

## LIA Annual Luncheon 2016

**Speech by Dr. Khoo Kah Siang, President of LIA Singapore  
On March 9, 2016  
At 12.35pm**

Guest-of-Honour Mr. Chua Kim Leng, Assistant Managing Director, Banking and Insurance, Monetary Authority of Singapore,

Distinguished guests,

Members of the Media,

Ladies and Gentlemen,

A very good afternoon to everyone.

### Introduction

1. Welcome to the Life Insurance Association's 14th Annual Luncheon and it is my pleasure to be here with you today.
2. While 2015 had been a year of changes for the life insurance industry in Singapore, I am pleased to share that the industry had achieved strong growth despite uncertainties in the global economy and volatilities in the capital market.
3. It is immensely gratifying that our efforts to increase financial literacy and planning have borne good fruits and translated into sustainable growth for the industry.
4. The industry registered:
  - a. 14 per cent increase in overall sum assured for new business, which amounted to S\$101.2 billion compared to 2014, and

- b. A significant 28 per cent increase in claims payout for death, critical illnesses or disability claims, as compared with 2014. This is a strong indication that the industry is providing increased protection to the Singapore market.
5. These results show that we are progressing well in achieving our key objective of helping customers better manage their financial risks and meeting their financial and protection needs.

### **MediShield Life and Integrated Shield Plans**

6. One of the key changes for the life insurance industry in 2015 was the introduction of MediShield Life on 1 November.
7. We would like to take this opportunity to recognise and applaud the efforts of the MediShield Life Review Committee and the Singapore government in making this strategic shift towards providing lifelong and universal insurance coverage.
8. In full support of the MediShield Life, the LIA announced in June 2015 that all life insurers offering Integrated Shield Plans (IPs) commit not to increase premiums for the additional private insurance coverage portion - also known as the 'top up' portion - of all IPs for 12 months following the implementation of MediShield Life.
9. This initiative reflected the life insurance industry's collective efforts to support and facilitate a smooth transition for IP policyholders during this period as the Ministry of Health (MOH) moves towards providing all Singaporeans and Permanent Residents (PRs) with healthcare coverage for life.
10. Moving ahead, we will continue to educate Singaporeans and PRs to enhance their understanding of the complementary role of the top-up portion comprising a private IP plan to MediShield Life.

### **Key FAIR initiatives launched**

11. As part of the industry's efforts to continually improve the quality of service and products, we focused on implementing three major Financial Advisory Industry Review (FAIR) initiatives last year.
12. They are the Web Aggregator (otherwise known as the 'compareFIRST' portal), Direct Purchase Insurance products (DPI) and Balanced Scorecard framework (BSC).
13. In FY2015, DPI products drew approximately S\$550,000 of weighted new premiums since its launch in April last year.
14. It encourages us to know that with this new initiative, we have taken a step further in narrowing the protection gap in Singapore as we cater to this group of consumers who are looking for protection insurance and are comfortable with buying without financial advice.
15. This year, the life insurance industry will continue to monitor and fine-tune the implementation of these FAIR initiatives, if necessary, to ensure that the objectives and outcomes are closely aligned.

### **Subcommittee projects**

16. Also, in January 2016, we launched the LIA Register of Unclaimed Life Insurance Proceeds.
17. This initiative is part of our additional efforts to reduce the accumulation and outstanding amount of unclaimed proceeds held by life insurers.

