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## **MALAYSIAN RE'S THIRD ISSUE OF "MALAYSIAN INSURANCE HIGHLIGHTS" EXAMINES THE FLOOD RISK IN MALAYSIA**

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**Kuala Lumpur, 17 May 2022** – Malaysian Reinsurance Berhad (Malaysian Re) today launched the third edition of its Thought Leadership publication, Malaysian Insurance Highlights. The MIH 2021 examines the impact of flooding on the Malaysian economy and insurance markets.

Commenting on the MIH 2021 publication, Zainudin Ishak, President and Chief Executive Officer of Malaysian Re said, "We have just seen last year and even in recent months how the livelihood and properties of people and communities across the nation were severely impacted by the flood catastrophe at unprecedented scale and unusual timings. The region grapples with the consequences of man-made climate change which has caused greater severity and frequency of floods. Hence, the topic of our publication this year came in timely, and we hope that it will provide an assessment of the current flood risk in Malaysia as well as its main trends and developments".

Malaysian Re's latest publication, MIH 2021, noted that last year's great flood, which hit from 16 to 21 December 2021, caused economic losses of RM 5.3 billion to RM 6.5 billion. MIH 2021 explores the major challenge of underinsured flood risk in Malaysia whereby on average only about 10% of economic losses are covered. According to the publication, Malaysia's insurers shouldered about RM 1.5 to RM 2.0 billion (US\$ 360 million to US\$ 480 million) or 20% to 30% of the economic losses as a high share of manufacturing properties were hit in the Federal Territory of Kuala Lumpur and the State of Selangor.

"The cost for flood insurance is rather nominal. The cover is available as an extension to the standard fire policy and costs about 0.086% of the sum-insured. In the personal lines, the pricing of the risk is perceived as high and is often only purchased in flood prone regions or following recent events. Mostly homeowners are insured as the banks arrange the cover as part of the mortgage. The lower-income segment of the population, who run a high flood exposure, rely on

the government in case of a loss. In the recent flood it supported the people affected with a financial contribution of RM 1.4 billion. Currently, we are working with Bank Negara and Malaysia's National Disaster Management Agency (NADMA) to develop a solution that ties together those who can afford to insure with those who cannot" added Zainudin.

MIH 2021 accentuates the need to address the protection gap as flood risk increases, where the demand for flood cover is influenced by the government's support of the country's low-income segment for the loss caused by a disaster. This third edition of MIH also states that the December flood has impacted the pricing for flood coverage in Malaysia's insurance markets. Insurers are also expected to review their reinsurance structures to ensure they have sufficient coverages in place, due to the changing in understanding of flood risk in Malaysia.

"From an insurance point of view, there is a need to push for a deeper discussion to find a solution to better cover the country's flood risk by bringing together the insurance sector, the regulator (Bank Negara), NADMA and the government. While previously, the focus had been on developing a coverage which foremost addressed the exposure of the lower-income segments of Malaysia's population, the current wholesome solutions aim to provide faster protection to consumers and encompass all parts of society or policyholders", added Zainudin.

MIH 2021 was published in partnership with Faber Consulting AG, a Zurich-based research, communication, and business development consultancy. The findings of MIH 2021 are based on structured interviews with more than 24 executives representing 22 Malaysian insurers, reinsurers, intermediaries, and trade associations. With the publication of the third issue of MIH this year, Malaysian Re hopes to spur the industry to elevate the flood insurance penetration nationwide.

For more information and to download a copy of MIH 2021, please visit [www.malaysian-re.com.my](http://www.malaysian-re.com.my).

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## **About Malaysian Re**

Malaysian Reinsurance Berhad (Malaysian Re) is a wholly owned subsidiary of MNRB Holdings Berhad (MNRB). Malaysian Re underwrites all classes of general reinsurance business as well as general and family retakaful businesses through its retakaful division. Leveraging on its breadth and depth of experience and expertise, excellent ratings and proven record of accomplishment, Malaysian Re has grown in stature as an international player having established a strong market presence in Asia Pacific and the Middle East with an emerging footing in Europe. Malaysian Re is the largest national reinsurer (by asset) in the ASEAN region.

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