

NIGERIA'S FINANCIAL SYSTEM STRATEGY 2020

**DEVELOPING THE INSURANCE
SECTOR IN NIGERIA:
EXPERIENCE OF SINGAPORE**

TO COVER

- Overview of Singapore's Insurance Sector
- Regulatory Objectives
- Regulatory Initiatives
- Developmental Objectives
- Recent Initiatives
- Conclusions

Note: Observations are personal, not MAS

Overview of Singapore's Insurance Sector (1)

- Focus of the direct sector is largely domestic
- Reinsurance sector (esp general) has strong international component
- International and regional business is growing
- Most general insurers are foreign-owned
- Two of the largest life-insurers are local
- One is an important regional insurer
- Most of the other life insurers are foreign

Overview of Singapore's Insurance Sector (2)

- 165 Insurance Companies, including:
- 11 life insurers
- 55 general insurers
- 6 composite insurers
- 5 life reinsurers
- 18 general reinsurers
- 9 composite reinsurers
- 61 captive insurers

Overview of Singapore's Insurance Sector (3)

Insurance industry is mature, well developed and traditional in structure:

- Most products sold through agents
- Bancassurance growing
- Direct sales small
- Major life products: protection; investment-linked
- Major general products: motor, fire, marine & aviation, workmen's compensation

Overview of Singapore's Insurance Sector (4)

Despite maturity, domestic market not fully exploited:

- Assets managed represent about 50% of GDP
- Life insurance penetration 66% of households
- Life premium density 3.8% of GDP (vs 5.1% in industrial countries)
- General premium density 1.5% of GDP (vs 3.8% in industrial countries)

Overview of Singapore's Insurance Sector (5)

Recent Trends:

- Investment-linked products growing (63% of premiums, but 18% of assets)
- Growing emphasis on financial planning

Regulatory Objectives

Prudential:

- Safety and soundness of insurers
- Solvency, risk management and corporate governance

Market Conduct

- Selling practices
- Disclosure

Regulatory Philosophy

- Strong prudential and market conduct regulation and supervision
- Benchmarked against best practices
- Offsite and on-site supervision
- Close collaboration with industry (regular dialogue, joint working groups, consultation papers)

Regulatory Initiatives (1)

Prudential

- Risk-based solvency rules
- Risk-based supervisory approach
- Thematic inspections (Asset/Liability matching; AML/CFT)
- Good governance
- Risk-management
- Claims management
- Underwriting

Regulatory Initiatives (2)

Market Conduct:

- Encourage industry associations to assume responsibility for standard-setting (*Code of Practice*)
- Registration of representatives
- Consumer education (*MoneySense*)
- *Financial Industry Dispute Resolution Centre*
- Thematic Inspections (product switching)
- Mystery shoppers

Developmental Objectives

- Emphasis on building high quality international insurance centre to complement strong domestic centre
- Strategy is to encourage new players and products to serve regional and international markets

Recent Initiatives (1)

New Products:

- Products for high net worth segment
- Trade credit
- Terrorism cover
- Professional indemnity
- D & O
- Takaful

Recent Initiatives (2)

New Players:

- Captive insurers
- Reinsurers
- Specialist insurers

Recent Initiatives (3)

MAS:

- Support for training and certification (longstanding but growing)
- Programme on risk management and innovation
- Encourage research on insurance issues (pandemics, catastrophic events, Asian mortality/longevity)

Conclusions (1)

- Strong regulation/supervision helped create a strong, well-capitalised industry, with reasonably high standards of conduct
- But the industry has been rather conservative and domestically-oriented
- More was needed to stimulate development and build-up the international element

Conclusions (2)

- Need to emphasize development as well as soundness and good conduct
- Need to make the insurance industry a higher priority
- Recent efforts are bearing fruit
- Both domestic and international components of the industry are growing rapidly