

Speech by Mr Derek Teo, President, General Insurance Association of Singapore (GIA) at GIA's Annual Luncheon 2011 on 31 March 2011 at Amara Singapore

Good afternoon, our Guest-of-Honour Ms Luz Foo, Executive Director (Insurance), MAS, honoured guests, fellow colleagues from the GI industry, members of the media, ladies and gentlemen.

As you may have read in the media, 2010 was a positive and fulfilling one for the local general insurance industry. It was a year of developments on many fronts: steadfast growth in the business, high customer satisfaction with our services, and more visible industry profiling, among other things.

More importantly, it was an opportune year for the domestic general insurance industry as it again demonstrates the important role that GI plays in the lives of citizens and consumers.

*On 2010 results*

The industry's underwriting results last year further assured us that we are on track to achieve greater stability

after emerging from the financial crisis. We posted a total gross premium increase of 3.7% to \$3.03 billion from \$2.92 billion in 2009.

All our major classes of business, except Marine Cargo and Health, posted growth in written and earned premiums. Personal Accident registered the highest growth at 10%, followed by Motor at 9%, Fire at 8%, Work Injury Compensation at 5%, and Marine Hull at 4%.

Last year, the industry's underwriting profits rose by 4.4% to \$198 million, indicating a good recovery from the sharp drop over 2008.

The best performer last year was Work Injury Compensation with a recovery from an underwriting loss of \$12.3 million to a profit of \$5 million. After many years of sustaining an underwriting loss, it is good to see the Work Injury Compensation business turned around. But as we all know, WIC is a long tail business, and one good year is not an indication of a reversal of trend. Therefore, I would urge WIC insurers to maintain judicious underwriting discipline and technical reserving to stay on the right track.

Fire business also made a robust 21% increase in underwriting profit to \$63 million, followed by Personal Accident at 10% to \$50 million.

Health business, however, saw its profits dived by 56% from \$10.4 million in 2009 to \$4.6 million last year due to the erosion of rates arising from keen competition among members as well as increased frequency of claims.

Marine Hull and Cargo also showed deterioration in profit at 20% and 8% respectively.

### *On motor challenge*

Motor continues to be unprofitable, posting a bigger loss of \$48.9 million from an underwriting loss of \$44.5 million in 2009. Still, this was a significant improvement over the record underwriting loss of \$214 million which occurred three years ago.

Overcoming the challenges of writing motor business which will result in a win-win situation for all interested stakeholders is indeed a marathon. We are far from the finishing line, and along the race, I believe that there are three key priorities we need to focus on for improved results:

1. Managing fraudulent claims;
2. Up-scaling customer service standards in sales process and claims handling; and
3. Achieving a 90% adherence to the Motor Claims Framework.

I shall address these in detail.

### **Priority 1 – Managing fraudulent and inflated claims**

The first priority is managing fraudulent and inflated claims. The submission of fraudulent and inflated claims by both policyholders and third party claimants remains inherent in our motor insurance business. The claims leakage has to some extent, accounted for the many consecutive years of underwriting losses sustained by the industry. Just in the last four years since 2007, the industry has suffered **\$411 million in losses**, and clearly we are not out of the woods.

GIA has developed several initiatives to address this menace. They are:

1. The introduction of Motor Claims Framework in 2008;

2. Encouraging motorists to file a police report and magistrate complaints on detection of suspicious fraud, and
3. Working closely with the police in their investigations to prosecute these criminals.

I am happy to note from media reports that the police and courts are sending a strong and clear message to touts, unscrupulous workshop repairers, phantom passengers and witnesses by punishing these offenders with jail sentences. Through the publicity, motorists have become more aware of collusion among the crooks hatching up unlawful schemes. Motorists should be on their guard, and not unwittingly fall prey to attractive offers for help to settle their motor insurance claims

## **Priority 2 – Up-scaling customer service standards**

A major accomplishment which we achieved last year was the higher number of customers who found satisfaction with our industry's service. In a survey by the Institute of Service Excellence at the Singapore Management University, the motor and other general insurance sub-sector scored 67.1, an improvement over the score of 64.8 in 2009. This benchmark exceeded the overall financial

industry score of 66. More customers last year were particularly pleased with how general insurance companies responded to flash flood claims, and with the streamlining of the accident reporting and claims process through the Motor Claims Framework.

Our industry's prompt action in the wake of the flash flood incidents last year thus served as a good opportunity for our general insurers to show their commitment to meeting the insuring public's needs and to handling their claims efficiently. As a result of the public's satisfaction with their response, general insurers became the only sub-sector within the finance and insurance industries to have customers who were happier with their service last year than the previous year.

We must not be complacent but continue to improve service standards and transparency during both the sales and claims handling processes. Insurers will have to periodically review these procedures to ensure their customer service standards are ahead of the curve. While GIA has a code of practice on minimum days turnaround times for policy processing and claims handling for members writing personal lines, we urge members to do better than the industry guidelines.

### **Priority 3 – Achieving 90% adherence to the Motor Claims Framework**

The Motor Claims Framework was implemented in 2008 to provide clear and common guidelines to motorists on what to do in the event of an accident. The easy-to-follow, step-by-step course of action to be taken at the scene of an accident aims to help motorists file their claims with their insurer in a seamless fashion. Besides exchanging personal particulars and taking photos on the damaged property, they are also advised to file their accident report to their insurer within 24 hours from the time of accident, in compliance with their motor policy condition. This fresh information in their accident report had greatly assisted in the claims investigation, leading to amicable and cost-effective settlement.

