MALAYSIAN RE

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Welcome to 3rd Edition of **Malaysian Re <u>Foresights</u>!**

In this edition, we explore the impacts of COVID-19 on the motor insurance market in Malaysia. Our domestic treaties team also share a unique insight from our position as the domestic market leader on the latest market trends from the recent January 2021 renewal.

Takaful and Retakaful concept and practice are discussed in detail in this newsletter, reflecting the vital position of the fast-growing business segment. And how about *Fake News?* NO - we are not here to spread any unsubstantiated rumour - rather, this is another interesting article penned by our fellow Malaysian Re team which highlights the threat of disinformation.

We hope you will enjoy reading this 3rd edition and any feedback or suggestion is very welcome.

We also look forward to you joining us at the upcoming virtual roundtable discussion with esteemed industry leaders at the launch of COVID-19 special coverage edition of Malaysian Insurance Highlight (MIH) on 26 February.

Stay safe and healthy in this coming Ox Year!

Yours Sincerely,

Malaysian Re Team

COMPANY'S UPDATE

MAR 2020 Malaysian Re stepped up to be the administrator for the COVID-19 Test Fund (CTF), jointly setup by LIAM, PIAM & MTA to support the Ministry of Health (MOH)'s efforts to urgently expand the COVID-19 test availability for Malaysians. Find out more of CTF, **here.**

DEC 2020 Malaysian Re successfully launched the fourth edition of regional Thought Publication, ASEAN Insurance Pulse 2020. The event was virtually officiated by Mr. Christian Wanandi, Secretary General of ASEAN Insurance Council (AIC). The publication explores the unprecedented impact of COVID-19 pandemic on the ASEAN region's economies and its insurance markets. Read the key insights on Page 32.

JAN 2021 Malaysian Re hosted Scheme for Insurance of Large & Specialised Risks (SILSR) Webinar on Renewable Energy Risks and Insurance. Mr Sean Chou, Managing Director & Deputy CEO of Marsh Insurance Broker (Malaysia) Sdn Bhd was the speaker for the webinar which was attended by nationwide industry practitioners via Microsoft Teams platform.

Fitch Ratings

JAN 2021 Fitch Ratings has affirmed Malaysian Re's Insurer Financial Strength (IFS) Rating at **'A' (Strong) with a Stable Outlook**. Fitch cited Malaysian Re's 'Very Strong' capital buffer and consistently profitable financial performance as the key driver for the rating affirmation.

OUTLOOK

INDUSTRY AND BUSINESS OUTLOOK FOR 2021

By Business Development & Special Projects
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The (re)insurance market in Malaysia is in the state of flux with a uniquely challenging outlook for 2021. After an initial success in containing the pandemic, the country has seen a resurgence of cases under the 3rd wave of COVID-19 which started to affect the country in October 2020 with daily new cases exceeding 5,000 cases in January 2021. A nationwide state of emergency has been declared to combat the pandemic and is presently scheduled to last until August 1st.

In spite of the arduous environment, the domestic non-life insurance market has been resilient – after contracting by -2.5% in the 1H 2020, the market rallied and closed the year strongly by posting RM20.7 bil GWP in 2020, a marginal -0.1% contraction from 2019.

The industry's durable position is an encouraging development given the fact that 70% of the country's insurance premium are comprised of motor and properties, consumption-based sectors which typically mirrors the country's GDP which saw a significant decline by -6.4% in the 3rd quarter and is forecasted to contract between -3.5% to -5.5% in 2020.

Notwithstanding the above, we are cognizant of the potential risks should the present wave of COVID-19 prolong as weakening economic activities may potentially translate into lower motor sales and properties which may continue in the 1st half of 2021. Classes such as marine and personal accident have already been negatively affected by declining trade volume and travel restrictions, respectively.

Aside from the impacts on the premium, the domestic market has not seen significant COVID-19 related claims to date. This can be explained by relatively low take-up of Business Interruption (BI) which is an optional extension of fire insurance and as such comes under the tariff. Furthermore, potential claims from BI are relatively insignificant given the tight policy wording. At Malaysian Re, we have seen some claims from ASEAN and Europe regions albeit at moderate scale. We are cautiously optimistic that there will not be adverse developments moving forward given that strict ICD exclusion clauses have been imposed on all overseas policies.

From the position as the market leader, domestic reinsurance market is not expected to see major surprises in terms of pricing for 2021. Our treaties experience in 2020 has been mixed, there was an increase to the motor XL in tandem with the increase in overall market loss experience. On the other hand, commission rates for proportional treaties have been generally flat in 2020 although there were marginal increases for loss-affected treaties.

For the ASEAN market, we recently commenced surveys with the industry's top executives for the 4th edition of ASEAN Pulse, our regional-focused annual publication which was released in December 2020. The respondents generally pointed out that the markets would generally stay flat except in some manufacturing driven ASEAN markets such as Thailand where rates are hardening for trade credit and marine cargo which have been affected by disruption of supply chains. Our own experience in the regional markets indicates pockets of modest price increase in the retrocession business although it is primarily driven by strengthening of terms instead of COVID-19.

In spite of challenging business environment in the 1st half of financial year 2020, Malaysian Re recorded respectable RM46.9 mil net profit, a marginal drop from RM49.8 mil in same period last year attributed to weakening equity market and low interest which impacted the investment. However, our capital position remains robust and our underwriting fundamentals are solid with well-diversified portfolios and healthy combined ratios driven by prudent underwriting discipline and effective cost measurements. Key investments in technology and talents have also enabled the Company to maintain normal operations during the various stages of movement control orders. Looking forward, there are reasons for cautious optimism as the first batch of COVID-19 vaccines will arrive in late February 2021 with subsequent rollouts throughout the year. Malaysian Re is well positioned to weather the storm ahead and capitalize on the subsequent market upturn. ■

THE IMPACT OF COVID-19 TO MOTOR INSURANCE INDUSTRY IN MALAYSIA

By Business Region 1 (Domestic)
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Since its first detection of COVID-19 case on 24 January 2020, Malaysia has experienced increasing trend of daily confirmed cases with the third wave of infections since October 2020 is seriously threatening the momentum of country's recovery. The first major nationwide lockdown, Movement Control Order (MCO) which was implemented by the Government beginning 18th of March until 9th June 2020, disrupted most social and business activities in Malaysia which resulted in a sharp decline in usage of automobiles during the lockdown. In addition to the change in consumer behavior and erosion of purchasing power, the MCO also resulted in devastating impact to the country's automotive industry with the shuttering of vehicle plants, car showrooms and service centers, causing lower sales of new motor vehicles.

The drop in motor vehicle sales is illustrated by the Total Industry Volume (TIV) of new motor vehicles registered in Malaysia for the first half of 2020, where we could observe that there is a substantial reduction of 41%, from 296,317 to 174,675 compared to same period last year.

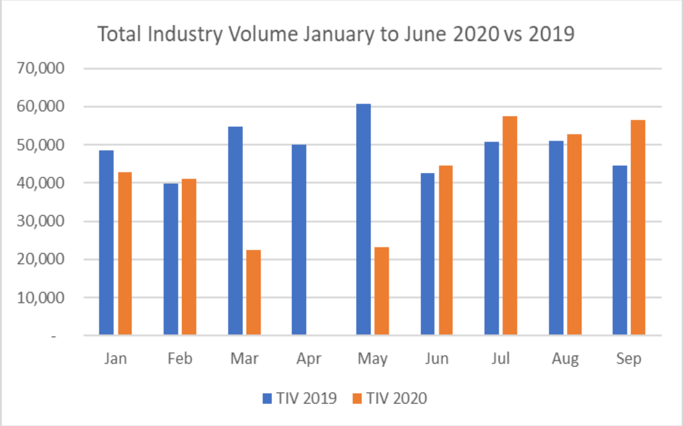


Diagram 1 Total Industry Volume January to September 2019 vs 2020

From **Diagram 1**, the plunge can be seen from March to May during the MCO. The sharp contraction in automobile sales has consequently led to decrease in number of new motor insurance policies being issued.

However, in the month of June to September, there was an improvement in motor vehicle sales as the government launched a Short-Term Economic Recovery Plan (i.e., PENJANA) incentive where car buyers could enjoy sales tax exemption until the end of the year.

As part of the initiative to ease the burden of Motor policyholders in Malaysia, Bank Negara Malaysia has approved applications from Insurers/Takaful Operators' to offer 6-months short-period policy option for motor Insurance/Takaful based on a pro-rata adjustment to the annual premium/takaful contribution, instead of applying the short-period rates scale as specified by the Tariff.

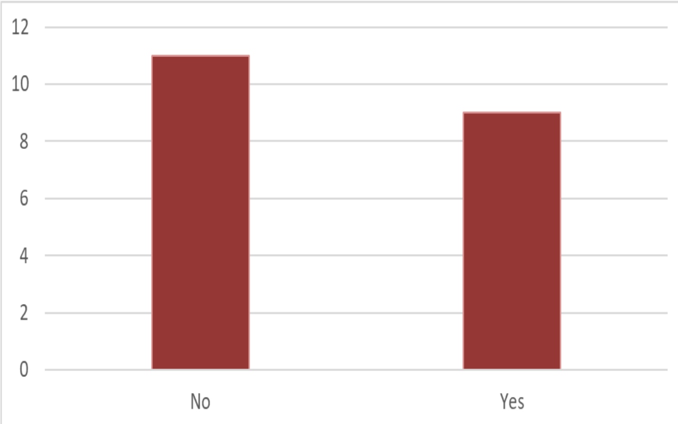


Diagram 2 The number of insurance companies providing 6 months SPM

Based on the responses received from a survey carried out by Malaysian Re to all local insurance companies, 9 out of 20 insurance companies in Malaysia are offering 6-months short period Motor (SPM) insurance option to their customers. We have also been informed by some insurance companies that they are not able to provide the SPM policy due to system limitations.

