SINGAPORE ACTUARIAL SOCIETY

Tribute to Lee Kuan Yew – The Past, Present & Future of insurance industry

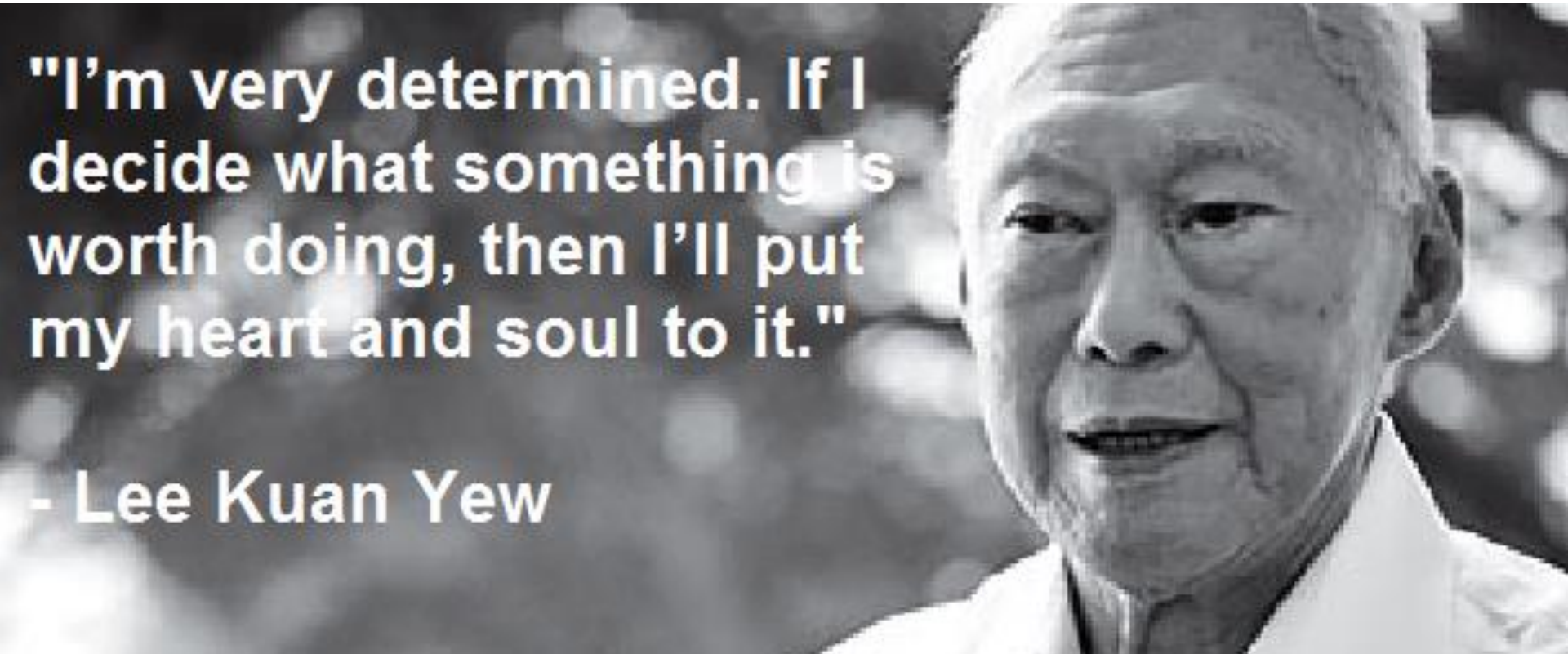
May 28th, 2015

Agenda

- The Past
- The Present
- The Future
- Conclusion

Did the man make the moment,
or the moment the man?

The Past…


"I'm very determined. If I decide what something is worth doing, then I'll put my heart and soul to it."
- Lee Kuan Yew

Singapore is out…

AVERAGE DAILY CERTIFIED SALE EXCEEDS 150,000

9 AUG 1965

Malaysia's National Newspaper

atlas

The Straits Times

Estbd. 1845 TUESDAY, AUGUST 10, 1965 15 CENTS. KDN 1110 : 1065

Tengku pledges support for admission to Commonwealth and United Nations

What it means—at a glance

- ALL Singapore citizens cease to be Malaysian citizens.
- ALL civil servants, including police and armed forces personnel, courts and judiciary, who became employees of the Malaysian Government on Malaysia Day, come under the Singapore Government once again.
- ALL civil servants employed by Federal departments in Singapore after Malaysia Day become forthwith employees of the Singapore Government.
- ALL properties taken over by the Malaysian Government on Malaysia Day are now properties of the Singapore Government.
- NO turn-over tax.
- BANK of China reverts to status quo.
- NO more Common Market arrangements as provided by Annex J of Malaysian Constitution.
- FULL control by Singapore Government over broadcasting and television.

Unchanged are Singapore's water supply from Johore and maintenance by Central Government of military bases in Singapore.

