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Singapore should consolidate its position as a reinsurance hub

The reinsurance industry in Asia had a challenging year with geopolitical conflicts and inflation, but Singapore remains confident of a positive outlook for the sector. Asia continues to urbanise as the movement from rural to urban centres happen faster than in many other regions. The continent's middle class is also growing and both consumption and production are increasing in response.

"In 2025 gross written premiums for life and non-life insurance are expected to grow to S$60bn ($42.4bn) and S$20bn respectively. As a result, more lives, wealth and assets will need protection. These growth trends will benefit Singapore's insurance industry, given our role as a reinsurance centre. The reinsurance industry has also grown very deep roots in Singapore over the past five years," said Singapore minister of state for trade and industry and MAS board member Alvin Tan.

(L-R): Messrs Paul Murray, Alvin Tan and Mark Haushofer

A hub for specialty insurance and ILS

Mr Tan said Singapore continues to be a specialty insurance hub in Asia and the country has started to grow its capabilities to newer types of risks such as cyber. Cyber insurance, however, remains a nascent market in Asia compared to other regions like Europe and North America.

"We are seeing more insurers establish cyber underwriting desks and resources for Asia, right here in Singapore. We have cultivated our reinsurance market growth and debt capital markets capabilities by establishing Singapore as a domicile for insurance-linked securities (ILS)," he said.

Singapore has supported 22 ILS in the form of catastrophe bond issuance across the US and Asia Pacific. Despite market uncertainties from COVID-19, Mr Tan said the ILS deals reflects a growing familiarity and confidence in Singapore's ILS regime.

Narrowing the protection gap

A recent study by PwC estimates that the global production gap could reach S$2.7tn by 2025 with the Asia Pacific accounting for almost half of all uninsured risks. He said the reinsurance industry must continue its meaningful work in narrowing the region's growing protection gap.

"In this heightened risk environment, the role of reinsurance in partnering individuals, businesses and economies is all the more important in helping all of us to reduce risk and to support the risk-transfer needs of Asia," he said.

"What we want to do is to continue to build on our existing strengths in risks to support the growth of new revenue streams. These include risk advisory, strategy, as well as consulting capabilities. Insurers are also adopting an ecosystem approach by partnering firms from adjacent sectors, such as technology and wellness. This allows insurers to roll out a lot more comprehensive programmes that can ensure better outcomes," he said.

Beyond these risks, MAS will also deepen capabilities in newer lines of risk, including pandemic, climate and cyber risks. He said the current challenges lie in a lack of established risk assessment and modelling data to support risk quantification, pricing and development of solutions.

"The Global-Asia Insurance Partnership (GAIP), the centre of excellence supported by industry, academia and regulators, aims to address these data gaps. GAIP will focus on mortality projections and morbidity implications for COVID-19 as an endemic risk in Asia, developing a pandemic-risk database and exploring COVID-19's impact on life and retirement insurance," he said.

Overwhelming response for SIRC

"The SIRC's success, since its launch over 30 years ago, would not have been possible without the hard work of some very dedicated industry professionals with a team and a wealth of experience to offer. The organising team has expended utmost effort to create an event that is up to speed with the today and tomorrow of our industry," said Singapore Reinsurers' Association chair Mark Haushofer.

Reinsurers must 'stop the self-flagellation'

At the leadership roundtable yesterday afternoon, Allianz SE member of the board of management Christopher Townsend urged the industry to 'stop the self-flagellation' and remember that insurance does a lot of good for the world. He brought up Lloyd's insuring the grain coming out of Ukraine while in the midst of the war, the industry's efforts in rebuilding Florida after hurricane Ian caused $74bn of losses and trade credit insurance that 'is the oxygen for free trade'.

"We are really hard and self-critical, and we hear it at every event. We do a ton of good as a society, we just don't do enough to explain what we do," he said.

This is no reason to rest on its laurels, as he also insisted that the industry could do better. "The difference between insured losses and economic losses is not getting better. Insurance penetration over the last decade has flatlined. We are the poorest industry in terms of digitalisation and I think we're woeful in terms of cyber," he said.

"We have a lot more to do, but as an industry, I think we have to band together more in terms of explaining what we do for society. Risk has never been more at the front of everyone's agenda."

