

Singapore stands out from the global crowd

Risk & Resilience

beazley





The Beazley view

Singapore is match fit for a risky world

Business leaders in Singapore display admirable respect for risk and the importance of building resilience.

Fortune may favour the bold, but in an increasingly uncertain world, the thoughtful approach that Singapore's business leaders take to risk is reassuring. They are aware of the risks they face and are cautious about their levels of resilience.

We believe that this approach to risk awareness will stand them in good stead as they face the challenges of ongoing geopolitical turbulence, largely around inflation and energy prices, but also notably in the supply chains to which a trading nation like Singapore is exposed.

Singapore's business leaders also need to increasingly focus on the rising threat that ESG and climate change poses. From working to mitigate climate change

to focusing on the increasing regulatory complexity of ESG reporting and the consequent liabilities that come with it, now is the time to actively invest in strategies to address our changing environment.

But, it is clear to us, that by displaying a considered and cautious approach to risk and resilience, Singapore is making itself match fit for the challenges ahead.

Executive summary

Business leaders based in Singapore have a unique take on risk and resilience. Their priorities and concerns differ quite markedly from their counterparts in other regions. As a trading hub, with many companies generating a substantial portion of their revenue from international trade, Singapore has enjoyed many years of global success – success that has been under pressure while wrestling with the challenge of Covid-19. But as that pressure eases, Singapore's respect for risk and caution in its approach to resilience leaves it well-placed to continue on its path of economic prosperity.

Singapore believes it is operating in a more risky and less resilient world than its global counterparts

There may be a number of factors at play in this disparity of views, from cultural levels of confidence, to pandemic-specific related impacts, such as the scars from previous pandemics like the 2003 SARS outbreak. In Singapore, almost uniquely, there is no ability to pull up the drawbridge and retreat from the world. Its role as the leading Asian, and increasingly global, trading hub means it must stay engaged, even if that means remaining exposed to risk.

“ While Singapore itself is resilient, with a government that has made it a tempting place to set up a business, and a highly regulated environment, strong reserves and a high-octane economy, its dependence on global trade in the context of today’s volatile and uncertain world leads to a lack of confidence that is perhaps rooted not in itself, but in the knowledge that this part of Asia is only as resilient as its external trading partners and neighbours.”



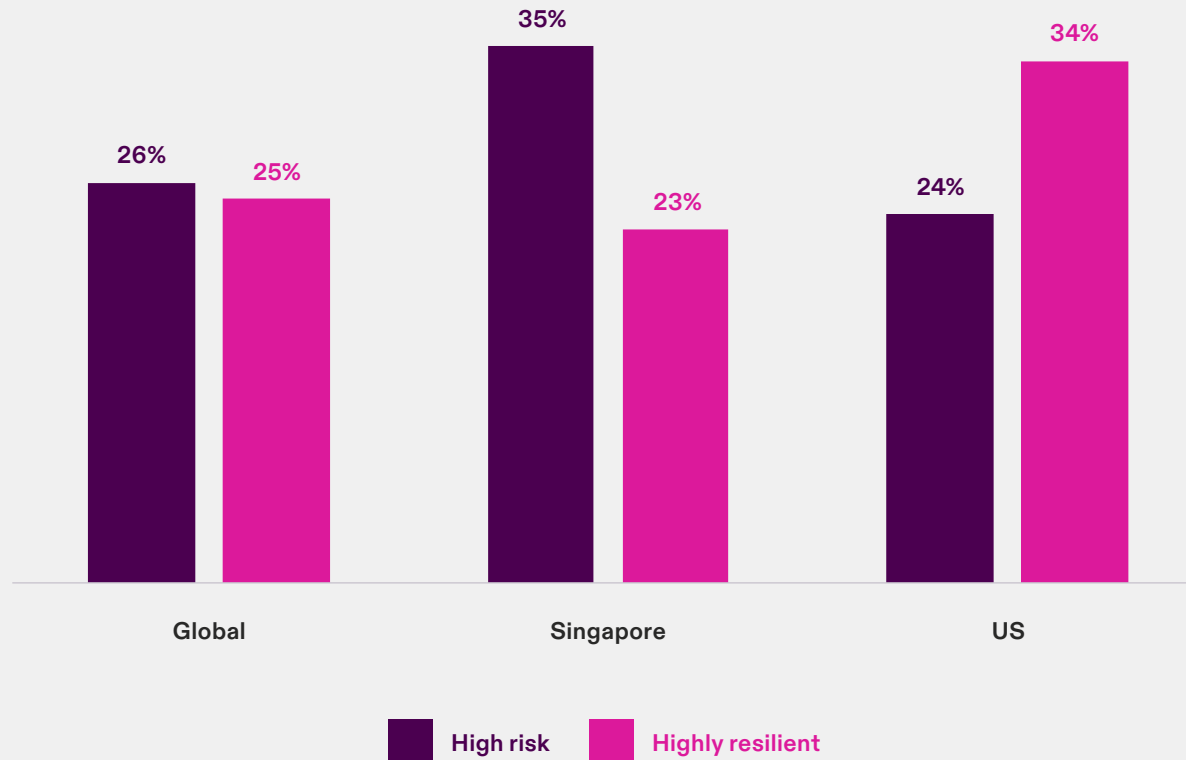
Byran Lee
Head of Partnerships and
Principal Officer



Executive summary

Singapore's business leaders see a more risky world with lower levels of resilience.