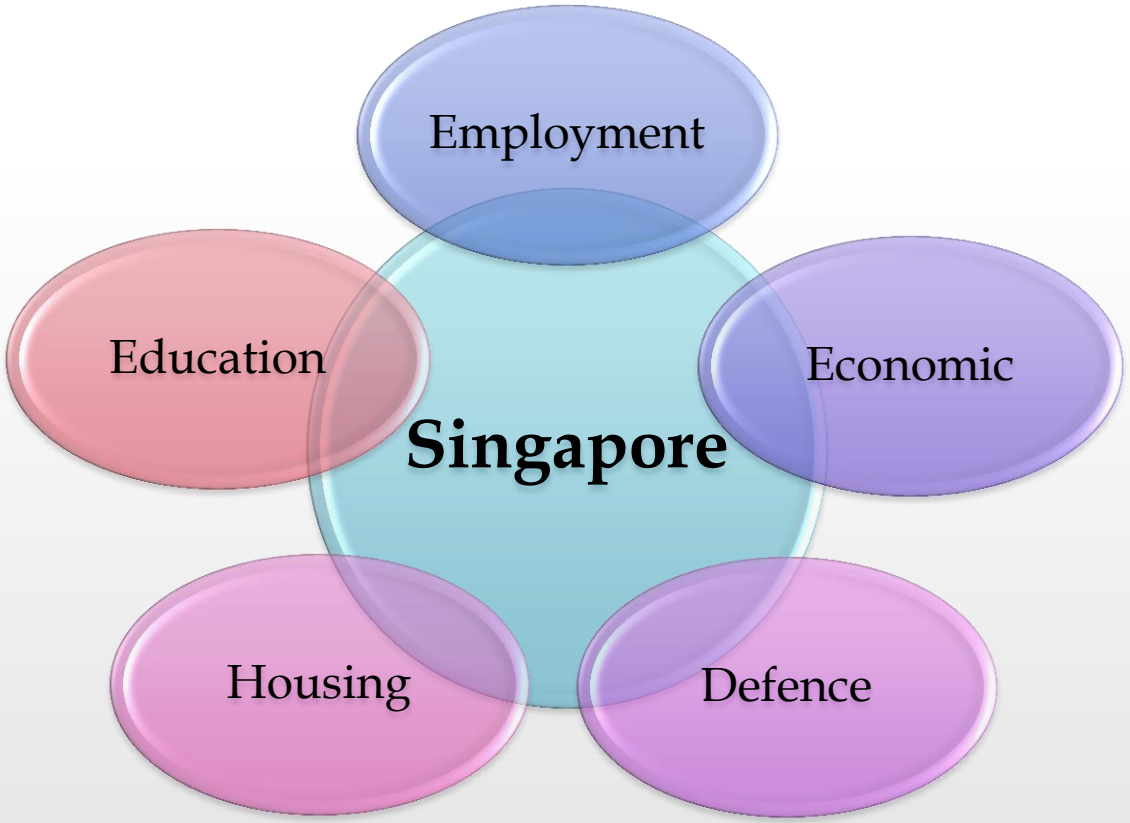
Singapore is out

Threats to Singapore's peace

- **Internal threat – 1964 Racial riots**
  - Clashes between Chinese and Malays broke out in different parts of Singapore in July 1964
  - 23 people were killed, 454 people injured in the riots
  - Another riot in Sept 1964 – 13 people were killed and 106 were injured
- **External threat – Indonesian confrontation**
  - Indonesian trade embargo – Singapore's trade declined and some people were unemployed
  - Violence and disruption of peace – Indonesian agents set off 29 bombs in Singapore by March 1965

Singapore's Independence

- 9 Aug 1965 – Spore attained full independence
- **Challenges ahead…**

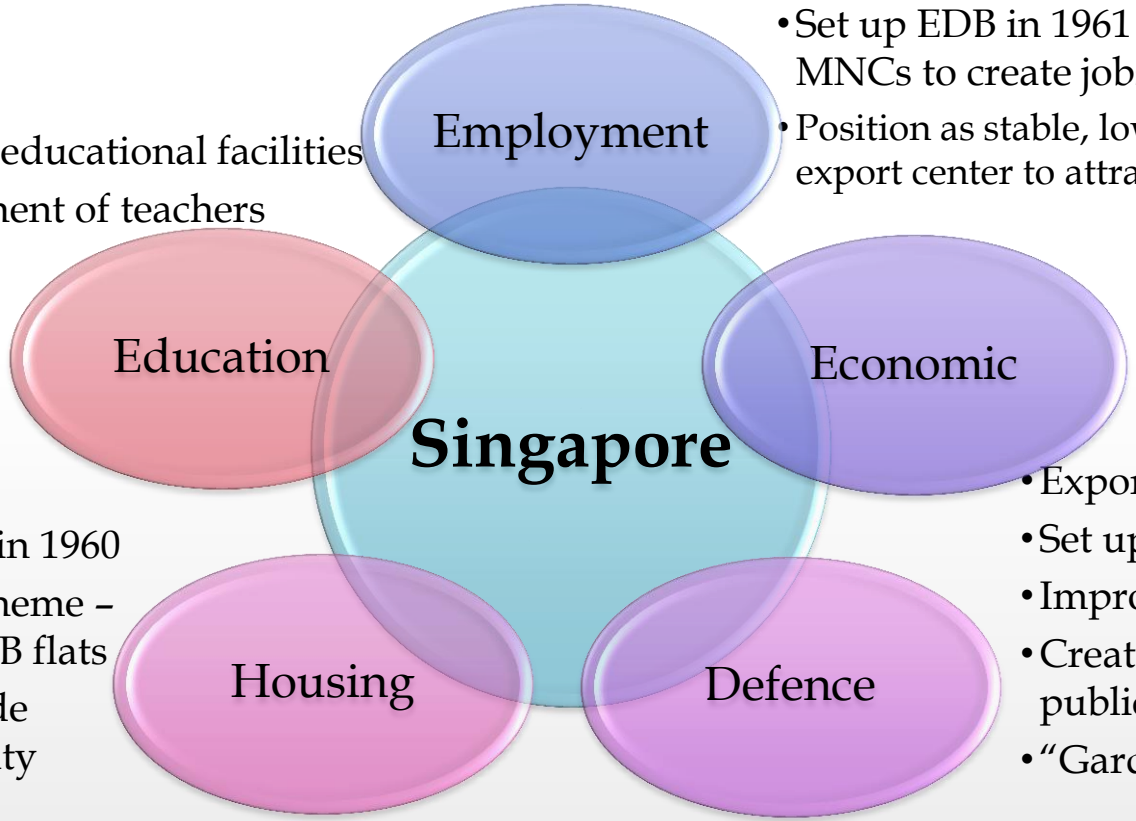


What Lee Kuan Yew did?

"Enterprise" Risk Management approach (Part 1)

- **Instituting sound "Corporate" Governance**
  - Tone from the top – setting right culture, value & direction
  - Anti-corruption measures
  - Identified core team of leaders
- **Establishing Risk Management Framework**
  - "Risk Appetite" – Identified top risks & key success factors
  - Set up specific government units to tackle top/material risks
  - Get buy-ins from key stakeholders – government, unions, citizens
- **Implementing Risk Management Process**
  - "Forward looking" identification and quantification of risks
  - Government Policies focus on building core "infrastructure"
  - People management – Education policy, bilingual policy

What Lee Kuan Yew did?