Keeping the vulnerable protected

Another perennial problem for the industry is closing the protection gap, and in an environment of hardening rates, the industry must also make sure that products remain affordable, especially to the vulnerable sectors of society – those that are most likely to fall into the protection gap.

"We are the backbone of the economy, and without that mechanism of risk transfer, people are less likely to take risks," said Catalina group CEO Ian Parker.

"Minister Tan earlier spoke of pooling arrangements and the industry working with other sectors to reduce the risks. I don't think this is something we can do on our own, but as a sector we have an awful lot of resources at our disposal and I think we need to put those to work in a way we haven't begun to do yet," he said.

Being more engaged in risk management

The industry continues to push for great risk mitigation practices around the world, as a sustainable economic strategy. However, it must also ensure that the discussion does not just revolve around the big existential risks such as climate change, but on everyday risks that could have a bigger impact.

Taking the recent devastation in Florida as an example, Guy Carpenter chairman David Priebe pointed out that climate change could only account for a small part of why the losses were so high.

"It was really a concentration of values and not adhering to proper building codes and such. We really need to be more focused on risk management," he said.

"While the industry does a lot in terms of data and mitigation strategies, it's not really our fault that people keep living on floodplains or the coast and are living closer to each other. Florida is 50% more densely populated compared to 1992," said Mr Townsend.

"The insurance sector does an enormous amount of good, but we can't just keep taking these losses on our balance sheet," said Mr Parker. "It's just unsustainable, because the events are getting bigger, they're getting more frequent, they're getting more systemic and structural."

"I agree that we need to do more, and that ratio of balance sheet loss versus risk mitigation is a great motivator to do more," he said.

(L-R): Messrs David Priebe, Christopher Townsend, Ian Parker and Winston Nesfield

Covering all the risks in the region

RMS' Mr Andrew Hare shares his observations about risk and how insurers are dealing with emerging threats.

The Asia-Pacific region is dynamic, diverse and constantly evolving, with over half of the population living in a culturally and demographically diverse region. The region's diversity presents opportunities as well as challenges for the insurance industry. The breadth of integrated risk assessment solutions combined with the expertise and industry insight RMS and Moody's Analytics provide resonates strongly with clients and communities in the region.

Our goal remains consistent: To make every risk known and to enable the insurance industry to have the most comprehensive understanding of risk, allowing insurers to serve their clients and communities better. Insurance penetration rates in many countries across the region indicate significant unmet demand in markets such as India, Indonesia and mainland China. We are collaborating with the industry, including regulators and associations, to improve risk understanding and increase insurance penetration in a cost-effective and sustainable manner for the entire value chain.

Additionally, we are constantly investing to support the industry's understanding of emerging risks, such as embedding ESG analysis into underwriting workflows, supply chain, credit, cyber and climate-risk modelling.

Understanding the rising threat of flood risk

Flooding is one of the most prevalent global risks and the APAC region is experiencing a significant increase in frequency and severity with devastating events in Australia, Pakistan, Malaysia and Indonesia earlier this year.

Understanding the granular nature of flood hazard is critical. RMS launched HD flood models for Southeast Asia and New Zealand earlier this year, as well as models for China and Global Flood Maps for every country in the world, to help insurers better understand the increasing threat of flood risk, and proactively manage flood exposure and anticipate loss scenarios.

Re-evaluating the approach to cyber risk analytics

Cyber risks are not new to Asia Pacific. IBM recently reported the region receives a quarter of global cyber attacks. We have witnessed major attacks on organisations around the region, with recent high-profile attacks in Australia.

The rise in attacks along with increasing regulation is rapidly raising awareness and demand for organisations to invest in cyber protection and for insurers to provide suitable solutions and coverage. As a result, cyber risk represents one of the fastest-growing opportunities and is forecast to grow at a CAGR of 25% between 2022 and 2028. This outpaces the growth in other insurance lines and represents a net new (and diversifying) revenue stream for the insurance industry.

RMS Cyber Solutions leverages the latest cyber risk analytics and most current cyber risk data to quantify the risks and help insurers make sound underwriting, portfolio management and risk transfer decisions, both at a catastrophic and attritional level.