Percentage saying the environment is high risk and their levels of resilience are high



35% of Singapore-based business leaders felt they were operating in a high risk environment – almost **10%** more than their counterparts in the rest of the world. When it comes to preparedness, Singapore leaders' overall resilience is **2%** lower than their global counterparts. Only **23%** report feeling highly resilient, in marked contrast to their US counterparts where **34%** feel highly resilient.

Tolerance for risk is low

Post-pandemic, leaders of every size of business across ten industry sectors are uniformly less tolerant of risk and less trusting of both political governance and management decision making than in other territories that we surveyed.

The Singapore metrics also point to markedly less trust in institutions, corporate structures as well as insurers and the value of the insurance proposition. Only 37% report increased trust in insurers, since the pandemic, for example – 8 percentage points down on the global comparison. This partly reflects the status of a market where the overall penetration of specialist insurance is much lower than in the US or Europe. It may also reflect the fact that clients in Asia are in need of specialist insurance solutions fully designed for businesses operating in this region.

Tolerance for risk post COVID-19

	Global	Singapore
Tolerance for risk	50%	43%
Trust in political governance	47%	41%
Trust in management decision-making	54%	46%
Trust in insurers	45%	37%
Trust in the value of insurance	50%	47%

Percentage of business leaders for whom Covid has increased trust and tolerance

“Insurance is not a panacea and not all risks are insurable. But it is clear that as we move into in a world where more economic shocks seem inevitable, business leaders will need support from insurers to build resilience.”



Lucien Mounier
Head of Asia Pacific

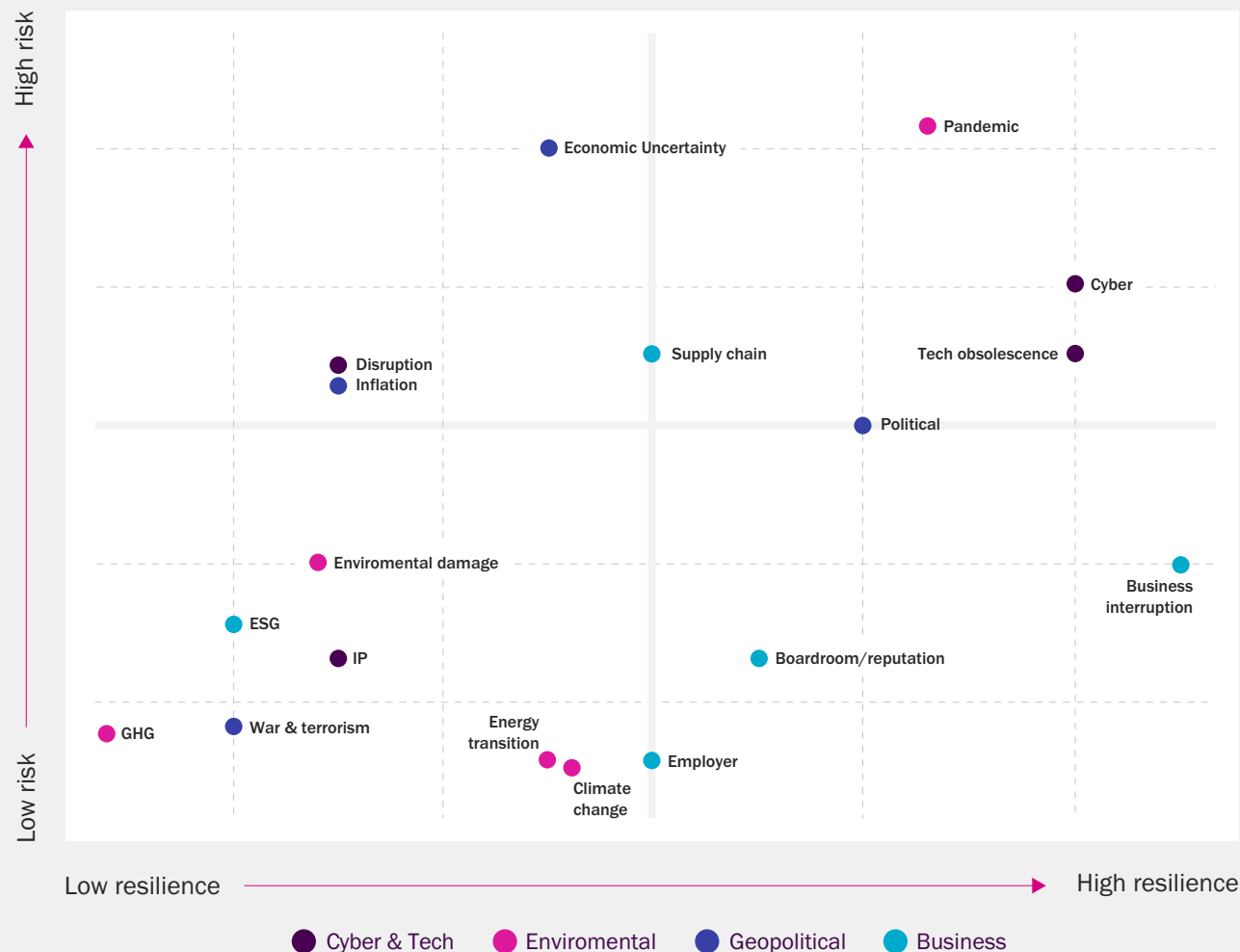
Economy or the environment – is it a choice?