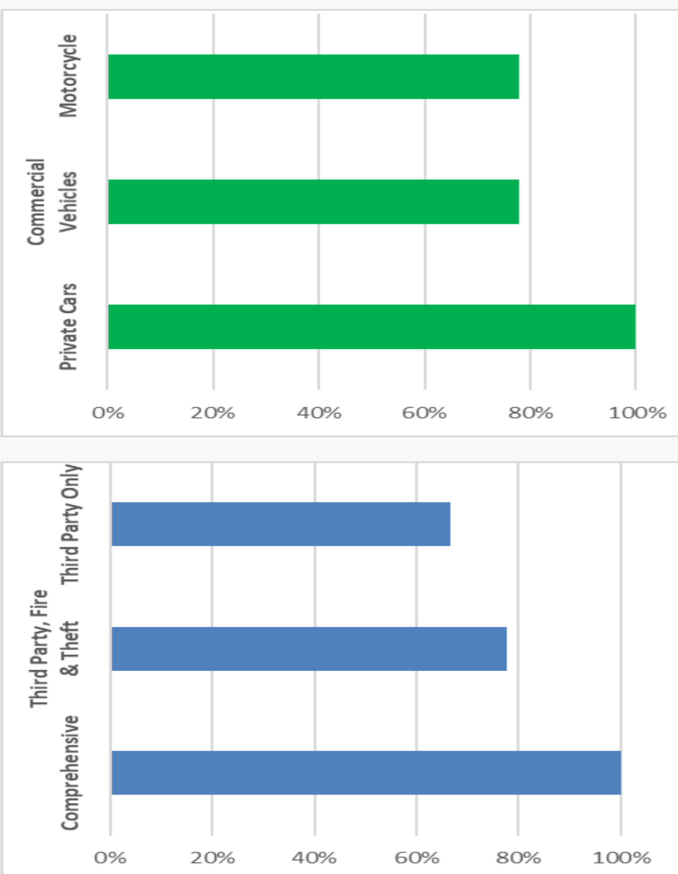
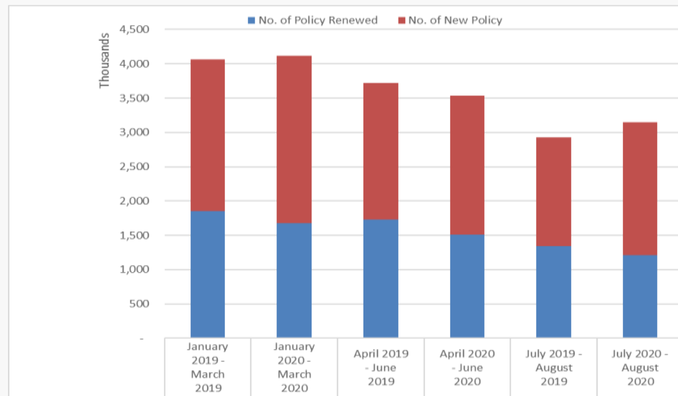


Diagram 3 The type of vehicles & coverage based on the 9 insurance companies that are offering the 6 months SPC

From **Diagram 3**, it could be seen that all 9 insurance companies are offering the SPM for private cars (100%), however, only 7 insurance companies are offering for commercial vehicles & motorcycle (78%). As for the type of motor insurance coverage, all 9 insurance companies are offering the SPM for comprehensive coverage (100%), while only 7 insurance companies are offering for third party, fire & theft (78%) and 6 insurance companies for third party only (67%).



	January 2019 - March 2019	January 2020 - March 2020	April 2019 - June 2019	April 2020 - June 2020	July 2019 - August 2019	July 2020 - August 2020
No. of New Policy	2,211,259	2,440,003	1,992,931	2,023,041	1,591,695	1,940,968
No. of Policy Renewed	1,852,125	1,673,019	1,727,718	1,512,915	1,339,902	1,209,617

Diagram 4 Number of Motor Insurance Policy Jan - Aug 2019 vs 2020

According to **Diagram 4** above, based on 18 insurance companies' data that we have compiled, there was a 1.7% reduction in the total number of motor insurance policy for the first half of 2020 against same period last year. This can also be seen in the ISM data where there was also a reduction of 7.4% for the total motor insurance gross direct premium for the first half of 2020 against same period last year. However, the total number of motor insurance policy sold began to stabilize and increase by 8.3% in the month of July & August 2020.

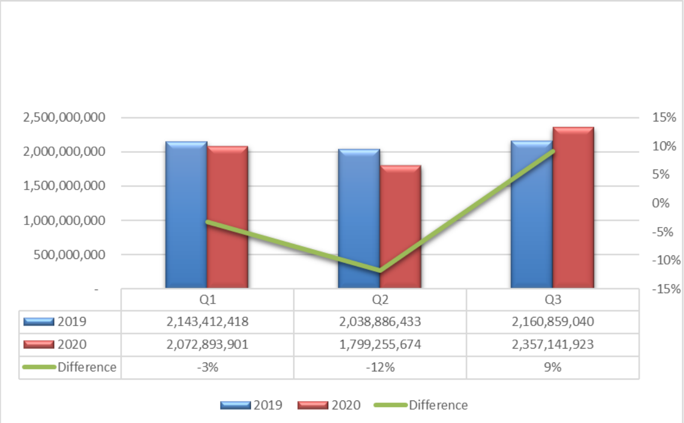


Diagram 5 ISM Motor Gross Direct Premium for 3Q 2019 vs 2020

In a nutshell, the MCO has resulted in the reduction in new motor vehicles sales which leads to the reduction in total motor insurance policy issued. As per **Diagram 5**, the lower growth in Insurance segment in Q1 and Q2 are also supported by Malaysian Re's observation on its own Voluntary Cessions (VC) data, where the VC motor booked premium has a reduction of 3% in for the first quarter 2020 against same period last year and a reduction of 10% for the second quarter 2020 against same period last year. However, for the third quarter 2020, the premium for motor insurance policy has started to improve by 6% against same period last year based on our VC data, which is in line with the growth of ISM Motor Gross Direct Premium data which shows an increase by 9%.

The extended Restriction of Movement Order has caused a detrimental economic effect on the citizens of Malaysia where job losses are increasing and salary cuts. Even with the assistance from the Government such as subsidies from the Economic Stimulus Packages, deferring of EPF payments, a six-month moratorium on loan repayments, the extended MCO has posed difficulties for the citizens. Nevertheless, during the Recovery Movement Control Order with effect from 10th June 2020 to 31st December 2020, a boost in consumer confidence level was visible as there was an increase in vehicle sales figures from June to September 2020 and barring another lengthy extension of the present MCO, we foresee the vehicle sales will further improve in 2021 and further increase the motor premium. ■

Data Source

- *ISM Insurance Services Malaysia Berhad's (ISM) Statistical Bulletins 2020.*
- *VC Booked Premium from Malaysian Re's Database.*
- *http://www.maa.org.my/pdf/Market_Review_1st_half_2020.pdf*

REINSURANCE AND RETAKAFUL MARKET DEVELOPMENT IN MALAYSIA

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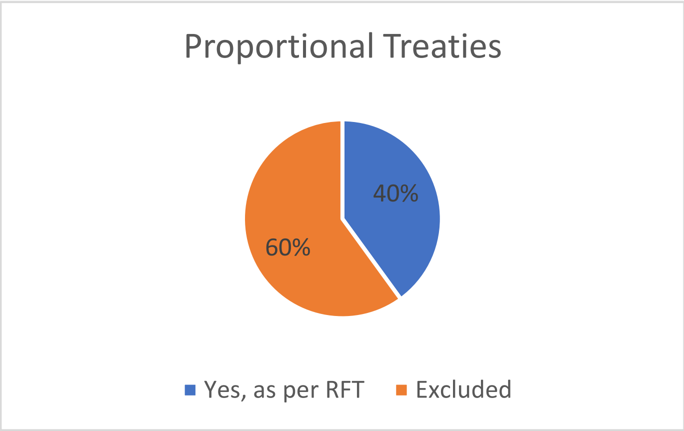
The COVID-19 pandemic developed rapidly in 2020 and subsequently generated one of the worst global crises in history where no country, including Malaysia, is spared. One of the major issues which has been discussed over the past year including during the recent January 2021 renewal was whether there will be any Infectious and Contagious Disease (ICD) coverage under the insurance or reinsurance contract.



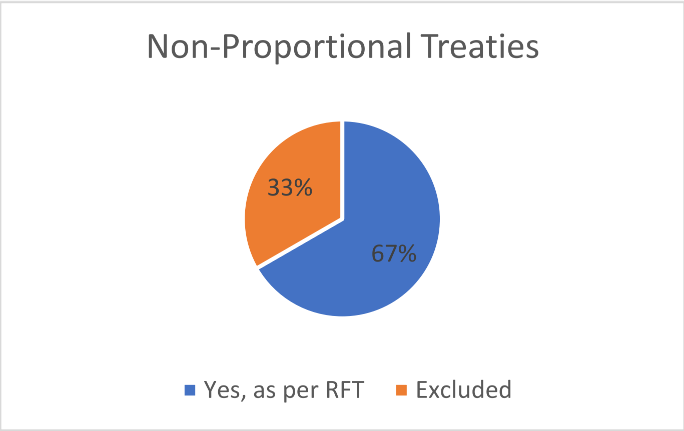


Diagram 6 ICD coverage under Proportional & Non-Proportional Fire Treaties for January 2021 Renewal

It was observed that all fire treaties which were renewed in January 2021 have more restrictive coverage on ICD. The fire treaties were either renewed with coverage strictly as per Malaysian Revised Fire Tariff (RFT) only, or with Communicable Disease Exclusion being imposed under the treaty. The most common clause adopted by reinsurers is LMA 5394 – Communicable Disease Exclusion. From **Diagram 6**, it shows that proportional treaties have more limited coverage on ICD compared to non-proportional treaties. The reason that reinsurers imposed stricter ICD coverage under Proportional treaty could be due to its unlimited exposure, whereas compared to non-proportional treaty whereby the exposure is being capped at total cover limit with limited number of reinstatements.

KEY DEVELOPMENT – PROPORTIONAL TREATIES

The commission development for fire treaties has been comparatively stagnant for more than half of the companies in the last renewal. As per **Diagram 7**, 6 of the companies' fire commission has been reduced, mainly due to deterioration in the claims experience where the treaties have been impacted by number of medium sized property losses in 2020.

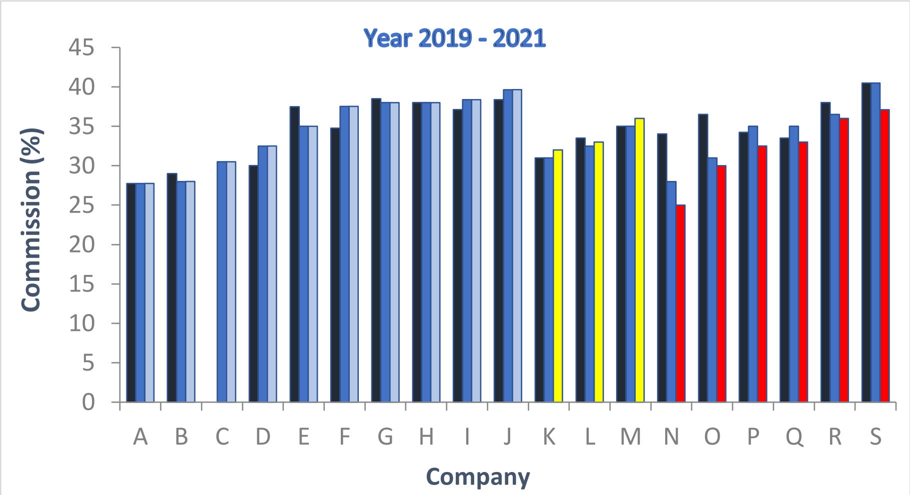


Diagram 7 Development of Commission over the past 3 years as at January 2021 - FIRE

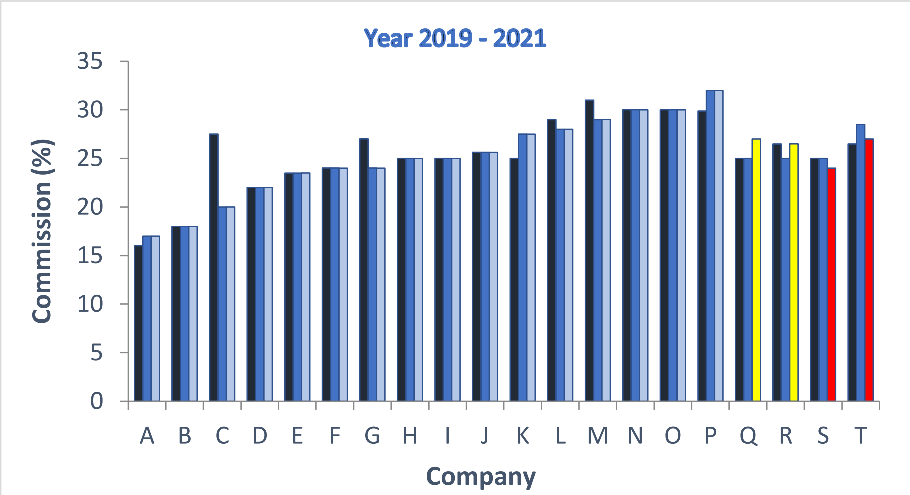


Diagram 8 Development of Commission over the past 3 years as at January 2021 - ENGINEERING

We could also observe that there are some increases in the fire commission for 3 companies, being the compensation for the reduction in their Profit Commission.

