



**GIA President's 2016 AGM Luncheon Speech on 22 March 2016 at
Amara Hotel, Ballroom 1 & 2, Level 3**

Our distinguished Guest-of-Honour, Mr Chua Kim Leng, Assistant Managing Director, MAS, members of the GIA MC, industry colleagues and guests, good afternoon and a warm welcome to this year's AGM Luncheon.

I am honoured to be re-elected as President of the GIA. Together with my newly elected MC members for the new two year term, we will strive to keep the robust momentum of activities and initiatives in enhancing standards to deliver professionalism and increase consumer trust and confidence in our GI industry.

I will touch on

- (1) 2015 industry results,
- (2) key 2015 achievements and initiatives and
- (3) activity highlights for 2016.

2015 Industry Results

Against the background of Singapore's GDP growth at 2% in 2015, our domestic GI total gross premiums grew by almost 2.6% to S\$3.6 billion in 2015, outstripping the 1% growth registered in 2014. Our net earned premiums declined, though, by 7% to S\$2.4 billion, and total underwriting profit went down by YOY 17% to S\$325 million.

The Motor business, which historically has the largest portfolio of the GI business, closed with a 32% share, despite a 4% decrease in gross premiums to S\$1.1 billion. We attribute this decline mainly to the keen competition and drop in vehicle population.

With consistent good underwriting results seen in the industry's motor business, consumers have benefited from the price war as evident in the falling average motor premium. In 2015 alone, our average motor premium was down by almost 3% from S\$1,227 to S\$1,192, compared with a 2% decrease seen in the prior year's average premium.

The contraction in motor premium also partly came from our declining vehicle population. Last year our vehicle population dropped by 1.5% to 957,000 vehicles, continuing with the decreasing trend which first started in 2014 (after 10 years of growth).

We will monitor this negative trend which is unlikely to reverse due to

- (a) concerted efforts to improve our public transportation system
- (b) the rising cost of car ownership and
- (c) promotion of car-lite strategy by our government.

Meanwhile, Health Insurance business beat Fire Insurance to become the second largest GI segment in 2015. GWP crossed the S\$400-million mark with a more than 14% year-on-year growth. We expect Health Insurance to continue on a strong growth trajectory as Singaporeans become more aware of their need to have better health coverage and to review their health insurance purchases.

The emphasis by the government on having a universal health insurance scheme—through MediShield Life—has also spurred discussion and greater interests on the need for adequate health insurance, helping to boost our revenue in this segment.

GWP for Work Injury Compensation fell 3% to S\$384 million, while underwriting profit stood at \$38million, which is almost double that of the prior year. Intense competition had resulted in a drop in revenue, and this trend is likely to continue even though compensation in statutory benefits has increased from January 2016.

2015 initiatives – Motor (BOLA)

Let me move on to highlight our key business initiatives last year. Being the biggest segment of our business, Motor saw a number of initiatives meant to enhance claims handling procedures, sustain profitability, and stabilize rates.

Last year, we worked on fine-tuning the rules and administration of the Barometer of Liability Agreement (BOLA) system to help expedite motor claims settlement. As an example, we increased the number of accident scenarios by clarifying that geographical limits apply or otherwise as

prescribed under each member's policy terms and conditions. We have redefined the rules to make these matters clearer.

BOLA has worked well over the years as a back-end mechanism among motor insurers for settlement of disputed motor claims, primarily over the apportionment of liability. Through BOLA, our members are able to know their final claims result much quicker than the usual 2 to 5 years as happened in the past. With faster turnaround, insurers are placed in a better position to reflect their portfolio's performance, and price their product competitively to the benefit of their policyholders.

Besides BOLA, we were able to further reduce claims incurred and attained good underwriting results because of...

- (a) continuous engagements with consumers on the Motor Claims Framework
- (b) active collaboration with government agencies to step up enforcement against reckless drivers and fraudulent claims.

We are now seeing steady decline in net incurred claims from \$700 million level down to \$539m in 2015. This has helped us achieve underwriting profit for 20 consecutive quarters. At this juncture, I would like to thank the MAS, Singapore Police Force, State Courts and LTA for their support and cooperation to bring about these good motor results.

While the Motor business has suffered severe losses in the past years and turned around after much collaborative initiatives adopted by many stakeholders, the challenge before us is how do we balance falling premium and underwriting profit? With management expenses and other distribution expenses rising year on year at 4% and 8% respectively, I would like to

remind all insurers to maintain underwriting discipline in writing motor business, lest we run into the red zone again, leading to premium increase which will of course bring about disgruntled policyholders.

2015 initiatives – Motor (Fraud)

Efforts by the GIA Fraud Committee have also centred on encouraging members to invest in setting up Special Investigation Units for better management of their motor portfolio to minimise inflated and fraudulent claims. Last year the committee standardised the red flags indicators identified in detecting suspicious claims into a more manageable and agreed set of red flags.