Economic risk dominates but environmental concerns lack focus.

Economic uncertainty is a dominating issue. However, as digitisation and tech comes to dominate the economy, Singapore's business leaders also pick out cyber and tech obsolescence as high risk areas. But at the moment, cyber and tech remains areas of perceived strong resilience.

Perhaps what is most striking about the risk and resilience matrix is that all environmental risks, with the exception of pandemic, fall well below the high risk category line. It's reasonable to ask, are Singapore-based business leaders complacent about environmental risks?

Singapore Risk-Resilience Matrix 2022



Key takeaways

Business right to be alert to risk...

35% of Singapore-based business leaders feel they are operating in a high risk environment — almost 10% more than their counterparts in the rest of the world. Events of 2022 to date have shown that they may in fact be more realistic about their prospects, given the geopolitical environment, than their international colleagues.

...while maintaining its cautious approach to resilience

In the face of global challenges, resilience waned across the world between 2021 and 2022, but business leaders based in Singapore are notably less confident than their peers. Almost a fifth (17%) are not very or not all resilient to risk and only 23% report feeling highly resilient – compared to 34% in the US.

Environment needs to move higher up the risk agenda

Pandemic risk remains a big concern, but could it be that the focus on this immediate threat is deflecting businesses from looking at the long term problem of climate change? The insurance industry can play a role in supporting the energy transition and in allaying concerns about ESG litigation as the regulatory environment shifts.

Lessons from the supply chain crisis need to be learnt

Singapore is a vital lynchpin in global supply chains and as an urban centre, it is heavily reliant on imports. These two factors are coming together to focus thoughts on supply chain risk and resilience. With some signs that the supply chain crisis of the last two years may be waning¹ some may hope that the challenge will simply resolve itself, but it is vital that lessons are learnt and greater supply chain resilience is built across Asia.

Intellectual property (IP) is out of sight and mind

In many ways so-called “intangible assets” have never been more tangible or valuable, and in these more difficult economic times threats to intellectual property are likely to rise. Businesses need to push IP up their risk radar and take active measures to improve their resilience.

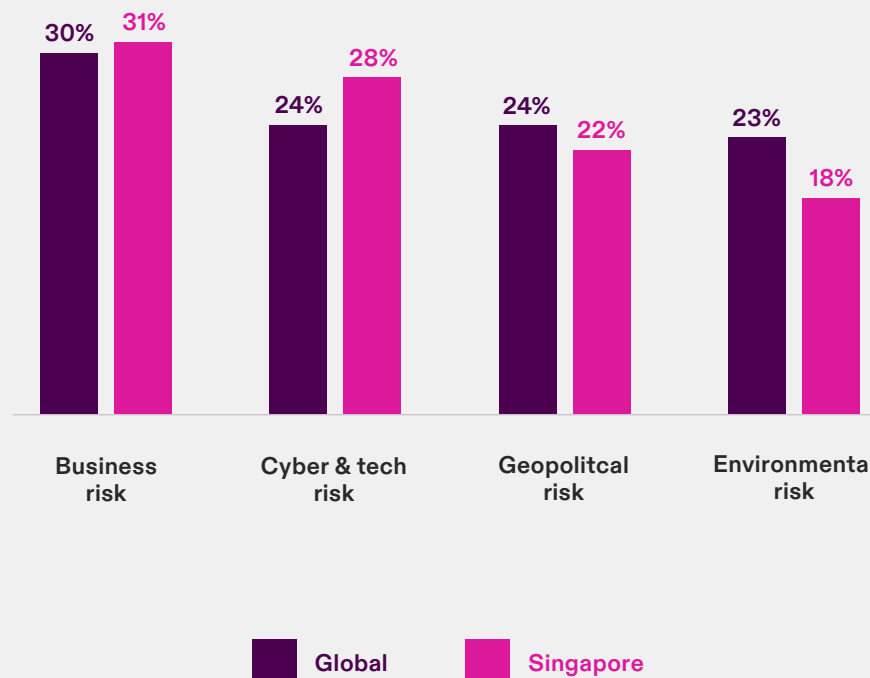
Executive summary

Are Singapore's business leaders complacent about environmental risk?

