

CONSULTATION PAPER

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Risk-based Capital Framework For Insurance Business

MAS

Monetary Authority of Singapore

EXECUTIVE SUMMARY

Insurance companies are facing greater challenges in their businesses, particularly in terms of volatility of assets and diversity of insurance risks, as well as keener competition from other financial institutions.

While the existing statutory solvency framework, which relies on undisclosed margins and approximations, has served its purpose well, it is not sufficiently transparent or risk-focused to adequately reflect the true financial conditions of the insurance companies in the new environment.

To address these inadequacies, the Authority proposes to adopt a risk-based capital (RBC) framework, which was formulated in close consultation with insurance practitioners and representatives from the actuarial and accounting professions.

The proposed framework, based on emerging international standards and good practices in developed countries, is risk-focused. It reflects the relevant risks that the insurance companies face. The minimum capital prescribed under the framework, which includes a consistent approach to the valuation of assets and liabilities, will serve as an effective buffer to absorb losses. With greater transparency, it will facilitate comparisons across insurance companies. It will also provide clearer information on the financial strength of insurers, and facilitate early and effective intervention by the Authority, if necessary. Under the new framework, the requirements have been aligned across financial institutions as far as possible, so as to minimize capital arbitrage in an increasingly integrated financial landscape.

In May 2003, the Authority issued a consultation paper on the proposed amendments to the Insurance Act required to establish the new RBC framework. The Authority has considered the feedback received during that consultation phase carefully, and made necessary changes to the Insurance (Amendment) Bill 2003.

This consultation paper seeks to obtain feedback on operational details, and the draft regulations, notice and guidelines relating to the new RBC framework for insurance companies.

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1 BACKGROUND

1.1 While the existing statutory solvency framework, which relies on undisclosed margins and approximations, has served its purpose well, it is not sufficiently transparent or risk-focused to adequately reflect the true financial conditions of insurance companies in the new environment. With the financial services sector becoming increasingly volatile, diverse and competitive, there is a need for a more transparent and risk-focused regime.

1.2 The Authority has therefore proposed to adopt a riskbased capital (RBC) framework. This new framework seeks to amend the existing valuation methodology for assets and liabilities, fine-tune the operations of life insurance funds, establish new capital requirement rules, update the role of actuaries, and introduce a new set of statutory reporting standards.

1.3 The Authority has been working closely with the insurance industry in formulating the proposed RBC framework. Following the announcement of the RBC concept in the 2001 exposure draft, work groups consisting of insurance practitioners and representatives from the actuarial and accounting professions were formed to look into various valuation and capital treatment issues. The work groups issued 3 discussion papers between July 2001 to December 2002 on the valuation of assets and liabilities, capital requirements for life insurance business, and capital requirements for general insurance business. The Authority has also engaged insurance companies in carrying out tests on the proposed framework since mid-2002. Draft amendments to the Insurance Act (IA) necessary to establish the RBC framework were released for consultation in May 2003. Careful consideration was given to the feedback received during that consultation phase. Necessary changes were subsequently made to the Insurance (Amendment) Bill.

1.4 This consultation paper will describe, and seek the public's feedback on, the significant features of the new RBC framework and the regulations, notice and guidelines created for this framework.

2 VALUATION OF ASSETS AND LIABILITIES

2.1 Before we discuss the amount of capital requirements for an insurer, we need to first determine the value of its assets and liabilities.

2.2 The proposed valuation regime makes a fundamental shift away from the current philosophy, which is built upon estimations of asset and liability values with undisclosed margins and approximations, to one that emphasizes greater transparency and provides a more accurate picture of the insurer's financial position. This is achieved by using more realistic valuation methodology and bases. More assumptions will need to be made in the valuation process. This shift will inevitably place greater reliance on the professional judgement of actuaries and accountants. The Authority will therefore continue to work closely with the two professions to fine-tune the valuation standards in relation to insurance business.

2.3 We will now highlight some of the key features of the proposed assets and liabilities valuation rules. Details of the rules can be found in the draft regulations, notice and guidelines in the ***Annexes 1, 4 and 5***.

Valuation of assets

2.4 The "lower of book or market" rule used currently in asset valuation usually does not portray an insurer's true financial strength. To arrive at a realistic valuation, the proposed asset valuation rules will need to adopt the market values of assets.

2.5 In addition, all assets of an insurer will be reflected in its balance sheet. Issues relating to eligibility of assets such as over-concentration in certain type of assets, or excessive exposure to certain counter-parties, will be dealt with in the capital requirement rules instead.

Valuation of liabilities

2.6 The Authority made its first move to a more realistic valuation of insurance liabilities in 2001 when it imposed new valuation requirements on the general insurance sector. General insurers are required to determine best estimates (BE) of their insurance liabilities, and additional provisions for adverse deviation (PAD) that reach at least the 75% level of sufficiency. The requirements apply to both the risks related to insurance services that have yet to be provided (the "premium liabilities") and claims that have been incurred but not yet settled as at valuation date (the "claims liabilities").

2.7 We propose to extend the new valuation requirements of insurance liabilities to life insurance business. The net premium valuation method using prescriptive valuation assumptions will be replaced. In its place, insurers will determine BE, and additional PAD. The BE shall be determined by first projecting future cash flows using realistic assumptions (including assumptions on expenses, mortality and morbidity rates, lapse rates, etc.), and then discounting these cash flow streams at appropriate interest rates. PAD is determined by using more conservative assumptions in the projection to reflect the inherent uncertainty of the BE.

2.8 The policy liability for any policy (be it a participating policy, a non-participating policy or an investment-linked policy) will simply be the sum of its BE and PAD. For participating policies, policy liability should include provision for future payments arising from both guaranteed and non-guaranteed benefits.

2.9 The policy liability of a life insurance fund made up solely of non-participating or investment-linked policies is calculated by aggregating the policy liabilities of all policies in the fund. On the other hand, for a life insurance fund that consists of participating policies (or more commonly know as the participating fund), the policy liability of the fund is derived not only by aggregating the policy liabilities of all policies in the fund, but is also dependent on the value of assets backing the liabilities and the extent to which benefits are guaranteed. This is best discussed in conjunction with changes proposed on the operations of the participating fund.

3 OPERATIONS OF THE PARTICIPATING FUND

3.1 The Insurance (Amendment) Bill 2003 that will come into effect in 2004 introduces some significant modifications to the participating fund, one of which is the establishment of a “surplus account”.

The “Surplus Account” and policy liability of participating fund

3.2 To add greater clarity in relation to allocation to shareholders and capital support provided by them, each life insurer shall establish a “surplus account” within its participating fund. Any allocation of the participating fund to shareholders via the “90/10 rule” of bonus distribution will be credited to this account, which is separately maintained. Shareholders may withdraw the

balances in the surplus account if they are not required to meet capital requirements. This account will also keep track of any future capital support that shareholders may provide to satisfy the fund's capital needs.

3.3 The surplus account defines the part of the participating fund that belongs to shareholders. Therefore, the remaining assets of the fund, after deducting the interest of other creditors, are available to meet the policy liabilities of the fund. We call this the "policy assets" (PA).

3.4 Policy liability of a participating fund is generally set to be equal to PA, subject to two floors—

- First, policy liability of the fund must not be less than the funds "minimum condition liability" (MCL), a measure representing guaranteed policy benefits. The calculation of MCL requires discounting of guaranteed liabilities of policies of the fund (including non-participating policies, if there is any) using a risk-free interest rate.
- Next, policy liability of the fund must not be less than the aggregate of the policy liability of each and every policy in the fund. This means both guaranteed and non-guaranteed benefits are accounted for. Valuation of participating policy for this purpose would be based on an insurer's own best estimate of the investment return of the fund.

3.5 A participating fund is deemed to be unable to support its liabilities in relation to insurance policies when PA of the fund falls short of either of the two floors used in determining the policy liability of the fund described in paragraph 3.4. Shareholders must then provide capital support to the fund. This is achieved by deducting from the surplus account an amount equal to the shortfall. Such deductions may be recoverable in the future when the PA no longer falls short of the two floor values. However, should there be insufficient balance in the surplus account for such a deduction, a top up of the surplus account must be made from shareholders' resources through a transfer of assets to the participating fund.

Bonus distribution

3.6 The second significant change to the operations of participating fund relates to bonus distribution. While the "90/10 rule" remains, the net premium

valuation method will no longer be used to determine the cost of bonus. In its place, the cost of bonus will be calculated using the MCL basis.

3.7 The responsibility of approving bonus distributions will also shift from the appointed actuary to the board of directors. This is to reflect the current market practice, which is in line with the emphasis to strengthen corporate governance of insurers in Singapore. Before approving any bonus distribution, the board of directors will need to take into consideration the written recommendations of the appointed actuary.

3.8 The detailed rules governing the operations of the surplus account can be found in the draft Insurance (Valuation and Capital) Regulations in **Annex 1**.

4 FUND SOLVENCY REQUIREMENT AND CAPITAL ADEQUACY REQUIREMENT

4.1 Having determined the value of an insurer's assets and liabilities, we are ready to discuss the capital required of an insurer's operations.

4.2 The proposed capital requirement framework takes into account emerging international standards and good practices of developed countries. This framework is built on several principles. It is risk-based, as it reflects relevant risks faced by the insurance company. The new capital requirements, whose derivations are consistent with the approach used in assets and liabilities valuation, will serve as an effective buffer to absorb losses. The framework will facilitate comparisons across companies. The requirements have also been aligned, as far as possible, across financial institutions so as to minimize capital arbitrage in an increasingly integrated financial landscape. The new framework should serve as an early indicator of financial strength or weakness, and facilitate progressive intervention by regulators, if necessary.

4.3 The proposed framework consists of two requirements: the Fund Solvency Requirement (FSR), applicable to each insurance fund established and maintained under the IA; and the Capital Adequacy Requirement (CAR), applicable to each insurer's Singapore operations. This framework will replace the current solvency margin requirements.

Components of the capital requirements

4.4 Risks arising from an insurer's assets and liabilities are grouped into the following three components:

- Component 1 (C1) requirement:
This component relates to insurance risks undertaken by an insurer. For general insurance business, the requirement is calculated by applying specific risk charges on an insurer's premium and claims liabilities. The risk charges applicable to different business lines vary according to volatility of the underlying businesses. For life insurance business, the requirement is calculated by applying specific risk margins to key parameters affecting policy liabilities such as mortality, morbidity, expenses and policy termination rates.
- Component 2 (C2) requirement:
This component relates to risks inherent in an insurer's asset portfolio. It is calculated based on an insurer's exposure to various markets including debt, equity, property, and foreign exchange. The C2 requirement also reflects the extent of the mismatch between assets and liabilities.
- Component 3 (C3) requirement:
This component relates to concentration risks in certain types of assets, counter-parties or groups of counter-parties. It is calculated based on an insurer's exposure in excess of the prescribed concentration limits.

4.5 We define "total risk requirement" (TRR) as the sum of C1, C2 and C3. The amount of capital available to meet TRR is called "financial resources" (FR). The following paragraphs will describe what the FSR and CAR are, and how FR should be derived.

Fund Solvency Requirement

4.6 To satisfy the FSR for each insurance fund, an insurer shall maintain an insurance fund's FR in excess of the fund's TRR. For all insurance funds (except for a participating fund), the FR is simply the excess of the fund's assets

over its liabilities. However, for a participating fund, FR will consist of two components, namely:

- Balance of surplus account; and
- Provision for non-guaranteed benefits.

4.7 The inclusion of the provision for non-guaranteed benefits as part of FR is to recognise the ability of the participating fund to adjust future bonus rates for participating policies to absorb adverse fluctuations. The size of this component of capital depends on the value of PA (which is the amount of assets available to back the policy liabilities of the fund), MCL (the amount of guarantee that the fund has made), and the aggregate of provision for non-guaranteed benefits from all participating policies of the fund (an amount linked to future bonus assumed in the valuation).

4.8 Some deductions will be made to FR for assets that are of poor quality and not free from encumbrance. These deductions include those made against future tax benefits, charged assets, and most financial reinsurance arrangements.

Capital Adequacy Requirement

4.9 To satisfy the CAR, an insurer shall maintain a Capital Adequacy Ratio (CARatio) of at least 100% and a FR for its Singapore operations not falling below \$10m. The CARatio is defined as:

$$\frac{\text{FR for an insurer's Singapore operations}}{\text{TRR for an insurer's Singapore operations}}$$

4.10 The denominator is determined by aggregating all TRRs from each insurance fund that an insurer maintains. An insurer incorporated in Singapore will also add to the denominator, risk requirements relating to assets and liabilities outside of insurance funds (including those relating to the insurer's overseas branches).

4.11 The numerator is calculated as the sum of 3 components, namely "Tier 1 resources", "Tier 2 resources" (applicable to insurers incorporated in Singapore) and the provision for non-guaranteed benefits (applicable to insurers who maintain a participating fund).

4.12 Tier 1 resources are those capital instruments that are able to absorb losses on an on-going basis. They should not have any maturity date, nor should they be redeemable at the option of the holder of the instruments. They should be issued and fully paid-up, and non-cumulative in nature. They should be ranked junior to policyholders, general creditors, and subordinated debt of the insurer. Tier 1 resources should neither be secured nor covered by a guarantee of the issuer or related entity or other arrangement that may legally or economically enhance the seniority of the claim vis-à-vis the policyholder. Tier 1 resources will generally be represented by the aggregate of the surpluses of an insurer's insurance funds. In addition, a Singapore incorporated insurer may add to its Tier 1 resources its paid-up ordinary share capital, its surpluses outside of insurance funds, and irredeemable and non-cumulative preference shares.

4.13 Tier 2 resources are capital instruments that are "less permanent" compared to Tier 1 resources, but may be available to serve as buffer against losses made by the insurer. Examples of these instruments include cumulative or redeemable preference shares and certain subordinated debt.

4.14 Three further adjustments are required to be made to the CARatio. First, inadmissibility adjustments similar to those required under the FSR should be made to the numerator. Next, total Tier 2 resources recognised for the computation of total FR cannot exceed 50% of Tier 1 resources. And lastly, as the provision for non-guaranteed benefits is not available to absorb losses not related to the participating fund, the CARatio calculated will be limited by the following ratio:

$$\frac{\text{FR (excluding FR relating to participating fund)}}{\text{TRR (excluding TRR relating to participating fund)}}$$

4.15 The new capital regime will facilitate early and progressive intervention by the Authority. The CARatio allows the Authority to define "trigger points" for regulatory actions. A "financial resources warning event" will occur when an insurer's CARatio falls below 120%, in which case the insurer must notify the Authority and submit a plan on how it intends to bring the CARatio back up above the 120% level.

Some further comments

4.16 The prescribed FSR and CAR are not all-encompassing and may not capture certain risks that are specific to particular insurers. Therefore, the new

section 18(4) introduced by the Insurance (Amendment) Bill 2003 gives the Authority the flexibility to adjust the FSR or CAR having regard to “risks arising from the activities of the insurer and such other factors as the Authority considers relevant”. Examples of such risks include operational risk, weak corporate governance and internal control, and lack of access to additional capital. The Authority will assess the need for, and the quantum of, additional capital for specific insurers via its risk-based supervisory process.

4.17 The insurance industry has provided the Authority with feedback over the past years on the discussion papers issued and the tests conducted. After reviewing the feedback and considering the broader operating environment, we are proposing three exemptions:

- Offshore insurance fund (OIF) of registered reinsurers in Singapore. As reinsurers are subjected to significantly lower solvency requirements under the current solvency margin framework compared to direct insurers, reinsurers will be significantly impacted by the introduction of the RBC framework. The Authority has therefore decided to allow reinsurers more time to meet the RBC requirements by implementing the framework in phases. For year 2004 and 2005, reinsurers’ will be exempted from complying with the FSR for their OIFs. The Authority is also considering extending this exemption beyond year 2005 to any foreign-owned reinsurer or reinsurer operating as a branch in Singapore if it can be demonstrated that—
 - the reinsurer has strong group-wide financial position;
 - the reinsurer is subjected to consolidated supervision of an acceptable standard in its home jurisdiction; and
 - the reinsurer’s home regulator is willing to cooperate with the Authority in the supervision of the reinsurer.

In the meantime, the Authority expects all reinsurers to have in place a robust risk management system. The Authority reserves the right to revoke the exemption to comply with the FSR for the OIF where we have any concern based on our ongoing supervisory review.

- Application of RBC framework on specialist insurers. The Authority recognises the uniqueness of the risk profiles facing specialist insurers such as financial guarantee insurers, credit and political

risk insurers, marine mutuals and Lloyds syndicates. Therefore, exemptions will be granted to these entities in 2004 and 2005 from complying with the FSR and CAR as the Authority studies how best to fine-tune the RBC model for them. These entities will continue to be required to comply with the current solvency requirements.

- Application of RBC framework to captive insurers. Captive insurers are set up primarily to insure risks from within their related companies. To the “clients” of a captive insurer, the benefit of enhanced transparency offered by the RBC framework may be less significant compared to the cost involved in implementing the RBC framework. The Authority therefore intends to exempt captive insurers from complying with the FSR and CAR, but they will need to continue to comply with the current solvency requirements.

4.18 In conjunction with the launch of the RBC framework, the Authority will be lowering the minimum paid-up capital requirement to:

- \$5m for any direct insurer who is subjected to the full RBC framework and underwrites only a single low risk line of business (such as investment-linked life business or short-term accident and health insurance business); and
- \$10m for any other direct insurer who is subjected to the full RBC framework (i.e. any other company registering as direct life or general insurer).

The minimum paid-up capital requirement for insurers not subjected to the full RBC framework (i.e. those mentioned under paragraph 4.17) will remain at the current level.

5 REPORTING REQUIREMENTS

5.1 Other than modifying the annual statutory returns to reflect the changes in the valuation and capital requirements, the Authority has also taken this opportunity presented by the establishment of the RBC framework to review other aspects of the existing reporting requirements.

5.2 One of the key changes proposed is the removal of the “revenue account” concept. Currently, the value of a life insurer’s policy liabilities cannot be determined from the statutory balance sheet (the current Form 1) because the “balance of revenue account” merely shows the net cumulative inflow of policy monies into the insurance fund. Under the proposed framework, however, policy liabilities and surpluses will be explicitly shown on the balance sheet. In addition, a new Form 2, containing a single profit and loss statement for both life and general insurance business, will replace the current Form 2 and Form 6 that relate to the revenue account.

5.3 To provide the Authority and other users of the statutory returns a better insight into the financial condition of insurers, additional annexes to the balance sheet and profit and loss statement have also been drawn up.

6 TRANSITIONAL ARRANGEMENTS

6.1 To ensure smooth transition to the RBC framework, the Authority will put in place transitional arrangements to allow insurers to make the necessary changes to their internal systems. We shall now discuss these transitional arrangements for reporting and capital requirements.

Reporting requirements

6.2 For the 2004 accounting period, insurers will be required to submit—

- annual statutory returns and quarterly returns relating to the 2004 accounting period using the current basis, format, and mode of submission, and according to existing deadlines; and
- balance sheets as at 31 December 2004 using the new valuation basis and reporting format.

Otherwise, submission based on the new basis and format will not be mandatory during 2004. However, for insurers that are ready to adopt the new framework, they may make additional submission of the quarterly returns based on the new basis and format.

6.3 The Authority expects to roll-out a new web-based returns submission platform in the first half of 2004. Insurers may test the new platform over the rest

of 2004 to get accustomed to the new reporting basis and format. The use of this platform will become mandatory for the submission of the year-end 2004 balance sheet (to be submitted by 31 March 2005) and any subsequent annual or quarterly returns.

Capital requirements

6.4 During 2004, the existing solvency requirements will remain in-force. An insurer may, however, opt to be assessed under the new RBC requirements when it is ready. The insurer should give prior notice to the Authority on its implementation of the new framework. The insurer will not be allowed to switch back and be assessed under the previous capital requirements.

6.5 All insurers (except those who qualify for exemption as described in paragraph 4.17) will be assessed based on the new RBC requirements from 1 January 2005 onwards.

7 INSURANCE REGULATIONS AND NOTICES

7.1 The Authority will be amending some of the existing regulations and notices in conjunction with the introduction of the RBC framework. The following draft regulations and notice are included in this consultation paper for the public's comments:

- Draft Insurance (Valuation and Capital) Regulations attached as **Annex 1** (this replaces the parts on valuation and solvency margin rules in the current Insurance Regulations);
- Draft Insurance (Accounts and Statements) Regulations attached as **Annex 2** (this replaces the existing Insurance (Accounts and Statements) Regulations);
- Draft Insurance (Actuaries) Regulations attached as **Annex 3** (this replaces the existing Insurance (Actuaries) Regulations and Insurance (Duties of Actuary) Regulations); and
- Draft Notice on the Valuation of Policy Liabilities of Life Business attached as **Annex 4**
- Draft Guidelines on the Valuation of Policy Liabilities for General Business attached as **Annex 5**.

7.2 The Authority will also review existing regulations and notices to ensure that they are consistent with the new RBC framework.

8 REQUEST FOR COMMENTS

8.1 The Authority invites interested parties to provide their views and comments on the draft regulations and notices relating to the new RBC framework. Written comments should be submitted by 9 January 2004 to:

Insurance Supervision Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117

Email: rbcon03@mas.gov.sg
Fax: (65) 6229-9694

8.2 Please note that all submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

ANNEX 1: INSURANCE (VALUATION AND CAPITAL) REGULATIONS

DISCLAIMER: This version of the Bill is in draft form and subject to change. It is also subject to review by the Attorney-General's Chambers.

No. S 000 –

INSURANCE ACT (CAP 142)

INSURANCE (VALUATION AND CAPITAL) REGULATIONS 2004

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In exercise of the powers conferred by sections 17, 18 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 (Valuation and Capital) Regulations 2004 and shall come into operation on [date].

Definitions

2. (1) In these Regulations,—

“associates” has the same meaning as in section 27(4)(d) of the Act;

“appointed actuary” means the actuary appointed by an insurer for the purpose of section 31 of the Act;

"collective investment scheme" has the same meaning as in section 2 of the Securities and Futures Act (Cap. 289);

“commodity”, in relation to a forward contract or futures contract, means —

(a) a financial instrument; or

(b) gold, any class of oil or any other physical commodity;

“counterparty” means any person who is under a financial obligation to the insurer;

“debt security” includes any debenture, bond and note;

“derivative” includes any warrant, convertible security, forward contract, futures contract, swap, contract for differences and option;

“equity security” includes any stock, share, depository receipt and unit in a collective investment scheme;

“financial resources” has the meaning given to it in the First Schedule;

“forward contract” means a contract the effect of which is that one party to the contract agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party to the contract at a specified future time and at a specified price payable at that time, and includes an option on a forward contract but does not include a futures contract;

“futures contract” means a contract the effect of which is that—

(a) one party to the contract agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party to the contract at a specified future time and at a specified price payable at that time under the terms and conditions set out in the business rules and practices of the futures exchange, recognised trading system provider, or overseas futures exchange at which the contract is made; or

(b) the parties to the contract will discharge their obligations under the contract by settling the difference between the value of a specified quantity of a specified financial instrument at the time of the making of the contract and at a specified future time, such difference being determined in accordance with the business rules and practices of the futures exchange, recognised trading system provider, or overseas futures exchange at which the contract is made,

and includes an option on a futures contract;

"government debt security" means a debt security which is either —

- (a) issued or fully guaranteed by the Government;
- (b) issued or fully guaranteed by a central government or central bank of a country or territory which has a rating of investment grade; or
- (c) issued or fully guaranteed by a central government or central bank of a country or territory which does not have a rating of investment grade and denominated in the national currency of that country and has a residual maturity of one year or less;

"investment-linked fund" means an insurance fund established and maintained under section 17 of the Act which comprises wholly of investment-linked policies;

"investment grade" means a credit rating set out in Table 16 of the Sixth Schedule issued by the corresponding credit rating agency in that Table or any better credit rating;

"minimum condition liability", in relation to a participating fund, means the sum of—

- (a) the liability in respect of each non-participating policy of the fund determined in the manner provided in regulation 20(1); and
- (b) the liability in respect of each participating policy of the fund determined in the manner provided in regulation 20(1) as if it were a non-participating policy and shall not include any provision for non-guaranteed benefits;

"money market debt security" means any debt security with a maturity of one year or less, and includes banker's acceptances, commercial papers, certificates of deposits, government or treasury bills and notes, with a maturity of one year or less;

"non-participating fund" means an insurance fund established and maintained under section 17 of the Act which comprises wholly of non-participating policies;

"ordinary share" means any share other than a preference share;

"participating fund" means an insurance fund established and maintained under section 17 of the Act which comprises wholly or partly of participating policies;

“preference share”, in relation to a registered insurer incorporated in Singapore, has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“preference share”, in relation to a registered insurer incorporated outside Singapore, means a share, by whatever name called, which does not entitle the holder thereof to right to vote at a general meeting, other than

- (a) during such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the constitution of the registered insurer may provide, after the due date of the dividend;
- (b) upon any resolution which varies the rights attached to such shares; or
- (c) upon any resolution for the winding up of the registered insurer,

or to any right to participate beyond a specified amount in any distribution whether by way of dividend, or on redemption, in a winding up, or otherwise;

“policy assets”, in relation to a participating fund, means the total assets of the fund as at valuation date less—

- (a) the balance in the surplus account established and maintained in accordance with regulation 22; and
- (b) other liabilities, as calculated in the manner provided in Form 1 of the First Schedule to the Insurance (Accounts and Statements) Regulations 2004;

“public authority” means any body corporate constituted under any Act or under the law of any other country or territory for the purpose of carrying out a public function;

“qualifying Tier 2 instrument” has the meaning given to it in the First Schedule;

"recognised exchange" means any overseas securities exchange or an overseas futures exchange regulated by a financial services regulatory authority of a country or territory specified in Table 9 of the Sixth Schedule;

“recognised multilateral agency” means an organisation listed in Table 10 of the Sixth Schedule;

“reinsurance recoverables” means any amount that an insurer is contractually entitled to recover, but has yet to recover,

from its reinsurance counterparty in respect of claims that has been paid by the insurer;

“share” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“special risk” means—

- (a) liability under a marine and aviation policy, being liability which consist of or include those arising from the insurance of a marine hull or aircraft hull; or
- (b) any other risk which by reason of its exceptional nature and amount, the Authority permits to be treated as a special risk;

“total risk requirement” has the meaning given to it in the Second Schedule; and

“unit”, in relation to a collective investment scheme, has the same meaning as in section 2 of the Securities and Futures Act (Cap. 289); and

“valuation date” means the date on which the assets and liabilities of a registered insurer are valued.

(2) In these regulations—

- (a) any reference to a policy of a fund (whether it is a participating, a non-participating, or an investment-linked fund), shall be construed as a reference to a policy for which the participating, non-participating or investment-link insurance fund, as the case may be, is established or maintained by an insurer under the Act.
- (b) any reference to a registered insurer incorporated in Singapore includes a registered insurer which is a society registered under the Co-operative Societies Act (Cap. 62).

PART II

FINANCIAL REQUIREMENT BEFORE REGISTRATION, FUND SOLVENCY REQUIREMENT, AND CAPITAL ADEQUACY REQUIREMENT

Paid-up capital requirement

3.—(1) For the purposes of section 9(1)(c) of the Act, the Authority shall not register any applicant as a direct insurer or reinsurer under section 8 of the Act unless that 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 no less than—

- (a) in the case of a applicant applying to be a direct insurer carrying on only one of the types of insurance business listed in Table 1 of the Sixth Schedule, \$5 million;
- (b) in the case of any other applicant applying to be a direct insurer, \$10 million; and
- (c) in the case of an applicant applying to be a reinsurer, \$25 million.

Fund solvency requirement and capital adequacy requirement

4.—(1) 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 registered insurer under the Act shall be such that the financial resources of the fund is not less than the total risk requirement of the fund and such requirement shall be maintained at all times.

(2) For the purposes of section 18(1)(b) of the Act, the capital adequacy requirement of a registered insurer shall be such that the financial resources of the insurer is not less than—

- (a) the sum of—
 - (i) the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Act; and
 - (ii) where the insurer is incorporated in Singapore, the total risk requirement arising from assets and liabilities that do not belong to any insurance fund established and maintained under the Act; or
- (b) the minimum amount, which is—
 - (i) in the case of a direct insurer carrying on only one of the types of insurance business listed in Table 1 of the Sixth Schedule, \$5 million; and
 - (ii) in any other case, \$10 million;

whichever is the higher and such requirement shall be maintained at all times.

(3) A registered insurer shall immediately notify the Authority when the insurer becomes aware that —

- (a) it has failed to or is likely to fail to comply with paragraph (1) or (2); or
- (b) a financial resources warning event has occurred or is likely to occur.

(4) Where the Authority is notified by an insurer under paragraph (3) or becomes aware, of any inability by an insurer to comply with paragraph (1) or (2), the Authority may:

- (a) require the insurer to comply with such directions as the Authority may impose, and in particular--
 - (i) to submit to the Authority financial statements on a monthly basis or at such other intervals as the Authority may require, until the insurer satisfies the fund solvency requirement or the capital adequacy requirement for 90 consecutive days or such other period as may be determined by the Authority;
 - (ii) to submit to the Authority a plan on how the insurer intends to satisfy the fund solvency requirement or the capital adequacy requirement set out in paragraph (1) and (2) respectively;
 - (iii) to stop renewing or issuing further policies of one or more classes of business; and
- (b) require the insurer to carry on its business in such manner and on such conditions as the Authority may impose.

(5) If the Authority is notified by an insurer under paragraph (3) or becomes aware, that a financial resources warning event has occurred, the Authority may:

- (a) direct the insurer to submit to the Authority a plan on how the insurer intends to stop the financial resources warning event from continuing; and
- (b) require the insurer to carry on its business in such manner and on such conditions as the Authority may impose.

(6) For the purposes of this regulation, a financial resources warning event shall be deemed to have occurred where the financial resources of the insurer is less than—

- (a) 120% of the amount calculated in accordance with paragraph (2)(a); or
- (b) the minimum amount in paragraph (2)(b),

whichever is the higher.

PART III

OTHER FINANCIAL REQUIREMENTS

Reduction in paid-up ordinary share capital or share premium account

5.—(1) A registered insurer incorporated in Singapore shall not reduce its paid-up ordinary share capital or share premium account without the prior written approval of the Authority.

(2) A registered insurer incorporated outside of Singapore shall not reduce its paid-up ordinary share capital (or its equivalent recognised by the Authority as applicable to the insurer under the laws of the country or territory in which the insurer is incorporated, formed or established) or share premium account (or its equivalent recognised by the Authority as applicable to the insurer under the laws of the country or territory in which the insurer is incorporated, formed or established) without giving prior notice to the Authority.

(3) In this regulation, a “share premium account” is an account set up in the manner provided in section 69 of the Companies Act (Cap. 50)

Preference shares and qualifying Tier 2 instruments

6.—Where a registered insurer which is incorporated in Singapore issues any preference share or any qualifying Tier 2 instrument, the insurer shall, prior to the date of issue of the preference share or instrument, notify the Authority.

PART IV

VALUATION OF ASSETS

Application of this Part

7. This Part applies to the valuation of any asset of an insurance fund established and maintained under section 17 of the Act.

Valuation of assets

8.—(1) Unless otherwise specified in this Part, a registered insurer shall value an asset of an insurance fund in accordance with Accounting Standards as defined in section 4 of the Companies Act (Cap. 50).

(2) The following items shall not be treated as assets of an insurance fund:

- (a) assets comprised in the deposit made by the insurer under section 14 of the Act;
- (b) intangible assets, including the goodwill of the insurer.

Equity securities

9.—(1) A registered insurer shall value an equity security as follows:

- (a) where it is listed on a securities exchange, at its market value; and
- (b) where it is not listed on any securities exchange, at its net realisable value.

(2) In determining the net realisable value of an equity security which is not listed on a securities exchange, the insurer shall take into account the following :

- (a) the amount of consideration it would receive by selling the equity security;
- (b) the net tangible asset value of the equity security.

Debt securities

10.—(1) A registered insurer shall value a debt security as follows:

- (a) where it is listed on any securities exchange, at its market value; and
- (b) where it is not listed on any securities exchange, at its net realisable value.

(2) In determining the net realisable value of a debt security that is not listed on a securities exchange, the insurer shall take into account the following:

- (a) the prevailing interest rate;
- (b) the likelihood of default by the issuer;
- (c) cash flows that are expected to arise from the debt security.

Land and buildings

11.—(1) A registered insurer shall value any land or building at its estimated market value.

(2) In estimating the market value of any land or building, the insurer shall take into account the last available valuation report made by a qualified property valuer, the prevailing market for such

land or building and any damage or improvement affecting the land or building from the date of the last available valuation report.

(3) An insurer shall obtain a new valuation from a qualified property valuer—

(a) at least once every three years; or

(b) where the value of the land or building has been substantially impaired by any event.

