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# Magazine

The official publication of the Asian Institute of Insurance

**AI To Recast ASEAN  
Insurance**

**AI Governance in  
Malaysia: Risks,  
Challenges and  
Pathways Forward**

**Rethinking the AOC  
Deductible in CAR  
Insurance**

**The establishment of  
CISO Forum for ASEAN**

**Hélder Lopes**  
Timor-Leste Central Bank  
Governor

# *Timor-Leste*

## Welcome to ASEAN

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### A Note from the Editor


## Of Timor-Leste and AI in Insurance

The recent accession of Timor-Leste as the 11th member of the Association of Southeast Asian Nations (ASEAN) marks a momentous occasion, signalling a new chapter of regional cooperation and shared prosperity. We extend our warmest welcome to Timor-Leste, anticipating its invaluable contributions to the ASEAN family. This strategic integration promises to bolster economic development, enhance regional stability and foster closer ties across Southeast Asia. As Timor-Leste embarks on ambitious plans to modernise its financial sector and digital infrastructure, its journey will undoubtedly be one of significant growth and transformation, enriching the entire bloc. This membership offers Timor-Leste a crucial platform to benchmark against established regional best practices, attract much-needed foreign investment, and incrementally synchronise its national policies with the broader ASEAN community, particularly within the intricate realm of financial services. It clearly signifies a collective commitment to a more integrated and resilient Southeast Asia.

As ASEAN continues to evolve and integrate – embracing new members and new technologies – the landscape of its member nations' industries undergoes continuous change. A prime example is the Malaysian insurance sector, which stands on the cusp of a profound revolution driven by artificial intelligence (AI). Globally, the insurance industry is also undergoing significant changes, influenced by technological advancements, demographic shifts and a heightened awareness of risk. This transformation is not just a future possibility but an ongoing reality, propelled by dedicated institutions like the Asian Institute of Insurance (Aii) and its affiliate, the ASEAN Insurance Training and Research Institute (AITRI). These bodies are at the forefront of preparing the industry for a technological leap into the future.

Aii has long been a pivotal force in shaping Malaysia's insurance landscape and has steadily expanded its influence across ASEAN as well as globally. Through AITRI, it actively facilitates the development of innovative solutions that leverage emerging technologies such as AI in the insurance domain. AI-driven underwriting, for instance, has demonstrated significant potential to streamline processes and overcome operational and financial bottlenecks previously associated with manual procedures. This shift towards automation and intelligent processing is critical for enhancing efficiency in an aggressive marketplace. While AI adoption in the commercial insurance sector has historically focused primarily on retail and specialty lines, its broader potential to revolutionise every facet of the industry remains limitless.

For Malaysia, this means more efficient and precise risk assessment, the ability to offer highly personalised product offerings and a substantial increase in operational effectiveness across the value chain. AI will empower Malaysian insurers to analyse vast datasets with unprecedented speed and accuracy, predict trends with greater confidence and deliver tailored solutions that genuinely meet the evolving and diverse needs of consumers.

By proactively embracing and integrating these advanced AI capabilities, the Malaysian insurance industry can significantly elevate its competitiveness on a regional and global scale, improve the overall customer experience through more responsive services, and ensure robust financial protection for its citizens. This strategic adoption of AI solidifies Malaysia's position as a forward-thinking and resilient market within the dynamic ASEAN economic community, ready to navigate the complexities and capitalise on the opportunities of the digital age. 



## Cover Story

# Timor-Leste Charts Resolute Course for Financial Future Following ASEAN Accession

**T**imor-Leste, the newest and 11th member of the Association of Southeast Asian Nations (ASEAN), is embarking on a transformative journey aimed at revolutionising its financial services sector. With its recent admission into the influential regional bloc, the nation is poised to accelerate its integration into the broader

ASEAN strategic plan, driven by clear goals to modernise its banking and insurance industries and develop its own sovereign currency. This strategic thrust is designed to solidify Timor-Leste's economic standing, enhance its global competitiveness and unlock its full potential within the dynamic Southeast Asian landscape.

## The Strategic Significance of ASEAN Membership

Timor-Leste's long-awaited entry into ASEAN represents far more than a symbolic milestone, Timor-Leste's Governor of the Central Bank Hélder Lopes told *iN Magazine* in a recent online interview. "It is a critical springboard for deeper economic integration, collaboration, and shared prosperity."

**"It is a critical springboard for deeper economic integration, collaboration, and shared prosperity."**

"For a nascent economy like Timor-Leste, the ASEAN membership provides a consummate framework for addressing complex developmental challenges and seizing burgeoning opportunities," Lopes said matter-of-factly.

"This membership offers Timor-Leste a unique platform to benchmark against established regional best practices, attract much-needed foreign investment and incrementally harmonise its national policies with the broader ASEAN community, particularly within the intricate realm of financial services," Lopes said.

Membership in ASEAN also opens doors for Timor-Leste to participate in regional dialogues and initiatives that shape economic and financial policies. This involvement is crucial for ensuring that the nation's developmental trajectory aligns with, and benefits from, the collective progress of one of the world's most dynamic economic regions. "The exchange of knowledge and expertise among member states is a key advantage," Lopes pointed out, "allowing Timor-Leste to learn from the successes and challenges faced by its neighbours in areas such as financial regulation and development."

## Revitalising the Financial Services Sector: Banking and Insurance at the Forefront

A cornerstone of Timor-Leste's post-accession strategy is the robust and accelerated

development of its financial services sector. The nation recognises the indispensable role of strong banking and insurance industries in fostering economic stability, facilitating trade, and driving inclusive growth. This monumental endeavour, as Lopes put it, will necessitate a concerted effort to enhance regulatory frameworks, broaden financial inclusion, and strategically attract foreign direct investment.

For the banking sector, the immediate focus, Lopes said, will be on constructing sound regulatory and supervisory frameworks that not only meet international standards but also align with the evolving best practices within ASEAN.



Among the key priorities for Timor-Leste's banking sector modernisation include regulatory alignment – developing and enforcing robust legal and regulatory frameworks that cover critical areas such as capital adequacy, corporate governance, anti-money laundering and counter-financing of terrorism.

