

Ravi Menon: Allianz and Singapore – growing a specialist insurance hub in Asia

Opening remarks by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at the launch of Allianz' Regional Centre, Singapore, 18 September 2013.

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Mr Manuel Bauer

Dr Dieter Wemmer

Dr Maximilian Zimmerer

Dr Christoph Mascher

Distinguished guests, ladies and gentlemen,

Good evening. I am pleased to join you this evening at the official opening of Allianz's new regional centre in Asia Square.

Allianz and Singapore

This marks a major step forward for Allianz in Singapore and in Asia. For the first time, we will see Allianz's 450 staff across 11 entities coming under one roof. This new centre will strengthen synergies across business units, enabling Allianz to better serve the needs of its 20 million customers in the region.

In a way, Allianz's story reflects Singapore's own development as a specialist insurance market. Just ten years ago, the insurance industry in Singapore was focused on writing pure domestic risks. Singapore has now developed the capacity and expertise to underwrite large and complex risks across Asia.

With the opening of Allianz's new office here, Asia Square is also shaping up to be Singapore's own version of London's Leadenhall Street, where many prominent insurers and brokers are located. Such physical co-location will help to promote greater exchange of ideas and collaboration, and create an insurance marketplace that is committed to deliver customised and innovative solutions.

Mitigating Asian risks

The prospects for Asia's insurance market are bright. A growing middle class and rising affluence will underpin a steady increase in insurance penetration rates. Continued industrialisation, growing trade activities, and infrastructure development will mean greater demand for insurance solutions to mitigate a variety of risks. Over the next decade, insurance business in Asia is projected to grow at about 8% per annum. By 2020, Asia is likely to account for almost 40% of the global market.

It is vital that insurers seeking to expand in Asia have a deep understanding of Asia's risk landscape. Aggregate exposures have grown steadily in Asia, due to rapid urbanisation and economic growth over the last two decades. Asia's strong record of development means that we have more to lose from unforeseen calamities.

Take for example the spate of natural calamities in Asia in 2011. The three costliest events – the Tohoku earthquake and tsunami, Thai floods and New Zealand earthquake – caused a combined insured loss of almost US\$70 billion. The scale of these losses was unexpected. Thailand had not even been viewed as a catastrophe risk zone, and had in fact been used to diversify against catastrophe risks. These events are a timely reminder to the industry to constantly stay ahead of the risk management curve.

3 + One strategy

I understand that Allianz embraces a “3+One” strategy to achieve sustainable growth. In the spirit of this very happy occasion, allow me to adapt your framework to illustrate its relevance to Singapore’s insurance industry as a whole.

One, Capacity. Allianz strives to support its businesses with sufficient capacity to underwrite risks. The establishment of the Singapore branch of Allianz Global Corporate and Specialty in 2011 reflects a deep commitment to build underwriting capacity in the Asia-Pacific. In the same way, to be the premier specialist insurance market in Asia, Singapore must deepen its underwriting expertise in reinsurance and specialty insurance with an Asian focus.

Two, Profitability. Allianz seeks to be profitable through its operating businesses alone, so as to be as independent as possible from volatility in the financial and capital markets. The global insurance industry continues to face pressure from weak economic growth, soft pricing and persistently low investment yields. Insurers can no longer rely on investment income or rate increases alone, to compensate for weak underwriting. Likewise, even as Singapore’s insurance industry diversifies the span of its activities to include capital markets, it must continue to stay focused on core competencies in underwriting insurance risks. High underwriting standards are critical for sustainable growth.

Three, Internal Capabilities. Allianz aims to reduce complexity by focusing on core activities, reducing structural inefficiencies, and streamlining processes. Likewise, in seeking to strengthen its value proposition as a specialist insurance market with a deep appreciation of Asia’s risks, Singapore’s insurance industry must invest in Asia-focussed data, research and analytics. Singapore has achieved a good head-start in a number of areas, such as SMU’s Centre for Silver Security for longevity risk and NTU’s Institute for Catastrophe Risk Management for catastrophic risks. We must continue to build on these capabilities.

Finally, +One, Synergistic Growth. Allianz seeks to inculcate systematic cooperation between business lines and markets across the Group to deliver profitable growth. Likewise, Singapore’s insurance market must continue to be underpinned by the strong partnership between industry, academia, and government. Research, talent development and market infrastructure are areas where active collaboration is a critical success factor.

Conclusion

The commitment of key industry players such as Allianz has been instrumental in establishing Singapore as a leading insurance market. On this happy occasion, we are also pleased to announce that Singapore has been chosen to host the Geneva Association General Assembly in 2015. The General Assembly will bring together global CEOs and other stakeholders in the insurance industry over a two-day conference to discuss industry trends. This is only the second time it will be hosted in Asia, after Japan in 2009.

In closing, I thank Allianz for growing with Singapore. I am confident your strong presence in Singapore will serve you well as you continue to extend your Asian footprint.

Once again, congratulations, and a very good evening to all of you.

Thank you.