CONSULTATION PAPER

P007- 2017

18 April 2017

Review of Policy Owners' Protection Scheme – Scope, Coverage & Operational Issues

Monetary Authority of Singapore

Contents

1 Preface

1.1 The Policy Owners' Protection Scheme ("PPF Scheme") was last reviewed in 2011, following enactment of the Deposit Insurance and Policy Owners' Protection Schemes Act ("DI-PPF Act"). Given the evolution of the insurance landscape in terms of product design, consumer preferences and market practices, the Monetary Authority of Singapore ("MAS") has decided to review the design of the PPF Scheme and ensure its continued relevance.

1.2 The review also took into account feedback received from the industry. Singapore Deposit Insurance Corporation ("SDIC") has been actively engaging the PPF Scheme members on the scheme's operational aspects. During the course of these engagements, PPF Scheme members have sought clarifications regarding the scope and coverage of the PPF Scheme.

1.3 This consultation sets out a review, including clarification, of issues related to the scope, coverage and operation of the PPF Scheme, for more effective implementation by the scheme members.

1.4 MAS invites comments from the insurance industry and other interested parties.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly requested MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.5 Please submit written comments by 19 May 2017 to –

Insurance Department
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62299694
Email: ppf2017@mas.gov.sg

1.6 Electronic submission is encouraged. We would appreciate that you use this suggested format [link to consultation feedback submission document] for your submission to ease our collation efforts.

2 Background

2.1 The PPF Scheme was substantially enhanced in 2011, following enactment of the DI-PPF Act. Given that the insurance landscape has changed[1] since then, MAS has decided to review the PPF Scheme, covering life insurance business ("PPF Life Scheme") and general insurance business ("PPF General Scheme"), to ensure that it remains relevant.

2.2 In addition, SDIC has been actively engaging the PPF Scheme members on the operational aspects of the scheme. SDIC is required under the DI-PPF Act to make compensation payments out of the PPF Scheme ("the compensation"). During the course of these engagements, PPF Scheme members have sought clarifications regarding the scope and coverage of both the PPF Life and General Schemes. MAS has taken the industry feedback into account in its review.

2.3 MAS has conducted two rounds of consultation on the proposals together with PPF Scheme members and SDIC. The first round was with a selected group of industry practitioners, whilst the second was a closed door consultation where all PPF Scheme members had an opportunity to send in their written comments. The feedback received was very helpful and has been incorporated in the following proposals where relevant and practicable to do so.

2.4 Section 3 of this consultation document sets out the recommendations relating to the PPF General Scheme only. These pertain to how bundled policies should be treated and proposed definition for personal insurance policies.

2.5 Section 4 clarifies on issues relating to the PPF Life Scheme only. While the issues are wide-ranging, they pertain mainly to the coverage of the PPF Life Scheme.

2.6 Section 5 covers issues common to both the PPF Life and General Schemes. For example, treatment of policies with more than one policy owner, refund of premiums and outstanding premiums.

2.7 Lastly, Section 6 sets out the proposed legislative changes to enhance the operational efficiency and clarity of the PPF Scheme. The proposed amendments are mostly aligned with those to be made for the Deposit Insurance Scheme.

[1] In terms of the types of products that are being bought and sold, market practices of insurers (e.g. distribution, underwriting etc), purchase and claim patterns of policy owners etc.

3 Issues Relevant to PPF General Scheme Only

Treatment of Bundled Products

3.1 Bundling of products, that is, where insurers will package several types of benefits under a single policy, based on customers' requests, has become more common. With the increasing prevalence of bundled products in the market, PPF General Scheme members have sought clarity on what is covered under the PPF General Scheme for such policies. In particular, two specific types of bundled products were highlighted.

Non-"pure" accident and health ("A&H") product

3.2 These could be insurance products which provide largely A&H benefits, but contain some components of non-A&H benefits as well in them. Take for example a pleasure craft insurance policy, which provides A&H benefits like accidental total and permanent disability, medical expenses and personal accident insurance, as well as non-A&H benefits such as public liability and loss of personal effects.

3.3 An A&H policy is defined in the Insurance Act to mean any policy which provides A&H benefits only. It is clearly stated in the DI-PPF Act that A&H policies (for both individual and group) will be covered under the PPF General Scheme. Going by the current definition, non-pure A&H policies would not fall within the scope of coverage of the PPF General Scheme. The question then arises as to whether as a matter of policy, we should make legislative amendments with a view of covering such policies.

