

Notice No : MAS 312(Amendment) 2010
Issue Date : 29 January 2010

STRESS TESTING ON FINANCIAL CONDITION OF DIRECT LIFE INSURERS

Introduction

1. This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap 142) and amends MAS Notice 312 on Stress Testing on Financial Condition of Direct Life Insurers dated 8 May 2007 (“the Existing Notice”).

Amendments

2. Paragraph 8 of the Existing Notice is amended -

- (a) by deleting the word “12” and substituting the word “12C”;
- (b) by deleting the word “and” at the end of sub-paragraph (b);
- (c) by deleting the fullstop at the end of sub-paragraph (c) and substituting a semi-colon and by inserting immediately thereafter the following sub-paragraph:

“(d) stress-to-failure scenarios.”.

3. Paragraphs 9 and 11 of the Existing Notice are amended by deleting the words “five-year” in the respective paragraphs and substituting the words “three-year”.

4. The existing Notice is amended by inserting, immediately after paragraph 12, the following paragraphs:

“Stress-to-Failure Scenarios

12A. The insurer shall conduct stress tests based on 2 stress-to-failure scenarios, i.e. a short-term stress-to-failure scenario and a medium-term stress-to-failure scenario.

12B. The insurer shall include in its short-term stress-to-failure scenario projections, projections of the financial and capital adequacy positions of the insurer over the one-year period immediately following the end of the accounting period to which it relates. The medium-term stress-to-failure scenario projections shall comprise projections of the financial and capital adequacy positions of the insurer over the three-year period immediately following the end of the accounting period to which it relates.

12C. When constructing the scenarios, the insurer shall consider the correlation between the different risks factors used under the scenarios.

5. The existing Notice is amended by inserting, immediately after paragraph 23, the following paragraph:

“Constructing Stress-to-Failure Scenarios

23A. Under the stress-to-failure scenarios, the insurer shall determine the combination of factors that would most likely lead to the insurer breaching its capital adequacy requirement as set out in regulation 4(2) of the Insurance (Valuation and Capital) Regulations 2004, or the insurer being wound up as a result of its off-balance sheet liabilities.”

6. Appendices A and B of the Existing Notice are cancelled and the following Appendices substituted therefor:

Three-Year Projections

Singapore Insurance Fund/ Offshore Insurance Fund: Non-Participating/ Participating/ Investment-Linked/ General Insurance
 Base Scenario/ Medium-term Stress Scenario (1/2/3)/ Medium-term Stress-to-Failure Scenario (Specify accordingly)

Fund Balance Sheet

Description	Rows of Form 1	Past 3 Years' Actual Experience			Projection Years (before Management Action)			Projection Years (after Management Action, if any)		
		-3	-2	-1	1	2	3	1	2	3
ASSETS										
Equity securities	1									
Debt securities	2									
Land and buildings	3									
Loans	4									
Cash and deposits	5									
Other invested assets	6, 7									
Fixed assets	12									
Other assets	8, 9, 10, 11, 13, 14									
Total Assets	15									
LIABILITIES										
Policy liabilities	16									
Other liabilities	17 to 23									
Total Liabilities	24									
SURPLUS	25									

Fund Profit & Loss Account

Description	Rows of Form 2	Past 3 Years' Actual Experience			Projection Years (before Management Action)			Projection Years (after Management Action, if any)		
		-3	-2	-1	1	2	3	1	2	3
Gross Premiums	1									
Less: Outward reinsurance premiums	2									
Investment revenue	3									
Less: Investment expenses	4									
Other income	5									
Total Income	6									
Gross claims settled	7									
Less: Reinsurance recoveries	8									
Management expenses	9									
Distribution expenses	10									
Increase (decrease) in net policy liabilities	11									
Provision for doubtful debts/ bad debts written off	12									
Taxation expenses	13									
Other expenses	14									
Total Outgo	15									
NET INCOME	16									

Singapore Insurance Fund: General Insurance

Premiums, Claims and Underwriting Results

Base Scenario	Rows of Form 6	Marine and Aviation		Fire	Motor	Work Injury Compensation	Personal Accident	Health	Miscellaneous						Total
		Cargo	Hull and Liability						Public Liability	Bonds	Engineering / CAR / EAR	Professional Indemnity	Credit / Political Risk	Others	
Gross Premiums Direct Insurance	1														
Reinsurance	5														
Net Premiums	10														
Premium Liabilities at start of period	11														
Premium Liabilities at end of period	12														
Premiums earned	13														
Gross Claims Direct Insurance	14														
Reinsurance	18														
Net Claims settled	23														
Claims Liabilities at start of period	24														
Claims Liabilities at end of period	25														
Net Claims Incurred	26														
Commissions	28														
Reinsurance Commissions	29														
Underwriting gains / (loss)	32														

