49 years of Singapore’s successes through risks

Republic must continue to manage risks to achieve next phase of growth, safeguard future

By ANDREW VIGAR

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Sto RY offers compelling lessons for the future, and as Singapore approaches its 49th birthday, we look back at the nation’s achievements from a sleepy fishing village to a globally renowned city-state. Advancement and change can be risky, and Singapore’s past business community have experienced all aspects of risk over the years.

Singapore’s history offers learning in risk, expected and unexpected. With some of today’s risks being traced back to landmark events of the past. As the Republic prepares for the next phase of growth, it must continue to successfully manage both the established risks as well as the emerging ones, according to its future.

Maritime

Singapore’s beginnings go back to its establishment as a strategically located trading post. With many rivers passing through the island, there are fires to the risk and loss of energy at sea.

A result of economic and political realities in the region, the Strait of Malacca has often witnessed acts of piracy activities. As recently as June 2014, a commercial vessel passing through the narrow strait have experienced pirate attacks in which several have been slain and equipment damaged.

While the insurance industry continues to innovate, and provide services to assess and manage such risks, it is crucial that insurers and ship owners collaborate to ensure that safety and business are protected. Good management and high safety standards are essential to keeping such high risk alive.

Construction

Singapore has rapidly built infrastructure to support its growth. Post-independence, the country focused on building residential and commercial property for its population and growing business sector. High-profile accidents and fires added a heavy burden to achieve more robust construction standards. Although new methods of construction have improved the efficiency of the industry over the years, they also introduced their own risks.

The collapse of the New World Hotel in 1968 and Nihon Hotel in 2004 are examples of the scale and seriousness of construction risks. The use of heavy machinery and materials in the industry expose it to various types of risks, and the global financial systems.

Energy and water security

The availability of energy and water has been critical to the transformation of Singapore. Neither utility is generated, produced, or delivered in significant quantities locally. This leaves Singapore dependent on external sources to meet its needs, and vulnerable to external supply disruptions. In 2009, Singapore experienced a widespread blackout resulting in an estimated $80 million in losses.

In today’s high-tech world, any industry can be at risk, including failure of security and information systems. Singapore is at risk of losing confidence from its clients and customers, suppliers, and government bodies as it depends on the reliability of its businesses.

Financial organisations

Over the years, Singapore has established itself as the region’s financial hub and the gateway to global markets. The interconnected and global nature of the financial industry means any collapse in the system has widespread ramifications. Singapore experienced this in the 1997 Asian Financial Crisis and 2008 global financial crises. At the working level, the industry faces a number of risks that may go unreported or under-reported by existing procedures at the time of the incident.

Such matters have experienced Singapore’s insurance intermediaries with regional and global economy. As the region’s financial hub, Singapore has to continue to identify, assess and manage risks faced to the region’s economic growth.

Fine art and heritage

From the pioneers of the uniquely Singaporean gun motif art to the contemporaries of abstract artist Anthony Poon, Singapore artists have been a driving force behind the vibrant art scene. Over the last decades, economic prosperity and passion for art have fueled the vibrant art landscape across Asia. Art, along with jewelry, precious metals and rare, have been increasingly viewed as valuable investments as well as appreciated for their intrinsic value.

As these ornate and unique pieces of Asia’s heritage pass between collectors, they must be properly protected for their current and future generations to enjoy. The best form of risk management begins even before an artwork is bought.

Supply chain

From food contamination and safety to air pollution, traceability plays an increasingly important role in today’s supply chain systems. It is imperative for companies to view their relationships with stakeholders including suppliers, customers, partners, and government bodies as integral to the sustainability of their businesses.

Reputation

In an increasingly fast-paced world where we are constantly inundated with information, reputations are made and lost in the instant. Organisations produce and communicate day by day, but also on how they react to events and engage with stakeholders during a crisis. This has led companies to place higher importance on reputation and on specific crisis management, risk management services and insurance products.

Opportunity the key theme for next 50 years

For the next 50 years, Singapore’s successes in its effective urban planning and the visionary long-term urban planning. From the world-renowned Gardens by the Bay to the Marina Bay Sands, the country has over the years continued to become a competitive city-state that is resilient to natural disasters. According to the Urban Development Authority, Singapore has grown 138 square kilometers through land reclamation since its founding in 1819.

Extensive public transport networks and roads have prevented crawling traffic congestion, and an effective drainage system keeps streets water-free in one of the world’s most humid countries. Perhaps one of Singapore’s most visible successes is the effective public housing projects that house the majority of Singapore’s population. The city’s effective urban planning approach can be shared with emerging cities in the region and indeed, many local companies have started to lead development projects in neighboring countries.

Building on the current successes, Singapore has its eyes set on scaling new heights in the future, including being a world-class, global insurance hub. But risk and reward go hand-in-hand, and only companies that understand risk and write with vigilance will successfully reap the rewards.

Risks are dynamic and show various types of potential risks, cyber risks, legal uncertainty, political volatility and natural disasters will keep adding new risk dimensions for evaluation. Where a highly educated workforce and headquarters of world’s leading multinational corporations meet, Singapore has the right eco-system to foster collaboration among industries, public bodies and academic institutions to identify, evaluate, and find solutions for future risks and problems. Such collaborations will allow Singapore to be a centre of innovation in insurance and will allow its insurance industry to become key players in Singapore’s future.

In the last decades, Singapore has transformed from the urban-rural insurance and reinsurance hub for Asia, through an insurance regulator that has attracted leading industry players in insurance, reinsurance, banking and finance. The Monetary Authority of Singapore has projected that Singapore can achieve the status of a global insurance centre of regional and international reinsurance, innovation and talent by 2020.

As the country gears up for the next 50 years, the insurance industry looks forward to supporting Singapore on every step of its journey.