Similar to fire treaties, commissions level for most of the engineering treaties have shown a stable trend where only 4 companies are showing some movement. The revision in commissions is mainly due to the treaty restructuring, causing a change in cession % as well as due to the change in Profit Commission structure. The industry was also impacted by a large loss due to an explosion from a refinery & petrochemical integrated plant which was under construction in March 2020. Based on our observation from the recent January 2021 renewal, there was no sign of major improvement in the terms and conditions even though the treaties have been performing well.

Diagram 9 & 10 show that fire proportional treaty limit has levelled off in the last renewal except for 2 companies which have shown reduction, while for engineering, 4 of the companies' treaty limits have been reduced. Whilst the reduction was partly due to treaty restructuring and deterioration in treaty result, Reinsurers have shown more concerns on treaty capacity that was underutilized by the company and incline to review the given treaty limit to be more commensurate with its business profile or premium income size.

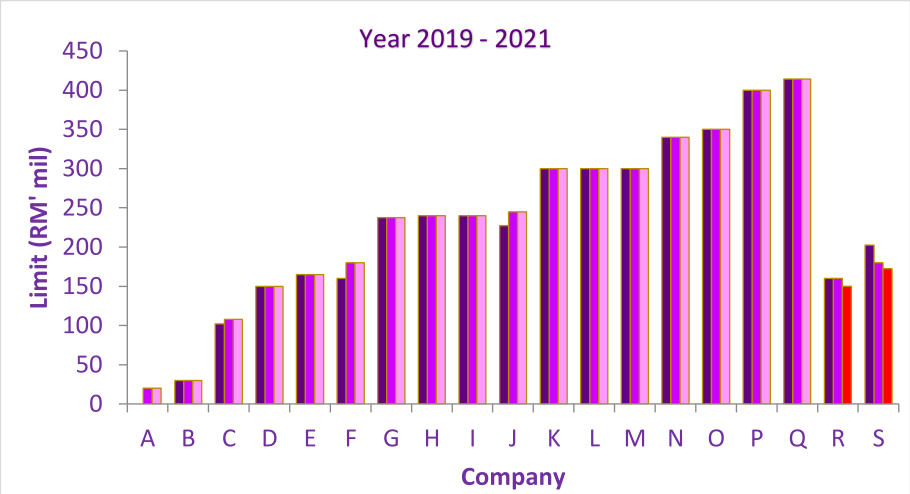


Diagram 9 Development of Treaty Limit over past 3 years as at January 2021 - FIRE

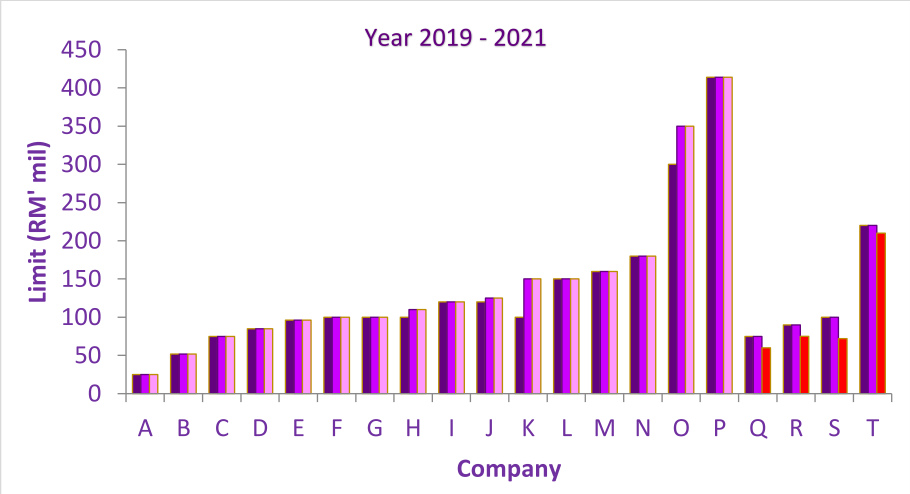


Diagram 10 Development of Treaty Limit over past 3 years as at January 2021 - ENGINEERING

No increase in treaty limit has been granted in the last renewal as reinsurers have taken into consideration the impact of phased liberalization, contraction of Malaysia's construction sector as well as the treaty balance which will be shown in the diagrams below.

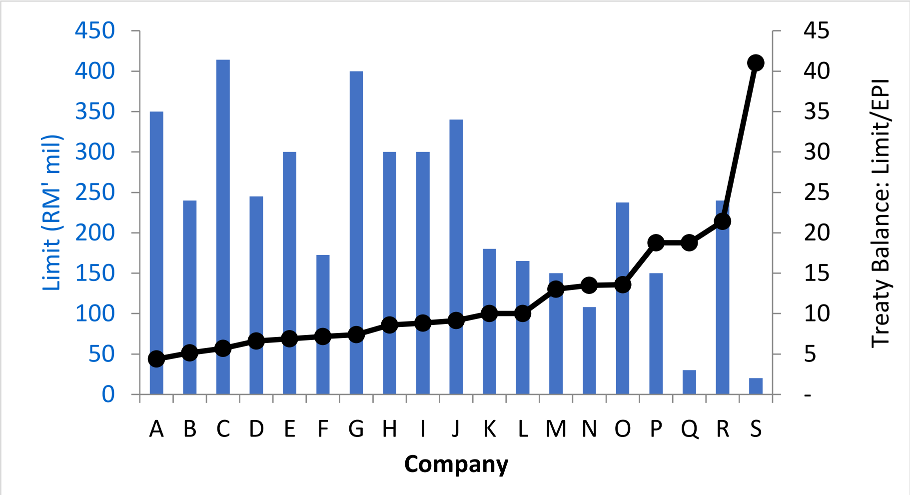


Diagram 11 Limit vs Estimate Premium Income (EPI) 2020/2021 as at January 2021 - FIRE

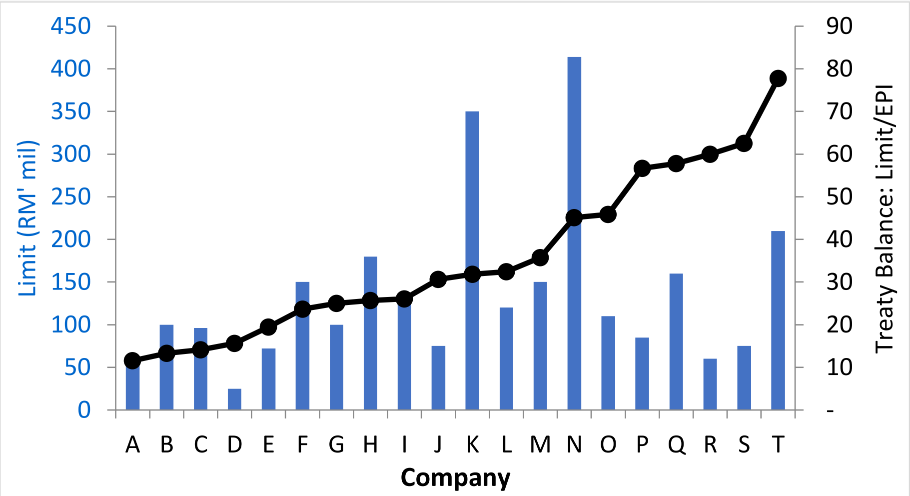


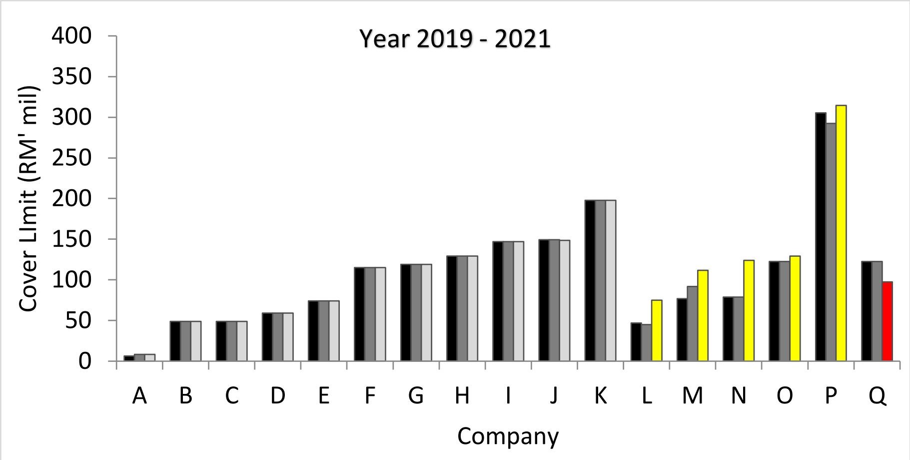
Diagram 12 Limit vs EPI 2020/2021 as at January 2021 - ENGINEERING

One of the major considerations while underwriting treaty from a reinsurer's perspective is the treaty balance which is the ratio of the total premium receivable by a reinsurer under a surplus treaty to the reinsurer's maximum liability for any one claim. For fire treaty, most of the companies in Malaysia are sitting in the range of between 5 to 20, except an outlier with treaty balance ratio more than 40. However, that company's treaty limit is relatively low compared to the others.

As for engineering treaty, the much higher treaty balance ranging from 10 to 80 shows that engineering is more unbalance compared to fire class of business. As engineering is non-tariff class and with the nature of non-renewable risks such as Construction All Risks (CAR) and Erection All Risks (EAR), the premium rate could be extremely competitive whilst the sum insured could vary from low to extremely high.

