

Notice No: MAS 312
Issue Date: 20 June 2005

This Notice replaces MAS 312 dated 17 April 1996.

STRESS TESTING ON FINANCIAL CONDITION OF DIRECT LIFE INSURER

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 (Valuation and Capital) Regulations 2004 (G.N. No. S 498/2004), the Insurance (Actuaries) Regulations 2004 (G.N. No. S 495/2004) and the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004).
3. This Notice applies to any direct insurer registered to carry on life business.
4. With effect from 20 June 2005, MAS Notice 312 on “Dynamic Solvency Testing” dated 17 April 1996 shall be cancelled and this Notice shall come into force.

Definition

5. For the purposes of this Notice:
 - (a) “stress test”, in relation to a direct life insurer, means a prospective test of the financial condition of each insurance fund established and maintained by the insurer under the Act, conducted or to be conducted by the appointed actuary of the insurer pursuant to regulation 11(b) of the Insurance (Actuaries) Regulations 2004;
 - (b) “stress test report”, in relation to a direct life insurer, means a report on any stress test prepared or to be prepared by the appointed actuary of the insurer pursuant to regulation 12(1) of the Insurance (Actuaries) Regulations 2004;
 - (c) “short-term scenario”, in relation to a direct life insurer, means any event that has a low probability of occurring in the normal course of the business of the insurer, but which occurrence will have a major impact on the financial position of the insurer through adverse effects on either a single risk factor or multiple risk factors of the insurer;
 - (d) “medium-term scenario”, in relation to a direct life insurer, means any possible trend of the gradual deterioration in either a single risk factor or multiple risk factors of the insurer, which may impair the financial condition of the insurer.

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, the Insurance (Valuation and Capital) Regulations 2004, the Insurance (Actuaries) Regulations 2004 and the Insurance (Accounts and Statements) Regulations 2004.

Part I – Mandatory Requirements

7. The appointed actuary of a direct life insurer shall conduct each stress test in relation to the insurer by projecting, in accordance with paragraphs 8 to 11, the financial and capital adequacy positions of the insurer under various scenarios, including:
 - (a) the base scenario;
 - (b) short-term scenarios; and
 - (c) medium-term scenarios.

The stress test report shall contain details of all scenarios constructed.

Base Scenario

8. The base scenario projections shall comprise projections of the financial and capital adequacy positions of the insurer, based on best estimates of risk factors made by the appointed actuary, over the five-year period immediately following the end of the accounting period to which it relates. The projections shall be in the format prescribed in Appendix A.

Short-Term Scenarios

9. The short-term scenario projections shall comprise 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, in the format prescribed in Appendix B and based on the following adverse scenarios:
 - (a) the two short-term scenarios prescribed in Appendix C; and
 - (b) at least one additional short-term scenario constructed with risk factors specified in Appendix C taken into account

Medium-Term Scenarios

10. The medium-term scenario projections shall comprise projections of the financial and capital adequacy positions of the insurer over the five-year period immediately following the end of the accounting period to which it relates, in the format prescribed in Appendix A and based on at least three adverse scenarios constructed by the insurer.

11. In constructing the adverse scenarios, the insurer shall take into account risk factors specified in Appendix D and all other factors not specified in Appendix D that have significant relevance to the insurer's business.

Part II – Guidelines

Board of Directors' Comments on Stress Test Report

12. If the stress test report was submitted to and deliberated upon by the board of directors of the insurer before its lodgment with the Authority, the insurer should lodge, together with the report, a letter detailing the comments of its board of directors on the report. If the report was not submitted to, or was submitted to but not deliberated upon by, the board of directors of the insurer before its lodgment with the Authority, the insurer should lodge, together with the report, a letter stating when such submission or deliberation will take place. The insurer should notify the Authority in writing of the comments of the board of directors on the report within one month from the date on which the board of directors completes its deliberation.

Format of Stress Test Report

13. The appointed actuary should prepare the stress test report in the format prescribed in Appendix E.

Base Scenario

14. In order to perform each stress test properly and effectively, the appointed actuary should construct the base scenario in a manner that is consistent with the insurer's business plan. The base scenario should take into account the insurer's management and business philosophy and strategies such as marketing plans, sales objectives, investment policies, pricing philosophy, underwriting philosophy, reinsurance practices and its policy on allocation to participating policyholders and shareholders.
15. The appointed actuary should observe the following guidelines for the construction of projections:
 - (a) The projections should be comprehensive in scope and cover all key products and lines of business and all assets of the insurer that are material to the solvency of the insurer.
 - (b) Separate projections should be made for each insurance fund established and maintained by the insurer under the Act.
 - (c) Where the assets or liabilities of an insurance fund that are material to the solvency of the insurance fund have different inherent characteristics, the appointed actuary should make separate projections by major product lines and asset classes within the insurance fund.
16. The appointed actuary should also conduct adequate checks on the appropriateness of any data or projections that form the bases for the stress test report. If the appointed actuary relies on any other person for any aspect of the

data or projections used to support his opinion, the appointed actuary should be satisfied that the person relied on is qualified for such purposes. The nature and extent of the reliance on such person and his particulars should be disclosed in the report.