The climate emergency

We are seeing an increasing need for insurers to be proactive in responding to ESG - not only with regard to investment and sustainability, but also in terms of turning ESG risk into an opportunity to help create change and differentiate. We are collaborating with property and casualty insurers to:

1) Understand ESG in their existing portfolio
2) Develop a tailored view of ESG to incorporate into underwriting workflows and
3) Correlate ESG against internal data to inform risk selection and pricing. This is a major topic in the insurance industry and insurers in particular are realising that their approach to ESG from an underwriting standpoint can be a competitive differentiator.

My colleagues and I are honoured to have the opportunity to serve and grow the insurance community in Asia Pacific. Climate change and natural disasters continue to wreak havoc on the region, particularly after the economic impact of COVID-19. With supply-chain disruptions, increased cyber attacks, social and economic inflation and global geopolitical uncertainty, many economies and communities in the region are still on the road to recovery. With the combination of capabilities with Moody's Analytics, RMS is uniquely positioned to provide a deep understanding of the region's evolving risk profile and increase confidence in risk management and selection.

Mr Andrew Hare is regional lead for Asia with RMS.

A resilient Indian market ready for the world

By GIC Re's Mr Devesh Srivastava

The last few years have been some of the most challenging and difficult periods in history and the business community worldwide had to face the brunt of pandemic-related policies.

The global economy is currently reeling from a sharp deceleration in growth because of the tightening monetary policy in advanced economies, recession that is looming large in euro zones, escalation of the Russian invasion of Ukraine and its spill overs into global commodity markets. New COVID-19 variants are emerging along with other risks like geopolitical tension while food insecurity is on the rise.

Climate change is leading to more severe and frequent natural catastrophe events across the world. The frequency of occurrence of such events is keeping insurers and reinsurers on their toes, as insured losses keep escalating with every major event. Insured losses from the recent hurricane Ian in the US has crossed the $7bn mark and, as per initial estimates by reinsurance experts, is likely to cross the $50bn mark, making it one of the costliest insured loss events on record globally.

The global financial markets including (re)insurance are facing huge challenges with stability and growth seemingly elusive for now. Insurers are facing increasing challenges in managing risk due to government mandates and regulatory interference. However, even in the face of these macroeconomic and geopolitical upheavals, the Indian economy seems to be resilient and continues its upward climb.

The Indian insurance industry, in the absence of underwriting profitability, has been sustaining through investment income from the float generated from operations, which is not the case in most developed markets. With the industry now entering the consolidation phase, this issue is likely to be resolved in the near future.

With increased economic activity resulting from post-COVID recovery initiatives, major improvement is expected in sectors like manufacturing, trade, hotels, transport, real estate and finance including insurance. The future of the Indian insurance industry augurs well going forward into 2023, as a result of hardening market conditions and growth in investment income. Demographic factors, such as a large and young insurable population, a growing and vibrant middle class and increased awareness of the need for protection and retirement planning will also support the growth in the market.

With the growth rate for the Indian economy projected at 7% for FY23, the Indian insurance market will continue to expand over the long term, which will also increase insurance penetration and insurance-density levels. Sustained economic growth, rising interest rates and higher investment income are among the positive factors that will bolster the insurance industry, setting the stage for enhanced top and bottom-line growth in the year ahead.

The world has witnessed how the pandemic has exacerbated existing inequities and collapsed social systems for vulnerable communities globally. India has recognised the importance of strengthening its support to communities to build resilience against the climatic and environmental shocks that could aggravate the spread of any future health outbreaks.

