Life Insurance in Singapore

MARKET RESEARCH

May, 2017

Contents

Introduction

This document represents Market Research about the Life Insurance (LI) in Singapore. The objective of this document is to analyze the purchasing trends regarding Life Insurance products in the country.

At the beginning of the first part it will be said more about the LI industry in Singapore and the development over the years. After that, it will be presented the main channels of distribution, which are the most used by the consumers, how the sales agents reach out to them and which are the main factors when they are choosing. Also, in this part it will be said more about the consumers and the potential market and in the end which are the future trends in this industry.

In the second part will be analyzed the competition in the Life Insurance industry in Singapore and their features. The competition will be divided on direct competitors which are more close to our business idea and the indirect competitors, which are companies that offer life insurance.

The last part will cover the legal aspect of starting LI Company in Singapore. There will be presented the rules and regulations in the industry and the responsible body for regulation. Also, in addition to this governance chapter, part of the social media policy will be the presented.

Market Analysis

Industry Overview

Singapore is one of the most open insurance markets in the world. Since, 17th March 2000, the market became fully open to foreign insurers and the number of vendors and policies have multiplied. Nowadays in Singapore are operating some of the globally leading insurance companies like American International Assurance, AXA, Great Eastern, HSBC and NTUC, each offering a variety of standard and unique products. The insurance business in Singapore is comprised of life and general insurance and is also regulated by the Monetary Authority of Singapore (MAS) under the Insurance Act (Cap 142). Singapore's highly competitive, diversified and prosperous economy continues to support the development and operation of its insurance sector and will continue to boost demand for insurance products in Singapore.

The past few years have been exciting for the Singapore Insurance industry. As of the end of 2013, the industry achieved S$2.8 billion in weighted new business premiums, a gain of 28 % over the previous year's record. The next year there was 7% increase in the overall sum assured for new business, totaling S$88.7 billion compared to 2013. In the same year, the industry achieved a total of S$2,788.8 million in weighted new business premiums and also, there was a significant 23% increase in sales of single premium products, totaling S$860.8 million. From the table below it can be seen the contribution of new business by the different channels of distribution in 2014. Tied agents are the primary channel of distribution for new business with 43% by weighted premium and 61% by a number of policies. Next in the order are the bank distributors, followed by financial advisers and the other distribution channels.

Distribution channel	By weighted premium (%)	By number of policies (%)
Tied Agents	43	61
Bank Distribution	36	14
Financial Advisers	18	11
Others (without intermediaries, e.g. ElderShield)	3	14

In 2015, Singapore's life insurance sector achieved a total of almost S$3 billion in weighted new business premiums. Weighted annual premium sales jumped 7% to S$2 billion, while weighted single premium sales rose 9% to S$940.8 million. From the table below can be noticed that there is a slight decreasing in the percentages of tied representatives as main distribution channel. There is 3% decrease in the weighted premium and 1% by number of policies from the previous year. However, the distribution remain in the same order, with bank representatives, financial advisers and other channels divided the decreased percentages from the tied representatives.

Distribution channel	By weighted premium (%)	By number of policies (%)
Tied Representatives	40	60
Bank Representatives	37	12
Financial Adviser Representatives	19	12
Others (products sold without intermediaries, e.g. DPI, ElderShield)	4	16

According to the latest statement by the Life Insurance Association (LIA) of Singapore the industry grew by 10% in terms of total weighted new business premiums for 2016, driven by a strong increase of sales in the 4Q2016. Compared to the national Gross Domestic Product (GDP) for 2016 of 1.8 %, the industry's growth of 10% is more than five times the rate at which the economy expanded. Total weighted new business premiums amounted to S$3,286.2 million for the year. The strong performance is demonstrated by the total sum assured for new business, which rose by 15% to S$117 billion.

In all, new health insurance premiums totaled S$241 million for YTD 4Q2016, of which Integrated Shield Plans (IP) premiums and IP riders accounted for 86% (S$208 million). The remaining S$33 million was contributed by other medical plans and riders. In 2016, more than 50,000 Singapore residents took up health insurance coverage primarily through IPs and IP riders. As at 31 December 2016, 2.89 million lives (about one in two people in Singapore) were covered with total premiums amounting to S$1,416 million. The distribution channel table below, show that there is

Distribution channel	By weighted premium (%)	By number of policies (%)
Tied Representatives	37	57
Bank Representatives	38	12
Financial Adviser Representatives	21	15
Others (products sold without intermediaries, e.g. DPI, ElderShield)	4	16

In the time when Singapore is experiencing 13-year low in employment growth, the life insurance industry, however, experienced an expansion. As of 31 December 2016, 6,663 individuals were employed by member companies, representing a 5% increase from 6,371 staff for 2015. 14,420 representatives held exclusive contracts with companies that operate a tied agency force.

The life insurance industry manages assets of approximately S$173.1 billion, up 11% compared with a year ago which place Singapore as leading insurance hub in Asia. Assets of non-investment linked business accounted for S$143.8 billion, while the remaining S$29.3 billion were assets held for investment-linked business.