- Set up EDB in 1961 - Incentives for MNCs to create jobs for unemployed
- Position as stable, low-cost manufacturing export center to attract MNCs

- Rapid expansion of educational facilities
- Large-scale recruitment of teachers
- Bilingual policy

- Export-led industrialisation
- Set up JIE
- Improved banking facilities
- Creating high standard of public services
- "Garden city"

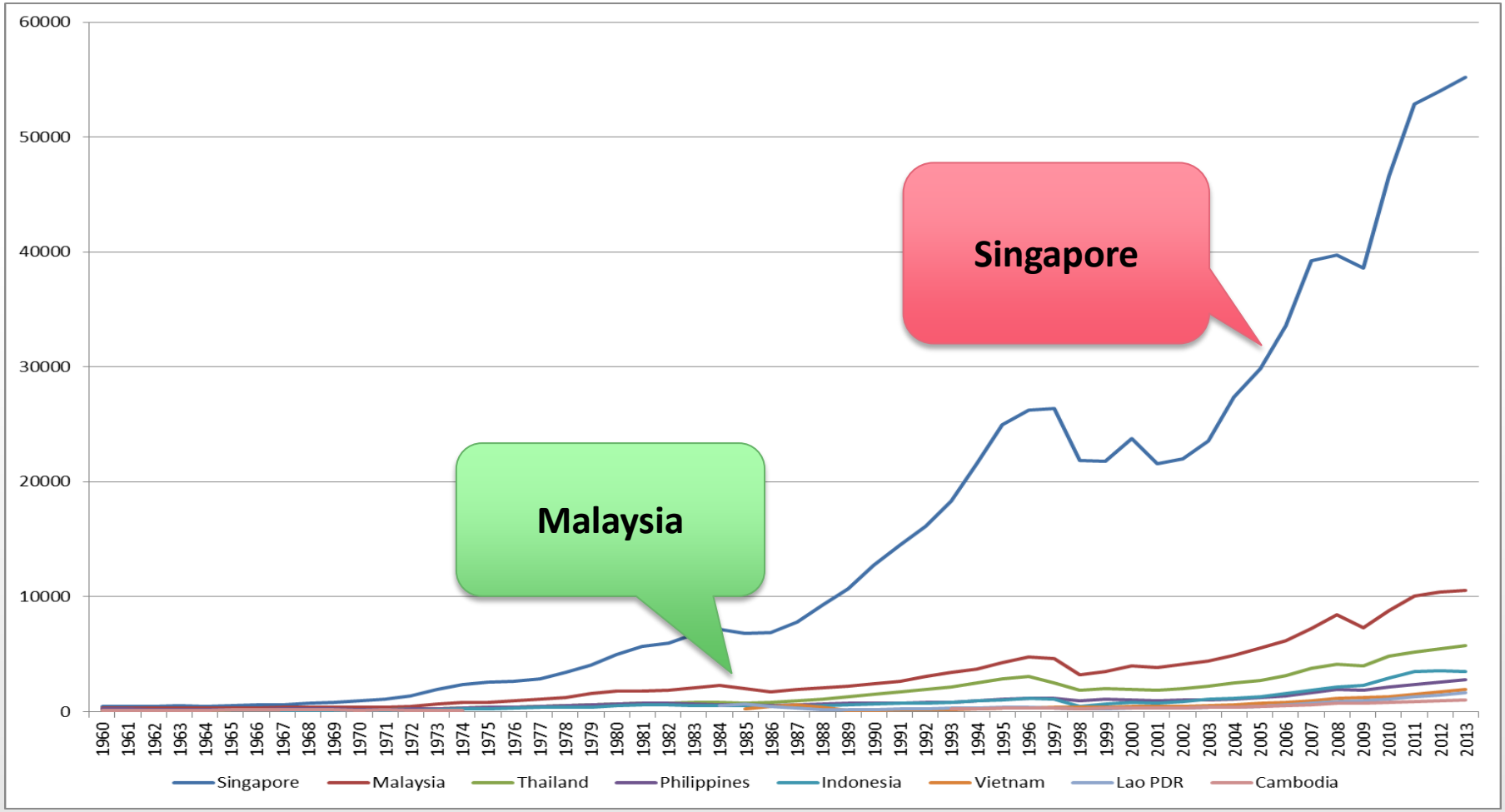
- Set up HDB scheme in 1960
- Home ownership scheme – CPF to purchase HDB flats
- Set up PUB to provide water, gas & electricity

- Build up Singapore Armed Forces
- Anti-corruption measures
- Promote racial tolerance & harmony