Our research focuses on four categories of risk, business, cyber and technology, geopolitical and environmental risk. Singapore is focused on two of our four categories – business risk and cyber and technology risks, both of which exceed concern from their global peers. While environmental risk stands out as an area where there could be complacency amongst Singapore based businesses.

Singapore businesses lack a focus on environmental risks

Percentage of business leaders ranking a risk category first



“Business leaders in Singapore show a protective concern about the future and a keep a clear eye on a potential lack of resilience to new threats. They are willing to embrace new classes of cover to build resilience in new ways. This cautious but forward-looking attitude must surely help businesses in this region to manage future risks in ways that other global markets might do well to emulate. No wonder Singapore’s success is admired and imitated globally.”

Lucien Mounier
Head of Asia Pacific

Business risk

Supply chain dominates as Boardroom and ESG play second fiddle

Business leaders in Singapore are more concerned about supply chain risk than leaders in any other territory, with 27% identifying it as their top risk, six percentage points clear of the closely-related business interruption risk – ranked second in this category.

Sector impacts

Three sectors are particularly affected: marine and warehousing (where 39% cite supply chain as their top business risk), hospitality and leisure (36%) and retail, wholesale food and beverage (33%).

Marine and warehousing businesses are clearly in the front line of supply chain disruption and particularly so in Singapore, which is a key transit hub for goods moving through the region. Both hospitality and particularly the retail, wholesale food and beverage sector are also entirely dependent on reliable, continuous supply of goods for sale or use as part of their service offering.

ESG risk is a new risk on our radar this year. It relates to failure to comply with new environmental, social and governance requirements including changes in related legislation, regulation or reporting requirements.

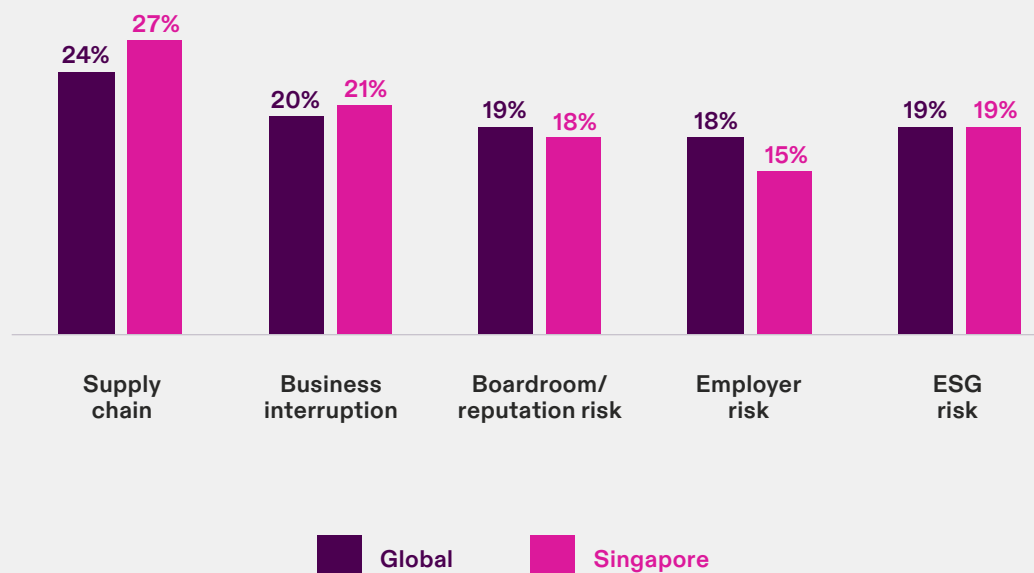
ESG is not just an emerging risk in its own right, but also a key contributor to boardroom/reputation risk.

Real estate and construction businesses are particularly concerned by boardroom/reputation risk, with over a third (35%) ranking this their top business risk concern. Financial institutions also score relatively high with over a fifth (22%) ranking this their top risk.

For ESG risk, energy and utility companies stand out as being most highly concerned, with a third (33%) saying this is their top risk. Healthcare and life science also rate this risk particularly high – almost a quarter (24%) rank it their top business risk.

Supply chain is the leading business risk

Percentage of business leaders ranking a risk first



Business risk

Resilience to supply chain and ESG is weak

ESG risk has the lowest resilience score among all the business risks in this category. Just under a quarter (24%) of business leaders feel 'very prepared' to respond to this risk. The speed at which the expectations around ESG reporting are growing is likely a significant factor in driving this anxiety.²

The risk to supply chains is not only the leading area of concern around risk, it is also an area where leaders feel their resilience is low. Only 28% declare they feel 'very prepared' to deal with supply chain issues against a global average of 35%.