Since the introduction of the MCF, the filing of accident reports within 24 hours has steadily improved. Currently, 80% of motorists file their accident reports promptly, and we target to achieve 90% in the next two years. We believe this target is achievable through periodical reminders and continuous consumer education.

## **MITF Recommendations**

As a member of the Motor Insurance Task Force (MITF), the GIA fully supports several initiatives to further address the root causes of escalating motor claims. Co-chaired by the Presidents of CASE and AA Singapore, with members including MAS, GIA, LTA and Traffic Police, the MITF represents a united platform of industry stakeholders and government bodies resolved to find solutions in addressing motorists' anxiety after an accident.

Among the several recommendations from MITF, I believe that there are three major and critical recommendations:

1. Legislating pre-repair inspections for NIMA cases;
2. Registration of motor surveyors; and
3. The increase of the FIDReC-NIMA limit from the current \$1,000 to \$10,000.

GIA is eagerly waiting for these MITF recommendations to the various government agencies to be implemented.

Full cooperation from motorists in adhering to the MITF recommendations is likely to result in improvements to incurred loss ratio. And if this trend is consistently

maintained, motorists will not have to face rising motor insurance premium.

### *On industry's profile*

GIA also made progress in our effort to boost the profile of the local insurance market. For four years, the Association has been running a series in *The Business Times* to highlight various interesting careers in general insurance. Last year, the "Premium Professionals" series profiled key industry professionals in marine insurance, specialty insurance, reinsurance and broking.

Through such exposure, we were able to bring the general insurance profession closer to the public, which consequently helps create greater awareness of our industry's role and contribution to improving family lifestyle, growing entrepreneurs, and promoting mega infrastructure investments. The undeniable fact is general insurance is indeed the engine for business and the economy.

### *On regional profile*

Beyond Singapore, the Association continued to increase its presence and shared its expertise and knowledge in various forums and industry gatherings. We participated in the biennial East Asian Insurance Congress in Indonesia and the Asean Insurance Council Meeting in the Philippines. We also played host to the annual PIAM-GIAB-GIA liaison meeting, where GIA and PIAM agreed to form a working committee to increase active dialogue on common motor issues between Singapore and Malaysia insurers.

### *On talent building*

2010 saw a successful uptake in the industry's Global Internship Programme (GIP). Out of more than 400 applications, 33 interns were shortlisted to apprentice in sponsor companies. This is most encouraging considering that we started with only five interns in 2008. Nine of the 33 interns have joined the GI industry as full-time practitioners. This works out to 27%, which is almost double the Monetary Authority of Singapore's target of retaining 15% of interns as full-fledged practitioners.

The GIP continues to grow from strength to strength, with the number of applications from the three universities exceeding 800 so far this year. I am truly inspired to see this project gaining strong acceptance as more industry players participate and support the programme. This year, 26 host companies have come forward to offer 37 internship positions to-date. Many companies have also endorsed the GIP by engaging their interns as part-time employees at the end of the internships. As more players take interest in the programme, we expect the industry to increase its pool of quality and passionate interns and eventually future leaders for the industry. I sincerely thank all sponsor companies for your support, and take this opportunity to urge those who have not yet participated to come forward and play your active role in growing our talent pool.

We also wish to record our deep appreciation to MAS for their strong support and sustained commitment in their generous funding of the GIP. Thank you for believing in us to grow leaders for our future.

## *On the challenges ahead*

The work of the Association in the next year is as challenging as ever.

Looking ahead, the outlook for the general insurance sector is uncertain as the Japanese earthquake and other recent calamities have severely impacted the reinsurers. The market at large is likely to face reduction in capacity, and increase in rates. The spate of political unrests in the Middle East creates both opportunities and threats to underwriters of marine cargo and hull, trade credit, and political risks. Given these uncertainties, the industry needs to come together to respond and react with one voice.

As the Singapore economy and its neighbours in Asia continue to grow and create opportunities for insurers, we will need a larger pool of qualified and technically competent people. The industry needs to intensify its talent outreach activities, working within and outside it to publicise and demonstrate the attractiveness of a GI career for students and young professionals. Leading and active industry players must seriously consider recruiting

and retaining well trained quality people to be at the forefront of competition.

On the customer service front, the Association urges insurers to proactively engage our customers and resolve their claims or disputes in the quickest time possible. In the 3Q 2011, the FIDReC-NIMA Scheme will be raised to \$3,000. This is a move in the right direction to speed up the resolution of motor accident disputes. Motor insurers therefore must enhance their resource capabilities to speedily and expeditiously resolve motor disputes before they are elevated to FIDReC. Rapid settlement before it reaches FIDReC will serve to quicken SubCourts to review the \$3,000 limit, and incrementally raise the limit to our ideal target of \$10,000.

If we adopt a 'can-do' mentality and demonstrate a willingness to work closely with other stakeholders, the GI industry is poised to achieve greater heights and results in 2011.

Finally, I'd like to welcome our 36<sup>th</sup> Ordinary member – ***Cigna Europe Insurance Company S.A. – N.V. Singapore*** to the GIA. I am happy to note that the GIA membership continues to grow and expand to cater to

various diverse members of the general insurance industry.

I would like to record my appreciation to the MC members, Chairmen and Convenors from Sub-Committees, and the GIA Secretariat for their dedication and commitment in service to the industry. You have given your time and energy, constructive contributions and provided strategic directions in rolling out initiatives in fulfillment of the GIA vision. My sincere thanks to you.

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