

Notice No.: MAS 302 (Amendment) 2007
Issue Date: 20 August 2007

PRODUCT DEVELOPMENT AND PRICING

Introduction

1. This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142) and amends MAS Notice 302 on Product Development and Pricing dated 15 December 2005 (“the Existing Notice”).

Amendments

2. Paragraphs 4 and 5 of the Existing Notice are deleted.
3. Paragraph 7 of the Existing Notice is deleted and the following paragraph substituted therefor:

“7 An insurer shall –

- (a) exercise prudent management oversight; and
- (b) implement and maintain adequate controls

in respect of the development and pricing of insurance products and investment-linked policy sub-funds (“ILP sub-funds”).”

4. The Existing Notice is amended by inserting, immediately after paragraph 7, the following paragraph:

“7A. An insurer shall ensure that the board of directors approves the policies and procedures in respect of the development and pricing of insurance products and ILP sub-funds.”

5. Paragraph 8 of the Existing Notice is deleted and the following paragraph substituted therefor:

“8. The policies and procedures in respect of the development and pricing of insurance products and ILP sub-funds shall include such items listed in Appendix A as may be applicable.”

6. Appendix A of the Existing Notice is deleted and the following Appendix substituted therefor:

“Appendix A

Items to be included in Policies and Procedures on Development and Pricing of Insurance Products and ILP Sub-Funds

1. Policies on personnel participating in the development and pricing of insurance products and ILP sub-funds.
2. Profit requirements for major lines of insurance products.
3. Policies on insurance product lines and ILP sub-funds that the insurer is prepared to engage in or has chosen not to engage in.
4. Clearly defined and appropriate levels of delegation for approval of each material aspect of the design and pricing of insurance products and ILP sub-funds.
5. Processes for assessing risks, including risks arising from inflation, anti-selection, concentration, misrepresentation, catastrophes, changes in government policy and investment returns.
6. Requirements for limiting risk through, for example, diversification, exclusions and reinsurance.
7. Procedures for ensuring that policy documents are appropriately drafted to give legal effect to the proposed level of coverage under the insurance products.
8. Procedures for ensuring clear and adequate disclosure in the benefit illustrations and marketing materials to prospective or existing policyholders.
9. Procedures and criteria for withdrawal and re-pricing of existing insurance products and ILP sub-funds.
10. Policies on audit practices for monitoring compliance with insurer’s policies and procedures.”

Savings and Transitional

7. This Notice shall not apply to any direct insurer registered to carry on life business for the period 20 August 2007 to 19 February 2008 (“Transitional Period”) and the direct insurer shall continue to comply with the Existing Notice in force immediately before 20 August 2007.

8. Notwithstanding paragraph 7, an insurer may elect to comply with this Notice at any time before the expiry of the Transitional Period.

Commencement

9. This Notice shall take effect from 20 August 2007.