

Notice No.: MAS 302
Issue Date: 15 December 2005
(last revised on 20 August 2007*)

This Notice replaces MAS 302 dated 15 October 1991.

PRODUCT DEVELOPMENT AND PRICING

Introduction

1. This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142) (“the Act”). It comprises both mandatory requirements (Part I) and guidelines (Part II).
2. This Notice shall be read in conjunction with the provisions of the Act and the Insurance (Actuaries) Regulations 2004 (G.N. No. S 495/2004) (“the Regulations”).
3. This Notice applies to any direct insurer registered to carry on life business.
4. [Deleted by MAS Notice 302 (Amendment) 2007]
5. [Deleted by MAS Notice 302 (Amendment) 2007]

Definition

6. The expressions used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same respective meanings as in the Act and the Regulations.

Part I - Mandatory Requirements

Prudent Management Oversight

7. An insurer shall –
 - (a) exercise prudent management oversight; and
 - (b) implement and maintain adequate controlsin respect of the development and pricing of insurance products and investment-linked policy sub-funds (“ILP sub-funds”).

[MAS Notice 302 (Amendment) 2007]
- 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.

[MAS Notice 302 (Amendment) 2007]

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.

[MAS Notice 302 (Amendment) 2007]

Approval for New Products

9. Subject to paragraph 10 below, an insurer shall obtain written approval from the Authority before offering any product with any feature that does not appear in any product in the insurer's then-existing business portfolio. Any request for such approval shall be made in writing and submitted to the Authority no later than one month before the proposed official launch date of the product. The request shall be accompanied by relevant information and product documents, including such information and documents specified in items 1 to 10 of Appendix B as may be applicable.
10. Paragraph 9 above shall not apply in respect of—
 - (a) a short-term accident and health policy; or
 - (b) a term policy having a duration of 5 years or less.
11. When in doubt, the insurer may check with the Authority on whether any proposed product requires such written approval.

Contravention of requirements imposed

12. Contravention of any requirement imposed under Mandatory Requirements of this Notice shall be an offence and shall attract the penalty specified in section 55(2) of the Act.

Part II - Guidelines

Notification for Products Launched

13. Subject to paragraph 14 below, an insurer should notify the Authority in writing of any product launched by the insurer that does not require the approval of the Authority under paragraph 9 above. Such notice should be given to the Authority within 7 working days after the official launch date of the product. The notification should contain relevant information and be accompanied by product documents, including such information and documents specified in items 1 to 7 of Appendix B as may be applicable.
14. Paragraph 13 above does not apply in respect of—
 - (a) a short-term accident and health policy; or
 - (b) a term policy having a duration of 5 years or less.

15. Without prejudice to the generality of paragraph 13, the circumstances in which an insurer should notify the Authority under paragraph 13 include, but not limited to –
- (a) when the single-premium endowment products in the then-existing business portfolio of the insurer have durations of 5 years, and the insurer wishes to introduce longer or shorter policy terms for any such products;
 - (b) when the insurer wishes to increase the number of dread diseases covered under their whole life products;
 - (c) when the insurer wishes to provide prospective or existing policyholders of a product in the insurer's then-existing business portfolio with the option of paying premiums at any frequency which is then unavailable to such policyholders; and
 - (d) when total permanent disability cover is an existing feature of any products other than whole life products in the insurer's then-existing business portfolio, and the insurer wishes to offer total permanent disability cover under any of its whole life products.

Compliance with Guidelines

16. The standards set out in this Part II are not mandatory in that failure by an insurer to comply with any of the standards shall not of itself render the insurer to be in breach of this Notice. However, the Authority expects insurers to observe the standards set forth in this Part II.
17. The Authority may take into account a failure to comply with these standards in considering whether to –
- (a) approve a new product;
 - (b) revoke the approval for a product; or
 - (c) issue directions for the withdrawal of a product.

*** Note on History of Amendment**

1. MAS Notice 302 (Amendment) 2007 with effect from 20 August 2007.

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.

[MAS Notice 302 (Amendment) 2007]

Appendix B

1. Tables of premium rates.
2. The date on which the new premium rates had or will come into force.
3. The proposed classification for the product, such as
 - a. participating; or
 - b. non-participating; or
 - c. investment-linked; or
 - d. a hybrid of any of the above.
4. The assumptions used or proposed to be used in calculating the premium rates, such as the assumptions in respect of:
 - a. the mortality and/or morbidity table;
 - b. the investment rate of return;
 - c. the initial and renewal expenses;
 - d. the commissions scale;
 - e. the bonus scale; and
 - f. the profit and contingencies loadings.
5. The results of profit testing based on cash flow projection of sample model points, together with the anticipated portfolio profitability of this product.
6. A statement by the appointed actuary for the insurer on whether the pricing of the product complies with the pricing policy of the insurer.
7. Policy form, proposal form, product summary, and sample benefit illustrations used or proposed to be used, at the point of sales, for explaining the product features to consumers.
8. The methodology of valuing the policy liabilities in respect of the product.
9. The method of calculating Component 1 (C1) Requirement in relation to the product in accordance with the Third Schedule to the Insurance (Valuation and Capital) Regulations 2004.
10. Any issues in complying with the Insurance (Valuation and Capital) Regulations 2004.