Channels of Distribution

The Singaporean insurance industry is well-regulated and highly competitive. The nation has an open economy and applies no barriers to foreign investors wishing to take part in its insurance industry. In order to satisfy the needs of different groups of consumers, many insurers are using multiple distribution channels. For example, AIA Singapore as part of the world's second largest life insurer by market value AIA Group experienced 8% growth in 2016 compared to using different distribution channels. The value of new business (VONB) generated grew 10% to US$152 (S$212) million from US$142 (S$198) million due to strong performances from its agency and bancassurance distribution channels. However, these were partly disturbed by slower single premium sales through the broker channel. Agency channel delivered more than 20% VONB growth in the first half of 2016, while its strategic relationship with Citibank and increased engagement with bank partners in Singapore boosted its bancassurance business.

Over the years the market share of different distribution channels is changing. From the table below it can be seen number from 3rd Quarter in three different years. It can be noticed that Independent Financial Advisors (IFA) who are financial advisors that can advise on the products of several life insurers, are continuously increasing their market share of the total new business brought in by the insurance industry. In YTD Q3, 2016, IFA brought in a total of 20% of business (S$460m), compared to 17% (S$347m) in YTD Q3, 14. In contrast, the number of new business brought in by agents that represent a single insurance company, also known as tied representatives, have experienced big decline. In YTD Q3, 14, they contributed 43% of all new business (S$866m) and in 2016, the figure declined to 36% (S$828m). The bank representatives also increased their share from 37% (S$747) in 2014 to become leaders in 2016 with 40% (S$940).

	YTD Q3'14		YTD Q3'15		YTD Q3'16	
	#	%	#	%	#	%
Total Weighted Premium	**$2,024m**		**$2,166m**		**$2,331m**	
Tied Representatives	$866m	43%	$860m	40%	$828m	36%
Bank Representatives	$747m	37%	$825m	38%	$940m	40%
FA Representatives	$347m	17%	$400m	18%	$460m	20%
Others	$64m	3%	$81m	4%	$103m	4%

Correspondingly, the decline of sales brought in by tied representatives lead to decline of tied representatives from insurance companies. In September 2015 there were 14,797 agents in Singapore, compared to the same period next year when there were 14,275 or a drop of 3.5%.

According to Timetric, main distribution channels in Singapore are Agencies, Bancassurances and Insurance Brokers.

Singaporean Life Insurance – New Business Gross Written Premium by Distribution Channel (% share) 2014 and 2019		
	2014	2019
Agencies	43%	36%
Bancassurance	36%	41.50%
Insurance brokers	18%	20%
Other distribution channels	3%	2%

Some of the key findings from Timetric will be presented below:

- The Singaporean life insurance segment is considered to be over serviced and a 'defined market', as there are only a few well-established providers and over 12,000 tied agents operating to serve a population of fewer than 6 million;
- Agencies play a critical role in the growth of life insurance in most South Asian countries, including Singapore and accounted for 43% of the total new business direct written premium in Singapore's life insurance segment in 2014;
- Due to the emerging popularity of other distribution channels, however, the number of new life policies sold through agencies decreased from 335,667 in 2010 to 328,749 in 2014
- The number of partnerships between insurers and domestic banks to cross-sell life products is increasing rapidly, and bancassurance is consequently gaining popularity and is expected to become the leading distribution channel surpassing agencies between 2014 and 2019 , with a share of 41.5% in 2019;
- Brokers accounted for the third-largest share of 18.0% of the total new business direct written premium in 2014. A number of life insurers, including NTUC Income, Great Eastern Life and HSBC Insurance, partnered with brokers such as Ng Cheng QueePte Ltd and Aon Risk Services Singapore Pte Ltd to market their life insurance products;
- The evolution of e-commerce is expected to play a significant role in the sale of life insurance products over 2014-2019 due to its cost advantages and convenience. The number of internet subscribers is expected to increase from 4.4m in 2014 to 5.2m in 2018.

Even though the IT infrastructure in Singapore is praise-worthy and the country is established IT hub with high internet and mobile penetration, the digital direct channel has been underdeveloped in the past years. Only 4% of all new life insurance business premiums were sold through digital direct channels in 2015, according to management consulting firm Synpulse. In fact, only few life insurers offer customers the option of purchasing insurance online. This is mainly due to the fact that the consumer precept these products are too complex to purchase independently without external consultation support. Related to this on 30 March 2015, MAS allowed insurers to offer direct-purchase insurance products (DPI) online without advice and since then has been proactive in encouraging direct insurance sales and 2 years later with the new guidelines, MAS is taking proactive step to further encourage the digital initiatives.

Future Trends

Fast technology advances across the region, together with the rise of Millennials and a new middle class in emerging markets, are raising customer expectations for seamless cross-channel digital service and any-device access, therefore to the emergence of the InsurTech. Growing demands for technology-driven solutions will push insurers to enhance digital capabilities. Insurers will increasingly use digital technology to:

- Reach new clients;
- Upsell insurance services to existing ones;
- Enhance digital interfaces between sales agents and customers;
- Enhance the online customer experience;
- Deliver simpler, faster and more affordable insurance processes;
- Improving customer data analytics to understand and serve customers better;

With 2/3 of the vast population of Asia-Pacific and 91% in Singapore, now using smartphones, InsurTech is expected to grow quickly in 2017. InsurTech will lead to further disruption in the insurance industry, particularly as innovative start-ups, will eliminate the need for live agent-based distribution. This year, insurance companies will still invest in incubators, insure labs and also idea generators to explore InsurTech use cases and technology innovation.