Premiums, Claims and Underwriting Results

Medium-term Scenario	Rows of Form 6	Marine and Aviation		Fire	Motor	Work Injury Compensation	Personal Accident	Health	Miscellaneous						Total
		Cargo	Hull and Liability						Public Liability	Bonds	Engineering / CAR / EAR	Professional Indemnity	Credit / Political Risk	Others	
Gross Premiums Direct Insurance	1														
Reinsurance	5														
Net Premiums	10														
Premium Liabilities at start of period	11														
Premium Liabilities at end of period	12														
Premiums earned	13														
Gross Claims Direct Insurance	14														
Reinsurance	18														
Net Claims settled	23														
Claims Liabilities at start of period	24														
Claims Liabilities at end of period	25														
Net Claims Incurred	26														
Commissions	28														
Reinsurance Commissions	29														
Underwriting gains / (loss)	32														

Offshore Insurance Fund: General Insurance

Premiums, Claims and Underwriting Results

Base Scenario	Rows of Form 6	Year 1					Year 2					Year 3				
		Marine and Aviation		Property	Casualty and others	Total	Marine and Aviation		Property	Casualty and others	Total	Marine and Aviation		Property	Casualty and others	Total
		Cargo	Hull and Liability				Cargo	Hull and Liability				Cargo	Hull and Liability			
Gross Premiums Direct Insurance	1															
Reinsurance	5															
Net Premiums	10															
Premium Liabilities at start of period	11															
Premium Liabilities at end of period	12															
Premiums earned	13															
Gross Claims Direct Insurance	14															
Reinsurance	18															
Net Claims settled	23															
Claims Liabilities at start of period	24															
Claims Liabilities at end of period	25															
Net Claims Incurred	26															
Commissions	28															
Reinsurance Commissions	29															
Underwriting gains / (loss)	32															

Premiums, Claims and Underwriting Results

Medium-term Scenario Before / After Management Action	Rows of Form 6	Year 1					Year 2					Year 3				
		Marine and Aviation		Property	Casualty and others	Total	Marine and Aviation		Property	Casualty and others	Total	Marine and Aviation		Property	Casualty and others	Total
		Cargo	Hull and Liability				Cargo	Hull and Liability				Cargo	Hull and Liability			
Gross Premiums Direct Insurance	1															
Reinsurance	5															
Net Premiums	10															
Premium Liabilities at start of period	11															
Premium Liabilities at end of period	12															
Premiums earned	13															
Gross Claims Direct Insurance	14															
Reinsurance	18															
Net Claims settled	23															
Claims Liabilities at start of period	24															
Claims Liabilities at end of period	25															
Net Claims Incurred	26															
Commissions	28															
Reinsurance Commissions	29															
Underwriting gains / (loss)	32															

Singapore Insurance Fund/ Offshore Insurance Fund: Non-Participating/ Participating/ Investment-Linked/ General Insurance
Base Scenario/ Medium-term Stress Scenario (1/2/3)/ Medium-term Stress-to-Failure Scenario (Specify accordingly)

Fund Solvency Requirement

Description	Rows of Form 21	Past 3 Years' Actual Experience			Projection Years (before Management Action)			Projection Years (after Management Action, if any)		
		-3	-2	-1	1	2	3	1	2	3
FINANCIAL RESOURCES										
Balance in the surplus account (par fund)	1									
Add: Allowance for provision for non-guaranteed benefits (par fund)	2									
Surplus of insurance fund (other than par fund)	5									
Less: Reinsurance adjustment	6									
Financial resource adjustment	7									
Financial Resources	13									
TOTAL RISK REQUIREMENT										
<u>Component 1 Requirement</u>										
Life Insurance Risk Requirement										
Policy liability risk requirement	15, 24									
Surrender value condition risk requirement	18, 27									
General Insurance Risk Requirement										
Premium liability risk requirement	31									
Claim liability risk requirement	32									
Total C1 Requirement	33									
<u>Component 2 Requirement</u>										
Equity investment risk requirement	34									
Debt investment and duration mismatch risk requirement	37									
Loan investment risk requirement	48									
Property risk requirement	49									
Other risk requirement	50 to 52									
Total C2 Requirement	53									
Total C3 Requirement	61									
Total Risk Requirement	62									
Fund Solvency Ratio (%)										