While this guideline has helped us better define what constitutes suspicious claims and made it easier for members to exchange information on such claims, we face the challenge of doing this process manually. We need to have a computerised system to help us track, store and share information on suspicious and fraudulent claims.

The Fraud Committee has evaluated database business analytics solution approved by the MC. We anticipate this major project will enable insurers access to the profile of claimants with historical records of filing inflated and fraudulent motor insurance claims.

2015 Initiatives - New Functional Workgroups

Not to forget the other classes of products and services in our GI business, we kicked off various workgroups to address operational issues and regulatory changes affecting specific segments, as well as to find solutions to

improve underwriting workflow, enhance practice and standards to these portfolios. These new functional workgroups cover the following item:

- (a) Political Risks and Trade Credit Insurance ,
- (b) Accident and Health,
- (c) Contract Certainty and
- (d) Income Tax & GST.

Participants to these Workgroups are drawn from experienced practitioners who have generously volunteered their knowledge, experience, technical competency and capabilities to study and review existing underwriting and claims handling practice with the objective to improve standards and elevate operational efficiency. I would urge members to volunteer their resources for these activities which also serve as learning opportunities for your staff to exhibit management skills as well as knowledge enhancement. Through these activities, we are also training managers and nourishing our industry's talent pool.

2015 initiatives – ARB Agents' Audit

The General Insurance Agents' Registration Regulations (GIARR), which was implemented nearly 25 years ago in 1990, went through a major review early this year.

One of the key amendments was to give clarity to the role and responsibility of Agents, Principals and the Board. Consequent to the revision of GIARR, the Agents' Registration Board or ARB was empowered to conduct independent audits on ARB registered agents to ensure adherence to GIARR and compliance with Agency Agreement executed with their respective Principals.

For this purpose, GIA engaged an external auditor to conduct audits on 3 agents. More audits will be conducted from this year to enhance consumer trust and confidence.

2015 initiatives – Human Capital Development

To ensure we have a continuous flow of bright and young people joining our GI industry as well as enhancing skills and competency of our young practitioners, GIA is fully committed to rolling out our annual GIA Internship Program (GIP). Since the implementation of GIP in 2008, we have enrolled 207 interns into the program.

I am happy to inform you that currently, we have more than 40 of these graduates gainfully employed in our GI industry. These young professionals were attracted to join our industry because we have dedicated mentors from GIP sponsors, who are predominantly GIA and SRA members, to inspire them. Thanks to all mentors and sponsors for your strong support of this successful initiative. We look forward again to your sponsorship this year as GIA secretariat engages you for support.

2015 initiatives – SG50

Moving on to our commitment to corporate social responsibility, GIA together with Life Insurance Association, Singapore Reinsurers' Association and Reinsurance Brokers' Association (Singapore) combined our resources to celebrate our nation's SG50. The highlight of our celebration was the SG50 Insurance Charity Golf game held at the Singapore Island Country Club, which raised more than \$660,000 for charity. The golf event was graced by

Minister Heng Swee Keat as our Guest of Honour, who presented the proceeds to seven beneficiaries.

Looking ahead to 2016 – GIA Jubilee

Following our celebration of Singapore’s jubilee last year, it is now GIA’s turn to celebrate 50 years of our existence and service to the industry. Over the five decades, we have seen transformation in many aspects of our GI industry.

To put it in a brief summary,

- revenues have soared manifold,
- reforms were introduced to enhance standards and practices,
- robust regulatory frameworks were implemented to strengthen capital adequacy, and consumer trust in our products and services.

We have produced well trained people to address the challenges of risk management. More of these reforms and initiatives which shaped our industry will be shared at our anniversary gala dinner to be held at Raffles City Convention Centre on 26 October 2016.

I trust from my message you will agree GIA indeed had another busy year. We have proactively engaged stakeholders and many government agencies in the implementation of many industrywide reforms.

We made strides in enhancing claims handling practice, stabilising motor premium rates, promoting consumer education on GI personal lines products, as well as in talent development. But we acknowledge that there’s more work to be done as we seek to strengthen our systems, standards and capabilities to deliver professionalism.

In conclusion, we have emerged from a challenging year as an industry although our GDP grew only by 2%. Looking ahead into 2016, a survey by the MAS released in March 2016 shows that the finance and insurance industry is expected to post a 3.6% growth in 2016. The financial and insurance industry's projection is the highest of the sectors examined. We are counting on the resilience of our business and the strength of our risk management to help us weather difficulties in the larger economy. Even as more uncertainty looms ahead of us against the expected global and regional economic slowdown, we expect our industry to continue growing, modestly. And with stronger leadership from our newly elected MC members and the support of our stakeholders, we can make 2016 another great year for our industry.

Thank you.