The correlation between economic, regulatory and market shifts will change the strategic imperatives for Singaporean insurers. In order to succeed in this fast-changing environment insurers must be agile. Nowadays, organizational transformation is essential if the insurance industry is to survive and weather the unprecedented forces that it faces from both inside and outside the sector. Here are the 4 trends that companies need to pay extensive attention:

1. **Put the customer at the center of your strategy**:
   - **Make sure you fully understand your customers** - insurers with the best knowledge about their customers and regular, direct access will be the ones who win. Using the latest technology and analytical tools to extract more value from existing customer data will be a top priority;
   - **Target key customer segments, such as Millennials** - With roughly 60% of the world's Millennials located in Asia-Pacific (more than 1.2 million in Singapore) and their spending power and market influence increasing, insurers will need to focus more

heavily on this demographic. These steps will include greater personalization, product transparency, competitive pricing, new innovative business models and a 24/7 digital-first experience. Currently, in Singapore millennials are most attracted by these insurance products: Whole Life by NTUC Income, AIA Healthshield Gold Max and Great Life by Great Eastern Life Assurance;

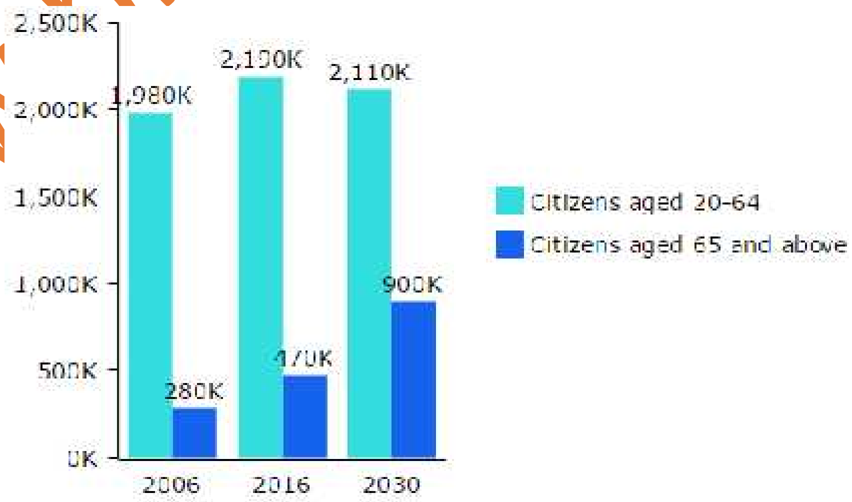
- **Blend high-tech and high-touch approaches** – In the next period, insurers will increasingly apply smarter technologies, such as artificial intelligence, facial recognition and telematics, to understand and reach customers and drive further product and business model innovation.

2. **Drive performance through digital innovation:**
    - **Focus on robotics and process automation to generate efficiencies** - With competition rising and margins under continued pressure, in 2017 insurers in Asia-Pacific will turn increasingly to robotics to streamline back-office operations;
    - **Extend the use of data analytics across the value chain** - Insurers will take their use of data analytics to a higher level. Firms will apply data analytics up front to understand their customers better and personalize their interactions. At the same time, they will use data analytics to optimize channel flow, improve distribution, make pricing decisions, develop products and improve claims practices;
    - **Test and explore smart technologies and InsurTech solutions** - While most consumers in the region still like to use more traditional distribution channels, such as insurance agents, 2017 should be a year of continued experimentation with innovation;
3. **Reassess future business strategies:**
    - **Reconsider your strategic positioning for the years ahead** - With continued regulatory, technological and market disruptions ahead, 2017 will be a good time for Executives to do a reality check on the future relevance of their current strategies. With competition and regulations increasing both at home and in local markets, companies need to assess the business benefit of playing in these countries.
    - **Evaluate external risk scenarios** - Under the current veil of uncertainty surrounding US foreign policy and increasing political risk in the EU, insurers will want to evaluate alternative macro scenarios that could impact currencies, market conditions and interest rates.
4. **Prepare for widespread regulatory change:**

- **Develop an action plan for complying with a growing labyrinth of regulations** - Monitoring the progress of emerging regulations and assessing their impacts will be critical for insurers operating in Asia-Pacific in 2017;
- **Ensure your internal systems can keep up with regulatory change** - To keep up and comply with changing regulations, insurers will need to build advanced data management and analytics capabilities, extract more value from governance, risk and compliance (GRC) systems, and synchronize their three lines of defense among business operations, oversight teams and independent auditors;
- **Prepare for changing accounting standards** - After years of discussion, Singapore's FRS 115 standard on revenue recognition came into effect on January 1, 2017. This will be followed by a number of related accounting changes from the International Accounting Standards Board (IASB). These standards will cause significant strain on insurance companies, which will need to hire more skilled actuaries to ensure their firms are in compliance.