According to Lopes, this harmonisation is essential for fostering trust and facilitating cross-border transactions within ASEAN, reducing regulatory arbitrage and improving overall market stability. "Observations in ASEAN countries reveal that institutional quality, particularly in areas like corruption control, political stability, government efficiency, and the rule of law, positively impacts financial inclusion's role in promoting bank stability," Lopes pointed out.





Second from left: Paul Low, CEO of Aii, The Honourable Dato' Seri Anwar Ibrahim, Prime Minister of Malaysia. Second from right: H.E. Helder Lopes, Central Bank Governor of Timor-Leste and H.E. Kay Rala Xanana Gusmão, Prime Minister of Timor-Leste.

As Timor-Leste integrates into regional financial markets, Lopes said its exposure to external vulnerabilities may increase, making robust stability mechanisms critical. And there is also a need for Timor-Leste to diversify its economy from oil and gas, which is currently a major source of Timor-Leste's income, accounting for a large portion of its gross domestic product (GDP).

A modernised banking sector is crucial for supporting Timor-Leste's broader economic diversification efforts, Lopes noted. "By providing accessible credit and sophisticated financial instruments, banks can help stimulate growth in non-oil sectors, reducing the economy's reliance on a single commodity."

**"By providing accessible credit and sophisticated financial instruments, banks can help stimulate growth in non-oil sectors."**

Timor-Leste's insurance sector has also been earmarked for substantial modernisation, with a strong emphasis on professional development and regulatory alignment. "This is where regional expertise and established institutions like the Asian Institute of Insurance (Aii) and the ASEAN Insurance Training and Research Institute (AITRI) become indispensable partners for Timor-Leste," Lopes said. "Our insurance industry is slowly being transformed, driven by shifting demographics and a heightened awareness of risk, but we have a long way to go."

For 2025, Timor-Leste's insurance industry is projected to reach a gross written premium of US\$432.08 million. The market is expected to grow, with a forecast of US\$505.30 million by 2030.

Recent AITRI workshops and initiatives vividly illustrate the regional focus on key areas that will be crucial for Timor-Leste's developing insurance sector:

- **Enterprise Risk Management and Operational Resilience:**

AITRI has convened workshops focusing on ERM and operational resilience, directly addressing the growing complexity regulators face in ensuring the prudent management of cloud deployments and technology provider relationships. These workshops cover identifying key business services, meticulously mapping dependencies, and rigorously testing organisational responses to severe but plausible disruptions. Special emphasis is given to mitigating risks from cloud service providers and technology vendors, covering areas from data security and privacy safeguards to contractual risk management and regulatory oversight mechanisms. These frameworks are foundational for building a secure and reliable insurance landscape in Timor-Leste.

**"For 2025, Timor-Leste's insurance industry is projected to reach a gross written premium of US\$432.08 million. The market is expected to grow, with a forecast of US\$505.30 million by 2030."**

- **Supervisory Implications of IFRS 17, Insurance Contracts:**

AITRI also hosts intensive workshops focused on the evolving demands for standardised International Financial Reporting Standards (IFRS) 17 insurance contract reporting. This standard is a critical step towards enhanced transparency and comparability in insurance financial reporting across the ASEAN region. For Timor-Leste, understanding and adopting IFRS 17 will be essential for aligning its financial disclosures with regional and international norms, which ultimately protects policyholders and strengthens market confidence. Discussions in these workshops highlight common implementation challenges such as system integration, actuarial assumptions, and effective change management strategies, offering invaluable insights for a developing market to navigate these complexities.

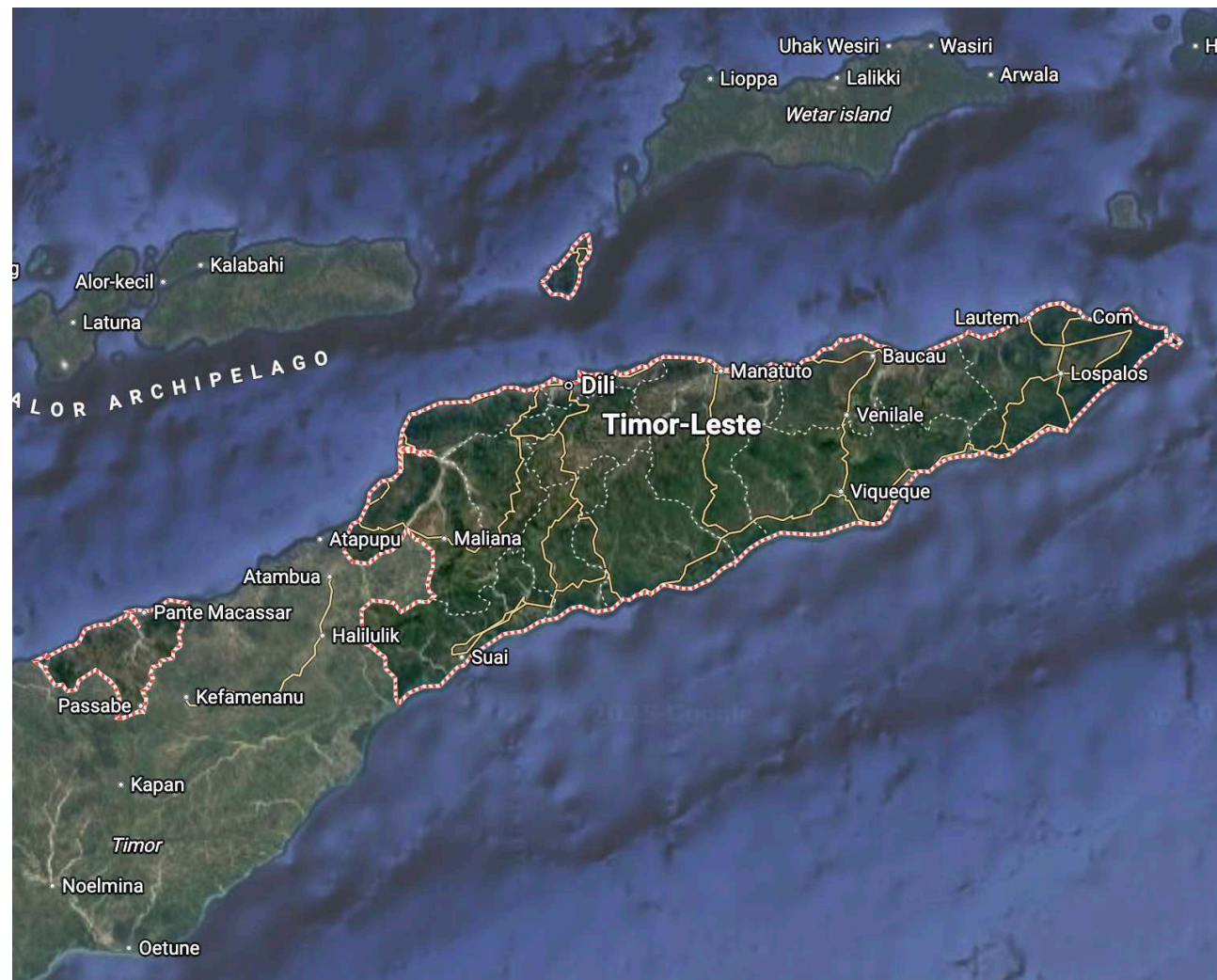
By engaging with institutions like Aii and AITRI, Lopes said Timor-Leste can strategically develop its insurance industry through tailored education and training by implementing specialised training programmes and certifications for both general and life insurance professionals, covering foundational principles, advanced actuarial science, related skills and ethical practices.

