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iN Magazine

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The official publication of the Asian Institute of Insurance

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Editorial Board

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A Note from the Editor

Asian Insurance at a Crossroads

Navigating AI, Cybersecurity, and the EV Revolution

The Asian insurance sector faces a transformative period, grappling with the converging impacts of artificial intelligence (AI), cybersecurity threats, and the rise of electric vehicles (EV). These technological advancements present both exciting opportunities and significant challenges, demanding a proactive and adaptive approach from the industry.

That AI is revolutionising insurance operations, from underwriting and claims processing to customer service is nothing new. AI-powered algorithms analyse vast data sets, identifying patterns and assessing risk more efficiently than traditional methods. This leads to faster claims settlements, personalised premiums, and enhanced customer experiences. However, AI implementation raises ethical considerations, including algorithmic bias and job displacement. The insurance industry, as a whole, must establish clear ethical guidelines and regulatory frameworks for responsible AI adoption, alongside investing in upskilling programmes for insurance professionals.

Meanwhile, the increasing reliance on digital platforms elevates cybersecurity risks for insurers. Data breaches and cyberattacks can have devastating financial and reputational consequences. Protecting sensitive customer data is paramount, requiring robust cybersecurity measures. This includes investing in advanced security technologies, implementing stringent data protection protocols, and fostering a culture of cybersecurity awareness. Collaboration between insurers, cybersecurity experts, and regulators is crucial for effective risk mitigation. Cyber insurance products are also becoming increasingly vital for businesses and individuals.

Asia's push for EV adoption presents unique challenges and opportunities for insurers. Insuring EVs requires specialised knowledge due to their distinct technology. High battery replacement costs, complex repairs, and evolving safety protocols necessitate new insurance products and pricing models. Educating insurance professionals about EV technology is essential for accurate risk assessment and efficient claims handling. Insurers can also incentivise EV adoption by offering differentiated premium and promoting EV-specific insurance products.

Navigating these technological shifts requires a collaborative and innovative approach. The Asian insurance industry must partner with technology providers, research institutions, and government agencies. Investing in research and development is crucial for creating new insurance products and services tailored to the digital age. A culture of continuous learning and professional development within the insurance workforce is essential for success in this very dynamic environment.

The Asian Institute of Insurance plays a vital role in this transformation, providing world-class education and training to equip professionals with the skills needed to navigate the complexities of AI, cybersecurity, and EVs. Aii's commitment to global standards, innovative educational approaches, and strategic partnerships is shaping the future of insurance in Asia. By embracing collaboration, innovation, and a forward-thinking approach, the Asian insurance industry can successfully navigate these challenges and seize the opportunities of this technological era.

Cover Story

Fortressing Data

A Cybersecurity Imperative for Asian Insurers

Danny Kim

In today's interconnected world, where data breaches make headlines daily and cyber threats lurk around every digital corner, cybersecurity isn't just a technical concern — it's a business imperative, a matter of survival. For insurance companies, entrusted with vast reservoirs of sensitive personal and financial data, robust cybersecurity isn't just important; it's paramount. A single breach can shatter customer trust, lead to crippling financial losses, and inflict lasting reputational damage.

To navigate this increasingly treacherous digital landscape, *iN Magazine* had an email question and answer interview with Danny Kim, a true luminary in the cybersecurity world. As the founder and CTO of FullArmour Corporation and CEO of CyberArmour, the company distributing the cutting-edge SSHerpherd Cybersecurity solution, Kim brings an unparalleled depth of expertise to the table. His career spans decades, during which he's helped over 30 Fortune 100 companies, including giants like Bank of America, Boeing, and Walmart, design and deploy robust security policies, data centre architectures, and cloud-based infrastructures.

Kim's influence extends beyond the corporate boardroom. He's architected and developed several leading cloud security management products, solutions so innovative they have been licensed by industry titans like Microsoft, NetIQ, Citrix, HP, Sony, and Toshiba. Currently, he's traversing the globe, conducting high-level security briefings for boards and C-suite executives, sharing his insights and helping organisations prepare for the ever-evolving cyber threats.

In this exclusive interview with *iN Magazine*, Kim sheds light on the critical importance of cybersecurity for the insurance industry. He unpacks the evolving threat landscape, dissecting the sophisticated tactics employed by cybercriminals, from ransomware attacks that can cripple operations to AI-powered phishing campaigns that target unsuspecting employees. He also offers practical, actionable advice on what insurance companies can do to bolster their defences, from investing in advanced threat detection systems to fostering a culture of security awareness among employees.

Find out more about the cybersecurity world in this crucial email "conversation" with Kim, gaining invaluable insights into how insurance companies in Malaysia can fortify their digital defences and safeguard the sensitive data entrusted to their care. In a world where cyber threats are constantly evolving, staying ahead of the curve is no longer a luxury — it's a necessity.

iN Magazine: Insurance companies hold vast amounts of sensitive personal and financial data, making them attractive targets for cybercriminals. Data breaches can also lead to significant financial losses, reputational damage, and regulatory penalties. To date, there have been increasing cyberattacks in Asia and the need for reliable defense solutions. As a renowned expert in cybersecurity, can you shed more light on what cybersecurity is all about, the importance of cybersecurity for protecting customer data and the need of complying with regulations?

Danny Kim: Cybersecurity encompasses measures and practices designed to protect systems, networks, and data from cyber threats. For insurance companies, it is paramount because they handle sensitive customer information, including personal and financial data. Cybersecurity protects this data from breaches, reduces financial and reputational risks, and ensures compliance with regulations like Malaysia's Personal Data Protection Act (PDPA) 2010 or the European Union's General Data Protection Regulation (GDPR). Often, data breaches go unreported as cyber criminals could steal sensitive data sell on the dark web and companies wouldn't even know they have been breached. Strong cybersecurity safeguards not only the organisation, but also builds customer trust, which is crucial in a highly regulated industry like insurance.

***iN Magazine*:** Ransomware attacks can disrupt operations, encrypt critical data, and demand hefty ransoms – a real threat to insurance companies worldwide. The increasing reliance on digital systems makes insurance companies vulnerable to such attacks. Speaking to a more specific target audience, what must insurance companies put in place to ward off such threats? What kind of investments are we looking at to put together a close to fail-safe solution?

