

Tharman Shanmugaratnam: The evolving role of insurance in Singapore

Speech by Mr Tharman Shanmugaratnam, Chairman of the Monetary Authority of Singapore, at the Launch of Prudential's New Office, Singapore, 7 November 2017.

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Mr Mike Wells, Group CEO, Prudential PLC

Mr Kai Nargolwala, Chairman, Prudential Corporation Asia

Mr Nic Nicandrou, CEO, Prudential Corporation Asia

Mr Wilf Blackburn, CEO, Prudential Assurance Company Singapore

Ladies and Gentlemen

1. Thank you for inviting me to join you. Let me begin by congratulating Prudential on the opening of its new office at Marina One.

2. It is another milestone in Prudential's long journey with Singapore, having started out as an agent for fire insurance in Singapore in 1924, and opening its first full branch in 1931. Its first life policy, issued to a Percy Robert Campbell, was a 15-year policy which would mature for the sum of \$6190. Today, Prudential serves over 900,000 customers here, and the average maturity value of a Prudential life insurance policy in Singapore is just over S\$50,000.

3. Prudential has indeed grown with Singapore. Its total sum assured in Singapore has grown to S\$147 billion in 2016, and it currently employs over a thousand staff and works with more than 4500 financial consultants.

Opportunity in Asia's Demographic and Digital Transitions

4. Prudential, as with its counterparts in the life insurance industry, is increasingly focused on deepening its footprint in Asia. The opportunities are immense, and the basic reasons for this are well recognised.

5. Asia is experiencing momentous demographic change. It will be home to 60% of those aged over 65 worldwide by 2030, with countries in East Asia leading the way. This will place great demands on healthcare and retirement solutions, beyond the universal or mandatory schemes that governments put in place in many countries.

6. In the other parts of Asia where populations are still youthful – such as India and parts of ASEAN – insurance penetration remains low and has huge potential to grow.

7. Equally important, Asia is rapidly digitising. 330 million people bought insurance products online in China in 2016. In Singapore, a few of the bigger life insurers have offered online life insurance purchase for some products and two fully online life insurers have emerged over the past two years.

Enabling Customers through Digital Solutions

8. Insurers can and must take advantage of the digital wave. In particular, **there is significant scope for health insurance to venture beyond paying for medical claims post-affliction, to preventive care and to encourage a healthy lifestyle and habits.**

- ♦ Health insurers are already beginning to track users' health and habits through fitness

devices and apps, and are pricing in premium discounts for healthier habits. The top five life insurers in Singapore, including Prudential, have unveiled programmes to support healthier living and habits by their clients.

- ♦ Healthcare itself can be delivered and administered more effectively, and insurers should encourage this.
 - ♦ Tele-health is increasingly being used, saving patients time and convenience. The tele-health market in Asia Pacific is expected to grow by 12 per cent annually to reach US\$1.8 billion in 2020.
 - ♦ In Singapore, we have been rolling out TeleRehab services for stroke patients. It delivers better health outcomes because doctors can monitor patients and make sure they follow-through on rehabilitation without the inconvenience of regular physical travel to the clinic.
 - ♦ In the US, Kaiser – a major healthcare provider in California – already has more than half of its consultations through tele-health, and insurers have begun to accept tele-health claims.

iv. In Singapore, the first tele-health trial by an insurer was launched last year, enabling policy-holders at risk of heart problems to be monitored remotely so that abnormalities can be picked up in time, and issues detected before they become critical. I encourage insurers to partner with healthcare providers and research centres to test such applications and support the implementation of Smart Health platforms. It supports an important paradigm shift towards preventive and sustainable healthcare management for policy-holders.

9. There is opportunity for insurers to go digital in other ways too.

- ♦ At the front end: It is frequently remarked within the insurance industry that an insurer interacts with its clients just once or twice a year- for signing, renewals and claims. Apps and social media present insurers with more touchpoints to understand and engage their clients. Telematics and IOT (internet of things) devices enable data analytics, allowing the insurer to deliver more customised and innovative products and services.
- ♦ At the backend, the life insurance industry is beginning to pilot smart claims – the use of artificial intelligence and blockchain enables them to automatically trigger and settle claims. It will mean vastly faster settlement of claims,¹ and the better service that customers in Asia will come to expect.

10. Life insurers in the region are also teaming up with fintechs, or establishing dedicated innovation labs of their own. We have five such innovation labs helmed by life insurers in Singapore. Other insurers collaborate with fintechs to co-develop solutions – as Prudential has done with its Pru-Fintegrate Programme. These are often focused on digital distribution, achieving customer centricity, as well as testing IOT devices and solutions.

From Insurance Agents to Trusted Advisors

11. At the end of the day, the digital transformation will also transform the jobs of insurance agents or financial consultants. As technology is applied to more tasks within the insurance value chain, some adjustment, re-skilling, and re-scoping of roles will be necessary. Agents, freed from repetitive processing and queries, will be able to focus on a deeper understanding of the financial needs of the customer.

12. Prudential Singapore has begun this transformation, equipping their financial consultants with its cognitive chatbot askPru since August 2017. (askPRU instantly retrieves information about a customer's policy and status of submitted claims, amongst other details, enabling financial consultants to respond to their customers faster.) askPRU is also expected to reduce

call volumes at its contact centre by 30 per cent, freeing up call centre staff to assist customers and consultants with more complex queries. Financial consultants are also equipped with PRUONE Express, a digital point-of-sale portal which uses fingerprint authentication by agents, and SmartData Capture and is able to generate a detailed quotation within three seconds, enabling agents to discuss and assess possible protection plans with their clients on the spot.

13. **Ultimately, the role of the insurance agent will continue to evolve: from selling standalone life or health insurance products, to more holistic wealth and risk management advice, and in essence to being a truly trusted advisor.** Given the growing demand for risk management and compliance related roles in the industry, I also encourage insurers to consider reskilling some of their agents to take on such roles.

14. Prudential's new office, which is designed to promote maximum mobility, productivity, innovation and healthy living amongst its employees, echoes the aspirations of Asia's insurance consumers. It will continue to play an important role in meeting the protection needs of the next generation of Asia's consumers. Once again, my warmest congratulations to Prudential on the opening of its new office.

¹ *The global record for a fastest insurance claim was set in December last year by renter's insurance start-up Lemonade's artificial intelligence Jim in the US, which settled a claim for the theft of a US\$979 parka within 3 seconds. Within that time, Jim reviewed the claim, cross-referenced it with the policy, ran 18 fraud-detection algorithms, approved it, sent wiring instructions to the bank and notified the policyholder of the claim payment. The average claim payout in the US is about 30–45 days.*