3.4 MAS' consultation revealed that majority of the PPF General Scheme members were agreeable to keep to the existing practice of covering A&H policies if they contain A&H benefits only. This would be operationally more straightforward since there would not be a need to determine whether the policy contains largely A&H benefits, which presumably requires the setting of some predominance threshold and the allocation of weights to each underlying benefits within the policy. Members would also not need to determine a breakdown for computation of the PPF levies.

3.5 Some members suggested covering non-pure A&H policies if the non-A&H benefits constitute a "small" portion. They were of the view that non-A&H benefits are usually ancillary in nature with insignificant benefits, and it is common practice to package different benefits in one single policy.

3.6 On balance, MAS proposes to keep to the existing practice of covering A&H policies if they contain A&H benefits only. It is more straightforward, as deciding on what is deemed as "largely A&H benefits" can be subjective and may be manipulated. MAS agrees that by keeping to existing practice, operationally, it will be less complex. Besides, this would then be consistent with the practice for PPF Life Scheme, where individual and group A&H policies are covered as well, and only A&H benefits are offered.

3.7 As the non-pure A&H policies are short-term in nature, there is flexibility for PPF General Scheme members to redesign and repackage the products under these policies accordingly. In fact, some PPF General Scheme Members have indicated that they will do so once there is clarity on what is covered under the PPF Scheme. MAS is of the view that it is possible for PPF General Scheme members to assemble a few policies or products together and present them as a final package to the customers. Alternatively, scheme members can structure ancillary covers in the form of riders to the main cover.

Question 1. MAS seeks comments on the proposal to maintain coverage of A&H policies under the PPF General Scheme if they contain A&H benefits only.

Bundled products with compulsory[2] insurance benefits

3.8 A direct general or composite insurer can combine a few types of benefits into one policy to meet the needs of its commercial customers, for example, the "Business Package Insurance" product sold to small businesses which offers benefits such as business interruption, public liability, fire (contents), personal accident of employees and work injury compensation.

[2] Compulsory insurance policy is defined under the DI-PPF Act as any policy of insurance which complies with the requirements of –

(a) the Motor Vehicles (Third-Party Risks and Compensation) Act (Cap. 189); or

(b) the Work Injury Compensation Act (Cap. 354).

The Motor Vehicle (Third Party Risks and Compensation) Act requires all motor vehicles to be insured against the event of causing death or bodily injury to third parties whilst being driven in Singapore and West Malaysia. The Work Injury Compensation Act requires that employers have in place insurance policies to cover compulsory compensation for workmen specified in the Act. These compensation requirements relate to the death and bodily injury of the workmen in the course of employment.

3.9 For such commercial insurance policies[3], the compensation will only be payable for liability arising from the specified legislation, which in the above example, is the Work Injury Compensation Act.

3.10 In another example, where a commercial compulsory motor insurance policy covers a small amount of personal accident benefits, the compensation will only be payable for liability arising from the Motor Vehicles (Third-Party Risks and Compensation) Act. The personal accident benefits is not covered.

3.11 Moving forward, MAS proposes not to expand the PPF Scheme's coverage for compulsory insurance policies beyond the liability that arises from the specified legislations. This position would be in line with one of the primary objectives of the PPF Scheme, which is to protect individuals, and also ensures alignment with the treatment of other policies with bundled products which do not contain compulsory insurance coverages.

3.12 MAS also proposes to maintain the current practice of not refunding theunearned premiums of compulsory insurance coverages. This approach is more practical for insurers during a PPF Scheme compensation payout, as system limitations may not allow them to readily calculate the share of unearned premiums attributable to compulsory insurance coverages. The benefit of allowing for such refunds would also accrue to the corporates, which would not be in line with one of the primary objectives of the PPF Scheme, which is to protect individuals. MAS noted PPF General Scheme members support for the above proposals.

Question 2. MAS seeks comments on the proposal to retain the current scope of coverage under the PPF General Scheme for compulsory insurance policies and not to extend this beyond the liability that arises from the specified legislations.

Question 3. MAS seeks comments on the proposal to maintain the current practice of not refunding unearned premiums in relation to compulsory insurance coverages.