Loans

12. A registered insurer shall value loans made to other persons by aggregating the principal amounts outstanding under all loans less any provision for doubtful debts.

Cash and deposits

13.—(1) The value of any cash and deposit, other than a negotiable certificate of deposit, with a financial institution shall be the nominal amount of such cash or deposit after deducting any amount deemed uncollectible from the financial institution.

(2) A registered insurer shall value a negotiable certificate of deposit at its market value.

Outstanding premiums and agents' balances

14. A registered insurer shall value the outstanding premiums and agents' balances by aggregating the principal amount outstanding after deducting any provision for doubtful debts.

Deposits withheld by cedants

15. A registered insurer shall value deposits withheld by cedants by aggregating the amount of deposits outstanding after deducting any amount deemed uncollectible from the cedant.

Reinsurance recoverables

16. A registered insurer shall value reinsurance recoverables by aggregating the amount of reinsurance recoverables outstanding after deducting any provision for doubtful debts.

PART V

VALUATION OF LIABILITIES

Application of this Part

17. This Part applies to the valuation of any liability of an insurance fund established and maintained under section 17 of the Act.

Valuation of liabilities

18.—(1) Unless otherwise provided for in this Part, a registered insurer shall value any liability of an insurance fund in accordance with the Accounting Standards as defined in section 4 of the Companies Act (Cap. 50) and sound actuarial principles.

(2) The Authority may, by notice in writing, specify the bases, methodologies and other details of a technical nature to be complied with in relation to the determination of liabilities in respect of a policy and in respect of an insurance fund.

Valuation of liabilities of general business

19.—(1) Subject to regulation 21, a registered insurer shall calculate the liabilities in respect of policies of an insurance fund established and maintained under the Act for the general business of the insurer as the sum of—

- (a) premium liabilities, which shall be an amount not less than —
 - (i) the unearned premium reserve of the fund calculated as the aggregate of unearned premium reserves for each policy of the fund determined in the manner provided in paragraph (4); or
 - (ii) the unexpired risk reserve, 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, and includes any expense expected to be incurred in administering the policies and settling relevant claims; and
 - (B) the provision for any adverse deviation from the expected experience, calculated based on 75 per cent level of sufficiency,

whichever is the higher; and

- (b) claims 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 before the valuation date), whether or not they have been reported to the insurer, and includes any expense expected to be incurred in settling these claims; and
 - (ii) the provision for any adverse deviation from the expected experience, calculated based on 75 per cent level of sufficiency.

(2) A registered insurer shall make separate calculations of the unearned premium reserve, the unexpired risk reserve and the claims liabilities in the same manner provided in paragraph (1) for each type of business described in Form 6, 6A, or 6B, as the case may be, in the Insurance (Accounts and Statements) Regulations 2004 that the insurer underwrites.

(3) In determining the liabilities in respect of policies under paragraphs (1) and (2), an insurer shall take into account any non-reinsurance recovery, such as salvage and subrogation.

(4) The amount of unearned premium reserve for a policy in respect of general business shall be —

- (a) subject to sub-paragraphs (b), (c), and (d), an amount calculated on a basis not less accurate than the 1/24th method;
- (b) in the case of a direct insurer underwriting risks relating to cargo policies, an amount not less than 25% of the premiums for those policies or an amount calculated on a basis not less accurate than the 1/24th method;
- (c) in the case of an insurer carrying on the business of reinsurance of liabilities under insurance policies, —
 - (i) an amount not less than 25% of the premiums in the case of marine and aviation policies and 40% of the premiums in other cases; or
 - (ii) an amount calculated on a basis not less accurate than the 1/24th method; and
- (d) calculated —
 - (i) where the 1/24th method or some other more accurate method is used, using an amount of premiums written

which is reduced by the actual commissions payable;
or

- (ii) in any other case, using an amount of premiums written without any deduction for commissions payable therefrom.

(5) For the purposes of paragraph (4) —

"marine and aviation policy" means a policy of insurance —

- (a) upon goods, merchandise or property of any description transported on board vessels, aircraft or other means of conveyance including incidental transit before and after shipment;
- (b) upon the freight of, or any other interest in or relating to vessels, aircraft or other means of conveyance;
- (c) upon vessels or aircraft, or upon machinery, tackle furniture or equipment of vessels or aircraft;
- (d) against damage arising out of or in connection with the use of vessel or aircraft, including third-party risks; or
- (e) against risks incidental to the construction, repair or docking of vessels, including third-party risks; and

"premiums" means the amount of the premiums written in the accounting period deducted for any premium refund.

Valuation of liabilities of life business

20.—(1) Subject to regulation 21 and paragraph (4), a registered insurer shall value the liability in respect of a non-participating policy as the value of expected future payments less expected future receipts arising from the policy, and includes any expense that the insurer expects to incur in administering the policy and settling the relevant claims, with additional provision made for any adverse deviation from the expected experience.

(2) Subject to regulation 21 and paragraph (4), a registered insurer shall value the liability in respect of an investment-linked policy as the sum of—

- (a) the unit reserve, calculated as the value of the underlying assets backing the units relating to the policy; and
- (b) the non-unit reserve, calculated as the value of expected future payments less expected future receipts arising from the policy (other than those that relate to the unit reserve), and includes any expense that the insurer expects to incur

in administering the policies and settling the relevant claims, with additional provision made for any adverse deviation from the expected experience.

(3) Subject to regulation 21 and paragraphs (4) and (7), a registered insurer shall value the liability in respect of a participating policy as the sum of—

- (a) the value of expected future payments less expected future receipts arising from guaranteed benefits of the policy, and includes any expense that the insurer expects to incur in administering the policies and settling the relevant claims; and
- (b) the value of expected payments arising from non-guaranteed benefits of the policy and any provision for adverse deviation from the expected experience.

(4) A registered insurer shall not value the liability in respect of any policy to be less than zero.

(5) A registered insurer shall calculate the liability in respect of the policies of a non-participating fund or an investment-linked fund as the sum of the liability in respect of each policy of that fund determined in the manner provided in paragraph (1) or (2) respectively.

(6) A registered insurer shall calculate the liability in respect of the policies of a participating fund as—

- (a) the sum of the liability in respect of each policy of the fund determined in the manner provided in paragraphs (1) and (3);
- (b) the minimum condition liability of the fund; or
- (c) the value of policy assets of the fund,

whichever is the highest.

(7) Where the liability in respect of the policies of a participating fund determined in the manner provided in paragraph (6) is greater than the sum of the liability in respect of each policy of the fund as determined in the manner provided paragraphs (1) and (3), the insurer shall make such adjustments as may be necessary to the components for the valuation of the liability in respect of a participating policy referred to in paragraph (3)(b), for all or part of the participating policies of the fund such that the sum of the liability in respect of each policy of the fund equals to the value determined in paragraph (6).

Treatment in relation to reinsurance

21.—(1) In determining—

- (a) the liabilities in respect of the policies of the life business for the purposes for regulation 20(1), (2) and (3); or
- (b) the minimum condition liability of a participating fund,

a registered insurer may make deductions to the liabilities in respect of reinsurance, and where such deduction is made, it shall be —

- (i) the amount of qualifying reinsurance deposit up to a maximum of the value of liabilities ceded; or
- (ii) the adjusted reinsurance ceded,

whichever is the higher.

(2) In determining the unearned premium reserve in respect of general business referred to in regulation 19(1)(a)(i), a registered insurer may make deductions to the premiums in respect of reinsurance, and where such a deduction is made, it shall be—

- (a) the sum of—
 - (i) for reinsurances or retrocessions of special risks, the payment made to the reinsurance counterparty in respect of such reinsurances or retrocessions; and
 - (ii) for other reinsurances or retrocessions, the payment made to the reinsurance counterparty in respect of reinsurances or retrocessions, multiplied by the reinsurance counterparty factor; or

- (b) the amount of qualifying reinsurance deposit,

whichever is the higher.

(3) In determining the unexpired risk reserve in respect of general business referred to in regulation 19(1)(a)(ii), a registered insurer may make deductions to the reserve in respect of reinsurance and the reduction in such reserve shall be proportional to the reduction the unearned premium reserve after adjusting for reinsurance determined in the manner provided in paragraph (2).

(4) Subject to paragraph (5), in determining the claims liabilities in regulation 19(1)(b) in respect of general business carried on by an insurer, a registered insurer shall calculate the amount of claims liabilities net of reinsurance ceded—

- (a) by making separate estimates of the gross claims payments and recoveries from reinsurance counterparty; and
- (b) take into account the likelihood of default by the reinsurance counterparty.

(5) Where a comparison of the manner in which liabilities are reinsured during the period to which the data on claims payment used to determine claims liabilities relates with the manner in which liabilities are reinsured as at valuation date and such comparison shows that the manner in which liabilities are reinsured has not changed materially, the insurer may calculate the amount of claims liabilities net of reinsurance ceded using data on claims payments net of reinsurance without making separate estimates of the gross claims payments and recoveries from reinsurance counterparty.

(6) Where a registered insurer incorporated outside of Singapore treats the liabilities in respect of any policy of its insurance business in Singapore as liabilities in whole or in part of the head office or a branch outside Singapore of the insurer, the insurer may make a deduction in respect of such liabilities where the following conditions are satisfied:

- (a) there shall be a written arrangement between the branch in Singapore and the head office or the branch outside Singapore, stating that the insurer treats the liabilities of the insurance business of the branch in Singapore as liabilities in whole or in part of the head office or a branch outside Singapore of the insurer; and
- (b) any release of reinsurance deposit retained by the branch in Singapore under any such arrangement shall be released only in accordance with the written arrangement.

(7) Where a registered insurer makes a deduction which satisfies the conditions set out in paragraph (6), the insurer shall –

- (a) regard the written arrangement between the branch in Singapore and the head office or the branch outside Singapore as a contract of reinsurance of those liabilities; and
- (b) the head office or the branch outside Singapore shall be treated as if they were separate insurers.

(8) For the purposes of this regulation —

“adjusted reinsurance ceded” means the product of the value of liabilities ceded by way of reinsurance and a relevant reinsurance counterparty factor;

“qualifying reinsurance deposit” means a deposit from a reinsurance counterparty that satisfies the following conditions:

- (a) the deposit is held by the insurer as security for the whole of the liabilities of the reinsurance counterparty under the contracts of reinsurance to which the deposit relates;
- (b) the reinsurance counterparty may not withdraw the deposit so long as any such liability is secured thereon but may reduce the deposit in the event of and in proportion to, a reduction in such liability;
- (c) in the case of an insurer registered to carry on life business, the deposit relates only to that business and the deduction relates to liabilities secured thereon; and
- (d) in the case of an insurer registered to carry on general business, the deposit relates only to that business and the deduction relates to premium liabilities secured thereon;

“reinsurance counterparty factor” means—

- (a) in the case where the registered insurer has a reinsurance arrangement with a registered insurer or a foreign insurer carrying on insurance business under a foreign insurer scheme established under section 35B of the Act, 100%;
- (b) in the case where the registered insurer has reinsurance relating to special risks, 100%;
- (c) in the case where the registered insurer has a reinsurance arrangement with an authorised reinsurer, 50%; and
- (d) in any other case, 0%.

Surplus Account

22.—(1) For the purpose of section 17(6)(a) of the Act, a registered insurer shall establish and maintain a surplus account by keeping the assets of the surplus account for a participating fund separate from other assets of the fund and identifying the particular

assets that form part of the surplus account in its books, accounts and records.

(2) For any participating fund established before 1st January 2005, a registered insurer shall assign, as the balance in the surplus account as at 1st January 2005, the value of —

(a) zero; or

(b) the total assets of the fund less the sum of—

(i) the minimum condition liability of the fund; and

(ii) other liabilities as calculated in the manner provided in Form 1 in the First Schedule to the Insurance (Accounts and Statements) Regulations 2004,

immediately prior to 1st January 2005,

whichever is the lower.

(3) For any participating fund established on or after 1st January 2005, a registered insurer shall assign, as the balance in the surplus account, the value of zero at the establishment of the fund.

(4) For the purposes of section 17(7) of the Act, a registered insurer may, in addition to an allocation made under section 17(6)(c) of the Act, make the following allocations to the surplus account:

(a) an amount relating to investment income earned on assets representing the balance in the surplus account;

(b) a recovery of any amount transferred out of the surplus account on or after 1st January 2005 pursuant to paragraph (7) if it has not been transferred back into the surplus account previously.

(5) The amount of a participating fund deemed to be allocated by way of bonus to participating policies under section 17(6)(b) of the Act by a registered insurer shall be, —

(a) where the allocation is not immediately paid out but is accrued as additional future obligations under the policies, the increase in minimum condition liability as a result of such allocation; or

(b) where the allocation is immediately paid out when the allocation is made, the actual amount paid out.

(6) A registered insurer may transfer any asset which is not part of the participating fund to the surplus account where such transfer is to—

- (a) comply with paragraph (9);
- (b) satisfy the fund solvency requirement of the participating fund; or
- (c) reduce the likelihood that the fund solvency requirement of the participating fund is breached.

(7) Where the liability in respect of the policies of the participating fund of a registered insurer as calculated by an insurer in the manner provided in regulation 20(6) is more than the policy assets of the fund, the insurer shall immediately transfer out of the surplus account an amount no less than the difference between the liability in respect of the policies of the fund and the policy assets of the fund so as to meet such deficiency of policy assets in satisfying the liabilities in respect of policies of the fund.

(8) A registered insurer shall deduct from the surplus account—

- (a) any amount withdrawn from the fund in accordance with section 17(9) of the Act;
- (b) any expense or loss relating to the investment of assets in the surplus account; and
- (c) where the balance in the surplus account is negative, the interest that would have been earned on such negative balance calculated, on a monthly basis, using the average rate of investment return on the policy assets of the fund, subject to a minimum rate of zero.

(9) Where the balance in the surplus account is negative, the insurer shall immediately make payment into the surplus account such that the balance in the surplus account is at least zero.

Determination of liabilities in connection with winding up

23.—(1) This regulation shall apply to any registered insurer and to any Singapore insurer which has ceased to be so registered but remains under any liability in respect of Singapore policies or offshore policies.

(2) For the purposes of section 42(4) of the Act, in proceedings under any written law relating to companies for a winding up by the court of an insurer to which this regulation applies, any liability of the insurer in respect of policies shall, in determining whether the insurer is unable to pay its debts, be determined in the same manner as set out in this Part.

(3) Where, in any winding up of an insurer, any liability of the insurer in respect of Singapore policies or offshore policies is

required to be valued, the liability shall be determined in the same manner as set out in this Part.

Surrender values of life policies

24.—(1) Where a policy owner surrenders a life policy under section 60(1) of the Act, the surrender value of the life policy referred to in that section shall be at least—

- (a) in the case of a policy issued prior to 1st January 2005, and where the policy is—
 - (i) an endowment policy, an amount equal to 80% of the liability of the registered insurer in respect of that policy, determined in accordance with paragraph (2); or
 - (ii) a whole life policy, an amount equal to 95% of the liability of the insurer in respect of that policy determined in accordance with paragraph (2),
 less any monies due under the policy to the insurer; or
- (b) in the case of a policy issued on or after 1st January 2005, the amount that the insurer is contractually liable for on the surrender of the policy,

at the date of the surrender.

(2) For the purposes of paragraph (1), the liabilities of a registered insurer shall be determined under the net premium valuation method using—

- (a) for policies introduced before 1st January 1994,—
 - (i) the A1924-29 Ultimate Mortality Table set out in Table 2 of the Sixth Schedule for both male and female lives; and
 - (ii) an interest rate of 4% per annum; and
- (b) for policies introduced on or after 1st January 1994,—
 - (i) the 1992 Commissioner’s Valuation Table set out in Table 3 of the Sixth Schedule; and
 - (ii) an interest rate of 4% per annum.

(3) For the purposes of this regulation and regulation 25—

“adjusted value of premiums payable after the valuation date” means the actual value of premiums adjusted—

- (a) by assuming that the policy provides only for such premiums as are sufficient to provide for the risk

incurred by the insurer in issuing it, without provision for any other outgoings such as bonuses and office expenses; and

- (b) where the premiums are payable for a whole life policy or endowment policy (with or without other benefits), by making whichever of the following further adjustments that will produce a lower adjusted value:
- (i) to assume that the policy is issued one year after the actual date of its issue (but without thereby postponing the time when the premiums cease or any policy moneys become payable if that time is fixed by reference to the date of issue) and to calculate the premiums referred to in (a) accordingly;
 - (ii) to add to the premiums referred to in (a) such amount as would have at the date of issue of the policy resulted in a capitalised value equal to 3% of the policy moneys (taking any annuity at the capitalised value it would have on becoming payable); and

“net premium valuation method” is a valuation method where the liability in respect of a policy shall be taken as equal to the amount (if any) by which the value, as at the valuation date, of policy moneys which would be paid out under the policy, according to the contingencies on which they are payable, exceeds the adjusted value of premiums payable after the valuation date (if any), according to the contingencies upon which they are respectively payable.

Amount of paid-up policy to be obtained in exchange for life policy (pre-2005)

25.—(1) Where a policy owner exchanges a life policy issued before 1st January 2005 under section 60(3) of the Act for a paid-up policy, the paid-up policy shall be for the amount determined, as at the date of exchange, by the following formula:

$$\frac{A}{B}$$

Where A is the surrender value in dollars of the policy exchanged, less any sums due under the policy to the insurer; and

B is the value of liabilities of the insurer in respect of a paid-up policy for one dollar payable on the like contingencies as the policy moneys under the policy exchanged.

(2) A registered insurer shall calculate the surrender value referred to in the formula in paragraph (1) in the manner specified under regulation 24 for surrenders under section 60(1) of the Act, and the liabilities referred to in the formula shall be valued on the basis as set out in regulation 24(2).

FIRST SCHEDULE

FINANCIAL RESOURCES

Financial resources

1.—(1) “Financial resources”, in relation to an insurance fund established and maintained by a registered insurer under the Act, means –

- (a) in the case of a participating fund, the sum of—
 - (i) the balance in the surplus account; and
 - (ii) a provision for non-guaranteed benefits calculated in accordance with sub-paragraph (9); and
- (b) in the case of any other insurance fund, the surplus of the assets of the fund over its liabilities,

less any inadmissibility adjustment.

(2) “Financial resources” in relation to a registered insurer, means the sum of the following items:

- (a) Tier 1 resource calculated in accordance with sub-paragraph (3);
- (b) where it is a registered insurer incorporated in Singapore, Tier 2 resource calculated in accordance with sub-paragraph (5);
- (c) where the insurer is a direct insurer registered to carry on life business and has established and maintained any participating fund, the aggregate of the provisions for non-guaranteed benefits calculated in accordance with sub-paragraph (10) for each participating fund.

(3) Subject to sub-paragraph (6), “Tier 1 resource” of a registered insurer means the sum of the following items:

- (a) the aggregate of the surpluses of the assets over the liabilities of all insurance funds (other than a participating fund) established and maintained under Act by the insurer;
- (b) the balances in the surplus account of each participating fund;
- (c) where it is a registered insurer incorporated in Singapore, the sum of—
 - (i) its paid-up ordinary share capital;
 - (ii) its share premium account as defined in regulation 5;
 - (iii) any unappropriated profit or loss that is not already accounted for under sub-paragraphs (a) and (b); and
 - (iv) its irredeemable and non-cumulative preference shares;
- (d) any other capital instrument approved by the Authority as a Tier 1 resource in respect of the insurer,

less any inadmissibility adjustment.

(4) In approving a capital instrument for the purposes of sub-paragraph (3)(d), the Authority shall have regard to whether the following criteria are satisfied:

- (a) the instrument shall be issued and fully paid up in cash;
- (b) the dividends or coupons on the instrument shall be non-cumulative;
- (c) no dividend, coupon or principal or any part thereof, shall be paid under the instrument so long as such payment would result in the insurer being insolvent;
- (d) the holder of the instrument shall have a priority of claim, in the event of a winding up of the insurer, which is lower than that of policy owners, general creditors, and holders of instrument qualifying as Tier 2 resource of the insurer (except where such persons rank equally with or behind the holder of the instrument);
- (e) the holder of the instrument shall waive its right to set-off any amount it owes the insurer against the amount owed to it due to the instrument;
- (f) the instrument shall not be secured nor covered—
 - (i) by a guarantee of the insurer or any of its related corporation; or
 - (ii) under any arrangement that legally or economically enhances the priority of the claim of a holder of the instrument vis-à-vis creditors of the insurer;
- (g) subject to (h), the instrument shall not have a maturity date;
- (h) where the instrument is redeemable, the instrument may only be redeemed—
 - (i) at the initiative of the insurer after a minimum of 5 years after the issuance of the instrument unless –
 - (A) the instrument was issued for the purpose of a merger or acquisition by the insurer and the merger or acquisition is aborted;
 - (B) the instrument was an instrument enjoying tax incentives under the Income Tax Act (Cap. 134) or its equivalent recognised by the Authority as applicable to the insurer under the laws of the country or territory in which the instrument is issued; and
 - (ii) with the prior approval of the Authority;
- (i) the agreement governing the issuance of the instrument shall not contain any provision that mandates or creates an incentive for, the insurer to repay the outstanding principal of the instrument early, other than a provision that—
 - (i) makes the instrument redeemable by the insurer no earlier than 10 years after the issuance of the instrument; and
 - (ii) if the insurer choose not to call when it has the opportunity to, the dividend or coupon rate payable under the instrument increases by no more than 1% per annum;
- (j) the insurer shall have discretion over the amount and timing of dividends and coupons due under such instrument, subject only to

prior waiver of distributions on any share, other than a preference share;

- (k) any dividend or coupon to be paid under the instrument shall only be paid to the extent that the insurer has profits distributable under written law, determined from the latest statement of accounts lodged with the Authority in accordance with section 36 of the Act or such other subsequent audited statement of accounts provided to the Authority;
- (l) the dividend or coupon rate of the instrument shall not be linked to the credit standing of the insurer and shall be fixed at the time of the issuance of the instrument;
- (m) the main features of the instrument, in particular, the items in sub-paragraphs (c) and (d), shall be disclosed accurately and in a manner that is easily understood by an investor;
- (n) the terms and conditions governing the instrument shall not be changed without prior approval of the Authority;
- (o) external written legal and accounting opinions shall be obtained by the insurer on the instrument stating that it has complied with sub-paragraphs (a) to (n);
- (p) an appropriate memorandum relating to the instrument shall be submitted to the Authority stating how sub-paragraphs (a) to (o) have been complied with.

(5) Subject to sub-paragraphs (6), (7) and (8), “Tier 2 resource” of a registered insurer means the sum of the following items—

- (a) its irredeemable and cumulative preference share;
- (b) any qualifying Tier 2 instrument approved by the Authority as a Tier 2 resource in respect of the insurer.

(6) A registered insurer may include as its Tier 1 resource—

- (a) irredeemable and non-cumulative preference share capital under sub-paragraph (3)(c)(iv) and capital instruments approved by the Authority under sub-paragraph (3)(d) up to a combined amount not exceeding 30% of the total Tier 1 resource; and
- (b) capital instruments approved by the Authority under sub-paragraph (3)(d) up to an amount not exceeding 15% of the total Tier 1 resource,

and any excess shall be treated as part of its Tier 2 resource.

(7) The Tier 2 resource of a registered insurer shall not exceed its Tier 1 resource.

(8) The aggregate amount of qualifying Tier 2 instruments under the Tier 2 resource of a registered insurer shall not exceed 50% of its Tier 1 resource.

(9) For the purpose the sub-paragraph (1)(a)(ii), the provision for non-guaranteed benefits of a participating fund shall be calculated as—

- (a) the difference between—
 - (i) the liability in respect of the policies of the participating fund determined in accordance with regulation 20(6); and
 - (ii) the minimum condition liability of the participating fund, or

- (b) 50% of the aggregate of the value of expected payments arising from non-guaranteed benefits of each participating policy and any provision for adverse deviation from the expected experience for each participating policy of the participating fund, determined in accordance with regulation 20(3)(b),

whichever is the lower.

(10) For the purpose of sub-paragraph (2)(c), the provision for non-guaranteed benefits shall be—

- (a) where the direct insurer is incorporated outside of Singapore and has not established and maintained any insurance fund other than participating funds, the same as that calculated in accordance with sub-paragraph (9);
- (b) in any other case, the amount calculated in accordance with sub-paragraph (9) with such necessary adjustments to ensure that the unadjusted capital ratio of the insurer is not greater than its adjusted capital ratio.

(11) In this paragraph—

“adjusted capital ratio”, in relation to an insurer, means the ratio of the financial resources of the insurer (excluding the financial resources of any participating fund) to the total risk requirement of the insurer (excluding such requirement arising from any participating fund);

"charged asset" means any asset which is subjected to a charge under which a third party has a right of retention or sale of the asset upon default of the insurer;

"credit facility" means—

- (a) the granting by a financial institution of advances, loans and other facilities whereby a registered insurer has access to funds or financial guarantees; or
- (b) the incurring by a financial institution of other liabilities on behalf of a registered insurer;

“inadmissibility adjustment” means the sum of the following items:

- (a) any loan to, guarantee granted for, and other unsecured amount owed by a related corporation or reflected in the books of the insurer to be due and owing from the head office of the insurer to the insurer;
- (b) any charged asset, except where —
 - (i) the insurer has not drawn down on the credit facility if the charge is created to secure a credit facility;
 - (ii) a liability is incurred by the insurer in respect of the charged asset for use in the conduct of the insurance business of the insurer; or
 - (iii) the asset is provided as a collateral for a transaction for which the insurer is required to calculate a derivative counterparty risk requirement in accordance with paragraph 8 of the Fourth Schedule;
- (c) any asset or reduction in liability in relation to future tax obligations;

- (d) any asset or reduction in liability, arising from a reinsurance arrangement where the most significant objective of the arrangement (as determined according to criteria specified by the Authority) is deemed not to be the transfer of insurance risks, except to the extent as permitted by the Authority;
- (e) any intangible asset (including goodwill); and
- (f) any other assets that the Authority may specify for the purpose of this sub-paragraph; and

“unadjusted capital ratio”, in relation to an insurer, means the ratio of the financial resources (including the financial resources of any participating fund) of the insurer to the total risk requirement of the insurer (including such requirement arising from any participating fund).

Qualifying Tier 2 Instrument

2.—(1) “Qualifying Tier 2 instrument” means an instrument, of an amount specified under sub-paragraph (2), that satisfies the following criteria:

- (a) the instrument shall be issued and fully paid-up;
- (b) the instrument shall be available to absorb losses of the insurer without the insurer being obliged to wind-up its operations;
- (c) the holder of the instrument shall have a priority of claim, in the event of a winding up of the insurer, which is lower than that of policy owners and general creditors (except where such persons rank equally with or behind the holder of the instrument);
- (d) the holder of the instrument shall waive its right to set-off any amount it owes the insurer against the amount owed to it due to the instrument;
- (e) the instrument shall not be secured nor covered
 - (i) by a guarantee of the insurer or any of its related corporation; or
 - (ii) under any arrangement that legally or economically enhances the priority of the claim of a holder of the instrument vis-à-vis creditors of the insurer;
- (f) subject to (g), the instrument, or any part of the instrument, shall have not less than 10 years to maturity at the time the instrument is first issued;
- (g) where the instrument is redeemable, it may only be redeemed—
 - (i) at the initiative of the insurer after a minimum of 5 years after its issuance unless –
 - (A) the instrument was issued for the purpose of a merger or acquisition by the insurer and the merger or acquisition is aborted;
 - (B) the instrument was an instrument enjoying tax incentives under the Income Tax Act (Cap. 134) or its equivalent recognised by the Authority as applicable to the insurer under the laws of the country or territory in which the instrument is issued; and
 - (ii) with the prior approval of the Authority;

- (h) the agreement governing the issuance of the instrument shall not contain any provision that mandates or creates an incentive for, the insurer to redeem the instrument early, except such provision that—
 - (i) makes the instrument redeemable by the insurer no earlier than 10 years after the issuance of the instrument; and
 - (ii) if the insurer choose not to redeem when it has the opportunity to, the dividend or coupon rate payable under the share of instrument(if any) increases by no more than 1% per annum;
 - (i) the issuance agreement shall provide the insurer an option to defer any dividend or interest payment on the instrument, and this option shall be available where—
 - (i) the insurer has not paid or declared a dividend on its ordinary and other classes of preference shares in the preceding financial year; or
 - (ii) the insurer determines not to pay a dividend on such shares in the current financial year;
 - (j) the dividend or coupon rate of the instrument shall not be linked to the credit standing of the insurer and shall be fixed at the time of the issuance of the share or instrument;
 - (k) the main features of the instrument, in particular the items in sub-paragraphs (b) and (c), shall be disclosed accurately and in a manner that is easily understood by an investor;
 - (l) the terms and conditions governing the instrument shall not be changed without prior approval of the Authority;
 - (m) external written legal and accounting opinions have been sought by the insurer on the instrument stating that it has complied with sub-paragraphs (a) to (l);
 - (n) an appropriate memorandum relating to the instrument shall be submitted to the Authority stating how sub-paragraphs (a) to (m) have been complied with.
- (2) The amount of a qualifying Tier 2 instrument shall be—
- (a) in a case of an instrument which has no maturity or has a remaining maturity of more than 5 years, the amount paid for principal of the instrument; or
 - (b) in a case of a instrument which has a remaining maturity of 5 years or less, the principal of the instrument reduced, at least on a yearly basis, on a straight line basis over 5 years.

SECOND SCHEDULE

TOTAL RISK REQUIREMENT

Total risk requirement

1.—(1) “Total risk requirement” of an insurance fund established and maintained under the Act or, for a registered insurer incorporated in Singapore, arising from assets and liabilities that do not belong to any insurance fund established and maintained under the Act (including assets and liabilities of any of its branches located outside of Singapore) means the sum of the following:

- (a) Component 1 (“C1”) requirement relating to insurance risks calculated in accordance with the Third Schedule;
- (b) Component 2 (“C2”) requirement relating to market risks, credit risks and risks arising from the mismatch, in terms of interest rate sensitivity and currency exposure, of the assets and liabilities of the insurer calculated in accordance with the Fourth Schedule;
- (c) Component 3 (“C3”) requirement relating to concentration risks calculated in accordance with the Fifth Schedule.

(2) The “total risk requirement” of a registered insurer shall be the aggregate of the total risk requirements of every insurance fund established or maintained by the insurer under the Act and, where it is a registered insurer incorporated in Singapore, the total risk requirement arising from assets and liabilities that do not belong to any insurance fund established and maintained under the Act (including assets and liabilities of any of its branches located outside of Singapore).

(3) For an investment-linked fund, the part of the fund relating to the unit reserves of the policies of the fund determined in the manner provided in regulation 20 shall not be included in the calculation of the total risk requirement.

(4) For a registered insurer incorporated in Singapore, in determining the total risk requirement for assets and liabilities that do not belong to any insurance fund established and maintained under the Act, the value of such assets and liabilities (including that arising from insurance business) shall be determined in accordance with Part IV and Part V of these regulations.

(5) Any asset, or any part of an asset, that causes an insurer’s C3 requirement to increase shall be excluded from the calculation of C2 requirement.

(6) The contribution to the total risk requirement of any asset excluded from the financial resources of the registered insurer shall be zero.

THIRD SCHEDULE

C1 REQUIREMENT – INSURANCE RISKS

C1 requirement

1. A registered insurer shall determine the C1 requirement of an insurance fund established and maintained under the Act in the following manner:

- (a) where the insurance fund is established and maintained in respect of the general business of an insurer, the C1 requirement shall be determined in the manner as provided in paragraph 3 of this Schedule;
- (b) where the insurance fund is established and maintained in respect of the life business of an insurer, the C1 requirement shall be determined in the manner as provided in paragraph 4 of this Schedule.

2. A registered insurer incorporated in Singapore shall determine the C1 requirement arising from any insurance business of the insurer that does not belong to any insurance fund established and maintained under the Act in the same manner as its insurance business relating to an insurance fund established and maintained under the Act.

C1 requirement for general business

3.—(1) The C1 requirement of an insurance fund established and maintained in respect of general business is calculated as the sum of—

- (a) premium liability risk requirement calculated in accordance with subparagraphs (2) and (3); and
- (b) claims liability risk requirement calculated in accordance with subparagraphs (4) and (5).

(2) For each volatility category, there shall be calculated a premium liability risk requirement for that category as —

- (a) the product of—
 - (i) the premium liability risk factor for that volatility category set out in Table 7 of the Sixth Schedule; and
 - (ii) the such unexpired risk reserves determined in with the manner provided in regulation 19(1)(a)(ii) relating to that volatility category,

less the premium liability relating to that volatility category; or

- (b) zero,

whichever is the higher.

(3) The premium liability risk requirement of the insurance fund shall be the aggregate of the premium liability risk requirements for each volatility category.

