

# Rising need for specialty insurance

As Asian markets become more litigious, companies begin to see the value of directors' liability insurance. **TEH SHI NING** reports

**S**PECIALTY insurance – particularly financial lines of insurance – show much potential for growth in Singapore's market, insurance leaders here say.

After posting strong gains in gross premium income last year, classes of business such as directors and officers' liability, bonds and professional indemnity are expected to see demand rise in tandem with the economy's strengthening this year too.

These recent stirrings are symptoms of how a broader "culture of liability", once more evident in the Western markets, is now taking root in Asian ones, fuelling corporations' need to manage the risks of potential litigation, leaders at member companies of the General Insurance Association (GIA) say.

"More and more clients are becoming insurance savvy and there is a need for specialty insurance, especially as the markets become more litigious," says Kevin Goulding, chief executive of Chartis Insurance Singapore.

The recent economic crisis certainly sharpened awareness of the need to manage risks arising from financial responsibilities, and of specialty insurance as a means of protection. But those in the business of providing financial lines of insurance think this awareness was sparked off by earlier crises.

"The Asian financial crisis is probably when that culture of liability first hit home, when people started blaming managers for financial losses," says Stephen Blasina, Southeast Asia regional manager of the Chubb Group of Insurance Companies.

He recounts how prior to that crisis, talking to companies in China about directors and officers' liability or employment practices liability was difficult. "None of their lawyers, architects, accountants would have professional indemnity insurance, and they saw no need for it, whereas now, none would not have such insurance," he says.

Key forces driving this growing "culture of liability", Mr Blasina says, include the globalisation of both companies and information. The Internet has meant quicker and wider dissemination of information and companies which expand with sales or operations abroad face risks of liability from elsewhere, even if they feel "safe" in their local markets.

"In the recent downturn, there were more claims on financial institutions and a hardening of rates in the financial lines. Asia has not been hit as hard; countries where corporations were collapsing definitely got many more claims. These tend to be long-tailed and can take up to 10 years to close," says Mr Blasina.

Indeed, this economic downturn has thrown up claims from "recession-exposed professions", Mr Goulding says. Fortunately, it has not hit Chartis here as much, as "educated clients tended to be more concerned about protecting their business during these volatile times", he says.

Clients, seeing first-hand the true expo-



**Opportunities for growth:** Chubb's Stephen Blasina (left) and Chartis' Kevin Goulding see much excitement ahead for Singapore's insurance sector



sure their companies face in a crisis, then also see the value of insurance. Companies with a global business also find that often, having specialty insurance helps them to seal deals with international contractors, Mr Goulding adds.

Which is why these financial lines in this region constitute a "significantly growing book of business", says Mr Blasina. Illustrating his point with the growth of Chubb Group's Asia-Pacific operations, he says that premium amounts for the financial lines have risen swiftly, from about US\$23 million in 2000 to some US\$100 million in 2004 and over US\$140 million last year.

For Singapore, in particular, growth in the financial lines insurance business has come naturally with the increased sophistication of its financial sector.

Mr Blasina says: "Singapore is very global; the expansion of wealth management has made this especially so, and we've thus seen a

higher demand for insurance advisory services too."

He noted, for instance, that in 2000, about 60 per cent of publicly-listed companies bought directors and officers' liability insurance, but that figure has since risen to about 90 per cent. "It shows the shift in attitudes towards protecting directors' assets," he says, a pertinent matter given the spotlight on corporate governance issues in recent times.

With all its opportunities for growth, the specialty insurance sector here "is very competitive", says Mr Goulding, and "one where being penny-wise and pound-foolish can cause a disastrous outcome".

"There are times when we must walk away from a risk because we know the pricing is not adequate," he says.

The Singapore market, he says, is also "often the ignition point for product innovation and expanding service delivery platforms" and "these two fundamentals are often cross-

pollinated with best practices in other part of the region".

This has driven a greater diversification of specialty insurance products offered here too. "Most of the advanced, top-of-the-range products available elsewhere would be found here," says Mr Blasina. Few top-of-the-range products sold in markets like London and New York are not sold in Singapore too, he said, raising the example of a new product Chubb has launched to help small and medium enterprises insure themselves against cyber security risks.

Both professionals see much excitement ahead for insurance in Singapore. Already, a sense of that is coming through in the increasing number of deals coming through Singapore from Japan, Korea and other countries, Mr Blasina says.

"One of the things I see happening, and hope happens, is for Singapore to be the third of three global insurance hubs, after London, the traditional global insurance hub, and Bermuda, which has already arisen as the second," he says. Which is why he aims to "more than double our book value here in the next four years".

Based on his "invigorating" experience in Singapore thus far, Mr Goulding, too, says Singapore already "provides a sound environment for the hubbing of global insurance companies".

"It is a well regulated market and is viewed as pro business by many in the insurance sector," he says.

And while Hong Kong is often seen as the regional rival market to Singapore, Mr Blasina says: "Hong Kong has not really pushed in a strong way towards being a reinsurance hub. Singapore has strategized and poured resources into this. Hong Kong does not seem to me to have a similar long-term strategy yet."