Danny Kim: To counter ransomware threats, insurance companies should prioritise a multi-layered cybersecurity approach, including robust endpoint protection, frequent backups stored offline, and advanced threat detection systems. Investments should focus on technologies like Security Information and Event Management (SIEM) systems, threat intelligence platforms, and employee training programmes. Developing an incident response plan, including partnerships with cybersecurity firms, ensures preparedness. While no solution is entirely fail-safe, proactive measures can significantly reduce vulnerability.

***iN Magazine*:** It has been said that insurance companies' employees can be targeted through phishing emails and social engineering tactics, tricking them into revealing sensitive information or granting access to systems. While phishing emails and social engineering tactics are not inherently outcomes of AI, AI can be used to make them more sophisticated and effective. How can this be circumvented from a cybersecurity perspective?

Danny Kim: AI-driven phishing campaigns demand equally sophisticated defenses. Insurance companies should deploy AI-powered email security systems capable of detecting and blocking phishing attempts in real time. Regular employee training and simulated phishing exercises can cultivate a culture of vigilance. Implementing multi-factor authentication (MFA) and role-based access control further minimises the risk of unauthorised access, even if credentials are compromised.

***iN Magazine*:** It can be said that it is almost a norm that malicious insiders or negligent employees can pose a significant cybersecurity risk, potentially leaking data or compromising systems. In your expert opinion, what can be done to ensure that this is minimised or does not happen at all?

Danny Kim: Minimising insider threats requires a mix of technology, process, and culture. Insurance companies should implement user behaviour analytics (UBA) to detect unusual activities, enforce role-based access restrictions, and adopt a zero-trust architecture. Conducting thorough background checks, coupled with on-going cybersecurity training for employees, ensures awareness. Clear policies on data usage and strict penalties for violations create a deterrent effect. For malicious insiders, regular audits and robust monitoring systems are essential.

***iN Magazine*:** Insurance companies often rely on third-party vendors for various services, which can introduce vulnerabilities if these vendors have weak cybersecurity practices. What would you advise insurance companies to do, from a cybersecurity point of view, when dealing with third-party vendors for various services? Are there specific areas to pay more attention to when it comes to third party vendors?

Danny Kim: Insurance companies must rigorously vet third-party vendors by conducting security assessments and ensuring compliance with industry standards, such as ISO/IEC 27001. Companies should include robust cybersecurity clauses in contracts, mandating incident reporting and regular audits. Areas demanding attention include vendors with access to sensitive data or critical systems, as well as supply chain interactions. Using continuous monitoring and cyber risk scoring for third parties can further bolster security.

***iN Magazine*:** Insufficient cybersecurity awareness among insurance companies' employees can increase the risk of successful attacks. What can insurance companies do to ensure that their employees have a certain level of preparedness to handle a cybersecurity crisis?

Danny Kim: Insurance companies can ensure employee preparedness through regular training programmes tailored to evolving threats. These programmes should include recognising phishing attempts, reporting suspicious activity, and understanding basic cybersecurity practices. Incorporating gamified training tools or simulations can enhance engagement. Additionally, doing regular war room exercises that goes through mock cyber breach scenarios helps establish a clear escalation protocol for potential incidents ensuring that employees know how to respond during a crisis.

***iN Magazine*:** Cybercriminals are constantly developing new and sophisticated attack methods, making it extremely challenging for insurance companies to stay ahead of the curve. While cybercriminals are more often than not "industry-agnostic," indicating that the insurance sector is not immune to these evolving threats, knowing how to deal with the "enemy" is crucial when putting together a good defense strategy. What are your recommendations for the insurance sector where cybersecurity strategies are concerned?

Danny Kim: To address evolving cyber threats, insurance companies must adopt adaptive cybersecurity strategies. This includes leveraging AI and machine learning for predictive threat detection and updating systems with the latest patches. Cybersecurity teams should also engage in proactive threat hunting and participate in intelligence-sharing initiatives within the industry. Building resilience through regular penetration testing and tabletop exercises ensures preparedness against emerging attack vectors. And finally, implementing a strategy to remove the attack surface to secure and hide the critical assets from cyber-attack searches adds a significant tool in removing cyber threats.

***iN Magazine*:** Meeting evolving cybersecurity regulations and compliance requirements can be complex and resource intensive. For example, the PDPA 2010, Communications and Multimedia Act 1998 and the Computer Crimes Act 1997 in Malaysia may need amendments and revisions to make them more relevant to the rapidly evolving marketplace. In your expert opinion, what specific areas should lawmakers look at, when devising cybersecurity laws, going forward?

Danny Kim: Lawmakers should consider revising regulations to address gaps in cyber resilience and response. For instance:

- PDPA: Include mandates for breach reporting within strict timelines.
- Computer Crimes Act: Expand its scope to cover advanced cyber threats like ransomware and AI-driven attacks.
- National Cybersecurity Policy: Encourage public-private partnerships to share resources and threat intelligence.

These updates should reflect global standards like the EU's General Data Protection Regulation (GDPR) while addressing local challenges.

***iN Magazine*:** Would cybersecurity laws be different for emerging markets and mature markets? If yes, how?

Danny Kim: Cybersecurity laws in emerging markets often focus on foundational regulations, while mature markets emphasise advanced compliance and incident response mechanisms. Emerging markets may benefit from flexible frameworks enabling rapid adoption of technology, whereas mature markets require stringent rules to protect complex infrastructures. Both contexts demand continuous updates to address global cyber threat trends.

***iN Magazine*:** AI-powered deepfakes can create realistic but fabricated videos or audio recordings that could be used in sophisticated social engineering attacks. How can insurance companies detect these deepfakes to protect themselves?

Danny Kim: To detect and mitigate deepfakes, insurance companies should use **AI-based detection tools** capable of analysing inconsistencies in audio and video files. Training employees to recognise subtle cues indicative of deepfakes is equally important. Cybersecurity teams can also collaborate with AI researchers to stay ahead of these threats, ensuring they are prepared for increasingly sophisticated manipulations.

iN Magazine: Underwriting cyber catastrophe risk is becoming more challenging due to increasing ransomware exposure and underwriters can only use scenario-based pricing in their work. Can you shed some light on the impact of cyber catastrophe events and its triggering factors (for example: Crowdstrike)?

