COVER STORY

Hong Kong and Singapore eye Covid bounce back

by Andrew Tjaardstra

Business travellers and tourists are flowing through state-of-the art Changi Airport as Singapore reconnects with the rest of the world once again, allowing business leaders to go on much-needed trips abroad.

Compare this to Hong Kong, where visitors to the territory are still subjected to a minimum seven day quarantine, with little indication that this is about to change — although the government has reopened restaurants, bars and nightclubs and issued a further round of consumption vouchers.

Both cities are important hubs for Asia's (re)insurance markets with a great deal of senior talent stationed in both. Both have numerous sophisticated overseas and local brokers, insurers and reinsurers which are vital for to help connect the region.

Singapore

In a sign that some semblance of normality is coming back to Singapore, the Singapore International Reinsurance Conference (SIRC), which is overseen by the SRA, is returning to the city state this year, after a two year hiatus where all the sessions were conducted via video link.

Marc Haushofer, Asia Pacific chief executive at Validus Re and chairman of the Singapore Reinsurers' Association (SRA), said: "The Singapore government has handled the Covid-19 situation relatively well compared to its regional neighbours. It was also among the first in the region to declare Covid-19 as endemic and open up its economy. Hence, through its handling of the crisis . . . Singapore has elevated its status as a global business centre."

The city's government took a determined approach to open up the city earlier this year after a successful vaccine rollout. While there are concerns about new variants, the death count has remained relatively low and cases have stabilised in the low thousands.

The need to open up became an economic necessity with the pandemic taking a torrid toll on local businesses – especially those that rely upon tourism, business travel and events. According to the Singapore Ministry of Health as of May 16, 75% of the population have had booster shots. This compares to around 50% in Hong Kong.

James Ong, Asia chief executive of Sedgwick, said: "As Singapore fully opens up to all vaccinated passengers without the need for quarantine, its footprint as a regional hub remains strong, especially since other territories in the region remain closed to some or all visitors. The opening up of Singapore's borders will inevitably position the city state as Asia's insurance and reinsurance hub."

While the travel restrictions have caused significant disruption, overall premiums have continued to stay robust in the P&C sector with clients, brokers and underwriters learning that technology can replace face-to-face contact and 'wet signatures'.

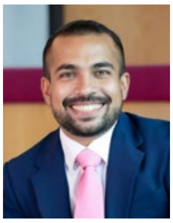
Following a tricky 2020 the city's premiums bounced back last year.

Gross written premium (GWP) in Singapore's onshore market rose by 14.6% during the fourth quarter to drive the full-year figure to S$4.6 billion (US$3.4 billion), for an annual increase of 7.8%, according to official figures released by the Monetary Authority of Singapore.

Offshore business also bounced back after a 14.1% drop in 2020 as South-East Asia recovered from the effects of the pandemic. GWP clawed back almost all the previous year's losses to reach S$12.9 billion, just shy of the S$13 billion in 2019 pre-Covid.

However, figures have not yet been released for Q1 2022.

**Marc Haushofer
Singapore Reinsurance Association**



**Yuvraj Gulati
Phildon**

Talent exodus?

During this period there clearly has been a heavy toll on expats who have not been able to visit family and friends overseas.

Yuvraj Gulati, a senior consultant at specialist recruiter Phildon, said: "During the peak of the restrictive Covid measures last year, it is safe to say there was a net outflow in talent from the city state. We saw a number of expats leaving the country to relocate closer to home, with some having brought forward plans to do so."

However, he added that there were "plenty of cases of expats relocating into the city state as well, due to its much talked about vaccination rates, control measures and appetite for growth."

He added: "With the current relaxed measures in place, there has been renewed interest from overseas candidates looking to relocate here and following the opening up of the rest of the APAC countries (with the exception of

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**James Ong
Sedgwick**

Gross premiums of offshore insurance fund business by line (Singapore)

	2019-2021	2021 GWP	YoY change
Cargo		S$460m	1%
Marine Hull		S$646m	8%
Aviation Hull		S$168.1m	47%
Property		S$6.7m	21%
Motor		S$1.5bn	-14%
Engineering		S$1.1bn	35%
Liability and Others		S$2.4bn	23%
Total		S$12.9bn	15%

SOURCE: MAS

Selina Lau
HKFI

Lucien Mounier
Beazley

China and Hong Kong), Singapore is an attractive destination for tapping into the Asia growth story along with access to tourism hotspots in the region."

The government has also helped employers help their employees.