(4) For each volatility category, there shall be calculated a claims liability risk requirement for that category as—

- (a) the product of—

- (i) the claims liability risk factor for that volatility category set out in Table 7 of the Sixth Schedule; and
- (ii) the such claims liabilities determined in the manner provided in regulation 19(1)(b) relating to that volatility category, but shall exclude such claims liabilities arising from any policy which the maximum loss that may be incurred under the policy is already provided for,

less the claims liability relating to that volatility category; or

- (b) zero,

whichever is the higher.

(5) The claims liability risk requirement of the insurance fund shall be the aggregate of the claims risk requirements for each volatility category.

(6) For the purpose of these regulations, “volatility category” refers to the grouping of business lines in accordance with Table 8 of the Sixth Schedule, or any other grouping that the Authority may allow.

C1 requirement for life business

4.—(1) The C1 requirement of a non-participating fund or an investment-linked fund shall be—

- (a) the difference between—

- (i) a modified liability in respect of policies of the fund where the value is determined by adjusting assumptions used in the valuation or making such other adjustments set out in Table 4 of the Sixth Schedule; and
- (ii) the liability in respect of policies of the fund determined in the manner provided in regulation 20; or

- (b) zero,

whichever is the higher.

(2) The C1 requirement of a participating fund shall be—

- (a) the difference between—

- (i) a modified minimum condition liability of the fund where the value is determined by adjusting assumptions used in the valuation or making such other adjustments set out in Table 4 of the Sixth Schedule; and
- (ii) minimum condition liability of the fund; or

- (b) zero,

whichever is the higher.

FOURTH SCHEDULE

C2 REQUIREMENT — INVESTMENT RISKS AND RISKS ARISING FROM INTEREST RATE SENSITIVITY AND FOREIGN CURRENCY MISMATCH BETWEEN ASSETS AND LIABILITIES

C2 requirement

1.—(1) A registered insurer shall calculate the C2 requirement as the sum of the following:

- (a) equity investment risk requirement calculated in accordance with paragraph 2;
- (b) the sum of—
 - (i) debt investment risk requirement in an increasing interest rate environment calculated in accordance with paragraph 3 and liability adjustment requirement in an increasing interest rate environment calculated in accordance with paragraph 4;
 - or
 - (ii) debt investment risk requirement in a decreasing interest rate environment calculated in accordance with paragraph 3, and liability adjustment requirement in a decreasing interest rate environment calculated in accordance with paragraph 4,
 whichever is the higher
- (c) loan investment risk requirement calculated in accordance with paragraph 5;
- (d) property investment risk requirement calculated in accordance with paragraph 6;
- (e) foreign currency mismatch risk requirement calculated in accordance with paragraph 7;
- (f) derivative counterparty risk requirement calculated in accordance with paragraph 8;
- (g) miscellaneous risk requirement calculated in accordance with paragraph 9.

Swap positions

(2) A registered insurer shall deem a position in a swap as—

- (a) a notional long position in a forward contract or an option, on a security or index; and
- (b) a notional short position in a forward contract or an option, on a security or index,

such that the combined payouts arising from the two notional positions match the payouts arising from the swap exactly in terms of timing and amount.

(3) Where the notional position referred to in sub-paragraph (2) makes reference to an interest rate instead of a specific security, the notional position shall be deemed as a position in a government debt security.

Valuation of notional positions

(4) A registered insurer shall value a notional position in a security as the current market value of the security, except in the case of a notional position derived from a warrant or a convertible security, in which event the insurer shall value the notional position as—

- (a) the sum of the current market value of the underlying share and an amount equal to any loss on conversion; or
- (b) the current market value of the underlying share less an amount equal to any profit on conversion, subject to a minimum value of zero.

C2 requirement for non-standard instruments

(5) Where a registered insurer holds a position in any security, futures contract, forward contract, foreign exchange contract or any other financial asset for which no method for computation of a C2 requirement has been prescribed in this Schedule, the insurer shall—

- (a) immediately consult the Authority; and
- (b) either—
 - (i) add 100% of the current market value of the position to the miscellaneous risk requirement calculated in paragraph 9; or
 - (ii) calculate an appropriate C2 requirement for the position in the manner that the Authority may otherwise direct.

Equity investment risk requirement

2.—(1) Subject to sub-paragraph (3), in calculating equity investment risk requirement, a registered insurer shall include—

- (a) any position in an equity security, except, where the insurer elects to include in the calculation of the debt investment risk requirement under paragraph 3, any position in a collective investment scheme with a mandate to invest in debt securities and debt derivative instruments only;
- (b) any position in an equity derivative; and
- (c) any position in a convertible security that—
 - (i) has less than 30 days remaining to the first date on which conversion may take place; and
 - (ii) is trading at a premium of less than 10%, where “premium” means the excess of the current market value of the convertible over the current market value of the underlying share, expressed as a percentage of the current market value of the underlying share.

(2) In the calculation of the equity investment risk requirement, the insurer shall derive the “equity equivalent position” of every depository receipt, warrant, convertible security or other equity derivative included as—

- (a) in relation to a depository receipt, a warrant, a convertible security, futures on a single stock, or a forward on a single stock, a notional position in the underlying share;
- (b) in relation to a future or a forward on a basket of shares or share index, notional positions in the constituent shares of the basket of shares or share index;
- (c) in relation to a purchased call option or a written put option, a notional long position in the underlying share; and
- (d) in relation to a purchased put option or a written call option, a notional short position in the underlying share.

(3) A long position and short position (including notional positions arising from the derivation of equity equivalent positions under sub-paragraph (2)) in the same share may be excluded from the calculation of equity investment risk requirement to the extent that the positions are matched.

(4) The insurer shall calculate the equity investment risk requirement as the sum of—

- (a) the equity specific risk requirement calculated in accordance with sub-paragraph (5); and
- (b) the equity general risk requirement calculated in accordance with sub-paragraph (6).

Equity specific risk requirement

(5) To calculate the equity specific risk requirement, the insurer shall—

- (a) calculate, for the position in each share (whether it is a long or short position), the product of the—
 - (i) the absolute value of the current market value of the position; and
 - (ii) the appropriate equity specific risk factor set out in Table 11 of the Sixth Schedule; and
- (b) calculate the equity specific risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all shares.

Equity general risk requirement

(6) To calculate the equity general risk requirement, the insurer shall—

- (a) allocate the position in each share to an appropriate country or territory;
- (b) calculate an overall net long or short position for each country or territory by netting the long and short positions in all shares allocated to that country or territory;
- (c) calculate the equity general risk requirement for that country or territory as the product of—

- (i) the absolute value of the current market value of the overall net long or short position calculated in accordance with sub-paragraph (b); and
 - (ii) the appropriate equity general risk factor set out in Table 11 of the Sixth Schedule.
- (d) calculate the equity general risk requirement as the sum of the products calculated in sub-paragraph (c) for all countries or territories.

Adjustments for warrant or option

(7) The insurer shall restrict the absolute value of the equity investment risk requirement arising from a warrant or a purchased option to the absolute value of the current market value of the warrant or the purchased option, respectively.

(8) The insurer shall adjust the equity investment risk requirement arising from a written option or a purchased option) by deducting an amount equals to the extent to which the option is out-of-the-money, which is determined as—

- (a) in the case of a call option, any positive excess of the value at which the option will be exercised (“exercise value”) over the current market value of the underlying share; and
- (b) in the case of a put option, any positive excess of the current market value of the underlying share over the exercise value,

restricted to an adjusted equity investment risk requirement of no less than zero.

(9) Any adjustment made pursuant to sub-paragraphs (7) and (8) shall be made proportional to the equity specific risk requirement and equity general risk requirement arising from the warrant or option.

Interest rate add-on for equity derivatives

(10) The insurer shall calculate a risk requirement to cover the interest rate risk in a position in an equity derivative (whether or not the equity derivative has been treated or included as an equity position or equity derivative position) by including the notional position in a debt security derived in accordance with sub-paragraph (11) in the calculation of the debt investment risk requirement.

(11) For the purpose of sub-paragraph (10), the insurer shall derive the notional position in an appropriate debt security as follows:

- (a) the notional position shall have a maturity equal to the period up to the expiry of the equity derivative contract;
- (b) the notional position shall be either—
 - (i) a long position, in a case where the underlying equity position is a short position; or
 - (ii) a short position, in a case where the underlying equity position is a long position.

Debt investment risk requirement

3.—(1) Subject to sub-paragraph (4), in calculating debt investment risk requirement, a registered insurer shall include—

- (a) any position in a debt security;
- (b) any position in a debt derivative;

- (c) where the insurer has elected in paragraph 2(1)(a) of this Schedule, any position in a collective investment scheme with a mandate to invest in debt securities and debt derivative instruments only;
- (d) any non-convertible preference share;
- (e) any position in a convertible security that does not meet the conditions in paragraph 2(1)(c) of this Schedule; and
- (f) any notional position arising from interest rate add-on for equity derivatives derived in accordance with paragraph 2(11) of this Schedule.

(2) In the calculation of the debt investment risk requirement, the insurer shall, subject to sub-paragraph (3), derive the “debt equivalent position” of the debt derivative to be—

- (a) in relation to a long (or short) futures or forward contract on a debt security, a notional long (or short) position in the underlying debt security and a notional short (or long) position in a zero coupon government debt security with a maturity equal to the time to expiry of the futures or forward contract;
- (b) in relation to a futures contract on an interest rate or a forward rate agreement,—
 - (i) where the insurer buys a futures contract on an interest rate or sells a forward rate agreement, a notional short position in a zero-coupon government debt security with a maturity equal to the period to expiry of the futures contract or the settlement date of the forward rate agreement, and a notional long position in a zero-coupon government debt security with a maturity equal to the sum of the period to expiry of the futures contract or the settlement date of the forward rate agreement and the maturity of the deposit period; and
 - (ii) where the insurer sells a futures contract on an interest rate or buys a forward rate agreement, a notional short position in a zero-coupon government debt security with a maturity equal to the sum of the period to expiry of the futures contract or the settlement date of the forward rate agreement and the maturity of the borrowing period, and a notional long position in a zero-coupon government debt security with a maturity equal to the period to expiry of the futures contract or the settlement date of the forward rate agreement;
- (c) in relation to a purchased call option or written put option on a debt security, a notional long position in the underlying debt security;
- (d) in relation to a purchased put or written call option on a debt security, a notional short position in the underlying debt security;
- (e) in relation to an option on an interest rate, a notional position in an appropriate government security —
 - (i) which is a long position, in the case of a purchased call option or a written put option, or a short position, in the case of a purchased put option or written call option; and
 - (ii) which has a maturity equal to the sum of the period until the expiry of the option and the period for which the interest rate is fixed;

- (f) in relation to an option on a futures contract or forward contract on a debt security, a notional position in the underlying futures contract or forward contract; and
- (g) in relation to an option on a futures contract on an interest rate or a forward rate agreement, a notional position in the underlying futures contract or forward rate agreement.

(3) Where it relates to a forward contract or a futures contract that allows settlement by a range of deliverable debt securities, the notional position derived according to sub-paragraph (2) shall refer to the debt security that is clearly identified as the most profitable for the party having a short position to deliver.

(4) For any position in a collective investment scheme included in the calculation of debt investment risk requirement with a mandate to invest in debt securities and debt derivative instruments only, the insurer shall split the position into individual positions according to each debt security or debt derivative underlying the collective investment scheme.

(5) A pair of long and short position (including notional positions arising from the derivation of debt equivalent positions under sub-paragraph (2)) in the same debt security may be excluded from the calculation of debt investment risk requirement to the extent they are matched.

(6) For the purpose of sub-paragraph (5), a pair of long and short position is matched if—

- (a) the positions are in respect of the same debt security with identical issuer, coupon, currency and residual maturity; or
- (b) for notional positions with identical issuer, nominal value and currency, but different coupon or residual maturity,—
 - (i) the notional positions arise from futures contracts, and matures with 7 days of each other;
 - (ii) both of the notional positions arise from swaps or forward rate agreements, have identical reference rate (for floating rate positions), and the coupon rates are within 15 basis points of each other; or
 - (iii) both the notional positions arise from swaps, forward rate agreements or forward contracts, and—
 - (A) where the maturity of the positions are no more than 30 days from the valuation date, the maturity of the positions are on the same day;
 - (B) where the maturity of the positions are more than 30 days but no more than a year from the valuation date, the maturity of the positions are within 7 days of each other; or
 - (C) where the maturity of the positions are more than more than a year from the valuation date, the maturity of the positions are within 30 days of each other.

(7) An insurer shall calculate the debt investment risk requirement—

- (a) for an increasing interest rate environment as the sum of—
 - (i) the debt specific risk requirement calculated in accordance with sub-paragraph (9); and

- (ii) the debt general risk requirement calculated in accordance with sub-paragraph (10); and
- (b) for an decreasing interest rate environment as the sum of —
 - (i) the debt specific risk requirement calculated in accordance with sub-paragraph (9); and
 - (ii) the negative of the debt general risk requirement calculated in accordance with sub-paragraph (10).

Maturity

(8) Unless otherwise stated, for the purposes of this Schedule, “maturity” means either —

- (a) the period remaining till the maturity of the security; or
- (b) in the case of a debt security with a floating rate coupon, the period remaining till the determination of the rate of the next coupon.

Debt specific risk requirement

(9) To calculate the debt specific risk requirement, the insurer shall—

- (a) calculate the debt specific risk requirement for the position in each debt security (whether it is a long or short position) as the product of—
 - (i) the absolute value of the current market value of the position; and
 - (ii) the appropriate debt specific risk factor set out in Table 12 of the Sixth Schedule; and
- (b) calculate the debt specific risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all securities.

Debt general risk requirement

(10) To calculate the debt general risk requirement, the insurer shall—

- (a) group long and short positions and equivalent positions in each debt security for all securities in the same currency to form currency portfolios ;
- (b) apply one of the following three methods to calculate the debt general risk requirement for each currency portfolio:—
 - (i) for an insurer who does not have any short position in any debt security, the simplified method described in sub-paragraph (11);
 - (ii) the maturity method described in sub-paragraph (12); or
 - (iii) the duration method described in sub-paragraph (13), where the Authority allows or directs an insurer to do so; and
- (c) calculate the debt general risk requirement as the sum of the requirements for each currency portfolio determined in sub-paragraph (b).

Simplified method

(11) For the purpose of calculating the debt general risk requirement for a currency portfolio under simplified method, the insurer shall—

- (a) calculate, for each position in debt securities in that currency portfolio, the product of—
 - (i) the market value of the position; and
 - (ii) the appropriate debt general risk factor set out in Table 13 of the Sixth Schedule; and
- (b) calculate the debt general risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all debt positions.

Maturity method

(12) For the purpose of calculating the debt general risk requirement for a currency portfolio under the maturity method, the insurer shall—

- (a) allocate each position in debt securities in that currency portfolio into an appropriate maturity band according to the maturity and coupon of the debt securities in accordance with Table 13 of the Sixth Schedule;
- (b) for each maturity band defined by Table 13 of the Sixth Schedule—
 - (i) calculate the aggregate of all long positions;
 - (ii) multiply the aggregate determined in (b)(i) by the appropriate maturity band debt general risk factor set out in Table 13 of the Sixth Schedule;
 - (iii) calculate the aggregate of all short positions;
 - (iv) multiply the aggregate determined in (b)(iii) by the appropriate maturity band debt general risk factor set out in Table 13 of the Sixth Schedule;
 - (v) determine the vertical disallowance of the maturity band as the product of the appropriate maturity band matching factor set out in Table 14 of the Sixth Schedule and the lower of—
 - (A) the product determined in (b)(ii); and
 - (B) the absolute value of the product determined in (b)(iv); and
 - (vi) calculate the sum of the products determined in (b)(ii) and the aggregate determined in (b)(iv);
- (c) for each zone defined by Table 13 of the Sixth Schedule—
 - (i) calculate the aggregate of the sums determined in (b)(vi) for all maturity bands within the zone where those sums are positive;
 - (ii) calculate the aggregate of the sums determined in (b)(vi) for all maturity bands within the zone where those sums are negative;
 - (iii) determine the intra-zone horizontal disallowance of the zone as the product of the appropriate zone matching factor set out in Table 14 of the Sixth Schedule and the lower of—
 - (A) the aggregate determined in (c)(i); and
 - (B) the absolute value of the aggregate determined in (c)(ii); and
 - (iv) calculate the sum of the aggregate determined in (c)(i) and the aggregate determined in (c)(ii);
- (d) where the product of the sum determined in (c)(iv) for Zone 1 and the sum determined in (c)(iv) for Zone 2 is negative—

- (i) determine the adjacent-zone horizontal disallowance as the product of the appropriate adjacent zone matching factor set out in Table 14 of the Sixth Schedule and the lower of—
 - (A) the absolute value of the sum determined in (c)(iv) for Zone 1; and
 - (B) the absolute value of the sum determined in (c)(iv) for Zone 2; and
- (ii) calculate the aggregate of the sums determined in (c)(iv) for Zone 1 and Zone 2 and—
 - (A) where the absolute value of the sum determined in (c)(iv) for Zone 1 is greater than the absolute value of the sum determined in (c)(iv) for Zone 2, this aggregate shall be allocated to Zone 1 and shall be taken to replace the sum determined in (c)(iv) for that zone for the purpose of subsequent sub-paragraphs; and
 - (B) otherwise, this aggregate shall be allocated to Zone 2 and shall be taken to replace the sum determined in (c)(iv) for that zone for the purpose of subsequent sub-paragraphs;
- (e) where the product of the sum determined in (c)(iv) for Zone 2 and the sum determined in (c)(iv) for Zone 3 is negative—
 - (i)
 - (A) the determine the adjacent-zone horizontal disallowance as the product of the appropriate adjacent zone matching factor set out in Table 14 of the Sixth Schedule and the lower of—absolute value of the sum determined in (c)(iv) for Zone 2; and
 - (B) the absolute value of the sum determined in (c)(iv) for Zone 3; and
 - (ii) calculate the aggregate of the sums determined in (c)(iv) for Zone 2 and Zone 3 and—
 - (A) where the absolute value of the sum determined in (c)(iv) for Zone 2 is greater than the absolute value of the sum determined in (c)(iv) for Zone 3, this aggregate shall be allocated to Zone 2 and shall be taken to replace the sum determined in (c)(iv) for that zone for the purpose of subsequent sub-paragraphs; and
 - (B) otherwise, this aggregate shall be allocated to Zone 3 and shall be taken to replace the sum determined in (c)(iv) for that zone for the purpose of subsequent sub-paragraphs;
- (f) where the product of the sum determined in (c)(iv) for Zone 1 and the sum determined in (c)(iv) for Zone 3 is negative, determine the cross-zone horizontal disallowance the lower of—
 - (i) the absolute value of the sum determined in (c)(iv) for Zone 2; and
 - (ii) the absolute value of the sum determined in (c)(iv) for Zone 3; and
- (g) calculate the debt general risk requirement as the aggregate of—

- (i) the sum of all products determined in sub-paragraphs (b)(ii) and (b)(iv) for all maturity bands;
- (ii) the sum of the vertical disallowances determined in sub-paragraph (b)(v) for all maturity bands;
- (iii) the sum of the intra-zone horizontal disallowances determined in sub-paragraph (c)(iii) for all zones;
- (iv) the sum of the adjacent-zone horizontal disallowances determined in sub-paragraphs (d)(i) and (e)(i); and
- (v) the cross-zone horizontal disallowance determined in sub-paragraph (f).

Duration method

(13) For the purpose of calculating the debt general risk requirement of a currency portfolio under the duration method, the insurer shall apply the steps in sub-paragraph (12), as modified in the following manner:

- (a) any reference to Table 13 of the Sixth Schedule in the sub-paragraph shall be read as a reference to Table 15 of the Sixth Schedule;
- (b) calculations required in sub-paragraphs (12)(b)(i) to (iv) need not be preformed;
- (c) any reference to the product determined in sub-paragraph (12)(b)(ii) shall be taken to mean the aggregate decrease in value for all long positions allocated to the maturity band if interest rate were to increase by an extent equals to the appropriate duration method debt general risk factor set out in Table 15 of the Sixth Schedule;
- (d) any reference to the product determined in sub-paragraph (12)(b)(iv) shall be taken to mean the aggregate decrease in value for all short positions allocated to the maturity band if interest rate were to increase by an extent equals to the appropriate duration method debt general risk factor set out in Table 15 of the Sixth Schedule;
- (e) any reference to maturity in sub-paragraph (12) shall be read as a reference to duration;
- (f) any reference to matching factor in sub-paragraph (12) shall be read as a reference to the matching factor in the duration method.

Adjustments for option

(14) The insurer shall restrict the absolute value of the debt investment risk requirement arising from a purchased option to the absolute value of the current market value of the purchased option.

(15) The insurer shall adjust the debt investment risk requirement arising from a written option by deducting an amount equals to the extent to which the option is out-of-the-money, which is determined as—

- (a) in the case of a call option, any positive excess of the exercise value over the current market value of the underlying share; and
- (b) in the case of a put option, any positive excess of the current market value of the underlying share over the exercise value,

restricted to an adjusted equity investment risk requirement of no less than zero.

(16) Any adjustment made pursuant to sub-paragraphs (14) and (15) shall be made proportional to the debt specific risk requirement and debt general risk requirement arising from the option.

Liability adjustment requirement

4.—(1) The liability adjustment requirement in respect of general business shall be—

- (a) in an increasing interest rate environment, the difference between—
 - (i) the C1 requirement calculated according to paragraph 3 of Third Schedule, adjusting the interest rate assumption upwards by an appropriate debt general risk factor set out in Table 15 of the Sixth Schedule; and
 - (ii) the C1 requirement calculated according to paragraph 3 of Third Schedule; and
- (b) in an decreasing interest rate environment, the difference between—
 - (i) the C1 requirement calculated according to paragraph 3 of Third Schedule, adjusting the interest rate assumption downwards (subjected to a minimum interest rate of zero) by an appropriate debt general risk factor set out in Table 15 of the Sixth Schedule; and
 - (ii) the C1 requirement calculated according to paragraph 3 of Third Schedule.

(2) Notwithstanding sub-paragraph (1), an insurer may elect not to calculate a liability adjustment requirement for an insurance fund established and maintained in respect of general business and in which case, both the liability adjustment requirement in an increasing interest rate environment and the liability adjustment requirement in an decreasing interest rate environment shall be taken to be zero.

(3) The liability adjustment requirement in respect of life business shall be—

- (a) for an increasing interest rate environment, the difference between—
 - (i) the C1 requirement calculated according to paragraph 4 of Third Schedule, adjusting the interest rate assumption upwards by an appropriate debt general risk factor set out in Table 15 of the Sixth Schedule; and
 - (ii) the C1 requirement calculated according to paragraph 4 of Third Schedule; and
- (b) for an decreasing interest rate environment, the difference between—
 - (i) the C1 requirement calculated according to paragraph 4 of Third Schedule, adjusting the interest rate assumption downwards (subjected to a minimum interest rate of zero) by an appropriate debt general risk factor set out in Table 15 of the Sixth Schedule; and
 - (ii) the C1 requirement calculated according to paragraph 4 of Third Schedule.

Loan investment risk requirement

5.—(1) In calculating the loan investment risk requirement for all loans originated from the insurer, a registered insurer shall—

- (a) calculate, for each loan, the product of—
 - (i) the principal outstanding; and
 - (ii) the appropriate counterparty risk factor set out in Table 18 of the Sixth Schedule; and
- (b) calculate the loan specific risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all loans.

Acceptable collateral

(2) For the purpose of sub-paragraph (1), the insurer may reduce the principal outstanding used in determining the loan investment risk requirement by the amount of any acceptable collateral held by the insurer and such collateral shall have a value of—

- (a) in the case of cash or cash value of a policy, 100% of its value;
- (b) in the case of a security issued by a government or a public authority, 95% of the current market value of the securities;
- (c) in the case of securities issued by a recognized multilateral agency, 90% of the current market value
- (d) in the case of securities listed on a recognised exchange described in Table 9 of the Sixth Schedule, 70% of the current market value of the securities; and
- (e) in any other case, nil value.

Property investment risk requirement

6. A registered insurer shall calculate the property investment risk requirement as 16% of the total value of all the immovable properties of the insurer.

Foreign currency mismatch risk requirement

7.— (1) Subject to sub-paragraph (2), a registered insurer shall calculate for each currency (other than for the Singapore Dollar) the net open position of the insurer in the currency as the absolute value of the aggregate of the following—

- (a) the amount of all assets less all liabilities denominated in the currency;
- (b) the aggregate of amounts in the currency to be received by the insurer less the aggregate of amounts in the currency to be paid by the insurer in relation to the currency positions arising from any futures contract or forward contract, including a forward contract associated with cross-currency swaps or other derivatives; and
- (c) net positions in products denominated in the currency in relation to any non-currency futures contract, forward contract and other derivatives,

but does not include —

- (i) any asset or exposure for which the insurer has calculated a risk requirement equal to 100% of the value of the asset or the full contract value, as appropriate, under this Schedule; and
- (ii) any position the insurer holds to hedge against a foreign currency position referred to in sub-paragraph (i) where the hedging contract is clearly earmarked as a hedge, to the extent that the nominal amount underlying each hedging contract matches the nominal amount of the contract being hedged.

(2) The insurer shall include the foreign currency exposure of a futures contract, forward contract or option on a currency in the calculation of net open positions.

(3) In sub-paragraph (4), “foreign currency equivalent position” means—

- (a) in the case of a purchased call option or a written put option, a long position in the commodity currency and a short position in the term currency, each of an amount equivalent to the notional face value of the underlying contract;
- (b) in the case of a purchased put option or a written call option, a short position in the commodity currency and a long position in the term currency, each of an amount equivalent to the notional face value of the underlying contract; and
- (c) in the case of a futures contract or forward contract, two notional positions, being—
 - (i) a long position in the commodity currency of an amount equivalent to the notional value of the underlying contract; and
 - (ii) a short position in the term currency of an amount equivalent to the notional value of the underlying contract.

(4) The insurer shall convert its net open position in each currency to the Singapore Dollar (preserving the sign) at the prevailing market spot rate at valuation date.

(5) The insurer shall calculate its foreign currency risk exposure as the higher of—

- (a) the aggregate of net open positions of currencies which net open position is positive; or
- (b) the absolute value of the aggregate of net open positions of currencies which net open position is negative,

less 10% of the total value of assets in the insurance fund, subject to a minimum of zero.

(6) A registered insurer shall calculate the foreign currency mismatching risk requirement as,—

- (a) for any insurance fund that the insurer establishes and maintains in respect of Singapore policies, 8% of the foreign currency risk exposure of the fund calculated in sub-paragraph (5); and
- (b) in any other case, zero.

(7) For avoidance of doubt, positions in gold shall be deemed as positions in a separate foreign currency.

Derivative counterparty risk requirement

8.—(1) A registered insurer shall calculate a counterparty exposure for any over-the-counter derivatives contract (other than an option written by the insurer) or derivatives contract traded on an exchange which is dependent on the issuer for performance of the contract as the credit equivalent amount of the contract.

(2) In this paragraph—

"credit equivalent amount" of a contract means —

- (a) in the case of an over-the-counter foreign exchange contract with an original maturity of 14 days or less, zero; or

(b) in any other case —

- (i) if the replacement cost of the contract is positive, the sum of the replacement cost of the contract and the potential credit exposure of the contract; or
- (ii) if the replacement cost of the contract is negative, the potential credit exposure;

"potential credit exposure" means the product of—

- (a) the nominal or notional principal underlying the contract; and
- (b) the relevant credit exposure factor as prescribed in Table 19 of the Sixth Schedule; and

"replacement cost of the contract" means the current market value of the contract.

(3) The insurer shall calculate the derivative counterparty risk requirement as the aggregate of the products of—

- (a) the counterparty exposure calculated in accordance with sub-paragraph (1); and
- (b) the appropriate counterparty risk factor set out in Table 18 of the Sixth Schedule,

for all contracts where the derivative counterparty risk requirement is applicable.

(4) The counterparty exposure calculated may be reduced in determining the derivative counterparty risk requirement by the amount of any acceptable collateral held by the insurer in accordance with paragraph 4(4) of this Schedule.

Miscellaneous risk requirement

9.—(1) A registered insurer shall calculate, for each asset for which no equity investment risk requirement, debt investment risk requirement, loan investment risk requirement, or property investment risk requirement has been calculated, the miscellaneous risk requirement as the aggregate of the products of—

- (a) the value of the asset; and
- (b) the appropriate risk factor set out in Table 20 of the Sixth Schedule.

(2) The insurer shall add to the miscellaneous risk requirement calculated in sub-paragraph (1) an appropriate proportion of its contingent liabilities set out in Table 20 of the Sixth Schedule.

FIFTH SCHEDULE

C3 REQUIREMENT – CONCENTRATION RISK

Concentration risk requirement

1. A registered insurer shall calculate the C3 requirement of any insurance fund established and maintained by the insurer under the Act as—

- (a) the total asset value of the fund; less
- (b) the value of assets that do not exceed any concentration limit set out in Table 21 of the Sixth Schedule.

SIXTH SCHEDULE

TABLE 1 – TYPES OF BUSINESS QUALIFYING FOR REDUCED CAPITAL REQUIREMENT

Regulations 3 and 4

Types of insurance business

- (1) Business concerned with investment-linked policies only.
- (2) Business concerned with short-term accident and health policies only.

TABLE 2 – A1924-29 ULTIMATE MORTALITY TABLE

Regulation 24

<i>First column</i>	<i>Second column</i>
<i>Age</i>	<i>Mortality rate</i>
0	0.00913
1	0.00913
2	0.00227
3	0.00196
4	0.00188
5	0.00180
6	0.00174
7	0.00168
8	0.00162
9	0.00159
10	0.00156
11	0.00166
12	0.00176
13	0.00186
14	0.00196
15	0.00206
16	0.00216
17	0.00225
18	0.00231
19	0.00234
20	0.00235
21	0.00235
22	0.00235
23	0.00235
24	0.00235

25	0.00235
26	0.00235
27	0.00235
28	0.00236
29	0.00238
30	0.00241
31	0.00246
32	0.00253
33	0.00262
34	0.00273
35	0.00286
36	0.00302
37	0.00320
38	0.00341
39	0.00364
40	0.00388
41	0.00413
42	0.00439
43	0.00466
44	0.00495
45	0.00527
46	0.00563
47	0.00604
48	0.00651
49	0.00704
50	0.00764
51	0.00831
52	0.00906
53	0.00990
54	0.01084
55	0.01190
56	0.01311
57	0.01450
58	0.01608
59	0.01783
60	0.01973
61	0.02176
62	0.02394
63	0.02631
64	0.02893
65	0.03188

66	0.03524
67	0.03908
68	0.04338
69	0.04812
70	0.05327
71	0.05881
72	0.06473
73	0.07104
74	0.07777
75	0.08497
76	0.09268
77	0.10093
78	0.10974
79	0.11913
80	0.12910
81	0.13962
82	0.15066
83	0.16221
84	0.17425
85	0.18676
86	0.19973
87	0.21315
88	0.22702
89	0.24134
90	0.25611
91	0.27133
92	0.28700
93	0.30312
94	0.31970
95	0.33675
96	0.35428
97	0.37231
98	0.39086
99	0.40995
100	0.42960
101	0.44893
102	0.47066
103	0.49211
104	0.51420
105	0.53695
106	0.56038

107	0.58451
108	0.60936
109	0.63495
110	0.66130
111	0.68843
112	0.71636
113	0.74511
114	0.77470
115	0.80515
116	0.83648
117	0.86871
118	0.90186
119	0.93595
120	1.00000

TABLE 3 – 1992 COMMISSIONER’S VALUATION TABLE

Regulation 24

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
0	0.00081	0.00081
1	0.00081	0.00081
2	0.00075	0.00081
3	0.00069	0.00081
4	0.00063	0.00081
5	0.00058	0.00075
6	0.00054	0.00069
7	0.00050	0.00063
8	0.00048	0.00058
9	0.00045	0.00054
10	0.00044	0.00050
11	0.00047	0.00048
12	0.00057	0.00045
13	0.00067	0.00044
14	0.00076	0.00047
15	0.00085	0.00057
16	0.00092	0.00067
17	0.00099	0.00076
18	0.00104	0.00085
19	0.00109	0.00092
20	0.00113	0.00099
21	0.00116	0.00104

22	0.00115	0.00109
23	0.00109	0.00113
24	0.00109	0.00116
25	0.00108	0.00115
26	0.00108	0.00109
27	0.00107	0.00109
28	0.00108	0.00108
29	0.00108	0.00108
30	0.00109	0.00107
31	0.00112	0.00108
32	0.00115	0.00108
33	0.00119	0.00109
34	0.00125	0.00112
35	0.00136	0.00115
36	0.00149	0.00119
37	0.00167	0.00125
38	0.00184	0.00136
39	0.00202	0.00149
40	0.00220	0.00167
41	0.00236	0.00184
42	0.00250	0.00202
43	0.00264	0.00220
44	0.00279	0.00236
45	0.00296	0.00250
46	0.00316	0.00264
47	0.00343	0.00279
48	0.00380	0.00296
49	0.00423	0.00316
50	0.00475	0.00343
51	0.00540	0.00380
52	0.00620	0.00423
53	0.00709	0.00475
54	0.00805	0.00540
55	0.00903	0.00620
56	0.01003	0.00709
57	0.01106	0.00805
58	0.01212	0.00903
59	0.01320	0.01003
60	0.01430	0.01106
61	0.01555	0.01212
62	0.01693	0.01320

63	0.01831	0.01430
64	0.01989	0.01555
65	0.02169	0.01693
66	0.02378	0.01831
67	0.02622	0.01989
68	0.02900	0.02169
69	0.03214	0.02378
70	0.03562	0.02622
71	0.03937	0.02900
72	0.04335	0.03214
73	0.04757	0.03562
74	0.05204	0.03937
75	0.05684	0.04335
76	0.06202	0.04757
77	0.06766	0.05204
78	0.07377	0.05684
79	0.08041	0.06202
80	0.08756	0.06766
81	0.09529	0.07377
82	0.10360	0.08041
83	0.11253	0.08756
84	0.12211	0.09529
85	0.13125	0.10360
86	0.14007	0.11253
87	0.15020	0.12211
88	0.16339	0.13125
89	0.18134	0.14007
90	0.20580	0.15020
91	0.23848	0.16339
92	0.28111	0.18134
93	0.33541	0.20580
94	0.40312	0.23848
95	0.48595	0.28111
96	0.58563	0.33541
97	0.70389	0.40312
98	0.84246	0.48595
99	1.00000	0.58563
100	1.00000	0.70389
101	1.00000	0.84246
102	1.00000	1.00000

TABLE 4 – ADJUSTMENTS TO LIABILITY VALUATION REQUIRED IN THE CALCULATION OF C1 REQUIREMENT

Third Schedule

For the purpose of the Third Schedule, the adjustments to liability valuation required in the calculation of the C1 requirement are set out in the table below.