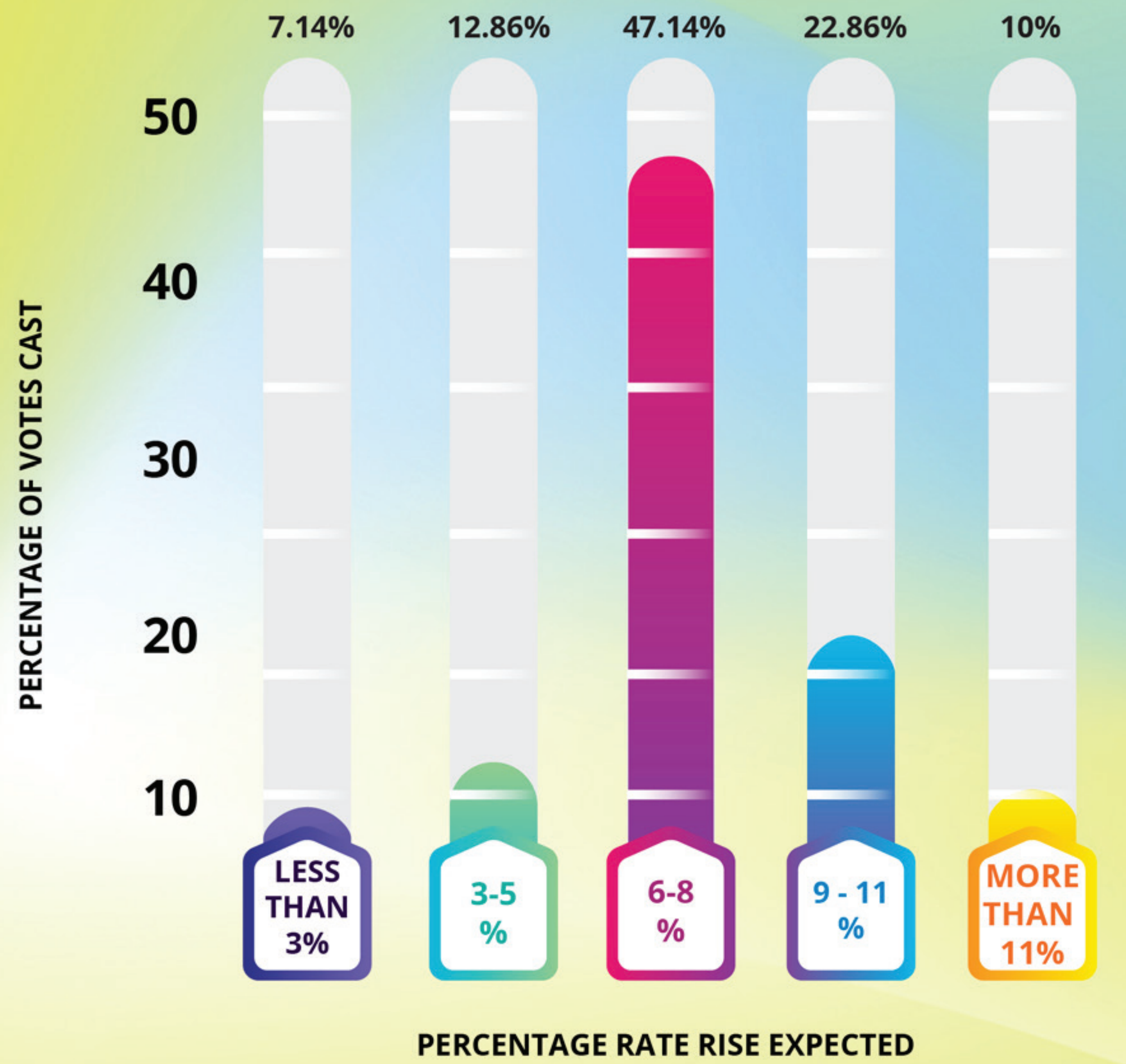
In the midst of all the turmoil and economic crisis happening around the world, India has been seen as a bright spot on the global landscape. The country is well and truly on the path of transformation - socially, culturally, economically and technologically. Moreover, with a growing population having high disposable incomes, technological advancement and vast untapped potential, the country is set to be an economic superpower by 2050.

The world's fastest growing major economy is poised on the threshold of a bright future. With renewed thrust by the government of India towards self-reliance and financial inclusion through digitisation, the insurance sector is set to act both as a catalyst and a beneficiary.

A prosperous and egalitarian India is waiting in the wings.

Mr Devesh Srivastava is chairman and managing director of GIC Re.

WHAT IS YOUR VIEW OF INFLATION OVER THE NEXT 12 MONTHS?



Adaptability and tenacity win through in the 2022 Asia Insurance Industry Awards

Eighteen winners were recognised for outstanding performance and contributions at the 26th Asia Insurance Industry Awards (AIIA) gala dinner in Marina Bay Sands, Singapore. The AIIA returned as an in-person event after two years of being held virtually.

Bajaj Allianz General Insurance won General Insurer of the Year for being at the forefront of ground-breaking initiatives in the Indian insurance landscape.