3.13 Arising from the issues highlighted above, MAS understands from some of the PPF General Scheme members that there might be cases of errors in disclosure[4] by members to policy owners. MAS will work with SDIC and the PPF General Scheme

[3] For the purpose of PPF levy computation, a proxy could be used by applying the ratio of (Total Gross Claims Paid for covered benefits/ Total Gross Claims Paid) for that product. A similar approach is currently used for the Motor (Third Party Bodily Injury) Act Insurance for the "Commercial Motor" line of business and the Work Injury Compensation Act Insurance for the "Work Injury Compensation Act" line of business.

[4] Scheme members are required to state clearly in the marketing materials and policy documents of insured policies whether a particular policy was covered under the PPF Scheme.

members to notify affected policy owners at their next policy renewal. MAS will also work with SDIC to step up on education efforts to raise awareness on the coverage of the PPF Scheme.

Definition of Personal Lines

3.14 As set out in the first consultation paper for the PPF Scheme, issued in December 2005, one of the main objectives (summarised in the diagram below) of the PPF Scheme is to protect individuals as they could be less financially savvy when purchasing insurance policies. Hence, the coverage of the PPF General Scheme was extended in 2011 following enactment of the DI-PPF Act to include A&H policies as well as Singapore policies of specified personal lines written by direct general and composite insurers. These specified personal lines are defined in the DI-PPF Act as an insurance policy that provides cover for personal motor insurance, personal property insurance for structure and contents, personal travel insurance and cover in conjunction with the employment of a foreign domestic worker.

Objectives

- **Reduce discontinuity and disruption** to society and economy arising from insurer default
- Other than commercial lines protected under the compulsory insurance policies, should focus **on providing protection to individuals** rather than corporate customers
- **Reduce moral hazard** of implicit government guarantee

Considerations

- Essential & effective coverage to cover policies which are **commonly purchased**, and those with **significant impact** should insurer default
- **Cost-effective** to the insurance industry
- **Equitable allocation** of costs amongst insurers, that commensurate with the risk profile
- Should not dilute **market discipline**

3.15 It is however not defined in the DI-PPF Act as to what is considered a "personal" insurance policy. When the PPF Scheme was enhanced in 2011, "personal" and "commercial" lines, were accepted industry terms which were both widely used. Insurers also have underwriting policies to distinguish between the two. However, in recent years, there are increasingly more examples where it is less clear if an insurance policy should fall into the "personal" lines category. In other words, the line between personal and commercial usage has become blurred, especially in the case of personal motor insurance and personal property (structure and contents) insurance[5]. Upon reviewing the market

[5] Where there is a growing trend of individuals using their personal properties for commercial purposes, for example, privately owned cars used for hire and reward and home offices.

practices, MAS, SDIC and the PPF Scheme members agreed that it would be sensible to define the term "personal", so as to provide more clarity on the scope of coverage. This will help minimise the risk of covering more than intended under the PPF Scheme, and unduly increase the industry's burden (since the PPF Scheme is funded by the industry).

3.16 For this to work, the definition has to be sufficiently clear, closely reflect the objective of the PPF Scheme and be simple to operationalise. It also has to give reasonable certainty upfront on whether an insurance policy is covered under the PPF Scheme.

3.17 With this in mind, MAS proposes to define a "personal" insurance policy as one that is owned by a natural person[6]. This will strike a reasonable balance across the criteria mentioned above. During MAS' consultation with the PPF General Scheme members, there was broad support for the proposed definition. A few members suggested "looking through" to see if the beneficiaries of the insurance policy are natural persons as well. However, this could be operationally complex and costly for insurers to implement.

Introduction of Caps for Certain Property Damage Claims

3.18 As an additional safeguard[7] to the proposed definition of "personal", MAS proposes to introduce caps, on a per policy basis, on certain specified personal lines to prevent the PPF General Fund from being potentially exposed to very high property damage claims[8]. Specifically, MAS proposes to introduce a cap of:

a) S$50,000 for <u>own property damage</u>[9] motor claims, for personal motor insurance policies; and

b) S$300,000 for <u>property damage claims</u>, for personal property (structure and contents) insurance.

3.19 The above caps would fully cover more than 99%[10] of the claims, based on an analysis of the property damage claims of PPF Scheme members over the past three years. We also noted that other jurisdictions with safety nets like the PPF Scheme also have caps

[6] Excludes any company or association or body of persons, corporate or incorporate.

[7] To prevent catching more policies than we intended to cover under PPF Schemes.

[8] This may result in higher levies for PPF Scheme members and consequently, higher premium rates for consumers.

[9] For avoidance of doubt, there would not be any caps on third party property damage motor claims.