<i>First column</i>	<i>Second column</i>
<i>Parameter</i>	<i>Assumption Used</i>
(1) Mortality rate for a policy other than a policy which provides for the payment of an annuity—	
(a) where premiums payable by the policy owner is guaranteed for the full duration of the policy and—	
(i) where the policy owner is not a smoker; and	125% of the rate set out in Table 5 of this Schedule
(ii) where the policy owner is a smoker; and	250% of the rate set out in Table 5 of this Schedule
(b) where premiums payable by the policy owner is not guaranteed for the full duration of the policy.	112.5% of the insurer's best estimate of its future experience
(2) Mortality rate for a policy which provides for the payment of an annuity	100% of the rate set out in Table 6 of this Schedule
(3) Incidence rate of total and permanent disability—	
(a) where premiums payable by the policy owner is guaranteed for the full duration of the policy; and	125% of the insurer's best estimate of its future experience
(b) where premiums payable by the policy owner is not guaranteed for the full duration of the policy.	112.5% of the insurer's best estimate of its future experience
(4) Incidence rate of dread disease—	
(a) where premiums payable by the policy owner is guaranteed for the full duration of the policy; and	140% of the insurer's best estimate of its future experience
(b) where premiums payable by the policy owner is not guaranteed for the full duration of the	120% of the insurer's best estimate of its future experience

- policy.
- (5) Maintenance expense 110% of the insurer's best estimate of its future experience
- (6) Voluntary discontinuance rate
- (i) 75% of the insurer's best estimate of its future experience; or
- (ii) 125% of the insurer's best estimate of its future experience,
- whichever produces a higher liability value
- (7) Conversion rate for options provided to the policy owner
- (i) 90% of the insurer's best estimate of its future experience; or
- (ii) 110% of the insurer's best estimate of its future experience,
- whichever produces a higher liability value
- (8) Other insured events—
- (a) where premiums payable by the policy owner is guaranteed for the full duration of the policy; and 140% of the insurer's best estimate of its future experience
- (b) where premiums payable by the policy owner is not guaranteed for the full duration of the policy. 120% of the insurer's best estimate of its future experience

TABLE 5 – PRESCRIBED MORTALITY TABLE

Third Schedule and
Table 4 of this Schedule

<This table relates to the mortality experience of insured lives in Singapore for the period 1997 to 2002. This table is still under development. To be inserted.>

For an insured life that has been subjected to a medical examination, the mortality rate may be assumed to be 85% of that described in this Table.

TABLE 6 – PRESCRIBED ANNUITANT MORTALITY TABLE

Third Schedule and
Table 4 of this Schedule

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
25	0.000947	0.000340
26	0.000895	0.000329
27	0.000846	0.000323

28	0.000802	0.000328
29	0.000762	0.000342
30	0.000727	0.000361
31	0.000697	0.000376
32	0.000674	0.000389
33	0.000657	0.000397
34	0.000647	0.000401
35	0.000646	0.000409
36	0.000652	0.000424
37	0.000669	0.000446
38	0.000696	0.000475
39	0.000734	0.000513
40	0.000784	0.000561
41	0.000849	0.000619
42	0.000928	0.000689
43	0.001024	0.000771
44	0.001137	0.000865
45	0.001271	0.000972
46	0.001426	0.001092
47	0.001605	0.001224
48	0.001809	0.001367
49	0.002043	0.001521
50	0.002307	0.001686
51	0.002605	0.001859
52	0.002941	0.002042
53	0.003318	0.002233
54	0.003739	0.002434
55	0.004209	0.002645
56	0.004733	0.002868
57	0.005319	0.003105
58	0.005988	0.003358
59	0.006761	0.003629
60	0.007647	0.003929
61	0.008648	0.004270
62	0.009759	0.004667
63	0.010971	0.005132
64	0.012274	0.005674
65	0.013657	0.006301
66	0.015116	0.007014
67	0.016652	0.007813
68	0.018274	0.008697

69	0.019999	0.009669
70	0.021853	0.010737
71	0.023862	0.011915
72	0.026049	0.013220
73	0.028432	0.014665
74	0.031025	0.016265
75	0.033846	0.018037
76	0.036914	0.019998
77	0.040249	0.022167
78	0.043871	0.024566
79	0.047803	0.027217
80	0.052068	0.030145
81	0.056691	0.033377
82	0.061697	0.036943
83	0.067115	0.040874
84	0.072971	0.045203
85	0.079295	0.049967
86	0.086115	0.055204
87	0.093463	0.060955
88	0.101369	0.067262
89	0.109861	0.074170
90	0.118972	0.081726
91	0.128728	0.089976
92	0.139159	0.098970
93	0.150288	0.108755
94	0.162140	0.119379
95	0.174735	0.130889
96	0.188088	0.143328
97	0.202211	0.156736
98	0.217112	0.171147
99	0.232790	0.186591
100	0.249240	0.203086
101	0.266449	0.220644
102	0.284395	0.239265
103	0.303051	0.258935
104	1.000000	1.000000

**TABLE 7 – PREMIUM LIABILITY RISK FACTOR AND CLAIMS
LIABILITY RISK FACTOR**

Third Schedule

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Volatility Category</i>	<i>Premium liability risk factor</i>	<i>Claims liability risk factor</i>
(1) Low	124%	120%
(2) Medium	130%	125%
(3) High	136%	130%.

TABLE 8 – VOLATILITY CATEGORYThird Schedule and
Table 7 of this Schedule

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Volatility category</i>	<i>Business lines – Singapore insurance fund</i>	<i>Business lines – Offshore insurance fund</i>
(1) Low	(i) Personal accident (ii) Health (iii) Fire	
(2) Medium	(i) Marine & aviation – cargo (ii) Motor (iii) Workmen’s compensation (iv) Bonds (v) Engineering Construction All Risk/Erection All Risk (vi) Credit or political risk	(i) Marine & aviation – cargo (ii) Property
(3) High	(i) Marine & aviation – hull (ii) Professional indemnity (iii) Public liability (iv) Others	(i) Marine & aviation – hull and liability (ii) Casualty and others

TABLE 9 – RECOGNISED EXCHANGES, AND MARKET INDICES OF RECOGNISED EXCHANGESRegulation 2, Fourth Schedule and
Table 11 of this Schedule*First column**Second column*

<i>Country or Territory of Recognised Exchanges</i>	<i>Index</i>
(1) Australia	All Ordinaries
(2) Austria	Austria Traded Index
(3) Belgium	BEL 20
(4) Canada	Toronto Stock Exchange 300 Composite Index, Toronto Stock Exchange 300 Capped Index, Toronto Stock Exchange 100 Index
(5) France	Compagnie des Agents de Change 40 Index (CAC 40)
(6) Germany	Deutsche Aktienindex (DAX)
(7) Hong Kong	Hang Seng Index (HSI)
(8) Italy	Milano Italia Borsa Telematico (MIBTEL)
(9) Japan	Nikkei 225 Stock Average, TOPIX
(10) Malaysia (except Labuan)	Kuala Lumpur Composite Index
(11) Netherlands	Amsterdam Exchanges Index (AEX)
(12) New Zealand	New Zealand Stock Exchange Gross Index (NZSE)
(13) South Korea	Korea Composite Stock Price Index (KOSPI)
(14) Spain	IBEX 35
(15) Sweden	Stockholm Stock Exchange SX 16, OMX
(16) Singapore	Straits Times Index
(17) Switzerland	Swiss Market Index (SMI)
(18) Taiwan	Taiwan Stock Exchange Capitalization Weighted Stock Index (TaieX)
(19) Thailand	The Stock Exchange of Thailand Index
(20) United Kingdom	FTSE All Share, FTSE 100
(21) United States of America	Standard & Poor's 500, Dow Jones Industrial Average Index, Nasdaq Composite Index.

TABLE 10 – RECOGNISED MULTILATERAL AGENCIES

Regulation 2, Fourth Schedule and
Table 12 of this Schedule

Name of Multilateral Agency

- (1) The African Development Bank
- (2) The Asian Development Bank
- (3) The Bank for International Settlements
- (4) The European Bank for Reconstruction and Development

- (5) The European Economic Community
- (6) The European Investment Bank
- (7) The Inter-American Development Bank
- (8) The International Bank for Reconstruction and Development (The World Bank)
- (9) The International Finance Corporation
- (10) The International Monetary Fund.

TABLE 11 – EQUITY INVESTMENT SPECIFIC AND GENERAL RISK FACTORS

Fourth Schedule

	<i>First column</i> <i>Equity security or index</i>	<i>Second column</i> <i>Equity specific risk factor</i>	<i>Third column</i> <i>Equity general risk factor</i>
(1)	Straits Times Index, MSCI Singapore Index or a market index of a recognised exchange	2%	8%
(2)	Otherwise	8%	8%.

TABLE 12 – DEBT SPECIFIC RISK FACTORS

Fourth Schedule

<i>Government Debt Securities</i>	<i>Qualifying Debt Securities</i>			<i>Other Debt Securities</i>
	<i>Maturity</i>			
	<i>Not more than 6 months</i>	<i>More than 6 months but not more than 24 months</i>	<i>More than 24 months</i>	
0.00%	0.25%	1.00%	1.60%	8.00%

In this Table—

"qualifying debt security" means a debt security which is —

- (a) issued or fully guaranteed by a central government or central bank of a country or territory which does not have a rating of investment grade and denominated in the national currency of that country and has a residual maturity of over one year;
- (b) issued or fully guaranteed by a statutory board in Singapore;
- (c) issued or fully guaranteed by a recognised multilateral agency; or
- (d) any other debt security which has a rating of investment grade.

TABLE 13 – DEBT GENERAL RISK FACTORS FOR SIMPLIFIED METHOD AND MATURITY METHOD

Fourth Schedule

<i>Maturity band</i>		<i>Zone</i>	<i>Debt General Risk Factor (%)</i>
<i>Coupon / interest rate</i>			
<i>More than 3%</i>	<i>Not more than 3%</i>		
(1) 1 month or less	1 month or less		0.00
(2) More than 1 month but not more than 3 months	More than 1 month but not more than 3 months		0.20
(3) More than 3 months but not more than 6 months	More than 3 months but not more than 6 months	1	0.40
(4) More than 6 months but not more than 12 months	More than 6 months but not more than 12 months		0.70
(5) More than one year but not more than 2 years	More than one year but not more than 1.9 years		1.25
(6) More than 2 years but not more than 3 years	More than 1.9 years but not more than 2.8 years	2	1.75
(7) More than 3 years but not more than 4 years	More than 2.8 years but not more than 3.6 years		2.25
(8) More than 4 years but not more than 5 years	More than 3.6 years but not more than 4.3 years		2.75
(9) More than 5 years but not more than 7 years	More than 4.3 years but not more than 5.7 years		3.25
(10) More than 7 years but not more than 10 years	More than 5.7 years but not more than 7.3 years		3.75
(11) More than 10 years but not more than 15 years	More than 7.3 years but not more than 9.3 years	3	4.50
(12) More than 15 years but not more than 20 years	More than 9.3 years but not more than 10.6 years		5.25
(13) More than 20 years	More than 10.6 years but not more than 12.0 years		6.00
(14)	More than 12.0 years but not more than 20 years		8.00
(15)	More than 20 years		12.50.

TABLE 14 –MATCHING FACTORS FOR MATURITY AND DURATION METHODS

Fourth Schedule

<i>Item</i>	<i>Matching Factor</i>	
	<i>Maturity Method</i>	<i>Duration Method</i>
(1) Maturity Band Matching Factor	10%	5%
(2) Zone Matching Factor (Zone 1)	40%	40%
(3) Zone Matching Factor (Zone 2)	30%	30%
(4) Zone Matching Factor (Zone 3)	30%	30%
(5) Adjacent Zone Matching Factor	40%	40%.

TABLE 15 –DEBT GENERAL RISK FACTORS FOR DURATION METHOD

Fourth Schedule

<i>Modified Duration</i>	<i>Zone</i>	<i>Debt General Risk Factor (%)</i>
(1) 1 month or less		1.00
(2) More than 1 month but not more than 3 months	1	1.00
(3) More than 3 months but not more than 6 months		1.00
(4) More than 6 months but not more than 1 year		1.00
(5) More than 1 year but not more than 1.9 years		0.90
(6) More than 1.9 years but not more than 2.8 years	2	0.80
(7) More than 2.8 years but not more than 3.6 years		0.75
(8) More than 3.6 years but not more than 4.3 years		0.75
(9) More than 4.3 years but not more than 5.7 years		0.70
(10) More than 5.7 years but not more than 7.3 years		0.65
(11) More than 7.3 years but not more than 9.3 years		0.60
(12) More than 9.3 years but not more than 10.6 years	3	0.60
(13) More than 10.6 years but not more than 12.0 years		0.60
(14) More than 12.0 years but not more than 20 years		0.60
(15) More than 20 years		0.60.

TABLE 16 – INVESTMENT GRADE CREDIT RATINGS

First Schedule and
Table 12 of this Schedule

<i>First column Credit rating agency</i>	<i>Second column Rating of entity or security</i>	<i>Third column Rating of money market debt security</i>
(1) Moody's Investor Services	Baa3	P3
(2) Standard and Poor's Corporation	BBB-	A3
(3) Fitch, Inc	BBB-	F3
(4) A. M. Best Company, Inc	bbb-	AMB-3

1. A registered insurer may calculate its total risk requirement using ratings from one or more of the rating agencies listed in this Table.

2 For any particular rating agency used by the insurer, all publicly available ratings from that agency shall be used by the insurer in calculating the total risk requirement.

3 Where more than one rating agency is used by the insurer and more than one rating is available on a particular security or entity, the second best rating of the security or entity shall apply in calculating the total risk requirement.

4 Where the particular security or entity is not rated by any of the rating agencies used by the insurer, the security or entity shall be treated as not investment grade.

TABLE 17 – COUNTERPARTY RISK CLASS CLASSIFICATION BY CREDIT RATING

Tables 19 and 21 of this Schedule

<i>First column</i> <i>Credit rating agency</i>	<i>Second column</i> <i>Rating of entity or security</i>	<i>Third column</i> <i>Rating of money market debt security</i>
(1) Counterparty Risk Class A		
(a) Moody's Investor Services	Aa3 or better	P1
(b) Standard and Poor's Corporation	AA- or better	A1 or better
(c) Fitch, Inc	AA- or better	F1 or better
(d) A. M. Best Company, Inc	aa- or better	AMB-1 or better
(2) Counterparty Risk Class B		
(a) Moody's Investor Services	Worse than Aa3 but not worse than A3	P2
(b) Standard and Poor's Corporation	Worse than AA- but not worse than A-	A2
(c) Fitch, Inc	Worse than AA- but not worse than A-	F2
(d) A. M. Best Company, Inc	Worse than aa- but not worse than a-	AMB-2
(3) Counterparty Risk Class C		
(a) Moody's Investor Services	Worse than A3 but not worse than Baa3	P3
(b) Standard and Poor's Corporation	Worse than A- but not worse than BBB-	A3
(c) Fitch, Inc	Worse than A- but not worse than BBB-	F3
(d) A. M. Best Company, Inc	Worse than a- but not worse than bbb-	AMB-3
(4) Counterparty Risk Class D		

(a) Moody's Investor Services	Worse than Baa3 but not worse than B3	NP
(b) Standard and Poor's Corporation	Worse than BBB- but not worse than B-	B
(c) Fitch, Inc	Worse than BBB- but not worse than B-	B
(d) A. M. Best Company, Inc	Worse than bbb- but not worse than b-	AMB-4
(5) Counterparty Risk Class E		
(a) Moody's Investor Services	Worse than B3	Not applicable
(b) Standard and Poor's Corporation	Worse than B-	C or worse
(c) Fitch, Inc	Worse than B-	C or worse
(d) A. M. Best Company, Inc	Worse than b-	d

1. A registered insurer may calculate its total risk requirement using ratings from one or more of the rating agencies listed in this Table.

2. For any particular rating agency used by the insurer, all publicly available ratings from that agency shall be used by the insurer in calculating the total risk requirement.

3. Where more than one rating agency is used by the insurer and more than one rating is available on a particular security or entity, the second best rating of the security or entity shall apply in calculating the total risk requirement.

4. Where the particular security or entity is not rated by any of the rating agencies used by the insurer, the security or entity shall belong to Counterparty Risk Class D.

TABLE 18 – COUNTERPARTY RISK FACTOR

Fourth Schedule

<i>Counterparty risk factor</i>	<i>Counterparty</i>	
	<i>Sovereign counterparty</i>	<i>Any counterparty other than a sovereign counterparty</i>
(1) 0%	Counterparty Risk Class A	Not applicable
(2) 1.6%	Counterparty Risk Class B	Counterparty Risk Class A
(3) 4%	Counterparty Risk Class C	Counterparty Risk Class B
(4) 8%	Counterparty Risk Class D	Counterparty Risk Class C and Counterparty Risk Class D
(5) 12%	Counterparty Risk Class E	Counterparty Risk Class E

“Counterparty risk class” shall have the same meaning as that set out in Table 17 of this Schedule.

TABLE 19 – CREDIT EXPOSURE FACTORS

For the purposes of the Second Schedule, “credit exposure factor” is as specified in the table below, after making the following adjustments:

- (a) in the case of contracts with multiple exchange of principal, the factors are multiplied by the number of remaining payments in the contract; and
- (b) the credit exposure factor of a single currency floating or floating interest rate swap is zero.

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Type of transaction</i>	<i>Residual maturity of contract</i>	<i>Credit exposure factor</i>
(1) Physical commodity contracts	(a) one year or less	10%
	(b) more than one year but not more than 5 years	12%
	(c) more than 5 years	15%
(2) Equity contracts	(a) one year or less	6%
	(b) more than one year but not more than 5 years	8%
	(c) more than 5 years	10%
(3) Foreign exchange contracts (other than leveraged foreign exchange contracts which are subject to margin requirements), or gold contracts	(a) a contract with original maturity of 14 calendar days or less	0%
	(b) one year or less, except a contract with original maturity of 14 calendar days or less	1%
	(c) more than one year but not more than 5 years	5%
	(d) more than 5 years	7.5%
(4) Interest rate contracts	(a) one year or less	0 %
	(b) more than one year but not more than 5 years	0.5%
	(c) more than 5 years	1.5%.

TABLE 20 – MISCELLANEOUS RISK FACTORS

First column

Second column

<i>Type of assets</i>	<i>Risk factor</i>
(1) A deposit with a bank or deposit-taking institution which has a rating of at least investment grade, and—	
(a) can be unconditionally withdrawn within 6 months from the date of computation of the total risk requirement;	0.25%
(b) cannot be unconditionally withdrawn within 6 months from the date of computation of the total risk requirement, but can be unconditionally withdrawn within 2 years;	1%
(c) cannot be unconditionally withdrawn within 2 years from the date of computation of the total risk requirement;	1.6%
(2) Receivables, outstanding premiums and reinsurance recoverables due, from a registered insurer or from a foreign insurer carrying on insurance business under a foreign insurer scheme established and maintained under section 35B of the Act	
(a) belonging to Counterparty Risk Class A set out in Table 17 of this Schedule;	1.6%
(b) belonging to Counterparty Risk Class B set out in Table 17 of this Schedule;	4%
(c) belonging to Counterparty Risk Class C and Counterparty Risk Class D set out in Table 17 of this Schedule;	8%
(d) belonging to Counterparty Risk Class E set out in Table 17 of this Schedule;	12%
(3) Receivables, outstanding premiums and reinsurance recoverables due, from an authorised reinsurer	
(a) belonging to Counterparty Risk Class A set out in Table 17 of this Schedule;	2.4%
(b) belonging to Counterparty Risk Class B set out in Table 17 of this Schedule;	6%
(c) belonging to Counterparty Risk Class C, Counterparty Risk Class D and Counterparty Risk Class E set out in Table 17 of this Schedule;	12%
(4) Receivables, outstanding premiums and reinsurance recoverables due, from an insurer other than a registered insurer, an authorised reinsurer, or from a foreign insurer carrying on insurance business under a foreign insurer scheme established and maintained under section 35B of the Act	12%
(5) Inter-insurance fund or intra-group balances outstanding for more than 90 days;	100%
(6) Outstanding premiums, agents' balances, and any other receivables due from any person other than an insurer—	

(a) owing for 90 days or less;	8%
(b) owing for more than 90 days but not more than 180 days;	25%
(c) owing for more than 180 days but not more than 1 year;	50%
(d) owing for more than 1 year;	100%
(7) Any other assets	8%
(8) Any general guarantee of indebtedness (including a standby letter of credit serving as a financial guarantee for loans and securities) and acceptance (including an endorsement with the character of acceptance) originating from the insurer, but does not include any guarantee or acceptance that has been accounted for as a liability in respect of policies	8%
(9) Any contingent liability relating to any specific transaction (including a performance bond, a warranty, and a standby letter of credit relating to a specific transaction) to the insurer, but does not include any guarantee or acceptance that has been accounted for as a liability in respect of policies	4%

TABLE 21 – CONCENTRATION LIMIT

Fifth Schedule

<i>First column</i>	<i>Second column</i>
<i>Description of limit</i>	<i>As % of total assets</i>
(1) Counterparty exposure limit	
(a) exposure to a counterparty (or a group of related counterparties) who is (or are) not listed on any recognised exchange, but does not include the Government and any statutory board in Singapore	5%
(b) exposure to a counterparty (or a group of related counterparties) who is (or are) listed on any recognised exchange	10%
(c) notwithstanding (a) and (b), where the Authority may allow, exposure to a counterparty (or a group of related counterparties) who is (or are) a financial institution (or a group of financial institutions)	20%
(2) Equity securities limit	
(a) exposure to a constituent stock of the Straits Times Index, MSCI Singapore Index or a market index of a recognised exchange	5%

(b) exposure to any other single equity security other than a constituent stock of the Straits Times Index, MSCI Singapore Index or a market index of a recognised exchange	2.5%
(c) exposure to unlisted equities, in aggregate	5%
(d) notwithstanding (1)(a), (2)(a), (b) and (c), where the equity security is a collective investment scheme	10%
(3) Unsecured loans limit	
(a) to a single counterparty	1%
(b) in aggregate	2.5%
(4) Property exposure limit	35%
(5) Foreign currency risk exposure calculated under paragraph 7(5) of the Fourth Schedule	40%
(6) Limit on the aggregate value of assets where miscellaneous risk requirements set out in sub-paragraph (7) of Table 20 of this Schedule applies	2.5%

<i>Description of limit</i>	<i>In absolute terms</i>
(7) For an insurance fund established and maintained by an insurer under the Act in respect of general business and relating to Singapore policies, limit on aggregate value of assets that are not liquid assets	Total asset of the insurance fund less 30% of Claims Liabilities of the fund.

In this Table —

For each limit stated above, where the amount of assets failing within limit is calculated to be less than \$5 million, a limit of \$5 million shall apply.

“approved financial institution” means any bank or finance company licensed by the Authority or merchant banks approved by the Authority or any other commercial bank licensed in a foreign country;

"liquid assets" means securities issued by the Singapore Government and public authorities of Singapore, cash and deposits in Singapore dollars in approved financial institutions, and bills of exchange in Singapore dollars accepted or endorsed by banks licensed under the Banking Act (Cap. 19), which arise from bona fide commercial transactions and which are payable within 3 months;

"property corporation" means any body corporate where—

- (a) more than 50% of the total turnover of the body corporate is derived from property-related activities; or
- (b) more than 50% of the total assets of the body corporate comprises interests in or rights over immovable property situate in Singapore, other than such immovable property or any part thereof which is used—
 - (i) as premises for the conduct of any business carried on by body corporate;
 - (ii) for the business of a hotel or hostel; or

(iii) for community, charity or educational purposes;

"property-related activities" means -

- (a) the construction of or the causing of the construction of any building on, over or under land in Singapore for the purpose of sale by the person carrying out or causing such construction, of any right or interest in the land which would be appurtenant to such building, other than a building or part thereof constructed for use—
 - (i) for the business of a hotel or hostel; or
 - (ii) for community, charity or educational purposes;
- (b) the acquisition or holding of any interest in or right over immovable property situate in Singapore for the purposes of rental, or for the purposes of securing a profit from its sale, other than such immovable property or part thereof—
 - (i) used or to be used by the person acquiring or holding the immovable property for occupation by himself or members of his family or as premises for any business carried on by him;
 - (ii) used or to be used for the business of a hotel or hostel; or
 - (iii) used or to be used for community, charity or educational purposes;
- (c) the financing of any activity referred to in paragraphs (a) or (b);
- (d) the making of loans to any property corporation;
- (e) the acquisition or holding as beneficial owner of shares or debentures issued by any property corporation; and
- (f) the acquisition or holding as beneficial owner of debentures the payment of principal or interest on which is contingent, directly or indirectly, on the turnover, profits or cash flow from any activity under paragraph (a), (b), (c), (d) or (e);

"property exposure" means the aggregate of —

- (a) value of immovable property held, excluding such portion of the value as may be attributable to any interest in or right over immovable property or any part thereof used for the purpose of conducting the business of the insurer in Singapore or housing or providing amenities for its officers;
- (b) amounts of shares and debentures beneficially held by the insurer and issued by any property corporation;
- (c) amounts of debentures beneficially held by the insurer and issued by any person other than a property corporation, where the payment of principal or interest is contingent, whether in whole or in part, on the turnover, profits or cash flow from any property-related activity;
- (d) amounts outstanding, or will potentially be outstanding, to the insurer under any form of lending or guarantees (except in the case of a debenture) to any property corporation or to any related corporation of a property corporation for use by the property corporation; and

- (e) amounts outstanding, or will potentially be outstanding, to the insurer under any form of lending or guarantees (except in the case of a debenture) to any person other than a property corporation—
- (i) in the case where such person is a corporation, for the purpose of financing or facilitating the property-related activities of that person or any of its related corporations; and
 - (ii) in any other case, for the purpose of financing or facilitating the property-related activities of that person;

but does not include any amounts in respect of—

- (A) credit facilities granted by the registered insurer to the Government or to any statutory board; or
- (B) any instrument or transaction described in sub-paragraphs (a) to (e) to the extent that the insurer would be indemnified or otherwise protected from losses that may be incurred by it under that instrument or transaction pursuant to a guarantee issued by any bank entered into by the insurer with any person other than a property corporation.

Made this day of 2004.

KOH YONG GUAN
Managing Director
Monetary Authority of Singapore.

ANNEX 2: INSURANCE (ACCOUNTS AND STATEMENTS) REGULATIONS

DISCLAIMER: This version of the Bill is in draft form and subject to change. It is also subject to review by the Attorney-General's Chambers.

No. S 000 –

INSURANCE ACT (CHAPTER 142)

INSURANCE (ACCOUNTS AND STATEMENTS) REGULATIONS 2004

ARRANGEMENT OF REGULATIONS

Regulation

1. Citation and commencement
 2. Definitions
 3. Forms
 4. Returns to be lodged by insurers
 5. Returns on actuarial investigation of life business
 6. Returns on actuarial investigation of general business
 7. Returns on fund solvency requirement and capital adequacy requirement
 8. Provisions as to returns submitted
 9. Value of assets and liabilities
 10. Lodgment and signatures on returns
 11. Audit and auditor's report
 12. Returns in electronic form
 13. Deadlines for submission of returns
 14. Printed accounts
 15. Information on external auditor
 16. Revocation
- The Schedules
-

In exercise of the powers conferred by sections 36, 37(1) and 64(1) 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 (Accounts and Statements) Regulations 2004 and shall come into operation on [date].

Definitions

2.—(1) 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);

“general reinsurance business” means business in respect of reinsurance of liabilities under insurance policies relating to general business;

“life reinsurance business” means business in respect of reinsurance of liabilities under insurance policies relating to life business;

“participating fund” means an insurance fund established and maintained under section 17 of the Act which comprises wholly or partly of participating policies;

“policy liabilities”, in relation to an insurance fund, means liabilities in respect of policies for which the insurance fund is established and maintained under the Act;

(2) For the purposes of these regulations, references to a registered insurer incorporated in Singapore include a registered insurer which is a society registered under the Co-operative Societies Act (Cap. 62).

Forms

3.— (1) The forms mentioned in these Regulations are those set out in the First Schedule.

(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. In the First Schedule, unless otherwise specified in the forms –

“investment-linked fund” means an insurance fund established and maintained under section 17 of the Act for investment-linked policies;

“non-participating fund” means an insurance fund established and maintained under section 17 of the Act which comprises wholly of non-participating policies;

“Offshore Insurance Fund” means an insurance fund established and maintained under section 17 of the Act for offshore policies;

“policy assets”, in relation to a participating fund, means the total assets of the fund as at valuation date less —

(a) the balance in the surplus account established and maintained in accordance with regulation 22 of the Insurance (Valuation and Capital) Regulations 2004; and

(b) other liabilities, as calculated in the manner provided in Form 1 of the First Schedule;

“Singapore Insurance Fund” means an insurance fund established and maintained under section 17 of the Act for Singapore policies;

“valuation date” means the date on which the assets and liabilities of a registered insurer are valued.

Returns to be lodged by insurers

4.—(1) For the purposes of section 36(1) of the Act, a registered insurer shall lodge statements of accounts and other statements in accordance with this regulation.

(2) There shall be lodged for each accounting period by a registered insurer in relation to the insurance business for which an insurance fund is established and maintained under the Act —

(a) in respect of general business, other than general reinsurance business —

(i) a fund balance sheet in Form 1, as at the end of that accounting period;

(ii) a fund profit and loss account in Form 2;

(iii) a statement in Form 6, giving as regards policies belonging to that class of business particulars as to premiums, claims, underwriting results and operating results during that accounting period; and

(iv) a statement in Form 7, giving as regards policies belonging to that class of business particulars as to accident and health insurance business during that accounting period;

(b) in respect of general reinsurance business —

(i) a fund balance sheet in Form 1, as at the end of that accounting period;

(ii) a fund profit and loss account in Form 2; and

(iii) a statement in Form 6, giving as regards policies belonging to that class of business particulars as to

premiums, claims, underwriting results and operating results during that accounting period;

(c) in respect of life business, other than life reinsurance business —

(i) a fund balance sheet in Form 1, as at the end of that accounting period;

(ii) a fund profit and loss account in Form 2; and

(iii) separate statements in Form 3 for life policies issued to individual persons and in Form 4 for life policies issued to groups of persons, giving as regards policies belonging to each type of life business particulars on the issue of new policies, the termination and transfers of policies to or from the register of Singapore policies or offshore policies, as the case may be, during that accounting period and the business in force as at the end of that accounting period; and

(iv) a statement in Form 7, giving as regards policies belonging to that class of business particulars as to accident and health insurance business during that accounting period; and

(d) in respect of life reinsurance business —

(i) a fund balance sheet in Form 1, as at the end of that accounting period;

(ii) a fund profit and loss account in Form 2; and

(iii) a statement in Form 5, giving as regards policies belonging to that class of business particulars on the issue of new policies, the termination and transfers of policies to or from the register of Singapore policies or offshore policies, as the case may be, during that accounting period and the business in force as at the end of that accounting period; and

(iv) a statement in Form 7, giving as regards policies belonging to that class of business particulars as to accident and health insurance business during that accounting period.