Three-Year Projections

Shareholders' Fund and Overseas Branch Operations

Base Scenario/ Medium-term Stress Scenario (1/2/3)/ Medium-term Stress-to-Failure Scenario (Specify accordingly)

Global Business Balance Sheet (For Insurers incorporated in Singapore only)

Description	Rows of Form 8	Past 3 Years' Actual Experience			Projection Years (before Management Action)			Projection Years (after Management Action, if any)		
		-3	-2	-1	1	2	3	1	2	3
ASSETS										
Equity securities	1									
Debt securities	2									
Land and buildings	3									
Loans	4									
Cash and deposits	5									
Other invested assets	6, 7									
Fixed assets	12									
Other assets	8, 9, 10, 11, 13, 14									
Total Assets	15									
LIABILITIES										
Policy liabilities	16									
Other liabilities	17 to 23									
Total Liabilities	24									
NET ASSETS	25									
SHAREHOLDERS EQUITY & SURPLUS										
Paid-up Capital	26									
Reserves:										
Unappropriated profits	27									
Other reserves	28									
Surplus	29									
Total	30									

Global Business Profit & Loss Account (For Insurers incorporated in Singapore only)

Description	Rows of Form 9	Past 3 Years' Actual Experience			Projection Years (before Management Action)			Projection Years (after Management Action, if any)		
		-3	-2	-1	1	2	3	1	2	3
Gross Premiums	1									
Less: Outward reinsurance premiums	2									
Investment revenue	3									
Less: Investment expenses	4									
Other income	5									
Total Income	6									
Gross claims settled	7									
Less: Reinsurance recoveries	8									
Management expenses	9									
Distribution expenses	10									
Increase (decrease) in net policy liabilities	11									
Provision for doubtful debts/ bad debts written off	12									
Taxation expenses	13									
Other expenses	14									
Total Outgo	15									
NET INCOME	16									

Total Risk Requirements (For Insurers incorporated in Singapore only)

Description	Rows of Form 22	Past 3 Years' Actual Experience			Projection Years (before Management Action)			Projection Years (after Management Action, if any)		
		-3	-2	-1	1	2	3	1	2	3
TOTAL RISK REQUIREMENT										
<u>Component 1 Requirement</u>										
Life Insurance Risk Requirement										
Policy liability risk requirement	2, 11									
Surrender value condition risk requirement	5, 14									
General Insurance Risk Requirement										
Premium liability risk requirement	18									
Claim liability risk requirement	19									
Total C1 Requirement	20									
<u>Component 2 Requirement</u>										
Equity investment risk requirement	21									
Debt investment and duration mismatch risk requirement	24									
Loan investment risk requirement	35									
Property risk requirement	36									
Other risk requirement	37 to 38									
Total C2 Requirement	39									
Total Risk Requirement	40									

Capital Adequacy Requirement

Description	Rows of Form 23	Past 3 Years' Actual Experience			Projection Years (before Management Action)			Projection Years (after Management Action, if any)		
		-3	-2	-1	1	2	3	1	2	3
FINANCIAL RESOURCES										
<u>Tier 1 Resource</u>										
Aggregate of surpluses of all insurance funds other than participating funds	1									
Balances in the surplus account of each participating fund	2									
Paid-up ordinary share capital	3									
Unappropriated profit (loss)	4									
Irredeemable and non-cumulative preference shares	5									
Any other capital instrument approved by the Authority as a Tier 1 resource	6									
Less: Reinsurance adjustment	7									
Financial resource adjustment	8									
Total Tier 1 Resource	14									
<u>Tier 2 Resource</u>										
Irredeemable and non-cumulative preference shares not recognised as Tier 1 resource	15									
Irredeemable and cumulative preference shares	16									
Any qualifying Tier 2 instrument approved by the Authority as a Tier 2 resource	17									
Total Tier 2 Resource	18									
Aggregate of allowance for provisions for non-guaranteed benefits of participating funds	19									
Financial Resources	20									
TOTAL RISK REQUIREMENT										
Total risk requirements of insurance funds	21									
Total risk requirements of assets and liabilities that do not belong any insurance fund	22									
Total Risk Requirement of Insurer	23									
Capital Adequacy Ratio (%)	24									