Still, an enduring concern for the insurance sector here is that of talent development.

Attracting talent is an abiding challenge – potential recruits tend to head for the more lucrative banking sector. But Mr Blasina, who holds a degree in marine biology, cites himself as an example of one who would not have considered insurance when he was a fresh graduate (he went into investment banking instead) but has now carved an entire career in

just that, handling deals "just as exciting" as those he saw in his five years as a banker.

"The great thing about insurance, like banking, is that you can work anywhere in the world, in any market. The markets are different, yes, and products do need to be tailored to individual markets, but insurance should really be broken down to simple principles," he says.

The Monetary Authority of Singapore and the General Insurance Association have pumped resources into raising awareness about the industry, and helping with talent retention schemes. The Global Internship Programme, one such initiative, aims to expose undergraduates to the workings of general insurance both here and overseas.

"The beauty of the GIP is that young talented people get to see that in insurance, there is such excitement. They can see the deals we do, and gain an awareness of the fact that it's not just about selling policies," says Mr Blasina.

Mr Goulding thinks the shortage of talent has improved moderately, but retaining talent will remain a challenge as the market is finite. Agreeing, Mr Blasina explains how insurance companies in Singapore tend to be small and hence hesitant to train and invest in fresh graduates whom they risk losing – a single hire makes up a large portion of each company's total payroll. Hence, schemes from the MAS to help "mitigate our risks" in training has made it easier for insurance companies to take fresh talent on too.

Also, Mr Blasina sees the training and building up of local talent as crucial to Singapore's aspirations of being a global insurance hub.

The problem is not so much finding good people, but finding people who can adapt to each company's culture, while helping to adapt the company's products for the local market, he says.

And he has already seen change in the mix of Chubb's technical team here from 2000, when it was almost entirely American, to its present mix of various nationalities including Singaporeans.

"I would hope that the next person in my role would be a Singaporean. There are many good Singaporean managers out there and I think in the next five years, it will be increasingly difficult to find expatriate managers in the insurance companies here."

## A shield against potential losses from lawsuits

2009 was a tough year for many industries and companies as the economy soured. But this created opportunities for insurers, with more companies looking at using insurance as a risk management tool to protect their business during difficult times.

As Singapore's economy becomes more sophisticated, individuals and companies are beginning to rely more on advice and services provided by professionals. And this has raised the risk exposure of these professionals.

Professional liability insurance – a type of specialty insurance – helps protect professionals against potential financial losses from lawsuits filed by clients. As the range of services rendered by professionals becomes more diverse, savvy professionals are turning to specialty insurance as a form of protection.

The growing emphasis on corporate governance here also means that directors and company officers are subject to greater

scrutiny. As a result, the directors and officers face greater exposure in their day-to-day roles as managers.

Management liability insurance – another type of specialty insurance – helps protect directors and company officers against potential financial losses from lawsuits filed by stakeholders and regulators.

As Singapore's economy progresses, specialty insurance is set to play a growing role in protecting businesses.

This is the second of a four-part series brought to you by the



**GENERAL INSURANCE ASSOCIATION**

## Gaining a holistic view of the insurance industry

By **TEH SHI NING**

**F**OR third-year National University of Singapore Business Accountancy student Nur Ashikin Ahmad, job hunt season is still a while away. But a holiday internship last year has already evolved into a part-time flexi-work arrangement in general insurance, an industry she would not have envisioned herself working in a year ago.

"Like most other business school students, I'd no idea that I might do insurance. In business school, general insurance is not considered one of the more glamorous industries to move into," says Ms Ashikin, 21.

She was first drawn to the Global Internship Programme (GIP), organised each year by the General Insurance Association of Singapore, because of the chance to work abroad.

Looking back now, she says the fortnight spent with Chubb Insurance's Sydney office was enriching. But the GIP gave her far more than the chance to head overseas.

"The entire 12-week experience really gave me a holistic and interactive view of the insurance industry and opened my eyes to what general insurance is really all about," she says.

For most of the 10 weeks last May to July which she spent at the Federal Insurance Company – the local office of the Chubb Group of Insurance Companies – Ms Ashikin was at-

tached to a financial lines underwriter.

There she learnt about the range of specialty insurance products, such as directors and officers' liability and professional indemnity, as well as the scope of an underwriter's work.

"Before I joined them on the GIP, I didn't know what underwriters do. I thought I would be doing claims handling – what you hear about concerning motor insurance. I didn't even know about financial lines products until I came in!" she says.

She learned quickly enough though and soon had the opportunity to try her hand at the underwriting that comes in from the brokers each day. "I learnt to look at the management and operational structure of the potential client, and analyse and decide whether it's within the risk appetite of Chubb," she says.

The internship also allowed her to spend some time in the back office, to see "the policy wordings being churned out and claims being cleared".

Her mentor, Noel Tan of Chubb Specialty Insurance, found it "refreshing to hear the ideas and perspectives of a Gen Y-er, unencumbered by industry norms or the status quo, and ever ready to ask questions and suggest solutions".