Singapore resilience to business risks is lower than global average

Percentage feeling 'very prepared' to anticipate and respond to risk



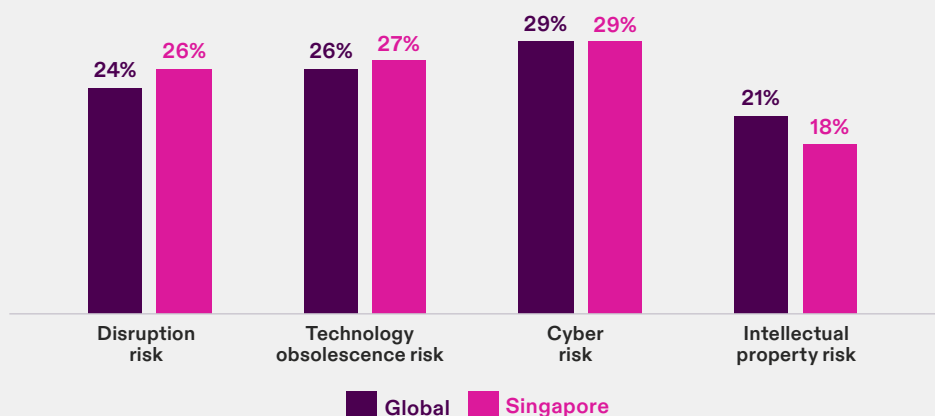
“Singapore is more exposed than any larger country, due to its lack of its own production capability (food, energy and manufacturing). Business leaders here acknowledge they depend on the outside world, and Singapore is trying to get creative to compensate for its challenges. In recent years, we’ve seen a lot of investment in vertical farming and rooftop gardens, or floating solar energy production. The government has also championed the 30/30 initiative, which aims to get 30% of production self-sufficient by 2030.”

Lucien Mounier
Head of Asia Pacific

Cyber and technology risk

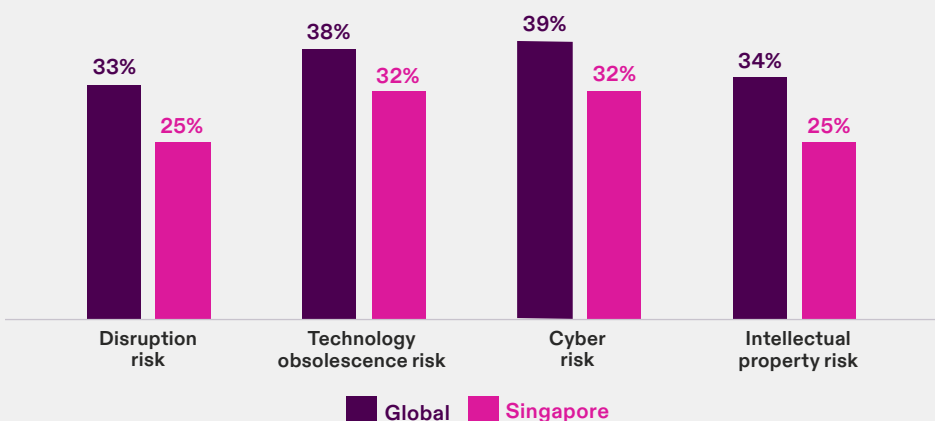
Singapore is broadly aligned with global peers on cyber and technology risk

Percentage of business leaders ranking a risk first



Resilience is lower – substantially in the case of IP risk

Percentage feeling 'very prepared' to anticipate and respond to risk



Realistic about cyber and tech resilience, but is the threat of IP being missed?

Business leaders in Singapore largely mirror their colleagues across the world in their level of concern about cyber and technology risks but they are markedly less confident about their ability to manage them. In our recent Global Risk & Resilience report which focused on **cyber and technology** we highlighted that business may be becoming over-confident about cyber risks in particular.

It is heartening to see that Asian business leaders are rightly more cautious about the threat these risks pose and the work that still needs to be done to ensure they remain resilient. Real steps to address the challenge may be being seen in the 61% leap in the number of cyber security professionals employed in the city state during 2021.³

Cyber risk is unsurprisingly the risk ranked top by the highest proportion of business leaders (29%), but technology obsolescence (27%) and disruption risk (26%) followed very close behind. All of these risk categories were either higher or in line with global concern about risk. Only intellectual property (IP), at 18%, was below the global average, with IP risk surging up the overall global rankings.

“Cyber criminals can extort greatest value in sectors where there is a cluster of financial, health and personal data Our approach, whatever the sector is to focus on advising clients on risk mitigation and actions that can be taken before a risk is even underwritten.”

Lucien Mounier
Head of Asia Pacific

Cyber and technology risk

Should IP be hard wired into the risk radar?

In difficult economic times, intellectual property risk tends to rise. Companies will need to be prepared to defend their assets against competitors trying to grow revenue by infringing others' patents, while also keeping a clear eye on the horizon in terms of competitor activity.

IP risk should also be hard-wired into the risk radar as we consider the rapid emergence of a whole wave of new-style digital assets including data, NFTs, blockchain-based assets, not to mention the metaverse. In many ways so-called "intangible assets" have never been more tangible, or valuable.

As more businesses try to leverage the IP assets that are increasingly critical to their valuations to secure more funding, it is concerning that resilience to IP risk is ranked so low. Only a quarter (25%) of leaders in Singapore feel 'very prepared' to face down this threat – substantially fewer than the 34% who feel prepared in the rest of the world.

