

Circular No. ID 14/05

15 Dec 2005

To Principal Officers of All Direct Life Insurers

Dear Sir/Madam

MAS NOTICE 302 - NEW POLICIES AND PROPOSAL FORMS, AND RATES OF PREMIUM
MAS NOTICE 307 - INVESTMENT-LINKED LIFE INSURANCE POLICIES

In exercise of the powers conferred by section 64(2) of the Insurance Act, the Monetary Authority of Singapore is revising the above-captioned Notices in order to refine and clarify certain provisions. An industry consultation was conducted on the revised Notice 302 and a summary of the feedback received and MAS' responses is in Appendix A.

2 The revised Notices 302 and 307 take effect on 15th December 2005.

3 MAS Notice 302 sets out the product filing requirements for life insurance business. Under the current Notice, insurers are required to provide MAS the policy or proposal forms and premium certificates signed by the appointed actuary on all new and revised products one month before the launch of the product.

4 MAS Notice 302 has been revised as follows:

- The pre-launch filing requirement for life insurance products has been removed, other than for life insurance and accident and health products with features new to the insurer. For such products, MAS' prior written approval continues to be required before the launch of the products. Short term accident and health products and term products of duration 5 years or less will not be subject to the prior approval requirement;
- In place of the pre-launch filing requirement, insurers will need to submit to MAS documentation on new products launched within 7 working days after the official launch date of the product. This also does not apply to short term accident and health products and term products of duration 5 years or less.
- A new requirement has been introduced for insurers to have a Board approved policy on pricing and product development. Insurers have been given 6 months from the date of introduction of the new Notice to comply with this requirement.

5 MAS Notice 307 sets out the approval requirements for investment-linked policies ("ILP") and sub-funds. The amendment to MAS Notice 307 is issued to clarify that the approval requirements for ILP will be under the revised Notice 302. The requirements for sub-funds will continue to be set out in Notice 307.

6 A copy of the revised MAS Notice 302 and the amendment to MAS Notice 307, are enclosed.

7 Please contact your company's liaison officer in MAS should you require further clarification.

Yours faithfully

[Sent thru MASNET]

LOW KWOK MUN
EXECUTIVE DIRECTOR
INSURANCE SUPERVISION DEPARTMENT
PRUDENTIAL SUPERVISION GROUP

Encs

With immediate effect, MAS Notice 302 (dated 15 October 1991) is cancelled and replaced by MAS Notice 302 (dated 15 December 2005).

This Notice sets out the product filing requirements for life insurance business. Revisions to this Notice have been made to take account of market and regulatory developments. The pre-launch filing requirement is removed to expedite the introduction of new products to the market. Insurers will submit to MAS documentation on new products after the official product launch, other than for life insurance and accident and health products with features new to the insurer. For such products, MAS' written approval is required before the launch. At the same time, there is a new requirement for insurers to have a Board approved policy on pricing and product development.

Based on industry feedback, insurers generally view these revised requirements as a positive industry development. We highlight some of the comments received and our responses below.

1. A few insurers sought MAS' guidance on what constitutes new product features that would require the Authority's approval, and asked for examples.

MAS' response

We have included two examples below where approval would be required:

- (i) an insurer introducing a universal life product where the then-existing business portfolio had comprised of traditional plans.
- (ii) an insurer introducing a coverage of a new type of insured event, such as SARs protection, to an existing non-participating plan, where it previously has not offered any such coverage in its portfolio.

We would also like to draw your attention to paragraph 15 of the revised Notice 302 which provides examples of the circumstances where an insurer need not seek MAS' prior approval and notification to MAS would suffice. Insurer should check with MAS when in doubt.

The reason for requiring an insurer to continue to seek MAS' approval in respect of life products with features new to the insurer is the concern that some of these features may require a different treatment from that in the existing regulations or industry guidelines.

2. A few insurers sought MAS' clarification on whether the requirements set out in this Notice will apply to investment-linked products (ILPs).

MAS' response

We would like to clarify that Notice 302 will apply to all products, including ILP. However, this Notice does not apply to ILP sub-funds. The approval requirements for

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ILP sub-funds will continue to be set out in Notice 307. We have made changes to Notice 307 for greater clarity.

3. A few insurers sought MAS' clarification on whether MAS would accept addendum when filing for amendments to existing product instead of filing all the items requested for in the Notice.

MAS' response

We would accept an addendum to the original filing documents for minor amendments to an existing product. Insurers should make reference to the original filing and highlight the changes made to the original product in the addendum.

4. An insurer sought MAS' clarification on whether the 7 days notification period refers to 7 calendar days or to 7 working days.

MAS' response

We would like to clarify that notification should be done within 7 working days. We have amended paragraph 13 of the Notice accordingly.

5. An insurer sought MAS' clarification on whether group business requires approval and notification.

MAS' response

We would like to clarify that Notice 302 will apply to group business. In cases where the group business meets the definition of short-term products in paragraph 10 and 14 of the Notice, such products will be exempted from the approval and notification requirements.