

LIA Annual Luncheon 2015

Speech by Dr. Khoo Kah Siang, President of LIA Singapore On March 4, 2015 At 12.35 pm

Guest-of-Honour Mr. Ong Chong Tee, Deputy Managing Director, Financial Supervision, 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 13th Annual Luncheon and it is my pleasure to be here with you today.
2. 2015 will be a year of dynamic change for the life insurance industry.
3. With regulatory changes in the pipeline, all the more now it is important that we continue to work closely with one another to maintain the confidence the public have in us and to remain financially resilient.
4. Overall, the industry is on track to continue its growth momentum.
5. In FY2014, we achieved robust performance and we are glad that our efforts to increase financial literacy and planning have borne good fruit and translated into sustainable growth for the industry.
6. The industry registered:
 - a. Seven per cent increase in the overall sum assured for new business, which amounted to S\$88.7 billion compared with 2013, and

- b. A significant 13 per cent increase in claims payout compared with 2013. This is a strong indication that the industry is providing increased protection to the Singapore market.
7. These results show that we are progressing well in achieving our objective of helping customers to manage their financial risk and meeting their financial needs.
8. Over the past year, LIA has taken other proactive measures and refreshed guidelines to better meet the long-term financial and insurance needs of all.
9. In August 2014, we introduced changes to the Critical Illnesses (CI) benefit framework aimed at providing Singapore residents with more varied CI products, encouraging life insurers to innovate products and services to better meet the evolving needs of individuals in Singapore.
10. In September 2014, we also released two industry codes for public consultation aimed at providing consumers and policyholders with greater clarity on what they can expect from life insurers and their agents when applying the rules of the Personal Data Protection Act (PDPA).

Evolving insurance landscape and product innovation

11. During last week's Budget announcement, we were heartened to note the government's announcement to improve Singapore's healthcare system by significantly increasing the number of beds in acute hospitals, community hospitals and nursing homes.
12. As Singapore's population continues to age, insurance will play an increasingly important role especially when it comes to medical and long-term care for old age.
13. The reality is stark. The number of senior citizens – aged 65 and above – will triple to 900,000 by 2030 and they will be supported by a smaller base of working-age citizens¹.
14. All the more it is important for individuals to start to plan early for their retirement nest egg now. As insurers, we have a social responsibility to cater for society's retirement needs by providing appropriate product solutions. These range from products with minimum guaranteed return such as par retirement products to non-guaranteed products with higher upside potential such as investment-linked products. These products cater to different risk appetites and different life stages of the individuals.

¹ <http://population.sg/key-challenges/#.U7yw-fmSx8F>

15. Another facet where insurance will continue to play an important role is in Singapore being positioned as a wealth management hub.
16. This provides opportunities for the life insurance industry to reach out to the High Net Worth (HNW) segment to help meet their needs and objectives which does not only include wealth preservation but also wealth accumulation.
17. With all these, it is therefore vital for insurers in Singapore to operate within a well-capitalised environment that provides the flexibility and opportunity for increased product innovation to meet the needs of all.

LIA: Change in Constitution

18. With 2015 being an exciting year ahead with the many regulatory changes, LIA is taking the opportunity to elevate industry standards and shape the future of the life insurance industry in Singapore.
19. We will continue to be proactive in our efforts to meet the growing needs of individuals and businesses alike, ensuring that the industry will grow robustly and positively.
20. To move this forward, LIA will be introducing a new organisational structure to enable us to remain nimble and quick to adapt to today's fast-growing environment.
21. Our next annual general meeting is scheduled for May this year. We will be electing eight from our current 21 Ordinary Member Companies to be the newly formed Management Committee.
22. The new Committee will in turn elect from amongst themselves five office bearers including:
 - a. One president
 - b. Two deputy presidents
 - c. One treasurer
 - d. One secretary
23. It is our mission to continue to develop a progressive life insurance industry by collectively enhancing consumer understanding, promoting industry best practices and through the association, fostering a spirit of collaboration and mutual respect with government and business leaders.