Through various strategic collaborations, Lopes believes Aii and AITRI will also be able to assist Timor-Leste to create a robust regulatory framework by developing a regulatory environment that fosters trust, protects consumers and attracts investment – aligning with ASEAN best practices and international standards. Lopes said, this includes developing effective financial consumer protection regimes and dispute resolution mechanisms, mirroring efforts seen in other ASEAN countries and ensuring that supervisors implement robust frameworks covering data privacy, cybersecurity and operational resilience.



One of Timor-Leste's priorities for its insurance sector is exploring and implementing microinsurance initiatives to extend coverage to underserved populations, providing essential risk protection against prevalent risks like natural disasters, health emergencies and agricultural losses, thereby enhancing financial inclusion and resilience.





## Outlook and Challenges: A Future Forged in Integration

Timor-Leste's journey as the newest ASEAN member is marked by both significant opportunities and considerable challenges. The nation faces the complex task of developing a skilled and adaptable workforce, enhancing institutional capacity across government agencies, and harmonising its legal and regulatory frameworks with established international and regional standards.

**“ASEAN membership provides Timor-Leste access to a large market, investment, and expertise, serving as a powerful catalyst for development.”**

These challenges are not unique to Timor-Leste; many developing economies within

ASEAN have grappled with similar issues, offering valuable lessons and potential avenues for collaboration. Yet, the advantages of ASEAN membership – including access to a larger regional market of over 600 million people, increased flows of foreign investment and invaluable technical assistance and knowledge sharing from more experienced regional partners – provide a powerful catalyst.

By strategically leveraging the expertise of institutions like Aii and AITRI, and actively participating in regional initiatives and workshops, Timor-Leste will be well-positioned to build a resilient, modern and robust financial services sector over the coming five to 10 years.

This ambitious trajectory will not only transform the nation internally but also allow Timor-Leste to contribute actively and meaningfully to the collective prosperity and stability of ASEAN. The path ahead requires steadfast commitment, strategic collaboration, and continuous adaptation, but the vision for a financially integrated Timor-Leste within ASEAN is clear and compelling. 🏠

## Case Study

# Rethinking the AOC Deductible in CAR Insurance

By L F Ong, LLB (Hons) (London), CLP, ACII, AAii, MCI Arb, MMI Arb.



In recent years, a quiet but consequential shift has emerged within Contractor's All Risks (CAR) insurance policies: the introduction of a deductible for **“Any Other Cause” (AOC)**. At the first glance, it appears to be just another technical adjustment in policy wording. But a deeper look reveals that this addition raises significant conceptual, legal and operational problems — and could reshape how loss responsibility is allocated between the insurer and the insured.

AOC is not a recognised peril. Yet in some CAR policies, it appears alongside established perils such as fire, flood, storm or landslide, as if it belongs within the same classification. This article explores why the AOC deductible is not only inconsistent with established insurance principles, but also potentially unenforceable and detrimental to policyholders.

## Understanding the CAR Policy Framework

CAR policies traditionally follow a simple and clear logic: They insure against **sudden and unforeseen physical loss or damage** from *any cause* unless that cause is specifically excluded. Section 1 of a typical CAR policy outlines this coverage and lists deductibles for well-defined perils — events understood to trigger loss in a predictable way.

Perils such as fire or flood are universally recognised, commonly referenced in insurance texts, and supported by decades of underwriting

experience. Deductibles attached to these perils represent the insured's participation in the first portion of the loss. Their purpose is practical and actuarial, not philosophical. However, some insurers have added a typewritten AOC deductible for losses arising from “any other cause” not listed among the named perils. This insertion — seemingly minor — creates contradictions within the policy's logic and the very foundations of indemnity insurance.

## Typed vs Printed: When Wordings Collide

One of the earliest issues is structural. According to established contract law, **typed wordings override printed wordings** when inconsistencies emerge. The AOC deductible, often typed, sits alongside printed policy exclusions. The unintended result: If AOC applies to all causes not already listed, the deductible technically overrides or undermines those very exclusions.

In other words, the policy may unintentionally suggest that the insured must pay a deductible for losses that the policy otherwise excludes. This outcome is unreasonable, legally incoherent, and almost certainly unintended by underwriters—but it is the natural consequence of introducing a deductible for a non-peril.

## Peril vs Cause: The Conceptual Misalignment

Clear definitions are the backbone of insurance. A *peril* is an event that causes loss — fire, storm and theft. A *cause* is far broader — referring to anything that gives rise to an outcome. Classifying “Any Other Cause” as if it were a peril is conceptually flawed. It collapses the clarity that perils provide and replaces it with a catch-all category too vague to form a proper basis for deductibles or risk pricing.

Insurance textbooks, tariffs and industry guidelines — including ABI (Association of British Insurers) CAR wordings, the Revised Fire Tariff, the Swiss Re CAR Guide and authorities



such as Frank Eaglestone, Walmsley, and Ivamy — contain no reference to AOC as a deductible category. The absence is telling: If a concept is not in practice, not in literature and not in underwriting doctrine, it is unlikely to be fit for inclusion in a modern insurance contract.

