



## Book Reviews

*A Matter of Risk: Insurance in Malaysia, 1826-1990*, by Lee Kam Hing. Singapore: NUS Press, 2012. 667 pages. (Paperback ISBN 978-9971-69-460-9).\*

This is a formidable book even for the student of history. At 667 pages long and straddling two centuries, Lee Kam Hing's history of insurance in Malaysia may very well be last word on the Malaysian insurance sector for a long time to come.

Whilst risk is everywhere, the main premise of insurance is that risk can be measured and if so, the entrepreneurial can hedge a bet on it to make money. By providing insurance to the risk-averse for an ascending fee, the entrepreneur who has the best information can make the most profit if he can select the right clients. Unlike gambling, insurance is really a calculated risk very much dependent on the same stable political system that is good for business. In short, insurance is very much part and parcel of the political economy.

*A Matter of Risk* explores how insurance companies had their beginnings in colonial Malaya and how an entire economic sector developed during the first three decades of nation building.

The book's main contention is that insurance was the bedrock for the making of British Malaya and an important contributor to nation building up. Taking a historical approach, the book explains that leveraging risk remains an underlying feature of any commercial venture and increasingly an indispensable feature of modern life.

If there was ever an empire built on commerce, the British Empire must be the largest and most extensive. With the formation of the Straits Settlements in 1826 as a backdrop for the opening section, the author describes the beginnings of the insurance industry as part of the pioneering enterprise of settlement, urban development and expansion into unchartered territories.

Wars and battles aside, it was the mundane day to day risks that remains the key challenge to nascent insurance companies. The author explains how fires in densely populated 19th century George Town made and broke the fortunes of many nascent businesses. For early insurers, fires were the main motivation for them to establish and manage fire brigades! To obtain insurance, property owners had to replace attap with tiles. Building materials also improved and laws were introduced to reduce the risk of fires. This single case study demonstrates quite efficiently how

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the insurance industry is intimately tied up with the growth of business and cities.

There were four phases in the development of insurance with the first being its pioneering days described earlier. In the ensuing 160 years, attitudes towards risk management changed dramatically from a matter of business to the personal as incomes and living standards improved.

The seeds of this shift in attitudes can be found in the second phase, which began with greater control by the colonial administration arising from direct rule and administrative union in the Malay Peninsula. In this period, insurance companies blossomed together with the extractive economy based on tin and then rubber. It was also a time when local banks emerged in the early 20th century and local capitalists realized the opportunities to be had in insurance. The Penang based Eastern Insurance company, although short lived, being a case in point.

Despite the travails and horrors of World War I, the insurance industry continued to prosper right up till the Japanese Occupation. In a time of total war and the ensuing “scorch earth policy”, constituting the third phase, the British commercial enterprise in Malaya ground to a juddering halt. But reconstruction after World War II proved another period of growth for the insurance companies. It was because of the “matter of risk” that the war against the Malayan Communist Party was underwhelming called the “Emergency”.

Here the author’s contribution to the history of the insurance business becomes very clear. How the major firms survived the most traumatic moments read like a management manual. In short, war and reconstruction, can be great challenges but it weeds out the weak from the strong.

Perhaps the book’s most interesting and final section is closest to the author. In the post-independence period, firms like Great Eastern emerge as household names. However, it was not until the 1970s that insurance became a matter personal. With the rise of a middle class, personal insurance gained wide popularity. Healthcare in Malaysia whilst good by global standards had to be complimented by personal insurance not because life was less predictable but because expectations are considerably higher.

Corporate insurance also blossomed as the country industrialized. Just as corporate banking evolved new products like the investment bank, corporate insurance developed into a highly sophisticated number crunching machine. The arrival of computers meant risks could be better calculated although the basic principle remained the same. Nonetheless, as Malaysia evolved from a primary industry based nation to an export-led economy, corporate insurance also grew to facilitate this transformation.

By stopping in 1990, the book provides a respite to future historians, giving them space to study how the insurance business contributed to the transformation of Malaysia into a major trading nation in a globalized world.



*A Matter of Risk* has laid solid foundations for further research into the exciting years of boom and bust that best characterize the last 25 years. In a globalized business environment even giant insurance companies like AIG can falter if component parts fail. Ultimately, as the book explains, insurance only works if there is a gunboat nearby to ensure everyone plays by the book.

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