Financial Institutions Market Overview – Singapore

Q4 2022

Overview

The annual premium price cycle for Directors & Officers Liability and Professional Indemnity insurance has come full circle. Competition among insurers has increased across all lines for financial institutions, resulting in a deceleration of rate increases and, in some types of coverages, rate decreases. Capacity and appetites from insurance carriers continue to be bullish for financial institutions.

Globally, market conditions are softening, which will likely continue through the first half of 2023, with potentially some flattening out in Q2 2023.

The reason for this is the influx of new capacity, strong growth targets for both new markets and established insurers. The lack of IPO and SPAC activity in Singapore in the past financial year means a glut of capacity, which has contributed to the increased competition in the marketplace. There's also a rationalisation process taking place. While most insurers are supporting flat rates and/or rate decreases, some are stepping away from programs where the rates no longer make sense.

Rate predictions: Financial institutions - FINEX

D&O —Publicly traded financial institutions; Primary	-5% to +2.5%
D&O —Publicly traded financial institutions; Excess/Slide A	-15% to flat
D&O —Private financial institutions	-10% to +2.5%
D&O/E&O —Asset managers (excluding private equity/general partnership liability)	-10% to flat
Bankers professional liability (BPL)	Flat to +7.5%
Insurance company professional liability (ICPL)	Flat to +10%

Source: WTW

Emerging risk trends

Key emerging risk trends that are top of mind for financial institutions include:

- economic uncertainty
- ESG (with an emphasis on climate, inclusion and diversity)
- digital assets
- cybersecurity threats.

Driving economic uncertainty are interest rate hikes, high inflation, anticipated hard landing for the economy, market volatility and geopolitical risks. Financial institutions are positioning their businesses and portfolios to ensure that they can weather continued volatility and a downturn in the economy.

Financial institution D&O rates are trending downward with primary rates at flat-to-low single digit decreases, and excess rates experiencing double digit decreases. Insurers are strategically quoting aggressively on D&O programs for Financial Institutions with the aim of securing the primary layer.

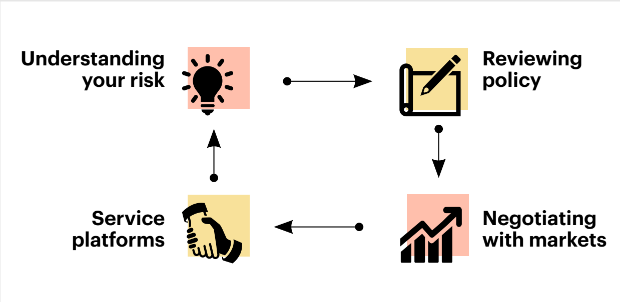
What does this mean for Financial Institution clients in Singapore?

This is a good time to have a conversation with your broker about a remarketing exercise and to test if your broker is asleep at the wheel when negotiating renewal terms for you. WTW Singapore recommends starting the conversation three months in advance of the expiry of your existing program and asking for a first set of renewal terms to hand, with at least 6-8 weeks to spare, to negotiate competitive terms from other parts of the Singapore market. Ideally, you would want to ensure that your broker is able to explain to you the correlation between emerging risk exposures and what your current program is able to address as a risk transfer mechanism.

Why is WTW Singapore a great choice in 2023?

WTW is able to assist Financial Institutions with suitable insurance solutions for your cyber security exposure, as this creeps into board room discussions and assessments of whether the Board has been a safe pair of hands to preserve and enhance shareholder value.

We are also able to help you advance your organisation's assessment of whether there is a suitable solution in relation to ESG (Environmental, Social and Governance) and DEI (Diversity, Equity and Inclusion).



For a full overview of the latest Insurance Marketplace Realities, [see our global report.]

Contact

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