

SINGAPORE REINSURANCE MARKET CONTRACT CERTAINTY PROJECT

MARKET BRIEFING – JULY 2016

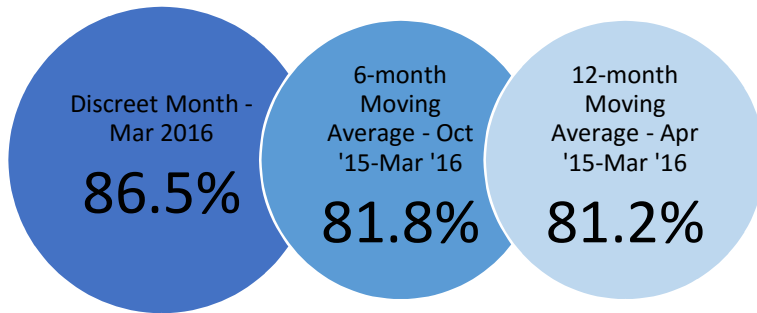
OVERVIEW

The Singapore Reinsurance Market Contract Certainty Project’s mission is to enable the Singapore reinsurance community to achieve contract certainty.

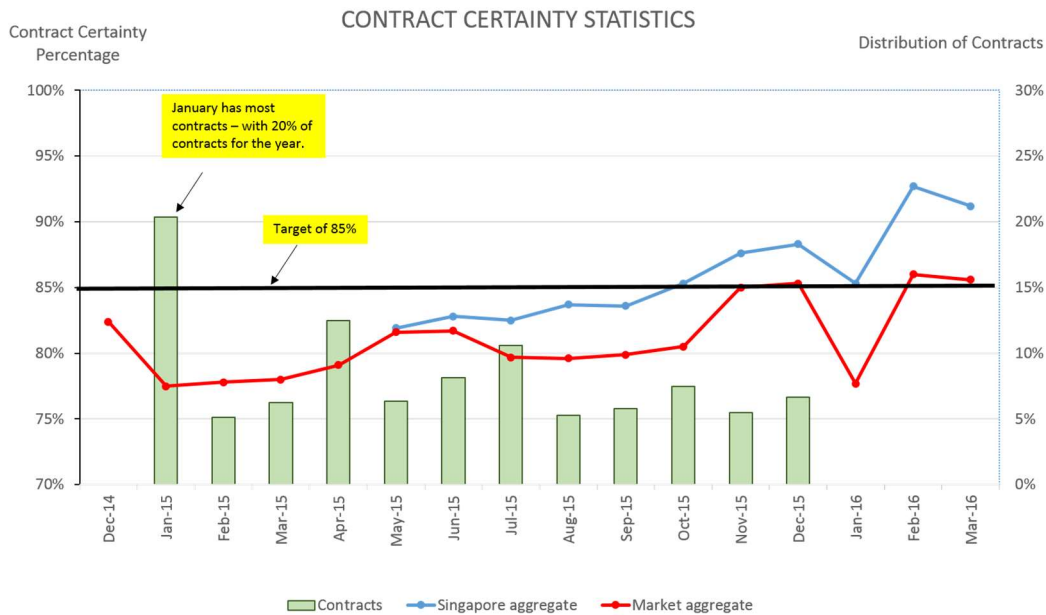
This briefing aims to provide an update on the progress of the market towards achieving this goal. The original target was to ensure 85% of the contracts met the contract certainty criteria by December 2014. Whilst the market did not achieve that target, the monthly aggregate in four of the last five months has surpassed the 85% threshold. However, as the monthly aggregate performance figures may fluctuate as a result of variations in the monthly contract volumes, focus is now also being placed on both the six- and twelve-month moving average figures, which give a more consistent measure of performance.

PROGRESS UPDATE

CONTRACT CERTAINTY COMPLIANCE RATE



OVER
94%
OF THE MARKET
regularly reports
their contract
certainty
performance



Note: Singapore Aggregate – the contract certainty performance reported by Financial Institutions relating to Singapore reinsureds.
Distribution of Contracts – the monthly percentage of the total number of contracts reported for contract certainty performance.

CONTRACT CERTAINTY PERFORMANCE

The market has achieved 85% Contract Certainty in four of the last five reporting months. The exception being the month of January when typically, 20% of the annual volume of reinsurance contracts are renewed.

Contract certainty in respect of Singapore reinsureds continues to perform well.

Contract certainty performance for reinsureds domiciled outside of Singapore, whilst improving, remains challenging and the Contract Certainty Working Group (CCWG) is pursuing various initiatives that it hopes will help improve the Contract Certainty performance.

Market reporting is now consistently at 94% or thereabouts and could be higher if the task of reporting is properly handed over at reporting entities.

PERFORMANCE ISSUES AND CONCERNS

Based on informal feedback, the two most commonly cited causes of contract certainty failure are the lack of reference to an underlying policy and the failure to fully clause subjectivities.

Other factors include:

- Inadequate risk culture
- Lack of senior management focus
- Inadequate training of underwriters & brokers

Generally, treaties are more likely to be contract certain, with its slip wordings and longer lead period to inception, compared to facultative risks, where there is some concern over the consistency of reporting, in particular with regard to the need for subjectivities to be fully clausured and reference to be made to an underlying wording. Moreover, recent efforts to improve competence and efficiency of reporting is expected to result in some performance deterioration in the short term.

CONTRACT CERTAINTY INITIATIVES

The CCWG is undertaking a number of initiatives, which it is hoped will assist the market to ensure contract certainty becomes embedded in its day-to-day activities.

- Monthly workshops organised by the *Singapore College of Insurance* will provide information and guidance on how contracts can be made certain and how any difficulties arising from contract certainty can be resolved. Since April when these workshops were held, a total of 62 practitioners had attended the workshops. The next workshop will be held on 20 July has attracted 17 registrants to-date. More details can be found on the Contract Certainty Portal at www.contractcertainty.sg.
- The Contract Certainty Portal will be upgraded to make it more user friendly; and
- The Portal will contain an infographic, sponsored by *Reinsurance Brokers' Association (Singapore)*, on "How to make your contract certain"; and
- CCWG has contracted with the *Singapore Reinsurers' Association* to provide support services to the group including ensuring the Portal is more interactive and providing up-to-date statistics.

For further details, please contact Jeffrey Yeo / Pauline Chua at ccwg@sg-reinsurers.org.sg.

You can also contact the respective association's representatives on CCWG as below:

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