

Notice No : **IA/PP-N02.1a**
Issue Date : **16 January 2006**

BANK COVENANTS IN LIEU OF DEPOSITS

Introduction

1 This Notice is issued pursuant to sections 15(1) and 64(2) of the Insurance Act (Cap. 142) (“the Act”).

2 This Notice applies to all authorised reinsurers. It specifies the form of the agreement referred to in section 15(1) of the Act (“bank covenant”) and the requirements referred to in section 15(1)(b).

Definitions

3 Any expression used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meaning as in the Act or the Insurance (Authorised Reinsurers) Regulations 2003.

Form of Bank Covenants

4 In lieu of the deposit required under section 14A(1) of the Act, an authorised reinsurer may lodge with the Authority a bank covenant that complies with the provisions of this Notice.

5 The bank covenant shall be executed under the common seal of the bank or under the power of attorney of the bank. In either case, the bank shall be licensed in Singapore under the Banking Act (Cap. 19). Where the bank covenant is executed under common seal, it shall be lodged together with a copy of a directors’ resolution by the bank authorising the relevant officer(s) to affix the bank’s common seal to the bank covenant. Where the bank covenant is executed under a power of attorney, it shall be lodged together with a copy of the power of attorney of the person(s) signing the bank covenant. If a copy of the power of attorney had been lodged previously, the bank covenant may instead be lodged together with a certification by the bank that the power of attorney has not been revoked. The lodged copy of the directors’ resolution or the power of attorney (as the case may be) shall have been certified by the bank’s legal counsel.

6 If the bank covenant is issued by a bank incorporated outside Singapore, it shall also be lodged with written confirmation from the bank’s legal counsel that the bank has properly and validly executed the bank covenant according to the law of the place of its incorporation and its memorandum and articles of association or other constitutional instruments.

7 A bank covenant to be issued under the common seal of the bank shall be in the form shown in Appendix A. A bank covenant to be issued under the power of attorney of the bank shall be in the form shown in Appendix B.

Commencement and Cancellation

8 Notwithstanding anything in paragraphs 4 to 7, an authorised reinsurer who has lodged a bank covenant before 16 January 2006 shall, as long as the bank covenant remains lodged and effective, be deemed to have complied with the provisions of this Notice.

9 This Notice shall take immediate effect. MAS Notice IA/PP-N01.1 dated 26 October 2005 is cancelled.

**To: The Monetary Authority of Singapore
MAS Building
10 Shenton Way
Singapore 079117**

In accordance with the provisions of section 15 of the Insurance Act (Cap. 142) (hereinafter referred to as “the Act”), we,

_____ (name of bank) at the instance of

_____ (name of authorised reinsurer) (hereinafter referred to as “the Insurer”) hereby covenant with the Monetary Authority of Singapore (hereinafter referred to as “the MAS”) as follows:

- 1 If, during the period of validity of this Covenant any of the circumstances specified in the Schedule below shall occur (as to the occurrence of which we shall accept a certificate signed by the MAS as conclusive evidence), we shall forthwith deposit with the MAS the sum computed as the highest of –

- (a) S\$2 million;
- (b) 30% of the gross premiums written in respect of policies issued by the Insurer under the Act in the preceding financial year; or
- (c) 30% of the gross liabilities incurred in respect of policies issued by the Insurer under the Act as at the end of the preceding financial year,

on account of the Insurer’s deposit under the Act in respect of the _____ (general/life/composite) business for which the Insurer is authorised.

- 2 This Covenant is valid initially from _____ (date of initial commencement of Covenant) until 31 Dec _____ (same year as date of initial commencement of Covenant) and shall thereafter be automatically extended for a period of one year at a time. This Covenant shall not be terminated, except with the prior written approval of the MAS. In the event that we wish to terminate this Covenant, we shall give written notice of such intention to the MAS not later than three months before the intended date of termination. The MAS shall not approve such termination unless:

- (a) at least 30 days before the date of termination of this Covenant, we pay to the MAS the sum computed as the highest of –
 - (i) S\$2 million;
 - (ii) 30% of the gross premiums written in respect of policies issued by the Insurer under the Act in the preceding financial year; or
 - (iii) 30% of the gross liabilities incurred in respect of policies issued by the Insurer under the Act as at the end of the preceding financial year;

- (b) we have already paid such sum under paragraph 1 above;
 - (c) the Insurer has ceased to be required to maintain any deposit under the Act; or
 - (d) at least 30 days before the date of termination of this Covenant, any other bank licensed in Singapore has executed a similar Covenant relating to the Insurer's deposit under the Act and such Covenant has been approved by and delivered to the MAS.
- 3 This Covenant shall be, in all respects, governed by and interpreted according to the laws of the Republic of Singapore and we agree to submit to the non-exclusive jurisdiction of the Courts of the Republic of Singapore.