Constructing Short-Term Scenarios

17. In constructing the short-term scenarios, the appointed actuary should analyse the key risk exposure of the insurer in the face of catastrophic events such as natural calamities, a severe economic recession or a major crash in the equity, property or bond market.
18. The appointed actuary should present in the stress test report the scenario or scenarios that are most likely to have the largest impact on the financial condition of the insurer.

Constructing Medium-Term Scenarios

19. In constructing the medium-term scenarios, the appointed actuary should analyse the insurer's ability to withstand continuous adverse developments over the period of projection. Such adverse developments should include persistent inflation, recession, falling stock markets and claims experience. In deriving the assumptions relating to the scenarios, the appointed actuary should consider the differing nature of various assumptions as compared to others:
 - (a) Some assumptions, such as mortality or renewal expenses in real terms, may reasonably be relied on as fairly stable or having a stable trend. However, attention should be paid to both the risk of sudden change (e.g. a new infectious disease) and the possibility of a change in the trend.
 - (b) Other assumptions, for example policy persistency, may need to be considered in the context of both historical experience and changes anticipated in the light of different operating methods now used by the insurer.
 - (c) Yet other assumptions may be highly uncertain and totally outside the control of the insurer. This is particularly true of investment conditions, the volatility of which may have profound implications for the financial condition of the insurer.
20. In deciding the scenarios to be included in the stress test report, the appointed actuary should investigate into a wide range of scenarios and select those which he considers likely to have a material effect on the financial position of the insurer.

“Ripple” Effects

21. In ensuring consistency within each adverse scenario under the short-term and the medium-term scenario analyses, the appointed actuary should consider “ripple” effects.
22. For the purpose of paragraph 21, “ripple” effects means the consequential effects relating to an adverse scenario on certain assumptions relating to the scenario as a result of the interdependence of these assumptions on the assumptions made to describe the scenario.

Key Areas of Concern and Recommendations

23. The appointed actuary should identify the key areas of concern noted from the stress test results and recommend in the stress test report measures that could be put in place to mitigate the risks. The appointed actuary should comment in the stress test report on the adequacy of the mitigating measures, and where applicable, conduct further analysis to quantify the likely impact of such measures and set out the results of the analysis in the stress test report.

Contravention of requirements imposed

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

5 Year Projections

Insurance Fund: Non-Participating/ Participating/ Investment-Linked/ General Insurance
 Base Scenario/ Medium-Term Scenario (1/ 2/ 3)

Fund Balance Sheet

Description	Rows of Form 1	Past 3 Years' Actual Experience			Projection Years				
		-3	-2	-1	1	2	3	4	5
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				
		-3	-2	-1	1	2	3	4	5
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								

Fund Solvency Requirement

Description	Rows of Form 21	Past 3 Years' Actual Experience			Projection Years				
		-3	-2	-1	1	2	3	4	5
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								

5 Year Projections

Shareholders’ Fund and Overseas Branch Operations
 Base Scenario/ Medium-Term Scenario (1/ 2/ 3)

Global Business Balance Sheet

Description	Rows of Form 8	Past 3 Years’ Actual Experience			Projection Years				
		-3	-2	-1	1	2	3	4	5
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

Description	Rows of Form 9	Past 3 Years' Actual Experience			Projection Years				
		-3	-2	-1	1	2	3	4	5
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

Description	Rows of Form 22	Past 3 Years' Actual Experience			Projection Years				
		-3	-2	-1	1	2	3	4	5
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				
		-3	-2	-1	1	2	3	4	5
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	4	5
Gross Premiums (Annex 2A of Form 2)								
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)								
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)								
Individual new business - single premium								
Individual new business - regular premium								
Individual renewal business								
Group business								
Other distribution expenses								
Total Distribution Expenses								

Notes to Appendix A

1. Presentation of past three years' actual experience is only required for 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 to 5 refer to the accounting periods following the year of preparation of the stress test report.
2. For preparation of the report in year 2005, the insurer need not include data for years -2 and -3. For preparation of the report in year 2006, the insurer need not include data for year -3.
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. Such exclusions shall be appropriately disclosed and qualified.
4. In conducting valuation of assets and liabilities for the projections, the basis employed should be that prescribed in Insurance (Valuation and Capital) Regulations 2004. Where the basis employed deviates from the basis prescribed in Insurance (Valuation and Capital) Regulations 2004, such deviation shall be appropriately disclosed and qualified.

