

**How Do Insurance Guarantee Schemes
and
Deposit Insurance Schemes Collaborate
to Protect Consumers**

INTRODUCTION

- 1) Protection of Consumers against Financial System Risks**
- 2) Administration of Protection Schemes**
- 3) Benefits of Collaboration of Insurance Guarantee Scheme and Deposit Insurance Scheme**



Protection of Consumers Against Financial System Risks

CONSUMERS' NET WORTH PROFILE

- **Exposure of consumers to financial system risk from perspective of profile of net worth**
- **2015 profile of individuals' net worth:**
 - **Residential property 46%**
 - **Financial assets 54%**
 - ❑ **Currency and deposits 37%**
 - ❑ **Central Provident Fund 30%**
 - ❑ **Share and securities 17%**
 - ❑ **Life insurance 14%**
 - ❑ **Pension funds 2%**

- **Residential property: Indirect exposure to financial risk of life and general insurers via mortgage insurance and property insurance**
- **Financial assets: Direct exposure to financial risk of banks, life insurers and securities brokers**

FINANCIAL SYSTEM SAFETY NET

- **Monetary Authority of Singapore (MAS) is the regulator and supervisor of Singapore's financial system**
- **MAS' aim to ensure financial system stability but not guarantee soundness of individual financial institutions**
- **Policy of 'caveat emptor' where consumers are expected to exercise due care**

- **However, need to protect small consumers who may not be in a position to assess soundness of financial institutions**
- **Hence, two schemes were established to protect small consumers as well as contribute to financial stability**
- **Deposit Insurance (DI) Scheme: deposits**
- **Policy Owners' Protection (PPF) Scheme: life and general insurance**



ADMINISTRATION OF PROTECTION SCHEMES

- **In 2006, SDIC appointed as the agency to administer DI Scheme**
- **In 2011, SDIC also appointed to administer PPF Scheme**
- **Advantage of cost synergy**

- **Reduce costs for industry and end-consumers**
- **Opportunities for cost synergies in key functions of SDIC**

KEY FUNCTIONS OF SDIC

- **Collection of Premiums/Levies**
- **Management of Funds**
- **Crisis Management**
- **Public Education**
- **Enforcement of Scheme Member Disclosure**



**BENEFITS OF COLLABORATION
OF INSURANCE GUARANTEE
SCHEME AND DEPOSIT
INSURANCE SCHEME**

COLLECTION OF PREMIUMS/LEVIES

- **Identical process in invoicing for collections and processing of refunds**
- **Similar templates for payment instructions**
- **Common standards in SDIC Rules, including notice period, late payment fees and payment due date**

MANAGEMENT OF FUNDS

- **SDIC manages three funds: DI Fund, PPF Life Fund and PPF General Fund**
- **Identical investment mandate and scope of investments**
- **Similar investment strategy and performance benchmarks**
- **Shared IT systems**
- **Shared staff**

CRISIS MANAGEMENT

- **Common crisis communications infrastructure across multiple channels**
- **Uniform IT environment for compensation payout**
- **Reusable modules/codes for payout application programs**
- **Common interfaces to payment network**
- **Shared staff**

PUBLIC EDUCATION

- **Common corporate identity and branding**
- **Integrated advertising and promotions campaign across DI Scheme and PPF Scheme**
- **Common service providers for public relations, creative agency and media buying agency**
- **Non-duplication of legal contracts**
- **Shared staff**

- **Standard Regulations and Rules**
- **Shared processes and templates**
- **Shared staff**

MAIN BENEFITS OF COLLABORATION AND INTEGRATION

- **Cost synergies across SDIC's key functions**
- **Cost synergies in general and administrative overheads:**
 - **Governance and board supervision**
 - **Internal and external audits**
 - **Accounting processes, controls and IT systems**
 - **Budgetary processes, controls and IT systems**
 - **Procurement processes and authority limits**
 - **Human resource management**
 - **Office space**

MAIN BENEFITS OF COLLABORATION AND INTEGRATION (2)

- **Consistency in policy making and enforcement**
 - **Integration of legislation for DI and PPF Schemes**
 - **Consistency in scope of protection**
- **Lower complexity in coordination among safety net participants**
- **Single point of contact for the public**
 - **Questions on both products arise at the same time as products distributed through the same channels**
 - **Recognition and confidence building more challenging in multiple institutions**

CONCLUSION

- **Main benefit is cost synergy**
- **Savings of more than 60% in overhead expenditure**
- **Qualitative benefits**
 - **Reduce complexity of coordination among safety net participants**
 - **Simplify communications with public**
 - **Better name recognition and image building**



Deposit Insurance
Policyowners' Protection

Thank You

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