“Intellectual property risk in Asia is still largely focused on infringements of patent, copyright and know-how. The challenge for all sides is the lack of readily available and cost-effective solutions to protect against this exposure. Our insureds need support that allows them to pursue actions against IP infringement, but enormous challenges remain around tracking, challenging and gaining redress in this area.”



Nicholas Tey
Regional Manager,
Asia — International
Financial lines

Geopolitical risks

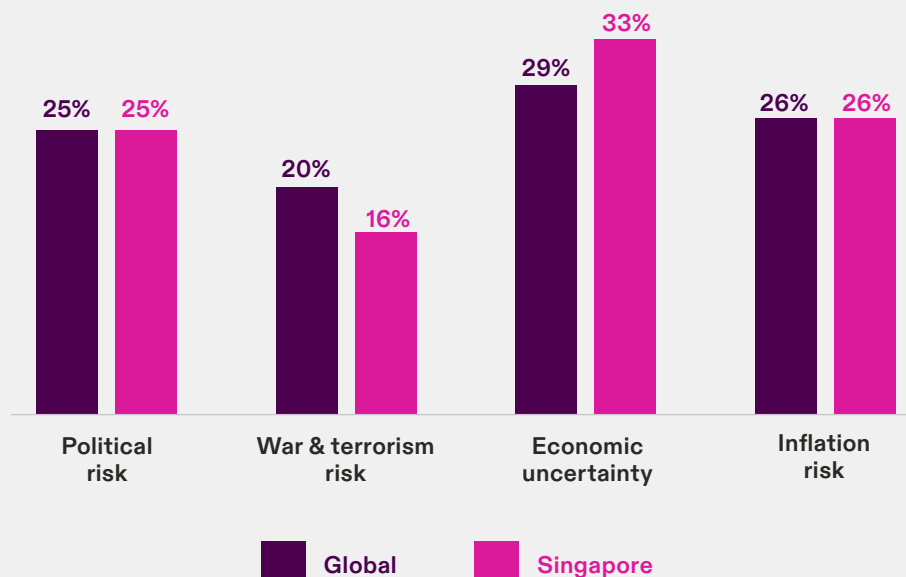
Economic concerns abound in Asia's key trading hub

Economic uncertainty is firmly in the high risk, low resilience quadrant of the risk and resilience matrix, with a third (33%) of business leaders across all sectors in Singapore ranking the economy their top risk. While this is clearly a worry for businesses across the globe, Singapore's business leaders are even more concerned.

Against this backdrop it is concerning that a low proportion of business leaders in Singapore report high levels of resilience to inflation risk (25%) and economic uncertainty (27%) – both statistics representing a considerable lag compared to the equivalent global numbers.

Singapore is more worried about the economy than any other geopolitical risk

Percentage of business leaders ranking a risk first



“Many local companies generate a substantial portion of their revenue outside Singapore, so currency issues and inflation both hurt these businesses and make exports more expensive. The higher interest rate will also have a negative impact on companies with high gearing. It's a triple whammy of economic bad news for businesses across the globe, let alone in this region.”

Byran Lee

Head of Partnerships and
Principal Officer

Geopolitical risks

Political risk represents a web of interconnected issues that can materially impact organisations in a myriad of ways. Research⁴ demonstrates the significant impact it can have in a range of areas: sales, production and operations, research and development, security, finance, regulatory compliance, governance, and reputation.

Singapore's long history as a haven for political stability, may well explain why, with little experience of political turmoil, only 30% of business leaders in Singapore feel 'very prepared' to anticipate and respond to political risk, compared with 37% globally. But with an unstable geopolitical outlook and with international trade its backbone, now is the time for Singapore's businesses to improve their preparedness.

“Recent events in Europe have shown how situations can escalate quickly, and sometimes due to unforeseen circumstances, which makes it prudent for insureds to have a plan in place, even if it is high level.

