

M Hotel- Level 10- Banquet Suite

26 March 2014

GIA AGM ANNUAL LUNCHEON – SPEECH BY PRESIDENT AK CHER

Good afternoon, our Guest-of-Honour Ms Loo Siew Yee, Executive Director (Insurance Department), Monetary Authority of Singapore, our distinguished guests and fellow colleagues from the general insurance industry. Thank you for taking time to attend our GIA Annual luncheon.

I am greatly honoured to be elected as GIA President and to serve the Association for a second term. The strong support I have received from the management committee and members is most encouraging. Before I move on, allow me to acknowledge and highlight some of the key initiatives rolled out by GIA during the tenure of our Immediate Past President, Mr Derek Teo, the longest serving GIA President (2005 – 2013) :

- Annual Swing for Charity started in 2006 which to date had donated over \$900,000 for charities to 11 charitable organisations.
- Talent Outreach Project and Global Internship Program – raised awareness on General Insurance business and attracted bright graduates to fill talent pipeline
- Motor Claims Framework – outline claims reporting procedure to mitigate inflated and fraudulent claims resulted in progressive year on year decline in motor loss ratio since 2009 of 75.3% to 63.4% in 2013.
- Initiated Insurance Fraud Committee – promoted setting up Special Investigation Units to combat fraud and to lobby for the setting up of insurance fraud legal framework.

I also like to take this opportunity to thank AIG for allowing a senior manager to serve our Association continuously for more than 8 years.

Moving on, I look forward to working closely with the new MC and all stakeholders in the new term.

As we are eager to hear from our Guest-of-Honour, I shall keep my speech short, and focus on just three key areas.

1. On industry results

The Singapore general insurance industry ended 2013 on a firm footing as it registered a 4.5% growth in total gross written premiums to \$3.5 billion from Singapore Insurance Fund (SIF), and 5.4% growth in total net earned premiums to \$2.5 billion. This was consistent with the industry's performance the previous year. However, underwriting profit declined by 1.1% to \$285 million, slightly lower than \$288 million gained in 2012.

Strongest growth was seen in major classes of business like Health, Engineering and Construction Risks as well as Work Injury Compensation (WIC). Liability business also registered growth with impressive underwriting profits rising 110% from \$25 to \$52m.

Let me give you a brief comment on the two classes of compulsory insurance – Motor and WIC. Motor business, which formed 35% of our industry portfolio, saw gross written premium dip by 2% to \$1.2 billion due to keen competition, and fewer registration of new

cars. Similarly, claims incurred also dropped marginally by 4% to \$712million. While we have seen improvements in motor underwriting results over the last two years, we are not totally out of the woods, and more needs to be done to mitigate claims leakages from inflated and fraudulent practices in order to sustain the current competitive and stable pricing level.

Gross written premium for WIC rose by 10% to \$369million. Notwithstanding the various collaborative initiatives taken by both MOM and GIA, the loss ratio continue to stay high at 68.7% in 2013 and this caused WICA results to remain extremely low at S\$3million in 2013. It is certainly a great concern over the rising trend in claims received from injuries and if left unchecked, WICA results could slip into red. We have actively engaged MOM in discussions to address our concerns over the increasing number of WICA claims due to event not arising from and in the course of employment. We hope that WICA policies will not end up as benefits instead of indemnity insurance policy.

2. On 2013 key activities

I will now move on to highlight some of the Association's key priorities and activities in 2013. The year has been a very busy one. Our proactive engagements with key stakeholders together with many initiatives rolled out in 2013 have significantly contributed to the enhancement of standards, elevated consumers' confidence in our industry, and escalated GIA's profile in the marketplace. These achievements were made possible due to dedicated efforts from our industry practitioners who had volunteered their generous time, energy and knowledge.

- BOLA settlement process among insurers was further enhanced with online system. The changes simplified workflow on the subrogation recovery process resulting in more efficient and effective recovery of BOLA settlements. In 2013, 3,550 claims were initiated through the system, and 94.3 % were settled.
- Special Investigation Units (or SIU) was initiated by the Insurance Fraud Committee. Members with SIU have developed fraud indicators or “red flags”, which have helped members to detect fraudulent claims, which were reported to the police for further investigation. We are encouraged by the successful police prosecution against those criminals, and urge members to support and participate in training sessions conducted to share these fraud detection techniques.
- In Dec 2013 GIA set up an insurance fraud hotline for motorists to file reports on suspicious claims. This initiative empowers consumers on their role in combating motor insurance fraud.
- Another area of concern for us is the small percentage, or about 8% of drivers who deliberately choose not to file a report on motor accidents with their insurer. This unacceptable social behaviour from irresponsible drivers presents difficulty to other aggrieved motorists when they seek compensation from insurers for their damaged property arising from the accident. Many have written to the local media to express their frustration. The absence of such reports from both parties poses a great challenge to our members in assessing liability from each party. To address this bad behaviour, GIA will continue to engage all relevant stakeholders to find an effective solution in weeding out such an unethical practice. In the interim, we have advised

our members against repudiating liability to third party claimants due to non-reporting of the accident by their own Insured.

- Our continuous support to the Workplace Safety & Health Council project on building claims database from various industries is on track to roll out this year. Claims history submitted from WIC insurers will supplement the WSHC's database to provide insurers with comprehensive risk management data in their assessment of risks proposed for WIC cover. It is anticipated that the outcome of this initiative will immensely benefit both insurers and employers. With updated fast track claims records and better risk management of WIC portfolio and underwriting results, employers with good quality risks can expect further savings from lower premium due to keen competition for better managed risks.
- Our ongoing Maritime Knowledge Shipping Session (MKSS) conducted jointly with Singapore Maritime Foundation, continues to receive very strong participation. MKSS which is now into its 8th series, has enhanced our practitioners' understanding on the issues confronting both the maritime and shipping industry.

3. On industry-wide initiatives

- The Do Not Call Registry and PDPA, which come into effect this year, will have a significant impact on the way our members conduct their business operations. To help members better understand the ramifications of the new law and the guidelines governing how insurers, agents and intermediaries sell GI products, GIA conducted an industry-wide briefing for members. We have developed industry-wide, PDPA-

compliant forms and templates for proposals, applications and claims processes that could be further customised by individual members.

- Stepping up our consumer education program and awareness, we launched “General Insurance & U” series of advertorials in The Sunday Times, focusing on lifestyle products like Motor and Travel Insurance, received commendable feedback.
- We took part in the Mediacorp TV programme “Exposed!” on motor insurance fraud to highlight to consumers that insurance fraud is not a victimless crime. Through the programme, we illustrated how the scam works and advised consumers to starve the food chain by resisting temptation to be sucked into the crime.
- In addition, we participated in the MoneySENSE 10th Anniversary Consumer Education Roadshow to showcase Fire and Property Insurance at the HDB Hub in October 2013.

On stakeholder engagement

The close bonding and partnership with key stakeholders that have been fostered over the years have resulted in collaborative efforts in rolling out critical general insurance initiatives. The Association has and will actively engage various government agencies and key stakeholders to represent our members’ views. These include MAS, LTA and Traffic Police (GIA is also a member of the Motor Insurance Task Force), MOM, CASE, and the Singapore Maritime Foundation.

In conclusion, I would also like to (again) thank all members who have unreservedly dedicated their time and energy and committed their resources to supporting industry

projects. More importantly, they have contributed constructive views towards the process of making policy decisions for the good of the industry.

For MC members, I would like to acknowledge their contributions and dedicated service in providing the strategic direction so crucial in rolling out initiatives to fulfil our vision of bettering the industry.

Thank you.

ENDS