Danny Kim: Cyber catastrophe events are large-scale, systemic incidents that impact multiple entities simultaneously, often across industries and geographies. These events can overwhelm businesses, insurers, and governments due to their scale and complexity. Their major impacts include:

1. **Massive Financial Losses:** Ransomware campaigns or supply chain attacks (for example, SolarWinds breach) can lead to multi-million-dollar losses for affected businesses and insurers covering these risks.
2. **Operational Disruptions:** Prolonged downtime for critical systems impacts productivity and can lead to cascading failures.
3. **Reputational Damage:** Insurers face customer dissatisfaction or reputational harm if they are unable to address claims efficiently.
4. **Regulatory Penalties:** Non-compliance with data protection laws like the EU's GDPR or Malaysia's PDPA can result in significant fines.

Triggering Factors

1. **Sophisticated Threat Actors:** Organised cybercrime groups like Vault Typhoon and others deploy advanced techniques such as supply chain attacks, ransomware-as-a-service, or zero-day exploits.
2. **Interconnected Systems:** The dependency on shared digital infrastructure, such as cloud services or IoT, increases vulnerabilities.
3. **Human Errors:** Misconfigurations, lack of updates, and phishing attacks contribute significantly to cyber incidents. One such recent example is the CrowdStrike faulty software update which caused over US$10 billion in losses.
4. **Geopolitical Factors:** State-sponsored attacks or cyber warfare can escalate risks.

To improve scenario-based pricing, underwriters should leverage threat intelligence platforms, develop partnerships with cybersecurity firms, and model interconnected risks more comprehensively as a baseline for defence. Advanced mechanism utilising AI and newer stealth technology need to be in the strategic planning to stay ahead of the sophisticated attacks that continue to morph and evolve.

iN Magazine: With the digital transformation in Asia, cyber security risk is increasing, one of which is the Cloud hosting risk whereby insurers can not predict and hence unable to underwrite Cloud insurance risk. What are the seceding factors and key risks for Cloud hosting and what preventive measures must be put in place?

Danny Kim: Cloud hosting risks stem from reliance on third-party infrastructure to store and process sensitive data, which presents unique challenges in underwriting insurance for these services. Some of the key risks include:

1. **Data Breaches:** Misconfigured Cloud settings or vulnerabilities in the provider's infrastructure can expose sensitive information.
2. **Downtime and Disruptions:** Outages at major providers, such as Amazon Web Services (AWS) or Azure, can impact numerous customers, creating systemic risk.
3. **Shared Responsibility Model:** Misunderstandings of responsibilities between Cloud providers and clients can lead to gaps in security.
4. **Multi-Tenancy Risks:** Sharing resources among multiple users can result in vulnerabilities if isolation mechanisms fail.
5. **Compliance Challenges:** Ensuring adherence to data protection laws in a cross-border cloud environment is complex.

Preventive Measures

1. **Vendor Risk Assessments:** Insurers should evaluate Cloud providers for their security practices, compliance certifications, and incident response capabilities.
2. **Encryption Standards:** Ensuring end-to-end encryption of data in transit and at rest protects sensitive information. As quantum computing starts to become reality, it is essential to start planning for critical system that utilise quantum safe encryption.
3. **Robust SLAs:** Service Level Agreements (SLAs) should clearly define security responsibilities, uptime guarantees, and penalties for non-compliance.
4. **Redundancy and Backups:** Regular backups and the use of multiple Cloud providers or regions reduce downtime risk.
5. **Continuous Monitoring:** Deploying Cloud-specific security tools like Cloud Access Security Brokers (CASBs) as well as endpoint policy compliance and enforcement and regular audits to detect vulnerabilities.

By addressing these factors and encouraging collaboration between insurers, Cloud providers, and businesses, the industry can better predict and manage cloud-hosting risks.

Industry

Bank Negara Announces Interim Measures to Address Rising Medical Insurance Costs

Bank Negara Malaysia recently announced interim measures to mitigate the impact of rising medical and health insurance/takaful (MHIT) premiums on policyholders. These measures, agreed upon in collaboration with the insurance and takaful industry, aim to provide immediate financial relief and maintain crucial MHIT coverage. However, BNM stressed the urgent need for broader reforms to address the root causes of escalating healthcare costs in Malaysia and ensure long-term affordability of MHIT products.

Healthcare costs in Malaysia have seen a significant surge in recent years, with medical cost inflation reaching 15% in 2024, considerably higher than the global and Asia Pacific average of 10%. This sharp increase is attributed to factors such as advancements in medical technology and a growing prevalence of non-communicable diseases, both contributing to increased demand for healthcare services.

This surge in healthcare costs has created a financial strain on the insurance and takaful industry, with claims payouts growing at a faster rate than premium collections. While insurers and takaful operators (ITOs) maintain reserves to absorb fluctuations in claims, the central bank acknowledges that this is not a sustainable long-term solution if claim costs continue to outpace projections. Periodic premium adjustments are, therefore, necessary to ensure ITOs can continue to meet policyholders' claims.

The interim measures announced late last year will provide temporary relief to policyholders facing premium increases. However, Bank Negara emphasised that these are short-term solutions, and more comprehensive strategies are required to address the underlying issue of rising healthcare costs. The central bank is committed to working with stakeholders across the healthcare and insurance sectors to develop and implement these broader measures, ensuring that MHIT products remain affordable and accessible to all Malaysians.

"We need to address the root causes of rising medical and health insurance and takaful premiums which are driven by higher medical costs and utilisation of medical services."
- Datuk Seri Abdul Rasheed Ghaffour

Bank Negara Governor Datuk Seri Abdul Rasheed Ghaffour said, "We need to address the root causes of rising medical and health insurance and takaful premiums which are driven by higher medical costs and utilisation of medical services.

"The design of MHIT products must also be improved to make them more sustainable and aligned with value-based healthcare that prioritises better health outcomes. This is a complex challenge that requires the concerted action of all stakeholders across the healthcare ecosystem. These interim measures that we are announcing will provide some temporary support to policyholders, but broader health reforms must be expedited with a commitment to achieve clear outcomes in the coming years. We are working closely with relevant stakeholders including the Ministry of Finance (MOF), Ministry of Health (MOH), private hospitals and ITOs. All parties have been supportive and committed to work out a long-term sustainable solution to this complex issue."