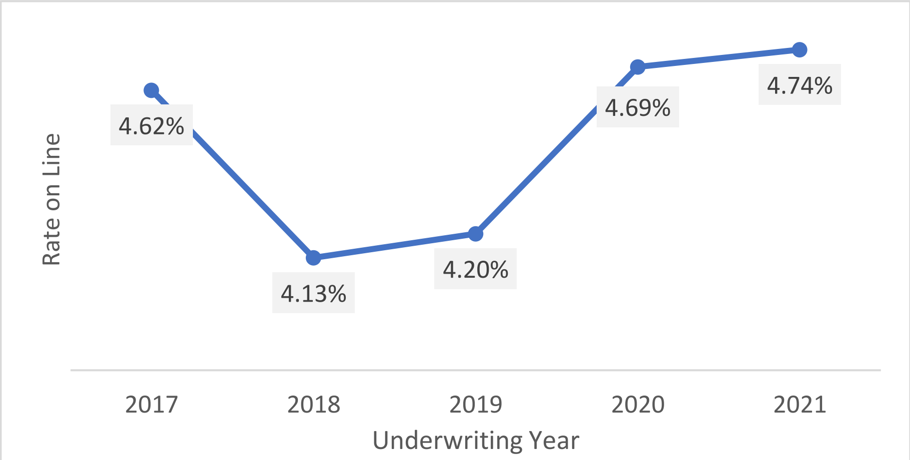
KEY DEVELOPMENT – NON-PROPORTIONAL TREATIES

We do not normally observe a significant revision in non-proportional treaties cover limit, unless there is a change in the companies' portfolio. In the last renewal, there are 5 companies which have shown increase in the cover limit and 1 company which has shown reduction as per reflected in **Diagram 13** on the next page. Flood modeling tools are common and available in the Malaysia market, and companies are now able to monitor their aggregates more closely and efficiently. The company will consider to revise their cover limit in accordance to the identified return period exposure from the modeling tool.



**Excluding Gross XL and Regional XL treaties*

Diagram 13 Development of Cover Limit over past 3 years as at January 2021 - NON MOTOR



**Excluding Gross XL and Regional XL treaties*

Diagram 14 Development of Rate on Line (ROL) over past 5 years as at January 2021 - NON MOTOR

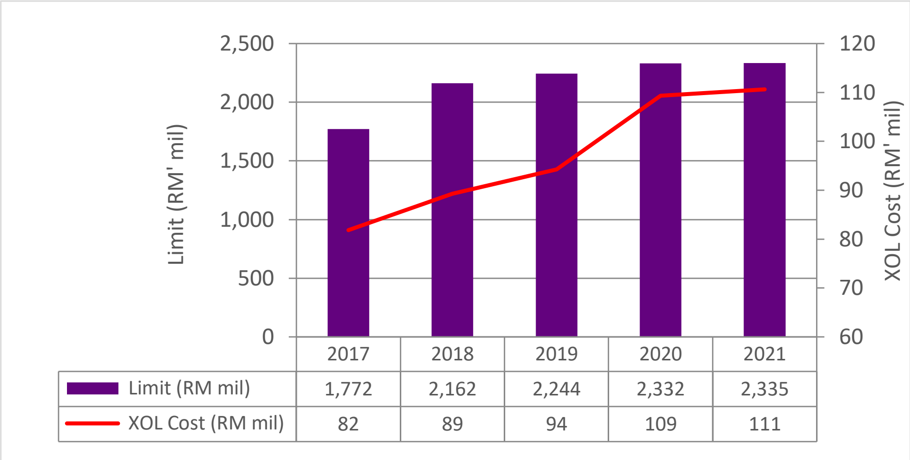


Diagram 15 Development of XOL Spend over past 5 years as at January 2021 - NON MOTOR

From **Diagram 14 & 15**, we have observed that the trend of the ROL for Non-Motor classes has been increasing over the years together with the increase in cover limit and XOL cost, with current year being the highest compared to the last 5 years. In the year 2020, there were a number of property losses in the market which mainly affected the proportional treaties rather than the non-proportional treaties. Hence, we observed that the pricing or the premium rate for the non-proportional treaties have been increased, mainly due to the increase in the flood accumulation, even though the treaty has been performing well.

The deductible for Insurance & Takaful companies in Malaysia for Motor Non-Proportional treaties are mostly in the range of RM1-2 mil, which can be seen from **Diagram 16**. The development is quite consistent over the years where only 1 company has reduced their deductible in 2021. We have carried out a study on the trending of Motor XOL cost for treaty with deductible less than RM1 mil versus RM1 mil and above as shown in **Diagram 17**. Result shows that treaty with less than RM1 mil deductible has higher increasing rate as compared to the treaty with deductible of RM1 mil and above. This could also be supported by our research where the number of Motor Third Party Bodily Injury losses above RM1 mil impacting the Motor XOL treaties has increased in recent years. Also, based on our observation, reinsurers' appetites for motor excess of loss have been changing towards higher deductible, i.e. RM1 mil and above, from the present average of RM0.5 mil in the past.

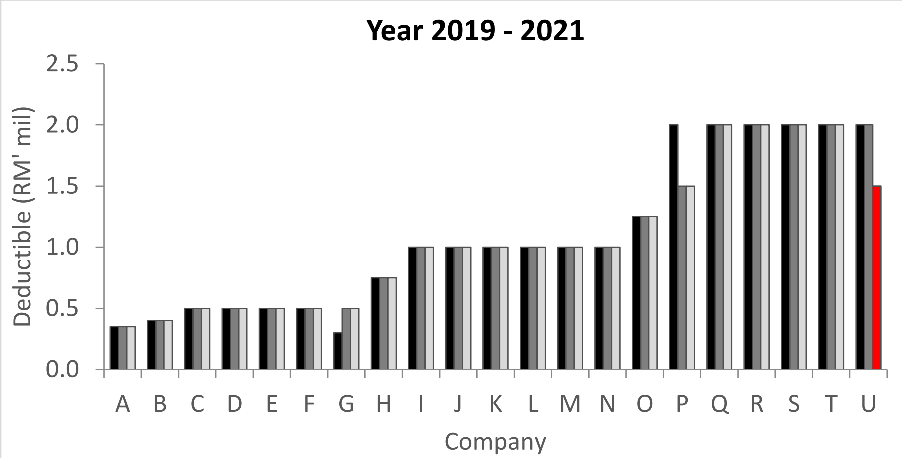
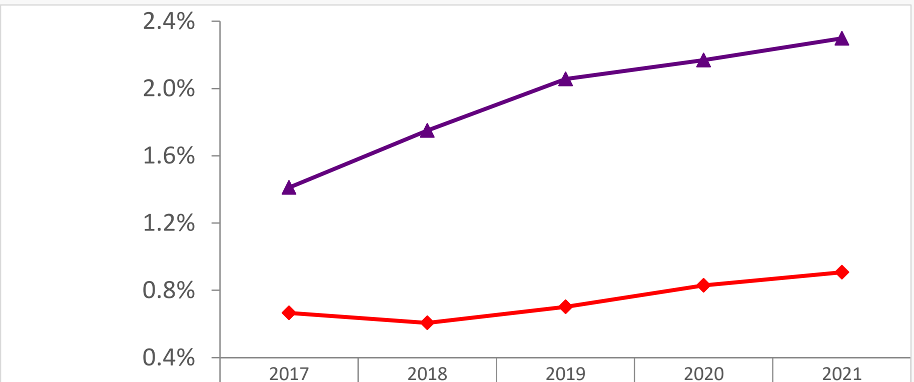
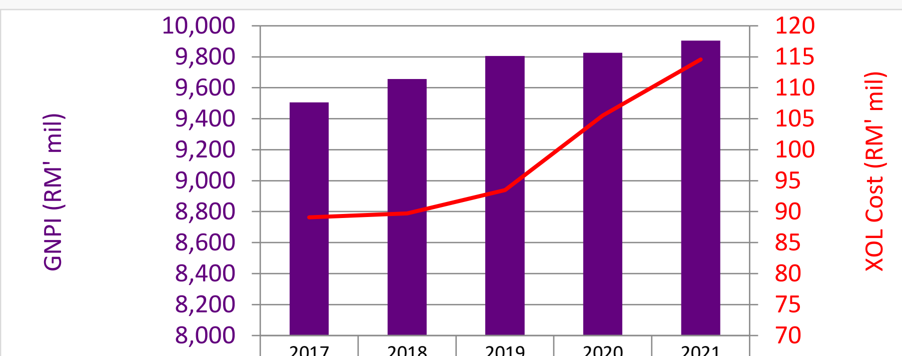


Diagram 16 Development of Deductible over past 3 years - MOTOR



	2017	2018	2019	2020	2021
<1m	1.41%	1.75%	2.06%	2.17%	2.30%
1m and above	0.67%	0.61%	0.70%	0.83%	0.91%

Diagram 17 Development of Premium Rate over past 5 years as at January 2021 - MOTOR



	2017	2018	2019	2020	2021
GNPI (RM mil)	9,506	9,657	9,804	9,826	9,904
XOL Cost (RM mil)	89	90	93	106	115
Rate	0.94%	0.93%	0.95%	1.07%	1.16%

Diagram 18 Development of XOL Spend over past 5 years as at January 2021 - MOTOR

The overall motor premium rate has been on upward trend since 2018, even after we excluded treaties with reduction in deductible that will contribute to increase in premium rate. As mentioned, one of the main reasons for the increase is due to the bad claims experience where we could observe that there is substantial increase in both severity and frequency for Motor Third Party Bodily Injury losses over the years. The amendments to Civil Law Act 1956 effective 1st September 2019 could also be one of the reasons contributed to the increase of premium rate for the year 2019 & 2020. Below are the changes reflected under the Civil Law (Amendment) Act 2019:

- the categories of persons who can claim damages for loss of dependency is expanded to include any person with disabilities under the care of the deceased;
- the age limit for the purposes of assessing the loss of earnings in claims for damages for loss of dependency and for personal injury is extended from 55 to 60;
- the upper limit of the multiplier for assessing the loss of future earnings in claims for damages for loss of dependency and for personal injury is increased from 55 to 60;
- the amount of damages that can be awarded for bereavement is increased from RM10,000 to RM30,000; and
- the categories of persons entitled to claim damages for bereavement is expanded to include any child and parents of the decease. ■