Breakdown of Profit and Loss Items for Base Scenario

Description	Past 3 years' Actual Experience			Projection Years		
	-3	-2	-1	1	2	3
Gross Premiums (Annex 2A of Form 2) <u>(For Life Insurer only)</u>						
Individual Business						
Single premiums						
Regular premiums - new business						
Regular premiums - renewal business						
Group Business Premiums						
Inward Reinsurance Premiums						
Total Gross Premiums						
Investment Revenue (Annex 2C of Form 2)						
Equity securities						
Dividend income						
Capital gains/ losses						
Debt securities						
Interest income						
Capital gains/ losses						
Land and buildings						
Rental income						
Capital gains/ losses						
Loans						
Interest income						
Capital gains/ losses						
Cash and deposits						
Other invested assets						
Income						
Capital gains/ losses						
Total Investment Revenue						
Gross claims settled (Annex 2E of Form 2) (For Life Insurer only)						
Death, total permanent disability, critical illness						
Accident and health benefits other than total permanent disability and critical illness						
Maturity / Anticipated endowment						
Surrenders						
Annuities						
Cash bonuses						
Others						
Total Gross Claims						
Distribution Expenses (Annex 2G of Form 2) <u>(For Life Insurer only)</u>						
Individual new business - single premium						
Individual new business - regular premium						
Individual renewal business						
Group business						
Other distribution expenses						
Total Distribution Expenses						

Short-term Stress Scenario (1/2/3/4/5) / Short-term Stress-to-Failure Scenario – Immediate Impact and One Year Projection

Singapore Insurance Fund/ Offshore Insurance Fund: Non-Participating/ Participating/ Investment-Linked/ General Insurance (Specify accordingly)

Fund Balance Sheet

Description	Rows of Form 1	Immediate Impact / 1 Year Projections (before Management Action)			1 Year Projections (after Management Action)
		Base	Scenario		Scenario
			Immediate Impact	1 Year Projection	
ASSETS					
Equity securities	1				
Debt securities	2				
Land and buildings	3				
Loans	4				
Cash and deposits	5				
Other invested assets	6, 7				
Fixed assets	12				
Other assets	8, 9, 10, 11, 13, 14				
Total Assets	15				
LIABILITIES					
Policy liabilities	16				
Other liabilities	17 to 23				
Total Liabilities	24				
SURPLUS	25				

Fund Profit & Loss Account

Description	Rows of Form 2	1 Year Projections (before Management Action)		1 Year Projections (after Management Action)
		Base	Scenario	Scenario
Gross Premiums	1			
Less: Outward reinsurance premiums	2			
Investment revenue	3			
Less: Investment expenses	4			
Other income	5			
Total Income	6			
Gross claims settled	7			
Less: Reinsurance recoveries	8			
Management expenses	9			
Distribution expenses	10			
Increase (decrease) in net policy liabilities	11			
Provision for doubtful debts/ bad debts written off	12			
Taxation expenses	13			
Other expenses	14			
Total Outgo	15			
NET INCOME	16			

Singapore Insurance Fund: General Insurance

Premiums, Claims and Underwriting Results

Short-term Scenario Before / After Management Action: Year 1	Rows of Form 6	Marine and Aviation		Fire	Motor	Work Injury Compensation	Personal Accident	Health	Miscellaneous					Total	
		Cargo	Hull and Liability						Public Liability	Bonds	Engineering / CAR / EAR	Professional Indemnity	Credit / Political Risk		Others
Gross Premiums Direct Insurance	1														
Reinsurance	5														
Net Premiums	10														
Premium Liabilities at start of period	11														
Premium Liabilities at end of period	12														
Premiums earned	13														
Gross Claims Direct Insurance	14														
Reinsurance	18														
Net Claims settled	23														
Claims Liabilities at start of period	24														
Claims Liabilities at end of period	25														
Net Claims Incurred	26														
Commissions	28														
Reinsurance Commissions	29														
Underwriting gains / (loss)	32														

Offshore Insurance Fund: General Insurance

Premiums, Claims and Underwriting Results

Short-term Scenario	Rows of Form 6	1 Year Projections (before Management Action)									1 Year Projections (after Management Action)				
		Base				Short-term Scenario					Short-term Scenario				
		Marine and Aviation		Property	Casualty and others	Total	Marine and Aviation		Property	Casualty and others	Total	Marine and Aviation		Property	Casualty and others
Cargo	Hull and Liability	Cargo	Hull and Liability				Cargo	Hull and Liability							
Gross Premiums	1														
Direct Insurance															
Reinsurance	5														
Net Premiums	10														
Premium Liabilities at start of period	11														
Premium Liabilities at end of period	12														
Premiums earned	13														
Gross Claims	14														
Direct Insurance															
Reinsurance	18														
Net Claims settled	23														
Claims Liabilities at start of period	24														
Claims Liabilities at end of period	25														
Net Claims Incurred	26														
Commissions	28														
Reinsurance Commissions	29														
Underwriting gains / (loss)	32														