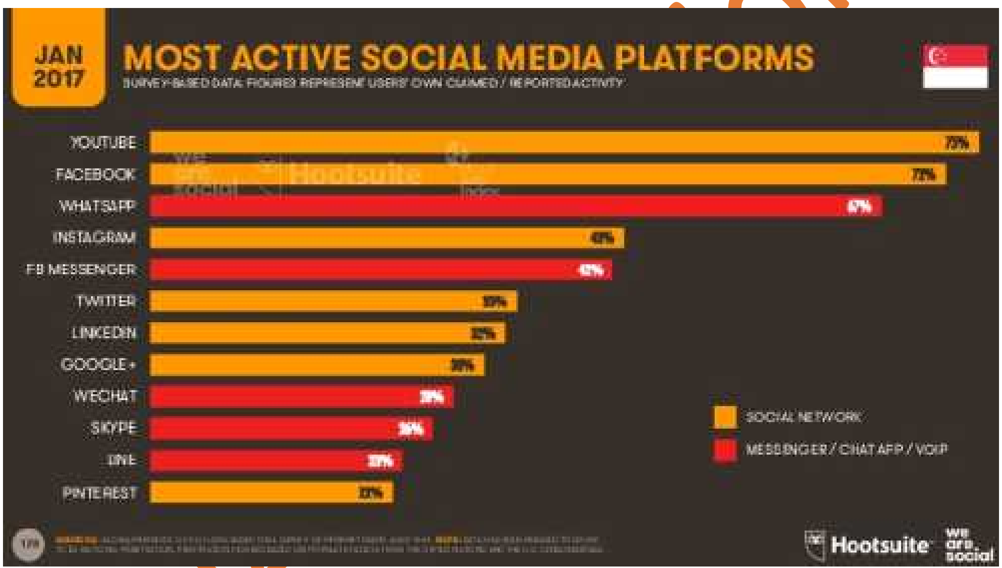
Target Clients

The current population in Singapore is more than 5.7 million people which is 1.55% increase from the previous year. Current male population represents 50.4% of the population and the females represent 49.6%. The population in Singapore is getting older given the fact that in 1980 median age was 25, in 2005 is 36 and in 2017 is 40.5 years and this trend is expected to continue over the years. From the chart below it can be seen that between 2016 and 2030 the number of citizens older than 65 will more than double. As a result of that the number of working-age will slightly decrease.

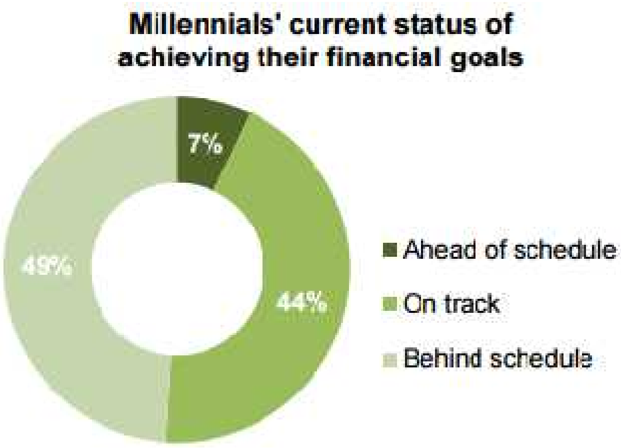


Even though it is normally for older, married people to be interested in buying insurance, in the recent years, more and more insurers are using multigenerational planning. It presents working with younger generations giving the insurer opportunity to grow their business in a way that will last for several decades. Over the years millennials become the target audience for many insurers.

Currently, in Singapore there are more than 1.2 million working millennials which present 22% of the total workforce. The main characteristics if the millennials are that they are tech-savvy and are connected on all social networks like Facebook, Instagram and Twitter. According to "we are social" – Digital Overview 2017, there are 4.40 million social media users in Singapore. The most used social network is Facebook with 72%, followed by WhatsApp (62%), Instagram (43%) and Twitter (33%).



According to Manulife survey, 8 in 10 Singapore millennials are optimistic about their life lifestyle in retirement which is a higher number than the older generations. Also, the majority are recognizing that their retirement goals can be challenged by financial and health problems. 44% thing that they are on track with their financial goals, 49% that are behind and 7% are ahead of schedule.



However, over 2/3 or 68% of millennials in Singapore favor investing in property as means of financial security for the future, though Singapore investors are least satisfied with their rental yields in Asia (58% satisfied), suggesting that millennials who are banking on this investment option may benefit from seeking other alternatives to avoid future disappointment.

Another characteristic is that millennials do not tend to buy stuff in the traditional ways. They usually choose to shop online. According to E-Commerce in Singapore – Statistics and Tends Report, e-commerce use penetration is expected to grow to 74.2% in 2020 from 57.3% in 2015. 26% of Singaporeans shop online at least once a week and 58% purchase online at least once a month. Furthermore, flight tickets are most popular online shopping category with 89%, followed by booking hotels with 83%. Insurance is the 5^{th} most popular category with 40%.

When it comes to life insurance, millennials choose insurance that focuses on benefits rather than threats of death or other misfortune. Also, they prefer to buy insurance product directly from the insurance company, therefore avoiding any added commission payments through agents. Their technologic knowledge enables them to search and compare different life insurance plans online and decide which will satisfy their needs.

Competition

Within Asia, Singapore has established itself as an important insurance hub. Besides the locally owned players, a large number of major international insurers and reinsurers are based in Singapore. Together, they provide a full range of insurance services to meet the needs of the domestic market. Today, Singapore is home to a rich mix of direct insurers, reinsurers and captive insurers. A strong network of insurance intermediaries and ancillary service providers has also emerged. Many of the world’s leading names in insurance broking, captive management and risk management are present here.