### Proximate Cause and the Limits of Legal Logic

Insurance operates on the doctrine of **proximate cause**: the closest, most effective cause of the loss must be an insured peril for a claim to be payable. The doctrine assumes the subject is a *peril*. But AOC is not a peril, so proximate cause cannot logically be used to justify its application.

This misalignment creates uncertainty in claims handling. How does an adjuster determine the proximate cause of a “cause”? Such ambiguity triggers interpretive rules such as:

- **Contra Proferentem** – ambiguity is interpreted against the drafter (the insurer).
- **Ejusdem Generis** – general words following specific items must belong to the same category.

Since AOC does not belong to the same category as fire, flood, storm or landslide, applying a deductible violates *ejusdem generis* and invites legal challenge. The Malaysian Court of Appeal’s reasoning in *NV Alliance Sdn Bhd v DGIR* reinforces this: general terms must be interpreted narrowly when they follow specific, well-defined categories.

### The Attempted Reinterpretation as “Risk Sharing”

Compounding the issue is some insurers’ explanation that the AOC deductible functions as a “risk-sharing mechanism.” While compelling as marketing language, this interpretation does not withstand scrutiny.

In classical insurance doctrine:

- Deductibles are **not** risk-sharing mechanisms.
- Risk-sharing occurs between insurers, reinsurers or co-insurers — not the insured.
- Policyholders bear deductibles as part of loss participation, not as a form of partnership.

Reframing deductibles as risk-sharing, without clear contractual wording or disclosure, risks

breaching the principle of **utmost good faith** — a cornerstone of insurance relationships.

This raises important questions: If the AOC deductible represents a new theory of risk allocation, why is it absent from the policy? Why is it not disclosed during underwriting? And why is it inconsistent with global best practices?

### AOC Deductible: Unintended Consequences for Policyholders

Allowing the AOC deductible to stand effectively exposes policyholders to an unlimited first layer of loss for any event that does not neatly fit into a listed peril. That transforms the insured into a *de facto* **excess-of-loss reinsurer** — bearing the first layer of risk without negotiation, premium benefit or contractual clarity.

This is neither commercially reasonable nor actuarially justified. It distorts the balance of the insurance contract and undermines the expectations of buyers who rely on CAR insurance to transfer, not assume, risk.


### Conclusion: AOC Does Not Belong in CAR Deductibles

The introduction of an AOC deductible in CAR insurance may seem like a small administrative change, but its implications are anything but minor. It is:

- conceptually unsound
- unsupported by insurance literature
- inconsistent with contract interpretation principles
- potentially misleading in terms of disclosure
- prejudicial to the insured
- legally vulnerable

Perils and causes are not interchangeable. Deductibles belong to the former, never the latter. The coherence and fairness of CAR insurance depend on maintaining this distinction.

For the integrity of coverage — and the protection of insureds — **AOC deductibles should be carefully reconsidered, revised or removed.**

*The author is a Chartered Insurance Practitioner, arbitrator and mediator.* 

## Industry

# AI To Recast ASEAN Insurance



The growing resonance of artificial intelligence is echoing throughout the ASEAN insurance industry, signaling a profound disruption of traditional practices. From personalised life policies to hyper-efficient claims processing, AI is poised to redefine every facet of the sector across the region. This technological tide, however, brings with it a wave of critical challenges — from ensuring data integrity and navigating complex ethical landscapes to upskilling a workforce for a future where humans and machines collaboratively coexist. Insurers across ASEAN stand at a pivotal juncture, where embracing this digital frontier is not merely an option, but an urgent imperative for survival and growth in an increasingly AI-driven world.

The Asian Institute of Insurance (Aii), a leading institution in insurance education and professional development within the ASEAN region and beyond, recognises this monumental shift. Its affiliate organisation, the ASEAN Insurance Training and Research Institute (AITRI), actively spearheads research and training initiatives, acknowledging AI’s burgeoning influence across the industry. While AI adoption in commercial insurance has been somewhat gradual, largely focusing on retail and specialty lines, its transformative potential across the entire industry remains immense, Paul Low, Aii’s CEO said. Financial businesses, including insurance, are increasingly leveraging AI to improve efficiency and customer connections.

### The AI Imperative: Reshaping Insurance’s Core

AI is emerging as a powerful force within the ASEAN insurance sector, poised to fundamentally alter how companies operate and deliver services. Its influence spans the entire insurance value chain, promising to revolutionise traditional processes and workflows, Low told the iN Magazine. The unique capabilities of AI necessitate distinct regulatory approaches, signaling a departure from how previous technologies were managed.

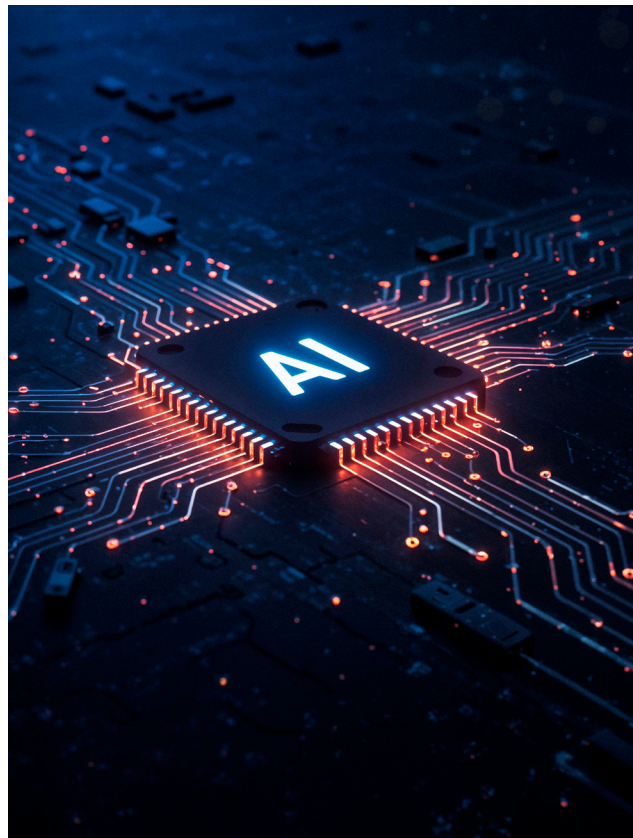
In the life insurance segment, AI offers a compelling solution to persistent challenges such as low penetration rates and the demand for more personalised products. Despite progress in insurance intensity, many ASEAN nations, including Malaysia, still trail other developed Asian nations in life insurance penetration. For instance, Malaysia’s penetration rate was at 54% in 2018, with a life insurance penetration rate of 3.35% of GDP, compared to Singapore’s 5.96%.