1 Year Projections of Short-Term Scenario

Insurance Fund: Non-Participating/ Participating/ Investment-Linked/ General Insurance

Fund Balance Sheet

Description	Rows of Form 1	1-Year Projections			
		Base	Scenario 1	Scenario 2	Scenario 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	1-Year Projections			
		Base	Scenario 1	Scenario 2	Scenario 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				

Fund Solvency Requirement

Description	Rows of Form 21	1-Year Projections			
		Base	Scenario 1	Scenario 2	Scenario 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				

1 Year Projections of Short-Term Scenario

Shareholders' Fund and Overseas (Branch) Operations

Global Business Balance Sheet

Description	Rows of Form 8	1-Year Projections			
		Base	Scenario 1	Scenario 2	Scenario 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

Description	Rows of Form 9	1-Year Projections			
		Base	Scenario 1	Scenario 2	Scenario 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

Description	Rows of Form 22	1-Year Projections			
		Base	Scenario 1	Scenario 2	Scenario 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	1-Year Projections			
		Base	Scenario 1	Scenario 2	Scenario 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 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 Appendix B

1. 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. Such exclusions shall be appropriately disclosed and qualified.
2. In conducting valuation of assets and liabilities for the projections, the basis employed should be that prescribed in Insurance (Valuation and Capital) Regulations 2004. Where the basis employed deviates from the basis prescribed in Insurance (Valuation and Capital) Regulations 2004, such deviation shall be appropriately disclosed and qualified.

Short-Term ScenariosPrescribed Scenario Tests

1. Short-term Scenario 1:
 - (a) 100% increase in mortality and morbidity experience;
 - (b) 100% increase in claims for the accident year from general insurance business exposed to natural calamities;
 - (c) 20% fall in value of equities and properties;
 - (d) 20% fall in new business premiums; and
 - (e) 10% fall in reinsurance recoverables.
2. Short-term Scenario 2:
 - (a) 30% fall in value of equities and properties;
 - (b) 30% fall in new business premiums;
 - (c) 200% increase in termination;
 - (d) Parallel -100bps yield curve shift with a parallel +100bps in the spread of corporate bonds; and
 - (e) 5% depreciation of Singapore currency.

List of Short-Term Risk Factors to Take Into Account to Form Scenarios

3. Mortality/ Morbidity: adverse deviation in experience
4. Investment returns
 - (a) Yield curve
 - (i) Parallel yield curve shift
 - (ii) No change for duration less than 5 years, parallel shift for duration more than 5 years, linear interpolation
 - (iii) Parallel shift for duration less than 5 years, no change for duration more than 5 years, linear interpolation
 - (iv) Change in credit spreads
 - (b) Equity market
 - (i) Equity crash – fall in all market, by market

- (ii) Stock specific event risk - move in each individual stock, by stock
- 5. Expenses: increase in expenses
- 6. Termination rates: adverse deviation in experience
- 7. New business: fall in new business
- 8. Where material, the appointed actuary shall also include shock scenarios to company's experience in the next projection year arising from changes in:
 - (a) reinsurance ceded;
 - (b) reserving basis;
 - (c) exercise rate of policy options;
 - (d) distribution to shareholders;
 - (e) taxation; and
 - (f) any other relevant matters.

Medium-Term Scenarios

List of Medium-Term Risk Factors to Take Into Account to Form Scenarios

1. Mortality/ Morbidity: yearly deterioration in experience over the projection period
2. Investment returns
 - (a) Yield curve:
 - (i) Parallel yearly yield curve shift
 - (ii) No change for duration less than 5 years, yearly parallel shift for duration more than 5 years, linear interpolation
 - (iii) Yearly parallel shift for duration less than 5 years, no change for duration more than 5 years, linear interpolation
 - (iv) Change in credit spreads
 - (b) Equity market
 - (i) Equity dividend yield fall over the projection period
 - (ii) Equity total returns deteriorate over the projection period
3. Expenses: Yearly deterioration in experience over the projection period
4. Termination rates: Yearly deterioration in experience over the projection period
5. New business: Yearly fall in new business income over the projection period
6. Where material, the appointed actuary shall also include scenarios on deterioration of company's experience over the projection period arising from changes in:
 - (a) bonus scales;
 - (b) reinsurance ceded;
 - (c) reserving basis;
 - (d) exercise rate of policy options;
 - (e) distribution to shareholders;
 - (f) taxation; and
 - (g) any other relevant matters

Format for the Stress Test Report

Introduction

1. Purpose of the report
2. Limitations and reliance

Scenarios

3. Base scenarios
 - Construction of base scenario
 - Description of assumptions
4. Short-term scenarios
 - Construction of scenario
 - Description of assumptions that deviate from base scenario assumptions
5. Medium-term scenarios
 - Construction of scenario
 - Description of assumptions that deviate from base scenario assumptions

Methodology

6. Methodology
 - Projection software used
 - Description of projection model used

Results

7. Summary of results
 - Base scenario
 - Short-term scenarios
 - Medium-term scenarios
8. Qualifications of results (if any)

Analysis of Experience

9. Comparison of actual experience vis-à-vis projection from the prior year.

10. Comment on the suitability of projection assumptions in light of experience.

Actuary's Assessment and Recommendation

11. General assessment on results of the projections and the implications on the financial condition of the insurer. The actuary's comments should include, but not be limited to, the following areas:
 - the ability of the insurer to meet fund solvency requirements and capital adequacy requirement;
 - risks that threaten the financial strength of the insurer.
12. Key areas of concern
13. Recommendations

Attachments

14. Detailed projections in the format presented in Appendices A and B