Interim Measures to Provide Continued Access to Suitable MHIT Products

1. To help manage the impact of MHIT premium adjustments, ITOs will spread out the changes in premiums arising from

medical claims inflation over a minimum of three years for all policyholders affected by the repricing. This measure will remain in place until the end of 2026. With this measure, at least 80% of policyholders are expected to experience yearly premium adjustments due to medical claims inflation of less than 10%.

2. For policyholders aged 60 years old and above who are covered under the minimum plan within the MHIT product that they purchased, ITOs will temporarily pause premium adjustments due to medical claims inflation for one year from their policy anniversary.

The interim measures above are not applicable to premium increases that may apply when a policyholder moves to a higher age band. This will be managed separately by the ITOs.

3. Policyholders who surrendered or whose MHIT policies lapsed in 2024 due to repricing can contact their ITOs to request reinstatement based on the adjusted premium under this measure, without additional underwriting requirements.

4. All ITOs will offer alternative MHIT products at the same or lower premiums for policyholders who prefer not to continue their repriced existing plans. ITOs without such alternatives must make them available by the end of 2025. Switching to these alternative products will not require additional underwriting or involve switching costs. This measure, along with other reforms to contain medical cost inflation, aims to mitigate significant future premium adjustments.

ITOs will communicate these measures to individual policyholders progressively, starting from January 15, 2025.

Joint Contribution to Accelerate Health Reforms and Support Senior Policyholders

Meanwhile, the government, in collaboration with ITOs and private hospitals, will contribute RM60 million to expedite health reforms. This includes implementing a Diagnosis-Related Group payment model and publishing costs of common medical procedures for increased transparency. A portion of the fund will also support developing a base MHIT product covering essential healthcare needs and facilitate switching to this new product for policyholders aged 60 and above, once available.

BNM and stakeholders, including MOH, private hospitals, and ITOs, are committed to strengthening collaborative efforts to contain medical cost inflation effectively. These efforts encompass greater transparency in drug prices, advancement of digitalisation to enable sharing of medical records that would reduce the need for repeated tests for patients and strategic purchasing by both public and private sectors to reduce cost.

Progress on these measures will be monitored to ensure the intended outcomes of reducing medical cost inflation are achieved. This will be important to transition to more sustainable provision of MHIT products going forward. This will also serve as a basis for BNM's periodic review of these interim measures which would be done in tandem with the progress of the reforms in the healthcare ecosystem.

"As the industry grapples with rising medical costs and the need for innovative product design, Aii's commitment to world-class education and training becomes even more critical."
- Paul Low

This focus on affordability and sustainable healthcare solutions underscores the crucial role of institutions like the Asian Institute of Insurance (Aii) in equipping insurance professionals with the knowledge and skills to navigate this complex landscape, Paul Low, Aii's CEO said. "As the industry grapples with rising medical costs and the need for innovative product design, Aii's commitment to world-class education and training becomes even more critical. By fostering a deep understanding of the challenges and opportunities presented by these evolving dynamics, Aii empowers professionals to contribute meaningfully to the development of a more sustainable and accessible healthcare future."

Industry

The 14th ASEAN Insurance Congress

Disruptions Towards a Sustainable ASEAN Insurance Industry

The ASEAN Insurance Training and Research Institute (AITRI) and ASEAN Insurance Council (AIC) successfully organised the 14th ASEAN Insurance Congress on 25 November 2024 at The Empire Brunei, attracting over 140 delegates. The event brought together top industry leaders, including representatives from insurance regulators, presidents of associations, C-suite executives, board members, and other key stakeholders from across the ASEAN insurance ecosystem.

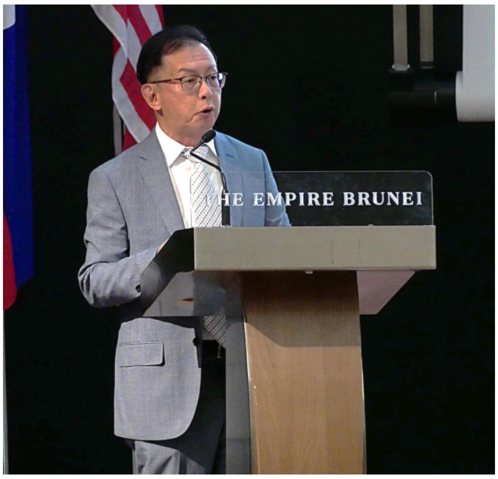
In her special address, guest of honour, Yang Mulia Hajah Rashidah Binti Haji Sabtu, deputy managing director (regulatory and supervision) of the Brunei Darussalam Central Bank, outlined four key areas crucial for building a sustainable ASEAN insurance industry:

- aligning regulatory frameworks with market evolution
- leveraging technological advancements
- fostering an enabling regulatory environment
- prioritising financial literacy and awareness across the region

Suy Channtharong, representative of the 14th AIC chair, emphasised that while disruptions challenge the industry's foundation, they also offer opportunities for innovation and growth. He called for a collaborative approach to transform challenges into opportunities and build a more resilient, sustainable ASEAN insurance sector.

In his keynote speech, AIC secretary-general, Christian W. Wanandi, reflected on the success of the Bandar Seri Begawan Roadmap and the on-going integration of ASEAN's digital economy. He highlighted that while digital transformation presents significant opportunities, it also brings new risks, such as misinformation. He further added that the industry is being confronted with climate challenges and rising healthcare costs. These issues, he noted, were central themes of the Congress.

Additionally, Wanandi stressed the importance of enhancing gender diversity in the sector, citing research showing the growing importance of women's roles, especially in leadership positions. "The ultimate goal is to draw insights on the link between gender diversity in the industry and the availability of regulatory gender-responsive policies that address the needs of women. Such a direction



Low addressed the Congress.

is projected to help increase the industry's earnings to an estimated US$1.7 trillion by 2030. I would like to appeal to our industry leaders and the ASEAN regulators to provide your support and assistance in the conduct of this survey."

AITRI's CEO, Paul Low, addressed the need for innovation in response to rapidly evolving market demands, emerging environmental and social issues, and technological advancements. For more than two decades, AITRI has facilitated and fostered regional collaboration through its training, research, and capacity building programmes and helped align ASEAN's insurance industry with international standards. Low underscored AITRI's on-going commitment to addressing industry challenges, including ESG integration, digitalisation, and artificial intelligence (AI), with programmes focused on governance, risk management, climate risk, and financial inclusion. AITRI's latest offerings, in partnership with the Asian Institute of Insurance (Aii), are reflected in key documents such as the Future Skills Framework (FSF) for the financial sector and the Asian Quality Business Award (AQBA), which are designed to prepare the workforce for future challenges and recognise excellence in ethical and sustainable business practices. "Looking ahead, Aii remains committed to supporting AITRI's mission as its Secretariat. Together, we aim to elevate the professionalism of the ASEAN insurance sector through close collaboration with all stakeholders and a shared vision for sustainable growth across the region."