Low believes AI can provide a pathway to bridge this gap by enabling more effective targeting and nuanced product development. Technology-based insurance, or Insurtech, utilising AI to analyse data from user engagement, can bridge the gap between providers and consumers, Low pointed out, thereby enhancing societal protection and resilience. Machine learning models, for instance, can also predict life insurance



purchases by analysing socio-demographic data from various ASEAN countries, classifying customers based on attributes to gauge their likelihood of buying a policy. This data-driven precision ultimately contributes to the financial stability of families across the region.

The general insurance sector, encompassing areas like automotive, health, and property, is also poised for substantial gains from AI adoption. According to Low, AI is already demonstrating its prowess by driving efficiency in underwriting, streamlining claims processing, and enhancing fraud detection capabilities across ASEAN markets. AI-driven underwriting also helps overcome operational and financial bottlenecks associated with manual processes, while AI in health and accident insurance leverages sensors and wearables for valuable health data.



### The AI Horizon: Key Considerations for ASEAN Insurers

“While AI’s potential is vast, ASEAN insurers must meticulously navigate several critical areas to successfully integrate AI into their processes and maintain competitiveness,” Low said. “Despite AI’s limited adoption in the commercial insurance sector and relatively low implementation in some industries within the region, other sectors, such as banking,

are already undergoing profound changes due to generative AI.” Furthermore, ASEAN governments are also actively promoting AI adoption through policy initiatives aimed at improving urban services and advancing Industrial Revolution 4.0, Low pointed out.

Below are some of the key areas that will be enhanced by these initiatives:

#### 1. Data Quality, Governance, and Privacy: The Foundation of AI Success

AI systems are inherently dependent on the quality of the data they learn from. For ASEAN insurers, a paramount concern will be ensuring access to high-quality, comprehensive, and relevant data, Low said. Currently, many insurers operate with fragmented data spread across outdated legacy systems. Consolidating these diverse datasets into a unified, accessible format for AI models represents a significant, yet crucial, undertaking. Inaccurate or incomplete data can lead to skewed risk assessments, erroneous predictions, and, ultimately, poor business decisions. Insurers must commit to robust data cleansing and enrichment processes. Increased data collection comes with a heightened responsibility for safeguarding privacy. As such, ASEAN insurers must strictly adhere to local data protection regulations, ensuring the secure handling and storage of sensitive customer information. Data privacy concerns are actively reshaping the industry’s priorities. Globally, governments are grappling with issues of data safety, security, personal privacy, and transparency, with regulators actively addressing these risks across technology, cybersecurity, operational resilience, and data privacy.

#### 2. Regulatory and Ethical Landscape: Charting Uncharted Waters

The regulatory environment for AI across ASEAN is dynamic, and insurers must proactively understand and comply with emerging frameworks. “AI’s unique capabilities necessitate distinct regulatory approaches,” Low said, “diverging from how previous technologies were managed.” Low also pointed out that various ASEAN nations are diligently developing roadmaps for governance, research, development, and innovation ecosystems, including national AI codes of ethics. Insurers must closely monitor these developments, aligning their AI strategies with these evolving ethical guidelines. “Government backing for AI is crucial to ensure these technologies are

ethically sound, safe, and beneficial to society,” Low said matter-of-factly. As AI systems gain autonomy, questions regarding legal liability for AI-driven decisions will inevitably arise. This is a complex domain, especially as AI insurance — designed to cover risks within AI technology — emerges as a growing field. Insurers will face increasing demands for transparency in AI-driven decision-making, particularly in critical areas such as underwriting and claims. This mandates the development and adoption of explainable AI systems, ensuring transparent risk evaluation and pricing models. AI systems must strike a balance between predictive power and transparency, especially as data privacy concerns reshape industry priorities. Regulators will likely require insurers to articulate how AI models reach their conclusions to ensure fairness and prevent discrimination. Furthermore, AI models, if improperly designed or trained, can inadvertently perpetuate or amplify existing biases present in data, leading to unfair or discriminatory outcomes in pricing, underwriting, or claims handling. Meticulous auditing of algorithms and datasets for bias is therefore critical.

#### 3. Talent Development and Workforce Transformation: Adapting to a New Paradigm

The integration of AI will undoubtedly reshape the insurance workforce across ASEAN, necessitating significant adaptation and skill development. This is where Aii will play a crucial role, both domestically and internationally, Low said. “Routine tasks, particularly in underwriting and claims processing, are prime candidates for AI-driven automation,” the Aii CEO said. This mandates a strategic focus on upskilling and reskilling the existing workforce, Low pointed out. Employees will need to cultivate new competencies in data analytics, AI model interpretation, and the art of human-AI collaboration. This also highlights the essential need for individuals capable of acquiring, applying, and implementing new business models and emerging technologies. AI’s integration will also spawn new specialised roles within the insurance industry, such as AI ethics officers, data scientists, machine learning engineers, and AI governance specialists. “The future workforce will thrive on a symbiotic relationship between humans and AI,” Low said. “For example, AI can automate mundane underwriting tasks, liberating human underwriters to concentrate on more complex and strategic aspects of their work, hence necessitating a re-evaluation of training programs for industry practitioners.”



#### 4. Customer Experience and Personalisation: The New Standard

AI will enable unprecedented levels of personalisation and vastly enhanced customer experiences, but insurers will have to leverage this potential effectively. “The digitalisation of the insurance sector has fundamentally transformed service delivery, driven by evolving customer demands for speed, authenticity, and personalisation,” Low said. AI empowers insurers to offer highly personalised products and services, meticulously tailored to individual customer needs, risk profiles, and preferences. This extends beyond basic demographic data to encompass lifestyle choices and behavioural patterns, Low added. AI-powered chatbots, virtual assistants, and intelligent recommendation systems can provide 24/7 support and seamless digital interactions, meeting the expectations of an increasingly digitally native customer base across ASEAN. AI can also identify potential customer needs or risks even before they manifest, enabling insurers to engage proactively, offer preventative solutions, and cultivate stronger, more enduring relationships.