### **Looking ahead**

18. In 2016, LIA Singapore will be focusing on three key initiatives:
  - a. Standard Integrated Shield Plan (Standard IP)
  - b. Partnering relevant parties to effectively manage rising healthcare costs
  - c. Revamp of BI for Par products to increase transparency for customers

19. The Standard IP - otherwise known as the 'Standard B1' plan - will be rolled out by first half of 2016 by the MOH, and sold by the IP insurers.
20. Targeted at the Class B1-level coverage, the Standard IP is being developed to provide Singaporeans and PRs with an additional option to help more people get suitably insured.
21. In recent years, claims escalation for IPs due to larger medical bills, greater healthcare consumption and the increased use of newer and costlier medical procedures has grown to become a prominent problem, resulting in the inevitable rise in premiums for our consumers.
22. In our concerted efforts to educate the public and raise their awareness of these cost issues, the industry released the IP insurers' statistics on the surge in claims for the first time.
23. For IPs targeting public hospital Class A/B1 wards and private hospitals, claims have escalated by approximately 12 and 17 per cent per annum respectively over the past few years.
24. As such, it is a top priority of LIA Singapore to work towards keeping health insurance affordable for everyone.
25. The key is to work closely with medical practitioners, government bodies, consumers and relevant parties to manage the rising healthcare costs in Singapore more effectively.
26. This includes seeking effective and innovative ways to improve price transparency and comparison of professional fees within the healthcare industry, as well as using in-depth data analytics to better scrutinise unusually high healthcare bills to better manage claims cost and consequently, keep premiums affordable for all.
27. Last but not least, another area of focus for the LIA is to spearhead the life insurance industry's efforts to actively look into providing greater transparency for the par products sold.

28. For instance, in the refreshed benefit illustrations, illustrated yields to maturity of par products will be included.

### **Supporting the Singaporean economy**

29. According to industry projections in 2015<sup>1</sup>, Asia is likely to remain the fastest-growing region in the next decade, and will account for 40 per cent of the global insurance market by 2020.
30. And amongst all the Asian markets, Singapore has the greatest potential to become the insurance hub for the global market as we are currently home to 16 out of 25 reinsurers in the world.
31. As we continue to take big strides towards becoming a global insurance hub by 2020, the life insurance industry grows in even greater importance to our nation's economy.
32. Given that the life insurance industry holds large amount of assets, the insurers are key players supporting the local capital market.
33. While insurance companies might suffer from mark-to-market volatilities in face of uncertainties in the current global economy, the need for life insurers to invest in long-term assets will provide stable, long-term capital support to the local industry to brave the economic turbulences and emerge stronger from it.

### **People**

34. As the life insurance industry continues to grow from strength to strength, there will be an increase in demand for skilled insurance professionals to join the industry.
35. This will help create employment opportunities for both fresh graduates as well as employees from other sectors seeking a mid-career switch.

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<sup>1</sup> Source: Munich Re

36. Over time, the demographics and needs of consumers have also evolved as consumers are now more educated and better informed.
37. Correspondingly, there is a need to continue to enhance the industry's professionalism to better serve their needs.
38. The industry will work with the Institute of Banking and Finance (IBF) and Singapore College of Insurance (SCI) to design courses and programmes for these three groups of people:
  - a. Fresh graduates,
  - b. Employees from other industries looking for reskilling opportunities, as well as
  - c. Employees within the insurance industry seeking to enhance their skills and knowledge.

### **Technology**

39. Another area that life insurers should and are also beginning to embrace is the use of technology and gradually shift its offerings to digital platforms.
40. This is especially pertinent, particularly at a time whereby millennials are starting to enter the workforce and becoming our key target customer group.
41. As millennials are digital natives, it is imperative to educate and engage them through technology.
42. Accordingly, in the years to come, we expect to see more digital initiatives by life insurers to offer more enhanced services and new offerings to the consumers.

### **Conclusion**

43. I am truly excited for what lies ahead for the life insurance industry, and painting its future would not have been possible if not for the tireless contributions of the following people.

44. On behalf of LIA, I would like to extend my appreciation to the Regulators, including the Monetary Authority of Singapore, the Ministry of Health, and the CPF Board.
45. I would also like to thank my colleagues on the LIA Management Committee, the LIA Secretariat team as well as our PR agency – Ogilvy Public Relations, for their contributions and dedication in working as a team to achieve a robust and financially resilient life insurance industry for the greater benefit of society.
46. Thank you.