The maturing regulatory landscape in APAC

Over the past year, a number of regulatory changes have taken place in APAC, leading to increased capital among insurers and the rollout of more refined, existing frameworks, according to **Fitch Ratings**' **Mr Jeffrey Liew**. But with this maturity comes a closer scrutiny of insurer investments.

By Sarah Si

Calling 2025 "a year of change" due to the number of regulatory changes and updates that took place in the APAC region over that period, Jeffrey Liew, Head of APAC Insurance at Fitch Ratings.

For instance, Mr Liew pointed out insurers in South Korea, under K-ICS, increasing capital through debt issuance. Meanwhile, he also highlighted the rollout of RBC2 in Singapore.

"In Japan, some insurers are adopting the new economic solvency regime, starting from 2026," he added.

But the main changes, he said, could be attributed to advancements of regulatory regimes into later stages of use.

"Capital changes are now more granular, meaning more realistic risk will be used for different asset risks," said Mr Liew.

Citing the increasingly popular investments into alternative assets like private credits by life insurance companies as an example, he explained regulatory requirements now require insurers to look through the layers of the investment "to see what the underlying assets are".

"But overall, regulatory regimes have a role to play in what the market will be reshaped into, as well as the role of reinsurance," he said.

"Reinsurance now, other than the traditional provision of protection for CAT, provides more support to life insurers, and also provides capital relief for mass taxation risks in the region."

Capital adequacy updates and M&A

Touching on updates to capital adequacy requirements among (re) insurers in APAC, Mr Liew first spoke about how the increased paid-up requirements have resulted in a push towards consolidation in Indonesia.

"Some players in the market there are unable to fill the requirements, so they are planning to merge," he said.

"These consolidations are necessary, as when the market is fragmented, the national solvency margin is lower."

Similarly, he noted consolidations in other countries could be attributed to "push factors", which tend to be whether insurers under new regimes are able to find ways to raise capital.

"For example, when K-ICS was introduced in Korea, life insurance companies tried to raise debt," he explained.

"Insurers will try to raise funds before moving into M&A. But in certain fragmented markets, M&A is necessary when they are unable to tap into capital markets."

Implications of regulatory updates

When asked whether the updates

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influenced (re)insurer appetite for risk, Mr Liew said, "Companies will be more cautious in terms of selecting assets to invest in, because they would need more capital to support it."

The other implication is potential CAT risk, he added, as updated regimes charge for unprotected risks. As such, he said companies "will presumably have to increase protection".

"Recently, the Australian Prudential Regulation Authority's new regime encourages alternative risk transfer, so CAT bonds and other instruments can be used to help with reinsurance," he said.

"In markets like Singapore and Hong Kong, some players are also taking up CAT bonds."

Despite this, Mr Liew highlighted that for CAT bonds to be effective, a lot of reliable data would be needed.

"But with weather changes and emerging risks, which are new, time is needed to collect reliable data, which modellers will use for CAT bond pricing," he said.

Indonesia's credit insurance issue

Talking about Indonesia's credit insurance issues, which have led to losses, inadequate reserves and risk, Mr Liew said, "Before credit insurance was regulated, it was written by the banks, which would pass on the risk to the insurance company. They themselves do not retain any risk."

However, he further explained that insurers did not have the data to trace back the risk profile. Now, he said banks will have to retain 25% of the risk.

"Insurers need to be cautious in risk undertaking," he said.

Despite this, Mr Liew also noted that insurers not significantly exposed to credit insurance will have a stable outlook.

The future

Speaking on whether he expects regulations in APAC to move towards a more uniform regulatory standard over the coming years, Mr Liew said, "Not everyone will have the same insurance capital standards, but the fundamental concepts in the RBC and ICS frameworks are similar."

He also said, "Each regulator will take into consideration local environments, as well as their areas of focus, such as consumer protection.

"We will get close, but there will be regional differences."