(3) A registered insurer shall submit each of the Forms mentioned in paragraph (2) separately for each insurance fund established and maintained by the insurer under the Act.

(4) There shall be lodged for each accounting period by a registered insurer incorporated in Singapore, in respect of the insurer's global business operations —

- (a) a balance sheet in Form 8, as at the end of that accounting period; and
- (b) a profit and loss account in Form 9.

(5) There shall be lodged for each financial year by a registered insurer incorporated outside Singapore, in respect of the insurer's global business operations, a statement in Form 10 of the financial position of the insurer as at the end of that financial year.

Returns on actuarial investigation of life business

5.—(1) For the purposes of section 37(1) of the Act, an insurer registered to carry on life business shall lodge for each accounting period, in respect of the actuarial investigation of policy liabilities relating to its life business –

- (a) an abstract of the actuary's report on policy liabilities relating to its life business, which shall include the matters specified in paragraph 1 of the Second Schedule; and
- (b) an actuary's certificate in Form 14, which shall -
 - (i) state the actuary's opinion on policy liabilities relating to the life business of the insurer; and
 - (ii) certify that the valuation was done in accordance with any applicable requirement stipulated under the Act or a direction issued under the Act.

(2) For the purposes of section 36(1) of the Act, an insurer registered to carry on life business shall lodge for each accounting period –

- (a) in respect of the actuarial investigation under section 37(1) of the Act of its life business, and separately for each insurance fund established and maintained under the Act –
 - (i) a statement in Form 11, giving an abstract of valuation results in respect of its life business other than life reinsurance business;
 - (ii) a statement in Form 12, giving an abstract of valuation results in respect of its life reinsurance business; and
 - (iii) a statement in Form 13, giving an analysis of experience of the insurance fund; and

- (b) in respect of the actuarial investigation under section 37(1) of the Act of participating fund allocations to policies and the surplus account in accordance with section 17(6) of the Act –
 - (i) a statement in Form 15, giving particulars on participating fund allocations; and
 - (ii) an actuary's certificate in Form 16, which shall state the actuary's opinion on the allocations to participating policies; and
- (c) an actuary's report on the actuarial investigation under section 37(1) of the Act of policy liabilities relating to its life business, which shall be signed by the actuary.

(3) For the purposes of section 36(1) of the Act, a direct insurer registered to carry on life business shall lodge for each accounting period an actuary's report on the prospective test of the financial condition of each insurance fund established and maintained under the Act for its life business under regulation 6(c) of the Insurance (Actuary) Regulations 2004, which shall be signed by the actuary.

Returns on actuarial investigation of general business

6.—(1) For the purposes of section 37(1) of the Act, an insurer registered to carry on general business shall lodge for each accounting period –

- (a) an abstract of the actuary's report on policy liabilities relating to its general business, which shall include the matters specified in paragraph 2 of the Second Schedule; and
- (b) an actuary's certificate in Form 17, which shall –
 - (i) state the actuary's opinion on policy liabilities of the general business of the insurer; and
 - (ii) certify that the valuation was done in accordance with any applicable requirement stipulated under the Act or a direction issued under the Act.

(2) For the purposes of section 36(1) of the Act, an insurer registered to carry on general business shall lodge for each accounting period an actuary's report on the actuarial investigation under section 37(1) of the Act of policy liabilities relating to its general business, which shall be signed by the actuary.

Returns on fund solvency requirement and capital adequacy requirement

7. For the purposes of section 36(1) and in relation to the requirements under section 18(1) of the Act, a registered insurer shall lodge for each accounting period a statement, which shall be in Form 18.

Provisions as to returns submitted

8.—(1) In relation to any document required to be lodged under these Regulations, all amounts shall be stated in Singapore dollars unless otherwise specified in the appropriate form, and the basis of conversion of any other currency into Singapore dollars shall be stated in each document.

(2) Section 39(1) and (3) of the Act shall not apply to any actuary's report lodged under regulations 5(2)(c), 5(3) and 6(2).

Values of assets and liabilities

9. In any document which a registered insurer is required to prepare in accordance with these regulations, the value or amount given for an asset or a liability of the insurer shall be the value or amount of that asset or liability as determined in accordance with any applicable regulation under the Insurance (Valuation and Capital) Regulations 2004.

Lodgment and signature in returns

10.—(1) Any document to be lodged by a registered insurer under regulations 4, 5, 6 and 7 shall be lodged by sending to the Authority —

- (a) in the case of a registered insurer other than a captive insurer, 3 copies of the document; and
- (b) in the case of a captive insurer, 2 copies of the document.

(2) At least one of the copies referred to in paragraph (1) lodged by a registered insurer under regulations 4, 5(2)(b)(i) or 7, as the case may be, shall be signed —

- (a) by 2 of the insurer's directors; and
- (b) by or on behalf of the insurer's principal officer in Singapore.

(3) The persons signing any balance sheet under regulation 4(2) shall lodge a certificate in Form 19.

(4) Where, by these Regulations, a document is required to be signed by or on behalf of a registered insurer's principal officer in Singapore, it shall, if not signed by that officer, be signed by one of the insurer's officers in Singapore who is for the time being notified to the Authority as having authority for the purposes of this regulation to sign in place of the principal officer in Singapore.

(5) A document to be lodged by a registered insurer shall be in English, and shall be printed or, with the permission of the Authority, produced by other mechanical means approved by it.

(6) This regulation shall not apply to any document in the form of an electronic record required to be lodged under regulation 12.

Audit and auditor's report

11.—(1) A registered insurer shall lodge, with any accounts and balance sheet lodged under regulation 4(2) and 4(4) –

- (a) an auditor's report in Form 20, stating the auditor's opinion, which shall be signed by the auditor; and
- (b) an auditor's supplementary report in Form 21, which shall be signed by the auditor.

(2) Section 39(1) and (3) of the Act shall not apply to the auditor's supplementary report.

Returns in electronic form

12.—(1) Subject to paragraph 3, in addition to the requirement under regulation 10 for a registered insurer to lodge any document required under regulations 4, 5, 6 and 7 in physical form, the insurer shall complete and lodge any such document 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.

(2) Unless otherwise required, 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) Paragraph (1) shall not apply to documents to be lodged under regulations 5(1), 5(2)(b)(ii), 5(2)(c), 5(3) and 6.

Deadlines for submission of returns

13. Unless otherwise permitted in writing by the Authority -

- (a) in respect of a document to be lodged by a registered insurer in accordance with regulation 10, the document shall be lodged —
 - (i) within 3 months and 2 weeks after the date to which the document relates; and
 - (ii) in the case of the actuary's report to be lodged under regulation 5(3) and of the statement of the financial position of the insurer to be lodged under regulation 4(5), within 6 months after the date to which the document relates;
- (b) in respect of a document in the form of an electronic record to be completed and lodged in accordance with regulation 12, the document shall be lodged within 3 months after the date to which the document relates.

Printed accounts

14. For the purposes of section 36(13) of the Act, copies of any report submitted to the members of a registered insurer shall include copies of any printed account submitted to the members of the insurer.

Information on external auditor

15. A registered insurer shall furnish to the Authority information regarding the external auditor of the insurer, including the information specified in the Third Schedule, together with the documents to be lodged under section 36 of the Act.

Revocation

16. The Insurance (Accounts and Statements) Regulations (Rg 2) are revoked.

FIRST SCHEDULE

Regulation 3

LIST OF FORMS

<i>Provisions of the Act or regulations for which forms are prescribed</i>	<i>Description of Forms</i>	<i>Number of form in this Schedule</i>
Regulation 4(2)	Fund Balance Sheet	1
Regulation 4(2)	Fund Profit and Loss Account	2
Regulation 4(2)	Statement in relation to Individual Life Insurance Policies	3
Regulation 4(2)	Statement in relation to Group Life Insurance Policies	4
Regulation 4(2)	Statement in relation to Life Reinsurance Policies (Group and Individual)	5
Regulation 4(2)	Statement of Premiums, Claims and Underwriting Results (General Business)	6
Regulation 4(2)	Statement in relation to Accident and Health Insurance Business	7
Regulation 4(4)	Balance Sheet in respect of Global Business Operations	8
Regulation 4(4)	Profit and Loss Account in respect of Global Business Operations	9
Regulation 4(5)	Statement of Financial Position in respect of Global Business Operations	10
Regulation 5(2)(a)(i)	Abstract of Valuation Results of Life Business (Other than Life Reinsurance Business)	11
Regulation 5(2)(a)(ii)	Abstract of Valuation Results of Life Reinsurance Business	12
Regulation 5(2)(a)(iii)	Statement of Analysis of Experience of the Insurance Fund (Life Business)	13
Regulation 5(1)(b)	Actuary's Certificate on Policy Liabilities Relating to Life Business	14
Regulation 5(2)(b)(i)	Statement of Participating Fund Allocations	15

*Provisions of the Act
or regulations for*

Description

*Number
of form in*

<i>which forms are prescribed</i>		<i>this Schedule</i>
Regulation 5(2)(b)(ii)	Actuary's Certificate on Participating Fund Allocations	16
Regulation 6(1)(b)	Actuary's Certificate on Policy Liabilities Relating to General Business	17
Regulation 7	Statement in relation to Fund Solvency Requirement and Capital Adequacy Requirement	18
Regulation 10(3)	Certificate on the Accounts of General / Life / General and Life Business	19
Regulation 11(1)	Report of the Auditor Appointed under Section 36(6) of the Insurance Act (Cap. 142)	20
Regulation 11(1)	Auditor's Supplementary Report	21

NAME OF REGISTERED INSURER

FORM 1 – FUND BALANCE SHEET AS AT _____

SINGAPORE INSURANCE FUND General <input type="checkbox"/> Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>	OFFSHORE INSURANCE FUND General <input type="checkbox"/> Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>
(Tick (✓) one only)	

Co Code Year Mth

Description	Annex	Row No.	
ASSETS			
Equity securities	1A	1	
Debt securities	1B	2	
Land and buildings	1C	3	
Loans	1D	4	
Cash and deposits		5	
Other invested assets	1E	6	
Investment income due or accrued		7	
Outstanding premiums and agents' balances	1F	8	
Deposits withheld by cedants		9	
Reinsurance recoverables	1G	10	
Income tax recoverables		11	
Fixed assets	1H	12	
Inter-fund and intra-group balances (due from)	1I	13	
Other assets	1J	14	
Total Assets (1 to 14)		15	
LIABILITIES			
Policy liabilities	1K	16	
Other liabilities:			
Outstanding claims		17	
Annuities due and unpaid		18	
Reinsurance deposits		19	
Amounts owing to insurers		20	
Bank loans and overdrafts		21	
Others *	1L	22	
Inter-fund and intra-group balances (due to)	1M	23	
Total Liabilities (16 to 23)		24	
SURPLUS (15 – 24)	1N	25	

* Others refers to item 13(g) in Instruction 13.

Names and signatures of: _____ Date: _____

Director

Director

Principal Officer

ANNEX 1A
SUPPORTS ROW 1 OF FORM 1
INVESTMENT IN EQUITY SECURITIES
AS AT _____

Description	Row No.	Listed	Unlisted	Reported Value
Equity securities other than collective investment schemes	1			
Collective investment schemes	2			
Total (1 to 2)	3			

ANNEX 1B
SUPPORTS ROW 2 OF FORM 1
INVESTMENT IN DEBT SECURITIES AS AT _____

Description	Row No.	Reported Value
Government debt securities	1	
Qualifying debt securities	2	
Other debt securities	3	
Total (1 to 3)	4	

ANNEX 1C
SUPPORTS ROW 3 OF FORM 1
INVESTMENT IN LAND AND BUILDINGS AS AT _____

Location and Description of Land and Buildings	Revaluation Date	Last Revalued Amount	Cost	Changes from Last Revalued Amount	Reported Value
Total					

ANNEX 1D
SUPPORTS ROW 4 OF FORM 1
INVESTMENT IN LOANS AS AT _____

Description of Loans	Row No.	Amount Outstanding	Provision for Doubtful Loans	Reported Value
Policy loans	1			
Mortgage loans	2			
Other secured loans	3			
Unsecured loans	4			

Loans and advances to agents	5		
Total (1 to 5)	6		

ANNEX 1E
SUPPORTS ROW 6 OF FORM 1
BREAKDOWN OF OTHER INVESTED ASSETS
AS AT _____

Description	Notional Principal Amount	Reported Value
Derivatives		
Options:		
Call options		
Put options		
Swaptions		
Other options		
Futures:		
Currency futures		
Interest rate futures		
Other futures		
Forwards:		
Currency forwards		
Interest rate forwards		
Other forwards		
Swaps:		
Interest rate swaps		
Currency swaps		
Other swaps		
Other derivatives		
Other invested assets excluding derivatives		
Total		

ANNEX 1F(a)
SUPPORTS ROW 8 OF FORM 1
AGEING OF OUTSTANDING PREMIUMS AND AGENTS' BALANCES
OF DIRECT INSURER REGISTERED TO CARRY ON LIFE BUSINESS
AS AT _____

Source	Row No.	Reported Value
Bad debts written off during the year	1	
Up to 3 months	2	
Above 3 months but not exceeding 6 months	3	
Above 6 months but not exceeding 12 months	4	
Above 12 months	5	
Gross total (2 to 5)	6	

Provision for doubtful debts	7	
Total (6 - 7)	8	

Note: For direct insurance business, outstanding period starts from date of commencement of cover.
In respect of reinsurance business, outstanding period commences from the date premiums are accrued in the registered insurer's books.

ANNEX 1F(b)
SUPPORTS ROW 8 OF FORM 1
AGEING OF OUTSTANDING PREMIUMS AND AGENTS' BALANCES
OF DIRECT INSURER REGISTERED TO CARRY ON GENERAL BUSINESS
AS AT _____

Source	Row No.	Direct Business			Reinsurance Business	Reported Value
		Agents	Brokers / Financial Advisers	Others		
Bad debts written off during the year	1					
Up to 3 months	2					
Above 3 months but not exceeding 6 months	3					
Above 6 months but not exceeding 12 months	4					
Above 12 months	5					
Gross total (2 to 5)	6					
Provision for doubtful debts	7					
Total (6 - 7)	8					

Note: For direct insurance business, outstanding period starts from date of commencement of cover.
In respect of reinsurance business, outstanding period commences from the date premiums are accrued in the registered insurer's books.

ANNEX 1F(c)
SUPPORTS ROW 8 OF FORM 1
AGEING OF OUTSTANDING PREMIUMS AND AGENTS' BALANCES OF REINSURER
AS AT _____

Source	Row No.	Reported Value
Bad debts written off during the year	1	
Up to 6 months	2	
Above 6 months but not exceeding 12 months	3	
Above 12 months but not exceeding 24 months	4	
Above 24 months	5	
Gross total (2 to 5)	6	
Provision for doubtful debts	7	
Total (6 - 7)	8	

Outstanding period commences from the date premiums are accrued in the reinsurer's books.

ANNEX 1F(d)
SUPPORTS ROW 8 OF FORM 1
AGEING OF OUTSTANDING PREMIUMS AND AGENTS' BALANCES OF CAPTIVE INSURER
AS AT _____

Source	Row No.	Reported Value
Bad debts written off during the year	1	
Up to 3 months	2	
Above 3 months but not exceeding 6 months	3	
Above 6 months but not exceeding 12 months	4	
Above 12 months	5	
Gross total (2 to 5)	6	
Provision for doubtful debts	7	
Total (6 – 7)	8	

Outstanding period commences from the date premiums are accrued in the insurer's books.

ANNEX 1G
SUPPORTS ROW 10 OF FORM 1
STATEMENT OF REINSURANCE RECOVERABLES AS AT _____

Description	Row No.	Reported Value
Reinsurance recoverables written off during the year	1	
Reinsurance recoverables on unpaid claims	2	
Ageing of Reinsurance recoverables on paid claims: <u>Outstanding Period</u>		
Up to 1 year	3	
Above 1 year but not exceeding 2 years	4	
Above 2 years	5	
Total (3 to 5)	6	
Provision for doubtful reinsurance recoverables	7	
Total Reinsurance Recoverables on Paid Claims (6 - 7)	8	

ANNEX 1H
SUPPORTS ROW 12 OF FORM 1
FIXED ASSETS AS AT _____

Description	Row No.	Reported Value
Motor vehicles	1	
Computer equipment	2	
Other fixed assets	3	
Total (1 to 3)	4	

ANNEX II
SUPPORTS ROW 13 OF FORM 1
INTER-FUND AND INTRA-GROUP BALANCES (DUE FROM) AS AT _____

Description	Row No.	Reported Value
Balance due from head office / shareholders' fund	1	
Balance due from overseas branches / related companies	2	
Balance due from other insurance funds	3	
Total (1 to 3)	4	

ANNEX 1J
SUPPORTS ROW 14 OF FORM 1
BREAKDOWN OF OTHER ASSETS AS AT _____

Description	Reported Value
Total	

ANNEX 1K
SUPPORTS ROW 16 OF FORM 1
POLICY LIABILITIES OF THE PARTICIPATING FUND
AS AT _____

Description	Row No.	Reported Value
Total assets	1	
Balance in the surplus account	2	
Other liabilities	3	
Policy assets (1 – 2 – 3)	4	
Sum of liability in respect of each policy of the participating fund	5	
Minimum condition liability	6	
Policy Liabilities (highest of 4, 5 or 6)	7	

ANNEX 1L
SUPPORTS ROW 22 OF FORM 1
BREAKDOWN OF OTHERS AS AT _____

Description	Reported Value
Total	

ANNEX 1M
SUPPORTS ROW 23 OF FORM 1
INTER-FUND AND INTRA-GROUP BALANCES (DUE TO) AS AT _____

Description	Row No.	Reported Value
Balance due to head office / shareholders' fund	1	
Balance due to overseas branches / related companies	2	
Balance due to other insurance funds	3	

Total (1 to 3)	4	
----------------	---	--

ANNEX 1N
SUPPORTS ROW 25 OF FORM 1
SURPLUS
AS AT _____

Description	Row No.	Reported Value
Surplus at beginning of period	1	
Net income	2	
Transfer (to) from shareholders' fund / head office	3	
Surplus at End of Period (1 to 3)	4	

ANNEX 1(i)
INFORMATION IN RESPECT OF INVESTMENTS IN A RELATED CORPORATION
OF THE REGISTERED INSURER AS AT _____

Description of Assets and Name of Investee Company	No. of Units	Cost	Reported Value
Name of company:			
(a) Equity securities			
(b) Debt securities			
(c) Secured loans			
(d) Unsecured loans			
(e) Other invested assets			

Notes to Form 1 (to be shown separately for each class of business)

The notes to this Form shall, in respect of life business, be shown separately for the participating fund, non-participating fund and investment-linked fund.

The following shall be stated as notes to this Form:

(For any note where the amount is nil, this shall be indicated as "NIL".

Note 1 The aggregate amounts of loans to and amounts due from –

(a) directors as defined in section 31 of the Insurance Act (Cap. 142); and

(b) employees of the registered insurer.

Aggregate amounts shall be shown separately for directors and employees.

- Note 2* Description and amount of the following items:
- (a) intangible assets (which shall be valued in accordance with Singapore Generally Accepted Accounting Principles); and
- (b) contingent assets and liabilities
- Note 3* Any changes in accounting policies and methodologies in the valuation of assets and liabilities and the quantification of their effects.
- Note 4* Any corrections for prior adjustments in policy liabilities and reasons for the adjustments.
- Note 5* In respect of financial guarantee business —
- (a) where premiums are payable in instalments, the present value of future instalment premiums payable in a future accounting period and the discount rate used; and
- (b) where the premiums are payable in full at the commencement of the policy of insurance, the full amount of the premiums payable in the accounting period in which the policy commences.

Instructions for completion of Form 1, Annexes 1A to 1N and Annex 1(i)

1. Reported value in each Annex except Annex 1(i) shall be the amount reported under the corresponding row in Form 1. All amounts shown in this form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
2. Annexes 1A to 1N and Annex 1(i) shall be completed in full separately for each insurance fund where applicable. Where not applicable, a “Nil” Annex shall be submitted.
3. “Equity securities” includes any stock, share, depository receipt and unit in a collective investment scheme.
4. “Debt security” includes any debenture stock, bond and note.
5. “Government debt securities” and “Qualifying debt securities” refers to debt securities described in the Insurance (Valuation and Capital) Regulations 2004.

6. “Other debt securities” includes listed and unlisted bonds issued by corporations and bills of exchange.

7. “Land and buildings” includes properties acquired through foreclosures and in settlement of debts.

8. “Loans” shall be reported after net of provisions.

9. “Other secured loans” includes loans guaranteed by a bank licensed under the Banking Act (Cap. 19).

10. “Outstanding premiums and agents’ balances” refers to net premiums payable to or to be paid into an insurance fund established and maintained under the Act (including net premiums due from overseas branches / related companies / head office). For direct business, “agents’ balances” shall be net of the premium refund to insured and the commissions payable to agents or brokers. It shall be determined on an agent by agent or broker by broker basis, as the case may be. Outstanding premiums due from insured shall only be offset by claims and premium refund (if any) payable to the insured on an insured by insured basis. In the case of life companies, “agents’ balances” shall not include amounts due from agents in respect of financing schemes provided by the companies. A reinsurer shall treat “outstanding premiums and agents’ balances” in a similar manner as a direct insurer.

11. “Reinsurance recoverables” refers to net claims recoverable from or to be recovered from any person carrying on reinsurance business, including net claims recoverable from or to be recovered from overseas branches / related companies / head office. Claims recoverable from or to be recovered from and premiums owing to any person carrying on reinsurance business shall be set off on an individual account basis.

12. “Unpaid claims” refers to claims liabilities, outstanding claims and claims in the course of payment.

13. “Other liabilities”, in relation to an insurance fund established and maintained under the Act, shall be the amount representing the sum of –

- (a) outstanding claims;
- (b) annuities due and unpaid;
- (c) reinsurance deposits;
- (d) amounts owing to other insurers;

(e) bank loans and overdrafts; and

(g) liabilities other than the items described in sub-paragraphs (a) to (e) above, including special reserves, and in the case of a credit insurer, political insurer or financial guarantee insurer, contingency reserves.

14. "Financial guarantee insurer" means an insurer as defined in the Insurance (Financial Guarantee Insurance) Regulations;

15. "Outstanding claims" refers to claims which have been approved by the registered insurer for payment but not yet paid. It includes expenses associated with the settlement of such claims. For life business, the amount also includes claims which have not been approved but the quantum for which is fixed.

16. "Amounts owing to insurers" refers to claims owing by the registered insurer to ceding companies and premiums owing to any person carrying on reinsurance business, including net premiums or claims payable to overseas branches / related companies / head office. Premiums and claims owing to and owing by the registered insurer shall be set off on an individual account basis.

17. "Direct Business — Others" includes business from direct clients, direct marketing and other distribution channels.

NAME OF REGISTERED INSURER

FORM 2 – FUND PROFIT AND LOSS ACCOUNT

FROM _____ TO _____

SINGAPORE INSURANCE FUND General <input type="checkbox"/> Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>	OFFSHORE INSURANCE FUND General <input type="checkbox"/> Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>
(Tick (✓) one only)	

Co Code Year Mth

Description	Annex	Row No.	
Premium revenue	2A	1	
Less: Outward reinsurance premiums	2B	2	
Investment revenue	2C	3	
Less: Investment expenses		4	
Other income	2D	5	
Total Income (1 to 5)		6	
Gross claims paid	2E	7	
Less: Reinsurance recoveries		8	
Management expenses	2F	9	
Distribution expenses	2G	10	
Increase (decrease) in net policy liabilities	2H	11	
Provision for doubtful debts / bad debts written off on receivables		12	
Taxation expenses		13	
Other expenses	2I	14	
Total Outgo (7 to 14)		15	
NET INCOME (6 – 15)	2J	16	

Names and signatures of: _____ Date: _____

Director

Director

Principal Officer

ANNEX 2A
 SUPPORTS ROW 1 OF FORM 2
 PREMIUM REVENUE IN RESPECT OF LIFE BUSINESS
 FROM _____ TO _____

Description	Row No.	Total Value
Individual:		
Single premiums	1	
Regular premiums - new business	2	
Regular premiums - renewal business	3	
Group:		
Premiums	4	
Direct insurance premium revenue (1 to 4)	5	
Inward reinsurance premiums	6	
Total (5 to 6)	7	

ANNEX 2B
SUPPORTS ROW 2 OF FORM 2
OUTWARD REINSURANCE PREMIUMS FROM _____ TO _____

Description	Row No.	Total Value
Registered reinsurer	1	
Authorised reinsurer	2	
Unregistered reinsurer	3	
Total (1 to 3)	4	

ANNEX 2C
SUPPORTS ROW 3 OF FORM 2
INVESTMENT REVENUE FROM _____ TO _____

Description	Row No.	Investment Revenue			Total Value
		Interest / Dividend / Rental Income	Realised Gains / Losses / Write-offs	Unrealised Changes From Last Reported Value	
Equity securities	1				
Debt securities	2				
Land and Buildings	3				
Loans	4				
Cash and deposits	5				
Other invested assets	6				
Total (1 to 6)	7				

ANNEX 2C(a)
SUPPORTS ROWS 3 OF FORM 2
INVESTMENT REVENUE OF ASSETS IN SURPLUS ACCOUNT
OF THE PARTICIPATING FUND
FROM _____ TO _____

Description	Row No.	Investment Revenue			Total Value
		Interest / Dividend / Rental Income	Realised Gains / Losses / Write-offs	Unrealised Changes From Last Reported Value	

Equity securities	1				
Debt securities	2				
Land and Buildings	3				
Loans	4				
Cash and deposits	5				
Other invested assets	6				
Total (1 to 6)	7				

ANNEX 2C(b)
SUPPORTS ROW 3 OF FORM 2
INVESTMENT REVENUE OF ASSETS IN UNIT RESERVE
OF THE INVESTMENT-LINKED FUND
FROM _____ TO _____

Description	Row No.	Investment Revenue			Total Value
		Interest / Dividend / Rental Income	Realised Gains / Losses / Write-offs	Unrealised Changes From Last Reported Value	
Equity securities	1				
Debt securities	2				
Land and Buildings	3				
Loans	4				
Cash and deposits	5				
Other invested assets	6				
Total (1 to 6)	7				

ANNEX 2D
SUPPORTS ROW 5 OF FORM 2
BREAKDOWN OF OTHER INCOME
FROM _____ TO _____

Description	Total Value
Total	

ANNEX 2E
SUPPORTS ROW 7 OF FORM 2
CLAIMS IN RESPECT OF LIFE BUSINESS
FROM _____ TO _____

Description	Row No.	Total Value
Death, total permanent disability, dread disease	1	
Disability	2	
Long-term care	3	
Health / medical	4	

Maturity / anticipated endowment	5	
Surrenders	6	
Annuities	7	
Cash bonuses	8	
Outstanding claims	9	
Others	10	
Total (1 to 10)	11	

ANNEX 2F
SUPPORTS ROW 9 OF FORM 2
MANAGEMENT EXPENSES
FROM _____ TO _____

Description	Row No.	Total Value
Staff salaries & expenses	1	
Office rent	2	
Head office / parent company expenses	3	
Directors' fees	4	
Audit fees	5	
Other management expenses	6	
Total (1 to 6)	7	

ANNEX 2G
SUPPORTS ROW 10 OF FORM 2
DISTRIBUTION EXPENSES IN RESPECT OF LIFE BUSINESS
FROM _____ TO _____

Description	Row No.	Total Value
Individual:		
First period commission - single premium	1	
First period commission - regular premium	2	
Renewal commission	3	
Group:		
Commissions	4	
Overriding commission	5	
Production and other bonuses	6	
Trailer fees	7	
Cost of benefits and services	8	
Other cash payments	9	
Total distribution cost excluding reinsurance commission (1 to 9)	10	
Reinsurance commission	11	
Total (10 to 11)	12	

ANNEX 2H
SUPPORTS ROW 11 OF FORM 2
NET POLICY LIABILITIES IN RESPECT OF LIFE BUSINESS
FROM _____ TO _____

Description	Row No.	Total Value
Net policy liabilities at end of period	1	
Net policy liabilities at beginning of period	2	
Increase (Decrease) in Net Policy Liabilities (1 - 2)	3	

ANNEX 2I
SUPPORTS ROW 14 OF FORM 2
BREAKDOWN OF OTHER EXPENSES
FROM _____ TO _____

Description	Total Value
Total	

ANNEX 2J
SUPPORTS ROW 16 OF FORM 2
NET INCOME OF THE PARTICIPATING FUND FOR THE PERIOD
FROM _____ TO _____

Description	Row No.	Total Value
Allocation to surplus account	1	
Surplus account investment revenue	2	
Less: Surplus account investment expenses	3	
Surplus account investment income (2 - 3)	4	
Recovery of amount transferred out of the surplus account if it has not been transferred back into the surplus account previously	5	
Net Income (1 + 4 + 5)	6	

Notes to Form 2 (to be shown separately for each class of business)

The notes to this Form 2 shall, in respect of life business, be shown separately for the participating fund, non-participating fund and investment-linked fund.

The following shall be stated as notes to this Form:

(For any note where the amount is nil, this shall be indicated as "NIL").

Note 1 Related party transactions including:

- (a) The nature of the related party relationship;
- (b) Type of transaction; and
- (c) Amount of transaction

For the purpose of this Note —

“Related party transaction” means a transfer of resources or obligations between related parties, regardless of whether a price is charged.

“Related party” means parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

“Significant influence” means participation in the financial and operating policy decisions of an enterprise, but not control of those policies. Significant influence may be exercised in several ways, usually by representation on the board of directors but also by, for example, participation in the policy making process, material intercompany transactions, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by share ownership, statute or agreement.

“Control” means ownership, directly, or indirectly through subsidiaries, of more than one half of the voting power of an enterprise, or a substantial interest in voting power and the power to direct, by statute or agreement, the financial and operating policies of the management of the enterprise.

Instructions for completion of Form 2 and Annexes 2A to 2J

1. Total value in each Annex shall be the amount reported under the corresponding row in Form 2. All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.

2. Annexes 2A to 2J shall be completed in full separately for each insurance fund where applicable. Where not applicable, a "Nil" Annex shall be submitted.

3. "Premium revenue" refers to total gross premiums received or receivable including portfolio premiums, after deduction of return premiums, premium discounts, recognized in the registered insurer's books during the period, where applicable. Commissions should not be deducted from gross premiums.

4. "Outward reinsurance premiums" refers to premiums paid or payable on reinsurance ceded during the period. It includes portfolio premiums in respect of ceded business.

5. "Investment revenue" refers to the following:

- (a) interest, rental, and dividend income earned;
- (b) realised gains / losses/ write-offs; and
- (c) unrealised changes from last reported value.

on the investment portfolio comprising equity securities, debt securities, land and buildings, loans, cash and deposits and other invested assets.

6. "Rental income" includes imputed rental on owner-occupied premises used for the registered insurer's business. Owner-occupied premises are premises owned by the registered insurer and which are used for the registered insurer's business.

7. "Realised gains / losses / write-offs" refers to the amount realised on sale of investments, land and buildings after deducting expenses incurred. Losses on sale of assets shall only be netted off within the same category of assets. It includes gains / losses due to exchange rate fluctuations and foreign currency translations. It shall include bad loans written off.

8. "Unrealised changes from last reported value" refers to changes in market value, changes in estimated market value, changes in net realisable value or changes in provisions where applicable, from the last reported value of the corresponding asset in Form 1.

9. "Investment expenses" includes expenses incurred in earning interest, dividend and rents, expenses incurred in the management and sale of the investments, property maintenance costs or expenses, and property tax.

10. In respect of general business, "claims" refers to gross claims paid, including portfolio losses, medical and legal expenses incurred directly in the settlement of claims paid in the period, net

of recoveries from salvages and subrogation, where applicable. It shall include (increases)/decreases in outstanding claims during the period. Outstanding claims refers to claims, which have been approved by the registered insurer for payment but not yet paid. It includes expenses associated with the settlement of such claims.

11. “Surrenders” includes surrenders of bonus.

12. “Reinsurance recoveries” refers to reinsurance recoveries received or receivable from reinsurance in respect of claims including portfolio losses, during the period.

13. “Staff salaries and expenses” includes —

- (a) Salaries, bonuses and allowances;
- (b) Directors’ expenses;
- (c) Contribution to the Central Provident Fund, pensions and gratuities;
- (d) Medical fees;
- (e) Training;
- (f) Skills development levy; and
- (g) Fringe benefits.

