

INSURANCE ACT
(CHAPTER 142)

INSURANCE
(GENERAL PROVISIONS AND
EXEMPTIONS FOR PROTECTION
AND INDEMNITY CLUBS)
REGULATIONS 2004

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In exercise of the powers conferred by sections 9, 18, 36, 52 (1) and 64 (1) of the Insurance Act, the Monetary Authority of Singapore hereby makes the following Regulations:

PART I
PRELIMINARY

Citation and commencement

1. These Regulations may be cited as the Insurance (General Provisions and Exemptions for Protection and Indemnity Clubs) Regulations 2004 and shall come into operation on 1st January 2005.

Definitions

2. In these Regulations, unless the context otherwise requires —
 - “electronic record” has the same meaning as in section 2 of the Electronic Transactions Act (Cap. 88);
 - “Protection and Indemnity Club” means an insurer registered under section 8 of the Act as a direct insurer to carry on general business and who is permitted to carry on protection and indemnity insurance business only;
 - “protection and indemnity insurance business” means the business of insuring against third party liabilities and expenses arising from owning, or operating, ships as principals;

“valuation date” means the date on which the assets and liabilities of a Protection and Indemnity Club are valued.

PART II

FINANCIAL REQUIREMENT BEFORE REGISTRATION AND FUND SOLVENCY REQUIREMENT

Paid-up capital requirement

3.—(1) An applicant for registration as a Protection and Indemnity Club shall be exempt from regulation 3 of the Insurance (Valuation and Capital) Regulations 2004 (G.N. No. S 498/2004).

(2) For the purposes of section 9 (1) (c) of the Act, the Authority shall not register an applicant as a Protection and Indemnity Club unless the applicant has a paid-up ordinary share capital (or its equivalent recognised by the Authority as applicable to the applicant under the laws of the country or territory in which the applicant is incorporated, formed or established) of not less than \$25 million.

Fund solvency requirement

4.—(1) A Protection and Indemnity Club shall be exempt from regulation 4 of the Insurance (Valuation and Capital) Regulations 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 by a Protection and Indemnity Club under the Act 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:

- (i) \$1 million;
- (ii) 20% of net premiums written of the fund in the preceding financial year; or
- (iii) 20% of claim liabilities of the fund as at the end of the preceding financial year; and

- (b) in the case of an insurance fund that relates to offshore policies, the amount of assets in the fund, less its contingent liabilities, is not less than the amount of liabilities of the fund.

PART III

ACCOUNTS AND STATEMENTS

Exemptions in respect of Insurance (Accounts and Statements) Regulations 2004

5. A Protection and Indemnity Club shall be exempt from the following requirements in the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004):

- (a) the requirement, under regulation 4 (2) (a) of those Regulations, to lodge Annexes 1A, 1B, 1C, 1D, 1E, 1F (a), 1F (b), 1F (c), 1F (d), 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N, 1 (i), 1 (ii) and 1 (iii) to Form 1 in the First Schedule to those Regulations;
- (b) the requirement, under regulation 4 (2) (b) of those Regulations, to lodge Annexes 2A, 2B, 2C, 2C (a), 2C (b), 2E, 2G, 2H and 2J to Form 2 in the First Schedule to those Regulations;
- (c) the requirement, under regulation 5 (1) (a) (i) of those Regulations, to lodge Annex 1F (b) to Form 1 in the First Schedule to those Regulations; and
- (d) the requirements under regulations 5 (1) (a) (ii) and (b) (ii) and (5), 8 and 10 of those Regulations.

Forms

6.—(1) The forms mentioned in these Regulations are those set out in the Schedule, or the First Schedule to the Insurance (Accounts and Statements) Regulations 2004, as the case may be.

(2) Where any provision of the Act or these Regulations provides for the lodgment of a document with the Authority, that document shall be lodged with the Authority in the relevant form.

(3) A form prescribed by these Regulations shall be completed in accordance with such directions as may be specified in the form or by the Authority.

Balance-sheet in respect of global business operations

7. A Protection and Indemnity Club incorporated in Singapore shall, in addition to the relevant forms in regulation 5 (1) to (4) (other than regulation 5 (1) (a) (i), (a) (ii) and (b) (i)) of the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004), lodge for each accounting period in respect of its global business operations a balance-sheet in Form 8 in the First Schedule to the Insurance (Accounts and Statements) Regulations 2004, excluding the Annex and Note, as at the end of that accounting period.

Additional returns

8. In addition to the returns to be lodged under section 36 of the Act and prescribed in the Insurance (Accounts and Statements) Regulations 2004, every Protection and Indemnity Club shall lodge with the Authority, for each financial year —

- (a) an analysis of calls, premiums and claims, which shall be in Form 1 in the Schedule; and
- (b) a statement on the adequacy of claim liabilities in respect of the financial year, which shall be in Form 2 in the Schedule.

