



SUBSTANCE IS  
OUR STRENGTH

**Contact**

Henner Alms

ha@faberconsulting.ch

+41 44 256 1082

MEDIA INFORMATION

- **ASEAN COUNTRIES INVEST US\$ 427 BILLION TO FIGHT THE IMPACT OF COVID-19 ON THE ECONOMY**
- **NON-LIFE INSURANCE MARKETS EXPECTED TO GROW 6.6 PERCENTAGE POINTS SLOWER THAN ANTICIPATED IN 2019**

*Kuala Lumpur, 15 December 2020 – According to the ASEAN Insurance Pulse, published today by Malaysian Re, the ASEAN markets will miss out on GDP growth of more than US\$ 200 billion in 2020, as compared to 2019 projections, due to the impact from the COVID-19 pandemic. To compensate that loss, governments thus far have supported the region's economy with investment and policy measures of slightly more than US\$ 427 billion. The region's non-life insurance premium growth is expected to be 6.6 percentage points lower in 2020 than predicted prior to the pandemic. The region's general insurers expect that COVID-19 will exert its strongest effect on personal lines and those dependent on trade and manufacturing. Investment results will suffer from lower bond returns while insurers' bottom lines are likely to benefit in 2020 from an improved loss ratio due to the lock-down. The pandemic will have strengthened the processes and accelerated the digitisation of the ASEAN insurers enabling stable operations while employees and agents worked from home.*

"The ASEAN insurers have made great efforts to cushion the impact from COVID-19 and the various lock-down measures implemented throughout the region," said Zainudin Ishak, President and Chief Executive Officer of Malaysian Re. "Jointly with the regulatory authorities, insurers and associations established a voluntary COVID-19 test fund, allowed for instalments or continued to provide protection while policyholders had to delay their premium payments. While this will benefit our industry's overall perception, throughout the crisis, the ASEAN insurers demonstrated their resilience as balance sheets remained strong, and insurers continued to serve their clients digitally while operating remotely."

Now in its fourth year, the ASEAN Insurance Pulse is an annual research publication issued by Malaysian Re. This year's edition focuses on the impact of the COVID-19 pandemic on the region's economies and its insurance markets. It takes the pulse of the insurance executives operating in the region on how the pandemic shapes their markets, which actions regulators took during the crisis and how the virus will change the regions' insurance industry.

Compared to initial GDP growth projections of 3.4% in October 2019, following the COVID-19 outbreak, the GDP of the 10 ASEAN markets is expected to decline by 2.4% and rebound by 5.8% in 2021. As a result, the region will miss out on more than US\$ 200 billions of GDP growth for 2020 as compared to predictions from late 2019.

2/3

Assuming a close correlation of premium volume to GDP for the ASEAN non-life insurance markets, our research forecasts that in 2020 non-life insurance premium growth will be approximately 6.6 percentage points lower compared to the projections in late 2019. Insurers operating in ASEAN will miss out on non-life premiums of US\$ 2.3 billion in 2020 compared to the predictions before the pandemic hit.

### **Findings of the market survey**

"According to the insurance executives whom we interviewed for this study," said Henner Alms, Partner at Faber Consulting and one of the authors of the study, "insurers' top lines will be most affected by the pandemic. The impact to the bottom line is limited – in fact, it could be positive as loss ratios in motor and travel improved during the standstill. With regards to investment returns, the ASEAN insurers are concerned about lower returns in their bond portfolio, and potential impairments on the mark-to-market valuations of their equities."

The lines of business hit hardest by the lock-down, and the decline in consumption are motor insurance, travel insurance and aviation. The disruption of supply chains and the reduction in trade volume affected insurance classes such as property for manufacturing as well as credit and marine cargo. Health and life insurance fared better, partially also benefiting from lower loss ratios as during lock-down patients postponed treatment for fear of infections.

### **Heightened awareness will not necessarily translate into a lasting demand**

Long-term the majority of ASEAN insurers expect no lasting effect from COVID-19 on their portfolio. If ASEAN markets swiftly recover in 2021, benefiting from positive developments of COVID-19 vaccines, a rebound in premium volume would make up for lost sales. However, during the soft market period, market discipline eroded, and the wording on terms and condition became quite loose. Going forward, insurers expect to clarify and tighten policy wordings and manage their exposures and limits more closely. COVID-19 will have a substantial impact on the digitisation of the ASEAN insurance industry. Digital communication systems enabled the region's insurers to remain fully operational as a vital part of the economy. Insurers were able to reach out to their clients, continue their sales, renew policies and handle claims. Regulators acknowledge this trend and encourage its further development as the link between insurer and policyholder becomes more robust.

### **ASEAN insurers applaud regulators for their proactive approach**

The authorities provided guidance as to the way how insurers had to protect their employees, operate under lock-down conditions and how to maintain business continuity. Liquidity and capital adequacy, underwriting results and the impact of COVID-19 on investment results had to be simulated and stress tested. In turn, the authorities allowed more time for the reporting, relaxed solvency requirements or postponed the implementation of regulatory changes.



SUBSTANCE IS  
OUR STRENGTH

3/3

Regulators were keen to ease the impact of the crisis on consumers and SMEs. Insurers were urged to allow for a higher number of instalments or deferred premium payments and not to cancel cover if customers struggled to renew their policy. Regulators also encouraged insurers to turn the experience of the COVID-19 crisis into new products and to think about products that will better protect against the disruption of supply chains and to come up with proposals how to improve the insurability of epidemics, both on the non-life and on the life and health insurance side.

A prolonged economic downturn is the primary concern of the ASEAN insurers. The longer it takes to return to the level of January 2020, the more irreversible the damages of the pandemic to the economy. A further increase in infections could aggravate the downturn. Although cases had been few in most ASEAN countries, interviewees are concerned about what might happen, if numbers were to soar and further erode stretched resources. Insurers fear the long-term effects on workforce and productivity too. The longer the current restrictions on meeting with clients, attending conferences or hosting events, the more likely that relationships will suffer and productivity, sales and volume be dampened.

However, most ASEAN insurers expect to emerge stronger out of the crisis. Investments in technology to communicate with clients and agents, and the ability to operate from home improves the efficiency of the industry and strengthens customer relationships. Insurers also reinforced their risk management to better anticipate and prepare for global risks and stress-tested their business continuity models. Despite rigorous movement controls, they were able to continue their operations and prove their systemic relevance, which will strengthen the industry's standing with policymakers and authorities.

### **About Faber Consulting**

Founded in 2008 and based in Zurich, Faber Consulting supports its clients in researching and analysing their business environment, developing and implementing a distinct strategic profile and effectively communicating with their key stakeholders. We focus on organisations from the financial services industry, mainly insurance and reinsurance companies. Our services proposition is based on our partners' in-depth sector expertise and senior management experience gained in the Americas, Asia, the Middle East and Europe. For further information about Faber, please visit [www.faberconsulting.ch](http://www.faberconsulting.ch) and/or download our renown publications here.

### **About Malaysian Re**

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