The Congress concluded with the launch of the ASEAN Insurance Pulse by Malaysia RE, which focuses on the pressing issue of healthcare financing in the region. The report examines healthcare structures and financing mechanisms, highlighting the critical role of insurers in ensuring equitable healthcare access and exploring strategies to balance community health with market growth.

Key Industry Discussions

The Congress featured several in-depth panel discussions, including:

1. **Regulatory Transformation:** How to create a supportive environment for adaptable insurance business models amidst market dynamics, regulatory changes, and technological disruptions.
2. **CEO Perspectives:** Forward-looking strategies for growth, market expansion, product innovation, and customer engagement within the ASEAN insurance sector.
3. **Technology & Healthcare:** Harnessing digitalisation to transform healthcare, exploring both the opportunities and challenges it presents.
4. **Sustainability:** Integrating sustainable practices for long-term viability, focusing on ESG strategies, climate risk management, and green insurance in Southeast Asia.

The Congress also featured expert insights from the World Bank on flood risk management, the General Insurance Association of Japan on natural disaster response, and the International Finance Corporation (IFC)'s research on "The Women's Market" as significant opportunities for ASEAN insurers to progress further.

The 14th AIC reaffirmed the region's commitment to navigating disruptions and advancing a sustainable future for the insurance industry across Asia.

Industry

Driving Asia's Electric Vehicle Revolution

Aii's Strategic Initiative

Assembling an electric vehicle.

Global electric vehicle (EV) markets showed uneven progress in 2024, with some experiencing slowdowns, the Bloomberg EV Outlook 2024 said. Developing Asian economies like Thailand and India, however, saw record sales with affordable models, boosted by Chinese automakers' expansion. However, geopolitical tensions and fluctuating policy support create uncertainty, leaving China as the primary market with consumer-led EV growth. Falling battery prices benefit buyers but challenge new industry entrants.

A key hurdle is the insufficient public charging infrastructure, concentrated mainly in cities and along highways, leaving rural areas underserved. Expanding the charging network nationwide is crucial to build consumer confidence. High battery replacement costs pose another challenge, compounded by a lack of expertise among insurance companies in pricing insurance and processing battery replacement claims. Furthermore, on-going battery maintenance after the warranty period presents difficulties, as many regular workshops lack the expertise to service EV batteries.

The Asian Institute of Insurance (Aii) is taking a proactive approach to address these challenges, aligning with Asia's growing adoption. Recognising the need for a comprehensive EV strategy, Aii aims to equip insurance companies, reinsurers, loss adjustors, and private workshops to support the anticipated growth of Asia's EV market, Paul Low, Aii's CEO told *iN Magazine*.

Aii will develop a Professional Certification programme focusing on EV battery structure and safe repair practices, Low said. "This initiative will train insurance companies and workshops, providing them with the necessary knowledge to effectively manage EV-related issues. This strategic move by Aii is a crucial step towards overcoming the challenges hindering EV adoption in Asia and paving the way for a more sustainable transportation future."

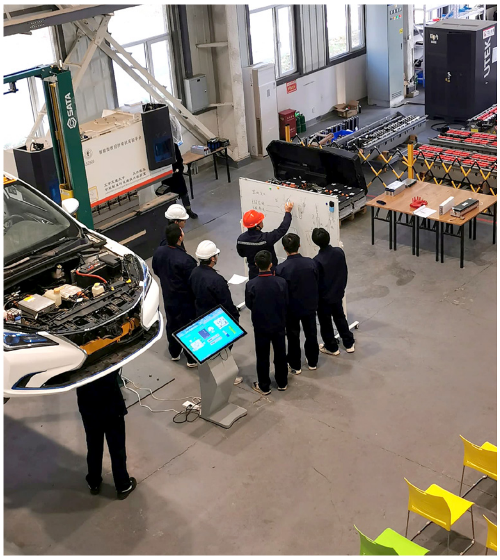
Collaboration and Knowledge Transfer

To bolster this initiative, Low said Aii will collaborate with Beijing Jiaotong University, renowned for its expertise in EV battery research and training. This partnership will provide valuable insights and training programmes

Lower voltage batteries for beginners. Students learning the structure of batteries in a laboratory where they need to do the tests themselves.

The real EV battery: students will study its structure and compartments in detail.

An equipment for changing the EV battery. Safety measures are built in just in case of any explosion.



Students will also learn the actual EV battery and its make-up.

Target	Initiatives	What Is It for the Industry?
Underwriters & Actuaries Claim Assessors & Loss Adjustors	Understanding EV battery structure and its efficiency best practices on underwriting, claims and product design.	Insurance companies to have adequate knowledge to underwrite, assess claims and design EV-based products.
Selected Workshops	Train and upskill mechanic workshops on EV batteries, enhance capability to identify which component of the battery needs to be repaired to reduce cost and improve workforce competency to meet EV trends. Able to replace or repair EV battery components.	Automobile industry will be equipped with the knowledge and understanding on diagnosing and repairing EV batteries.
Industry	EV battery disposable ecosystem.	EV batteries are disposed with minimal pollution impact.

tailored for Asian markets, leveraging China's pioneering experience in EV adoption with extensive data. China's success in achieving a 50% EV total industry volume (TIV), with all e-hailing and taxi vehicles being electric, offers valuable lessons for Asia.

Aii also plans to collaborate with a local university to deliver these training programmes, integrating EV education into the curriculum and preparing students for careers in the burgeoning EV market. The programmes will feature hands-on experience with battery systems and interactive workshops on the latest technologies, bridging academic research with practical application. A spacious learning environment with state-of-the-art safety equipment and resources will be crucial for effective training implementation.

Through its commitment to global standards, innovative educational approaches, and strategic partnerships, Low said Aii is empowering the insurance industry in Asia to navigate the rapidly evolving landscape and seize emerging opportunities.