14. Office rent includes imputed rental expenses on owner-occupied premises used for the registered insurer’s business.

15. “Head office / parent company expenses” refers to charges from the parent or head office or regional office for services rendered to the Singapore operations or subsidiary and associate companies respectively.

16. “Other management expenses” includes —

- (a) Repairs and maintenance;
- (b) Public utilities;
- (c) Printing, stationery and periodicals;
- (d) Postage, telephone and telex charges;
- (e) Computer bureau charges;
- (f) Hire of office equipments;
- (g) Licence and association fees;
- (h) Advertising and subscriptions;
- (i) Entertainment; and
- (j) Travelling expenses.

17. “Distribution expenses” includes all direct costs such as commissions and bonuses, and all indirect costs of benefits and services provided by the registered insurer in the distribution of the its products.

- 18.** “Other cash payments” includes all payments made to the salesperson, excluding basic commissions and overrides, production and other bonuses. This includes sales incentives, cash incentives etc.
- 19.** “Cost of Benefits & Services” includes all non-monetary benefits given, and services provided to the salesperson e.g. subsidised loans, sales convention, insurance cover, office accommodation and equipment, general stationery etc.
- 20.** In respect of general business, “Increase (decrease) in net policy liabilities” refers to the sum of increase (decrease) in premium liabilities and increase (decrease) in claims liabilities.
- 21.** “Provision for doubtful debts / bad debts written off on receivables” refers to increase (decrease) in provision for doubtful debt on receivables (e.g. reinsurance recoveries and outstanding premiums and agents balances) and excludes loans. It shall include bad debts written off on receivables.
- 22.** “Taxation expenses” refers to (increase) decrease in provision for tax.
- 23.** “Other expenses” includes depreciation on fixed assets.
- 24.** “Allocation to surplus account” refers to the allocation of part of a participating fund to the surplus account made under section 17(6)(c) of the Act.
- 25.** “Surplus account investment income” refers to the amount described in regulation 22(4)(a) of the Insurance (Valuation and Capital) Regulations 2004, which relates to the investment income earned on assets representing the balance in the surplus account.
- 26.** “Recovery of amount transferred out of surplus account if it has not been transferred back into the surplus account previously” refers to the recovery described in regulation 22(4)(d) of the Insurance (Valuation and Capital) Regulations 2004.

NAME OF REGISTERED INSURER

**FORM 3 – STATEMENT IN RELATION TO INDIVIDUAL LIFE
INSURANCE POLICIES**

FROM _____ **TO** _____

SINGAPORE INSURANCE FUND Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>	OFFSHORE INSURANCE FUND Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>
(Tick (✓) one only)	

Co Code Year Mth

Particulars	Row No.	Number of Policies	Sum Insured	Premiums	
				Single	Other
A. New Business					
Policies other than annuities –					
Whole life insurances	1				
Endowment insurances	2				
Term insurances	3				
Health insurances	4				
Accident insurances	5				
Others	6				
Total (1 to 6)	7				
Annuities only	8				
B. Terminations and transfers					
Policies other than annuities –					
Death	9				
Maturity	10				
Expiry	11				
Surrender	12				
Forfeiture	13				
Net transfers	14				
Others	15				
Total (9 to 15)	16				
Annuities only	17				
C. Business in Force					
Policies other than annuities –					
Whole life insurances	18				
Endowment insurances	19				
Term insurances	20				
Health insurances	21				
Accident insurances	22				
Others	23				
Total (18 to 23)	24				
Annuities only (last period's 25 + 8-17)	25				

Names and signatures of: _____ Date: _____

Director

Director

Principal Officer

Notes to Form 3

The notes to this Form shall be shown separately for the participating fund, non-participating fund and investment-linked fund.

The following shall be stated as notes to this Form:

(For any note where the amount is nil, this shall be indicated as “NIL”).

Note 1 Details of mortgage reducing term insurances (Rows 3 and 20).

Note 2 Breakdown for ‘Others’ (Rows 6, 15 and 23).

Note 3 Details of annuity contracts sold under the CPF Minimum Sum Scheme (Rows 8 and 25).

Instructions for completion of Form 3

1. All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
2. Items in this Form shall be shown after deduction of amounts in respect of reinsurance on the coinsurance method of liabilities of the registered insurer.
3. Items for premiums (except for single premiums) and, in the case of annuities, items for amounts insured shall be the amounts payable per year. Items for premiums shall include extra premiums in respect of higher risks experienced by the insured.
4. Additional insurance cover taken up as a rider to a basic life policy shall be classified according to type, i.e., term, accident, health, or others. Critical illness riders shall be classified under “Others”.
5. “New business” includes policies issued as conversions of term contracts.
6. “Number of policies” does not apply to riders.
7. “Sum insured” does not apply to accident and health insurance.
8. Items under “Terminations and transfers” of this Form shall be shown exclusive of bonus additions.

- 9.** Termination of a policy arising from total and permanent disability or from critical illnesses shall be classified under “Death”.
- 10.** “Surrender” refers to a policy which lapses after it has acquired a surrender value. This also includes policies whose non-forfeiture loan option has expired.
- 11.** “Forfeiture” refers to a policy which carries a surrender value and lapses before it acquires the surrender value.
- 12.** Lapses shall be reported net of reinstatements.
- 13.** In the case of a policy which does not have a surrender value, e.g., term, accident or health insurance, the policy is considered an expiry if it lapses.
- 14.** Registered insurers shall classify the reduction of any portions of sums insured of mortgage related term insurances under “Expiry”.
- 15.** “Net transfers” refers to the increase or decrease by transfers of policies to or from Singapore registers.
- 16.** “Others” under “Terminations and transfers” includes term contracts converted to permanent insurance.

NAME OF REGISTERED INSURER

**FORM 4 – STATEMENT IN RELATION TO GROUP LIFE INSURANCE
POLICIES**

FROM _____ TO _____

SINGAPORE INSURANCE FUND		OFFSHORE INSURANCE FUND	
Life		Life	
Participating	<input type="checkbox"/>	Participating	<input type="checkbox"/>
Non-Participating	<input type="checkbox"/>	Non-Participating	<input type="checkbox"/>
Investment-Linked	<input type="checkbox"/>	Investment-Linked	<input type="checkbox"/>
(Tick (✓) one only)			

Co Code Year Mth

Particulars	Row No.	Number of Policies	Number of Lives Covered	Sum Insured	Premiums	
					Single	Other
A. New Business						
Policies other than annuities –						
Term insurances	1					
Health insurances	2					
Accident insurances	3					
Others	4					
Total (1 to 4)	5					
Annuities only	6					
B. Increases under existing policies						
Policies other than annuities	7					
Annuities only	8					
C. Terminations						
Policies other than annuities –						
Expiry	9					
Death	10					
Others	11					
Total (9 to 11)	12					
Annuities only	13					
D. Business in force						
Policies other than annuities –						
Term insurances	14					
Health insurances	15					
Accident insurances	16					
Others	17					
Total (14 to 17)	18					
Annuities only (last period's 19 + 6 + 8 – 13)	19					

Names and signatures of: _____ Date: _____

Director

Director

Principal Officer

*Notes to Form 4**Notes to Form 4*

The notes to this Form shall be shown separately for the participating fund, non-participating fund and investment-linked fund.

The following shall be stated as notes to this Form:

(For any note where the amount is nil, this shall be indicated as “NIL”).

Note 1 Breakdown for ‘Others’ (Rows 4, 11 and 17).

Note 2 Number of dependants covered under group policies (Column 2, Row 18).

Instructions for completion of Form 4

1. All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
2. Items in this Form shall be shown after deduction of amounts in respect of reinsurance on the coinsurance method of liabilities of the registered insurer.
3. Items for premiums (except for single premiums) and, in the case of annuities, items for amounts insured shall be the amounts payable per year.
4. Extensions of coverage to additional lives and upward revisions of amount of insurance shall be classified under “Increases under existing policies”.
5. If a policy has combined life insurance cover and other benefits, this policy shall be counted as life insurance. However, the premiums for other benefits shall be classified according to their nature, e.g., accident or health.
6. “Expiry” includes decreases under existing contracts with respect to employees leaving or retiring.
7. “Others” under “Terminations” includes decreases under existing contracts but excludes those decreases classified as “Expiry”.

NAME OF REINSURER _____

**FORM 5 – STATEMENT IN RELATION TO LIFE REINSURANCE
POLICIES (GROUP AND INDIVIDUAL)****FROM _____ TO _____**

SINGAPORE INSURANCE FUND Life <input type="checkbox"/>	OFFSHORE INSURANCE FUND Life <input type="checkbox"/>
(Tick (✓) one only)	

Co Code Year Mth

Particulars	Row No.	Sum Insured	Premiums	
			Single	Other
A. New Business				
Life (Risk Premium)	1			
Life (Coinsurance)	2			
Accident and Health	3			
Disability Income	4			
Portfolio Cover	5			
Financial Reinsurance	6			
Other Reinsurance	7			
Total (1 to 7)	8			
Annuities Only	9			
B. Net Movements				
Life (Risk Premium)				
Claims	10			
Others	11			
Life (Coinsurance)				
Claims	12			
Others	13			
Accident and Health				
Claims	14			
Others	15			
Disability Income				
Claims	16			
Others	17			
Portfolio Cover				
Claims	18			
Others	19			
Financial Reinsurance				
Claims	20			
Others	21			
Other Reinsurance				
Claims	22			
Others	23			
Total (10 to 23)	24			

Annuities Only				
Claims	25			
Others	26			
C. Business in force				
Life (Risk Premium)	27			
Life (Coinsurance)	28			
Accident and Health	29			
Disability Income	30			
Portfolio Cover	31			
Financial Reinsurance	32			
Other Reinsurance	33			
Total (1 to 7)	34			
Annuities Only	35			

Names and signatures of: _____ Date: _____
Director Director Principal Officer

Instructions for completion of Form 5

1. All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
2. Items in this Form shall be shown after deduction of amounts in respect of retrocession on the coinsurance method of liabilities of the reinsurer.
3. Items for premiums (except for single premiums) and, in the case of annuities, items for amounts insured shall be the amounts payable per year. Items for premiums shall include extra premiums in respect of higher risks experienced by the insured.
4. Reinsurance shall be classified according to type i.e. life insurance, accident, health, etc as long as the reinsurance treaty permits. However, where the business is bundled, it shall be classified according to the primary exposure. For example, a bundled reinsurance policy with health reinsurance as the primary exposure shall be classified as health reinsurance even if it includes some element of term insurance.
5. “New Business” refers to business that enters the books of the reinsurer for the first time. For example, “new business” for group business refers to new groups, but not new members of an existing group.
6. “Sum Insured” shall not be applicable to reinsurance contracts that do not have a definite amount of claims payment, e.g. accident claims that depend on the nature of the injury and hospitalization claims that depend on the nature of surgery and the length of

hospitalization. "Sum Insured" shall also not apply to "Financial Reinsurance".

7. "Sum Insured" for "Disability Income" shall be the yearly benefit payable in case of a claim.

8. "Sum Insured" for plans with acceleration riders shall be the sum assured of the basic policy only.

9. "Single Premium" shall refer to the premium for covering periods in excess of one year. Hence, single premiums paid in respect of insurance contracts of less than one year e.g. travel insurance shall be classified as "Other Premiums".

10. "Life (Coinsurance)" refers to reinsurance business on life and dread disease basic/rider policies reinsured based on the ceding company's office premiums, with the payment of a reinsurance commission and with the reinsurer being liable for its share of the reserves.

11. "Portfolio Cover" shall include catastrophic loss, excess of loss, stop loss and other non-proportional portfolio reinsurance covers. "Sum Insured" in this case shall be the maximum possible liability for the year.

12. "Financial Reinsurance" refers to contracts of insurance which include terms for:

(a) the transfer of assets to the cedant or creation of a debt to the cedant (or both); and

(b) either an obligation for the cedant to return (with or without interest) some or all of such assets or a provision for the diminution of such debt, in each case, in specific circumstances.

Claims liabilities at beginning of period	28														
Net claims incurred (26 + 27 - 28)	29														
C. MANAGEMENT EXPENSES															
Management Expenses	30														
D. DISTRIBUTION EXPENSES															
Commissions	31														
Reinsurance commissions	32														
Net commissions incurred (31 - 32)	33														
Other distribution expenses	34														
E. UNDERWRITING RESULTS															
Underwriting gain/(loss) (13 - 29 - 30 - 33 - 34)	35														

OFFSHORE INSURANCE FUND

Particulars	Row No.	OFFSHORE INSURANCE FUND				
		Marine and Aviation		Property	Casualty and Others	Total
		Cargo	Hull and Liability			
A. PREMIUMS						
Gross premiums						
Direct business	1					
Reinsurance business accepted -						
In Singapore	2					
From ASEAN other than Singapore	3					

From other countries	4				
Total (2 to 4)	5				
Reinsurance business ceded -					
In Singapore	6				
* To ASEAN other than Singapore	7				
* To other countries	8				
Total (6 to 8)	9				
Net premiums written (1 + 5 - 9)	10				
Premium liabilities at beginning of period	11				
Premium liabilities at end of period	12				
Premiums earned during the period (10 + 11 - 12)	13				
B. CLAIMS					
Gross claims					
Direct business	14				
Reinsurance business accepted -					
In Singapore	15				
From ASEAN other than Singapore	16				
From other countries	17				
Total (15 to 17)	18				
Recoveries from reinsurance business ceded -					
In Singapore	19				
To ASEAN other than Singapore	20				
To other countries	21				
Total (19 to 21)	22				
Net claims paid (14 + 18 - 22)	23				
Outstanding claims at end of period	24				
Outstanding claims at beginning of period	25				
Net claims settled (23 + 24 - 25)	26				

Claims liabilities at end of period	27				
Claims liabilities at beginning of period	28				
Net claims incurred (26 + 27 - 28)	29				
C. MANAGEMENT EXPENSES					
Management Expenses	30				
D. DISTRIBUTION EXPENSES					
Commissions	31				
Reinsurance commissions	32				
Net commissions incurred (31 - 32)	33				
Other distribution expenses	34				
E. UNDERWRITING RESULTS					
Underwriting gain/(loss) (13 - 29 - 30 — 33 - 34)	35				

Names and signatures of: _____ Date: _____
 Director Director Principal Officer

ANNEX 6A – STATEMENT OF OFFSHORE INSURANCE FUND REINSURANCE BUSINESS ACCEPTED

FROM _____ TO _____

Co Code Year Mth

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Particulars	Row No.	OFFSHORE INSURANCE FUND				
		Marine and Aviation		Property	Casualty and Others	Total
		Cargo	Hull and Liability			
A. GROSS PREMIUMS						
Reinsurance business accepted –						
Facultative	1					
Treaty : Proportional	2					
Non-proportional	3					
Total (1 to 3)	4					
B. RETENTION RATIO						
Facultative	5					
Treaty : Proportional	6					
Non-proportional	7					
Total (5 to 7)	8					

ANNEX 6B – DISTRIBUTION OF OFFSHORE INSURANCE FUND PREMIUMS BY TERRITORY

FROM _____ TO _____

Co Code

Year

Mth

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Territory	Row No.	OFFSHORE INSURANCE FUND				
		Marine and Aviation		Property	Casualty and Others	Total
		Cargo	Hull and Liability			
GROSS PREMIUMS						
Malaysia	1					
Indonesia	2					
Thailand	3					
Philippines	4					
Taiwan	5					
Korea	6					
Hong Kong	7					
Japan	8					
India / Pakistan / Sri Lanka	9					
Australia / New Zealand	10					
United Kingdom	11					
United States	12					
China	13					
Vietnam	14					
Myanmar	15					
Others	16					
Total (1 to 17)	17					

Names and signatures of: _____ Date: _____

Director

Director

Principal Officer

Notes to Form 6

The following shall be stated as notes to this Form:

(For any note where the amount is nil, this shall be indicated as “NIL”).

Note 1 “Management expenses” and “Net investment income” for the different lines of business may be allocated according to net premiums written or some other reasonable basis used by the insurer which is acceptable to its external auditor. The bases used shall be stated as a note to this Form.

Note 2 Items in this Form may be allocated according to a reasonable basis used by the registered insurer which is acceptable to its external auditor. The bases used shall be stated as a note to this Form.

Note 3 Particulars on reinsurances of special risks other than reinsurances of liabilities under a marine and aviation policy.

Instructions for completion of Form 6

- 1.** All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
- 2.** Annexes 6A and 6B shall be applicable to a general reinsurer only.

3. For the purpose of risk classification, where separate figures for each class of business are not available, as in a combined policy covering several classes of risks, the premiums may be shown under the predominant class of risk.
4. For annual policies issued in respect of direct risks, registered insurers shall recognise premium income in full when the risks commence.
5. It includes, but it is not limited to, employer's liability insurance, workmen's compensation insurance, public liability insurance, motor vehicle insurance, plate glass insurance, burglary and theft insurance, fidelity guarantee, bond and credit insurance, personal accident and health insurance as written by non-life insurance companies, and other substantially similar kinds of insurance.

In respect of Offshore Insurance Fund, "Casualty and Others" refers to insurance covering loss or liability arising from accident or mishap, excluding certain types of loss which by law or custom are considered as falling exclusively within the scope of other types of insurance such as property or marine.

Property insurance is insurance against risks of loss of, or damage to, material property, excluding certain types of loss which by law or custom are considered as falling exclusively within the scope of marine, aviation and transport insurance, motor vehicle insurance or miscellaneous accident insurance.

6. "Gross premiums" refers to gross premiums received or receivable including portfolio premiums, after deduction of discounts and return premiums, which have been entered into the books of the registered insurer during the period. Commissions shall not be deducted from gross premiums.
7. "Reinsurance business ceded" refers to premiums paid or payable on reinsurance ceded during the period. It includes portfolio premiums in respect of ceded business.

- 8.** “Net premiums written” refers to the net amount of premiums after deduction of return premiums and payments in respect of reinsurance business ceded.
- 9.** “Gross claims less salvage” refers to claims paid, including portfolio losses and medical and legal expenses incurred directly in settlement of claims paid during the period, net of recoveries from salvages and subrogation.
- 10.** “Recoveries from reinsurance business ceded” refers to reinsurance recoveries received or receivable from reinsurance in respect of claims paid including portfolio losses, during the period.
- 11.** “Outstanding claims” refers to claims which have been approved by the company for payment but not yet paid. It includes expenses associated with the settlement of such claims.
- 12.** “Net claims settled” refers to net claims paid plus the increase in outstanding claims during the period.
- 13.** “Net claims incurred” refers to net claims settled plus the increase in claims liabilities during the period.

Premiums earned during the period (3 + 4 - 5)	6			
B. CLAIMS				
Gross claims	7			
Reinsurance recoveries	8			
Net claims paid (7 - 8)	9			
Claims liabilities at the beginning of period	10			
Claims liabilities at the end of period	11			
Net claims incurred (9 - 10 + 11)	12			
C. MANAGEMENT EXPENSES				
Management expenses	13			
D. DISTRIBUTION EXPENSES				
Commissions	14			
Reinsurance commissions	15			
Net commission incurred (14 - 15)	16			
Other distribution expenses	17			
E. UNDERWRITING RESULTS (6 - 12 - 13 - 16 - 17)				
18				
F. POLICIES AND CLAIMS SETTLED				
Number of policies	19			
Number of lives covered	20			
Number of claims registered	21			

Names and signatures of: _____ Date: _____

Director

Director

Principal Officer

Instructions for completion of Form 7

1. All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
2. This Form shall be applicable to standalone accident and health policies and the portion of life policies that provide accident and health benefits in the form of riders.
3. Statistics relating to standalone long-term accident and health policies shall be entered under part named “Accident and Health Insurance (Long-term)”. In addition, this part shall include the portion of life policies that provide accident and health benefits in the form of riders whereby, if the accident and health benefits were to be sold as accident and health policies on a standalone basis, the policies would have been classified as long-term accident and health policies.
4. Standalone accident and health policies and the portion of the life policies that provide accident and health benefits in the form of riders which are not reported under part named “Accident and Health Insurance (Long-term)” shall be entered under part named “Accident and Health Insurance (Short-term)”.
5. For an insurer registered to carry on both life and general business, statistics relating to both businesses shall be aggregated into one single Form.
6. This form shall be completed on an accrual basis of accounting.
7. “Gross premiums” refers to gross premiums received or receivable. Commissions shall not be deducted from gross premiums.
8. “Reinsurance ceded” refers to premiums paid or payable on reinsurance ceded during the period.

9. “Net premiums written” refers to the net amount of premiums after deduction of return premiums and payments in respect of reinsurance business ceded.
10. “Gross claims” refers to claims and experience refund paid, including medical and legal expenses incurred directly in settlement of claims paid during the period.
11. “Reinsurance recoveries” refers to reinsurance recoveries received or receivable from reinsurance in respect of claims paid during the period.
12. “Net claims incurred” refers to net claims paid plus the increase in claims liabilities during the period.

NAME OF REGISTERED INSURER _____

FORM 8 – BALANCE SHEET
IN RESPECT OF GLOBAL BUSINESS OPERATIONS
AS AT _____

Co Code

Year

Mth

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Description	Row No.	BUSINESS IN SINGAPORE		Overseas (Branch) Operations		Shareholders' Fund	Total
		Life Business	General Business	Life Business	General Business		
ASSETS							
Equity securities	1						
Debt securities	2						
Land and buildings	3						
Loans	4						
Cash and deposits	5						
Other invested assets	6						
Investment income due or accrued	7						
Outstanding premiums and agents' balances	8						
Deposits withheld by cedants	9						
Reinsurance recoverables	10						
Income tax recoverables	11						

Fixed assets	12						
Inter-fund and intra-group balances (due from)	13						
Other assets	14						
Total Assets (1 to 14)	15						
LIABILITIES							
Policy liabilities	16						
Other liabilities:							
Outstanding claims	17						
Annuities due and unpaid	18						
Reinsurance deposits	19						
Amounts owing to insurers	20						
Bank loans and overdrafts	21						
Others	22						
Inter-fund and intra-group balances (due to)	23						
Total Liabilities (16 to 23)	24						
NET ASSETS (15-24)	25						
SHAREHOLDER EQUITY							
Paid-up capital	26						
Share premium	27						
Reserves:							
Unappropriated Profits	28						
Other reserves	29						
Surplus	30						

Total (26 to 30)	31						
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ANNEX 8A

NAME OF REGISTERED INSURER _____
STATEMENT OF CHANGES IN EQUITY FROM _____ TO _____

	Paid-Up Capital	Share Premium	Other Reserves	Unappropriated Profits (Please Specify)	Total
Balance at beginning of period					
Changes in accounting policy					
Increase (decrease) in reserves					
Net profit for the period					
Dividends paid for the period					
Issue of share capital					
Transfer (to) from insurance funds maintained in Singapore					
Transfer (to) from overseas (branch) operations					
Balance at End of Period					

Names and signatures of: _____ Date: _____
Director Director Principal Officer

The following shall be stated as notes to this Form:

Note 1 The basis of valuation for “Overseas (Branch) Operations” and “Shareholders’ Fund”.

Note 2 Breakdown of “Other Reserves”.

Instructions for completion of Form 8

1. This Form is only applicable to registered insurers incorporated in Singapore.
2. All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
3. This Form shall not be consolidated with operations of subsidiary and associate companies but shall include the operations of branches of the registered Singapore-incorporated insurer.
4. “Business in Singapore” comprises both the assets and liabilities in the Singapore Insurance Funds and Offshore Insurance Funds.
5. Completion of this Form for “Business in Singapore” shall be on the same basis as that for Form 1.
6. “Surplus” for “Business in Singapore” comprises the surplus account of the participating fund and surpluses in other insurance funds referred to in Form 1.
7. Completion of this Form for “Overseas (Branch) Operations” and “Shareholders’ Fund” shall be in accordance with Part IV and Part V of the Insurance (Valuation and Capital) Regulations 2004. “Unappropriated Profits” shall exclude surpluses due to overseas (branch) operations and shall include transfers to “Shareholders’ Fund”.
8. The Statement of Changes in Equity shall be applicable only to “Business in Singapore”.
9. The Statement of Changes in Equity shall be applicable only to “Shareholders’ Fund”.

NAME OF REGISTERED INSURER _____

FORM 9 – PROFIT AND LOSS ACCOUNT
IN RESPECT OF GLOBAL BUSINESS OPERATIONS
FROM _____ TO _____

Co Code Year Mth

Description	Row No.	Business in Singapore		Overseas (Branch) Operations		Shareholders' Fund	Total
		Life Business	General Business	Life Business	General Business		
Premium revenue	1						
Less: Outward reinsurance premiums	2						
Investment revenue	3						
Less: Investment expenses	4						
Other income	5						
Total Income (1 to 5)	6						
Claims	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 on receivables	12						
Taxation expenses	13						
Other expenses	14						
Total Outgo (7 to 14)	15						
NET INCOME (6 - 15)	16						

Names and signatures of: _____ Date: _____
Director Director Principal Officer

The following shall be stated as notes to this Form:

(For any note where the amount is nil, this shall be indicated as "NIL").

Note 1 Related party transactions including:

- (d) The nature of the related party relationship;
- (e) Type of transaction; and
- (f) Amount of transaction

For the purpose of this Note —

“Related party transaction” means a transfer of resources or obligations between related parties, regardless of whether a price is charged.

“Related party” means parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

“Significant influence” means participation in the financial and operating policy decisions of an enterprise, but not control of those policies. Significant influence may be exercised in several ways, usually by representation on the board of directors but also by, for example, participation in the policy making process, material intercompany transactions, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by share ownership, statute or agreement.

“Control” means ownership, directly, or indirectly through subsidiaries, of more than one half of the voting power of an enterprise, or a substantial interest in voting power and the power to direct, by statute or agreement, the financial and operating policies of the management of the enterprise.

Instructions for completion of Form 9

1. This Form is applicable only to registered insurers incorporated in Singapore.
2. All amounts shown in this Form are to be rounded up to the nearest dollar. Negative amounts shall be reported in “()”.
3. This Form shall not be consolidated with operations of subsidiary and associate companies but shall include the operations of branches of the registered Singapore-incorporated insurer.

4. “Business in Singapore” comprises both the assets and liabilities in the Singapore Insurance Funds and Offshore Insurance Funds.
5. Completion of this Form for “Business in Singapore“ shall be on the same basis as that for Form 2.
6. Completion of this Form for “Overseas (Branch) Operations” and “Shareholders’ Fund” shall be in accordance with Part IV and Part V of the Insurance (Valuation and Capital) Regulations 2004.

2. All amounts shown in this form are to be rounded up to the nearest thousand dollar. Negative amounts shall be reported in “()”.
3. “Net premiums written” refers to the net amount of premiums after deduction of return premiums and payments in respect of reinsurance ceded.

Accident and Health Insurances	6											
Annuities	7											
Others	8											
Total (1 to 8)	9											

Names and signature of: _____ Date: _____

I _____
Actuary

Instructions for completion of Form 11

1. Where any adjustments have been made in the valuation, details of the adjustment shall be specified in respect of each product class for each insurance fund in this form.
2. Office premiums shall be shown according to the amounts per year of future payments after abatements made by the application of bonus.
3. The present value of tax shall be included in the present value of expenses.
4. The total policy liabilities of the participating fund shall be calculated in accordance with Part V of the Insurance (Valuation and Capital) Regulations 2004. The following components of the policy liabilities shall be given in this form:
 - (i) the sum of the liability in respect of each policy of the participating fund;
 - (ii) the minimum condition liability of the participating fund; or
 - (iii) the value of policy assets of the participating fund.

Financial Reinsurance	6								
Other Reinsurance	7								
Annuities Only	8								
Total (1 to 8)	9								

Names and signature of: _____ Date: _____

Actuary

Instructions for completion of Form 12

1. Where any adjustments have been made in the valuation, details of the adjustment shall be specified in respect of each product class for each insurance fund in this form.
2. The present value of tax shall be included in the present value of expenses.

NAME OF REGISTERED INSURER

FORM 13 – STATEMENT OF ANALYSIS OF EXPERIENCE

(LIFE BUSINESS)

FOR THE YEAR _____

SINGAPORE INSURANCE FUND Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>	OFFSHORE INSURANCE FUND Life Participating <input type="checkbox"/> Non-Participating <input type="checkbox"/> Investment-Linked <input type="checkbox"/>
(Tick (✓) one only)	

Co Code Year Mth

--	--	--	--	--	--	--	--	--	--

Particulars	Row No.	From _____ to _____		
		Actual	Expected	Actual Less Expected
Sources of net income arising in the year -				
New Business	1			
Mortality / Morbidity	2			
Forfeitures / Surrenders	3			
Interest	4			
Expenses	5			
Change in basis	6			
Misc	7			
Total (1 to 7)	8			

Names and signature of: _____ Date: _____

Actuary

Instructions for completion of Form 13

- The expected column shall contain the expected experience to arise from the policy liabilities at beginning of year. The actual column shall contain the corresponding actual experience emerging during the year. The expected experience for new business and change in basis shall be zero.

**FORM 14 - ACTUARY'S CERTIFICATE ON POLICY LIABILITIES
RELATING TO LIFE BUSINESS**

NAME OF REGISTERED INSURER

ACTUARIAL INVESTIGATION OF POLICY LIABILITIES RELATING
TO LIFE BUSINESS AS AT

I have conducted an investigation into the valuation of policy liabilities relating to life business as required under section 37 of the Insurance Act (Cap. 142) and confirm that the valuation is in accordance with any applicable requirement stipulated under the Act or a direction issued under the Act, subject to the qualifications stated below *. I certify these amounts as follows:

	Participating Fund	Non-Participating Fund	Investment-Linked Fund
Singapore Insurance Fund			
Offshore Insurance Fund			

*Qualifications (if none, state "none"):

Name of actuary: _____

Signature: _____

Date: _____

NAME OF REGISTERED INSURER

FORM 15 – STATEMENT OF PARTICIPATING FUND ALLOCATIONS

FROM _____ TO _____

Co Code Year Mth

Particulars	Row No.	Singapore Insurance Fund	Offshore Insurance Fund
Bonus payments made to policyholders in anticipation of a surplus	1		
Allocation to policyholders - Cash Bonus	2		
Reversionary Bonus	3		
Total allocated to policyholders (2 + 3)	4		
Allocation to surplus account	5		

Names and signatures of: _____
Actuary Director Director

 Principal Officer

Date: _____

FORM 16 - ACTUARY'S CERTIFICATE ON PARTICIPATING FUND ALLOCATIONS

NAME OF REGISTERED INSURER

ALLOCATION OF BONUS AS AT

I have conducted an investigation into the bonus allocation of the participating fund to policyholders and the surplus account as required under section 17(6) of the Insurance Act (Cap. 142) and it is my opinion that the allocation is fair and equitable, having taken into account the prospective financial conditions of the participating fund, and is in accordance with the Insurance (Actuaries) Regulations 2004 subject to the qualifications stated below *.

