

INSURANCE ACT
(CHAPTER 142)

INSURANCE
(FINANCIAL GUARANTEE INSURANCE) (AMENDMENT)
REGULATIONS 2004

In exercise of the powers conferred by sections 18, 52 and 64 of the Insurance Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Insurance (Financial Guarantee Insurance) (Amendment) Regulations 2004 and shall come into operation on 1st January 2005.

Amendment of regulation 2

2. Regulation 2 of the Insurance (Financial Guarantee Insurance) Regulations (Rg 6) (referred to in these Regulations as the principal Regulations) is amended —

- (a) by inserting, immediately after the word “Regulations” in the 1st line, the words “, unless the context otherwise requires”;
- (b) by inserting, immediately after the definition of “capital on call”, the following definition:
 - “ “electronic record” has the same meaning as in section 2 of the Electronic Transactions Act (Cap. 88);”;
 - and
- (c) by deleting the words “Reserve Fund” in paragraphs (a) and (b) (2nd line) of the definition of “qualified capital” and substituting in each case the words “contingency reserves”.

Deletion and substitution of regulation 6

3. Regulation 6 of the principal Regulations is deleted and the following regulation substituted therefor:

“Contingency reserves

6.—(1) In addition to maintaining claim liabilities and premium liabilities as required under regulation 19 of the Insurance (Valuation and Capital) Regulations 2004 (G.N. No. S 498/2004), a financial guarantee insurer shall —

- (a) maintain contingency reserves in each insurance fund established and maintained by the financial guarantee insurer under section 17 (1) of the Act; and
- (b) at the end of each accounting period and subject to paragraph (2), transfer to the contingency reserves in respect of every financial guarantee insurance policy issued by the insurer which is in force during the accounting period —
 - (i) a sum equivalent to 3.33% of net premiums written in respect of that policy; or
 - (ii) a sum equivalent to the relevant percentage of the guaranteed unpaid principal under that policy, net of reinsurance,whichever is the higher.

(2) A financial guarantee insurer shall not be required to make the transfer to the contingency reserves under paragraph (1) (b) at the end of an accounting period if the contingency reserves at the end of that accounting period, but before any transfer under that paragraph is made, is equal to or more than 4 times the highest of the following amounts:

- (a) the amount of the total net premiums written in respect of all financial guarantee insurance policies in force during that accounting period;
- (b) the amount of the total net premiums written in respect of all financial guarantee insurance policies in force in the preceding accounting period; or
- (c) the amount of the total net premiums written in respect of all financial guarantee insurance policies in force in the accounting period which precedes the accounting period referred to in sub-paragraph (b).

(3) Where the total net claims settled by a financial guarantee insurer during an accounting period in respect of financial guarantee insurance policies issued by the insurer exceed 80% of the total net premiums written in respect of all financial guarantee insurance policies issued by the insurer which are in force during that accounting period, the insurer may withdraw from the contingency reserves maintained by the insurer an amount which is no greater than the difference between the total net claims settled and 80% of the total net premiums written for that accounting period.

(4) In this regulation —

“net claims settled”, in relation to an accounting period, means the gross claims paid, including any portfolio losses, any increase or decrease (as the case may be) in outstanding claims during the period, and any medical or legal expense incurred directly in settlement of claims paid in the period, net of recoveries from salvages, subrogation and reinsurance business ceded, where applicable;

“net premiums written” means the net amount of premiums after deduction of return premiums and payments in respect of reinsurance business ceded;

“outstanding claims” means the claims which have been approved by the financial guarantee insurer for payment but not yet paid, and includes expenses associated with the settlement of such claims but does not include such claims that are already included in policy liabilities;

“relevant percentage”, in relation to the guaranteed unpaid principal under a financial guarantee insurance policy, means —

(a) 0.037% of the guaranteed unpaid principal, where the policy is issued in respect of a government obligation which is of investment grade;