GDP per capita

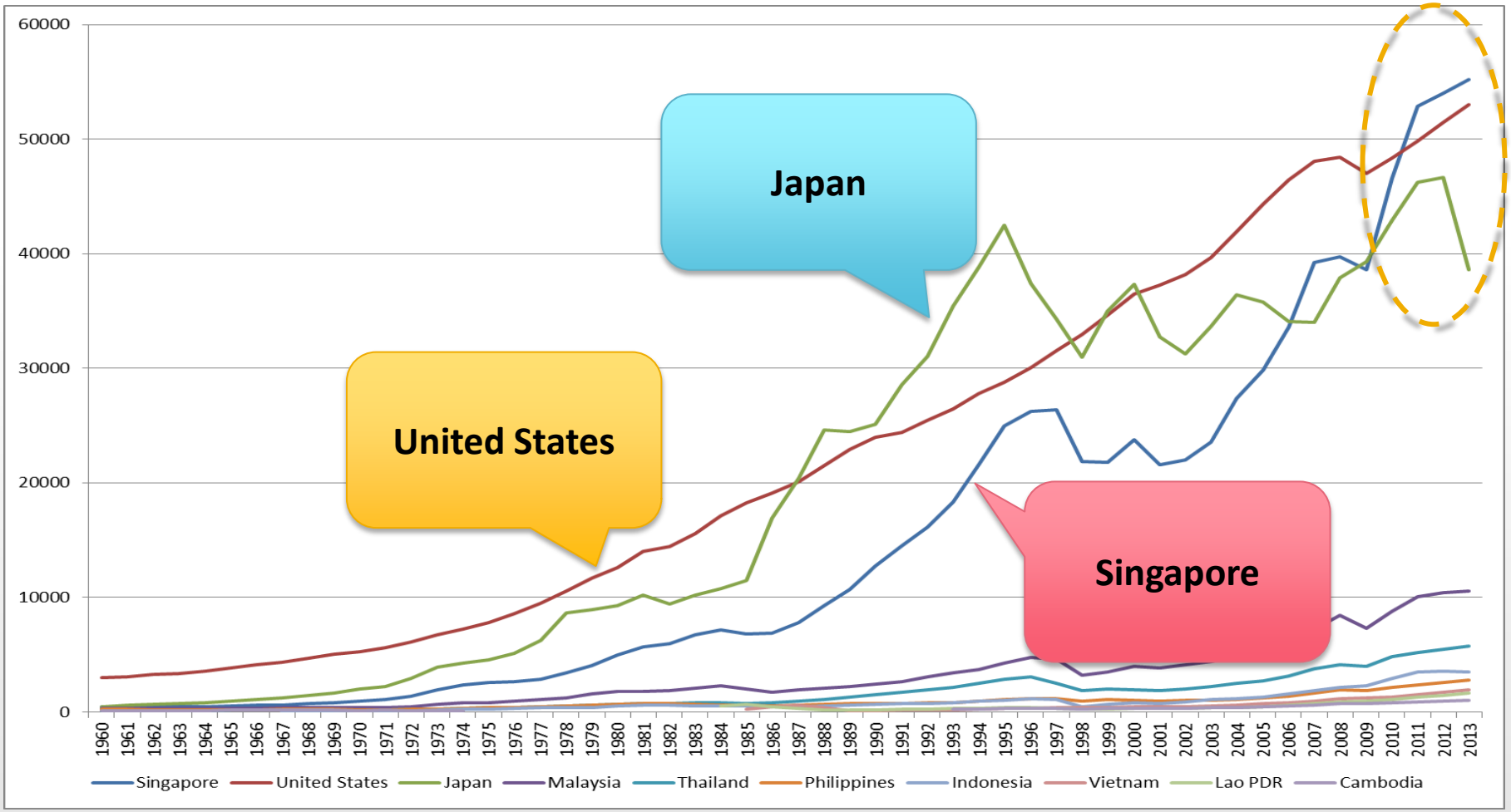
1960 ~ 2013

Singapore has grown exponentially since 1960, compared to its neighbouring countries!



GDP per capita
1960 ~ 2013

Singapore has been growing in tandem with US and Japan's GDP per capita!



What about Insurance Industry?

Insurance Industry *benefited* from Economic growth

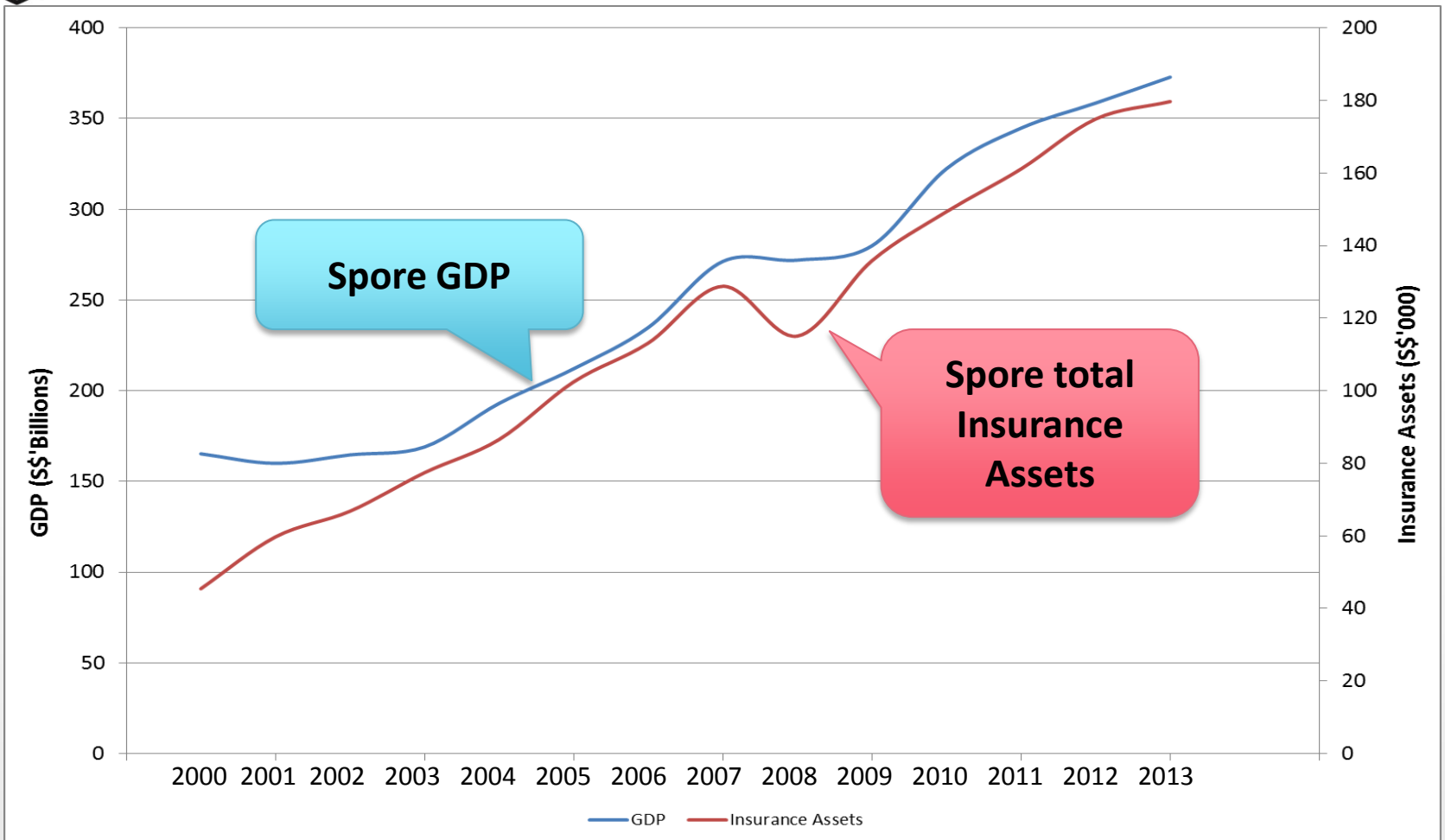
- Increase demand for protection against losses of property
- Insurance offer as a saving substitution products
- Increased population enhance needs for personal insurance
- Industrialisation increases commercial lines insurance
- Increased household income enhances insurance spend

