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Only 3 out of 25 motor insurers posted profit: MAS

It calls for tighter underwriting; acknowledges issue of inflated claims

By EMILYN YAP

JUST three of the 25 insurers involved in the motor business here made an underwriting profit last year, the Monetary Authority of Singapore said yesterday.

As a result, MAS is urging motor insurers to tighten underwriting standards to stem losses. It has also acknowledged the problem of inflated claims, and asks motorists to cooperate in keeping premiums down.

'We noted instances of insurers merely matching or giving fixed discounts off the premium quotations of their competitors without giving due regard to their own underwriting standards,' MAS executive director (insurance supervision) Low Kwok Mun said at the annual general meeting luncheon of the General Insurance Association (GIA).

Last week, GIA reported a record motor underwriting loss of \$214 million for 2008 - more than twice that of 2007. This was despite a 21 per cent increase in premiums collected to \$906 million.

The results led GIA to say motor insurance premiums could rise this year. But this has not gone down well with motorists, with GIA saying it has received 'dozens' of letters.

'Motorists are clearly unhappy with a significant rise in motor insurance premiums,' said Mr Low. But besides poor underwriting standards, inflated claims are partly to blame, he said.

GIA president Derek Teo refuted claims that the potential premium hike is due to poor management of expenses.

MAS urged motorists to work with insurers to prevent premiums rising further.

'Insurance is the pooling of risks, and if the insurance pool incurs losses, each policyholder in the pool will have to bear some part of the loss even if they were not responsible,' Mr Low explained.

But he also reminded insurers to protect the interests of their clients when it comes to settling third-party claims. 'Insurers should not settle a claim against their insured just to avoid the potentially high legal costs,' he said.

If third-party claims are inflated, 'insurers should, with the consent of their insured, aggressively pursue such cases through legitimate means'.

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