Ong said: "To date, overseas talent has been maintained in the insurance sector in Singapore. The government has supported firms with their well-received Job Support Scheme during the pandemic and this has helped companies tide the difficult times. The government has also continued to issue employment passes to insurance and reinsurance expats and talents and it is true that . . . Singapore retained the current talent but also received many new talents."

However, there are some potential dangers ahead.

Ong warned: "The full impact of Covid may not be seen for some time. If Singapore were to go back to even a partial lockdown situation, the flood gates of overseas talent leaving the territory may increase significantly."

However, he added: "Given the strong track record of managing the Covid-19 pandemic, I don't foresee this happening."

Some believe there may even have been an inflow of talent over the last few years.

Haushofer added: "From my interactions with industry leaders here, the consensus is that the Singapore (re)insurance market has not seen an exodus of overseas talent apart from the usual movements. In fact, with the opening of the Singapore economy and easing of entry restrictions, I believe there has been a net inflow of expatriates here."

Lucien Mounier, head of Asia Pacific for Beazley, also believes that Singapore is in a strong position as it bounces back from the Covid-19 disruption.

"Singapore is a transient place by nature and remains an attractive location for companies to operate from and for talent to work from," he said. "Whilst there certainly has been movement in talent, it has not resulted in a reduction of expertise or capability in the market. It has also created opportunities for promotions within the existing market."

He added: "Travel and face to face interaction is critical to our industry. Singapore has eased its Covid-19 protocols, but our ways of working have evolved and therefore the way we travel probably should too. Doing our part and aiming to reduce our carbon footprint without compromising on the necessity to interact face to face with clients and partners is achievable. This could for example mean less frequent trips but longer stays, or taking a coach from Singapore to Kuala Lumpur instead of flying, for example."

With some of the strictest travel measures in the world, talented expats have been reconsidering their position in Hong Kong.

The Hong Kong Federation of Insurers (HKFI) conducted a survey in February on the brain drain and the results showed that over 80% of the responded insurers revealed they had had a high turnover of staff, with the most hard-hit departments being actuary, IT, finance and claims.

The survey showed that almost a third of international insurance companies in Hong Kong were considering downsizing their operations because of travel restrictions.

Selina Lau, chief executive of the HKFI, said: "As most other major markets have removed such restrictions, companies will naturally opt for these cities as they tend to provide greater certainty. And if companies decide to move out their global and regional teams, Hong Kong's status as an international financial centre will be impacted."

Lau added: "As the representative body of the industry, the HKFI had flagged the collective concerns of our members to the Administration and the Insurance Authority. We are pleased to note that actions have been taken to gradually ease the restrictions."

She added that more still needs to be done, such as the seven-day hotel quarantine being replaced by home quarantine, "but the recent

measures announced are definitely very positive steps towards restoring normalcy and Hong Kong's status as an international finance centre".

It is going to be extremely important for the Special Administrative Region to retain its foreign players.

Alex Yip, chairman of the Hong Kong Confederation of Insurance Brokers (CIB), said: "Hong Kong being a (re)insurance hub needs to keep up with its ability in retaining and attracting talent. The presence of the regional offices of major (re) insurers in Hong Kong is important. Large and complex risks are referred by local underwriters to the regional office that typically houses specialist personnel and hold greater underwriting authority."

Yip, who is also Lockton's Greater China chief executive, added: "As brokers, we wish to develop relationships with, and have easy access to, the key decision makers and this is much easier if they are located in the same territory. The regional teams are populated by underwriters and claims technicians that have learned their trade, have been promoted and are considered by the company to be 'key talent'."

Hong Kong may need to step up efforts to attract talent to the territory, with the city's decision to allow non-residents back after a positive move in this direction.

Hong Kong bounce back?

Hong Kong is trying to make up for lost ground. In addition to relaxing social distancing and travel measures, including the return of non-residents from May 1, Hong Kong has been ramping up its vaccine rollout. Schools have also now reopened.

There has been plenty of damage to the city's financial hub reputation with thousands of experienced expats deciding to the leave the city, some to Singapore whilst others have chosen to return home. In addition Hong Kong's insurers have been struggling with a higher claims burden, with profits dipping 19% last year.

Data from the Hong Kong Insurance Authority (HKIA) has shown that the greatest impact on the insurance community is the tight border restrictions between the mainland and Hong Kong. Chinese visitors purchase a great deal of insurance products in the city in any normal year.

Insurance plays a major role in helping keep the city prosperous.

Nicolas Aguzin, chief executive of the Hong Kong Stock Exchange (HXEX), said that a total of 17 insurance companies are currently listed on the HKEX.

