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SPEECH BY DR RICHARD HU, MINISTER FOR FINANCE, AT THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED'S 80TH ANNIVERSARY DINNER AT THE WESTIN STAMFORD HOTEL ON FRIDAY, 26 AUGUST 1988 AT 8.40 PM

I am happy to be invited to join this assembly of distinguished guests to celebrate the auspicious occasion of the 80th Anniversary of the Great Eastern Life Assurance Company.

You have just heard the success story of the Great Eastern Life Assurance Company by its Chairman, Tan Sri Tan Chin Tuan. The many notable achievements of the company in its past 80 years of life and its successful growth from such a humble beginning in 1908 to what it is today are indeed commendable. The company was a pioneer in many areas and it recognised early on that its future growth would require it to expand beyond Singapore. Today, Great Eastern Life Assurance is the largest locally established life insurance company, with strong positions in Malaysia and Brunei.

These achievements are a tribute to the staff and directors of the company, and in particular to the present Chairman, under whose leadership the company saw its greatest growth. I would, therefore, like to extend my congratulations and wish the company even greater success in the years ahead.

The insurance industry, in which Great Eastern Life Assurance was an early pioneer, is an important component of any financial centre and I would, therefore, like to take

the opportunity of this happy occasion to tell you something about what the Government has done, and is continuing to do, to develop the insurance industry in Singapore.

In the early 1970s, at the time when Government decided to develop Singapore into a financial centre, the decision was also taken to develop the insurance industry as an important component of the financial services sector. It was recognised at the outset that the domestic Singapore market was small and as the insurance sector was already well catered for, significant growth of the insurance industry would require the development of offshore markets for non-life business.

The need for insurance and underwriting expertise was also recognised early, which led to the establishment of the Singapore Insurance Training Centre in 1974. This has helped to produce an increasing pool of insurance personnel who are trained and qualified in insurance. We need to enlarge this pool of human resource and increase the level of insurance expertise, which is so essential to achieving our developmental goals.

In 1977, the insurance supervisory and developmental functions were transferred to the Monetary Authority of Singapore. This change has facilitated the building up of a bigger and more professional team of staff. It has also enabled a sharper focus to be given and more determined efforts to be made on insurance industry development.

The first area of business identified for insurance industry development was offshore reinsurance business. It is a very international business and is transacted across national frontiers. Unlike direct business, it is relatively free of restricted barriers. I believe that it is a highly technical business, very competitive and requires huge capital. Our aim is to tap a share of this world-wide business. We have achieved satisfactory progress in this area, although much remains to be done.

The 10 per cent concessionary tax for offshore reinsurance business introduced in 1978 has been a crucial fiscal policy measure in our developmental efforts. It has helped to attract a creditable core of professional reinsurers to set up operations in Singapore. Many of them are using Singapore as a regional base for their Far East operations.

Our first reinsurer was set up in 1973. We have today 18 professional reinsurers. In 1987, they wrote offshore gross premiums of S$259 million. This represented about 50 per cent of the total offshore business, written by the Singapore insurance market. Singapore is, today, recognised as a creditable reinsurance market in our part of the world.

A more recent development is the promotion of Singapore as a domicile for insurance captives. Insurance captives are subsidiaries set up by large company groups to insure their own in-house risks. There are significant benefits to be gained from attracting such business to Singapore. It is high value-added service, with spin-off benefits for related professional services such as banking, accounting, legal and fund management. Insurance captives also need to reinsure and this could benefit the reinsurance market in Singapore.

A number of factors have helped to make Singapore an attractive domicile for captive insurers. An important factor is the 10 per cent concessionary tax for offshore business. Other important factors include our long record of political and social stability, strong economic growth, excellent infrastructure and low cost of operations, which together make Singapore an attractive business centre.

We had our first insurance captive in 1983. Today we have 27 of them operating here, while five others have been approved in principle. Their premiums have grown rapidly, reaching S$115 million in 1987. This represented about 22 per cent of total offshore business.

Almost all the captive insurers in Singapore are managed by captive insurance management companies, specially set up for the purpose. Most of these are owned by international insurance brokers. We have presently eight captive managers in Singapore.

Future Development Prospects

The limited size of our economy gives us no choice but to look to the world as the market for our insurance services. Total world premium volume for non-life insurance was about US$448 billion in 1986. Of this, about 50 per cent was from the US, 31 per cent from Europe, and 14 per cent from Asia.

Total world reinsurance business is estimated to be about US$50 billion. There is, therefore, ample scope for the development of our offshore reinsurance business, provided we can take full advantage of our present foundation and build up a core of locally incorporated and highly capitalized reinsurers with the management knowledge and technical expertise to write business world-wide.

Our captive insurance business has begun to take off. It is growing rapidly and we will be actively looking to the further development of this sector.

Concluding Remarks

I am glad to have this opportunity to share with you the Government's efforts in promoting the development of Singapore's insurance industry. I consider the insurance industry to be a vital component of Singapore's financial centre services and I look forward to the continued contribution of the Great Eastern Life Assurance Company to this industry.

Finally, I would like to thank Tan Sri Tan Chin Tuan for inviting me to tonight's dinner. I wish all of you a pleasant evening.

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