: Large, complex risk trends – Growth of data centres in ASEAN, 2024–2028,** megawatts (MW)
Source: The Edge, Malaysia[22]




> "Everyone agrees that data, trust and harmonisation are essential, yet too often they are treated as taboo. Unless ASEAN insurers are willing to share information and regulators modernise outdated frameworks, risk retention will remain an aspiration rather than an achievement."
>
> **Michael F. Rellosa, Executive Director, Philippine Insurers and Reinsurers Association (PIRA) Inc.**

22 The Edge, CGS says M'sia a prime beneficiary of data centre boom, names Gamuda, YTL, SunCon as top picks

The opinion was also shared that instead of retaining more volatile risk, regional insurers should think about expanding their footprint in the low-income segment where they have a competitive advantage and underinsurance continues to pose a substantial challenge. There are several initiatives in this regard, for instance PPPs facilitating agro-insurance for small-holder or paddy farmers in Malaysia or Brunei.

Health was put forward as business that could see an increase in retention. Similarly to motor, it is mainly a frequency risk with accessible data. Nevertheless, it is largely underinsured while healthcare costs are soaring. On top, there is the pandemic risk, in which ASEAN countries fared well during the COVID crisis, but which is still ceded off internationally although more of it could be retained.

Finally, there are the large commercial risks, where the region's insurers see potential to hold more risk in supporting ASEAN economies. In a region with a rising relevance in the ICT industry these are naturally the cyber risks. Furthermore – as we already flagged – insurers are seeking ways to cover more of the rapidly rising renewable energy risk – mostly solar and wind – deployed in the region, not least through the ASEAN Renewable Energy Pool. Malaysian insurers recurrently emphasized marine hull as another risk where the country's insurers could hold more premiums as marine is an important sector for Malaysia's economy.

**MAIN OBSTACLES TO GREATER REGIONAL RISK RETENTION**

To sum up, insurers saw three main reasons for the current level of premium retention in the region: (1) a lack of the necessary technical expertise to underwrite and hold these risks among the regional players, (2) insufficient financial capacity or capital to retain these risks on regional players' balance sheets, and (3) mostly remarked by players in the less mature markets – a lack of regulatory alignment among ASEAN markets.

As a result, markets remain heterogenic and small, while opportunities for cross-border business are limited. Therefore, the pool of large, complex risks that insurers could access, use to diversify, and that is scalable enough to invest in, recruit talent and build up expertise in, stays relatively confined. Given the fragmented marketplace, the risk appetite or interest to take on large exposures remains low.

Overcoming this fragmentation seems difficult. Insurers bemoan a relatively low level of trust among local and regional player, and limited interest to share data and collaborate. Insurers also identified the lack in political will to open-up markets as a major obstacle to closer cooperation. Given these limitations, it comes as no surprise that insurers view the absence of a regional risk pooling mechanism as a further hurdle to retain more risk regionally.

However, it was also pointed out that many take comfort in the current status quo and the market protection that they enjoy. They question if there is sufficient ambition to open-up markets, which would be essential in building up capacity across the region. Or, as some voiced it, the current market set-up with a sizable part of the business ceded off to the international market is possibly the most efficient form of risk sharing.

MALAYSIAN RE