The Life Insurer of the Year award went to Muang Thai Life Assurance, impressing the judges with its increased focus on innovation and community involvement.

Nan Shan Life Insurance was named Health Insurer of the Year for transforming the health insurance landscape in Taiwan.

Munich Re was named General Reinsurer of the Year for constantly pushing the boundaries of insurability.

The Life Reinsurer of the Year title went to Swiss Re. The reinsurer has been leading the way with data-driven insights to empower its clients' growth aspirations.

Cathay Life Insurance again emerged as the winner of the Sustainability Award - and also clinched the Digital Insurer of the Year award. The company has set the industry standard for the remote working model for insurance agents.

The Technology Initiative of the Year title went to ICEYE – an InsurTech that bridges data gaps for the insurance sector by combining satellite imagery with auxiliary data sources.

bolttech was named Insurtech of the Year for the outstanding performance of its insurance exchange.

The Innovation of the Year award went to FWD Insurance for its FWD Care - for going beyond its traditional offerings in supporting its customers.

Marsh Asia and Prudent Insurance Brokers tied for the Broker of the Year award and emerged as joint winners.

Service Provider of the Year award for 2022 went to 10Life Hong Kong for its 10Life digital platform, relied on by more than 500,000 policyholders.

Singapore College of Insurance won Educational Service Provider of the Year for continuing to meet the growing training needs of both the local and regional markets, not only in traditional skills but in specialised areas like green insurance and sustainable risk management.

Lifetime Achievement Award winner Mr Mark Saunders is known as a visionary leader who has contributed to the growth and development of the insurance industry across Asia. He is an ardent advocate of the good of insurance and driving evolution of the industry.

Winner of the Woman Leader of the Year award Ms Loh Guat Lan was the unanimous choice of the judges for her leadership and inspirational qualities at Hong Leong Assurance.

Young Leader of the Year award winner Mr Hassan Kassim was appointed managing director of Amana Takaful Insurance in May 2020 at a relatively young age of 32 and is also a director of Amana Takaful Life.

Ms Annacel Natividad, winner of the Corporate Risk Manager of the Year for 2022, is the CFO of Pilmico Foods Corporation and is highly passionate about risk management and its implementation.

ROLL OF HONOUR 2022

LIFE INSURANCE COMPANY OF THE YEAR
Muang Thai Life Assurance Public Company Limited

GENERAL INSURANCE COMPANY OF THE YEAR
Bajaj Allianz General Insurance Co. Ltd.

HEALTH INSURANCE COMPANY OF THE YEAR
Nan Shan Life Insurance Co., Ltd.

DIGITAL INSURER OF THE YEAR
Cathay Life Insurance Co, Ltd.

EDUCATIONAL SERVICE PROVIDER OF THE YEAR
Singapore College of Insurance

LIFE REINSURER OF THE YEAR
Swiss Re

GENERAL REINSURER OF THE YEAR
Munich Re

BROKER OF THE YEAR
(JOINT WINNERS)
Marsh Asia
Prudent Insurance Brokers Pvt Ltd

SUSTAINABILITY AWARD
Cathay Life Insurance Co., Ltd.

INSURTECH OF THE YEAR
bolttech

TECHNOLOGY INITIATIVE OF THE YEAR
ICEYE

INNOVATION OF THE YEAR
FWD Insurance
(FWD Care)

SERVICE PROVIDER OF THE YEAR
10Life Hong Kong Limited

CORPORATE RISK MANAGER OF THE YEAR
Ms Annacel Natividad
Pilmico Foods Corporation – An Aboitiz Company

YOUNG LEADER OF THE YEAR
Mr Hassan Kassim
Amana Takaful Insurance PLC

WOMAN LEADER OF THE YEAR
Ms Loh Guat Lan
Hong Leong Assurance Berhad

LIFETIME ACHIEVEMENT AWARD
Mr Mark Saunders

Singapore's growing business and cyber risks

The latest edition of **Beazley**'s Risk and Resilience research, which studies the current risk concerns of business leaders around the world, has shown that when business leaders in Singapore and across Asia think about broad categories of risk, they think differently to other regions, say the specialist insurer's **Ms Rachel Turk** and **Mr Lucien Mounier**.