Provisions as to returns lodged

9.—(1) All monetary amounts referred to in any document required to be lodged under these Regulations shall be in Singapore dollars unless otherwise specified in the relevant form, and the basis of conversion of any other currency into Singapore dollars shall be stated in each such document.

(2) Section 39 (1) and (3) of the Act shall not apply to any document lodged by a Protection and Indemnity Club under sections 36 and 37 of the Act or any document required by sections 36 (13) and 37 (9) of the Act to accompany the document so lodged.

(3) Any reference to an accounting period in regulation 4 of the Insurance (Accounts and Statements) Regulations 2004 shall, in relation to a Protection and Indemnity Club, be construed as a reference to the financial year of the Protection and Indemnity Club.

Valuation of assets and liabilities

10.—(1) In any document which a Protection and Indemnity Club is required to prepare in accordance with these Regulations or the

Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004), the value or amount given for an asset or a liability of the Protection and Indemnity Club shall be the value or amount of that asset or liability, as the case may be, as determined in accordance with paragraph (3), any applicable regulation under the Insurance (Valuation and Capital) Regulations 2004 (G.N. No. S 498/2004) and any direction issued under the Act.

(2) A Protection and Indemnity Club shall be exempt from regulation 19 (1) of the Insurance (Valuation and Capital) Regulations 2004.

(3) A Protection and Indemnity Club shall calculate the liabilities in respect of policies of an insurance fund established and maintained under section 17 of the Act for the general business of the Protection and Indemnity Club as the sum of —

(a) premium liabilities, which shall be an amount of not less than —

(i) the unearned premium reserves of the fund calculated as the aggregate of unearned premium reserves for each policy of the fund determined in the manner provided in regulation 19 (5) of the Insurance (Valuation and Capital) Regulations 2004; or

(ii) the unexpired risk reserves, calculated as the sum of —

(A) the value of the expected future payments arising from future events insured under policies in force as at the valuation date, including any expense expected to be incurred in administering the policies and settling relevant claims; and

(B) any provision for any adverse deviation from the expected experience,

whichever is the higher; and

(b) claim liabilities, which shall be an amount not less than the sum of —

(i) the value of the expected future payments in relation to all claims incurred prior to the valuation date (other than payments which have fallen due for payment on or before the valuation date), whether or not they have

- been reported to the insurer, including any expense expected to be incurred in settling those claims; and
- (ii) any provision for any adverse deviation from the expected experience.

(4) Any reference to regulation 19 (1), (1) (a) (ii) or (1) (b) in regulation 19 (2) and (4) of the Insurance (Valuation and Capital) Regulations 2004 (G.N. No. S 498/2004), in relation to any Protection and Indemnity Club, shall be construed as a reference to paragraph (3), (3) (a) (ii) or (3) (b), respectively.

Lodgment and signature of additional returns

11.—(1) Any document to be lodged by a Protection and Indemnity Club under regulation 8 shall be lodged by sending to the Authority one original copy of the document.

(2) The original copy of the document lodged by a Protection and Indemnity Club under regulation 8 (b) shall bear the signature of the principal officer of the Protection and Indemnity Club.

(3) The original copy of any document referred to in paragraph (1) shall be in the English language, and shall be printed or, with the permission of the Authority, produced by other mechanical means approved by it.

Additional returns in electronic form

12.—(1) A Protection and Indemnity Club shall complete and lodge each document to which this regulation applies in the form of an electronic record with the Authority —

- (a) through such electronic facility; and
- (b) in such form and manner,

as may be specified by the Authority to the Protection and Indemnity Club.

(2) Unless otherwise required by the Authority, all particulars to be inserted in the document in the form of an electronic record referred to in paragraph (1) shall be in the English language.

(3) This regulation shall apply to —

- (a) the documents required to be lodged under regulation 7 in respect of the accounting period beginning on 1st January

2005 and ending on 31st December 2005, and of each and every subsequent accounting period; and

- (b) the documents required to be lodged under regulation 8 (a) in respect of the financial year beginning on 21st February 2005 and ending on 20th February 2006, and of each and every subsequent financial year.

Deadlines for lodgment of returns

13.—(1) Notwithstanding regulation 15 of the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004) —

- (a) any document to be lodged in accordance with regulation 11 of those Regulations shall be lodged with the Authority within 6 months from the last day of the period to which the document relates;
- (b) a document to be lodged under regulation 5 (1) (a) or (b) (i) of those Regulations and in accordance with regulation 13 of those Regulations shall be lodged with the Authority within 3 weeks from the last day of the period to which the document relates; and
- (c) any other document to be lodged in accordance with regulation 13 of those Regulations shall be lodged with the Authority within 6 months from the last day of the period to which the document relates.

(2) Any document to be lodged in accordance with regulation 11 shall be lodged to the Authority within 6 months from the last day of the period to which the document relates.

