

FINANCIAL PLANNING

Meet *the* Synergisers

By bringing together a financial advisory firm and a general insurance brokerage, David Choo of PromiseLand Independent Pte Ltd and David Ong of Pacific PromiseLand Insurance Brokers Pte Ltd are hoping to capture a greater share of the market for financial advisory services both in Singapore and around Southeast Asia. It's all a question of synergy.

By Nicholas Briggs

When a client's long-term financial future is at stake, there's never a good time for an advisory firm to start spreading itself too thinly - a jack-of-all-trades soon becomes master of none, after all.

In fact, any company looking to widen its range of products and branch out into new areas would have to spend a considerable amount of time and money building up the expertise required to satisfy the regulators and continue to offer sound advice. And a merger of two similar companies both specialising in life insurance, for example, might lead to greater manpower and more office space, but not necessarily any improvement in the business's areas of proficiency.

David Choo, managing director of financial advisory firm PromiseLand Independent Pte Ltd, says that he began to think about new areas of business when the Financial Advisers Act (FAA) was implemented back in October 2002. But rather than simply looking to increase the scale of the business, he decided to look for something complementary instead - a general insurance brokerage.

"General insurance is a very good area of business to do because it involves companies and individuals. You can handle all their needs under one group," he explains. "We embarked on corporate business mainly through group insurance, and the question then was, do we do general insurance as well?"

As PromiseLand began life as a composite broker in 1986, Mr Choo had first-hand experience of general insurance. Five years later, in 1991, two separate firms were established, one called PromiseLand General and the other called PromiseLand Life, which became Singapore's first independent life insurance broker.

"When the FAA was implemented we did general insurance in-house as an exempt broker but I realised straightaway that it was going to be a



David Choo and David Ong

business that required a lot of investment - new staff and new systems," says Mr Choo. "A lot of specialised knowledge and a lot of servicing is required, especially when it comes to claims, so you need people who are very experienced. Doing life insurance and investments as well is simply too demanding, so we started to look around for a firm that could take care of the general insurance business totally."



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That firm was Pacific Insurance Brokers Pte Ltd, which has subsequently been renamed Pacific PromiseLand Insurance Brokers Pte Ltd. “Pacific was started slightly more than 10 years ago, and my background is actually in general insurance,” says David Ong, managing director of Pacific PromiseLand Insurance Brokers.

“I started as a trainee with the AIG Group, one of the world’s largest general insurance companies, and my last job was as principal officer and director of a British general insurance company, managing Singapore, Malaysia and Brunei,” he recalls. “Pacific was set up with a friend of mine who was in reinsurance broking.” The firm specialises in areas of general insurance like construction risk, liability risk, marine insurance, fire risk and public liability, to name just a few of the fields that it covers.

“Over the last five years there have been a lot of changes in the industry. A lot of companies have been consolidating and you cannot remain very small, so we had a decision to make,” explains Mr Ong. “For two of the smaller general insurance companies to come together would

not have created any synergy. The relationship with PromiseLand, on the other hand, can provide synergies and there are economies of scale as well. We both wanted to grow in Singapore and regionally.”

According to statistics from the Monetary Authority of Singapore, gross general insurance premiums totalled more than S\$2,200 million in 2002, up from S\$880 million in 1990. Placed against this backdrop, and compared to international general insurers, Pacific PromiseLand is small. But compared to other local firms it is a middle-ranking player with the ambition to grow as a group over the next three to five years and eventually become one of Singapore’s big players.

THE COMPANY YOU KEEP

With that in mind, the two firms have become related corporations. PromiseLand Holdings Pte Ltd now holds a 51% stake in both PromiseLand Independent and Pacific PromiseLand, meaning that all PromiseLand Independent’s advisers who are qualified to offer advice on general insurance can place that business with Pacific PromiseLand. It also means that the move has had no material impact on either firm’s financial stability.

“It’s a good set-up that enables the two companies to run independently, because we are licensed differently,” says David Ong. “The management of each still remains focused on what they are best at, but they have the benefit of the group’s resources behind them.”

PromiseLand Independent, for example, has 60 advisers, almost 40 of which are qualified to advise clients on general insurance. That’s 40 more frontline staff for Pacific PromiseLand, which has nine broking staff and four in-house sales people. “The broking staff are actually support staff, they are the ones that do the technical work,” says Mr Ong. “We need marketing people, and conversely it would cost a lot of money for a financial advisory firm to duplicate the experience of those nine people.”