#### 5. Competitive Landscape and Innovation: The Race for Relevance

AI’s disruptive potential implies that early adopters will secure a significant competitive edge, Low pointed out. The proliferation of InsureTech companies—often digital-first and

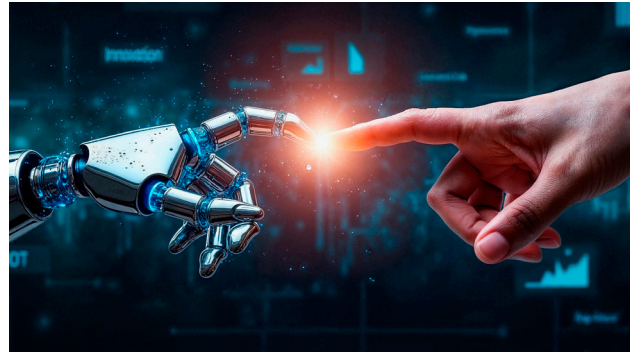


AI-native—poses a direct competitive threat to established insurers across ASEAN. These agile players can innovate rapidly, capturing market share by delivering superior digital experiences and highly personalised products. ASEAN insurers must actively participate in and foster a dynamic innovation ecosystem. Aii, through AITRI, is already committed to leveraging emerging technologies like AI, indicating a fertile ground for collaboration between academic institutions, technology providers, and insurers. Forming strategic alliances with AI firms or making substantial investments in internal AI capabilities will be crucial for staying ahead, Low added. Innovation can be seamlessly integrated into every stage of the insurance value chain, with AI offering immense opportunities to fundamentally transform existing processes.



6. Operational Efficiency and Risk Management: Beyond the Obvious


Where operational efficiency is concerned, Low said AI's efficacy extends far beyond underwriting and claims, permeating broader operational aspects. AI can automate tedious and repetitive tasks across various departments, freeing human employees to focus on more complex, strategic work that demands human judgment and empathy, he said. "AI's capacity for predictive analytics equips insurers with a deeper understanding of risk, providing real-time data for on-demand quotes. This significantly contributes to improved overall risk management within the industry, enabling insurers to identify and manage risks more effectively."



### Embracing the Future, Today

The integration of AI into the ASEAN insurance industry is not merely a technological upgrade — it represents a deep paradigm shift within the industry — demanding strategic foresight and proactive adaptation. From transforming underwriting and claims to revolutionising customer engagement and product development, AI promises substantial efficiency gains, enhanced risk management capabilities, and unprecedented levels of personalisation across the region.

For ASEAN insurers, Low said, the path forward demands a multi-faceted approach. They must prioritise investing in robust data infrastructure and governance, ensuring unimpeachable data quality, privacy, and security in an increasingly digital landscape. Navigating the evolving regulatory and ethical terrain will be critical to building trust and ensuring the responsible deployment of AI. Also, proactively transforming their workforce through comprehensive upskilling and reskilling initiatives, facilitated by organisations like Aii, will empower employees to collaborate effectively with AI, fostering a synergistic "Me and AI" environment, Low said. Embracing explainable AI, cultivating collaborative innovation, and steadfastly focusing on customer-centric AI applications will be paramount to meeting the evolving needs of customers who demand speed, authenticity, and personalisation.

By strategically addressing these key areas, life and general insurers across ASEAN can harness the full potential of AI, not merely to adapt to its "interference," but to leverage it as a powerful catalyst for innovation. This will propel the industry into a new era of sustainable growth, enhanced resilience, and unparalleled customer value. The digital transformation of the insurance sector, driven by AI, is already well underway, and proactive engagement is the definitive key to unlocking its complete promise. 

### Industry

## AI Governance in Malaysia: Risks, Challenges and Pathways Forward



The development and use of artificial intelligence (AI) are expanding rapidly at a global scale, bringing forth both promises of benefits and concerns about adverse impacts on society. Governments striving to be ahead of the curve are compelled to build policies and regulatory frameworks at an urgent pace, to direct AI technologies towards positive outcomes and to mitigate risks as they arise.

Malaysia has responded to these trends admirably with multiple stakeholders diving into the fray, spearheading initiatives to drive AI development, adoption and use. The area of AI governance has also seen increasing activity, with the release of national-level guidelines and the establishment of a National AI Office (NAIO). The government has also indicated strong political will to advocate for AI safety in Southeast Asia and drive the participation of the region in international rules-setting for AI.

To advance the discourse on AI governance in Malaysia, this report gathers the perspectives of local AI policy stakeholders to answer some key questions on AI risks, governance challenges and feasible pathways forward. We offer a snapshot of the current landscape, a conceptual framework of AI risks and an indication of present gaps and challenges in technology governance. A set of policy recommendations is also provided, in line with the government's direction at the national level while recognising international pressures and trends.

### Types of AI Risks

We offer a typology to conceptualise AI risks, which draws from extensive stakeholder discussions. We found three main types of AI risks, including (1) risks of being left behind in technology adoption, (2) risks of unsafe AI and unintended consequences, and (3) risks of malicious use of AI. The debate between technology regulation and allowing unfettered innovation stems from the tension between prioritising different types of risk categories.

We also distinguish between risks directly linked to AI and those tied with the lack of AI readiness, which will exacerbate AI risks. Thinking in terms of AI readiness will anchor policymakers' attention to tangible policy actions such as bridging existing gaps in governance, capacity, education and resources, instead of speculating about uncertain risks in the future.

### Challenges in Governing AI

We have identified five key challenges to AI governance in Malaysia.

First, *there is a lack of collaboration and coordination among agencies*, with fragmented efforts limiting cross-sector collaboration and alignment.



Second, *insufficient state capacity* hampers effective governance, with shortages of skilled professionals and a lack of frameworks that integrate technical, legal and ethical dimensions.

Third, *building an effective regulatory environment* is challenging, as traditional mechanisms struggle to address AI's unique complexities and to effectively translate policies into enforceable legislation.

Fourth, *balancing regulation with innovation is needed*, as excessive regulation may stifle growth, while insufficient oversight risks the unethical use of AI.

Finally, the fifth challenge involves *issues beyond Malaysia's control*, emphasising the need for a supply chain approach to governance. Additionally, robust mental models are important to ensure AI-related issues can be clearly grasped, and proper solutions can be identified.