Ms Ashikin got the chance to voice these ideas and perspectives when handling the other thrust of her work as an intern at Chubb, which was to help develop the company's strategy



**Ms Ashikin:** General insurance 'feels like you're really in the midst of things'. (On her right is her mentor Mr Tan)

with regards to various products.

One highlight for Ms Ashikin was helping the underwriters at Chubb with their research on how to move into the Malaysian market, to provide Islamic insurance or Takaful products. She says: "It was really interesting because I was able to take a more proactive role to help with Takaful wordings and developing Takaful policies, and see it move forward quite quickly."

Which is why after the official stint ended, she continued to head into Chubb's offices as a part-time intern until early last December.

"I really liked what I was doing," says Ms Ashikin, who definitely sees a career for herself in general insurance, though until she graduates next year, she has taken to assisting Chubb with part-time underwriting from home.

What she has seen of the work culture within the general insurance industry also appeals to her. "It is one that promotes work-life balance, yet offers very challenging work."

Her interactions with those outside her immedi-

ate host company have also contributed to her feeling that the industry as a whole is "very homely and connected". It is unlikely that an underwriter from one insurer will not know an underwriter in another major insurer, she says.

She was also struck by the currency and relevance of the work. "I saw how in general insurance you really need to keep abreast of the news. For instance, we'd need to know what's happening in the fund management industry to be able to relate that to our clients," she says.

What thrilled her about the taste of general insurance life that she got, she says, was how it "feels like you're really in the midst of things."

She adds: "Exciting information and news comes up and it actually really affects my job, I find that great."

Says Chubb's Mr Tan: "On our part, it was really to open our world of general insurance – one of the industry's best kept secrets – to Shikin, for her to see the wealth of opportunities that await an aspiring, energetic individual."

## Lesson from Michael Jackson's death

By **TEH SHI NING**

**W**HILE still an intern and green to the general insurance industry, Soh Rui Na was curious to know why and how people came to join insurance companies.

"Many people said they entered the industry either because a family member was already working in insurance, or they 'just fell in to it'," she says.

Now an underwriting executive with Chartis Insurance Singapore, Ms Soh's story of her own entry into general insurance is not without an element of chance either.

Previously a business student at the Singapore Management University majoring in finance, 23-year-old Ms Soh says she first encountered general insurance proper when tasked to research Singapore's insurance sector for a school assignment.

In the course of her research she discovered the Global Internship Programme run by the General Insurance Association, with the Monetary Authority of Singapore's support, and decided to send in an application.

What followed was a "truly enriching, educational and enjoyable" 10-week internship experience at Amlin Singapore last May to July, which gave Ms Soh a "great overview and valuable exposure to the dynamics of the industry".

While the GIP did not lead seamlessly to a job with the company she interned at, it sparked her desire to pursue a career in general insurance and paved the way for her present position at Chartis.

She credits the programme with widening her horizons and granting her



**Gaining insights into the workings of general insurance:** Ms Soh (left), with Mr Cheong and Emily Poh (one of Ms Soh's mentors at Chartis)

exposure to the Lloyd's market (Amlin is a Lloyd's syndicate) before her current work in Chartis which is in the company market.

The two weeks she spent in London on the overseas leg of the internship programme also gave her the chance to experience the bustling activity of Lloyd's famed Underwriting Room, where she witnessed huge deals transacted at breathtaking speeds.

It was also then that she realised the relevance of the insurance industry. When the sudden death of pop star Michael Jackson was announced, all her colleagues in London could discuss was which insurer covered the scheduled concert.

She says: "Insurance features in almost every aspect of daily life. From travel to property, almost everything you see needs to be insured. I like that relevance."

Learning during the GIP went beyond the insurance industry too. "From the current affairs of piracy in the Gulf of Aden and political risk in Venezuela and the technicalities of oil and gas

production to general knowledge about geographical locations prone to natural catastrophes, I was taking in so much," Ms Soh says.

The internship experience led her to her present job, and it is at Chartis that Ms Soh is gaining deeper insight into the workings of general insurance, specifically financial lines insurance. And this time round, as a full-time insider.

She says: "I like that the job requires both hard and soft skills. We've got to equip ourselves with technical expertise (not that I've got there yet, but I'm learning) but there's also the soft skills side of it which involves relationship building and marketing."

And the latter side of things is what she is only beginning to learn now that she is a full-time underwriting executive. "It is not just about producing cost quotations, it is also about following up to make sure we get the business," she says.

"Our boss at Chartis encourages us to go out and meet people. One difference between the London

market and Singapore, he says, is that here, most things are done over e-mail with very little personal interaction," she says.

Challenges she relishes at work include the fact that in underwriting, "there's no absolute right or wrong". "You've got to be able to justify your terms, but there's no single right answer, which makes it very challenging," she says.

And if Ms Soh is grateful for the inroads into general insurance that the GIP helped lay for her, her current employer, also a host company for GIP interns, is no less pleased.

One of her supervisors, Eugene Cheong, head of the financial lines department at Chartis, says his company believes it to be "an excellent way to attract talented individuals to the insurance industry".

"The GIP attracts high-calibre individuals who are eager to learn and adventurous enough to take a challenging career route in the insurance industry. These are exactly the type of people that Chartis wants to attract," he says.