TAKAFUL & RETAKAFUL

CONCEPT AND CHALLENGES IN CREATING A SHARIAH-COMPLIANT SUPPLY CHAIN

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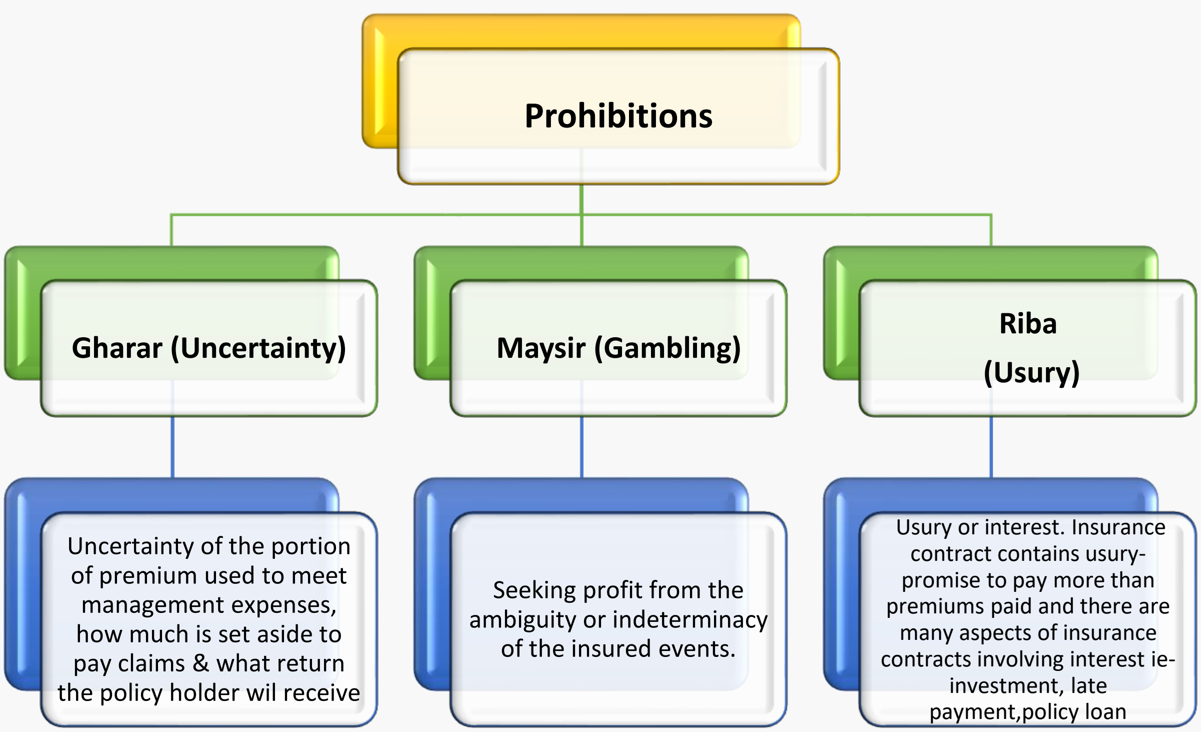
TAKAFUL HISTORY

The takaful concept began 1,400 years ago. It is derived from an Arabic root word ‘kafala’, meaning to mutually guarantee and protect each other. The essence of takaful could be seen in the system of mutual help in relation to the custom of blood money under the ancient Arab tribal custom. The basis of shared responsibility in the system laid the foundation of mutual insurance. In 1985, the Grand Council of Islamic Scholars of the Organisation of the Islamic Conference supported takaful as the Islamic alternative to conventional insurance. Takaful is based upon/derived from solidarity and risk-sharing principles. It is an Islamic practice of financial protection. Takaful can be defined as a mutual assistance agreement whereby takaful participants agree to contribute to a shared pool which provides mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of any pre-agreed events.

PRINCIPLES OF ISLAMIC FINANCE:
Prohibition of Gharar, Maysir & Riba

Takaful is different from conventional insurance through the elimination of the three fundamental elements of conventional insurance which are unlawful by Shariah law. The three prohibitions in conventional insurance are as follows:

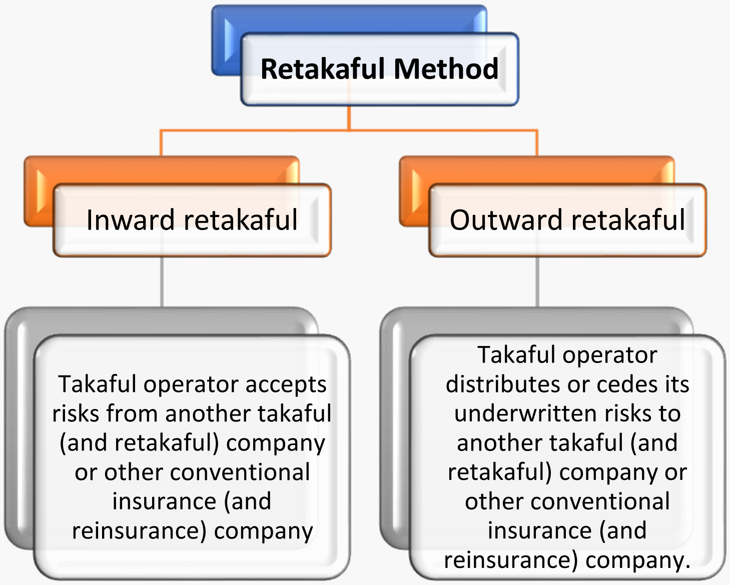


Takaful business is based on a unique mechanism of profit-and-loss-sharing of various type of models namely Mudharabah, Wakalah, Mudharabah & Wakalah (hybrid) and Waqf. Mudharabah is defined as a profit-sharing principle applied generally to a business or a commercial contract between the party that provides the fund or capital and the party that manages the business (Yusof, 2011). Wakalah model denotes an agency contract, whereby one party appoints another to conduct a defined legal action on his behalf, for a specified fee or commission. Unlike Mudharabah model, the Wakalah model are compensated by a fee deducted from the contribution at the outset of each contract. Hybrid Model is a combination of Mudharabah and Wakalah model. A wakalah is applied on the underwriting fund and a Mudharabah is applied on the investment profits. Waqaf model explains the contract of takaful that underlines the agreement or consent of the participant whom the takaful contribution paid in return for participating in the takaful product to be credited by the operator into the takaful fund in accordance with the principle of waqf or endowment.

This mechanism eliminates riba (usury) because the portion of contributions from participants placed in Participant Risk Fund are invested in Shariah-compliant instruments belonging to everyone in the pool, as such, profits and losses generated are shared together. Takaful operators only act as the managers of the fund and receive wakalah fee for their work. This is in contrast with conventional insurance where premiums belong to insurance companies which will invest and incur profits or losses from the investments. Additionally, contributions in takaful are also considered tabarru (donations). This concept eliminates gharar (uncertainty) and maysir (gambling) because there is no exchange of premium ownership like in conventional insurance.

RETAKAFUL

In layman term, Retakaful is “takaful for takaful operators”. The concept is like reinsurance whereby a retakaful contract is essentially a contract of takaful, which means that all the basic principles of takaful must be observed. The takaful pool of risk being managed by a takaful operator is a translation of the “tabarru” principle among individual participants. Tabarru is a contract whereby a participant donates a pre-determined portion of his contribution to the takaful fund, which will be used to assist fellow participants suffering from losses. This way, he fulfils his/her obligation of joint guarantee and mutual help if another participant suffers a loss. Similarly, a retakaful pool of risks, which a retakaful operator manages, is a real implementation of solidarity among takaful pools of risks. Retakaful arrangement is usually conducted via two main methods as follows:



The capacity provided by the retakaful industry will enable takaful operators to underwrite large industrial risks, hence, enables them to compete with established conventional insurers while reducing the need to raise vast amounts of capital. Retakaful is an efficient and convenient way of spreading the risk portfolio over various takaful pools and territories. It also diminishes the probability of the industry's risk of destruction when large catastrophic losses, either natural or human-made, happen.

RETROTAKAFUL

Retakaful pools face a risk similar to that of takaful pools that is, excessive claims may consume the fund. Hence, they need to limit their exposure by spreading the risks to other pools through a mechanism called "retrotakaful." On the conventional side, this type of contract is known as "retrocession."

A retrotakaful contract is signed among retakaful operators. Facultative retrotakaful can further be negotiated on large acceptances. The same goes for quota share and surplus contracts. An excess of loss contract may be arranged to protect against an accumulation of losses arising out of one event. The retrotakaful should be a fundamental part of the retakaful system. It is a mechanism for spreading risks effectively across the worldwide (re)takaful industry and helps in providing coverage for significant risks (Akoob, 2009).

CURRENT RETAKAFUL & RETROTAKAFUL MARKET OUTLOOK

There are an estimated 324 Takaful operators around the world. In terms of direct takaful, Malaysia is the most comprehensive Family Takaful market and Saudi Arabia is the most significant General Takaful market. Saudi Arabia's whole market is considered takaful as they are widely accepted as Shariah-compliant.

The main retakaful markets are Southeast Asia (mainly Malaysia, Indonesia and Brunei), Pakistan and Gulf Co-operation Council (Saudi Arabia, UAE, Qatar, Oman, Kuwait and Bahrain). There are at least 18 general retakaful operators globally which are actively writing general retakaful business. Only two operators, however, are known as fully-fledged (with separate capitals and separate board members), while the others are operating as a division or window of the conventional operation. Meanwhile, five operators have ceased writing any new business and one has discontinued writing new general retakaful business to focus on family retakaful line.

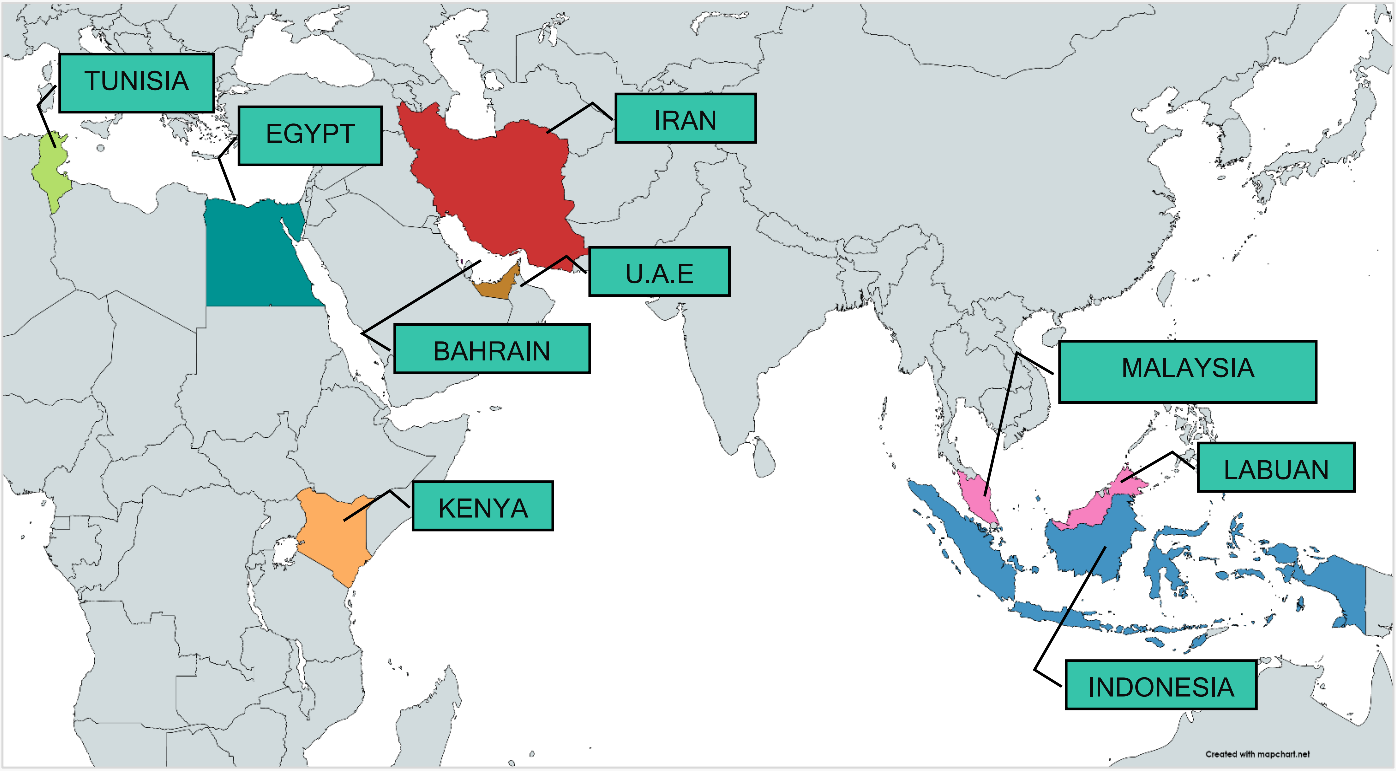


Figure 1: General Retakaful Operators by region

With its rapid annual growth of between 15-20%, the global takaful industry is one of the fastest-growing insurance market components. There is a growing global demand for takaful products following the Islamic financial system's phenomenal growth, particularly in the Islamic banking sector and Islamic capital market. The progression by both sectors contributed towards the healthy development of takaful and retakaful industry. For instance, the enormous growth of Islamic financing and mortgages provide a natural demand for mortgage protection takaful covers.