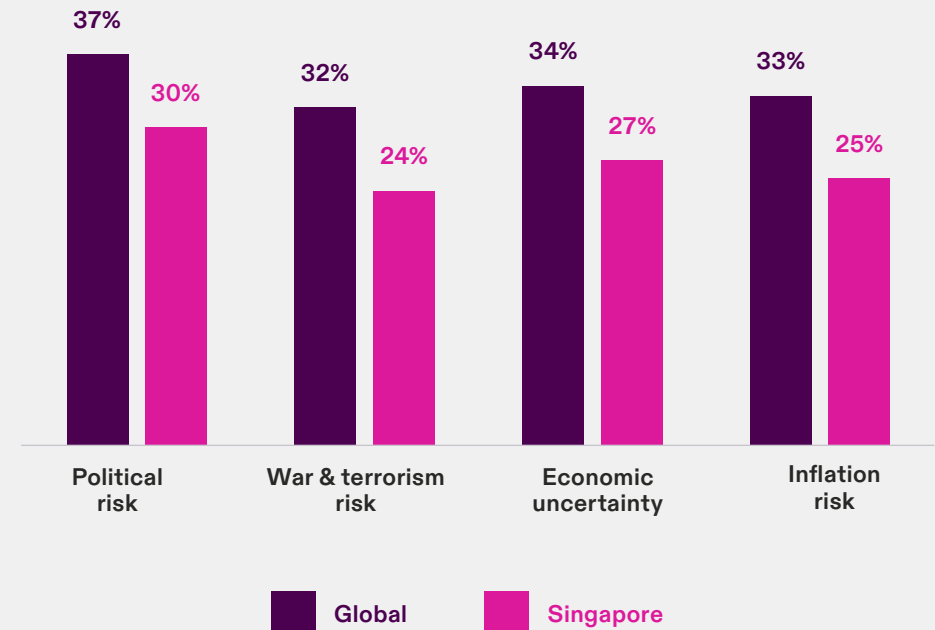
My concern is that political risk does not fall into any convenient and known categories of business risk, unlike financial and operational risks. This, to my mind, means that businesses lack allocated capability to manage and understand it. While businesses may feel that they are faced with risks that they can only react to rather than influence, active stakeholder engagement can often help with some level of mitigation.”



Jack Suk
Political Risks Underwriter

Resilience to economic uncertainty and inflation risk is low

Percentage feeling 'very prepared' to anticipate and respond to risk



Environmental risk

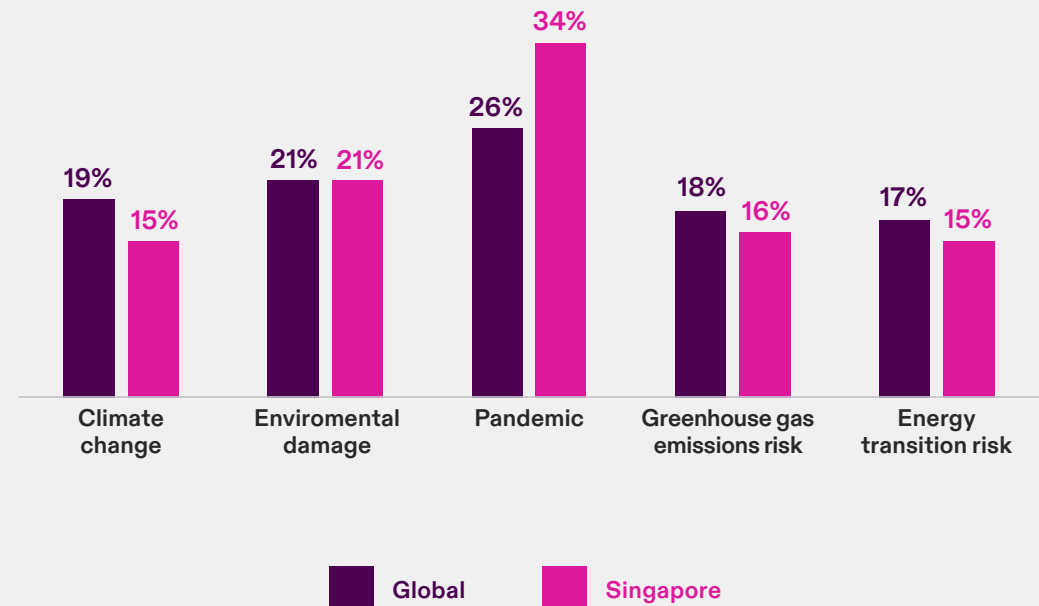
Pandemic pressures loom large but climate needs to move up the agenda

In the environmental risk category, pandemic risk still resonates strongly as a big area of risk in Singapore, perhaps because of Asia's longer history with pandemic disease, which began with SARS in 2003 and continued with the emergence of COVID-19 in China.

With this regional mindset in view, it is little surprise that pandemic risk remains a standout concern for business leaders in Asia, with over a third (34%) rating it a top risk, compared to 26% who hold that view globally.