Singapore Insurance Fund/ Offshore Insurance Fund: Non-Participating/ Participating/ Investment-Linked/ General Insurance (Specify accordingly)

Fund Solvency Requirement

Description	Rows of Form 21	Immediate Impact / 1 Year Projections (before Management Action)			1 Year Projections (after Management Action)
		Base	Scenario		Scenario
			Immediate Impact	1 Year Projection	
FINANCIAL RESOURCES					
Balance in the surplus account (par fund)	1				
Add: Allowance for provision for non-guaranteed benefits (par fund)	2				
Surplus of insurance fund (other than par fund)	5				
Less: Reinsurance adjustment	6				
Financial resource adjustment	7				
Financial Resources	13				
TOTAL RISK REQUIREMENT					
<u>Component 1 Requirement</u>					
Life Insurance Risk Requirement					
Policy liability risk requirement	15, 24				
Surrender value condition risk requirement	18, 27				
General Insurance Risk Requirement					
Premium liability risk requirement	31				
Claim liability risk requirement	32				
Total C1 Requirement	33				
<u>Component 2 Requirement</u>					
Equity investment risk requirement	34				
Debt investment and duration mismatch risk requirement	37				
Loan investment risk requirement	48				
Property risk requirement	49				
Other risk requirement	50 to 52				
Total C2 Requirement	53				
Total C3 Requirement	61				
Total Risk Requirement	62				
Fund Solvency Ratio (%)					

Short-term Stress Scenario (1/2/3/4/5) / Short-term Stress-to-Failure Scenario – Immediate Impact and One Year Projection

Shareholders' Fund and Overseas (Branch) Operations

Global Business Balance Sheet (For Insurers incorporated in Singapore only)

Description	Rows of Form 8	1 Year Projections (before Management Action)			1 Year Projections (after Management Action)
		Base	Scenario		Scenario
			Immediate Impact	1 Year Projection	
ASSETS					
Equity securities	1				
Debt securities	2				
Land and buildings	3				
Loans	4				
Cash and deposits	5				
Other invested assets	6, 7				
Fixed assets	12				
Other assets	8, 9, 10, 11, 13, 14				
Total Assets	15				
LIABILITIES					
Policy liabilities	16				
Other liabilities	17 to 23				
Total Liabilities	24				
NET ASSETS	25				
SHAREHOLDERS EQUITY & SURPLUS					
Paid-up Capital	26				
Reserves:					
Unappropriated profits	27				
Other reserves	28				
Surplus	29				
Total	30				

Global Business Profit & Loss Account (For Insurers incorporated in Singapore only)

Description	Rows of Form 9	1 Year Projections (before Management Action)		1 Year Projections (after Management Action)
		Base	Scenario	Scenario
Gross Premiums	1			
Less: Outward reinsurance premiums	2			
Investment revenue	3			
Less: Investment expenses	4			
Other income	5			
Total Income	6			
Gross claims settled	7			
Less: Reinsurance recoveries	8			
Management expenses	9			
Distribution expenses	10			
Increase (decrease) in net policy liabilities	11			
Provision for doubtful debts/ bad debts written off	12			
Taxation expenses	13			
Other expenses	14			
Total Outgo	15			
NET INCOME	16			

Total Risk Requirements (For Insurers incorporated in Singapore only)

Description	Rows of Form 22	1 Year Projections (before Management Action)			1 Year Projections (after Management Action)
		Base	Scenario		Scenario
			Immediate Impact	1 Year Projection	
TOTAL RISK REQUIREMENT					
<u>Component 1 Requirement</u>					
Life Insurance Risk Requirement					
Policy liability risk requirement	2, 11				
Surrender value condition risk requirement	5, 14				
General Insurance Risk Requirement					
Premium liability risk requirement	18				
Claim liability risk requirement	19				
Total C1 Requirement	20				
<u>Component 2 Requirement</u>					
Equity investment risk requirement	21				
Debt investment and duration mismatch risk requirement	24				
Loan investment risk requirement	35				
Property risk requirement	36				
Other risk requirement	37 to 38				
Total C2 Requirement	39				
Total Risk Requirement	40				