(b) 0.057% of the guaranteed unpaid principal, where the policy is issued in respect of a government obligation which is not of investment grade;

- (c) 0.067% of the guaranteed unpaid principal, where the policy is issued in respect of an infrastructure obligation which is of investment grade;
- (d) 0.167% of the guaranteed unpaid principal, where the policy is issued in respect of an infrastructure obligation which is not of investment grade;
- (e) 0.1% of the guaranteed unpaid principal, where the policy is issued in respect of any financial obligation (other than a government or infrastructure obligation) which is of investment grade; or
- (f) 0.167% of the guaranteed unpaid principal, where the policy is issued in respect of any financial obligation (other than a government or infrastructure obligation) which is not of investment grade.

(5) For the purposes of the definition of “relevant percentage” in paragraph (4), an obligation is of investment grade if, as at the end of the accounting period in question, it is in one of the top 4 generic lettered rating classifications (or their equivalent) awarded by an internationally recognised credit rating agency.”.

New regulation 8A

4. The principal Regulations are amended by inserting, immediately after regulation 8, the following regulation:

“Requirements and returns as to fund solvency and capital adequacy

8A.—(1) A financial guarantee insurer who carries on the business of issuing only financial guarantee insurance policies shall be exempt from —

- (a) regulation 4 of the Insurance (Valuation and Capital) Regulations 2004 (G.N. No. S 498/2004); and
- (b) regulation 8 of the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004).

(2) For the purposes of section 18 (1) (a) of the Act, the fund solvency requirement in respect of an insurance fund established and maintained under the Act by a financial guarantee insurer

who carries on the business of issuing only financial guarantee insurance policies shall at all times be such that —

- (a) in the case of an insurance fund that relates to Singapore policies, the surplus of assets over liabilities of the fund, less its contingent liabilities, is not less than the highest of the following amounts (referred to in this regulation as the SIF amount):
 - (i) \$5 million;
 - (ii) 50% of net premiums written of the fund in the preceding accounting period; or
 - (iii) 50% of claim liabilities of the fund as at the end of the preceding accounting period; and
- (b) in the case of an insurance fund that relates to offshore policies, the surplus of assets over liabilities of the fund, less its contingent liabilities, is not less than the highest of the following amounts (referred to in this regulation as the OIF amount):
 - (i) \$1 million;
 - (ii) 20% of net premiums written of the fund in the preceding accounting period; or
 - (iii) 20% of claim liabilities of the fund as at the end of the preceding accounting period.

(3) For the purposes of section 18 (1) (b) of the Act, the capital adequacy requirement of a financial guarantee insurer who carries on the business of issuing only financial guarantee insurance policies shall at all times be such that the shareholders' equity and surplus of the insurer, less the contingent liabilities of the insurer, is not less than the sum of the SIF amount, OIF amount and \$5 million.”.

New regulations 10 and 11

5. The principal Regulations are amended by inserting, immediately after regulation 9, the following regulations:

“Submission and signature of additional returns

10.—(1) Any document to be submitted by a financial guarantee insurer under regulation 9 —

- (a) shall be submitted by sending to the Authority the original and 2 copies thereof; and

- (b) where the document is for the accounting period beginning on 1st January 2005 and ending on 31st December 2005 or for any subsequent accounting period, shall be submitted in the form of an electronic record to the Authority through such electronic facility, and in such form and manner, as may be specified by the Authority.
- (2) Any original document submitted by a financial guarantee insurer under regulation 9 shall bear the signatures of —
 - (a) 2 directors of the insurer; and
 - (b) the principal officer of the insurer or, where one of the insurer's officers in Singapore has been notified to the Authority as having the authority to sign documents in place of the principal officer, that officer.
- (3) A document to be submitted by a financial guarantee insurer under regulation 9 —
 - (a) shall be in the English language;
 - (b) shall, in the circumstances set out in paragraph (1) (a), be printed or, with the permission of the Authority, produced by other mechanical means approved by it; and
 - (c) shall state any monetary amount referred to in Singapore dollars (unless otherwise specified in the relevant form) and the basis of conversion of any other currency into Singapore dollars.