The amount of bonus allocated to policyholders for the year is

*Qualifications (if none, state "none"):

Name of actuary: _____

Signature: _____

Date: _____

**FORM 17 - ACTUARY'S CERTIFICATE ON POLICY LIABILITIES
RELATING TO GENERAL BUSINESS**

NAME OF REGISTERED INSURER

ACTUARIAL INVESTIGATION AS AT

I have conducted an investigation into the valuation of policy liabilities relating to general business as required under section 37 of the Insurance Act (Cap. 142) and confirm that the valuation is in accordance with any applicable requirement stipulated under the Act or a direction issued under the Act, subject to the qualifications stated below *. I certify these amounts, net of reinsurance, as follows:

<i>Item</i>	<i>Singapore Insurance Fund</i>	<i>Offshore Insurance Fund</i>
Premium Liabilities		
Claims Liabilities		
Policy Liabilities		

*Qualifications (if none, state "none"):

Name of actuary: _____

Signature: _____

Date: _____

RETURNS ON FUND SOLVENCY REQUIREMENT AND CAPITAL ADEQUACY REQUIREMENT

NAME OF REGISTERED INSURER _____

FORM 18 – STATEMENT IN RELATION TO FUND SOLVENCY REQUIREMENT AND CAPITAL ADEQUACY REQUIREMENT

Co Code Year Mth

Form 18(a) - Fund Solvency Requirement of Insurance Fund

<p>SINGAPORE INSURANCE FUND</p> <p>General <input type="checkbox"/></p> <p>Life</p> <p style="padding-left: 20px;">Participating <input type="checkbox"/></p> <p style="padding-left: 20px;">Non-Participating <input type="checkbox"/></p> <p style="padding-left: 20px;">Investment-Linked <input type="checkbox"/></p>	<p>OFFSHORE INSURANCE FUND</p> <p>General <input type="checkbox"/></p> <p>Life</p> <p style="padding-left: 20px;">Participating <input type="checkbox"/></p> <p style="padding-left: 20px;">Non-Participating <input type="checkbox"/></p> <p style="padding-left: 20px;">Investment-Linked <input type="checkbox"/></p>
(Tick (✓) one only)	

(i) Financial Resources of Insurance Fund

Balance in the surplus account (for participating fund only)	
Add: Provision for non-guaranteed benefits (for participating fund only)	
Greater of: Policy liability – minimum condition liability	
50% provision for non-guaranteed benefits and PAD	
Surplus of insurance fund (other than participating fund)	
Less: Inadmissibility adjustment	
(a) unsecured amounts due from directors of the registered insurer and their connected persons	
(b) loans to, guarantees granted for, and other unsecured amounts owed by the head office or a related corporation by the registered insurer	
(c) charged assets	
(d) assets or reduction in liability in relation to future tax	
(e) assets or reduction in liability arising from non-approved reinsurance arrangement	
(f) any other assets as may be specified by the Authority	
Financial Resources of Insurance Fund	

(ii) Total Risk Requirement of Insurance Fund

A. Component 1 Requirement – Insurance Risks Life Insurance Risk Requirement (for participating fund only)	
The difference between: Modified minimum condition liability	
Minimum condition liability	
Life Insurance Risk Requirement (other than participating fund)	
The difference between: Modified policy liability	
Minimum policy liability	

General Insurance Risk Requirement (for general business only)	
(a) Premium liabilities	
(b) Claims liabilities	
Total C1 Requirement	
B. Component 2 Requirement – Investment Risks and Risks arising from Interest Rates Sensitivity and Foreign Currency Mismatch between Asset and Liabilities	
Equity Investment Risk Requirement	
(a) Specific Risk Requirement	
(b) General Risk Requirement	
Maximum of:	
(a) Sum of:	
Debt investment risk requirement in an increasing interest rate environment	
Debt specific risk requirement	
Debt general risk requirement	
Liability adjustment requirement in an increasing interest rate environment	
(b) Sum of:	
Debt investment risk requirement in a decreasing interest rate environment	
Debt specific risk requirement	
Negative of debt general risk requirement	
Liability adjustment requirement in a decreasing interest rate environment	
Loan Investment Risk Requirement	
Property Risk Requirement	
Foreign Currency Risk Requirement	
Derivative Counterparty Risk Requirement	
Miscellaneous Risk Requirement	
Total C2 Requirement	
C. Component 3 Requirement – Concentration Risks	
Counterparty Exposure to:	
(a) Counterparty (or a group of related counterparties who is not listed on any recognised exchange, but not including the Government and any statutory board in Singapore)	
(b) Counterparty (or a group of related counterparties) listed on any recognised exchange	
(c) Counterparty who is a financial institution (or a group of financial institutions)	
Equity Securities Exposure to:	
(a) Constituent stock of the Straits Times Index, MSCI Singapore Index or a market index of a recognised exchange	
(b) Any other single equity security other than a constituent stock of the Straits Times Index, MSCI Singapore Index or a market index of a recognised exchange	
(c) Unlisted equities	
(d) Collective investment scheme	
Unsecured Loans Exposure:	
(a) To a single counterparty	

(b) In aggregate	
Property Exposure	
Foreign Currency Risk Exposure	
Exposure to non-liquid assets for Singapore insurance fund (general business)	
Exposure to assets in miscellaneous risk requirements	
Total C3 Requirement	
Total Risk Requirement of Insurance Fund	
Fund Solvency Requirement	

Form 18(b) – Total Risk Requirement of Assets and Liabilities of the Registered Insurer that do not belong to any Insurance Fund

A. Component 1 Requirement – Insurance Risks	
Life Insurance Risk Requirement (for life business only)	
The difference between:	
Modified policy liability	
Minimum policy liability	
General Insurance Risk Requirement (for general business only)	
(a) Premium liabilities	
(b) Claims liabilities	
Total C1 Requirement	
B. Component 2 Requirement – Investment Risks and Risks arising from Interest Rates Sensitivity and Foreign Currency Mismatch between Asset and Liabilities	
Equity Investment Risk Requirement	
(a) Specific Risk Requirement	
(b) General Risk Requirement	
Maximum of:	
(a) Sum of:	
Debt investment risk requirement in an increasing interest rate environment	
Debt specific risk requirement	
Debt general risk requirement	
Liability adjustment requirement in an increasing interest rate environment	
(b) Sum of:	
Debt investment risk requirement in a decreasing interest rate environment	
Debt specific risk requirement	
Negative of debt general risk requirement	
Liability adjustment requirement in a decreasing interest rate environment	
Loan Investment Risk Requirement	
Property Risk Requirement	

Foreign Currency Risk Requirement	
Derivative Counterparty Risk Requirement	
Miscellaneous Risk Requirement	
Total C2 Requirement	
Total Risk Requirement	

Form 18(c) – Capital Adequacy Requirement

<u>(i) Financial Resources of Registered Insurer</u>	
A. Tier 1 Resource	
Surpluses of all insurance funds (other than participating fund)	
Balances in the surplus account (for participating fund)	
Paid-up ordinary share capital	
Share premium account	
Unappropriated profit or loss not accounted for under the surpluses of all insurance funds and balances in the surplus account	
Irredeemable and non-cumulative preference shares	
Any other capital instrument approved by the Authority as a Tier 1 resource	
Less:	
Inadmissibility adjustment not yet deducted from insurance funds established in Singapore	
(a) unsecured amounts due from directors of the registered insurer and their connected persons	
(b) loans to, guarantees granted for, and other unsecured amounts owed by the head office or a related corporation by the registered insurer	
(c) charged assets	
(d) assets or reduction in liability in relation to future tax	
(e) assets or reduction in liability arising from non-approved reinsurance arrangement	
(f) any other assets as may be specified by the Authority	
Total Tier 1 Resource	
B. Tier 2 Resource	
Irredeemable and non-cumulative preference share capital not recognised as Tier 1 resource	
Irredeemable and cumulative preference share capital	
Any qualifying Tier 2 instrument approved by the Authority as a Tier 2 resource	
Total Tier 2 Resource	
C. Provisions for non-guaranteed benefits of participating funds	
Financial Resources of Registered Insurer	
<u>(ii) Total Risk Requirements of Registered Insurer</u>	
Greater of -	
(a) Sum of -	
Total risk requirements of insurance funds established or maintained under the Act	
Total risk requirements arising from assets and liabilities that do not belong to any insurance fund established under the Act	
(b) Minimum capital adequacy level	

FORM 19 - CERTIFICATE ON THE ACCOUNTS OF
***GENERAL / LIFE / GENERAL AND LIFE BUSINESS**
OF _____
FOR THE ACCOUNTING PERIOD ENDED _____

We, the undersigned, hereby certify that in our belief the assets and liabilities set forth in the balance sheet are fully of the values stated in the balance sheet; and that in the relevant accounting period, no part of the assets and liabilities of the insurance fund(s) maintained under the Insurance Act (Cap. 142), has been dealt with in contravention of section 17 or 18 of the Act; and during the year, regulations made for the purposes of section 19 of the Act have been complied with in relation to those assets; except

Director

Director

Principal Officer

Date: _____

*Delete as applicable

**FORM 20 - REPORT OF THE AUDITOR APPOINTED UNDER
SECTION 36(6) OF THE INSURANCE ACT (CAP. 142)**

1. Pursuant to Section 36(3) of the Insurance Act (Cap. 142), we have audited the attached balance sheets as at _____, profit and loss accounts and other statutory returns (Forms 1, 2, 6, 7, 8 and 9, excluding their Annexes, and Form 18) for the accounting period _____. These statements of accounts and other statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these statements of accounts and other statements based on our audit.

2. We conducted our audit in accordance with the Singapore Standards on Auditing to the extent that they are relevant to the audit. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of accounts. An audit also includes assessing the accounting principles, evaluating the presentation of the overall statements of accounts and the company's internal control and compliance systems used in the preparation of the statements of accounts and other statements. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion and to the best of the information and according to the explanations given to us —

(a) the balance sheets, profit and loss accounts and other statutory returns (Forms 1, 2, 6, 7, 8 and 9, excluding their Annexes, and Form 18) have been prepared in accordance with the provisions of the Insurance Act and the Regulations made thereunder;

(b) the balance sheets present a true reflection of the financial position of the business of the registered insurer for which the Insurance Fund(s) are valued as prescribed under the Insurance Regulations and according to Singapore Generally Accepted Accounting Principles as modified under the Insurance Regulations;

(c) the books of the registered insurer have been properly kept and recorded accurately the affairs and transactions of the insurer in respect of that business;

(d) all necessary and proper apportionments have been made in the balance sheets, profit and loss accounts and other statutory returns and have been made in an equitable manner; and

(e) there are no material weaknesses in the registered insurer's internal control and compliance systems used in the preparation of the statements of accounts and other statements; except for

4. As far as can be ascertained from our audit, in our opinion —

- (a) the fund solvency requirement and capital adequacy requirement under section 18 of the Insurance Act have been complied with;
- (b) no part of the assets of the insurance fund(s) maintained under the Insurance Act has been applied in contravention of section 17 of the Insurance Act, and section 17 (16) has been complied with in relation to those assets;
- (c) the assets of the insurance fund(s) maintained under the Insurance Act have been invested and held in accordance with regulations prescribed under section 19 of the Insurance Act;
- (d) no documents of title to insurance fund assets have been held in contravention of section 20 (1) of the Insurance Act; and
- (e) the assets and liabilities have been valued in accordance with the prescribed regulations; except for

Certified Public Accountants

Date: _____

FORM 21 – AUDITOR’S SUPPLEMENTARY REPORT

The Principal Officer

Date:

Name of Registered Insurer:

Dear Sir

AUDITOR'S SUPPLEMENTARY REPORT

We have audited the balance sheets, profit and loss accounts and other statutory returns (Forms 1, 2, 6, 7, 8 and 9, excluding their Annexes, and Form 18), and evaluated the internal control and compliance systems of _____ as at _____ and for the accounting period _____.

1. Our audit was carried out in accordance with the requirements of section 36(5) of the Insurance Act (Cap. 142) for the purpose of expressing our opinion on the accounts drawn up in accordance with the provisions of the Insurance Act. Our audit was necessarily conducted on a test basis and included such samples as we deemed appropriate. In this connection, we have reviewed the accounting system and system of internal controls and compliance used in the preparation of the statements of accounts and other statements, in operation in the registered insurer.

2. Based on our audit, we have no comments on the following (except for those matters stated in the Appendix):

- (a) Accounting, internal control and compliance systems used in the preparation of statements of accounts and other statements;
- (b) Other areas of material weakness in the operations of the registered insurer;
- (c) Implementation of directions and recommendations made by the Authority during the year in respect of internal control and compliance systems used in the preparation of the statements of accounts and other statements; and
- (d) Implementation of our previous year’s audit recommendations.

3. During the course of our audit (except for those matters stated in the Appendix), nothing came to our notice that caused us to believe that –

- (a) known bad debts of a material amount had not been written off or fully provided for;
- (b) adequate provision had not been made for known material doubtful debts and for any material diminution in value of other assets;
- (c) there was any non-compliance with the Insurance Act and regulations, licensing conditions, notices and directions issued by the Authority and other relevant laws;
- (d) conflict of interest involving management or staff in areas such as underwriting, claims settlement and investment resulting or which may result in any person receiving an undue benefit or advantage at the expense of the policy owner; and
- (e) the registered insurer has not followed up on recommendations made by the Authority during the year.

Certified Public Accountants

Appendix

Auditor's Findings	Auditor's Recommendations	Registered Insurer's Comments

SECOND SCHEDULE

Regulation 5(1)

MATTERS TO BE STATED IN ABSTRACT OF ACTUARY'S REPORT

1. *The following matters are to be stated in the abstract of an actuary's report on investigations of policy liabilities relating to life business for the purposes of regulation 4(2)(a)(i):*

- (a) The date to which the investigation relates.
- (b) The name of the actuary and, where the actuary is an employee of the registered insurer or a related company, the capacity in which the actuary is acting.
- (c) That the purpose of the report is to carry out an actuarial investigation into the valuation of policy liabilities relating to life business of the registered insurer as required under section 37(1)(a) of the Insurance Act (Cap. 142).
- (d) Confirmation that all requirements specified by the Authority for the valuation of policy liabilities relating to life business of an registered insurer in Singapore have been complied with, or if any requirements have not been complied with, the reasons for such non-compliance.
- (e) The general principles and full details of the methods adopted in the valuation of policy liabilities of each type of business, including statements on the following matters:
 - (i) the appropriateness of the data and the accuracy of the valuation system;
 - (ii) the method used in deriving the policy liabilities for the each type of business, and to disclose the aggregation and approximation made if any;
 - (iii) the assumptions used in the valuation process, with key assumptions such as discount rate, expenses, mortality rates, lapse rates and bonus rates (dividends) clearly stated;

2. The following matters are to be stated in the abstract of an actuary's report on investigations of policy liabilities relating to general business for the purposes of regulation 4(2)(a)(ii):

- (a)** The date to which the investigation relates.
- (b)** The name of the actuary, his professional qualifications and, where the actuary is an employee of the insurer or a related company, the capacity in which the actuary is acting.
- (c)** That the purpose of the report is to value the insurance policy liabilities of the insurer in compliance with section 37(1)(b) of the Act.
- (d)** Confirmation that all requirements specified by the Authority for the valuation of insurance policy liabilities of an insurer in Singapore have been complied with, or if any requirements have not been complied with, the reasons for such non-compliance.
- (e)** The following items in respect of the data used in the valuation of each line of business:
 - (i)** whether the data is on an accident year or underwriting year basis, gross or net of reinsurance, whether direct or indirect or both claims handling expenses data were used and the number of development years used in the valuation;
 - (ii)** the steps taken by the actuary to validate the data and the degree to which the actuary relies upon data provided by the insurer, and the work of external auditors or any other third party, including the limitations such reliance places on the actuary's confidence in the data;
 - (iii)** the manner of grouping of risks into lines of business and divisions of lines of business;
 - (iv)** the nature, amount and rationale for any adjustment to the data to account for abnormal items, such as large losses.
- (f)** The following items in respect of the methodologies adopted in the valuation of premium liabilities and claims liabilities respectively of each line of business, including statements on the following matters:

(i) the assumptions on discounting, premium rate changes, development factors and ultimate loss ratios, expense rate and recoveries used in the valuation process;

(ii) the impact of any material changes in the business mix or strategy, underwriting policy and claims policy of the insurer and general business and industry conditions on the valuation;

(iii) the methods used, and if these are different from the preceding accounting period, justification for the change in methods and quantification of the financial implications arising from the change in methods.

(iv) where the results of the methods differ significantly from one another, the likely reasons for the differences and the basis for the choice of results. Where the actuary's choice leads to negative incurred but not reported (IBNR) claim reserves, why a release of reserves is justified;

(v) any differences between the actual experience and previous valuation, and the likely reasons for the differences.

(vi) the definitions of terms and expressions used in the report that may be ambiguous or subject to wide interpretation;

(vii) separate disclosures of subparagraphs (a) to (e) for best estimate (BE) and provision for adverse deviation (PAD) respectively.

(g) The premium liabilities and claims liabilities of each line of business described in Form 6, Annex 6A or Annex 6B, as the case may be, in the Insurance (Accounts and Statements) Regulations 2004 that the insurer underwrites for each insurance fund in the format presented in Table 1 and 2 respectively.

Table 1: Premium Liabilities for Singapore Insurance Fund / Offshore Insurance Fund

Line of business	Unearned premium reserves	Best estimate of unexpired risk reserves (URR)	Provision for adverse deviation (PAD) of URR without diversification	Fund PAD of URR	URR	Premium liabilities

Fund Total						

Instructions for completion of Table 1:

1. Under the column named “Line of business”, the name of each line of business underwritten by the insurer shall be stated.
2. Under the column named “Unearned premium reserves”, the unearned premium reserve for each line of business and for the insurance fund as a whole calculated for regulation 19(1)(a)(i) and 19(2) of the Insurance (Valuation and Capital) Regulations 2004 shall be stated.
3. Under the column named “Best estimate of unexpired risk reserves (URR)”, the part of the unexpired risk reserve for each line of business and for the insurance fund as a whole calculated for regulation 19(1)(a)(ii)(A) and 19(2) of the Insurance (Valuation and Capital) Regulations 2004 shall be stated.
4. Under the column named “Provision for adverse deviation (PAD) of URR without diversification”, the part of the unexpired risk reserve for each line of business calculated for regulation 19(2) of the Insurance (Valuation and Capital) Regulations 2004 shall be stated in the respective rows. For the row named “Fund total”, it shall show the aggregate of values in preceding rows that relate to individual lines of business.
5. Under the column named “Fund PAD of URR”, the part of the unexpired risk reserve for the fund calculated for regulation 19(1)(a)(ii)(B) of the Insurance (Valuation and Capital) Regulations 2004 shall be stated in the row named “Fund total”. For other rows relating to individual lines of business, the value shown in each line of business shall be derived by attributing the “Fund total” value to each line of business. The value attributed to the each line shall, however, not be less than zero.
6. Under the column named “URR”, each entry shall be the sum of the entries in the columns named “Best estimate of unexpired risk reserves (URR)” and “Fund PAD of URR”.
7. Under the column named “Premium liabilities” and for the row named “Fund total”, it shall reflect a value which is the higher of the value in the column named

“Unearned premium reserves” or the columned “URR” for the same row. For other rows relating to individual lines of business, the value shown in each line of business shall be derived by attributing the “Fund total” value to each line of business. The value attributed to the each line shall, however, not be less than the value stated in the preceding column on “URR”.

Table 2: Claims Liabilities for Singapore/ Offshore Insurance Fund

Line of business	Best estimate of claims liability	Provision for adverse deviation (PAD) of claims liabilities without diversification	Fund PAD of claims liabilities	Claims liabilities
Fund Total				

Instructions for completion of Table 2:

1. Under the column named “Line of business”, the name of each line of business underwritten by the insurer shall be stated.
2. Under the column named “Best estimate of claims liability”, the part of the claims liability for each line of business and for the insurance fund as a whole calculated for regulation 19(1)(b)(i) and 19(2) of the Insurance (Valuation and Capital) Regulations 2004 shall be stated.
3. Under the column named “Provision for adverse deviation (PAD) of claims liabilities without diversification”, the part of the claims liability for each line of business calculated for regulation 19(2) of the Insurance (Valuation and Capital) Regulations 2004 shall be stated in the respective rows. For the row named “Fund total”, it shall show the aggregate of values in preceding rows that relate to individual lines of business.
4. Under the column named “Fund PAD of claims liabilities”, the part of the claims liabilities for the fund calculated for regulation 19(1)(b)(ii) of the Insurance (Valuation and Capital) Regulations 2004 shall be stated in the row named “Fund total”. For other rows relating to individual lines of business, the

value shown in each line of business shall be derived by attributing the “Fund total” value to each line of business. The value attributed to the each line shall, however, not be less than zero.

5. Under the column named “Claims liability”, each entry shall be the sum of the entries in the columns named “Best estimate of unexpired risk reserves (URR)” and “Fund PAD of claims liabilities”.

THIRD SCHEDULE

Regulation 15

INFORMATION ON EXTERNAL AUDITOR

Information to be furnished by a registered insurer to the Authority for the purposes of regulation 15 shall include -

(a) the names, qualifications, years of auditing experience and experience in auditing registered insurers of -

(i) the audit team leader; and

(ii) every other member of the audit team;

(b) the number of times the audit team leader has led an audit team to audit the registered insurer in the past five years;

(c) the time spent (in man-hours) by the audit team leader in the audit of the registered insurer;

(d) the total time spent (in man-hours) by the audit team in the audit of the registered insurer; and

(e) the amount of fees paid by the registered insurer to the external auditor for each audit.

ANNEX 3: INSURANCE (ACTUARIES) REGULATIONS

DISCLAIMER: This version of the Bill is in draft form and subject to change. It is also subject to review by the Attorney-General's Chambers.

No. S 000 –

INSURANCE ACT (CAP 142)

INSURANCE (ACTUARIES) REGULATIONS 2004

ARRANGEMENT OF REGULATIONS

Regulation

1. Citation and commencement
2. Definitions
3. Persons who may be actuaries
4. Appointment of appointed actuary for direct insurer registered to carry on life business
5. Actuaries in respect of section 37 of the Act
6. Financial condition investigation
7. Premium rates
8. Allocation of participating fund
9. Investment policy
10. Report to board of directors
11. Report to principal officer
12. Report to Authority
13. Rights of appointed actuaries
14. Revocation
The Schedule

In exercise of the powers conferred by sections 31, 37 and 64(1) 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 (Actuaries) Regulations 2004 and shall come into operation on [date].

Definitions

2. In these Regulations,—

“appointed actuary” means the actuary appointed by an insurer for the purpose of section 31 of the Act;

“participating fund” means an insurance fund established and maintained under section 17 of the Act which comprises wholly or partly of participating policies.

Persons who may be actuaries

3. (1) Any person who is a Fellow of the Singapore Actuarial Society shall be an actuary for the purposes of the Act in respect of life and general business.

Appointment of appointed actuary for direct insurer registered to carry on life business

4.—(1) No direct insurer registered to carry on life business shall appoint an appointed actuary unless the insurer satisfies the Authority that the person is fit and proper to be so appointed and has the actuarial qualifications and experience to perform the functions and duties of an appointed actuary.

(2) In obtaining approval from the Authority pursuant to section 31(3) of the Act, the insurer shall submit to the Authority the particulars of the person proposed to be appointed in the form set out in the Schedule.

(3) The appointment of any person as an appointed actuary shall not take effect until the Authority has approved the appointment and where there is a person who held the office of appointed actuary immediately before the first mentioned person (referred to in this regulation as “the preceding actuary”), the appointment of the preceding actuary has been terminated.

(4) A direct insurer registered to carry on life business shall, within 3 months after a person ceases to be its appointed actuary or within such longer period as the Authority may allow, appoint another person to be the appointed actuary.

(5) A person shall cease to be an appointed actuary where—

- (a) the person ceases to be an actuary for the purpose of the Act, immediately upon such cessation;
- (b) the person dies, immediately on the date of death;
- (c) the person gives the insurer a written notice of resignation of his appointment as an appointed actuary, on the date that the resignation takes effect; or
- (d) the insurer gives the person written notice that his appointment as appointed actuary is terminated, whether on the insurer’s own motion or pursuant to a direction by the Authority under section 31(4) of the Act, on the date that the termination is effective.

(6) Where an insurer terminates the appointment of an appointed actuary other than pursuant to a direction by the Authority, the

insurer shall notify the Authority in writing immediately and furnish the Authority with the reasons for the termination.

(7) Where a person ceases to be an appointed actuary—

- (a) pursuant to paragraph (5)(c), the person shall furnish to the Authority, a written document on the circumstances and reasons of his resignation; or
- (b) pursuant to paragraph (5)(d) where the termination is on the insurer's own motion, the person shall furnish to the Authority, a written document on the circumstances and, in his opinion, the reasons for his termination.

Actuaries in respect of section 37 of the Act

5. —(1) For the purposes of section 37 of the Act, the Authority may approve any person who is a Fellow of Singapore Actuarial Society as an actuary for the purposes of any investigation referred to in section 37(1)(a) and (b) of the Act.

(2) Nothing in paragraph (1) shall prevent the Authority from approving any other person as an actuary for the purposes of section 37 of the Act.

(3) No registered insurer shall propose a person to the Authority to be approved for the purposes of section 37(1)(a) or (b) of the Act unless the insurer is satisfied that the person is fit and proper to be so approved and has the actuarial qualifications and experience to perform the investigation.

(4) In obtaining approval from the Authority pursuant to section 37(1)(a) or (b) of the Act, the insurer shall submit to the Authority the particulars of the person proposed to be appointed in the form set out in the Schedule.

(5) An actuary approved by the Authority as an appointed actuary for a registered insurer under section 31 of the Act, shall be deemed to be the actuary approved by the Authority for the insurer for the purpose of section 37(1)(a) of the Act, for so long as he remains the appointed actuary unless another actuary is approved for that purpose.

Financial condition investigation

6. An appointed actuary shall investigate into the financial condition of the life business of a direct insurer registered to carry on such business by—

- (a) valuing liabilities of the insurer with respect to policies of its life business as at the end of each accounting period

and carry out other investigations on such liabilities which the Authority may specify in any direction;

- (b) determining whether the allocation of the participating fund pursuant to section 17(6) of the Act has taken into account—
 - (i) the statutory requirements under section 17(6) of the Act;
 - (ii) fairness and equity among different policies; and
 - (iii) the impact on prospective financial conditions of the fund; and
- (c) assessing the financial soundness of the insurer by conducting at the end of each accounting period, a prospective test of the financial condition of each insurance fund established and maintained under the Act for its life business under various economic and business conditions, as may be specified by the Authority.

Premium rates

7.—(1) In determining whether a premium or rate of premium, for a life policy or a long-term accident and health policy is suitable, an appointed actuary shall take into account the impact of the premium or rate of premium on the prospective financial condition of the insurer.

(2) The appointed actuary shall, at all times, be satisfied as to the appropriateness of rates of premium charged by the insurer by whom he was appointed for its life policies and long-term accident and health policies and the impact of such rates on the prospective financial condition of the insurer.

Allocation of participating fund

8. The appointed actuary shall, in his written recommendation presented on the allocation of the participating fund to the surplus account or by way of bonus to the participating policies given to directors for the purpose of section 17(6) of the Act, take into account the following:

- (a) the statutory requirements under section 17(6) of the Act;
- (b) fairness and equity among different policies;
- (c) the impact on prospective financial condition of the fund.

Investment policy

9. The appointed actuary shall assist the registered insurer in formulating a suitable policy on how the assets of an insurance fund are to be invested, and in the formulation of such policy, the actuary shall have regard to the nature and term of liabilities of the insurer and the availability of appropriate assets.

Report to board of directors

10.—(1) The appointed actuary shall, for each accounting period, submit a written report to the directors of the registered insurer of the investigation on the financial condition of the life business of the insurer required under section 37 of the Act.

(2) The appointed actuary shall, where required by the directors of the insurer, explain the report submitted under paragraph (1) to them.

Report to principal officer

11.—(1) The appointed actuary shall prepare a written report to the principal officer of the registered insurer on any matter which –

- (a) has come to the attention of the appointed actuary in the course of carrying out his functions and duties;
- (b) in the opinion of the appointed actuary, has an material adverse effect on the financial condition of the insurer in respect of its life business; and
- (c) requires rectification by the insurer.

(2) The appointed actuary shall immediately send a copy of the report to the directors of the insurer.

Report to Authority

12. Where the appointed actuary is of the opinion that the registered insurer has failed to take appropriate steps to rectify any matter reported by him under regulation 11(2) within a reasonable time, the appointed actuary shall immediately send a copy of his report to the Authority and notify the directors of the insurer that he has done so.

Rights of appointed actuaries

13.—(1) Every registered insurer shall give its appointed actuary access to any information or document in the possession, or under the control, of the insurer if such access is reasonably necessary

for the proper performance of the functions and duties of the appointed actuary.

(2) The appointed actuary may require any officer or employee of the insurer by whom he was appointed to answer questions or produce documents for the purpose of enabling the appointed actuary to have the access to information and documents provided for by subsection (1).

(3) An officer or employee of the insurer with whom the appointed actuary relates shall not refuse or fail, without reasonable excuse, to comply with a requirement under subsection (2).

(4) The registered insurer shall permit its appointed actuary to attend any meeting of the directors and to speak on any matter relevant to his duty as an appointed actuary.

Revocation

14. The Insurance (Actuaries) Regulations 2002 and the Insurance (Duties of Actuaries) Regulations are revoked.

THE SCHEDULE

Regulations 4(2), 5(4)

**PARTICULARS OF A PERSON PROPOSED TO BE APPOINTED AS
ACTUARY UNDER SECTION 31(2) OR TO BE APPROVED AS AN
ACTUARY INVESTIGATING INTO THE FINANCIAL CONDITION OF
LIFE BUSINESS OR POLICY LIABILITIES OF GENERAL BUSINESS
UNDER SECTION 37(1) OF THE INSURANCE ACT (CAP. 142)**

Name of insurer			
Name of actuary (as in NRIC/passport)		Gender:	
Citizenship and NRIC/passport number			
Date and place of birth			
Residential address			
Company name/ business address			
Designation			
Percentage shareholding in the insurer			
Proposed date of appointment/ commencement date of approval			

1 Qualifications, experience and achievements			
(a) Academic qualifications:			
Name of school / college / university attended	Country	Duration of course	Academic qualification attained
(b) Professional qualifications:			
Name of professional body	Country	Professional qualification attained	Year attained

(c) Working experience: (Detail description is required. Enclose a separate attachment, if necessary.)			
Name of employer	Nature of business	Designation and description of duties	Duration of employment
(d) Achievements and special positions held (Detail description is required. Enclose a separate attachment, if necessary.)			
2 Shareholdings and directorships / positions held in any other company			
(a) Equity interest of 5% or more in any other firm or company:			
Name of firm / company	Principal activity of firm / company	Country of incorporation	Equity interest (%)
(b) Directorship, partnership or sole-proprietorship currently held or current employment in any other firm or company:			
Name of firm / company	Principal activity of firm / company	Country of incorporation	Position held

(Where any of the answer to Questions 3 to 5 below is “Yes”, please provide separate attachments describing the relevant particulars.)

Yes No

3 Have you ever been:

- (a) involved in any litigation over the past five years? _____
- (b) convicted of any offence in Singapore or elsewhere or are there any court proceedings now pending which may lead to such conviction? _____
- (c) adjudicated a bankrupt during the last ten years? _____

4 Have you ever been:

- (a) dismissed from office or employment, subject to disciplinary proceedings by your employer or been refused entry to any profession or occupation, whether in Singapore or elsewhere? _____
- (b) subject to any censure or disciplinary action initiated by any governmental, regulatory or professional body, whether in Singapore or elsewhere? _____
- 5 Have you been associated with any company:
- (a) as a director, officer, manager or shareholder, which was investigated by any governmental, regulatory or professional body, whether in Singapore or elsewhere? _____
- (b) as a director, officer, manager or shareholder, which was compulsorily wound up during the last ten years? _____

CERTIFICATION

I hereby certify, to the best of my knowledge and belief, that the information given in these pages are complete, true and correct.

Name and
signature of
the proposed
actuary

Date

Made this day of 2004.

KOH YONG GUAN
Managing Director
Monetary Authority of Singapore.

ANNEX 4: NOTICE ON VALUATION OF POLICY LIABILITIES OF LIFE BUSINESS

DISCLAIMER: This version of the Notice is in draft form and is subjected to change taking into account feedback received during this consultation phase.

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NOTICE TO LIFE INSURERS
INSURANCE ACT (CAP. 142)

VALUATION OF POLICY LIABILITIES OF LIFE BUSINESS

[Note: This Notice should be read in conjunction with the Insurance (Valuation and Capital) Regulations 2004 and the Insurance (Accounts and Statement) Regulations 2004.]

Introduction

1 This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142) [“the Act”] and comprises both mandatory requirements and guidelines on the valuation of policy liabilities in respect of life business and the reporting of such valuation.

2 This Notice applies to—

- (a) any insurer (except a captive insurer) which is for the time being registered under section 8 of the Act in respect of life business; and
- (b) any actuary approved by the Authority to conduct an investigation for the purpose of section 37(1)(a) of the Act into the financial condition of the life business of a registered insurer.

3 This Notice sets out the following in two parts:

- (a) Part I – Mandatory requirements on the valuation of policy liabilities relating to the life business of a registered insurer;
- (b) Part II – Guidelines on—
 - (i) valuation of policy liabilities relating to the life business of a registered insurer; and
 - (ii) the preparation of the actuarial investigation report.

4 While any deviation from the guidelines set out in Part II of this Notice does not of itself amount to an offence under the Act, the Authority may consider such deviation

as one of the factors in determining whether the insurer should be subject to additional supervisory requirements as a result of the increased risk in the operations of the insurer, including a fund solvency or capital adequacy requirement which is higher than those prescribed under section 18 of the Act.

5 This Notice shall come into effect on 1 January 2005. However, where an insurer elects to be assessed under the risk-based capital framework before 1 January 2005, the insurer shall comply with the requirements set out in this Notice when it prepares returns under the new reporting format.

Definitions

6 For the purposes of this Notice:

“Accounts Regulations” means the Insurance (Accounts and Statement) Regulations 2004;

“expected future payments” includes, where applicable, guaranteed and non-guaranteed benefits, management and distribution expenses, and reinsurance premiums;

“expected future receipts” includes, where applicable, future premiums, charges and fee income, and claims recoverable from reinsurance;

“life insurer” means any insurer (except a captive insurer) which is for the time being registered under section 8 of the Act in respect of life business;

“risk free discount rate” means the interest rate determined in the manner described in Annex A of this Notice; and

“Valuation Regulations” means the Insurance (Valuation and Capital) Regulations 2004.