### Feasible Pathways Forward

To strengthen Malaysia's AI governance, we recommend to:

1. Focus on national coordination of existing initiatives and actors, ensuring that information flows efficiently within the AI governance ecosystem so that joint action can be coordinated.
2. Participate in international collaboration and global governance, which involves

establishing and developing Malaysia's position on debates of global governance, and engaging strategically in international rules-setting and other global discussions.

3. Establish an agile and fit-for-purpose regulatory framework for AI by considering a whole spectrum of regulatory mechanisms alongside legislation, including using softer approaches emphasising flexibility. While Malaysia matures in its AI adoption, consistent efforts should be invested on boosting public and private sector readiness for AI governance and regulation.
4. Strengthen data governance frameworks that build trust and safeguards – Malaysia's existing data governance frameworks need to be fortified for AI-related risk scenarios. Strong and trustworthy common principles for data sharing are needed to build better technology for the local context.
5. Cultivate understanding of AI impacts and how to manage them among experts and laypeople. There is a need to connect experts across different disciplines and localities, and strengthen expertise on AI governance. Consumer and civic education is the next step after AI literacy campaigns, and more conversations among non-experts need to be facilitated to promote critical thinking and collect diverse perspectives on technology adoption.
6. Support research and oversight on AI impacts by having independent oversight on adverse effects of AI, and collecting data on AI-related harms and high-risk use of AI by the state and large corporations. Systematic tracking of AI adoption by small and medium enterprises will help inform industrial development.

These recommendations are interconnected, and the successful implementation of each will have a multiplying effect on the others. Adequate resources will be needed to fund and coordinate the initiatives towards effective AI governance, but with careful orchestration these investments will pave the way towards a safer and more inclusive AI-enabled future.

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### Industry

## AITRI Leads Regional Effort on Enterprise Risk Management Amidst Digital Shift



The ASEAN Insurance Training and Research Institute (AITRI), a leading force in shaping the future of the insurance industry and committed to leveraging emerging technologies, successfully hosted a crucial week-long regional workshop in Bangkok from August 18-22, 2025. The event brought together insurance regulators and supervisors from nine jurisdictions to explore the complexities of Enterprise Risk Management and Operational Resilience in an era defined by rapid technological advancement and digital transformation.

Against a backdrop of increasing digital reliance within the insurance sector, the workshop specifically addressed the growing challenges faced by regulators in ensuring the stability and prudent management of cloud deployments and technology provider relationships. AITRI's on-going emphasis on innovative solutions and its role in driving transformation within the industry underscored the timely nature of this workshop. Throughout the intensive programme, participants engaged with

experts to examine critical components of operational resilience. Discussions centred on identifying key business services, meticulously mapping dependencies, and rigorously testing organisational responses to severe but plausible disruptions. A particular emphasis was placed on the escalating risks associated with the industry's increasing reliance on cloud service providers and third-party technology vendors.

Through interactive discussions, real-world case studies, and scenario-based exercises, the assembled group explored best practices for assessing and mitigating these operational risks. Key areas covered included robust data security and privacy safeguards, effective contractual risk management, and comprehensive regulatory oversight mechanisms. The regional workshop served as a vital platform for open exchange among peers, enabling supervisors to compare diverse regulatory approaches and discuss practical implementation challenges. This cross-border engagement is deemed essential as regulators strive to balance market demands with robust standards for data integrity, consumer protection, and systemic stability across the ASEAN region.

AITRI extended its sincere gratitude to the Office of Insurance Commission, Thailand, for their exemplary hosting of this collaborative initiative. The organisation expressed its commitment to sustaining this momentum and strengthening regional cooperation in the collective pursuit of a resilient and future-ready insurance sector.

## AITRI Workshop Tackles IFRS 17 Implementation Challenges for ASEAN Regulators




AITRI recently concluded an intensive regional workshop focused on the supervisory implications and implementation of IFRS 17, Insurance Contracts. Held from September 22-25, 2025, at Lanai Kijang and Sasana Kijang, the

event brought together insurance regulators and supervisors from 11 jurisdictions.

The workshop provided an invaluable platform for participants to gain deep insights into the complex requirements and challenges associated with IFRS 17 implementation. This crucial accounting standard is designed to enhance transparency and comparability in insurance financial reporting across the ASEAN region. Attendees engaged in a series of case studies, technical presentations, and interactive discussions, facilitating a rich exchange of



knowledge on jurisdictional progress, practical data gathering approaches, actuarial modelling and supervisory oversight frameworks. AITRI emphasized that these shared experiences underscored the critical need for a consistent yet flexible regional approach to IFRS 17. Such an approach supports regulatory readiness and ensures uniformity in financial disclosures, which ultimately serves to protect policyholders and strengthen market confidence throughout the region. The discussions also highlighted common implementation hurdles, including system integration, the formulation of appropriate actuarial assumptions, and effective change management strategies within insurance organizations.

AITRI extended its sincere gratitude to Bank Negara Malaysia for their generous hospitality and unwavering support in hosting this collaborative initiative. AITRI looks forward to continuing this vital journey of cooperation towards effective IFRS 17 adoption across ASEAN, reinforcing the region's commitment to robust financial reporting standards. 



Organised by The ASEAN Insurance Training & Research Institute | Training Partner IAIS

## AITRI WEBINAR ON DIGITAL INNOVATION IN INSURANCE

4 September 2025 | 15:00 - 16:30 (MYT)

Supervising Insurance in the Digital Age  
Structural Shifts - AI Governance - SupTech Evolution

KEY DISCUSSION AREAS:

- Structural Shifts**  
How digital innovation is reshaping the insurance landscape
- AI in Insurance**  
Supervisory expectations on governance, risk, and ethical AI use
- SupTech for Supervisors**  
Leveraging technology to enhance supervisory effectiveness and efficiency

SPEAKERS



**Joe Perry**  
Senior Policy Advisor

Joe Perry is a Senior Policy Advisor at the International Association of Insurance Supervisors (IAIS) since November 2020, focusing on climate risk, FinTech, operational resilience, and pensions. He previously led stakeholder engagement at IAIS and earlier worked at the Financial Stability Board (FSB), Standard Chartered, and Barclays. Joe also served in policy roles at the UK Financial Services Authority and has a background in journalism. He holds four Master's degrees in fields including Public Policy and Financial Law, and is currently pursuing further legal training.