As a result in the Singaporean insurance market in the last 5 years emerged a large number of FinTech startups that serve the insurance consumers in finding the best products for their needs. There are websites that serve as online channels for distribution of 3rd party insurance products and comparison sites were the user can compare different products from different insurance companies. Over the years with the change in the technology and the newest innovations emerged new industry FinTech which is a global phenomenon, challenging the domestic models of banking and insurance and reinventing the customer experience in the Financial Services sector. Based on the business idea this kind of competitors will take place as our direct competition, and the other insurance companies will be our indirect competition.

After extensive research of the market, we can notice that Singapore is open for many international and domestic insurance companies, but there is still an opportunity for opening a new FinTech companies. Below will be presented some of them.

Direct Competition

For direct competition, we analyzed six online channels which distribute 3rd party life insurance products and insurance comparison websites.

CLEARLYSURELY.COM ALL ABOUT LIFE INSURANCE

Clearly Surely is one of the finest Life Insurance Information and Comparison site. It provides users with life insurance knowledge and let them compare different plans to see which provides value for money. They offer insurance options based on several factors like: sex, age, smoking habits and the type of insurance (team, whole, endowment and mortgage insurance). The comparison is among the most popular insurance companies (Great Eastern Life, Tokio Marine, Aviva etc.). As a simplification of the process of choosing, Clearly Surely rate the insurance products based on their "Star Rating Help" where the products with more stars offer highest benefits compared on per dollar basis. As a part of the site there is an open forum for consumers to be able to discuss about the insurance.

moneySmart.sg MoneySmart.sg is a licensed Broker governed by the Monetary Authority of Singapore and is one of the first Singaporean finance portals that helps consumers compare loans, insurance and credit cards and apply for them through the site. They simplify the complex financial problems in order to enable users to make decisions. Specifically for Life Insurance part, the user need to fill the required personal information's which the app process and based on that offer the best insurance quotes from various insurers. Also, in 2015 MoneySmart launched Personal Finance Tool using the eWise Money Management solution. Besides other services that they offer in the life insurance we can notice 3 types of life insurance: Term Life – Appropriate for short-term coverages needs; Whole Life – Appropriate for permanent protection and flexibility; and Universal Life - Appropriate for permanent protection and flexibility.

LIFE INSURANCE TYPE	ADVANTAGES	PURPOSE	GUARANTEED DEATH BENEFITS	CASH VALUE
Term Life	Simple, affordable coverage for a period of time	Appropriate for short-term coverage needs	Provided premiums are paid as required	Available only for return of premium term
Whole Life	Lifetime coverage with access to cash value	Appropriate for life long needs	Guaranteed for the life of the policy provided premiums are paid as required	Cash value growth is tax deferred
Universal Life	Flexible coverage and premiums	Appropriate for permanent protection and flexibility		Cash value growth is tax-deferred

[PolicyPal](#) is a digital insurance manager which helps you to understand, track your existing insurance and buy new policies. It is Asia's first independent app that uses artificial intelligence to simplify and digitize insurance for users to manage all their existing policies from different insurers so that they always have quick access to their insurance policies. The app enables the user easily to find if they have duplicate or missing coverage. Also, as of March 2017, the users can purchase insurance policies from NTUC Income and Etiqa Insurance directly via the app.

The app can be downloaded from Apple App Store and Google Play Store for free. The security is covered with Bank Level Security Standards and has 256-bit encryption. In the long run, PolicyPal plans to use data analytics to provide robo-advisory services to handle consumer's insurance needs.

Do It Your way Insurance (DIYInsurance), launched in June 2014, is one of the Singapore's first Life Insurance Comparison Web Portals. Their leaders have more than two decades experience in the business and all DIYInsurance staff are salaried based and not commissions-based. DIYInsurance offers product comparison and knowledge in order the users to make informed decisions. They simplify the process of insurance proposition with implementing the so called “Selfcheck” where user input their information like name, gender and annual income and then in more details to describe their financial situation. After the user finish the process the app offers insurance products that match the previously inputted user criteria. They have DIYInsurance Packages like Retirement Safety Net Package, Baby Package and Young Working Adult Package (Enhanced), add to this they have latest promotions with discounts, vouchers and similar.

Retirement Safety NeBaby Package
Package

Young Working Adult Package (Enhanced)

comapareFIRST was launched in 2015 and is a collaborative effort by the Consumers Association of Singapore, MAS, the Life Insurance Association, Singapore and MoneySENSE. compareFIRST is an interactive web portal that allows consumers to quickly compare the premiums and features of similar life insurance products offered by different insurance companies. This web portal is a response and action item after the Financial Advisory Industry review conducted which found that the advisory standards provided to consumers was not of desirable standards. The majority of the products being recommended to undercover consumers do not closely match the needs of the consumers. Same as the other competitors, the user first have to input some personal information’s and also some additional insurance related info like premium type and term, the sum assured and the including of critical illness benefit. The platform is fully informational and does not promote or distribute life insurance products.

GoBear is a free and easy-to-use comparison site for insurance, credit cards and loans. Headquartered in Singapore since early 2015, GoBear has continued to expand in Malaysia, Philippines, Thailand, Indonesia and Vietnam. They offer an easy way to choose complex financial products like insurance, credit cards and loans. However, they currently offer only comparison to travel, car and health insurance. The metasearch engine is user-oriented as GoBear neither aggregates nor do sell products only compare them.