In Singapore, leaders are much more concerned with risks in two categories – business and cyber and technology – than leaders in any other part of the world, where concerns over political and economic risk and environmental risk are much more to the fore.

Business risks include everything from supply chain instability, through business interruption, to ESG, employer and boardroom/reputation risk. Cyber and technology risks include disruption or disintermediation by others, the risk that technology and systems are not up to date, cyber and intellectual property (IP) infringement risks.

Singapore is particularly exposed to risks in both categories. As a global trading hub with an ageing population, it is dependent on trading partners in a way that many other countries are not.

Concerningly for our industry, the Singapore metrics also point to markedly less faith in insurers and in the value of the insurance proposition. Only 37% report increased trust in insurers for example – eight percentage points down on the global comparison. This partly reflects the status of a market where the overall penetration of specialist insurance is much lower than in the US or Europe.

Cluster of cyber and technology risks cause concern

Alongside these macro issues, cyber risk was ranked top by the highest proportion of business leaders (29%) and technology obsolescence (27%) and disruption risk (26%) followed very close behind.

Business leaders in Asia look at cyber risk with particular anxiety both because the cyber insurance market is still maturing, and because regulation takes longer to be implemented in a fragmented region where each country has to develop their own policies. This means more vulnerability to the risk for business.

In particular, business email compromise remains an issue, with a particularly notable rise in professional services firms becoming victim to this attack – this industry class rose to 33% in Q1 of this year.

The cyber insurance market has hardened dramatically over the past two years in response to this highly volatile risk landscape, resulting in the businesses now rushing to purchase insurance facing more restrictive terms as well as diminished choice in the market.

Insurance ask gets bigger

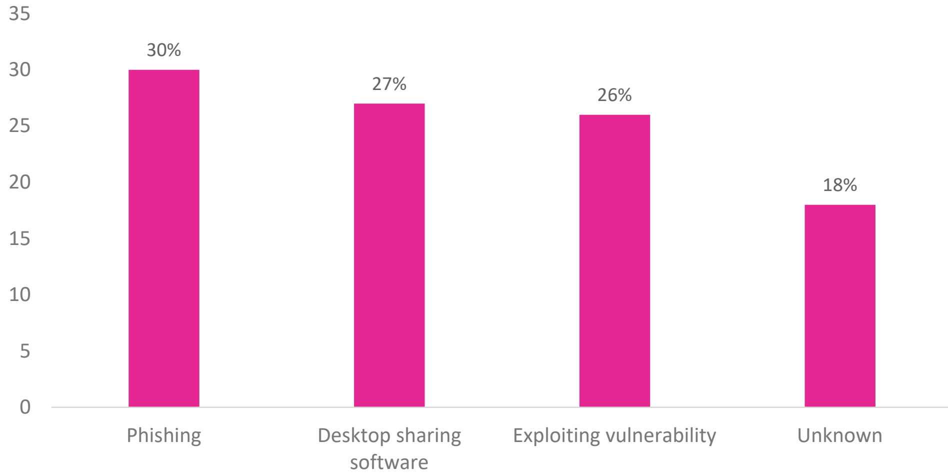
Insurance is not a panacea and not all risks are insurable. But it is clear that as this region moves on from the pandemic, business leaders will expect more from the industry. Understanding businesses' risk appetites, where they feel most vulnerable and where they need help to build resilience to a disorientating array of risk exposures will become ever more critical to our ability to provide the value, expertise and services that clients need.

Insurers must continue to invest in supporting clients to manage their less predictable and harder to quantify risks proactively in order to help build resilience.

With the right products, Asian insurance penetration will continue to increase, but insurers must work hard to address the real needs of businesses here, which truly differ from the political and economic concerns that dominate in Europe and North America.

Ms Rachel Turk is group head of strategy and Mr Lucien Mounier is head of Asia Pacific with Beazley.

Sources of cyber breaches: Q2 2022



Source: Beazley Cyber Services Snapshot, July 2022

A longer version of this article can be found at

Reconnecting after three years

The 26th Asia Insurance Industry Awards returned with a bang after a three year hiatus.
A large turnout of over 400 guests from the Asia insurance industry gathered to celebrate the occasion.
Guests relaxed with drinks, great food and reconnected with old friends and peers in the industry.

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