Insurance Industry *contributed* to Economic growth

- Serve needs of business units and private households
- Smoothen economic cycle, reduce impact of crisis events
- Improving resource allocation and mobilises savings
- Create large amount of assets placed on capital market
- Provides risk management and liquidity

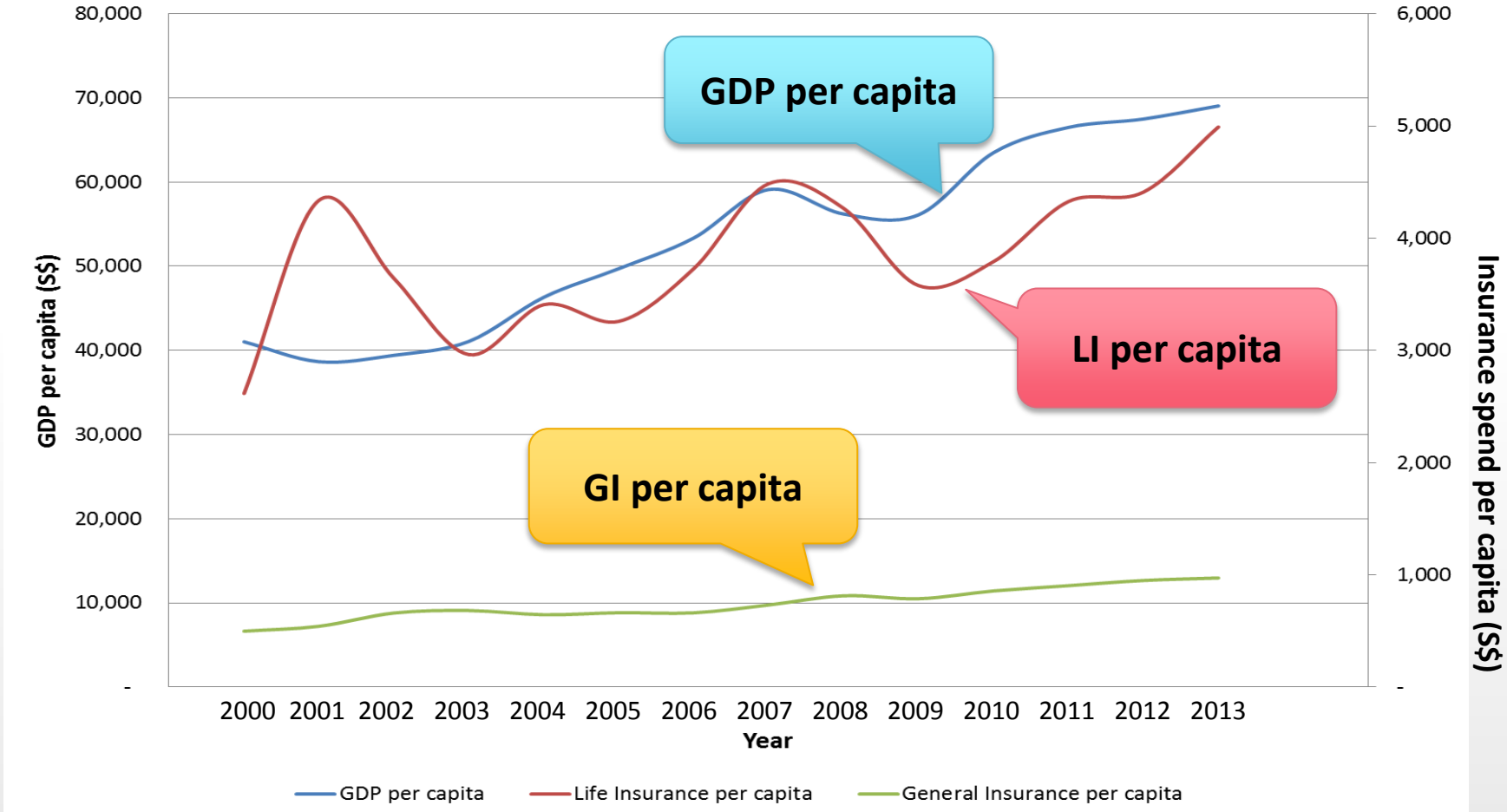
Economic Growth ⇄ **Insurance Growth**

What about Insurance Industry?