(3) Any document to be lodged in accordance with regulation 12 shall be lodged to the Authority —

- (a) in the case of a document to be lodged under regulation 7, within 3 weeks from the last day of the period to which the document relates; and
- (b) in the case of a document to be lodged under regulation 8 (a), within 6 months from the last day of the period to which the document relates.

PART IV
GENERAL EXEMPTIONS

Exemption in respect of insurance funds

14.—(1) Subject to paragraph (2), sections 17 (16) and 20 of the Act shall not apply to any Protection and Indemnity Club.

(2) Paragraph (1) shall only apply if the Protection and Indemnity Club maintains such accounts and records of the insurance funds established and maintained by it under the Act as the Authority may specify.

Exemption from actuarial certification of liabilities

15. Section 37 of the Act shall not apply to any Protection and Indemnity Club.

Exemption in respect of Policy Owners' Protection Fund

16. Section 46 of the Act shall not apply to —

- (a) any Protection and Indemnity Club; and
- (b) any policy owner or other person who has been or may be prejudiced in consequence of the inability of any Protection and Indemnity Club to meet its liabilities under insurance policies issued by it.

PART V
MISCELLANEOUS

Revocation

17. The Insurance (Protection and Indemnity Clubs) Regulations (Rg 10) are revoked.

Savings and transitional provisions

18. During the period starting from 1st January 2005 and ending with the day on which a Protection and Indemnity Club lodges the statements of account and other statements in accordance with the Insurance (Accounts and Statements) Regulations (Rg 2) in force immediately before 23rd August 2004, or the revoked Insurance

(Protection and Indemnity Clubs) Regulations (Rg 10) in force immediately before 1st January 2005, in respect of —

- (a) the accounting period beginning on 1st January 2004 and ending on 31st December 2004; and
- (b) the Protection and Indemnity Club's financial year beginning on any day between 1st January 2004 and 31st December 2004 (both days inclusive),

the Insurance Regulations (Rg 1) and the Insurance (Accounts and Statements) Regulations (Rg 2) in force immediately before 23rd August 2004, and the revoked Insurance (Protection and Indemnity Clubs) Regulations in force immediately before 1st January 2005, shall continue to apply to the Protection and Indemnity Club.

THE SCHEDULE — *continued*

Policy Year Ended		Row No.	Calls Made/ Refunded in Financial Year	Anticipated Future Calls/Refunds	Reinsurance Premiums Paid/Payable in Financial Year	Outstanding Net Claims Reserve b/f (including IBNR)	Net Payments Made in Financial Year	Outstanding Net Claims Reserve c/f (including IBNR)	Gross Payments Made in Financial Year	Estimate of Gross Payments Remaining on Reported Claims	Estimate of Gross Payments for IBNR Claims
Month	Year		1	2	3	4	5	6	7	8	9
		4									
		5									
		6									
		7									
		8									
		9									
Prior years		10									
Total (1 to 10)		11									

*Delete whichever is inapplicable.

Premiums in respect of:

SIF

OIF

Fixed Premium Business: \$ _____ \$ _____

THE SCHEDULE — *continued*

INSURANCE ACT
(CHAPTER 142)

INSURANCE
(GENERAL PROVISIONS AND EXEMPTIONS FOR
PROTECTION AND INDEMNITY CLUBS)
REGULATIONS

FORM 2

STATEMENT ON ADEQUACY OF CLAIM LIABILITIES FOR
FINANCIAL YEAR ENDED _____

To the best of my knowledge and belief, I, Principal Officer of _____, do state that the amounts of claim liabilities as shown in the books of accounts of the company/branch* and in Form 1 : Fund Balance-Sheet are adequate to meet all ultimate claim payouts under each insurance fund established in accordance with section 17 (1) of the Insurance Act (Cap. 142).

The claim liabilities referred to in this Statement include the expected future payments in relation to all claims incurred prior to the valuation date (other than payments which have fallen due for payment before the valuation date), whether or not they have been reported to the company/branch*, including any expense expected to be incurred in settling those claims and any provision for any adverse deviation from the expected experience. In attesting to the adequacy of claim liabilities, I have satisfied myself that —

- (a) the company/branch* has in place proper systems and records to properly assess the claim liabilities set up in the books of accounts;
- (b) the claim liabilities have been estimated using a proper and consistent method based on properly collated claims statistics. Particular attention has been paid to 'long-tail' business and large or catastrophic losses;
- (c) the claim liabilities have been set up using a conservative approach in order to ensure that the claim liabilities maintained will be adequate to meet all ultimate claim payouts; and
- (d) the reinsurance arrangements of the company/branch* have been examined and the impact arising from any of the reinsurance arrangements being rendered inadequate or ineffective has been taken into account in determining the amount of claim liabilities; except*

Name and signature of Principal Officer: _____

Date: _____

*Delete whichever is inapplicable.

Made this 23rd day of December 2004.

KOH YONG GUAN
Managing Director,
Monetary Authority of Singapore.

[ID 05.1 V.31; AG/LEG/SL/142/2002/1 Vol. 6]