DrWealth is an investor-centric platform that provides investment education and portfolio management tools. They have conducted classes and workshops for about 4,000 attendees in the past few years. On their website currently have more than 800 articles written over the years.

The app enables users to see all their finances in one place, manage their investment portfolio, budget and expenses, insurance coverage, retirement plans and more. Also they can track their net worth and see where they would be in the future. The app can be downloaded from Google Play Store for free.

Consultwho.sg is a platform where the public can search for help for their personal finance issues from qualified experts. They offer trustful financial planner or answers to user' s financial questions by network of experts. Also, for licensed financial planners, they help them to establish a brand and manage their online reputation. To be able to reach larger audience they partnered with Asiaone, Yahoo and more.

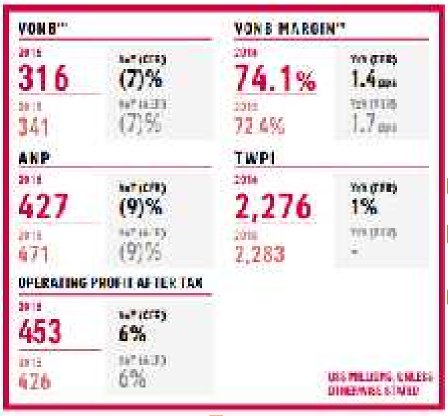
Indirect Competition

As Indirect competition, we will present major insurance companies in Singapore and their online presence, because there are still a number of people that prefer purchase of life insurance by traditional channels. According to Life Insurance Association Singapore (LIA) there are 22 MAS licensed insurance business in Singapore classified like Ordinary Members. From the 22 members, we will analyze 5.

AIA Singapore Private Limited is part of the AIA Group and is serving the citizens of Singapore since 1931. As one of the leading company in Singapore, AIA Singapore takes a leadership role in contributing to the nation's social and economic progress by enabling families to live longer, healthier, better lives.

In their offering they have products for individual and business from life, medical and accident protection to savings and investment products.

According to their Annual Report for 2016, AIA Singapore has successful 2016 with VONB of US316 million (S$444m). VONB margin increased by 1.4 pps to 74.1% with ANP lower by 9% to US$427 million (S$347m) from 2015. Their operating profit after tax increased by 6% US$453 million (S$636m).



TOKIO MARINE

Tokio Marine Life Insurance Singapore Ltd. is a life insurance company registered in Singapore, regulated by Monetary Authority of Singapore. It is part of the Tokio Marine Holdings Inc. which has over 130 years of history. Tokio Marine is a customer-first organization and naturally that have formulated a robust strategy and infrastructure in the way they operate, establishing a broad distribution network based on multiple partnerships, joint ventures and collaborations with agency channels, brokers, intermediaries and banks.

According to the company latest released Annual Report from 2015, the table below shows the company income streams from that year. The total income was US$977,062,000 (S$1,372,674,218) which is lower than the previous year. The net profit for the financial year 2015 was US$818,000 (S$1,149,208).

	Notes	The Group 2015 $'000	The Group 2014 $'000	The Company 2015 $'000	The Company 2014 $'000
Income					
Gross premiums		1,182,751	1,622,154	808,899	1,207,653
Less: Reinsurance premiums		(63,201)	(64,935)	(44,827)	(40,297)
Net premiums		1,119,550	1,557,219	764,072	1,167,356
Fees and commission income	6(a)	6,570	7,548	4,820	5,907
Other income	6(b)	268,206	234,308	164,371	140,897
Other gains – net	6(c)	54,925	31,006	42,937	22,272
Net rental income		1,642	1,734	862	851
Total income		1,450,893	1,831,815	977,062	1,337,313

Great Eastern

Great Eastern Life Assurance Company Limited, founded in 1908, is the oldest life insurance group in Singapore and Malaysia. With over S$60 billion in assets and around 4.7 million policyholders, the company has three successful distribution channels: a tied agency force, bancassurance and a financial advisory firm, Great Eastern Financial Advisers.

The Group's wholly-owned subsidiary, Overseas Assurance Corporation (OAC), founded in 1920, is the oldest composite insurer in Singapore handling both life and general insurance. Through an exclusive bancassurance partnership with OCBC Bank, OAC's life insurance products have been distributed through OCBC's banking network throughout Singapore since 2000. Also, OAC distributes a wide range of commercial and personal lines general insurance products through brokers, agents, bancassurance and direct channels.

HSBC Insurance (Singapore) Pte. Limited provides life insurance products and services for personal and private banking and high-net-worth customers. The company offers personal insurance solutions like protection plans, including critical illness, term life and personal assets, investment-linked plans and endowment savings plans. It markets and sells its products and services through its sales representatives and distribution partners in Singapore.

According to their latest released Annual Report for 2015, HSBC Insurance Singapore reported total comprehensive income for the year of US$21,842,000 (S$30,685,821) which is high decrease compare to US$162,546,000 (S$228,360,844) in 2014.

NTUC Income Insurance Co-operative Limited was established in 1970 to provide affordable insurance for workers in Singapore. The company wide network of advisers and partners provide life, health and general insurance products and services to serve the protection, savings and investment needs of customers across all segments of society.