[10] i.e. more than 99% of the claims (in terms of number) fall below S$50,000 for own property damage motor claims of personal motor insurance, and below S$300,000 for property damage claims of personal property (structure and contents) insurance.

in place. Considering that the target fund size of the PPF General Scheme is around $32 million[11], it makes for a prudent measure to impose caps to reduce the exposure of the PPF General Fund to high value property damage claims, for example, own damage claims of an expensive sports car, or property damage of a high-end residential unit.

Question 4. MAS seeks comments on the proposed definition of "personal" insurance policy, as one that is owned by a natural person.

Question 5. MAS seeks comments on the introduction of caps of $50,000 for claims arising from own property damage for personal motor insurance, and $300,000 for claims arising from property damage for personal property (structure and contents) insurance.

[11] The target fund size is specified as a percentage of the gross premium income. Based on the scheme members' gross premium income for the accounting period ending 31 December 2015, in respect of insured policies covered under the PPF General Scheme, the target fund size is around $32 million. The target fund size of $24m as stated in MAS' May 2011 consultation paper was based on scheme members' gross premium income then.

4 Issues Relating to PPF Life Scheme Only

Coverage of Investment-linked Policies with Death Benefits Directly Linked to the Net Asset Value Only

4.1 The PPF Life Scheme currently only covers guaranteed benefits in the case of investment-linked policies ("ILPs"). In a response[12] to the public consultation on the PPF review in December 2005, MAS had provided guidance on what constitute guaranteed benefits for ILPs. Basically, any form of guarantees in the ILPs' benefits, such as capital guarantees or guaranteed death benefits provided by the insurer will be classified as guaranteed benefits and hence, are covered under the PPF Life Scheme. Surrender values, if tied to the value of the underlying assets ("NAV"), will not be covered under the PPF Life Scheme. The response paper also included examples to better illustrate the types of benefits that are covered in the case of ILPs. However, these examples were based on the common design of ILPs prevailing then.

4.2 In recent years, direct life insurers started introducing ILPs where death benefit is expressed as a percentage (e.g. 105%) of the NAV. This had led to some confusion on whether such benefits, which are tied directly to the NAV and subject to volatility, are considered as guaranteed benefits. MAS would like to clarify that any benefits that are tied to the NAV would not be covered under the PPF Life Scheme given that these are not guaranteed benefits. Disclosure to policy owners should be made clearer to avoid potential confusion.

4.3 The market has also seen the introduction of variable annuity policies some years ago, where the guarantees broadly fall within two primary categories – Guaranteed Minimum Death Benefits and Guaranteed Living Benefits. While these benefits are seemingly linked to the NAV as well, and hence should not be covered under the PPF Life Scheme, the difference is their ratcheting feature. For example, even if the value of the underlying investments fall during a market downturn, the minimum death benefit is based on the highest NAV observed during the past predefined number of months. In such cases, there is a guarantee provided and hence the benefits would be covered under the PPF Life Scheme.

4.4 The following table illustrates the typical types of death benefit designs in ILPs.

[12] The response to the feedback for the 2005 PPF review consultation can be accessed through this link: http://www.mas.gov.sg/~/media/resource/publications/consult_papers/2006/ResponseCP_PPF_Dec05.ashx

Examples of Death Benefits under ILPs	What is covered under the PPF Life Scheme?
Design 1: Death benefit is the higher of 101% of Single Premium or NAV	If 101% of Single Premium is higher than the NAV, then PPF Life Scheme covers the difference. If NAV is higher than 101% of Single Premium, then nothing is covered under the PPF Life Scheme.
Design 2: Death benefit is based on the chosen sum assured, e.g. $50,000	The full sum assured is considered as a guaranteed death benefit, and is hence covered under the PPF Life Scheme.
Design 3: Death benefit is based directly on a certain percentage, e.g. 105%, of the NAV	As the death benefit is directly linked to the NAV, which is not guaranteed, this will not be covered under the PPF Life Scheme.
Design 4: Death benefit ratchets up. Examples include[13] highest NAV reached in the previous predefined months, or death benefit will keep ratcheting up once the NAV passes a certain threshold.	The death benefits contain an element of guarantee and hence will be covered under the PPF Life Scheme. Insurers will have to use modelling to estimate the value of the guaranteed liabilities.

Question 6. MAS seeks comments on whether there are any other benefit design for ILPs where there is lack of clarity on the guaranteed benefits that are covered under the PPF Life Scheme.

