

# “JUST-IN-CASE” PROTECTION SYSTEMS: JUST IN TIME TO SAVE LIVES



**“No, they cannot lose their Dad today”<sup>1</sup>**  
- Romain Grosjean, Formula 1 racing driver

During the 2020 Bahrain Formula 1 (F1) Grand Prix, Grosjean survived a near fatal crash. A barrier collision saw his race car split into two, engulfed in flames.<sup>2</sup> Unknown to many, the seemingly miraculous nature of his escape would not have been possible before the turn of the millennium. F1 fans may recall the tragic events of the 1994 San Marino Grand Prix in Imola, where three-time world champion Ayrton Senna and Roland Ratzenberger both lost their lives from skull fractures.<sup>3</sup> Imola proved to be the catalyst for widespread changes to safety measures for F1 racing. This included the introduction of a “Halo” head protection gear, which was credited to have saved Grosjean’s life.

The experience of F1 resonates well with the financial system. Following the Asian Financial Crisis in 1997/98, Bank Negara Malaysia (BNM) implemented many structural and institutional reforms that led to the strong and stable financial system experienced today. Such reforms included the establishment of Perbadanan Insurans Deposit Malaysia (PIDM) in 2005 to protect the interests and savings of bank depositors via the Deposit Insurance System (DIS). In 2010, the scope of protection was expanded to cover takaful certificate and insurance policy owners under the Takaful and Insurance Benefits Protection System (TIPS).

In essence, these systems act as the equivalent of the “Halo” in F1 racing. The “life-saving” DIS and TIPS mechanisms ensure that the savings of depositors and benefits of takaful certificate and insurance policy owners are intact in a crash or failure of any PIDM member bank or insurer member. As a result, financial consumers can remain assured and confident in the

Malaysian financial system during good times or when a crisis strikes.

## THE CASE FOR “JUST-IN-CASE” PROTECTION SYSTEMS

In F1, there are “just-in-time” measures like making the necessary repairs, replacements or adjustments during a pit stop, where the service is received as close as possible to when they are actually needed by the F1 car, and by extension, the driver. However, many other safety measures and actions are preventive in nature and involve multiple stakeholders. These “just-in-case” measures ensure that key risks relating to the cars, tracks and other elements are mitigated well in advance to support safe and optimal racing conditions.

Similarly, there are three important anticipatory, or “just-in-case” features, underpinning PIDM’s protection systems.

First is PIDM’s risk-based differential premium and levy systems (DPS and DLS). The design of PIDM’s protection systems includes the collection of funds from member banks and insurer members before a potential crisis occurs. The collection rates are determined by the individual risks exhibited by these member institutions, forming virtuous incentives - the better the risk profile, the lower the contributions, and vice versa. PIDM continually reviews and consults member institutions on the DPS and DLS parameters in light of changing risks in the financial system, including recent proposals to include forward-looking criteria relating to resolution. Through these measures, PIDM fulfils our aim to promote sound risk management in the financial system.

<sup>1</sup> Straw, Edd. December 4 2020. “‘I’m at Peace, I’m Dying’: Grosjean Tells Full Story of Crash” at [www.the-race.com](http://www.the-race.com)

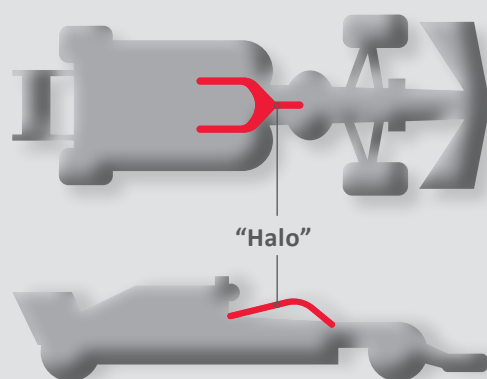
<sup>2</sup> Ibid

<sup>3</sup> McDonagh, Connor. 5 April 2021. “Senna’s Legacy and the Impact of F1’s Darkest Weekend at Imola” at [www.crash.net](http://www.crash.net)

Second is PIDM's role as resolution authority for member banks and insurer members, which contributes to financial stability. PIDM has a wide range of legislative powers and tools which enable it to intervene early and resolve any troubled member institution in a manner that minimises costs to the financial system. This supports PIDM's strategic priority to develop an effective resolution regime for Malaysia, where orderly resolution of such institutions can take place without disrupting the financial system as a whole.

Third is the financial safety net structure, which seeks to prevent as well as deal with the failures of financial institutions. In Malaysia, BNM, PIDM and the Ministry of Finance form a comprehensive financial safety net. This system is backed by collaborative arrangements between PIDM and other authorities for effective policy coordination and joint efforts to improve crisis preparedness.

These three components enable us to not only address the present needs of specific stakeholders but more importantly, to consistently bring forth values for the public good in the long-term.



## YOU HAD ME AT "HALO"?

Upon its debut in 2018, the "Halo" was poorly received by F1 drivers. It was deemed to be unnecessary, aesthetically unappealing, disrupting the balance and aerodynamics of cars, as well as opposing the spirit of risk-taking at the core of motorsport. A fundamental criticism was the rarity of severe accidents for which the "Halo" was designed to withstand against, and protect drivers.<sup>4</sup>

Other examples reveal a similar experience, including that of the V-type three-point safety belt. This was invented in 1959 by Nils Bohlin, an engineer at Volvo. Its life-saving advantage was so significant (relative to the then common two-point waist restraint) that Volvo decided to share its patent design with other car manufacturers. However, measures to make it compulsory were met with opposition over many years. Eventually this safety feature was adopted by automakers, the public, and lawmakers, and has since been recognised to have saved more than a million lives.<sup>5</sup>

Similarly, a longer term perspective is required to appreciate the value of societal protection systems, which serve to insure individuals and households against "low likelihood, high impact" events – just in case it happens. In the case of the Malaysian financial system, it remains strong and resilient without any failure of PIDM member institutions to-date. Nevertheless, PIDM strives to maintain a high level of readiness to activate our protection systems for financial consumers and maintain public confidence in the financial system should a crisis transpire over the longer term.

## FORESIGHT IS BETTER THAN HINDSIGHT



***Hindsight is a wonderful thing but foresight is better, especially when it comes to saving life, or some pain.***

*- William Blake, English poet*

While recuperating in his hospital bed, Grosjean recorded a video for his fans and admitted, ***"I wasn't for the "Halo" some years ago but I think it's the greatest thing we brought to F1 and without it, I wouldn't be able to speak to you today"***.<sup>6</sup>

Grosjean was speaking, of course, with the benefit of hindsight. However, it was the foresight of the engineers, campaigners and regulators who believed in the "Halo" which saved his life. The same goes for those who are indebted to Bohlin's life-saving three-point seatbelt. As for the millions of financial consumers in Malaysia, these resilient protection systems born out of foresight will ensure that in case the unexpected happens, life can go on for them and their loved ones.

<sup>4</sup> Crebolder, Finley. December 2, 2020. "The Halo Debate is Now Over, Once and For All" at [www.planetF1.com](http://www.planetF1.com)

<sup>5</sup> Bell, Douglas. August 13, 2019. "Volvo's Gift to the World, Modern Seat Belts Have Saved Millions of Lives" at [www.forbes.com](http://www.forbes.com)

<sup>6</sup> Ryan, Nate. November 30, 2020. "Romain Grosjean Praises Halo and Thanks Fans in Video Message from Hospital Bed" at [www.yahoo.com](http://www.yahoo.com)