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The right outcome for Income? Not a merger with Allianz

The insurance company can continue to be a successful social enterprise that helps Singaporeans.

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The story of NTUC Income began more than 50 years ago and we do not believe it should end as a merger with German insurer Allianz. NTUC Income is a social enterprise and should continue to perform that role. This is an opportunity to draw upon Income's enduring mission to tackle the evolving social challenges of a new Singapore, meeting the needs of our time.

In 1970, the National Trades Union Congress (NTUC), under the leadership of C.V. Devan Nair, established NTUC Income as a cooperative under it. Mr Nair had spoken of the need for NTUC to become a social institution, in order to serve the workers in various ways. The then Finance Minister, Dr Goh Keng Swee, supported this mission. He urged NTUC to set up social enterprises, in areas such as life insurance and essential consumer goods, to meet the needs of the working population.

In accordance with Mr Nair's vision and Dr Goh's suggestion, NTUC set up Income in 1970 and FairPrice in 1973. The two cooperatives have been very successful. They have fulfilled their social missions and are financially strong. They have lived up to the mantra, to do well in order to do good.

FROM COOPERATIVE TO COMPANY

In 2022, NTUC Income proposed to change its legal character, from a cooperative to a company. The reasons given for this change were to "achieve operational flexibility and gain access to strategic growth options". The proposal was approved by an extraordinary general meeting (EGM).

The success of Income can be seen from the fact that in 2022, it had a surplus of $2 billion.

Under the law governing cooperatives, when a cooperative is dissolved, the surplus would be paid to the Co-operative Societies Liquidation Account. The money would be used to benefit the cooperative movement.

Income appealed to the regulator for an exemption from the application of the law. The reason was that Income was only changing its legal form and not its business. Income needed the surplus $2 billion to be carried over to the new entity to strengthen its capital base and drive greater social and economic value in a sustainable manner.

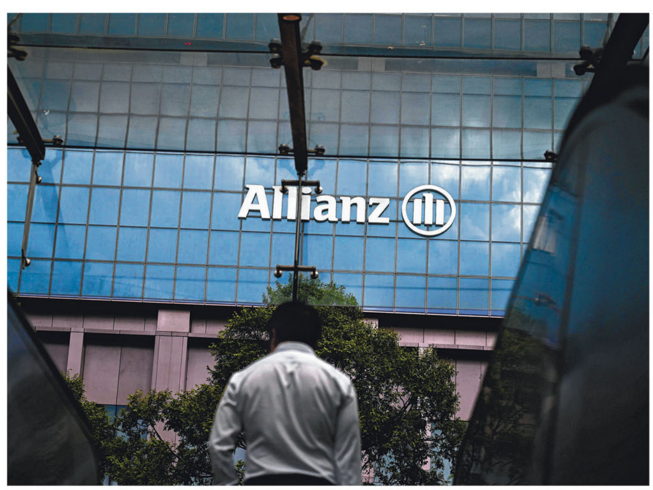
The exemption was granted on this understanding – and Income promised to remain a social enterprise. In fact, it gave an explicit undertaking.

In a press release dated Jan 6, 2022, and in the EGM of Feb 18, 2022, Income assured its shareholders and the public that becoming a company would not change its social mission focus. The new company would remain an NTUC social enterprise and NTUC Enterprise would remain a majority shareholder.

THE INCOME-ALLIANZ MERGER

Just over two years down the road, there were some startling developments.

On July 17, 2024, Income announced that it would be merging with the German insurance company Allianz. Following the merger, Allianz would have 51 per cent and Income 49 per cent of the shareholding of the merged entity. In other words, Income would become a minority shareholder and Allianz would be the majority shareholder.



The proposed merger between Income (above) and Allianz (left) would have meant that Income would become a minority shareholder with 49 per cent of the shareholding of the merged entity, while Allianz would be the majority shareholder with the other 51 per cent. PHOTOS: LIANHE ZAOBAO FILE, ST FILE

Although Income was to become a minority shareholder in the merged entity, its parent body, NTUC Enterprise, stated that it would maintain its social mission. This assurance is not credible since it was to become a minority shareholder, whereas the majority shareholder is a profit-driven company.

The Group CEO of Allianz, Mr Oliver Bate, clearly stated that Allianz's objective is to "build a resoundingly profitable business". He also said that he expected a "double digit return on investment over time".

$2 BILLION QUESTION

We have already pointed out that, just two years before this, Income had convinced the