
Singapore insurance market: facts & figures

Singapore is slightly smaller than the US City of Lexington, Kentucky, or Lake Taupo in Auckland, New Zealand. In June 2015 its population was estimated at 5.54 million, all squeezed into only 277.6 square miles (719.1 square kilometres).

Its history

For a tiny country with few natural resources, the Republic of Singapore is an exceptional success story. Last year, Singapore celebrated its 50th anniversary and while it does not boast a rich history, it is one of the most successful societies in human history.

When Singapore was expelled from Malaysia in 1965 and thrust into an unwanted independence, it was a typical third-world country; per capita income was US \$500 – at the time the same as Ghana’s – and although not desperately poor, malnutrition was rife. Things however, began to improve dramatically; its per capita income increased from the 1965 figure of US \$500 to US \$56,000 in 2014 - the highest growth reported by any newly-independent nation.

Comparing Singapore GDP per capita with some developed countries

COUNTRIES/ GDP PER CAPITA (IN USD)	1965	2014
Singapore	516	56,285
Switzerland	2,621	85,594
United States of America	3,665	54,630
United Kingdom	1,851	46,332
Japan	920	36,194

Source: The World Bank 2014.

Today Singapore is the world’s fourth-largest financial centre, operates one of the busiest container ports in the world and is the only Asian country to have a AAA credit rating from Standard and Poor, Moody and Fitch Ratings. In just half a century, Singaporeans have become some of the wealthiest people in the world with the highest number of millionaires per capita in Asia. It is also one of the world’s most liveable cities – rated as the greenest in Asia. One reason for its success is a combination of Singapore’s strategic position on the major sea route between India and China, its excellent harbour and free-trade harbour status (granted by founder Sir Thomas Stamford Raffles). While Sir Thomas created the framework for Singapore’s early success, it was Singapore’s forefather and former Prime Minister, Lee Kuan Yew, who shaped the first quarter-century of existence as an independent

nation and defined the path to its current success. PM Lee transformed Singapore from a small struggling island nation to a thriving metropolis.

Singapore is often referred to as the ‘Switzerland of the East’. In a National Geographic magazine article - ‘The Singapore Solution’ - it reports Singapore’s per capita income of its 3.7 million workers exceeds that of many European countries, the education and health system can compete with the best in the West, Government officials are pretty much corruption free, 90% of people own their own homes, taxes are relatively low, the streets and sidewalks are pristine and you will not find homeless people or slums. Singapore also boasts an unemployment rate of less than 3%. Having achieved so much, in such a short time, this growth has often been referred to as an economic miracle.

The following table summarises Singapore’s achievements.

ACHIEVEMENTS	IMPLICATIONS
Second most important global container port.	Strategic location, supporting infrastructure and technologies.
City with the best investment potential.	Favourable operating conditions, strong diplomatic ties, a stable political and economic climate creating an ideal environment to invest in.
Second most competitive city in the world.	The best in Asia due to its; lack of corruption; Government efficiency and global financial market development.
Best global innovation in Asia Pacific and the world.	The best performing Asian country ahead of Hong Kong, Korea and Japan. Excels in Institutions, human capital, research, infrastructure and business development.
Top of Business Environment Risk Intelligence’s Labour Force evaluation measure.	Proven to have a consistently productive and skilled labour force, making a conducive environment for business growth.
Second in world for best labour/employer relations in Asia.	Workplace relationship between employee and employer is the best in the region.

Source: Economic Development Board of Singapore 2016.

The insurance market

Singapore is home to key decision makers - it is the base for numerous multinational corporation headquarters, over 70 insurance brokers and four out of five global brokers have regional hubs here.

The Government has an ongoing commitment to marketplace development; it is establishing research institutions to gather and analyse data in specific areas of risk, is actively promoting Singapore not just as a strategic location, but also as a centre of excellence for innovation, and has set up a Talent Development Framework (a partnership between the Monetary Authority of Singapore (MAS) and the insurance industry) and a Global Internship Programme to ensure Singapore remains at the forefront.

Market breakdown

YEAR 2014	GROSS PREMIUM (IN SGD)	INCURRED LOSS RATIO
Singapore Insurance Fund	US \$3.850B	48%
Offshore Insurance Fund*	US \$7.918B	51.7%

*International / Regional Business coming into Singapore
Source: Monetary Authority of Singapore.

Asia's changing insurance landscape

The insurance landscape is constantly evolving and contributors to this include: sluggish economic growth, softening rates and rising claims (pressurising underwriting results), a low interest rate environment (suppressing investment returns) and as the world shifts towards risk-based regimes such as Solvency II, regulatory and capital requirements are being tightened. At the same time, the growth potential has never been better. Much of the world remains under-insured and in Asia, the prospects are especially bright. The Asian risk landscape is transforming rapidly, generating an increasing demand for insurance and reinsurance.

A bright future

At the 12th Singapore International Reinsurance Conference on 6 November 2013, Ravi Menon, Managing Director, MAS, said: "Over the next decade, the 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." He listed three contributory growth factors: Asia is growing, Asia is highly prone to natural catastrophes and Asia is ageing.

As the leading insurance centre in Asia, Singapore is well placed to serve the burgeoning insurance needs of the region. The insurance industry is one of the brightest stars in the constellation of Singapore's financial sector.

Not surprisingly, in 2015, the Economic Development Board of Singapore reported 'businesses headed to Asia will do well to tap into Singapore's prime geographic location in the heart of the region, global connectivity and business-friendly policies. It is the number one choice for the world's top global companies in the industrial goods and services sector and among the top five for media and financial services companies.'

Singapore is also a member of the ASEAN¹ Economic Community (AEC). The establishment of AEC in 2015 is a major milestone in ASEAN's regional economic integration agenda, offering opportunities in the form of a huge market of US \$2.6 trillion and over 622 million people. In 2014, AEC was collectively the third largest economy in Asia and the seventh largest in the world. The AEC is working together on a comprehensive insurance liberalization framework. MAS in 2013 reports 'insurers can expect to benefit from easier cross-border provision of services and substantial access across the ASEAN customer base from offices in any ASEAN member country'.

The country is therefore, well positioned to become the Asian insurance hub and is predicted by MAS to be the next global hub (besides London) in 2020. As the exclusive Singapore member in the Brokerslink network, Acclaim is well-placed to act as the conduit and work with partners who are keen to gain leverage from this global insurance market position. •

1 Association of Southeast Asian Nations