THE SCHEDULE

The circumstances referred to in paragraph 1 above are:

- 1 The taking of any proceedings in Singapore or elsewhere for the winding-up voluntarily or otherwise of the Insurer or any part of the Insurer's business.
- 2 Any general reduction of the Insurer's liabilities or any description of them, by means of any composition or arrangement with its creditors or otherwise.
- 3 The transfer to another direct insurer or reinsurer (whether registered under section 8 of the Insurance Act, authorised under section 8A of the Insurance Act, or otherwise) of the whole or part of the Insurer's _____ (general/life/composite) business in Singapore.
- 4 The making of an arrangement between the Insurer and MAS under section 12A(6) of the Insurance Act (Cap. 142), where a deposit is required by the MAS in connection with such arrangement.
- 5 _____
(name of bank) ceasing to be licensed under the Banking Act (Cap. 19) in Singapore.

Done this _____ day of _____

20_____.

The Common Seal of

_____ was affixed to this Covenant in the presence of

Name: _____

Signature: _____

IC/Passport No.: _____

**To: The Monetary Authority of Singapore
MAS Building
10 Shenton Way
Singapore 079117**

In accordance with the provisions of section 15 of the Insurance Act (Chapter 142) (hereinafter referred to as “the Act”), we,

_____ (name of bank) at the instance of

_____ (name of authorised reinsurer) (hereinafter are referred to as “the Insurer”) hereby covenant with the Monetary Authority of Singapore (hereinafter referred to as “the MAS”) as follows:

- 1 If during the period of validity of this Covenant any of the circumstances specified in the Schedule below shall occur (as to the occurrence of which we shall accept a certificate signed by the MAS as conclusive evidence), we shall forthwith deposit with the MAS the sum computed as the highest of –

- (a) \$2 million Singapore Dollars;
- (b) 30% of the gross premiums written in respect of policies issued by the Insurer under the Act in the preceding financial year; or
- (c) 30% of the gross liabilities incurred in respect of policies issued by the Insurer under the Act as at the end of the preceding financial year,

on account of the Insurer’s deposit under the Act in respect of the _____ (general/life/composite) business for which the Insurer is authorised.

- 2 This Covenant is valid initially from _____ (date of initial commencement of Covenant) until 31 Dec _____ (same year as date of initial commencement of Covenant) and shall thereafter be automatically extended for a period of one year at a time. This Covenant shall not be terminated, except with the prior written approval of the MAS. In the event that we wish to terminate this Covenant, we shall give written notice of such intention to the MAS not later than three months before the intended date of termination. The MAS shall not approve such termination unless:

- (a) at least 30 days before the date of termination of this Covenant, we pay to the MAS the sum computed as the highest of –
 - (i) \$2 million
 - (ii) 30% of the gross premiums written in respect of policies issued by the Insurer under the Act in the preceding financial year; or
 - (iii) 30% of the gross liabilities incurred in respect of policies issued by the Insurer under the Act as at the end of the preceding financial year;

- (b) we have already paid such sum under paragraph 1 above;
 - (c) the Insurer has ceased to be required to maintain any deposit under the Act; or
 - (d) at least 30 days before the date of termination of this Covenant, any other bank licensed in Singapore has executed a similar Covenant relating to the Insurer's deposit under the Act and such Covenant has been approved by and delivered to the MAS.
- 3 This Covenant shall be, in all respects, governed by and interpreted according to the laws of the Republic of Singapore and we agree to submit to the non-exclusive jurisdiction of the Courts of the Republic of Singapore.

THE SCHEDULE

The circumstances referred to in paragraph 1 above are:

- 1 The taking of any proceedings in Singapore or elsewhere for the winding-up voluntarily or otherwise of the Insurer or any part of the Insurer's business.
- 2 Any general reduction of the Insurer's liabilities or any description of them, by means of any composition or arrangement with its creditors or otherwise.
- 3 The transfer to another direct insurer or reinsurer (whether registered under section 8 of the Insurance Act, authorised under section 8A of the Insurance Act, or otherwise) of the whole or part of the Insurer's _____ (general/life/composite) business in Singapore.
- 4 The making of an arrangement between the Insurer and MAS under section 12A(6) of the Insurance Act (Cap. 142), where a deposit is required by the MAS in connection with such arrangement.
- 5 _____
(name of bank) ceasing to be licensed under the Banking Act (Cap. 19) in Singapore.

Done this _____ day of _____

20_____.

Signed, sealed and delivered by

Name: _____

Signature: _____

as attorney for

Name of Bank: _____

in the presence of

Name: _____

Signature: _____

IC/Passport No.: _____