Their combined value accounted for around 5.5% of the total market value of the HKEX at the end of 2021 — with six of them being the world's top 20 insurers by market

Hong Kong may need to step up efforts to attract talent

Alex Yip
Hong Kong Confederation of Insurance Brokers

Nicolas Aguzin
Hong Kong Stock Exchange

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China's Sunshine files for Hong Kong IPO

In April Beijing-headquartered Sunshine Insurance Group filed an application for an initial public offering (IPO) on the HKEX and had some impressive figures to boot.

The numbers in the document are strong and once again shows the potential of China's burgeoning P&C market but also confidence in Hong Kong as a place to list.

Beijing-headquartered Sunshine (little known outside of China) was founded in 2005 and owns China's seventh largest P&C insurer, Sunshine P&C. The firm has over 4,000 products and in its 2021 financial year (FY 2021) Sunshine P&C's GWP was Rmb40.9 billion (US$6.37 billion) — a 12% increase over the past two years, despite the impact of the pandemic.

Although markets have been choppy this year it will be one to watch to see if and when it goes ahead.

Hong Kong's FWD took the decision to postpone its IPO in on the HKEX in May despite gaining approval earlier in the same month. FWD hasn't ruled out conducting the IPO before the end of 2022 and will be buoyed as the stockmarkets begins to recover in both Hong Kong and China as Covid is brought under control.

Singapore is still assuming that air travel will increase in the future

value: AIA, Ping An, Prudential, China Life, China Taiping Insurance and China Pacific Insurance Group.

And already this year, Hong Kong's FWD and China's Sunshine Insurance Group have filed initial public offering (IPO) applications to the HKEX (see box out). And Prudential has named former Asia chief executive and president of Manulife, Anil Wadhwani, as its new group chief executive. Wadhwani will assume the role on February 25, 2023 in Hong Kong – the first time the group has had an Asia-based chief executive.

Anil Wadhwani

Hong Kong is geographically located in the mid-way between north and South-East Asia and, in normal times, ideally positioned as an Asia hub.

Hong Kong is also set to connect with nine cities in Guangdong province and Macau under the Greater Bay Area (GBA) economic area. Of course, the integration has been severely hobbled by travel restrictions but the pandemic has also highlighted the importance of data harmonisation and digital connectivity — especially if another pandemic happens in the future.

Hong Kong's broker community has the expertise, experience and talent to support other GBA cities, argues Lockton's Yip. However, current regulatory requirements don't permit Hong Kong's brokers to provide services to Hong Kong clients in the GBA cities — something that needs to be urgently addressed.

The pandemic has also impacted many Hong Kong businesses — an area where the market can help.

Yip added: "Hong Kong's brokers will continue to act professionally and diligently to take care of their clients' interests and will benefit from the re-bounce of the Hong Kong economy. The emerging opportunities in the GBA will give Hong Kong insurance brokers an expansion of their services, expertise and knowledge in supporting their clients in the GBA cities."

As Covid numbers remain low and the city continues to relax restrictions there is hope that Hong Kong can stop the talent drain and regain some much-needed energy, verve and spirit.

Future of work travel

Following an initial spurt of travel activity as the country opens up, a more balanced approach to travel is likely to occur over the longer-term.

Haushofer said: "(Re)insurance is a people-to-people business, and industry practitioners will seek to re-connect with their clients, partners and colleagues overseas as travel restrictions ease. This is borne out by the surge in travel demand, which will probably normalise in time."

He added that, if anything, Covid-19 has helped to accelerate the industry's digital transformation process, and enabled firms to fine-tune its contingency plans. Going forward, I believe the industry will continue to adopt and adapt a hybrid operational model, whilst still maintaining the people-to-people interaction."

However, Singapore is still assuming that air travel will increase in the future as it dusts off plans that it previously shelved for a fifth terminal at Changi — although building won't start for another two to three years, according to a Bloomberg report.

Gulati said: "Flexibility in policies surrounding work-from-home arrangements and options to work remotely have become a very important factor for candidates while considering prospective employers. It's a fine balance that organisations need to strike as they navigate the relaxed rules of staff returning to the office."

Ong said: "Although some travel may be curtailed for general business meetings — in the loss adjusting sector — travel will still be required moving forward. Insurance companies may have spent less on travel expenses, but the adjustments may not have been as accurate for significant losses due to the lack of face-to-face meetings and investigations in person, and for that reason, insurers are keen to have adjusters visit site as they would have done pre-Covid."

However, Gulati warned that "business travel is unlikely to return to pre-Covid levels as organisations weigh its effects on productivity, wellbeing and costs."

Business travelers to Hong Kong still need to navigate the seven day hotel quarantine and some complex rules such as pre-travel PCR tests, and post-hotel requirements. ■

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