

Heng Swee Keat: Developments in Asia and Singapore's insurance industry

Keynote address by Mr Heng Swee Keat, Managing Director of the Monetary Authority of Singapore, at the GE/FICS Award Ceremony, Singapore, 24 July 2008.

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Mrs Fang Ai Lian, Chairman, Great Eastern Life,
Mr Tan Hak Leh, Managing Director,
Ladies and Gentlemen,

It is my pleasure to be here on this happy occasion, made all the more significant as Great Eastern Life (GE Life) celebrates its centennial this year.

For a corporation to achieve success for 100 years is a significant achievement. It attests to the agility and business acumen of its leaders, as well as the commitment of several generations of staff. Today, we celebrate GE Life's achievement as the first insurer in Singapore to acquire accreditation as a FICS assessment service provider. This reflects well on GE Life's commitment towards staff development.

Developments in Asia and Singapore's insurance industry

Despite the recent financial turmoil, the life insurance industry has held up relatively well in this region. While regional economies would not be insulated from the global economic slowdown, the medium-term outlook for the region remains good. The pace of economic growth and wealth creation in the region will drive demand for a range of insurance products. Indeed, estimates from Swiss Re show that life and general insurance premiums have been growing at a faster pace than GDP in most emerging Asian economies.

An insurance company like GE Life, which is located in the heart of a dynamic growth region, is well-positioned to capture the growing opportunities. Achieving sustainable long-term growth, however, is highly complex. Among the many segments in financial services, the life insurance industry has probably the longest time horizon. The industry takes on assets and liabilities that literally last a lifetime. Good actuarial data and analysis provide an important basis for risk pricing and management. But future trends and developments such as increasing longevity or medical breakthroughs are harder to predict. Hence, a sound framework on asset-liability management and a continual focus on risk management are critical.

At the same time, markets are changing and innovating rapidly. Competition comes from many sources, while the needs of customers will continue to evolve. To keep up with the competition, intermediaries have to continue to invest in research and development, and provide value-adding products and services in risk management, underwriting, actuarial analysis, investment and financial advice. This is especially important in the context of Singapore's maturing population who will need good retirement planning services in order to remain financially independent through their golden years.

Another key implication of the long time horizon is the special relationship with the policyholder. In general, both the insurance company and the policyholders are entering into a long-term financial commitment. In any long-term relationship, the quality of trust is of utmost importance. This relationship of trust can only be sustained by good advisory and sales practices.

Meeting challenges – people and values

There is no magic formula for meeting the challenges I have just outlined. Rather, as always, the fundamentals boil down to having the right people with the right values.

In the 2007 Insurance Banana Skins survey conducted by UK's Centre for the Study of Financial Innovation (CSFI), the quality of talent was cited as one of the key risks facing the global life insurance industry. I am therefore pleased that GE Life is using the FICS framework to proactively develop talent for the company.

As for values, I understand that GE Life embraces the 3 core values of integrity, initiative and involvement. In the spirit of this commemorative year, allow me to borrow your values framework to illustrate its relevance to the industry as a whole.

Integrity

First, integrity. Integrity is the foundation of trust, and for the insurance industry with a long-term relationship, this is crucial. Even as more complex insurance products are being introduced in the market, insurance intermediaries have a duty to ensure that consumers are only offered products they can understand and find suitable. Any undesirable sales practice such as churning and inappropriate switching will undermine the reputation of the insurance industry, and also affect its ability to attract good quality talent.

Intermediaries must therefore uphold the highest standards of integrity, professionalism and exemplary business conduct, and ensure that any advice given is fair, objective and in the best interest of the client. This can be achieved if companies, agency managers and life agents take a collective long-term view and seek to build sustainable win-win relationships with their clients. Integrity pays off in a long-term relationship. Take care of clients' interest, and the companies' and agents' interest will take care of itself.

Management and supervisors play a critical role in ensuring that agents on the ground who interact with and advise consumers adhere to regulatory requirements, and to the fullest extent possible, industry guidelines on professional best practices. This is especially so for the more vulnerable segments of the population – the elderly and the illiterate, or the cash-strapped, who may fall easy prey to get-rich-quick schemes.

I believe that with the collective partnership of all industry participants, individuals and regulators, we can preserve the credibility and reputation of Singapore as an insurance hub.

Initiative

The second value is initiative. As part of a national effort to raise the level of skills and competencies of Singapore's financial sector workforce, the FICS was established to benchmark competency standards of financial professionals to international best practices. I congratulate GE Life for taking the initiative to become the first insurer to be successfully accredited for its assessment capabilities in underwriting, relationship management and claims handling under the FICS. GE Life's agency force also forms the first batch of candidates who have successfully attained FICS certification in the insurance industry.

Involvement

The third value is involvement. The FICS awards reflect a whole-of-company involvement. At the company level, the FICS accreditation status recognizes GE Life's commitment to benchmark the competencies of its workforce to international best practices. At the staff level, the FICS certification status helps promote individual attainment of the standards of professional competency and fair dealing in the insurance marketplace. We hope that GE Life will continue to keep up the momentum to participate in industry-wide efforts to raise the

professionalism in the industry. We hope that we will catalyse a whole-of-industry involvement in this FICS effort.

Conclusion

I am therefore delighted this afternoon to present the FICS Accredited Assessment Service Provider award to GE Life. It is both a celebration of your achievements over the last 100 years, and an affirmation of your commitment to continued excellence, building on the core values that have served you so well. May I also congratulate the 12 pioneer candidates who are awarded FICS Certification today. The industry looks to you to uphold the high standards of personal integrity, competency and professional conduct expected of all agents.

On this note, I congratulate Mrs Fang Ai Lian and the staff of GE Life on this happy day, and wish you greater success for the next 100 years to come.