7 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 Valuation Regulations and the Accounts Regulations.

Background

8 The Valuation Regulations stipulate how life insurers are required to value their policy liabilities both at the policy-by-policy level and at the insurance fund level. Generally, valuation involves first a projection of future cash flows using realistic assumptions (including assumptions on expenses, mortality and morbidity rates, lapse rates, etc.), and then discounting these cash flow streams at appropriate interest rates.

Additional provision is required in the valuation process to allow for any adverse deviation from the “best estimate experience”.

9 The Valuation Regulations provide that the policy liability for any single policy (be it a participating policy, a non-participating policy or an investment-linked policy) is the sum of the value of expected future payments less expected future receipts arising from the policy (i.e. the best estimate or “BE”) and a provision for adverse deviation (“PAD”). For participating policies, policy liability shall include provision for future payments arising from both guaranteed and non-guaranteed benefits.

10 According to the Valuation Regulations, at the insurance fund level, the policy liability of a non-participating fund or an investment-linked fund is calculated by aggregating the policy liabilities of all policies in the fund. On the other hand, for a participating fund, the policy liability of the fund is taken to be:

- (a) policy assets (which represents the value of assets backing the policy liabilities);
- (b) minimum condition liabilities (which represents the value of guaranteed benefits);
- (c) sum of policy-by-policy level liability in respect of each policy of the fund,

whichever is the highest.

11 Requirements on the treatment in relation to reinsurance and the derivation of the amount of the participating fund deemed to be allocated by way of bonus to participating policies are also stated in the Valuation Regulations.

12 Part I of this Notice describes the additional mandatory requirements of a technical nature that the person conducting the valuation has to comply with, while Part II(i) provides technical guidance for persons conducting valuation relating to life business.

13 Section 37(1)(a) of the Act requires an insurer to have an investigation made into its financial condition for each accounting period by an actuary approved by the Authority. Such investigation involves the valuation of the insurer’s policy liabilities. The Act requires the submission of an abstract of the actuarial investigation report, while the Accounts Regulations requires the submission of the full report itself. Part II(ii) of this Notice provide guidance on the information that should be disclosed when an actuary prepares the full actuarial investigation report.

Part I – Mandatory requirements on the valuation of policy liabilities relating to the life business of a registered insurer

14 Paragraphs 15 to 17 of this Notice describe the requirements that an insurer and an actuary carrying on an investigation into an insurer’s financial condition for the

purpose of section 37(1)(a) of the Act shall comply with when they value the policy liabilities of a life insurer for the purpose of the returns in the Accounts Regulations.

Valuation requirement

Discount rates

15 The risk-free discount rate shall be used in determining—

- (a) the policy liability of a non-participating policy;
- (b) the non-unit reserve of an investment-linked policy; and
- (c) the minimum condition liability of a participating fund.

16 The best estimate investment returns shall be used as the discount rates in determining policy liability of a participating policy. This best estimate investment return is derived based on the expected investment returns of assets backing policy liabilities of the participating fund.

Non-guaranteed benefits

17 For the purposes of the Valuation Regulations, the calculation of “non-guaranteed benefits” shall include projected future allocations to policyholders by way of bonuses or dividends and to the surplus account of the participating fund. The level of non-guaranteed benefits assumed in the valuation shall take into account the policy asset of the participating fund and the insurer’s internal policy on bonus allocation.

Part II (i) — Guidelines on the valuation of policy liabilities relating to the life business of a registered insurer

Data and Valuation System

18 The data used in the valuation should be appropriate. Necessary steps should be taken to verify the consistency, completeness and accuracy of the data collated.

19 The data used in the investigation should be consistent with the data collated to the audited accounts. Any weaknesses in the data should be adjusted for.

20 The valuation system used in the calculation of policy liability should apply the methods and assumptions correctly.

Valuation Methodology

General approach

21 In determining the policy liability of a policy relating to the life business of the insurer (other than the unit reserve of the investment-linked policy), the value of expected

payments less expected future receipts should be derived using a discounted prospective cash-flow method.

22 The discounted prospective cash-flow method requires explicit projection of future expected payments and receipts over the durations of the policy. This should include, where applicable, the following parameters:

- (a) mortality and morbidity benefits;
- (b) survival and maturity benefits;
- (c) surrender benefits;
- (d) distribution costs;
- (e) management expenses;
- (f) premiums payment to and claims recoveries from reinsurance counterparty;
- (g) cost of options.

23 No material information should be omitted from the valuation process. The Authority would consider a particular piece of information to be material to the overall result of a calculation when its misstatement or omission would cause the result to be misleading to the users of the valuation results.

24 The Authority takes the view that materiality should always be a matter requiring exercise of judgment. The level at which a difference becomes material can be considerably lower than a statistically significant difference. In these circumstances, careful exercise of judgment is expected. While it is reasonable to omit individual items on the grounds of materiality, thought should be given to the cumulative impact. Omissions should not be made if the overall result would be materially affected.

25 The assumptions used in the projection should be based on the best estimate assumptions based on the experience of the insurer and in accordance with paragraphs 30 to 42 of this Notice.

26 Further allowance for the uncertainty of the best estimate value derived above will be provided through the PAD. The PAD should be derived using the same method outlined above but with more conservative assumptions containing a buffer against fluctuation of the best estimate experience.

27 The PAD should be derived in accordance with paragraphs 43 to 44 of this Notice.

Approximations and simplified methods

28 Where model points representing groups of homogeneous insurance policies are used in determining policy liabilities, goodness of fit test should be conducted to ensure the appropriateness of approximations used and the approximations do not lead to any understating of policy liabilities.

29 Simplified methods may be used for products that are immaterial, products that are not of long term guaranteed nature or yearly renewable term products. Where simplified methods are used in determining policy liabilities, the actuary should ensure that the use of such methods are appropriate and do not lead to any understating of policy liabilities.

Valuation Assumptions

Best Estimate

30 The expected future payments and receipts should be determined using best estimate assumptions for all relevant parameters.

31 The best estimate assumptions made should have regard to the experience of the insurer, with particular reference to significant aspects of recent experience.

Expenses

32 Separate assumptions should be identified for the distribution expenses and management expenses. Management expense should include maintenance and claims handling expenses, based on the insurer's actual recent experience.

33 If the future experience is likely to be different from actual experience, allowance should be made for deterioration or improvement in management expenses. However, any allowance for the improvement in the projected management expenses should be supported by strong justification and should be based on projections not extending beyond 3 years from the valuation date.

Inflation Rate

34 The inflation rate should be factored into the projection of the management expenses.

35 Standard inflation is not specific to an insurer's portfolio. It is an external factor operating in the economy at large. It is appropriate to refer to publicly available information on historic wage and price inflation and economists' forecasts to estimate the future wage and price inflation rates.

Mortality and Morbidity

36 There may be an insufficient amount of claim experience data on which to reliably derive the best estimate assumptions. Partial or full weight may be given to assumptions drawn from industry data, if satisfied that such an approach is appropriate.

37 The mortality and morbidity assumptions should be broken down into appropriate grouping by sex and smoking status according to the way the premium rates are differentiated.

38 Where there are selective lapses by healthy lives for certain types of guaranteed renewable products, the deterioration of mortality and morbidity experience after the renewal of these policies should be factored in.

Lapse and Surrender rates

39 In the selection of the expected lapse and surrender rates, the use the insurer's experience data should be considered. The changing company practices and market conditions that may affect the lapse and surrender pattern of the policies in the future should also be taken into account.

40 Regard should be had to guaranteed renewable products where the lapse rates are likely to show a sudden and temporary increase when the premium rates are increased at renewal date.

Bonus and Dividend Rates

41 The future bonus and dividend rates assumed in the valuation should take into account the policy asset and bonus policy of the participating fund.

42 In setting the bonus and dividend rates, reference should be made to the latest bonus investigation study that support the derivation of the current applicable bonus and dividend rates, and consider the fairness and equity among different policy.

Provision for Adverse Deviation (PAD)

43 The PAD is the component of the value of the insurance liabilities that relates to the inherent uncertainty in the best estimate. As the PAD represents an additional component of the liability value, it is therefore aimed at ensuring that the value of the insurance liabilities is established at an adequate level.

44 Where approximations and simplifications are made, there should be additional PAD to ensure that such methods do not understate the policy liabilities.

Part II (ii) — Guidelines on the preparation of the actuarial investigation report ["the report"]

45 On the data and valuation system used, the following should be presented by the actuary in the report:

- (a) the steps taken by him to verify the consistency, completeness and accuracy of the data collated;
- (b) where he has made any adjustment to the data is made, the nature, amount and rationale for such adjustment;
- (c) the steps taken by him to review the accuracy of the valuation system; and
- (d) a statement of policies and premiums, inserted as an appendix, to provide a synopsis of the data used in the valuation for each insurance fund. (The

recommended content for the statement of policies and premiums is given in Annex B.)

46 In relation to valuation methodology, the actuary should—

- (a) explain the method used for carrying out the valuation; and
- (b) disclose any approximation or simplifications made.

47 With regard to valuation assumptions, the actuary should —

- (a) state clearly the key assumptions used in the valuation;
- (b) explain how the assumptions are derived;
- (c) where the bonus and dividend rates assumed in the valuation are different from the current scale or the scale supportable by the latest bonus investigation report—
 - (i) disclose such current or supportable bonus scale alongside the assumed bonus and dividend rates; and
 - (ii) explain any material difference between the assumed rates and the current of supportable rates;
- (d) briefly explain the bonus policy of the insurer, which shall include the following matters:
 - (i) the number of years' premiums to be paid, the duration for which the policy has been in force, and other conditions to be fulfilled, before a bonus or dividend is declared;
 - (ii) whether the bonus is allocated in respect of each year's premiums paid, or in respect of each completed calendar year or year of insurance or, if not, how the bonus is allocated; and
 - (iii) whether the bonus vests immediately on allocation or, if not, the conditions for vesting;
- (e) disclose and justify the method used in deriving PAD; and
- (f) disclose and justify any material change in assumption from the previous valuation exercise, and quantify the financial implication arising from such change.

48 The actuary should include in his report an analysis of the experience of the insurer to review the assumptions used in the previous valuation against the actual experience emerging during the year. If there are material differences in the emerging experience and the previous valuation assumptions, the actuary should justify the difference and explain how that has been reflected in the current valuation assumptions.

49 The actuary should present a detailed valuation result for each product type as an Appendix to the report. Where there has been some aggregation made to value a group of products, the actuary should show the grouping of the aggregation.

50 The actuary should disclose the extent to which he has deviated from the guidelines set out in Part II of this Notice and explain the rationale of such deviation.

51 The actuary should state in the report his name, professional qualifications and, where the actuary is an employee of the insurer or a related corporation, the capacity in which he is carrying out the investigation.

Annex A – Determination of Risk-free Discount Rate

1 Risk-free discount rate shall be used for the valuation of non-participating policies, non-unitised reserves of investment-linked policies, as well as minimum condition liability of participating funds.

2 Subject to paragraph 5 of this Annex, for Singapore Dollar-denominated liabilities, “risk-free discount rate” means—

- (a) for the duration of a liability which is 10 years or less, the market yield of Singapore Government Securities (“SGS”) of a matching duration as at the date on which the valuation is made (“valuation date”);
- (b) for the duration of a liability which is more than 10 years but less than 15 years, a yield that is interpolated from the market yield of the 10-year SGS and a stable long-term risk-free discount rate (“LTRFDR”); and
- (c) for the duration of a liability which is 15 years or more, a stable LTRFDR.

3 In arriving at a stable LTRFDR, several factors shall be considered. They are—

- historical yields of long-dated SGS;
- prevailing long-dated SGS market yields; and
- historical as well as expected future interest rate trends.

4 The stable LTRFDR shall be calculated according to the following procedure:

- (a) compute the average closing yield of the 10-year SGS since its inception;
- (b) compute the average yield differential between the 10-year and 15-year SGS;
- (c) derive an estimated long-term yield by adding the values obtained under sub-paragraphs (a) and (b);
- (d) compute the prevailing average closing yield of the 15-year SGS over the past 6-month period;
- (e) allocate 90% weight to the estimated long-term yield under sub-paragraph (c), and 10% weight to the prevailing average yield under sub-paragraph (d), and round-up the figure to the nearest 25 basis points to arrive at the LTRFDR.

5 Where an insurer is able to demonstrate that such part of its policy liabilities which has a duration of more than 10 years is matched with some debt securities held by the insurer in terms of expected cash flows, the insurer may use the market yield of SGS of a matching duration as at valuation date as the risk-free discount rate in valuing such part of its policy liabilities.

6 For liabilities denominated in a foreign currency, “risk-free discount rate” means the market yields of the foreign government securities of similar duration at the valuation date.

Annex B - Statement as to Policies and Premiums

In relation to paragraph 45 of the Notice, separate statements as to policies and premiums should be made for—

- (a) each insurance fund established and maintained by the insurer; and
- (b) the situation before and after deduction for reinsurance.

Each of such statement should contain the following particulars:

1. As regards to whole term of life with profits and without profits policies,—
 - (a) the total amount insured, showing the amount for each year of life from the youngest to the oldest ages, and (where relevant) the total amount of reversionary bonus; and
 - (b) the amount per year of premiums (after deducting any abatements made by the application of bonus), showing the amount for each year of life and distinguishing premiums for which credit is taken in the valuation from extra premiums for which credit is not taken (a separate statement being made as to premiums payable for a limited number of years, classified according to the number of years' payments remaining to be made).
2. As regards endowment policies,—
 - (a) the total amount insured both with profits and without profits, showing the amount for each year in which the insurances will mature for payment and (where relevant) the total amount of reversionary bonus; and
 - (b) the amount per year of premiums, showing the amount for each year in which the insurances will mature for payment and distinguishing premiums for which credit is taken in the valuation from extra premiums for which credit is not taken.
3. As regards pure endowment policies,—
 - (a) the total amount insured; and
 - (b) the amount per year of premiums,

in each case showing the amount for each year in which the insurances will mature for payment.
4. As regards to policies not included above —

(a) the total amount insured both with profits and without profits, showing (where relevant) the total amount of reversionary bonus; and

(b) the amount per year of premiums, distinguishing premiums for which credit is taken in the valuation from extra premiums for which credit is not taken.

Separate statements shall be made for different descriptions of insurance.

5. The total amount of immediate annuities on lives, showing the amount separately for each year of life and distinguishing male and female lives.

6. As regards annuities on lives (other than immediate annuities) —

(a) the total amount of the annuities, showing the amount separately for annuities of different descriptions; and

(b) the amount per year of premiums.

ANNEX 5: GUIDELINES ON VALUATION OF POLICY LIABILITIES OF GENERAL BUSINESS

DISCLAIMER: This version of the Guidelines is in draft form and is subjected to change taking into account feedback received during this consultation phase.

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XX XXX 2004

GUIDELINES TO GENERAL INSURERS

[Note: These Guidelines should be read in conjunction with the Insurance (Valuation and Capital) Regulations 2004 and the Insurance (Accounts and Statement) Regulations 2004.]

VALUATION OF POLICY LIABILITIES FOR GENERAL BUSINESS

Introduction

1 These Guidelines are intended to provide general guidance on the valuation of general insurance policy liabilities for the purpose of the Insurance (Valuation and Capital) Regulations 2004. These Guidelines also provide guidance on how an actuary should prepare the actuarial investigation report required under the Insurance (Accounts and Statement) Regulations 2004 for his investigation into an insurer's liabilities in respect of general insurance policies.

2 These Guidelines applies to—

- (a) any insurer (except a captive insurer) which is for the time being registered under section 8 of the Act in respect of general business; and
- (b) any actuary approved by the Authority to conduct an investigation for the purpose of section 37(1)(b) of the Act into an insurer's liabilities in respect of general insurance policies.

3 These Guidelines sets out the following in two parts:

- (a) Part I — Guidelines on valuation of policy liabilities relating to general business of a registered insurer;
- (b) Part II — Guidelines on the preparation of the actuarial investigation report.

4 While any deviation from these Guidelines does not of itself amount to an offence under the Act, the Authority may consider such deviation as one of the factors in determining whether the insurer should be subjected to additional supervisory requirements as a result of the increased risk in the operations of the insurer, including a fund solvency or capital adequacy requirement which is higher than those prescribed under section 18 of the Act.

5 These Guidelines should be adhered to for any valuation made or actuarial investigation report prepared on after 1 January 2005. However, where an insurer opts to be assessed under the risk-based capital framework before 1 January 2005, the insurer should also adhere to these Guidelines when it prepares returns under the new reporting format.

Definitions

6 For the purpose of these Guidelines:

“Accounts Regulations” means the Insurance (Accounts and Statement) Regulations 2004;

“BE of CL” means the part of CL that relates to the value of the expected future payments in relation to all claims incurred prior to the calculation date (other than payments which have fallen due for payment before calculation date), whether or not they have been reported to the insurer, and includes any expense expected to be incurred in settling these claims;

“BE of URR” means the part of URR that relates to the value of the expected future payments arising from future events insured under policies in force as at the valuation date, and includes any expense expected to be incurred in administering the policies and settling relevant claims;

“CL” means claims liabilities;

“general insurer” means any insurer (except a captive insurer) which is for the time being registered under section 8 of the Act in respect of general business;

“PAD” means provision for adverse deviation;

“PAD of CL” means the part of CL that relates to the PAD for the expected experience, which shall be calculated based on 75% level of sufficiency;

“PAD of URR” means the part of URR that relates to the PAD for the expected experience, which shall be calculated based on 75% level of sufficiency;

“PL” means premium liabilities;

“UPR” means unearned premium reserves;

“URR” means unexpired risk reserves;

“Valuation Regulations” means the Insurance (Valuation and Capital) Regulations 2004.

7 The expressions used in these Guidelines shall, except where expressly defined in these Guidelines or where the context otherwise requires, have the same respective meanings as in the Act, the Valuation Regulations and the Accounts Regulations.

Background

8 Regulation 19 of the Valuation Regulations defines the policy liabilities for an insurance fund at any point in time. Under that regulation, the policy liabilities for an insurance fund is calculated as the sum of—

- (a) PL, which is an amount not less than the higher of—
 - (i) the UPR; or
 - (ii) the URR, calculated as the sum of—
 - (A) BE of URR; and
 - (B) PAD of URR; and
- (b) CL, which is an amount not less than the sum of—
 - (i) BE of CL; and
 - (ii) PAD of CL.

9 The same regulation also requires separate calculations for the UPR, URR and CL for individual lines of business.

10 Part I of these Guidelines aim to provide technical guidance on how URR and CL of relating to general business of a registered insurer should be calculated.

11 Under section 37(1)(b) of the Act, a general insurer is required, for each accounting period to have an investigation made by an actuary approved by the Authority (the “Approved Actuary”) into its liabilities in respect of insurance policies. Section 37(1)(c) of the Act and the Accounts Regulations further require insurers to lodge with the Authority the investigation report (both the full report and an abstract of it) and a certificate relating to such investigation. Part II of these Guidelines provide guidance on the information that should be disclosed when an actuary prepares the full actuarial investigation report.

Part I — Guidelines on valuation of policy liabilities relating to general business of a registered insurer

12 The Approved Actuary should, in conducting an investigation for the purpose of section 37(1)(b) of the Act into an insurer’s liabilities in respect of general insurance policies, follow the guidance set out in this Part in the calculation URR and CL.

13 While the investigation carried out by the Approved Actuary is conducted annually, an insurer will still need to determine the value of its policy liabilities for quarterly reporting to the Authority and to satisfy itself that it has complied with the fund solvency requirement and the capital adequacy requirement on an on-going basis. It would generally be acceptable for the insurer assume that the results calculated by the Approved Actuary for the annual investigation remains valid throughout the next accounting period if the insurer's business volume and profile, underwriting and claims process and policy, and the general business condition have not changed significantly. Otherwise, the insurer should, depending on the extent of such change, make adjustments to the Approved Actuary's calculations or conduct a full re-valuation of the policy liabilities where appropriate.

Valuation Principles

14 The valuations of an insurer's URR and CL should be made based on realistic estimates, and should reflect the individual circumstances of each insurer.

15 BE of URR and BE of CL represent the mean value in the range of possible values for URR and CL respectively. The determination of the BEs should be based on assumptions as to future experience which reflect the experience and circumstances of the insurer and which are:

- (a) made using judgment and experience;
- (b) made having regard to reasonably available statistics and other information;
and
- (c) neither deliberately overstated nor deliberately understated.

16 No material information should be omitted from the valuation process. The Authority would consider a particular piece of information to be material to the overall result of a calculation when its misstatement or omission would cause the result to be misleading to the users of the valuation results.

17 The Authority takes the view that materiality should always be a matter requiring exercise of judgment. The level at which a difference becomes material can be considerably lower than a statistically significant difference. In these circumstances, careful exercise of judgment is expected. While it is reasonable to omit individual items on the grounds of materiality, thought should be given to the cumulative impact. Omissions should not be made if the overall result would be materially affected.

Basis of Data

18 For direct insurers, the accident year basis should be used for direct and facultative business, and underwriting year basis for treaty business. Marine and aviation business

may be reported on an underwriting year basis, if appropriate. For reinsurers, all statistics should be on underwriting year basis.

19 Statistics should be compiled on both gross and net of reinsurance basis. Statistics on direct and indirect claims handling expenses should also be collated, where material. Insurers should build up at least 8 development years of data.

Data Source and Verification

20 The data used should give an appropriate basis for estimating the policy liabilities.

Grouping of Risks

21 The valuation of the policy liabilities of the insurer may require the sub-division of risks into lines or divisions of lines of business with similar characteristics. The most appropriate subdivision for the purpose of the valuation should therefore be determined.

Data Adjustment

22 Where appropriate, adjustments to the data collated should be made to account for abnormal items, such as large losses.

Business Profile

23 The nature of coverage the insurer provides and the mix of risks the insurer has should be taken into account.

Underwriting Policy

24 Any change in the underwriting policy for each major line of business of the insurer should be considered. Changes in underwriting policy include changes to the selection of risks, delegation of authority, key underwriting personnel, rate levels and premium rating methodology.

Claims Policy

25 The insurer's case reserving policy, including the policy in setting initial case reserves, should be considered. Consideration should also be given to any change in the case reserving and other claims policy for each major line of business of the insurer such as the establishment of claim files, closing of claims, use of loss adjusters or loss solicitors, department structure and case load, claim authority limits and defence of complex claims.

Reinsurance

26 Subject to the requirements in the Valuation Regulations, the valuation of policy liabilities may be either undertaken on a gross basis, in which case a separate estimate of the value of reinsurance recoveries should be done, or on a net basis. However, where there have been significant changes in the reinsurance arrangements or if the outstanding reinsurance recoveries have a material impact on the estimate of the value of policy liabilities, valuation should be performed on both the gross and net bases.

General Business and Industry Conditions

27 The economic, technological, medical, legal, judicial and social trends within the broader community that may have an impact upon the valuation of policy liabilities should be considered.

Analysis of Experience

28 The assumptions used in the valuation process should take into account the impact of social, economic, environmental, legislative and court precedent factors. Care should also be given to any assumption that is implicit in the valuation method selected.

29 Discounting of liabilities should be carried out where the impact of such discounting is material. Where discounting of liabilities is used, the discount rate adopted should be the gross redemption yield as at the valuation date of a portfolio of government bonds (where available) with currency and expected payment profile (or duration) similar to the insurance liabilities being valued.

30 If government bonds of the same currency do not exist, then the yield will be based on the yield available on the government bond of another currency with an expected payment portfolio similar to that of the insurance liabilities and a subjective adjustment for currency movement.

31 The business environment within which the insurer operates in should be factored into the assumptions on premium rate changes.

32 In relation to recoveries, the nature and spread of reinsurance arrangements, including significant changes to the arrangements and non-performance of reinsurance, should be taken into account. Non-reinsurance recoveries like salvage and subrogation should also be considered.

Deriving Best Estimates

33 In view of the inherent uncertainty in insurance business, it may often be appropriate to use more than one method to determine the BE of URR and BE of CL.

34 It is recognised that a full actuarial valuation of URR is essentially a re-underwriting of the portfolio. Consideration should be had on whether it is appropriate or possible to complete such a valuation as is necessary for determining CL.

35 For a reasonably stable portfolio, it is often possible to extend the CL valuation models to estimate the URR, on the basis of claims frequency, average costs, and ultimate loss ratios. If this is done, the assumptions used should be adjusted to reflect the changes in risk exposure, underwriting standards, rate levels, and other factors on the expected claims experience.

Deriving Provision for Adverse Deviation

36 Professional judgement is often applied to determine the PAD for the insurer as a whole, and for each class of business. In determining PAD, regard should be had to the objective of these Guidelines, and any other guidance note or relevant professional standard.

Part II – Guidelines on the preparation of the actuarial investigation report

37 The Approved Actuary should, in preparing his investigation report—

- (a) follow the structure and headings at Annex 1;
- (b) make such disclosure, under the relevant headings, as described under paragraphs 38 to 51; and
- (c) disclose the extent to which, and the reason why, he has deviated from any guidance stipulated in Part II of this Guidelines.

38 Under the sub-heading “Basis of Data”, the Approved Actuary should disclose—

- (a) whether the data used in valuation is on an accident year or underwriting year basis;
- (b) whether the data used in valuation is gross or net of reinsurance;
- (c) whether direct or indirect or both claims handling expenses data were used in the valuation; and
- (d) the number of development years of data used in the valuation,

and where these feature varies by types of business, it should be disclosed as such.

39 Under the sub-heading “Data Source and Verification”, the Approved Actuary should disclose the steps taken by him to verify the consistency, completeness and accuracy

of the data collated. The degree to which the Approved Actuary relies upon data provided by the insurer, and the work of external auditors or any other third party, including the limitations such reliance places on the Approved Actuary's confidence in the data, should be clearly explained in the report.

40 Under the sub-heading "Grouping of Risks", the Approved Actuary should disclose how liabilities are grouped by types of business. Where the Approved Actuary has sub-divided the of types of business described in Form 6, 6A or 6B, as the case may be, of the Accounts Regulations, he should disclose the manner in which such sub-divisions were made and the valuation results for each division.

41 Under the sub-heading "Data Adjustment", where the Approved Actuary has made any adjustment to the data to account for abnormal items, such as large losses, he should clearly disclose the nature, amount and rationale for the adjustment.

42 Under the sub-heading "Business Profile", the Approved Actuary should—

- (a) describe broadly the nature of insurance coverage the insurer provides and the mix of risks the insurer has underwritten; and
- (b) where he observes any material change in the business mix or strategy of the insurer, comment on the impact any change in the business mix or strategy may have on the valuation of the policy liabilities.

43 Under the sub-heading "Underwriting Policy", the Approved Actuary should comment on any changes in the underwriting policy for each major line of business of the insurer such as the selection of risks, delegation of authority, changes in key underwriting personnel, rate levels and premium rating methodology.

44 Under the sub-heading "Claims Policy", the Approved Actuary should,—

- (a) where the investigation relates to the first year of the operations of a registered insurer, provide a description of the case reserving policy of the insurer, including the setting of initial case reserves; and
- (b) in all other cases, comment on any change in the case reserving and other claims policy for each major line of business of the insurer such as the establishment of claim files, closing of claims, use of loss adjusters or loss solicitors, department structure and case load, claim authority limits and defence of complex claims.

45 Under the sub-heading "Reinsurance", the Approved Actuary should disclose whether the valuation was conducted on a gross or net of reinsurance basis.

46 Under the sub-heading “General Business and Industry Condition”, the Approved Actuary should disclose whether he has considered economic, technological, medical, legal, judicial and social trends within the broader community that may impact upon the valuation of policy liabilities, and if so, what is his opinion of the impact.

47 Under the sub-heading “Assumptions on Discounting, Premium Rate Changes, Development Factors and Ultimate Loss Ratios, Expense Rate and Recoveries”, the Approved Actuary should—

- (a) in relation to discount rate—
 - (i) disclose whether discounting was used, and if so, the discount rate used; and
 - (ii) disclose and explain any subjective adjustment made to the discount rate used;
- (b) in relation to premium rate changes, disclose his assumptions on premium rate changes;
- (c) in relation to development factor and ultimate loss ratios, disclose his assumptions underpinning the development factors and ultimate loss ratios chosen for the valuation;
- (d) in relation to the expense rate, disclose his assumptions used on direct and indirect claim expenses rate in the valuation; and
- (e) in relation to recoveries, disclose how he has taken into account reinsurance and non-reinsurance recoveries, and any assumptions made relating to them in the process.

48 Under the sub-heading “Comparison between Insurer’s Actual Experience and Previous Valuation”, the Approved Actuary should—

- (a) compare the actual experience of the insurer, for both URR and CL, with the results of the previous valuation; and
- (b) highlight and clearly explain where any significant differences between the actual experience and the previous valuation is observed.

49 Under the sub-heading “Comparison between Current and Previous Valuation”, the Approved Actuary should—

- (a) compare the results of the current valuation with those of the previous valuation or earlier reports of a similar nature;
- (b) justify any material changes in the assumptions made, methods used, or conclusions between, the current valuation and previous reviews; and

- (c) quantify the financial implication arising from such changes in assumptions, conclusions or methods.

50 Under the sub-heading “Best Estimate”, the Approved Actuary should—

- (a) disclose and explain in detail the methods used and key assumptions made in deriving the BE of URR and BE of PAD (except where the method used is very widely used, for example, the chain-ladder method or the BF method, in which case a brief description will suffice);
- (b) where more than one valuation method is used and where the results differ significantly, comment on the likely reasons for the differences and explain the basis for the choice of results; and
- (c) where more than one valuation method is used and where the Approved Actuary’s choice of result leads to negative incurred but not reported (IBNR) claim reserves, disclose why a release of reserves is justified; and
- (c) disclose whether a re-underwriting of the portfolio is made in the derivation of URR.

51 Under the sub-heading “Provision for Adverse Deviation”, the Approved Actuary should disclose the approach used for the assessment of uncertainty and the derivation of PAD of URR and PAD of CL.

52 The Approved Actuary should present the valuation results for Singapore Insurance Fund and Offshore Insurance Fund separately.

53 For each insurance fund, PL and CL should be presented in the table format prescribed by the Accounts Regulations for the purpose of the abstract of the actuarial investigation report.

54 The actuary should also include in the report—

- (a) the definitions of terms and expressions used in the report that may be ambiguous or subject to wide interpretation;
- (b) recommendations or comments to improve the reliability of future valuations of policy liabilities arising from the valuation;
- (c) the insurer’s responses to the comments and recommendations made under sub-paragraph (b); and
- (d) the follow-up actions, if any, taken in relation to any comments and recommendations made under sub-paragraph (b) in previous reports.

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Annex 1

Name of Insurer**Actuary's Report for the year ended 31 Dec 20xx****1 Scope of Report**

1.1 The actuary should state his name and professional qualifications. Where the actuary is an employee of the insurer or a related company, the capacity in which he is carrying out the investigation to be stated.

1.2 The actuary should confirm compliance with the requirements of the Authority and state the reasons for not complying fully with any requirements.

2 Data

- 2.1 Basis of data
- 2.2 Data source and verification
- 2.3 Grouping of risks
- 2.4 Data adjustment

3 Business Profile and Strategy

- 3.1 Business Profile
- 3.2 Underwriting Policy
- 3.3 Claims Policy
- 3.4 Reinsurance
- 3.5 General Business and Industry Conditions

4 Analysis of Experience

- 4.1 Assumptions on discounting, premium rate changes, development factors and ultimate loss ratios, expense rate and recoveries.
- 4.2 Comparison between insurer's actual experience and previous valuation
- 4.3 Comparison between current and previous valuation

5 Methods**Best Estimate**

- 5.1 Methodology for Best Estimate of Claims Liability
- 5.2 Methodology for Best Estimate of Premiums Liability

Provision For Adverse Deviation

- 5.3 Assessment of Uncertainty
- 5.4 Methodology for the 75 Percent Level of Sufficiency
- 5.5 Derivation of the Provision for Adverse Deviation

6 Valuation and Presentation of Results

- 6.1 Valuation for Singapore Insurance Fund
 - Results for premium and claim liabilities presented in the same table format prescribed by the Accounts Regulations for the purpose of the abstract of the actuarial investigation report.
- 6.2 Valuation for Offshore Insurance Fund
 - Results for premium and claim liabilities presented in the same table format prescribed by the Accounts Regulations for the purpose of the abstract of the actuarial investigation report.

7 Others

- 7.1 Recommendations to improve reliability of future valuations

8 Name and signature of actuary, followed by date of report.**Appendix 1 – Data**

- Data after adjustments used by actuary in the valuation

Appendix 2 – Valuation

- For each line of business, show development factors and actuary's selected factors for each method used. State basis for choice.
- For each line of business, show results of different methods used and actuary's selected result. State basis for choice.



Monetary Authority of Singapore