That’s partly because although finding a client the right life insurance policy can be complicated, advisers typically deal with standard products - insurance companies devise their coverage and a schedule for premium payments before advisers fill in standardised application forms. But where general insurance is concerned, each and every case is different, and they all keep changing.

“The general business is more ongoing,” says Mr Ong. “We have to look at a client’s

contracts, or even advise them before a contract is signed, telling them what to agree on or what not to agree on. A lot of companies come to us after they've signed a contract and they find a lot of problems in meeting their insurance needs.

"We want to place ourselves as insurance consultants to contractors and SMEs [small and medium-sized enterprises], for example, and as growing businesses their insurance requirements will change," he explains. "We want to be our clients' partner in business, identifying areas that they may be exposed to."

UP AND RUNNING

"The acquisition of a presently operational general insurance broking firm allows us to jump-start and to tap on the existing expertise of the present directors, managers and staff of the brokerage firm," adds David Choo. "There's a lot of immediate business to be done, not to mention the new business that we are aiming to do."

In short, PromiseLand Independent can now extend its advisory services to Pacific PromiseLand's general insurance clients, and vice versa. PromiseLand has always been looking for ways to grow, Mr Choo says, not just organically but by looking for potential firms to work with.

"We have diversified without diluting the attention that we are giving to our business, and I think that's the way to go. Having a holding company along with subsidiary firms allows both companies to benefit from each other's expertise and to share resources and generate savings without becoming too large and cumbersome," he notes.

That could be crucial to the operational strength of the group if, as Mr Choo hopes, PromiseLand can acquire other small to medium-sized financial-advisory firms looking to cooperate in areas like training, information technology, accounts, administration and, perhaps most importantly, compliance with industry standards.

Elsewhere, Pacific PromiseLand is already operational in Indonesia and Malaysia. In fact, in Malaysia it is currently a general insurance agency, but the firm is hoping to grow by becoming a broking firm, which would allow it to offer life insurance and even unit trusts as well.

FILLING IN THE GAPS

Such plans, however, are not simply a straightforward matter of doing more business - it is also about doing better business. "My condition is to build up what benefits the client, not just in terms of the advisers, though that's very important, but the solutions as well," stresses Mr Choo. "We want a group of specialised companies able to provide a good choice. That will add value for the client."

Many Singaporeans and Singaporean businesses are not, for example, aware of their liabilities. "Most individuals have not taken personal liability insurance - you never know, one day you might injure somebody and face a claim. And most businesses have not taken adequate liability insurance covering things like professional indemnity, errors and omissions, directors and officers liability and so on," he adds.

He has seen many companies insure their factories, offices and contents, for instance, but not the potential loss of profits that might follow an event such as a fire. It's something that he believes is probably due to intermediaries not mentioning areas of insurance that are comparatively complicated and technical. And having identified this gap, PromiseLand intends to bring it to the attention of its clients.

"Also, anyone who has bought a personal accident policy from a life insurance company would probably be able to save a lot of money by buying it from a general insurance company," Mr Choo believes. "A lot

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– *David Ong,
Pacific PromiseLand
Insurance Brokers*

of consumers buy a whole package from a life company, but they might be able to get a better plan from a general insurer - better in terms of coverage and better in terms of premiums. That's a simple example of how a general insurance business can save you money."

THE FUTURE

So whether dealing with individual clients or planning its regional expansion, PromiseLand remains focused on its three-pronged philosophy of valued advice, valued solutions and valued service. It hopes to attract other financial advisory firms to become part of the group, but at the same time allowing them to run operations under their own name and with their own trademark and sense of ownership. In fact, Mr Choo reckons that several other advisory firms will be watching with interest to see how the PromiseLand Holdings arrangement works out.

"A lot of people are talking about China, but we would rather build on this region first because we know it better and the business is big enough to occupy our time," he says. "Here we want to grow PromiseLand Independent and Pacific PromiseLand - not just incremental growth but big growth. We think that once we can assure new advisers that we can give our full support to all these business platforms then growth will be pretty fast."

But can the nascent independent-advisory industry really justify this level of optimism? "What attracted me to the insurance industry in the first place was the idea that when you provide a good service you can renew your business," reveals Mr Choo. "Every person you meet and every business you visit can be your client."

Put like that, his confidence seems well placed. **si**