Deadlines for submission of additional returns

- 11.—**(1) Subject to paragraph (2) —
- (a) any document to be submitted in accordance with regulation 10 (1) (a) shall be submitted to the Authority within 14 weeks from the last day of the period to which the document relates; and
 - (b) any document to be submitted in accordance with regulation 10 (1) (b) shall be submitted to the Authority within 3 months from the last day of the period to which the document relates.
- (2) In the case of a financial guarantee insurer incorporated outside Singapore, Form 8A in the Schedule shall be submitted

to the Authority within 6 months from the last day of the period to which the form relates.”.

Miscellaneous amendments

6. The principal Regulations are amended —
 - (a) by deleting the words “section 48” in regulation 8 and substituting the words “section 46”;
 - (b) by deleting the words “section 38” in the 1st line of regulation 9 and substituting the words “section 36”;
 - (c) by deleting the words “Insurance (Accounts and Statements) Regulations (Rg 2)” in the 2nd and 3rd lines of regulation 9 and substituting the words “Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004)”;
 - (d) by deleting the words “Form 7A” in regulation 9 (a) and substituting the words “Form 6A”; and
 - (e) by deleting the words “Form 7B” in regulation 9 (b) and substituting the words “Form 6B”.

Amendment of Schedule

7. The Schedule to the principal Regulations is amended —
 - (a) by deleting Form 7A and substituting the following Form:

DESCRIPTION	Row No.	Singapore Insurance Fund (Financial Obligations)						Offshore Insurance Fund (Financial Obligations)							
		Asset Backed	Infrastructure	Government	Real Estate	Corporate	Others	Total	Asset Backed	Infrastructure	Government	Real Estate	Corporate	Others	Total
Recoveries from reinsurance business ceded	12														
Net claims settled (11-12)	13														
Claim liabilities at end of period	14														
Claim liabilities at beginning of period	15														
Net claims incurred (13+14-15)	16														
C. MANAGEMENT EXPENSES															
Management expenses	17														
D. DISTRIBUTION EXPENSES															
Commissions	18														
Reinsurance commissions	19														
Net commissions incurred (18-19)	20														
Other distribution expenses	21														
E. UNDERWRITING RESULTS															
Underwriting gain/(loss) (8-16-17-20-21)	22														
F. NET INVESTMENT INCOME	23														
G. OPERATING RESULT (22+23)	24														

Names and Signatures of: _____ Date: _____”;

Director *Director* *Principal Officer*

(b) by renumbering Form 7B as Form 6B; and

(c) by deleting Form 8A and substituting the following Form:

“FORM 8A

NAME OF REGISTERED INSURER _____

QUALIFIED CAPITAL
(FINANCIAL GUARANTEE INSURANCE)

Co Code

Year

Month

\$
()*

<i>Description</i>	<i>Row No.</i>	<i>Amount</i>
QUALIFIED CAPITAL		
Paid-up share capital	1	
Share premium reserves	2	
Retained earnings	3	
**Contingency reserves	4	
***Others	5	
****Capital on call	6	
TOTAL QUALIFIED CAPITAL (1 to 6)	7	

*Please state the reporting currency.

**As defined under regulation 6 of the Insurance (Financial Guarantee Insurance) Regulations.

***Other securities and interests of the company as the Authority may consider to be qualified capital as prescribed under paragraph (b) (ii) of the definition of “qualified capital” in regulation 2 of the Insurance (Financial Guarantee Insurance) Regulations.

****Means capital commitments backed by proper agreements to effect the call on capital on demand.

Names and
Signatures
of:

Director

Director

*Principal
Officer*

Date: _____”.

[G.N. No. S 360/99]

Made this 23rd day of December 2004.

KOH YONG GUAN
Managing Director,
Monetary Authority of Singapore.

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