**Shunsuke Tani**  
Policy Advisor

Shunsuke is a Policy Advisor at the International Association of Insurance Supervisors (IAIS), seconded from the Japan Financial Services Agency (JFSA) since November 2024. He supports work on Implementation and Assessment, FinTech, Financial Inclusion, and the IAIS information exchange framework (IMMLU). Since joining JFSA in 2017, he has worked across various divisions, including cryptocurrency regulation, national budgeting, securities law reform, and capital market oversight. He holds a degree in economics from Chuo University and a master's in public policy from the University of Bristol.

For any enquiries, please contact AITRI Secretariat at [aitrisecretariat@aiasia.org](mailto:aitrisecretariat@aiasia.org)


## AITRI Webinar Explores Digital Innovation and Regulatory Challenges in Insurance

AITRI successfully organised a webinar entitled “Digital Innovation in Insurance” recently in collaboration with the International Association of Insurance Supervisors. The session convened regulators and supervisors eager to understand the profound impact of rapid technological advancements on the insurance sector and its regulatory landscape. The webinar underscored how digital transformation will be reshaping the industry, a trend AITRI actively monitors through its research and training initiatives. Key trends such as artificial intelligence, big data analytics, blockchain, and advanced digital platforms were discussed. These technologies are enabling insurers to significantly improve risk assessment capabilities, enhance customer experience, and develop innovative products. Participants explored how these innovations not only open new avenues for efficiency and inclusivity but also introduce complex supervisory challenges.

The focus of the discussions was supervisory expectations regarding robust digital governance. Regulators emphasized the critical need for insurers to implement comprehensive frameworks that effectively address data privacy, cybersecurity, and operational resilience in an increasingly digital environment. Ethical AI

use was particularly stressed, with supervisors reiterating expectations for transparency, fairness, and accountability in AI algorithms to prevent bias and ensure paramount consumer protection. The growing influence of AI on the insurance industry, especially in areas like AI-driven underwriting, has been a key area of focus for organizations like AITRI, as it helps address operational and financial bottlenecks.

Furthermore, the webinar examined how regulatory bodies themselves can leverage technology to enhance their supervisory effectiveness. Innovations such as data analytics tools, machine learning models, and automated reporting systems were discussed as means to improve risk monitoring, bolster early warning systems, and inform regulatory decision-making, thereby fostering a more proactive supervisory approach.

The session fostered rich discussions on the delicate balance between promoting innovation and maintaining prudential safeguards. Participants explored strategies for aligning regulatory frameworks to support sustainable digital transformation within the insurance sector, ensuring its continued resilience and relevance. 

### Industry

## Unifying Efforts for Industry Cybersecurity Governance



The insurance sector across Malaysia and ASEAN is operating within an increasingly interconnected and complex digital ecosystem. Cybersecurity has emerged as a critical enabler of resilience, trust, and market stability.

The inaugural 2025 Aii-CISO Forum held on November 17, addressed the rising cyber, data and AI challenges confronting the insurance sector across Malaysia and ASEAN. Established under the auspices of the Asian Institute of Insurance (Aii), it serves as a collaborative platform for Chief Information Security Officers (CISOs) and senior security leaders of the industry to strengthen the cybersecurity posture and promote unified industry governance to advance and strengthen the Malaysia and ASEAN insurance sector together through shared expertise and collective action.

MANAGE	SERVE	INITIATE	MAINTAIN
Manage logistics including: 1. Meeting schedule 2. Meeting agenda 3. Records of minutes 4. Distribution of Forum materials	Serve as liaison for members and external parties.	Initiate sector-wide preparedness exercises and training workshops when necessary.	Maintain secure storage of sensitive shared information.

With Aii serving as the secretariat for ASEAN Insurance Training and Research Institute (AITRI) – connecting regulators and policymakers of 11

ASEAN nations and providing relevant training, the insights and best practice exchanges from this platform will continue to value-add and draw better alignment given the regional presence of many insurance companies.

The following have been elected by Forum members to serve a two-year (2026/2027) term:

- Chairperson: Devinder Singh (Etiqa Life Insurance Berhad)
- Vice-Chairperson: Elissa Cher Geik Theng (Sun Life Malaysia Assurance Berhad)

The Aii-CISO forums in 2026 forum have been scheduled on the last Wednesday of each quarter:

- January 28, 2026
- Apr 29, 2026
- July 29, 2026
- October 28, 2026

In the recent forum, Bank Negara Malaysia presented a talk on the “Overview of the Malaysian Insurance Industry Cyber Threat Landscape” and “Building Continuous Cyber Resilience for Malaysian ITOs.” The effort was supported by Cyber Security Risk Specialist Unit (CyRSU), Deputy Director Law Shyh Haur and his team and Technology Risk Specialist teams. 





## Qualifying Criteria

Personal Category	 Emerald	 Diamond	 Blue Diamond	 Red Diamond		
Month of Persistency	13-month	25-month	37-month	13-month	25-month	37-month
Qualifying Period	1st Jan 2025 – 31st Jan 2026	1st Jan 2024 – 31st Jan 2026	1st Jan 2023 – 31st Jan 2026	1st Jan 2025 – 31st Jan 2026	1st Jan 2024 – 31st Jan 2026	1st Jan 2023 – 31st Jan 2026
Persistency Rate (%)	95% and above	90% and above	85% and above	100%		
Other criteria	35 new cases MYR 1,645,000 USD 350,000					

Group Category	 Emerald	 Diamond	 Blue Diamond	 Red Diamond		
Month of Persistency	13-month	25-month	37-month	13-month	25-month	37-month
Qualifying Period	1st Jan 2025 – 31st Jan 2026	1st Jan 2024 – 31st Jan 2027	1st Jan 2023 – 31st Jan 2027	1st Jan 2025 – 31st Jan 2026	1st Jan 2024 – 31st Jan 2026	1st Jan 2023 – 31st Jan 2026
Persistency Rate (%)	95% and above	90% and above	85% and above	100%		
Other criteria	350 new cases MYR 16,450,000 USD 3,500,000					

Registration open date:  
**1<sup>st</sup> February 2026 – 31<sup>st</sup> May 2026**

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