In 2015, Income had over US$32.4 billion (S$45.5b) in assets under management. Also, they are serving over two million customers with 3.7 million policies and are one of the top composite insurers in Singapore and one of the largest general insurers and health insurance providers. According to the company Consolidated Financial Statements 2015, they achieved gross premium of US2.9billion (S$4b), which is 6.9% increase from 2014. Also, they achieved strong insurance operating results of US$150.7 million (S$211.7m) in 2015. In the same year, Income collected US$2.6 billion in gross life insurance premiums, which is 7.3% higher than the previous year. This comprised US$2.3 billion (S$3.6b) in annual premiums and $339.3 million (S$476.6m) in single premiums.

The legal aspect of starting a life insurance company in Singapore will be elaborated in the next chapter.

Governance

In this Governance part, we will elaborate the Legal aspect of starting a life insurance company in Singapore, which is regulated by the Monetary Authority of Singapore. In addition, part of the social media policy will be presented which is regulated by The Infocomm Media Development Authority.

Regulator

In Singapore, Insurers are licensed and governed by the Insurance Act (Cap. 142) ("IA"). Responsible body for regulation of insurance business in Singapore is The Monetary Authority of Singapore (MAS). MAS is the central bank of Singapore. It administers the Insurance Act (Cap 142) which has provisions governing the regulation of insurance business in Singapore, insurers (including, reinsurers), insurance intermediaries (agents and brokers) and related institutions in Singapore.

License

Insurers may carry on insurance business in Singapore as licensed insurers or foreign insurers:

- Licensed insurers are approved under section 8 of the Insurance Act (Cap 142) ("IA"). They can be licensed as direct insurers, reinsurers or captive insurers.
- Foreign insurers are approved under the law of another country/territory to carry on insurance business in that country/territory. These insurers operate in Singapore under a foreign insurer scheme established under Part IIA of the IA. Currently the Lloyd's Asia Scheme is the only foreign insurer scheme in Singapore.

Both Singapore incorporated entities (including subsidiaries of foreign insurers) and branches of foreign insurers are permitted to carry on insurance business in Singapore if they satisfy the relevant licensing requirements.

Control Approvals

All controllers must be approved by MAS as fit and proper. Prior approval of the MAS must be obtained before obtaining an interest in ≥ 5% of the voting shares of, or entering into any agreement to act in concert with any other person in relation to the exercise of rights in relation to ≥ 5% of the voting rights of, a licensed insurer in Singapore. The MAS' prior approval should also be obtained before obtaining effective control of a licensed insurer incorporated in Singapore.

A licensed insurer must have a Board chairman, chief executive and an appointed actuary (life) or certifying actuary (non-life) and such other positions as are prescribed. The chairman, all directors and key executives must satisfy the MAS fit and proper criteria and be approved by the MAS.

MINIMUM CAPITAL

The minimum capital for insurers in Singapore are the following:

- Licensed Insurer - S$10 million;
- Licensed Reinsurer - S$25 million;
- Licensed Insurer (writing specific lines of business) - S$5 million.

RISK BASED CAPITAL

Every licensed insurer shall establish and maintain a separate insurance fund for each class of business carried on by that insurer, and this applies to both Singapore policies as well as offshore policies. A life insurer shall also have separate funds for investment-linked, participating and nonparticipating policies.

An Insurer must hold capital against its risk exposures, known as Total Risk Requirements (TRR), for each insurance fund and the insurer in aggregate. There is three components of calculated TRR:

- C1 – insurance risks,
- C2 – asset portfolio risks, including market and credit risks;
- C3 – asset concentration risks.

The MAS is currently reviewing its regulatory capital framework. Under the revised framework, the risk requirements will be calibrated based on a specified risk measure – Value at Risk (VaR), confidence level and time horizon.

Two solvency intervention levels are proposed:

- Prescribed Capital Requirement (PCR) = VaR at a 99.5% confidence level over a one year period.

- Minimum Capital requirement (MCR) = VaR at a 90% confidence level over a one year period. NB MCR will be calibrated as a fixed percentage of PCR.

PCR and MCR will be calculated for each insurance fund and the insurer in the aggregate.

GROUP SUPERVISION

The MAS will regulate insurance groups headquartered in Singapore as well as sub-groups domiciled in Singapore that are significant to the Singapore financial system unless there is adequate group-wide supervision by another regulator.

A 'group' arises where a parent entity (non-operating financial holding company) holds an insurance subsidiary in Singapore or a Singapore licensed insurer has subsidiaries, whether within or outside of Singapore.

Policyholder Protection

The Policy Owners' Protection (PPF) Scheme provides 100% coverage to individuals for guaranteed benefits of life insurance policies (subject to caps), to all insureds for compulsory general insurance policies and to individuals with Singapore policies of specified personal lines policies.

Outsourcing

Outsourcing is permitted, including to an offshore service provider. The Outsourcing Guidelines dated July 27, 2016 set out the regulatory framework for outsourcing. An insurer must adopt a sound and responsive risk management framework for its outsourcing arrangements, conduct due diligence on service providers and implement sound internal processes and controls to evaluate and manage the risks thereof. Outsourcing of all or substantially all of an insurer's risk management or internal control functions, including compliance, internal audit, financial accounting and actuarial is considered material.