According to the Malaysia Takaful Association, Family Takaful business has shown double-digit growth in Malaysia. Family takaful protection value increased 14% to RM364.2 bil in the nine months ended Sept 30, 2020, arising from RM4.84 bil new business contribution, which went up 3.2% from the corresponding period last year. The demand for Family Takaful increased rapidly over the years. The general takaful industry has also recorded a decent growth of 3.6% with total gross contributions of RM2.57 bil as compared to RM2.48 bil in the same period 2019. Motor takaful outlasted the largest class of business with a proportion of 65.3%. Fire takaful maintained its position as the second-largest class of business with a gross contribution of RM450 million, denoting a slight increase of 3.2%.

Nevertheless, at this stage of development, there is a limited amount of retrotakaful capacity available. The retakaful operators may still have to cede their exposures to conventional risk carriers, based on dharura (necessity).

CHALLENGES ATTRIBUTING TO LACK OF SUPPLY AND DEMAND OF RE/RETROTAKAFUL

Dharura (Outmost Necessity)

Gonulal (2012) wrote that the Shariah Advisory Board of takaful operators are expected to allow retakaful/retrotakaful capacity to be sourced from conventional players on the grounds of dharura (outmost necessity), due to the scarce capacity in the market. In fact, many operators have cited valid reasons for not utilising the capacity and services of takaful operators. For example, stand-alone regional operators usually face constraints to get retrotakaful capacity from the open market due to limited supply and higher cost, but for branch and window operations, they could overcome this by seeking capacity from their parent or be combined with the parent's retrocession program. This opinion is also mentioned by Archer, Karim, & Nienhaus (2011) who wrote that due to the limited amount of retrotakaful available based on the current development stage of the industry, operators may still have to cede to conventional counterparts on the bases of dharura (necessity).

Bank Negara Malaysia (BNM) addresses these constraints in the Takaful Operational Framework, specifically under paragraph 12 on Retakaful. The paragraph allows cession to insurer or reinsurer due to unavoidable circumstances, as per ruling by Shariah Advisory Council. These circumstances are when there are no operators to accept the risks, or do not possess the knowledge and expertise to accept the risks, or even potential detrimental effects to the takaful funds could occur from the retakaful arrangement. Takaful operators must also justify and clarify all arrangements with insurer or reinsurer, to ensure not only Shariah-compliance but also all the required steps have been taken to support the cession.

Limited appetite and capacity

In addition of limited re/retrotakaful operators in the market, these operators themselves normally operate with a limited appetite, causing them to reject retrotakaful exposures due to a multitude of factors. Some of the operators could only focus on providing capacity to their domestic business. There is also the issue of wanting to limit exposure despite having both reinsurance and retakaful capacity. Some operators may not want to accumulate their exposures by accepting both retrocession and retrotakaful and could complicate their administration process as well as economical factors such as splitting premiums internally. This will lead them to decline retrotakaful in favour of the conventional capacity.

Financial rating strength

Another issue with retrotakaful is the financial rating strength of the operators in the market. They typically do not have as strong rating as their conventional counterparts and this may hinder retrotakaful placements due to lack of confidence in their ability to service their clients, turning potential clients away to conventional counterparts. This will further diminish the capacity in the retrotakaful market. Similarly, operators providing retrotakaful capacity might also be overlooked in favour of conventional placement backed by a better financial rating strength, out of prudence or regulatory requirements.

Value-added capabilities and pricing

Due to the relative financial strength, size, and capacity of conventional players, conventional markets could offer more value-added capabilities to their clients than their retakaful counterparts. This would further hamper the appeal of retrotakaful from an economic viewpoint, especially since going for retrocession is allowable due to the application of the concept of Dharura (outmost necessity). Then, there is the issue of pricing where retrotakaful costs relatively higher than retrocession, due to the capacity constraints of the retrotakaful operators. Retakaful operators may even need to set higher deductibles in order to make their offer appealing to potential retrotakaful operators, be prepared to pay higher Rate on Line (ROL), lower vertical cover limit, and lower Gross Net Contribution Income (GNCI).

POSSIBLE SOLUTION TO THE CHALLENGES

The role of Intermediaries

Takaful or Retakaful operators should engage with reputable intermediaries to utilise their networks and expertise to structure a re/retrotakaful program. They could tap into new regions to look for operators with capacity and acceptable financial rating strength to offer the business, or even negotiate with current retrocession partner with retakaful capacity to split their conventional and retakaful capacities.

Commitment by Islamic Finance Practitioners

Gonulal (2012) wrote that there should be a commitment to ensure that the supply chain of the industry remains as Shariah-compliant as possible. Potential leakage back to the conventional market will happen if (re)takaful operators are not prepared to underwrite risks and the industry will be deprived of the prospect of growth.

Role of Regulators

According to Ahmad, Mahbob, & Ayub (2014), regulations and rulings applied to takaful operators were extended to retakaful operators without considering their functional differences, stakeholders, different products, service offerings, and many more. This could hinder the growth of re/retrotakaful market. The regulators and relevant parties such as experts and academicians must pool together to solve the issues and come up with viable ways to ensure the growth of re/retrotakaful so that takaful operators could always lean on support from re/retrotakaful market instead of ceding to conventional line.

Retakaful pool

The concept of a retakaful pool is where members, either takaful or retakaful operators collaborate to set up a common pool and agree to cede to the pool a portion of their business first, before ceding to the retakaful or reinsurance market. This arrangement addresses the lack of retakaful capacity challenge as well as prevent leakages to the conventional market. It is mutually beneficial for members as they could promote shared values, provide technical exchange programs, and build capacity. The pool also provides more flexibility as retakaful arrangements could be made to suit individual members' needs and are jointly managed by the members. The idea of how this pool is beneficial for takaful operators is supported by Htay, Hamat, Ismail, & Salman (2014) in their studies promoting retakaful pool framework.

MALAYSIAN RE AS A PROVIDER OF RETAKAFUL SOLUTIONS

Malaysian Re, under its Malaysian Re Retakaful Division (MRRD) is a key player in the retakaful market, licensed to conduct both life and general retakaful business by the Ministry of Finance. It was established to complement Malaysian Re's conventional reinsurance operations by extending the Shariah-compliant supply chain to local and international takaful operators. It leverages upon Malaysian Re's underwriting best practices, which includes sound rating disciplines, actuarial assessments, and appropriate pricing models/tools. Malaysian Re has a financial strength rating of A from Fitch and A- from AM Best, and recently won the "Best Re-Takaful Company" award from the IFN Non-Banking Financial Institutions Poll 2020, as voted by Islamic Finance News (IFN)'s readers.

The company recently forayed into the family retakaful business via a partnership with Pacific Life Re Singapore in December 2019 to provide retakaful solutions to Malaysian family takaful operators. This partnership enhances the quality of client services provided as Malaysian Re is able tap into the expertise and experience through the collaboration with Pacific Life Re which includes training in underwriting and claims management. Products provided include Group Term Takaful and Individual Takaful. While family business is still limited to domestic clients, there are plans to venture into the international market one day, following the footsteps of the general business. Meanwhile, in terms of ensuring Shariah-compliance, both Malaysian Re's family and general retakaful businesses are monitored by the Group Shariah Committee. Pacific Life Re is also a licensed retakaful operator with its own Shariah committee thus instilling confidence in adherence to Islamic principles.

CONCLUSION

Takaful operators exist to provide wealth protection services in accordance with Shariah law and principles, particularly eliminating the unlawful elements of conventional insurance – gharar (uncertainty), maysir (gambling), and riba (usury). As a growing market, Takaful operators require protection and capacity themselves, by ceding a portion of their business to Retakaful operators, who in turn cede their own risks to other Retakaful operators or Retrotakaful. However, the emerging retakaful market face several challenges, such as scarcity of retrotakaful capacity, financial ratings of operators and pricing issues. These factors have caused takaful operators to cede to the conventional counterparts instead, justified under the concept of dharura (outmost necessity). To ensure the growth of a Shariah-compliant supply chain, key mitigative measures need to be taken such as engaging the services of intermediaries, ensuring a steadfast commitment from Islamic Finance practitioners, the need for Regulators to play a more active role in spearheading solutions, and the promotion of a Retakaful pool that mutually benefits members and prevent leakages to conventional counterparts. Retakaful operators such as Malaysian Re, operating in both family and general businesses, are backed by their conventional counterparts' strong financial ratings and best practices, as well as collaboration with other operators, which should generate confidence to takaful operators looking for sound retakaful placements. ■

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CHARGING PENALTY ON LATE PAYMENT: MALAYSIAN RE'S RETAKAFUL PRACTICE

By Malaysian Re Retakaful Division (MMRD)
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In conventional financial system, the problems associated with default in loan or indebtedness repayment are controlled by charging interests or riba'. This is not permissible by Shariah, as resolved by the International Islamic Fiqh Academy of the Organization of Islamic Cooperation in its 6th Conference (*See reference #1*). Nevertheless, a late payment charge in retakaful financial dealings is deemed necessary for the following reasons:

- To avoid any retakaful operator being ranked in lower pecking order amongst participating retakaful operators in the same treaty settlement if the retakaful operator imposes more lenient late payment conditions;
- To cover actual cost related to the payment delay process such as reminder notices, legal fees etc.;
- As a compensation for losses caused by the inability to utilize fund for other business purposes arising from the delay; and
- To instill discipline on clients / brokers / vendors etc. in making payment according to the stipulated schedule.

Recognisant of the above need and justification, retakaful operators shall seek for a Shariah compliant mechanism to deal with the retakaful issue. Hence, similar concepts dictated by Islamic Financial Services Act 2013 (IFSA) and Bank Negara Malaysia (BNM) guidelines to Islamic Financial Institutions (IFI), as described below, should be adopted:

- IFSA Schedule 10 Para 12 on Compensation on claim amount where a minimum compensation at the rate of investment yield of the participant's risk fund plus one percent or such other rate as may be specified by BNM on the amount of takaful benefits in case of a specified delay period; and
- Bank Negara Malaysia Guidelines on Late Payment Charges for Islamic Banking Institutions (IBI) which was initially intended for IBI effective year 2012.

