MARKET PROFILE – SINGAPORE

Learning to live with a pandemic

Singapore's general insurance sector has remained stable over the last year, despite the pandemic's impact. But effects of COVID-19 on different lines of business are as varied as the challenges it has created. We take a closer look at some of the major talking points.

By Amir Sadiq

The road to recovery from COVID-19 is looking to be a long one, as expected, both in terms of afighting the virus and bringing the economy and businesses back up to speed.

The good news for general insurers in Singapore is that the country has the pandemic under control for now, allowing them to focus efforts more on supporting Singaporeans and the nation's economic recovery, even as the threat of COVID-19 lingers in the background.

By the numbers

In 2020, Singapore's general insurance (GI) sector recorded flat growth, with a marginal 0.2% decrease in gross written premiums, amounting to S$4.09bn ($3.07bn) as at 31 December 2020. The sector also recorded an underwriting profit of S$237.3m.

Speaking to *Asia Insurance Review*, General Insurance Association of Singapore (GIA) president Craig Ellis said the sector will continue to address changing protection needs and evolving risks by collaborating with members, regulators and stakeholders to steer Singapore towards post-pandemic recovery.

QBE Insurance (Singapore) CEO Ronak Shah also pointed out that the past 15 months have seen a gradual increase in rates across most product classes.

"This rate momentum, increased retention of the business and continued client loyalty has benefited

Mr Craig Ellis

Mr Ronak Shah

Mr Julien Callard

our business as a whole. We continue to see more complex risks emerging, as well as a need for more technical capabilities," he said.

AXA Insurance retail and health managing director Julien Callard said that the impact of the pandemic varied across different business lines, with travel and personal accident insurance recording a drop in demand.

Motoring on

When COVID-19 'circuit breaker' measures were in full swing last year, empty roads, even in the heart of Singapore's central business district during peak hours, were a common sight as vehicle use plummeted.

Mr Callard noted that there was a slight increase in motor insurance policy cancellations during the past year as more people were unable to afford the upkeep of their vehicles and private-hire drivers returned their vehicles to rental companies.

"On the flip side, motor claims frequency dropped in 2020, particularly during the circuit breaker period, which contributed to improved underwriting profits. However, we do not expect this to sustain in the future as traffic on the roads gradually go back to pre-COVID levels," he said.

With traffic patterns beginning to return to normal as measures are eased and more businesses are reopening, Mr Ellis said he expects the motor segment to see a gradual return to pre-pandemic performance further into 2021.

"We are already seeing the number of accident reports made monthly return to >80% of December 2019 levels," he said. "Given this uptick in the number of accident reports, GIA will continue to support efforts to promote road safety and facilitate a more seamless accident reporting process to protect motorists."

Among those efforts has been the launch of the GIA Easy Accident

Figure 1: Gross written premiums and market share of the top five segments

	Gross written premium(S$'000)	Market share (%)
Motor	1,124,513	27.5%
Health	692,716	16.9%
Property	591,785	14.5%
Employer's liability	381,456	9.3%
Marine hull	185,677	4.5%

Figure 2: Underwriting performance across the top five segment

	Underwriting performance FY2019 (S$'000)	Underwriting performance FY2020 (S$'000)	Increase/ (Decrease) (S$'000)
Motor	(17,437)	104,529	121,965
Health	(11,194)	17,872	29,066
Property	(3,945)	43,733	47,677
Employer's liability	(7,345)	40,997	48,342
Marine hull	(45,527)	7,101	52,628

Source: General Insurance Association of Singapore

Reporting System (GEARS), an online platform that facilitates the more seamless and convenient payment and delivery of accident reports that was launched late November last year.

Mr Shah is also anticipating drastic changes coming for motor insurance, in the way it is purchased, underwritten and transacted – with telemetrics, pay as you use, AI, dynamic pricing and straight-through-processing of claims being some areas of change.

No-go for take-off

For much of the past year, many Singaporeans have been clamouring for travel bubbles to be established.

Mr Ellis said the gradual implementation of travel bubbles and more countries requiring mandatory COVID-19 coverage for visitors are creating opportunities for general insurers to develop robust travel insurance options for travellers.

But as recent events have shown, the situation is still volatile – a proposed travel bubble between Singapore and Hong Kong had to be put on hold as the COVID-19 cases in Singapore started rising again, with a major cluster detected at Singapore's Changi Airport.

"Given the recent spike of cases and varied rate of vaccination roll-out in other countries, it is still premature to say that we will see a tremendous recovery for the travel segment this year," said Mr Ellis.

Mr Shah said, "While travel bubbles may offer a boon and respite to the travel industry and boost the travel insurance sector, we must be realistic and be prepared that these would probably bring only short-term improvement."

Mr Callard added that when international travel does resume, he expects the take-up of travel insurance "to be higher than in the pre-COVID world as people are now aware on a much larger scale of the value of insurance having gone through this global pandemic."

On the digital front

The continued acceleration of digitalisation, coupled with more people working remotely, has seen new and more complex risks emerge and has led to an increased demand for niche products such as cyber and work-from-home insurance.

Digitalisation of payments is happening at a large scale with changes underway to have all general insurance policy premiums placed by agents registered with the Agents' Registration Board to be paid directly from customers to insurers, said Mr Callard.

"This leverages the digital capabilities of insurers, reduces premium collection handling and credit-default risks and allows the agents to refocus their activities on insurance advising," he said.

Distribution channels

The importance of the human element is often brought up in conversations on L&H insurance while GI products are usually assumed to be more digital-centric, but this may not necessarily be the case.

"It is interesting to note that while digitalisation is highly pursued and a growing tendency to get GI products online have been observed, most — even among the younger, digitally savvy generation — still prefer to purchase GI through insurance agents and brokers, suggesting a preference for human touch for more complex needs," said Mr Ellis, citing findings from a survey GIA conducted in partnership with YouGov late last year.

"Policies have become more specific and diverse and we are also seeing more players, especially non-insurers, entering the market. In essence, sales and distribution channels have broadened, and the field has become more innovative and competitive," said Mr Shah.

Looking to the future

In the coming years, COVID-19 will remain an ever-present threat, said Mr Ellis, and will present both challenges and opportunities for the GI sector. With the Singapore government keen to resume business and leisure travel, COVID-19 insurance will be essential.

According to GIA's YouGov survey, usage-based insurance (42%) and COVID-19 insurance (41%) surfaced as the topmost unmet needs sought by respondents during that period, and 28% also deemed the hospital cash insurance as the most important benefit within the next 12 months.

Mr Shah added that the ability of SMEs to manoeuvre through this pandemic, reinvent and digitally transform their business models has a direct impact on how the general insurance industry in Singapore will perform.

Businesses taking a cautious approach in their hiring, expansion and replenishing of supplies will also affect other lines such as marine and business insurance, said Mr Callard.

"To stay trim, some businesses are also cutting costs and they may choose to forgo insurances that are not compulsory such as group personal accident which is often the first to be cut," he said.