

Under insured Malaysians turn to home insurance after floods

LAST month floods have wreaked catastrophic damage in many parts of Malaysia and prompted more Malaysians to grab homeowner's insurance, with perils coverage to protect against home damage.

Malaysia reported a loss of RM6.1 billion due to floods in 2021, according to the **Department of Statistics Malaysia (DoSM)**.

The report stated that the total loss of living quarters in the affected states was recorded at RM1.6 billion, vehicles (RM1 billion), manufacturing (RM900 million), business premises (RM500 million), agriculture (RM90.6 million), and public assets and infrastructure RM2 billion.

Etiqa General Takaful Bhd (EGTB) CEO Shahrul Azuan Mohamed said there will likely be a short-term increase in flood coverage, especially for vehicle owners and homeowners who were affected for the first time.

"There was an increase in additional flood peril cover purchases from the end of December 2021 to early January 2022," Shahrul Azuan said in an email reply to The Malaysian Reserve (TMR).

He said EGTB saw a spike to a high of 20% certificates purchased in the first week of January before coming back down to still above normal in mid-January.

"As the weather continues to improve, it is likely that the purchasing trend for flood cover will return to its previous level of 7% to 10%," he said.

Despite Malaysia's unpredictable weather in recent years, he, however, opined that Malaysians are underinsured for weather-related perils.

"Homeowners tend to be more prudent with flood cover, although this may be a reflection of perils attached to the home financing, while motor vehicle owners are less likely to take this added coverage," he noted.

According to him, over 2,300 homeowners had claimed with EGTB relating to the floods recently compared to slightly over 290 motor vehicle owners in the same period.

Responding to the government's call, he said EGTB is currently working together with other takaful operators to provide more insurance coverage to the bottom 40% income group (B40) segment.

"While I cannot yet lay out any specifics, we are planning to include additional perils cover in a number of our products that will cover the B40," he said.

Besides EGTB, Etiqa General Insurance Bhd (EGIB) is also working closely with the General Insurance Association of Malaysia (PIAM) as a response to the government's call.

“We have designed a package bundle product inclusive of flood allowance to our franchise distributors and have nurtured our intermediaries with relevant knowledge to ensure the best advice is given to our customers in cultivating a safe community mindset,” EGIB CEO Fukhairudin Mohd Yusoff replied to TMR.

Concurrently, he also said that Malaysians are underinsured against natural disasters, particularly floods despite being the most regular and yearly natural disasters affecting the country.

However, since 2018, Fukhairudin said EGIB has recorded an increasing trend in the take-up rate for natural disasters.

“The take-up rate from below 3% rate to above 5% in 2021 for motor insurance whereas commercial fire has a take-up rate of above 20%. This is good traction although it is still relatively very low,” he said.

He foresees that the take-up rate will further improve throughout this year as well as upcoming years, especially with proper awareness and education in flood coverage.

Notably, he said Etiqa has always focused on creating awareness of the importance of flood coverage since 2014.

“Etiqa was the first to introduce the Flood Claims Care-Van back in 2015 to ramp up efforts in simplifying the flood claim process to our affected customers.

“In addition, onsite approval of up to RM20,000 and claims notification via WhatsApp further simplifies our claims processes for our fire and house owners policyholders,” he added.

In responding to queries by TMR whether people tend to remove the flood coverage after a very short period of time, both Fukhairuddin and Shahrul Azuan disputed the conjecture as there is no evidence.

“There is no study to verify this at the industry level, and from our records, it does not appear to be the case. Although weather perils is an add-on to coverage, its risks are present at all times,” Fukhairuddin said.

Shahrul Azuan, on the other hand, said those that are tied to home financing coverage will have their flood covered for a long term period so they are unlikely to remove it promptly.

“A minority of customers who purchase weather-related perils as a reaction to rare events will possibly reconsider the additional perils purchased when it comes time to renew their takaful certificates,” he added.

Previously, in a query to PIAM, TMR has reported that natural disaster insurance coverage saw a downtrend as people tend to remove the coverage after a short period of time.

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