Pandemic risk dominates in Singapore

Percentage ranking a risk first



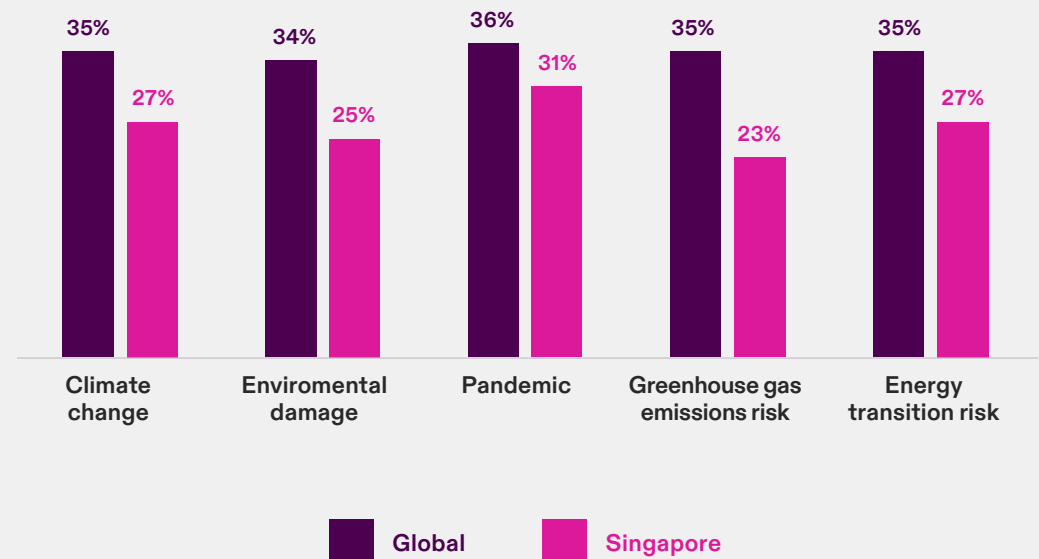
Environmental risk

Climate change is not centre stage

Climate change and environmental damage are key risks globally, but in Singapore, climate change risks are not as prominent as they are across the rest of the world. Climate change is four percentage points lower on the risk radar (15% v. 19%) while resilience to the risk is a full eight percentage points lower (35% v. 27%), compared to Singapore's global peers.

Resilience to environmental risks is significantly lower in Singapore compared to the global average

Percentage feeling 'very prepared' to anticipate and respond to risk





Environmental risk

Energy transition is a priority for climate risk mitigation

The events of 2022 have dramatically demonstrated the vital importance of energy security. Singapore businesses are a little less worried about this risk (17% v. 15%) than the global average but feel significantly less resilient about facing the energy transition.

Although Singapore has limited renewable resources, it is pursuing an alternative strategy – importing low carbon energy⁵ - which is supporting the transition to clean energy.

More broadly, Asia as a whole now appears to be at something of a crossroads in terms of energy transition⁶. For example, China is expected to continually increase solar and wind capacity in the coming decade and several development banks have pledged to fund renewable energy projects.

Technology strength will be key to moving the dial on energy use and climate change, and Asian countries such as China and Japan now lead the world in some of these technologies, from electric vehicles to renewable energy.

Insurance response is under way

The insurance industry can play a key role in helping deliver on the energy transition and climate risk reduction – by supporting the transition to a greener future through both its underwriting and its investment policies.

New ESG reporting requirements are helpful in guiding business leaders' decisions and the response of the financial community. In insurance terms, we believe that firms that heed ESG principles are likely to be better risks over the long term and ESG considerations will become an increasingly significant underwriting factor in the coming years.

“We are keen to build relationships with, and support clients that are playing an active role in climate risk mitigation, energy transition and that can demonstrate strong ESG credentials and metrics.”

Lucien Mounier
Head of Asia Pacific

⁵ Commentary: Singapore's plans to import clean electricity could meet resistance abroad - CNA ([channelnewsasia.com](https://www.channelnewsasia.com))

⁶ Energy Transition in Asia: Balancing Two Sides (energytracker.asia)



Methodology

About the Risk & Resilience research

During January and February 2022 we commissioned research company Opinion Matters to survey the opinions of over 2,000 business leaders and insurance buyers of businesses based in the UK, US, Canada and Singapore with international operations.

Survey participants were asked about their views on insurers and insurance, as well as on four categories of risk:

- Cyber & Technology — including the threat of disruption, failure to keep pace with changing technology, cyber risk and IP risk.
- Business — including supply chain instability, business interruption, boardroom risk, crime, reputational and employer risk and failure to comply with ESG regulations and reporting requirements.
- Geopolitical — including strikes and civil disruption, changes in legislation and regulation, economic uncertainty, inflation and war & terror.
- Environmental — including climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition risk.

Of the firms surveyed there was an equal split of respondents across company sizes of: \$250,000 — \$1 million, \$1,000,001 — \$10 million, \$10,000,001 — \$100 million, \$100,000,001 — \$1 billion, more than \$1 billion.

With a minimum of 40 respondents per country per industry sector, respondents represented businesses operating in:

- Healthcare & life sciences
- Manufacturing
- Retail, wholesale, food & beverage
- Real estate and construction
- Hospitality, entertainment and leisure (including gaming)
- Financial institutions & professional services
- Energy and utilities (including mining)
- Public sector & education
- Tech, media & telecoms
- Marine & warehousing

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Footnotes

- ¹ Supply Chain Latest: Asia's Supply Disruptions Are Starting to Heal | *Bloomberg*
- ² Greening Asia through data and regulation Insights *Bloomberg Professional Services*
- ³ ISC2-Cybersecurity-Workforce-Study-2021.ashx
- ⁴ Why you need a strategic approach to political risk *EY - Global*
- ⁵ Commentary: Singapore's plans to import clean electricity could meet resistance abroad *CNA (channelnewsasia.com)*
- ⁶ Energy Transition in Asia: Balancing Two Sides (*energytracker.asia*)

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