Capital Adequacy Requirement

Description	Rows of Form 23	Immediate Impact / 1 Year Projections (before Management Action)			1 Year Projections (after Management Action)
		Base	Scenario		Scenario
			Immediate Impact	1 Year Projection	
FINANCIAL RESOURCES					
<u>Tier 1 Resource</u>					
Aggregate of surpluses of all insurance funds other than participating funds	1				
Balances in the surplus account of each participating fund	2				
Paid-up ordinary share capital	3				
Unappropriated profit (loss)	4				
Irredeemable and non-cumulative preference shares	5				
Any other capital instrument approved by the Authority as a Tier 1 resource	6				
Less: Reinsurance adjustment	7				
Financial resource adjustment	8				
Total Tier 1 Resource	14				
<u>Tier 2 Resource</u>					
Irredeemable and non-cumulative preference shares not recognised as Tier 1 resource	15				
Irredeemable and cumulative preference shares	16				
Any qualifying Tier 2 instrument approved by the Authority as a Tier 2 resource	17				
Total Tier 2 Resource	18				
Aggregate of allowance for provisions for non-guaranteed benefits of participating funds	19				
Financial Resources	20				
TOTAL RISK REQUIREMENT					
Total risk requirements of insurance funds established under the Act	21				
Total risk requirements of assets and liabilities that do not belong any insurance fund established under the Act	22				
Total Risk Requirement of Insurer	23				
Capital Adequacy Ratio (%)	24				

Notes to Appendices A and B

1. For any scenario for which the appointed actuary of the insurer has recommended more than one course of management action, the actuary shall present the financial impact of the course of action which he views as most beneficial to the insurer for mitigating the losses arising in that scenario.
2. The insurer shall present monetary figures in S\$ millions rounded up to 1 place of decimal. However, fund solvency and capital adequacy ratios shall be computed using values accurate to the dollar.
3. Where the appointed actuary is satisfied that the results of the analysis will not be compromised, the appointed actuary may exclude selected items or insurance funds from the detailed projections and analysis. The appointed actuary shall disclose and explain the reasons for the exclusions.
4. In conducting valuation of assets and liabilities for the projections, the insurer shall employ the same basis as that prescribed in the Insurance (Valuation and Capital) Regulations 2004. The appointed actuary may adopt a simplification or an approximation of one or more elements of the said basis if he is satisfied that the valuation of assets and liabilities will not be compromised. The appointed actuary shall disclose and justify any such simplification or approximation.

Notes to Appendix A only

1. An insurer need only present the past three years' actual experience for the base scenario projection table. Years -1, -2, and -3 refer to accounting periods immediately preceding the year of preparation of the stress test report. Year 1 refer to the year of preparation of the stress test report. Years 2 and 3 refer to the accounting periods following the year of preparation of the stress test report.
2. For the avoidance of doubt, the insurer need not provide for projections of the "after Management action, if any" for the Base Scenario.

Note to Appendix B only

1. For any prescribed scenario, the insurer should apply any macroeconomic investment stress parameter on the 1 January immediately following the end of the accounting period to which the stress test report relates. Non-investment stress parameters (e.g. increase in termination rate, drop in new business, increase in mortality rates) are to be considered as shocks to be applied starting from the 1 January immediately following the end of the accounting period to which stress test report relates, for the entire year. Projections under the “Immediate Impact” are the financial and capital adequacy positions of the insurer immediately after the application of these shocks as at 1 January. This set of additional reporting on the “Immediate Impact” is for Short-term Scenario 2 only.

7. Appendix C of the Existing Notice is amended by deleting paragraph 3 and substituting with the following paragraph:

“3. Short-term Scenario 2:

- (a) 40% fall in value of equities and properties;
- (b) -200 bps parallel government yield curve shift;
- (c) +700 bps Singapore, US and EU corporate spreads, +1000 bps other corporate spreads;
- (d) 10% depreciation of Singapore currency;
- (e) 30% fall in new business premiums; and
- (f) 200% increase in termination.”.

8. Appendix E of the Existing Notice is amended -

(a) by inserting immediately after paragraph 5, the following paragraph:

“5A. Stress-to-Failure scenarios

- Construction of scenario
- Description of assumptions that deviate from base scenario assumptions”

(b) by inserting immediately after the 3rd bullet point in paragraph 7, the following bullet point:

“• Stress-to-Failure scenarios”

Commencement

9. This Notice shall take effect from 29 January 2010.