Case Study - Malaysia

Knock-for-Knock Claims and Chain Collision Claims

Misconceived Perceptions Permeating the Insurance Industry

By L F Ong, *LL.B (Hons) (London); CLP; ACII, AMII, MCI Arb; MMI Arb.*

Introduction

This article is an *exposé* of a widespread disingenuous practice prevalent among ignoramus in the insurance industry disabling the process of a valid knock-for-knock claim *vis-à-vis* chain collision claim due to the existence of a bodily injuries/death claim.

Unfortunately, this misconceived viewpoint is echoed, *inter alia*, in an insurance advisory portal on the Internet misleading all and sundry.

This *exposé* is based on an actual case in early 2024.

Circumstances of the Chain Collision

Briefly, the motor accident occurred along the Kesas Highway involving the first vehicle knocking into the rear of the second vehicle which then collided against the rear of the third vehicle, all travelling in the same direction, in a chain collision.

The driver of the first vehicle sustained minor bodily injuries.

Police Findings

Police findings concluded that the driver of the first vehicle was responsible for the chain collision, who was accordingly charged under Rule 10 of the Road Traffic Rules 166/59 and fined RM300.

Policy Liability

The owner of the third vehicle submitted his own damage claim to his insurance company pursuant to the Knock-for-Knock Agreement.

His insurer responded, "Your vehicle was involved in chain collision and had the accident with a third-party vehicle and the workshop had submitted an own damage knock-for-knock (OD-KFK) claim. However, we are unable to process the claim due to the following reasons:

- the accidents involved third party injuries/ motorcycles

The insurer added, "... No Claims Discount (NCD) will be forfeited on the next renewal if there is an incident that may give rise to a claim."

Knock-for-Knock Agreement, Report and Guideline

For a better understanding of the OD-KFK claim provisions, reference is made to:

1. Section 1(a) Revised Knock-for-Knock Agreement (Revised 18 March 1987);
2. Supplemental Agreement (Revised 27 April 2001)
3. Bank Negara Malaysia's Report (Revised Knock-for Knock Agreement Revised 1 July 2001)
4. Guideline on Claims Settlement Practices (Consolidated) (Revised 4 May 2005)

1. Section 1(a) Revised Knock-for-Knock Agreement. Revised 18 March 1987.

The "Exclusions" of Proviso 2 on page 1-1 of the Revised Knock-for-Knock Agreement enunciates:

"Proviso 2: this Agreement shall apply to all types of vehicles specified in the Motor Tariff except:

a. any vehicles licensed or insured for the carriage of passengers for hire or reward.

   Examples: taxis, public buses, stage buses, school buses and factory buses for hire.

b. any vehicles licensed or insured by the owner for purposes which include driving for hire.

   Examples: chauffeur-driven taxi, hired car with hirer driving."

In short, under the exceptions to the Exclusions, the proviso applies to all types of vehicles, save (a) and (b) above.

2. Supplemental Agreement (27 April 2001) read, *inter alia*,

Interpretation

"2.5 'Knock-for-Knock Claim' means a claim for damage to the vehicle made by an Insured against his own insurer instead of to the insurer of a third party vehicle and which shall not affect the Insured's no claims discount (NCD)."

Effect of the Supplemental Agreement provides, *inter alia*,

Whereas it is hereby agreed, *inter alia*,

"3.3 however, in the event the insured or his authorised driver is deemed not to be at fault and opts to make a claim for the damage to his vehicle under his own insurance policy instead of making a claim against the third-party insurer, the insured's NCD shall not be forfeited."

3. Bank Negara Malaysia's Report: Part 2: Policies and Developments (1 July 2001) is produced verbatim as follows:

Motor Insurance Initiatives *(at page 15)*

ii. Revised KFK Agreement (the new rule)

The industry has agreed that the KFK procedure be amended to allow a vehicle owner the option to direct his third-party claim to his own insurer. This measure would enhance insurer's control in managing claims as such claims are handled by the Insured's own insurer rather than as a third-party claim. In order to encourage policy owners to take advantage of the new rule, the NCD entitlement of the insureds would be preserved if they were not at fault.

iii. Chain Collision Claims

In January 2000, insurers adopted a standard procedure for dealing with chain collision claims. Under this procedure, insurer of the vehicle immediately behind will be responsible for the loss of the vehicle directly in front in a chain collision. This procedure will not cover cases involving bodily injuries and death.

In order to avoid any confusion, the Motor initiatives (ii) and (iii) above must be read conjunctively.

For the sake of simple understanding, the short version of (ii) above on the Revised KFK claim can be paraphrased as follows:

The amendment allows a vehicle owner to direct his third-party claim and OD-KFK claim to his own insurer's management of both claims, the NCD entitlement is preserved for the faultless insured.

The short version of (iii) above on chain collision claim can be paraphrased thus.

In January 2000, insurers adopted a standard procedure for chain collision claims whereby insurer of the vehicle behind is responsible for the loss to the vehicle in front. This procedure precludes cases of bodily injuries and death.

The sentence at the end of the paragraph (iii) above **"this procedure will not cover cases involving bodily injuries and death"** misguided many in the insurance industry to conclude that the OD-KFK claim would not be processed where there are bodily injuries and death claim under the chain collision claim. This is far from the truth. This means the new rule (under (ii)) above is not applicable here and that insurer for the faultless owner will only manage the OD-KFK claim leaving the third-party claim in the separate management of the insurer for the vehicle owner responsible for the loss, otherwise, this would render initiative (iii) redundant.

Nowhere in the Bank Negara Malaysia's Guideline for Claims Settlement Practices (Consolidated) (see below) provides the exclusion of the OD-KFK claim where there are bodily injuries and death claim as well.

4. Guideline on Claims Settlement Practices (Consolidated) Revised 4 May 2005

   Part III of the Guideline No. 8 Motor Claims – Other Matter at paragraph 8.3 of the Guideline read:

   The insurer shall adhere to the standard procedures set by the industry in dealing with chain collision claims whereby the insurer of the vehicle immediately behind shall be responsible for damage and uninsured losses (i.e. excess and compensation for assessed repair times only) for the vehicle in front of it. These procedures shall not apply to collision involving:

   8.3.1 parked vehicles
   8.3.2 where the front vehicle makes a U-turn
   8.3.3 vehicles not travelling in the same direction; or
   8.3.4 foreign registered vehicles.

