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MEDIA INFORMATION

ROBUST PERFORMANCE OF MALAYSIA'S INSURERS DURING COVID-19 PANDEMIC

Kuala Lumpur, 26 February 2021 – In 2020 Malaysia's general insurance market outperformed the country's overall economy. While the Malaysia's GDP is forecasted to have dropped by 4.5% in 2020, general insurance premiums remained almost stable. This is one of the key findings of the Malaysian Insurance Highlights, a market survey launched today by Malaysian Re. While the industry had to digest the impact of recurrent Movement Control Orders (MCO) that the national government installed to contain the spread of the coronavirus, Malaysia's general insurers maintained a solid capitalization. The country's insurers also cushioned the effects of the crisis on policyholders' strained budgets by deferring premium payments or allowing for additional instalments. Finally, Malaysia's life and general insurers as well as the Takaful companies contributed to enhance the COVID-19 test capacity by setting up a fund that reimbursed policyholders if they had to take a test.

“During the pandemic Malaysia's general insurers strengthened their risks management, stress-tested their capital models and their business continuity planning,” says Zainudin Ishak, President and Chief Executive Officer of Malaysian Re. “In response to the MCO large parts of our workforce had to start working from home virtually overnight maintaining seamless operations and service with agents and customers. As a result, many insurers substantially accelerated their investments in technology and digitalization. While the pandemic has been a tremendous strain on our industry too, we based our processes and capabilities on a stronger footing which will benefit us going forward.”

The *Malaysian Insurance Highlights* – an annual research publication issued by Malaysian Re and produced by Switzerland based Faber Consulting – aims to identify and analyse the key trends that coin Malaysia's insurance industry and how these might pan out in the near to mid-term.

“In our second edition, which again is based on a combination of market research and a survey among the insurers, reinsurers and brokers operating in Malaysia, we investigated the impact of the COVID-19 pandemic on the country's insurance industry,” says Henner Alms, Chairman and Partner at Faber Consulting. “Despite the unprecedented challenges posed by the pandemic, Malaysia's general insurers maintained a strong capitalization, almost matched the premium volume of 2019 and continued their operations smoothly even under the tight MCO measures installed.



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Close to stable performance of Malaysia's insurance industry

In 2020, Malaysia's GDP growth is estimated to drop by 4.5% – close to 9 percentage points below the initial 2019 forecast of 4.4% growth for 2020. Although the national government launched record economic stimulus packages worth roughly RM 300 billion, the country is expected to have missed out on close to RM 200 billion in growth in 2020.

Malaysia's general insurance sector responded with a solid performance. The industry saw its gross direct premiums contract by 3.6% in the first six months of 2020 as compared to 2019. However, after three quarters the industry had recovered to a loss of -1.2%, benefiting from strong sales in the third quarter and the solid performance of Malaysia's manufacturing sector.

Despite the stable performance, COVID-19 pandemic presented primarily a threat to insurers' premium volume. Insurance lines such as Motor or Trade Credit and Marine were directly affected by the MCO or the decline in exports. Insurers' investment performance was less affected as equities recovered quickly and the impact of lower fixed income returns will only materialize over time. Malaysia's insurers produced strong underwriting results in the crisis as due to the MCO measures loss ratios especially in Motor, Travel and Health dropped due to the decline in activity.

During the COVID-19 pandemic insurers significantly accelerated the digitization of their sector. Technology helped the industry stay connected with its customers, agents and employees. Insurers benefited from digital transformation, especially in retail segments, as consumers became more accustomed to buying and managing their affairs through online channels, platforms or ecosystems.

Malaysia's insurers welcomed Bank Negara's hands-on approach during the pandemic. The Central Bank, which is also the industry's regulatory authority, focused on protecting policyholders and ensuring the smooth functioning of the industry. While insurers were stress-testing their models and business assumptions, the Bank adjusted its standard operating procedures to guide the industry on how to organise their operations during the MCO phases. A key action of Bank Negara was to delay the implementation of the third phase of motor and fire de-tariffication. It further encouraged insurers to establish a COVID-19 test fund to support policyholder testing.

As an industry, Malaysia's insurers are not convinced that the industry had been prepared for an event as the COVID-19 pandemic. However, insurers were mostly proud of how quickly their organization, the industry and the country responded to the extreme circumstances brought on by the pandemic. Both industry associations and Bank Negara worked closely together to ensure the smooth continuation of services to policyholders. The introduction of a risk-based capital regime and the industry's early investment in IT also paid off as during the pandemic the industry's performance remained robust.



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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 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.