An insurer must maintain a register of its outsourcing arrangements and submit it at least annually or on request. Also, an insurer must notify MAS of any adverse development arising from its outsourcing arrangements.

Social Media Regulations

Social media does not fall within the purview of a specific government agency. However, the Infocomm Media Development Authority is the regulatory body which regulates activity on any media platform in Singapore, including television, radio, newspapers, or the Internet. The

Media Literacy Council was established on 1 Aug 2012 to spearhead public education and advise the government on cyber wellness and media literacy issues.

Singapore does not have any overarching legislation regulating advertising in general, although there are a number of statutes and regulations that govern advertising and other marketing or promotional activities in specific areas. This is the law that indirectly affect how the social media can be used in Singapore. This law is not specifically for the Insurance Companies only, but for business in general:

- The Copyright Act - Any usage of copyrighted material (without permission) for the company on social media, will result in an infringement of the Copyright Act. According to Section 119 (2), the possible types of relief granted to the original owner include injunction, damages, an account of profits or statutory damages (not more than $10,000 for each work or $200,000 in total);
- The Defamation Act - Any defamatory remarks made by your employees on social media will result in an infringement of the Defamation Act. Defamation on social media and its consequences could lead to the company being embroiled in several litigation processes;
- The Harassment Act - This is similar to the Defamation Act, with a focus towards causing harassment, alarm or distress to the victim rather than reducing the victim's credibility or affecting his/her reputation as per the Defamation Act. Sections 11 and 12 state that either civil proceedings or even a protection order will be the remedies should your employees cause harassment on social media.
- The Sedition Act - This act specifically focuses on employees on social media who attempt to bring hatred or contempt against the Government or administration of justice, or promote feelings of ill-will amongst different races in Singapore. According to Section 5, legal proceedings will be carried out against those found guilty of sedition and will be publicly prosecuted.
- The Penal Code (298A) - Employees who deliberately wound the racial or religious feelings of a specific person on social media, or seek to create enmity between different racial and religious groups are in violation of Section 298A of the Penal Code. According to 298A (b), they will be punished with a jail term of up to 3 years, a fine, or both.
- The Internet Code of Practice - The Internet Code of Practice from the MDA is a regulation for business owners to adhere to on what can or cannot be posted on the

Internet, i.e. social media. For example, (4) 2(f) of the Internet Code of Practice does not allow posts to depict violence or cruelty. Under the Broadcasting Act, the MDA has the authority to impose fines and sanctions on companies who do not comply with the Internet Code of Practice.

Social media can be a powerful tool for the business, increasing outreach to the customers and increasing the brand’s reputation online. However, its utility is also a risky, as irresponsible usage of social media can result in undesirable repercussions for your company, thus damaging its reputation and credibility.

Summary

After all this analysis we can make few conclusions. The insurance market in Singapore is one of the most open. Some of the leading insurance companies which offering a variety of standard and unique products are operating in this market. At the past few years insurance industry has been exiting. According to the latest statement the industry grew 10% which is more than five times the rate of the total economy in Singapore expand.

Over the years the market share of different distribution channels is changing. From Timetric research we can see the estimates for new business gross written premium by distribution channel (%share) in 2014 for 2019. Agencies and bancassurance are till the main channels, but in 2014 agencies has the bigger share 43% and that is not same in 2019 where the bancassurance has the bigger share of 41.5% and agencies fall to 36%. The evolution of e-commerce is expected to play a significant role in the sale of life insurance products over 2014-2019 due to its cost advantages and convenience. Anyway only 4% of all new life insurance business premiums were sold through digital direct channels in 2015.

Growing demands for technology-driven solutions will push insurers to enhance digital capabilities. We find 4 trends that companies need to pay attention, toes trend are: Put the customer at the center of the strategy, Drive performance through digital innovation, Reassess future business strategies and to be Prepare for widespread regulatory change.

The total population in Singapore is increasing, but also it is getting older. Even though it is normally for older, married people to be interested in buying insurance, in the recent years, more and more insurers are using multigenerational planning. When it comes to life insurance, millennials choose insurance that focuses on benefits rather than threats of death or other misfortune.

When we come up to the competition as we said before insurance market is Singapore is open and there is a large number of major international insurers and reinsurers. Also in last years there are emerged a large number of FinTech startups that serve the insurance consumers in finding the best products for their needs. Based on the business idea this kind of competitors will take place as our direct competition, and the other insurance companies will be our indirect competition. We processed information about each, what kind of services they have actually their unique selling features.

At the end from the governance analysis we can notice that for opening an insurance business is easy but still there are few requirements like: License no meter if you are domestic of foreign insurer; the chairman, all directors and key executives must satisfy the MAS fit and proper criteria and be approved by the MAS; there is an amount of minimal capital per licensed insurer and Insurer must hold capital against its risk exposures. All the policy and regulations are in Insurance Act (Cap. 142) ("IA") and the responsible body is The Monetary Authority of Singapore (MAS). About, social media policy we found out that is regulated by Infocomm Media Development Authority and in Singapore does not have any overarching legislation regulating advertising in general, although there are a number of statutes and regulations that govern advertising and other marketing or promotional activities in specific area. This law is not specifically for the Insurance Companies only, but for business in general.