Compensation Payout from Both Guaranteed Sum Assured and Guaranteed Surrender Value

4.5 Section 47 of the DI-PPF Act states that the compensation amount for a Category 2 insured policy would be an amount that is either the guaranteed surrender value or the guaranteed sum assured for a life insured. However, there could be situations where compensation has to be made for both the sum assured and the surrender value.

4.6 For example, a critical illness ("CI") claim has been filed prior to the quantification date[14] for a whole life policy with a guaranteed sum assured of $1,000,000 and

[13] The specific way in which the ratchet feature work depends on the product features but the examples here are meant to for illustrative purpose.

[14] Please refer to the definition found in DI-PPF Act.

accelerated CI rider of $850,000. The claim was made under the CI rider. The policy would continue to remain in force with a remaining guaranteed sum assured of $150,000.

4.7 Under the current legislative text, the PPF Scheme does not need to pay any additional sums if the policy owner were to surrender the policy at the quantification date, even though there should be a payment made for the guaranteed SV as the policy remains in force. This will go against MAS' policy intent. Hence legislative amendments will need to be made.

Question 7. MAS seeks comments on the proposal to amend section 47 of the DI-PPF Act to clarify that the compensation amounts should be the sum of both the guaranteed sum assured and guaranteed surrender value at quantification date, where applicable.

Instalment Claim Payments

4.8 Some claim payments are paid in instalments rather than a lump sum. An example would be the accelerated Total and Permanent Disability ("TPD") benefit. The future payments may be subject to conditions such as ongoing medical certification of continuing TPD.

4.9 Some PPF Life Scheme members have asked how to treat claims payable in instalments. Specifically:

a) how should the protection ratio for purposes of computing the cap, if applicable, be applied;

b) whether the remaining instalments could be commuted to a lump sum in the event of compensation payout (despite potential risk of overpayment should the life assured recovers from disability subsequently).

4.10 MAS noted that claims which are payable by instalments[15] are mostly TPD-related claims. It was also observed that commutation is uncommon. If done, it is usually on an ex-gratia basis where the assumptions and methodology not being disclosed. To mitigate the risks of SDIC's exposure to possible legal suit and overpayment (which disadvantages PPF Life Fund), commutation of benefits should only be allowed if the methodology and assumptions are explicitly provided for in the policy contract.

[15] Not all claims which have been crystallised before the quantification date with instalment payments are covered by the PPF Scheme. Specifically, payments under settlement options are not covered (as discussed in the next section).

Question 8. MAS seeks comments on the proposal to make it clearer in the legislation that remaining claim instalments shall also be subject to the aggregate cap for guaranteed sum assured.

Question 9. MAS seeks comments on the proposal to allow commutation of benefits in the event of compensation payout, only if the methodology and assumptions are explicitly provided for, in the policy contract.

Settlement Option

4.11 Some life insurers offer settlement option for their life insurance policies' proceeds. Such option allows the policy owner or beneficiary ("entitled person"), upon the surrender, maturity or a valid claim of the policy, to leave the insurance proceeds with the insurer. The policy no longer provides for any payment of policy moneys on the happening of any subsequent contingency. These options include depositing the lump sum insurance proceeds with the insurer to accrue interest or converting the lump sum to instalments over a fixed period of time.

4.12 The PPF Life Scheme does not cover settlement option moneys as the insurance liability obligations of the insurer have ended and the policy owner or beneficiary has made a conscious decision to exercise the settlement option of leaving the proceeds with the insurer. The PPF Life Scheme would however continue to cover life insurance policies with embedded settlement option as long as instructions to exercise the options had not been received.

4.13 In June 2012, MAS consulted on the treatment of settlement option in life insurance policies, and proposed among other things, that clear disclosure be made by insurers to inform policy owners and beneficiaries, upon request for new or existing take-ups, that settlement option moneys are not covered under the PPF Life Scheme. These settlement option moneys will rank after policy liabilities and equally with unsecured liabilities of the insurer in the event the insurer becomes insolvent. This was effected since 1 October 2013.

4.14 MAS would like to clarify that settlement options cannot be exercised once compensation under the PPF Life Scheme is triggered. In addition, once instructions have been received to exercise a settlement option, the insured policy would cease to be covered under the PPF Life Scheme.

Question 10. MAS seeks comments on making the necessary legislative amendments to give effect to paragraph 4.14, with respect to settlement option.

