Circular No. ID 06/12

5 April 2012

Principal Officers
All Direct Insurers

Dear Sir/Madam

DEPOSIT INSURANCE AND POLICY OWNERS’ PROTECTION SCHEMES (POLICY OWNERS’ PROTECTION SCHEME) (AMENDMENT) REGULATIONS 2012

MAS has today issued the Deposit Insurance and Policy Owners’ Protection Schemes (Policy Owners’ Protection Scheme) (Amendment) Regulations 2012 (“Amendment Regulations”) to fine-tune the computation of levy amounts for a new PPF Scheme member, and where a Scheme of Transfer has taken place. The Amendment Regulations has taken effect on 30 March 2012.

Computation of Levy Amounts where a Scheme of Transfer has Taken Place

2 A new Regulation 5(1A) has been inserted and consequential amendments have been made to Regulation 5 of the DI-PPF Regulations so that a PPF Scheme member which is a transferee in a Scheme of Transfer under Division 1 or 2 of Part IIIAA of the Insurance Act (Cap. 142) (“IA”), would be liable for the PPF levy for the business that it has taken on via the Scheme of Transfer.

3 Prior to the amendment, in cases where the effective date of a Scheme of Transfer is after 31 December of any calendar year, the transferee will, as at that 31 December, have no protected liabilities or gross premium income in its books. As such, in the next round of levy collection, the transferee (which is taking on the liabilities going forward) would simply pay the minimum PPF levy of S$2,500, while the transferor (which would have no liabilities going forward) would be required to pay for the full levy. This would not be equitable since the transferor no longer has policy liabilities after 31 December.

Computation of Levy Amounts for a new PPF Scheme member

4 Regulation 5(3)(b)(ii) of the DI-PPF Regulations has been amended to prevent a new PPF Scheme member (“New Member”) from paying levies twice for the same gross premium income written from 1 January of that year to the date of entry to the Scheme.

5 Prior to the amendment, the amount of levy payable by a New Member, which joins the Scheme during the year, is the product of the levy rate and the gross premium income in respect of insured policies written from 1 January of the calendar year to the date of entry to the Scheme. For example, if a new insurer was registered on 1 December 2011, it would liable to pay the PPF levy based on the premiums written from 1 January 2011 till 1 December 2011 for premium year 1 April 2011 to 31 March 2012. However, under Regulation 5(1)(b)(ii) of the DI-PPF Regulations, the same base will be
used to compute the levy payable for the next premium year. In the example, this means that for the premium year 1 April 2012 to 31 March 2013, the levy payable by the New Member will be computed based on the gross premiums written from 1 January 2011 to 31 December 2011. As a result, the New Member would have ended up paying levies twice for the same gross premium income written from 1 January of that year to the date of entry to the Scheme.

6 The Amendment Regulations is available on MAS website at http://www.mas.gov.sg/. Should you have any queries, please contact your company’s liaison officer in MAS. Thanks.

Yours faithfully,

(sent via MASNET)

MS LUZ FOO
EXECUTIVE DIRECTOR
INSURANCE DEPARTMENT