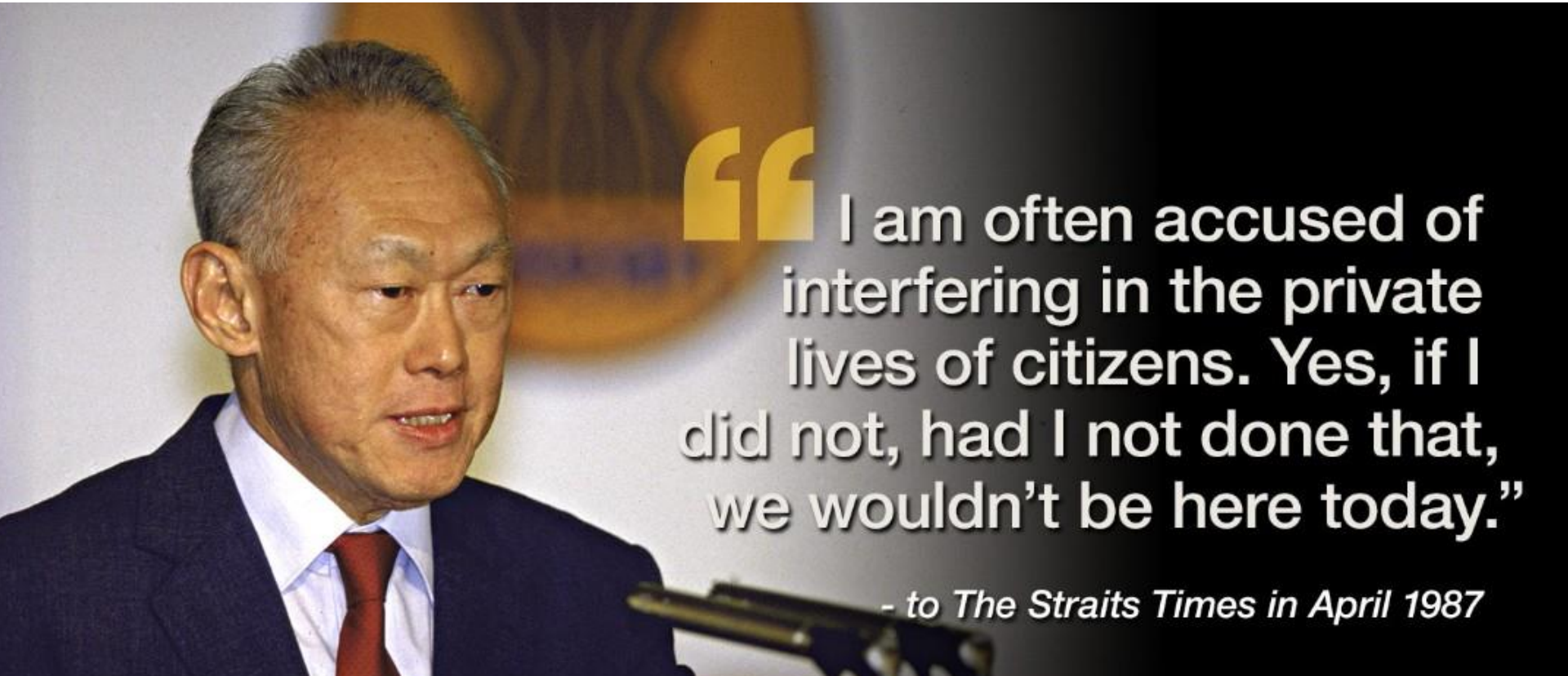
GDP growth & insurance asset growth are strongly correlated

What about Insurance Industry?



Household income & insurance spend are also correlated

The Present…


"I am often accused of interfering in the private lives of citizens. Yes, if I did not, had I not done that, we wouldn't be here today."
- to The Straits Times in April 1987

What Lee Kuan Yew did?

"Enterprise" Risk Management approach (Part 2)

- **Establishing long term governance framework**
  - Succession planning and leadership renewal
  - Introduced 5 pillars of holistic "Total Defence" framework in 1984 – in Military, Civil, Economic, Social & Psychological
- **Building long term "business" strategy**
  - Investment in foreign investiture and attracting foreign talents
  - Development on key "success factors" – security, healthcare, education
  - "Branding" of Singapore into a stable, organised and efficient country
- **Building long term partnership with key "stakeholders"**
  - Formation of ASEAN in 1967
  - US & China – e.g., free trade agreements
  - Bridge between China & Taiwan

Singapore's Total Defence

What world leaders say…

"The death of Lee is not the passing of an individual, but indeed, of an era. He was a torchbearer of hope, not just for Singapore, but for all of Asia." ***Indian PM Modi***

"He is a close friend of Indonesia…As a leader who loved his people, he was also one of the most influential politicians in Asia." ***Indonesia President Joko Widodo***

"Mr Lee sets the correct direction for the development of the bilateral relationship, helped deepen the friendship between our people…." ***China President Xi Jinping***

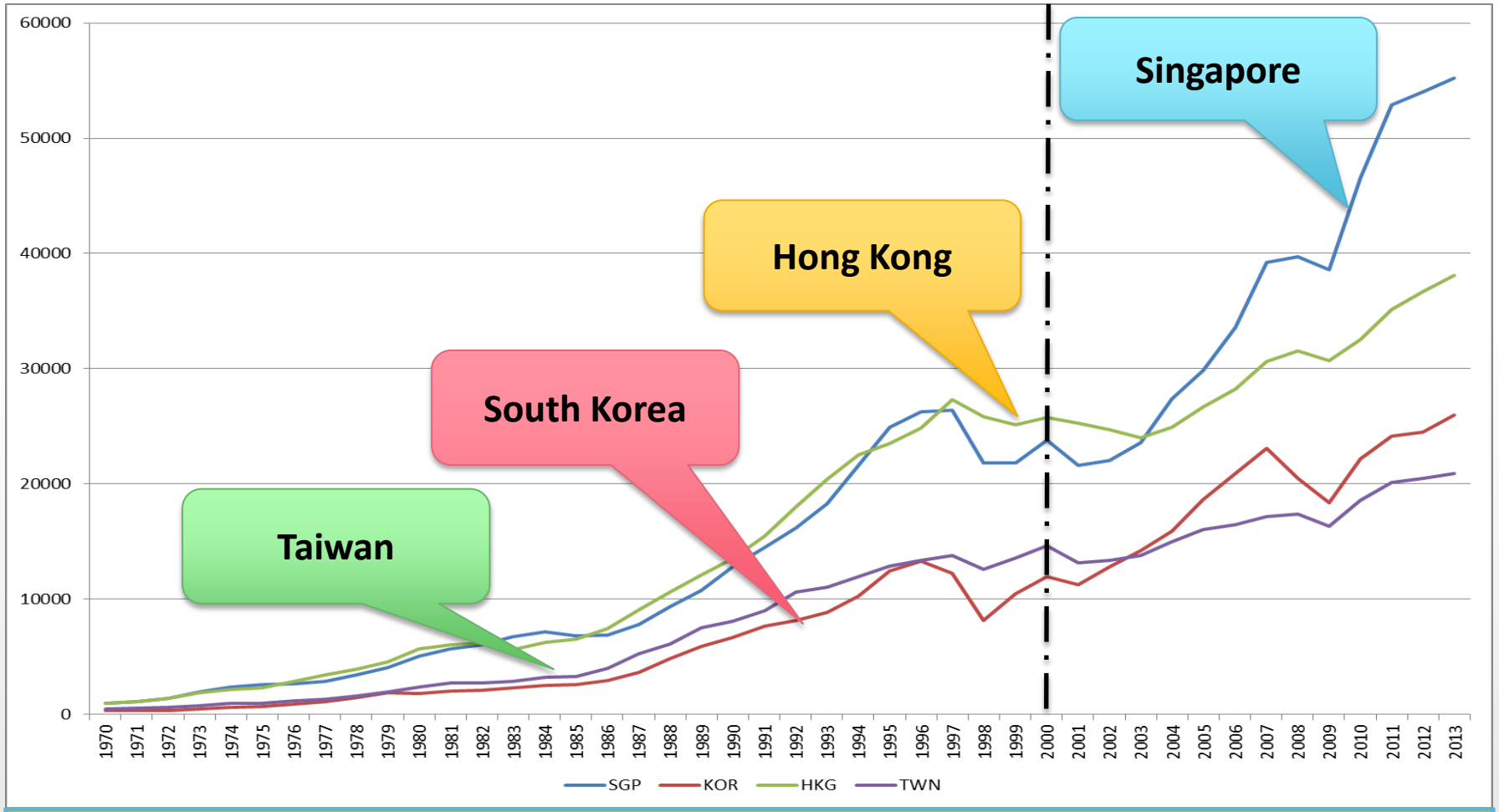
"One of the greatest leaders of modern times that Asia has ever produced. He had made outstanding contributions to the current close relations between Singapore and Japan." ***Japanese PM Shinzo Abe***