Conclusion

In the light of the aforesaid KFK Agreement, Supplemental Agreement, Report, and Guideline, it is axiomatic that an insurer's decision not being able to process the claim due to third party injuries and death under the chain collision claim would constitute a breach of the said Agreement, Report and Guideline and an abuse of process.

Having said that, under the privity of contract, the vehicle owner is not a party to the KFK Agreement, thus, he has no *locus standi* against his own insurer for breach of the said Agreement. In the alternative, the only recourse open to the vehicle owner is to seek the intervention of Bank Negara Malaysia, as the regulatory and supervisory authorities, against the errant insurer for contravention of the Guideline.

L F Ong is a Chartered Insurance Practitioner, practising arbitrator and mediator and has over 50 years of experience in underwriting, claims and management. He was the former chairman of the Association of Malaysian Loss Adjusters (AMLA) and the Chartered Institute of Arbitrators, Malaysia branch (CIArb) as well as a former director of the Malaysian Insurance Institute. He is currently a member of the Advocates and Solicitors Disciplinary Committee of the Malaysian Bar.

Industry

Asian Institute of Insurance Sets Sight on Asia

The Asian Institute of Insurance (Aii), formerly known as the Malaysian Insurance Institute (MII), has embarked on a strategic rebranding that reflects its ambition to lead insurance education and professional development across Asia. This transformation marks a significant milestone in Aii's journey from a national institution to a regional powerhouse.

Founded in 1968 as Pusat Latihan Insurans Malaysia, the Institute has been instrumental in shaping the Malaysian insurance landscape and providing certification courses across ASEAN for over 50 years. "Our journey began with the goal of raising professional standards in Malaysia's insurance sector," said Paul Low, CEO of Aii. "By 1984, we evolved into the Malaysian Insurance Institute, signaling our expanding influence. Today, as the Asian Institute of Insurance, we are ready to broaden our impact across Asia."

Low highlighted the evolution of Malaysia's insurance industry which is intertwined with the nation's rise to a leading economy in Asia. "While the roots of Malaysia's insurance sector date back to the 1800s, its development mirrors the country's unique needs and aspirations," Low said. "Despite facing economic challenges, shifting consumer demands, and the need for heightened professionalism, the industry has consistently strived to enhance its knowledge and skills base."

The rebranding exercise underscored Aii's commitment to addressing the changing needs of the insurance industry in a dynamic global landscape. With a membership of 23,250 professionals across nine countries, Aii is strategically positioned to drive initiatives that elevate skills and professionalism throughout Asia. Through its equipping tracks anchored on the Future Skills Framework, Aii integrates essential core and advanced skills to support the upskilling of the insurance workforce.

Aii's qualifications are recognised by esteemed international organisations, including the UK's Chartered Insurance Institute and the Australian and New Zealand Institute of Insurance and Finance. "Our focus is on enhancing our capabilities in digitalisation, artificial intelligence (AI), and environmental, social, and governance (ESG) principles," Low added. "These efforts will help solidify our goal of becoming the 'Harvard' of the insurance industry."

The launch of Aii was officiated by Datuk Seri Abdul Rasheed Ghaffour, Governor of Bank Negara Malaysia. This significant event celebrates Aii's legacy of excellence and marks the beginning of a new era of growth and innovation for the insurance sector in Asia.

In his keynote address, Rasheed, among other things, said the insurance industry in Malaysia and the region needs to adapt and innovate to expand capacity, narrow protection gaps, and strengthen financial safety nets. This effort will involve several key strategies:

1. **Capitalising on technology:** Leveraging the Internet of Things and artificial intelligence can enhance underwriting accuracy, improve cost control and transparency, and enable the development of specialised, needs-based products, particularly for at-risk segments.

2. **Augmenting protection with prevention:** Insurers and takaful operators can provide real-time risk mitigation solutions and incentivise positive behaviours. Partnerships with food, fitness, and medical providers can reward healthier lifestyle choices with lower premiums.

3. **Creating a more inclusive ecosystem:** Enhancing financial and digital literacy, especially among underserved segments, can ensure broader access to necessary protection.

Despite facing economic challenges, shifting consumer demands, and the need for heightened professionalism, the industry has consistently strived to enhance its knowledge and skills base."
- Paul Low

4. **Responding to regional needs:** As regional integration deepens, insurers and takaful operators must adapt their offerings to diverse communities and contribute to sustainable economic growth.

Public-private collaborations are crucial for developing sophisticated risk transfer solutions to manage large-scale and emerging risks, Rasheed added. He pointed out that Bank Negara is modernising the regulatory framework, making it more principles-based and enabling innovation through initiatives like the refreshed Regulatory Sandbox and the Licensing and Regulatory Framework for Digital Insurers and Takaful Operators.

These steps, he said, aim to promote inclusion, competition, and efficiency. Strengthening the regulatory framework also involves enhancing the Policy Document on Responsibility Mapping and raising standards for insurance and takaful agents to bolster public confidence and ensure professionalism in the distribution of insurance products.

Industry

The Dawning of an Era of Excellence

On October 5, 2024, the Asian Quality Business Award (AQBA) were officially launched by Asian Institute of Insurance (Aii) during the inaugural AQBA Symposium. This landmark event, officiated by Lim Hsin Ying, Director of the Consumer and Market Conduct Department at Bank Negara Malaysia, marks a transformative moment in the Asian insurance industry. The AQBA stands as a testament to the values of quality, integrity, and long-term client value — principles that are reshaping the standards of excellence for professionals and organisations alike.

The Vision Behind AQBA

The AQBA was conceived to celebrate and elevate the best in the insurance industry. It embodies a commitment to:

- Delivering exceptional customer experiences.
- Building trusted and reliable brands.
- Retaining customers through meaningful post-sales services.
- Fostering sustainable careers for advisors and leaders.
- Attracting and retaining top talent to ensure the industry's longevity and vibrancy.

By prioritising these principles, AQBA champions a customer-centric approach that emphasises protection, financial security, and long-term value.

Celebrating the First Cohort of AQBA Qualifiers

The 2024 AQBA recognises an inaugural cohort of 238 outstanding individuals whose exceptional performance and dedication exemplify the highest standards of professionalism.

These qualifiers are more than achievers; they are trailblazers setting the benchmark for excellence in the industry. Their stories serve as inspiration for peers and future qualifiers, showcasing what is possible through dedication and adherence to the values AQBA represents.