Prior to the introduction of IFSA and the said BNM guidelines, in year 2010, Bank Negara Malaysia Shariah Advisory Council (SAC) had resolved that the late payment charge imposed by an Islamic financial institution encompassing both concepts of gharamah (fine or penalty) and ta`widh (compensation) is permissible, subject to some conditions *(See reference #2*).

Ta'widh is compensation to an actual loss incurred by IFI due to its customers default. The objective of imposing ta'widh is not a mechanism of gaining profit, rather it is a mechanism to compensate the party who suffers harm caused by the other party. The chargeable amount shall be limited to the actual harm or loss suffered by the IFI. The actual loss may include actual operational cost incurred by the IFI. By adopting ta'widh, IFI may recognize it as its income. Taking into consideration the difficulty in determining the amount of actual loss and in view of the importance of uniformity, BNM and SAC decided that the rate of ta'widh should not be more than 1% (*See reference #3*).

Gharamah is a penalty charge imposed for delayed settlement of debt without the need to prove the actual loss suffered. The objective of gharamah is to prevent misconduct and not intended for the payment of actual loss incurred by the other party. The rate of gharamah could be determined by the contracting parties upon the inception of contract. Nevertheless, it is important to note that gharamah cannot be recognized as income by the IFI and should be channeled to charitable bodies.

Retakaful operators which are guided by Malaysian Islamic Finance practice (*See reference #2*) of ta'widh (compensation) and gharamah (penalty) concepts could allocate the penalty as follows:

- 1% as ta'widh for the benefit of the Shareholder's Fund (SHF)
- Gharamah should be based on the rate of investment yield of the Participant Risk Fund (PRF) (*See reference #4*). However, a fixed percentage (%) of gharamah should be allowable in the following circumstances:
  - The applicable investment yield would be difficult to determine / enforce / audit;
  - Variations of yields across multinational business partners; and
  - The fixed rate is agreed by contracting parties.

Gharamah may be channelled for the benefit of charitable bodies, including retakaful operator's PRF subject to Shariah Committee approval.

ILLUSTRATION OF LATE PAYMENT CHARGES

Calculation of late payment charges is as follows:

Outstanding Retakaful Contribution amount	: RM1,500,000
Delayed period	30 days after due date
Total late payment penalty charges	: 1% (*Ta'widh)* + 4% *(Gharamah)* = 5%

The formula for late payment charges is as follows:

$$\text{Outstanding balance X Combine charges X } \frac{\text{No. of Overdue day(s)}}{360}$$

Example of late payment charges computation is as follows:

$$\text{RM1,500,000 X 5\% X } \frac{30}{360} = \text{RM 6,250}$$

Amount paid to MRRD including	: RM1,500,000 + RM6,250
Late Payment Charges (LPC)	: RM6, 250
Amount payable together with LPC	: RM1,506,250

If Retakaful Wakalah Fee is 40% of the Retakaful Contribution, the amount allocated to SHF is :

Ta'widh	**Wakalah fee (40% of contribution)**
RM1,250	RM600,000

And the Amount allocated to PRF is

Gharamah	***Tabarru'*** **(60% of contribution)**
RM5,000	RM900,000

Interested readers are encouraged to approach Shariah desk of MRRD at mrrd@malaysian-re.com.my to access references provided in the literature, or for in depth discussion of the topic. ■

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MALAYSIAN RE

Dear all,

We are pleased to announce that **Malaysian Re** has won the **Best Re-Takaful Company** from the **IFN Non-Banking Financial Institutions Poll 2020** as voted by the readers of Islamic Finance News (IFN).

Congratulations to Malaysian Re for this achievement!

Congratulations

The IFN Non-Banking Financial Institutions Poll honors non-bank financial institutions in the Islamic finance space as voted by readers of Islamic Finance News and the industry. All stakeholders of the global Islamic finance sector are invited to cast their votes in October with the results being announced in November.

FAKE NEWS

By Market Services
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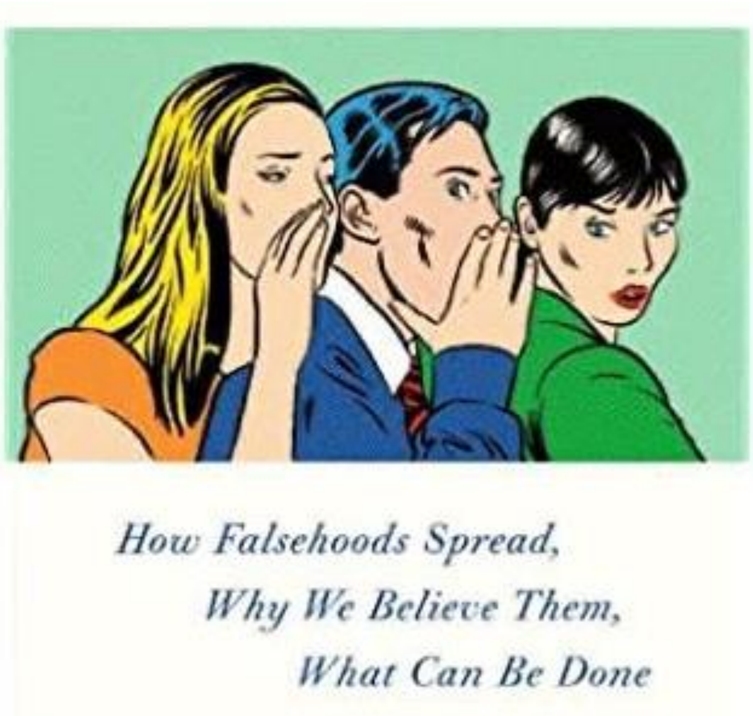


What is Fake News??

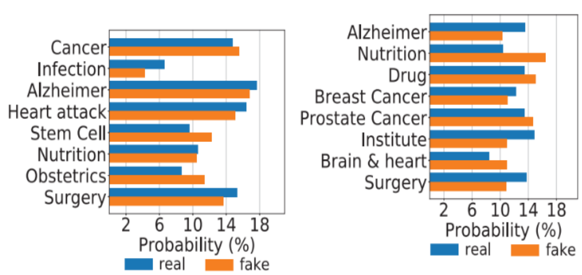
> *"The spread of disinformation online - which occurs at such rapid pace, has a tremendous potential to cause"*

Fake news is nothing new. We have always been exposed to propaganda, tabloid news and untruth reporting. The internet has made it easier than ever for fake news to spread. Before the internet, most people got a hold of news from the radio, newspapers, and television. But now - with the advent of internet, news has moved online. Everyone can post information online such as on Facebook and Tweeter. With so much information coming at us from various angles, it can get easy to be duped especially if articles are made to look like it was from legitimate news sources as exemplified in **Figure 1**.

Based on the research conducted by Pew Research Center (Shearer, 2017), on the usage of social media sites as pathways to news, Facebook by far leads every other social media site as the source of news as shown in **Figure 2**. This is largely due to Facebook's larger user base compared to other platforms and the users' reliance on Facebook as the primary source of news.

Social concern about this kind of news have been accelerated by the term of 'fake news', coined by Donald Trump during his campaign for the US Presidential Election in 2016. For example, among fake news during the Donald Trump campaign was the reported Pope Francis endorsement of Donald Trump for president of US. Facebook faced criticism over its role in the election for allowing the propagation of fake news disguised as news stories coming from unverified sources (Figueira, 2017)

Figure 2: Fake news during 2016 US presidential election



(a) HealthStory (b) HealthRelease

Figure 3: The distributions of the topics for real and fake news on HealthStory and HealthRelease.

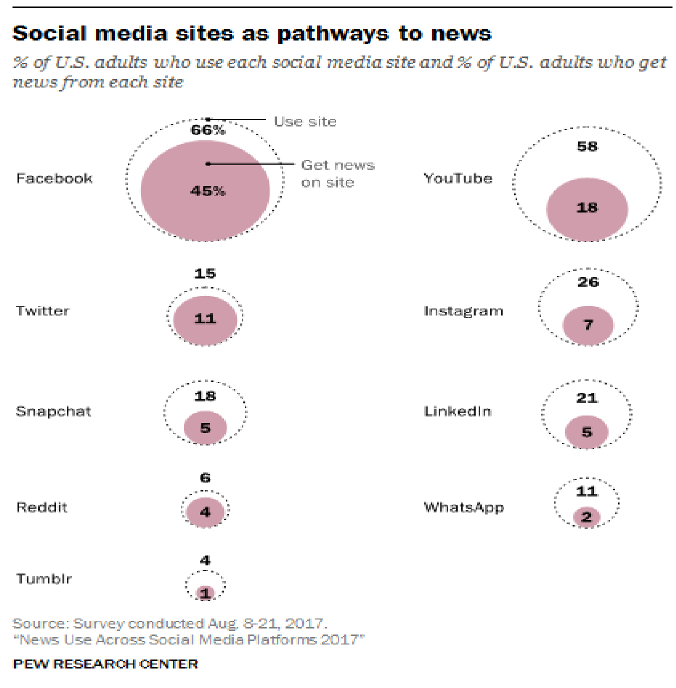


Figure 1: News use across social media platforms

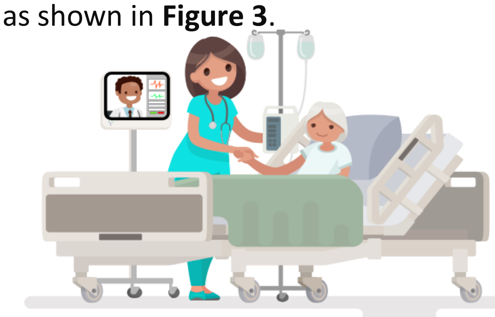
Effects of Fake News

Impact on One's Health

HealthNewsReview.org is a web-based initiative running from 2005 to 2018 to resolve the difficulties of identifying false health news. It is free from industry and supported by Informed Medical Decisions Foundation and the Laura and John Arnold Foundation (Dai, 2020).

With their press releases sourced from institutes, HealthNewsReview.org evaluates news reports from key US media. The compiled FakeHealth dataset repository consists of news reports and news releases referring to HealthStory and HealthRelease.

News reports are covered by news media such as Reuters Health, while news releases are released by different institutes, including universities, research centers and businesses. Topics were set with reference to the website which can be seen from the comparison of real and fake articles as shown in **Figure 3**.