"Lee's views and insights on Asian dynamics and economic management were respected by many around the world, and no small number of this and past generations of world leaders have sought his advice on governance and development." ***US President Barack Obama***

"He was always a friend to Britain, if sometimes a critical one, and many British Prime Ministers benefited from his wise advice, including me." ***British PM David Cameron***

GDP per capita comparison

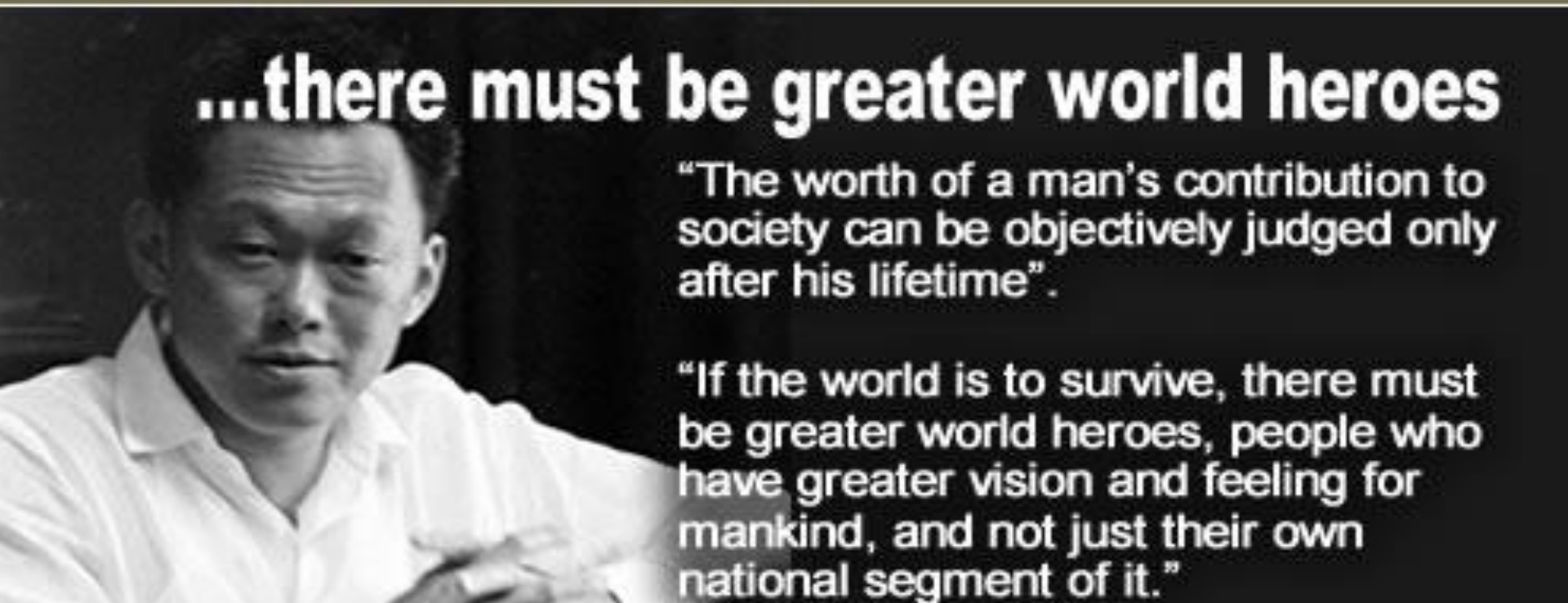
4 Asian Dragons/Tigers



Singapore has emerged as number 1 from the 4 Asian Dragons…

The Future…

Life Story of Mr Lee Kuan Yew



Singapore – Number 1 in everything…

The "Kiasu" spirit

- Best airport
- Best sea-port
- Best airline
- Best shopping
- Best public housing
- Best newspapers
- Best weather
- Best gardens
- Best workers
- Best defence
- Best banking system
- Best food
- Most expensive cities
- Most safe country
- Most expensive cars
- Most pollution free country
- Most corruption free civil service
- Most corruption free police force
- Most internet users
- Most efficient service
- Most clean water
- Most religious freedom
- Most fines
- Most expensive ministers

Can Singapore continues to be number 1 in everything in future?

