



SUBSTANCE IS
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MEDIA INFORMATION

- **FLOODING IS THE MOST COSTLY NATURAL HAZARD IN THE ASEAN MARKETS**
- **NEED TO BETTER PROTECT LOW INCOME PARTS OF SOCIETY AGAINST FLOOD RISK**

Kuala Lumpur, 26 October 2021 – According to the ASEAN Insurance Pulse 2021, published today by Malaysian Re, floods have been responsible for more than 45% of accumulated total natural disaster losses of US\$ 137 billion since 1990 in the region – well ahead of other hazards such as storms or earthquakes. Notwithstanding the region's considerable natural catastrophe exposure, the executives interviewed for this year's ASEAN Insurance Pulse regard all types of flood risk as insurable in principle. However, insurance penetration remains low and in particular the lower income sections of society which are most exposed to the risk rely mostly on government support.

"We are seeing an increasing demand for natural catastrophe cover in the ASEAN region," said Zainudin Ishak, President and Chief Executive Officer of Malaysian Re. "Climate change is impacting peoples' risk perception. They realized that weather patterns are different than in the past, sea levels are rising, coastal flooding increases or that the monsoon season seems to have shifted. While insurable assets have increased as well, clients seek protection from natural hazards. However, the lower income sections of society remain largely uninsured."

The ASEAN Insurance Pulse is an annual research publication by Malaysian Re, now in its fifth year. This year's edition focuses on natural catastrophes and flooding as the key peril that on average causes the highest devastation in the region. Climate change and urbanisation are expected to further aggravate frequency and severity of floods and inundations. The impact from heavy monsoon rains is often amplified by drainage systems that are incapable to handle masses of water.

The ASEAN Insurance Pulse explores the main trends influencing the financial risk management of natural catastrophes and flooding. In this context, the study also highlights the increasing importance of ESG principles in underwriting, asset management and insurers' operations.

Interviewees see sufficient capacity

"According to the insurance executives that we interviewed for this year's study," said Henner Alms, Partner at Faber Consulting and one of the authors of the study, "insurance capacity is adequately available, despite the region's considerable natural catastrophe exposure. Although risks have increased, improved modelling capabilities have allowed ASEAN insurers to allocate their capacity more efficiently."

Demand for natural catastrophe protection is high. Customers are aware that they live in a natural catastrophe exposed region. The main buyers are commercial entities, while the private sector remains



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2/3

largely underinsured. Across ASEAN, natural catastrophe protection for the private sector is limited due to the low insurance penetration.

The cost of insurance and the willingness or ability to pay are the most decisive factors for the purchase of natural catastrophe coverage in the ASEAN insurance markets. Clients are highly cost conscious with a short-lived memory for past losses. Weak enforcement of building codes, flood zones or settlement restrictions also affects insurance demand and risk appetite in the ASEAN markets. On the supply side key challenges are the limited technical capacity in markets with a high natural catastrophe exposure. In addition, the ability to adequately model natural catastrophe risks is still perceived as insufficient.

According to the executives interviewed for this study ASEAN governments are expected to take a more active role in protecting the lower income groups through premium subsidies and public private partnerships. Recommendations range from the introduction of mandatory insurance schemes to improving awareness and education about insurance products or to creating insurance pools and sharing the risks across as many shoulders as possible.

Flooding in the ASEAN region is considered insurable in principle. Due to improved risk management and modelling capabilities, insurers increasingly focus their attention on flood prone areas and try to manage their exposure through cautious risk selection. The insurability of flooding in the ASEAN markets also benefits from sufficient availability of primary insurance and reinsurance capacity at stable rates.

Rising importance of ESG for insurers' underwriting, asset management and operations

Environmental, social and governance (ESG) principles are a relatively new concept to the ASEAN region, although the discussion is already quite advanced in some markets. Governments and regulators are the main drivers for an increasing interest in ESG. Insurers mostly incorporate ESG measures by developing an underwriting and investment approach to gradually reduce their exposure and involvement in sectors with a negative ESG impact while bolstering those with a positive profile, like renewable energy risks.

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.



SUBSTANCE IS
OUR STRENGTH

3/3

About Malaysian Re

As the national reinsurer of Malaysia, Malaysian Reinsurance Berhad (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.