Intellectual Property

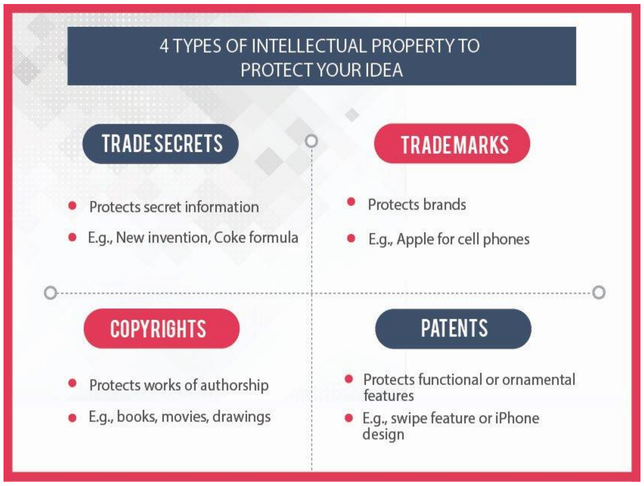


Figure 4: 4 Types of Intellectual Property to Protect Your Idea. Adapted from *https://ocpatentlawyer.com/four-types-intellectual-property-protect-idea/*

Combatting Fake News

Making the Discussion Bipartisan

In the United States context, getting more conservatives into the process of disinformation deliberation is an important move in countering false news and providing the study subject with an impartial empirical care. Significant events indicate that false news and disinformation have a predominant influence on the right side of the political spectrum. When coming from a co-party with whom one would expect to agree, error correction of false news is most likely to be successful. Therefore, cooperation between conservatives and liberals to determine the basis for factual agreement would improve the legitimacy of the initiatives.

Constructing a Shared Social Media Analysis

Academics must provide more and more standardized access to data for research purposes to explore a variety of potential responses to the problem of disinformation on social media. Through working with organizations that collect similar data, the expense of developing and maintaining such a panel can theoretically be mitigated. They could also pursue collaborations with companies holding web panels such as Google, media, and news consumption. Academics can help networks design more effective and insightful social news consumption tools with more open data for research purposes.

Fake news and other web content publishers should be mindful of the risks associated with unlawful use of the intellectual property of third parties. Most notably, the United States federal Lanham Act (protects trademarks and service marks and protects against false advertising) and applicable state unfair competition laws prohibit trademark infringement and false representations of fact in commercial advertising that misrepresent the nature of characteristics of another's goods, services, or commercial activities (Klein, 2017).

Online publishers should refrain from excessively using third-party titles, logos, and other symbols to mislead customers about the source or sponsorship of products or services. Intellectual property rights are proprietary rights granted to writers, inventors, and companies for authorship, useful and ornamental inventions, and valuable knowledge for their literary and artistic works. As illustrated in **Figure 4**, there are indeed four types of intellectual property and the fundamental of what each one protects.

Regulation of Fake News in Malaysia

Anti-Fake News Act was established on 11 April 2018. The Act introduced fresh restrictions on freedom of speech with hefty jail terms and fines for anyone found to have spread 'fake news'. The Bill was tabled on 27 March 2018 and only took two weeks for it to be debated, passed, and gazetted. For interpretation, under Part 1, Section 2 of the Fake News Act 2018 defines "fake news" as any news, information, data, and reports which is or are wholly or partly false, whether in the form of features, visuals, or audio recordings or in any other form capable of suggesting words or ideas.

Section 3 (1) The Act also states the extra-territorial application where the any person with regardless of his nationality or citizenship, may be dealt with in respect of such offence if the offence was committed any place in Malaysia. The jurisdiction was further extending in Section 3 (2) where a person may be accountable if he published fake news concerning Malaysia or Malaysia citizens. This Act provides categories of offence, where a maximum fine is RM500,000 or ten years imprisonment.

FAKE NEWS CAN AFFECT THE INSURANCE INDUSTRY

The short answer is " YES " via reputation insurance.

> ***"Reputational Risk – because it is linked to expectations and is triggered by disappointment – can emerge suddenly" – Nir Kossovsky, Steel City Re***

According to Nir Kossovsky, CEO of Steel City Re, "Fake news is merely one more stressor on a company's reputation value" (Kolbensky, 2016). Meanwhile, CEO of Allianz Global Corporate & Specialty, Joachim Müller agrees that the risk of cyber incidents have becoming more damaging and expensive for companies.

In 2020, cyber incidents ranked as the most important business risk in Allianz Risk Barometer (Dobie, 2020). Companies always face significant reputational risks on their business, with spread of digitals serving as a vessel for the swift dissemination of negative impact on the bottom line.

Reputation especially in the corporate sector and in almost all types of industries is a global agenda because now these entities are mostly exposed to some form of internal and external spread threat or fake news. In the age of modern information, with the increasing use of the internet and social media multiplied by technological advances in IT, has led to a certain danger of an increasingly challenging reputation risk. As a result, the need to protect reputation is growing.

"Reputation harm insurance … covers the temporary loss of income while an organisation recovers [from a breach]" – Jeremey Barnett, NAS Insurance Services

What is Reputation Insurance?

Reputation insurance is a catchall term that refers to the various protections available in various insurance policies. Sometimes it serves as a stand-alone product, but largely becomes part of a more comprehensive coverage. There may be coverage in some standard policies aimed at covering actual losses. Some of the most common reputation risk insurance companies are:

1) Business Owner Liability Insurance

Coverage is often limited in this type of insurance, including cases such as libel or defamation litigation and advertising injury that may arise due to unintentional use of misleading or offensive information in advertising materials.

2) Cyber Threat Insurance

- Primarily based on data disseminated online or shared through the network of an organization.
- Reputational risk coverage included in this type of policy typically applies to social media activities and confidential consumer information that may be compromised, resulting in damage to the credibility of the company.

3) Crisis Management Insurance

- To minimize any potential harm that may arise to the image of a company after a public event, the emergency use of public relations teams is covered.
- For instance, if a company suffers from a data breach, crisis management insurance may meddle and retain a PR firm to proactively address the issue.

4) Reputation Insurance

- Such policies compensate a real revenue loss arising from a brand-damaging event. However, it can be hard to calculate and subscribe to this coverage.
- Hence, premiums are considerably more costly than those associated with more popular insurance plans.

CONCLUSION

An issue that seems to be rooted in human nature is the production of false news. In our post-truth age, handling fake news in the online world on behalf of various political, commercial, or non-governmental organizations is a must-do. The best method of preventing fake news from propagating further is healthy discussion and detailed understanding of sources such as writers, content, and publishers.

One of the reasons reputation insurance is seen as a weapon now is because all media looked the same and the credibility of one channel versus another become increasingly hard to sort out. In that type of environment, unambiguous types of communications like warranties speak volumes. To address this issue, may it arise from fake news and whatnot, insurers and regulators in Malaysia has begun using big data analytics to identify instances of fraud and notify insurers of suspicious claims promptly.

As a modern and non-standard product, reputation risk insurance is too expensive as it is high risk for insurers, so they are aimed at large and rich companies, or any industry. In answering specific question raised by reputational risk, the industry should concentrate its attention and resources on improving skills and abilities of their own resources to be better at dealing this risk challenge. ■

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HAVE YOU EVER WONDERED…….

By Market Services
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At a time when more consumers are paying attention to where products are made and expressing greater interest in buying "Made in UK / Made in USA / Made in France, etc" products even if they cost more, there are changes proposed that could impact consumers being able to make decisions on the products they buy. Other than where the products are made, often they will have questions below: -

As a consumer, we always question ourselves;

What's Really in the Products We Use Every Day?

What are the products of everyday use really made of — and what threats to the environment do they pose?

On the other hand,

As an insurer, we always question ourselves;

What's the process? The exposure? The Raw Materials used? The Finished Products?

Taking the two products below, we never expect how the products are manufactured, and of course this give difficulty for insurer to determine the most accurate premium to be charged to the risk.

1. Surgical Sutures

When we use a suture material in the human body, we are implanting a foreign tissue into a host. It follows on, therefore, that a tissue reaction within the host should be expected and can be either an advantage or a disadvantage.

The Materials

Suture materials are classified as natural or synthetic, absorbable or nonabsorbable and braided or monofilament.

The main raw materials are catguts (sheep intestines) for natural sutures, polymer fibres for synthetic sutures and needles.

The Process

The production of the sutures starts with the cleaning of catguts (sheep intestines) in wet area. The catguts will be washes with water, having its fat and other undesirable addition removed and being soaked in lye (salt solution). The catguts then will be put in the splitting machine to produce strands. The strands will then be twisted together by twisting machine to produce the threads. The thread will be dried in the drying rooms. After that, the threads are polished by the grinding machine to smoothen them and to obtain required diameter. The threads will also be cut to the required length using the cutting machine.

The Finished Products

The threads will then be taken into clean room where it will be attached with needles. For synthetics sutures, the polymer fibres will be directly sent to the clean room for needle fixing. Both needle & thread (sutures) will be prepacked before being placed in the sterilisation chambers. After that, the sutures will be sent to the packaging room for final packaging.

2. Protein Powder

The growing demand worldwide for proteins and lipids cannot be met by the intensive use of agricultural land currently available. Insect mass cultures as a source for proteins and lipids have been in focus for various reasons. An insect with many positive properties is the black soldier fly, Hermetia illucens, whose larvae could be used for the sustainable production of proteins and lipids. Furthermore, the larvae produce bioactive substances which could potentially be used for human and animal welfare.

This process can help to combat food waste and produce new forms of protein powder and animal feed by recovering bio-waste from agricultural products, the food industry, restaurants, and consumers.

The Process

There are three stages of processes involved in the risk.

1. Soldier Fly Breeding Process
   This will be carried out inside the greenhouse using a French technology. These flies are attracted to special food products mainly malt and barley waste from beer processing plants.

2. Production of Larvae
   The breed flies produce new larvae and these larvae will be transferred to another green house. The larger larvae will be harvested and transferred to the main production plant.

The Finished Products

Protein Powder Extraction

Harvested larvae are sent for cleaning, rinsing (to remove dirt and soils). Then, will undergo next process of:

- Steaming in a steaming chamber up to 80◦C.
- Pressing / grinding process

The dried protein powder is then packed and shipped to customer (cosmetic manufacturer, animal feedmill etc)

Thus, it is important for insurer to make research on all the risks they received (by survey reports, obtaining samples/brochures, get the details of the process description) especially when the risks are considered as **Unique Risks.** ■

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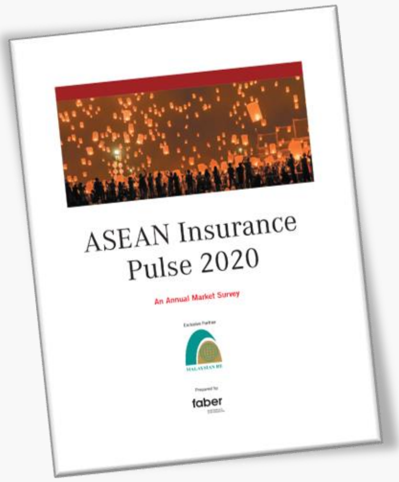

Among the main findings of the ASEAN Insurance Pulse 2020 are

- ASEAN non-life insurance markets to decline by 6.6 ppts in 2020
- Main impact expected on insurers' top-line
- Heightened awareness will not necessarily translate into lasting demand
- ASEAN insurers applaud regulators for their proactive approach

You may read insightful study here

OR scan the QR code

The second MIH is expected to be launched 26 February 2021. Considering the current situation, this issue examines the impact of the COVID-19 pandemic on Malaysia's economy and its insurance market.

Watch this space for the official launch of the 2nd MIH. In the meantime, you may scan the QR code to read the first edition of MIH.