Honouring Our Sponsors

The success of AQBA 2024 was made possible through the generous support of its sponsors. Through their support of AQBA, these industry

leaders have demonstrated their commitment to fostering excellence:

- AIA Bhd — Diamond Sponsor
- Sun Life Malaysia Assurance Bhd — Ruby and Masterclass Sponsor
- Allianz Life Insurance Malaysia Bhd — Topaz Sponsor
- Malaysian Life Reinsurance Group Bhd — Topaz Sponsor
- Life Insurance Association of Malaysia (LIAM) — Topaz Sponsor

Their contributions underscore the collaborative spirit that drives progress and innovation in the insurance sector.

Defining the AQBA Brand

The AQBA is synonymous with three pillars of excellence:

- **Quality Business:** Embodying best practices, innovative solutions, and dedication to delivering exceptional value to customers.
- **Quality Advisor & Leader:** Celebrating professionals who exemplify ethical conduct, professionalism, and a customer-first approach.
- **Quality Company:** Honouring organisations that prioritise a culture of excellence, sustainable practices, and customer-focused solutions.

The Uniqueness of AQBA

Unlike traditional awards that focus on premiums or sales volumes, the AQBA prioritises metrics that measure long-term customer retention, service quality, and sustainable growth.

This ensures the recognition of contributions that genuinely benefit clients and uphold the core purpose of insurance: providing financial security and empowering individuals to navigate life's uncertainties.

Looking Ahead

As the AQBA establishes its foothold in the industry, its principles are poised to influence a broader transformation. The awards serve not just as recognition but as a rallying call for organisations and individuals to aspire to higher standards of professionalism and service.

"The AQBA is not just an award; it's a movement to redefine what success means in the insurance industry," said Bank Negara's Lim during her opening address.

With this strong foundation, the AQBA promises to continue inspiring excellence, innovation, and customer-focused values, ensuring a brighter and more sustainable future for the insurance sector.

Industry

Shaping the Future of Insurance

The Future Leaders Programme

The ***Future Leader Programme*** is a dynamic five-day residential programme designed to empower ASEAN C-Suite insurance executives to navigate the rapidly evolving industry landscape. This intensive learning experience focuses on essential leadership skills for the digital age, including digital leadership, ethical artificial intelligence (AI) usage, cybersecurity resilience, and strategic execution.

Scan to Read

Going beyond traditional classroom learning, the programme incorporates an in-depth offsite project, providing invaluable fieldwork experience and fostering a holistic understanding of the dynamic business landscape. Participants will delve into cutting-edge topics such as AI and data analytics, cybersecurity breakthroughs, ESG (environmental, social and governance) applications for insurance leaders, and collaborative learning journeys to drive societal advancements.

The programme culminates in a celebratory graduation dinner with key industry leaders, recognising the achievements and enhanced leadership capabilities of the participants. This transformative experience equips leaders with the skills and knowledge to excel in a rapidly changing world, embracing change and driving innovation within the insurance industry. This programme is tailor-made uniquely with the equipping of future-ready skills defined in the Future Skills Framework. Join us and become a leader that is future-ready!

Leadership in Turbulence

The Leader of Leaders Retreat

In today's turbulent business landscape, ASEAN Insurance CEOs face unprecedented challenges. ***The Leader of Leaders Programme*** is a transformative five-day residential retreat designed exclusively to empower these leaders to navigate the unknown.

Scan to Read

This programme goes beyond theory, offering once-in-a-lifetime learning journeys behind the scenes of Universal Studios, the DBS Innovation Hub, and Merdeka 118. Participants will glean insights into best-in-class service, innovation, and the precision of mega-project management.

Led by world-renowned practitioners, the programme fosters thought leadership and enhances risk management precision. CEOs will unbox their minds, develop strategies for an AI-led future, and cultivate a collaborative mindset to drive explosive growth.

This exclusive programme is tailored for visionary leaders in the ASEAN insurance sector, equipping them with the skills and tools to navigate emerging challenges and seize new growth opportunities. This programme is tailor-made uniquely with the equipping of future-ready skills defined in the Future Skills Framework. Join us and become a leader of leaders!

Industry

SmartDrive

Revolutionising Mobility through Data and Innovation

SmartDrive, a Tokyo-based telematics company founded in 2013, is rapidly transforming the logistics industry with its data-driven solutions. Composed of a team heavily weighted with data scientists and engineers, SmartDrive focuses on collecting and analysing vehicle data to develop cutting-edge hardware and software applications.

CEO Retsu Kitagawa envisions a universal platform that connects and analyses sensor data from all mobile vehicles, irrespective of manufacturer or affiliation. This vision embodies SmartDrive's commitment to "Accelerate the Evolution of Mobility."

SmartDrive's business model comprises two key segments. The first centres on supporting fleet operations for company vehicles. By collecting and analysing data from these fleets, including electric vehicles, SmartDrive empowers businesses to achieve legal compliance, improve driver safety, increase productivity, reduce costs, and align with Sustainable Development Goals.

Kitagawa anticipates continued advancements in Connected, Autonomous, Shared, and Electric technologies and Mobility as a Service, and believes SmartDrive's presence will further accelerate these innovations.

The second segment focuses on expanding SmartDrive's reach into Southeast Asia, specifically Malaysia, through a dedicated subsidiary. The company aims to establish a global platform originating from Japan by addressing mobility challenges similar to those faced domestically. SmartDrive's device-less, mobile app-based telematics service has already begun to positively impact the region.

To further enhance its capabilities in Southeast Asia, SmartDrive strategically acquired shares in **57 Code Box Sdn Bhd**, a Malaysian software development and digital transformation company specialising in electric vehicle (EV)

technologies. This acquisition strengthens SmartDrive's ability to develop new services and expand development resources, driving future innovation in the region. The company has already launched an assistance-tracking system available as both a web and mobile application, complemented by a robust backend operations portal to streamline communication between stakeholders.

Kitagawa emphasises the importance of balancing in-house development with strategic partnerships, fostering a "hybrid of competition and co-creation." He advocates for a horizontally connected industry, promoting shared resources and healthy competition. SmartDrive is dedicated to shaping the future of mobility in Japan and globally, building a thriving ecosystem with its partners.

The author, Retsu Kitagawa, is the CEO of SmartDrive.

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