24. The leadership at LIA will continue to champion industry priorities before that of our individual companies. We recognise that it is only with the joint efforts of all stakeholders – regulators, insurers, healthcare practitioners, individuals – that we can, together, ensure the well-being of our society and the financial stability of our economy.
25. Some of you would also have noticed that LIA has been more forthcoming in responding to public queries on the role of insurance in key social issues during 2014 by actively engaging the media to address issues directly. We see this open and transparent communication as being key to help the industry address misconception among the public which stem mainly from a lack of awareness of how insurance works.
26. I would like to share a brief anecdote to illustrate the importance of being transparent and forthcoming. A girl asked her mother why she has a few strands of white hair. Her mother thought that this is a good opportunity to get her daughter to be more obedient and she answered her “Dear, every time you disobey me, I will get a strand of white hair”. The daughter nodded and said “Now I know why grandma has a full head of white hair”. Moral of the story? It is best to be transparent and truthful, lest we unwittingly cause an issue to spiral into a murky mystery.
27. In 2015, LIA will be focusing on three areas:
- a. Risk-Based Capital 2 (RBC 2),
 - b. The Financial Advisory Industry Review (FAIR) Recommendations, and
 - c. MediShield Life.

RBC 2

28. There have been recent articles on RBC2 and the potential impact on consumers either directly or indirectly. I would like to state upfront that LIA is fully supportive of the consultative process by MAS that is going on now as we believe that the consultation process, which serves to ensure that the changes made, if any, are made with full understanding of the risks and impact and that the steps to be taken are in the right direction.
29. We continue to participate actively in the review of the RBC framework with a roadmap to introduce a more robust framework, taking into consideration evolving market practices and global regulatory developments.
30. There will be further rounds of Quantitative Impact Studies, which will help MAS to fine-tune the calibration of risk charges as well as the overall framework.

31. As responsible insurers, we are here for the long haul. LIA member companies remain steadfastly committed to ensuring that we are able to meet our obligations to our customers.
32. Life insurance companies in Singapore are currently well capitalised and with proper planning and transitioning into RBC2. I am confident we will have an even stronger and better capitalised insurance industry in the future, to be able to deliver our purpose more robustly.

FAIR Recommendations

33. Secondly, most of the Financial Advisory Industry Review (FAIR) recommendations will be implemented this year.
34. We are working closely with MAS to prepare for the launch of the Web Aggregator and the Direct Purchase Insurance products.
35. Individual insurers are also proactively preparing to set in place initiatives to enable the business to transit smoothly into the new regulatory environment.
36. One of these includes improving the professional and service standards of their financial advisers through the implementation of the balanced scorecard remuneration system.
37. Financial advisors will continue to play a vital role in the life insurance value chain. They offer consumers not only professional advice on the financial needs but also the ongoing relationship with the customers, to ensure that their customers evolving needs are reviewed and actioned on.

SG50 and MediShield Life

38. As Singapore celebrates SG50, LIA remains committed to provide individuals with a peace of mind and to promote a society where every person is prepared for life's changing cycles.
39. As we gear up for the roll out of MediShield Life at end 2015, LIA and IP insurers will continue to work in close collaboration with MOH and relevant parties to further improve public education on health insurance as well as the relationship between MediShield Life and IPs.

Maintaining financial resilience and being more self-regulated

40. With all these measures, we look forward to growing as an industry that has robust financial resilience, and high standards of self-regulation.

Conclusion

41. 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. I would also like to thank our PR agency – Ogilvy Public Relations, my insurance colleagues on the LIA Management Committee, and as well as the LIA Secretariat team, for their contributions and dedication and to working as a team to achieve a robust and financially resilient life insurance industry for the benefit of society. May I quote Deputy Prime Minister Tharman Shanmugaratnam who said “Let us – with hard heads and warm hearts – charge onwards and upwards for 2015 and the next 50 years of Singapore.”

42. Thank you.