Global Financial Service Sector

7 key challenges

Current Challenges in the Global Financial Services		
1. Regulatory Environment	• Fiscal pressures	• Political & social unrest
2. Rise and interconnectivity of the Emerging Markets	• Economic strength • Trade • Foreign direct investment	• Capital balances • Resource allocation • Population
3. Demographic Change	• Population growth discrepancies • Ageing populations	• Changing family structures • Belief structures
4. Social & Behavioural Change	• Urbanisation • Global affluence • Talent	• Changing customer behaviours – Social media • Attitudes to financial institutions
5. Technological Change	• Disruptive technologies impacting financial services • Digital and mobile	• Technological & scientific R&D innovation
6. War for Natural Resources	• Oil, gas & fossil fuels • Food & water • Key commodities	• Ecosystems • Climate change & sustainability
7. Rise of state-directed capitalism	• State intervention • Country/city economic strategies	• Investment strategies

Source: PwC Project Blue Analysis

Growing Insurance Industry

…despite global challenges

- APAC Insurance market is growing at **6.5% p.a.**
- APAC insurance market size of US$1,391bn in 2012 will grow to **US$1,906bn** in 2017
- APAC share in global middle class market expected to grow from 20% in 2009 to **54%** in 2020
- Ageing population & rising individual wealth in APAC to be the driving force for the industry

ASEAN Economic Community

- ASEAN was founded on 8 Aug 1967
- Currently consists of 10 countries comprising:
  - Brunei
  - Cambodia
  - Myanmar
  - The Philippines
  - Laos
  - Indonesia
  - Malaysia
  - Singapore
  - Thailand
  - Vietnam
- AEC aims to create a competitive economic region with a single market and production base by facilitating the free flow of goods, services, investments, skilled labour and capital…

Opportunities with AEC

Prospects for life/non-life insurance

Opportunities with AEC

Prospects for life/non-life insurance

- **Cambodia & Vietnam – ample cost-effective labour forces, attracted production infrastructure for low-value goods**
- **Myanmar – just opened its market and drawing substantial interest in abundant natural resources and labour supplies**
- **Thailand & Malaysia – remain competitive as global production sites for automobile, electronic and computer goods**
- **Vietnam – started production of high-end products such as mobile phones**
- **Indonesia – world's largest exporter of natural resources such as palm oil & coal, expected to take active role in global trade**
- **Singapore – regional (re)insurance hub, stands out for niche, specialised and a broad range of insurance and reinsurance businesses**

Concluding Remarks

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Can Singapore continues to make the moment without the man?

Concluding Remarks

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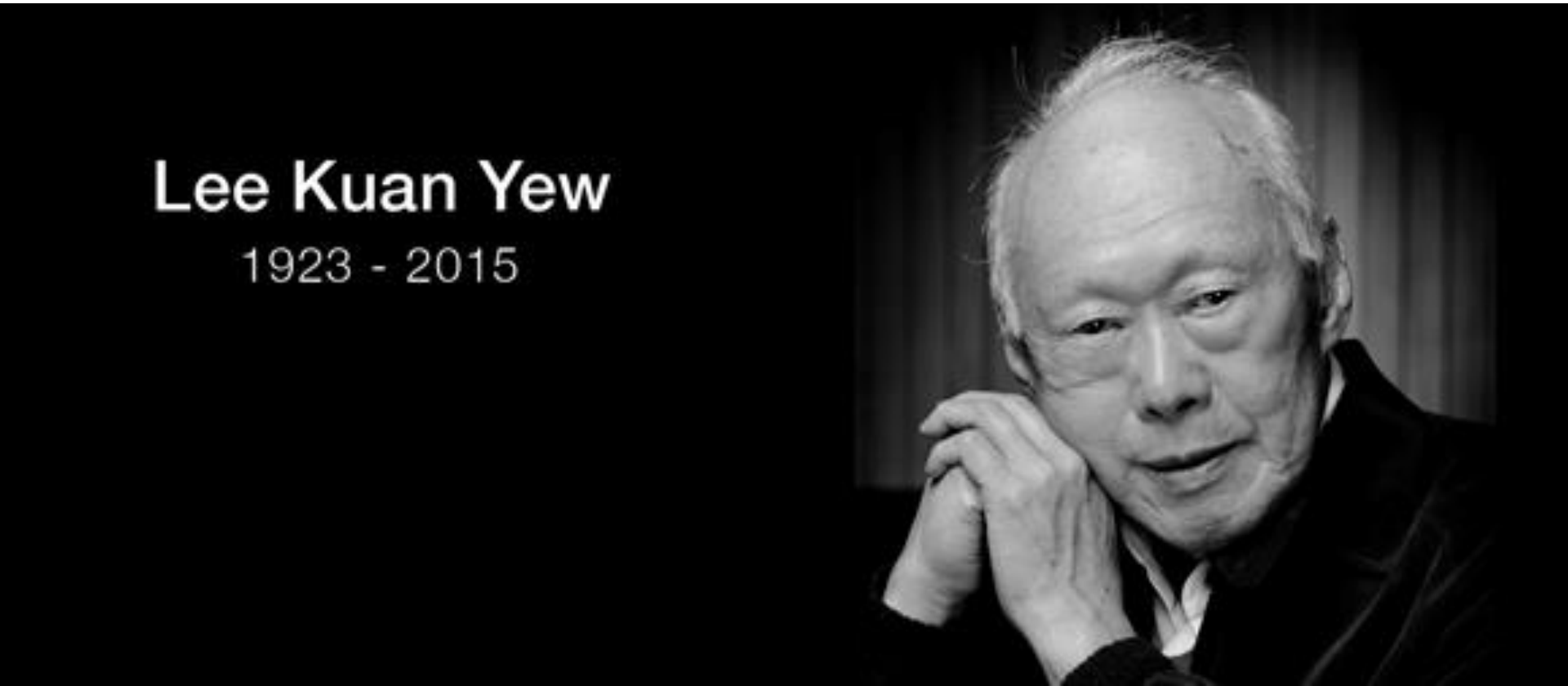
Thank you Mr Lee…