Living Benefits

4.15 A number of PPF Life Scheme members sought clarification on the level of coverage for certain living benefits, in particular whether they should be aggregated with the guaranteed sum assured or guaranteed surrender value, which are subject to the caps of $500,000 and $100,000 respectively. Living benefits are benefits that are payable contingent on continuance of the human life. Examples include benefits that are payable after a fixed period of time (e.g. maturity benefit, return of total premiums[16] paid, for instance, at end of policy term if there was no claims made) and surrender benefits.

4.16 Some members suggested determining whether the insurance policy is protection or savings-based but recognised the practical challenges of doing so. MAS is of the view that as living benefits are essentially a form of savings for the policy owner, they should therefore be protected at the same level as the guaranteed surrender values. Besides, the intent of setting out a higher cap for guaranteed sum assured was to provide greater protection for claims which are contingent on the occurrence of a specified event. It may thus be more appropriate to include such living benefits in the computation of guaranteed surrender value, and be subject to the aggregate cap of $100,000.

4.17 MAS would like to clarify that once an insurer has ascertained that the maturity benefit is due and payable[17], but has either yet to be paid, or has been paid but yet to be encashed by the policy owner or entitled person (i.e. beneficiary), this will be treated as "unclaimed moneys". Unclaimed moneys are covered under the PPF Life Scheme without any caps.

4.18 Coupon deposits are a form of living benefits. Coupon deposits are amounts that an insurer is obliged to pay at pre-agreed intervals, contingent on the survival of the life assured, which the policy owner has chosen to leave with the insurer for accumulation of interest, during the policy term. For avoidance of doubt, coupon deposits remain covered under the PPF Life Scheme without caps.

Question 11. MAS seeks comments on whether there are other examples of living benefits where their treatment are not clear in terms of computation of their aggregate caps. Please describe these examples.

[16] Also referred to as refund of premiums paid.

[17] The maturity value would no longer form part of the policy liabilities and would be tracked separately in an account.

Riders to Category 3 and Category 4 Policies

4.19 Though relatively uncommon, Category 3 (i.e. individual annuity and voluntary group annuity) and Category 4 (i.e. non-voluntary group policies) insured policies may sometimes have riders attached to them. One example is the Group Terminal Illness Rider, which accelerates the payout of the main policy's sum assured as a lump sum upon diagnosis of a terminal illness where death is highly probable within the next 12 months.

4.20 However, these riders are currently not covered in the schedule of the DI-PPF Act (as set out below). It is MAS' policy intent to cover them, just like any riders attached to Category 1 and Category 2 policies.

Category 1	Category 2	Category 3	Category 4
Insured policies, comprising any of the following types of policies or riders: • any **individual accident and health policy**; • **any rider to an individual policy**, with the exception of a **term rider** which accelerates the payment of part or all of the sum assured stated in the policy or provides for a payout of an additional sum of money over and above the sum assured stated in the policy upon occurrence of a claim event; • any **group health policy**; • any **group personal accident policy**; • the part of any insured policy, whether or not it is a Category 1 insured policy, comprising the accumulated values (including interest which has accrued on such values) of **coupon deposits, advance premium payments and unclaimed moneys** under such insured policy, where applicable	insured policies, comprising any of the following types of policies or riders: • any **individual policy or rider** (other than a Category 1 or 3 insured policy); • any **voluntary group term policy**; • any **voluntary group whole life policy**; • any **voluntary group endowment policy**; • any **term rider** which accelerates the payment of all or part of the sum assured stated in the policy or provides for a payout of an additional sum of money over and above the sum assured stated in the policy upon occurrence of a claim event, except that any accident and health benefit (other than those benefits that accelerate the payment of part or all of the sum assured stated in the policy) payable under any such policy, shall be classified as a Category 1 insured policy	Insured policies, comprising any **annuity** where the policy owner is an individual and any **voluntary group annuity policy**	Insured policies, comprising any **non-voluntary group insurance policy** (which is a non-voluntary group term policy, non voluntary group whole life policy, non-voluntary group endowment policy or non-voluntary group annuity policy).

4.21 MAS proposes to make the necessary legislative amendment to cover these riders under the PPF Life Scheme. On the category which these riders would fall under, and hence the caps that would apply to them, MAS proposes the following:

a) Riders to Category 3 policies are to be grouped with other policies and riders in Category 2 if they are term riders[18], in computing the relevant caps in benefits per life assured. Else, they are to be grouped with others in Category 1, and will not be subject to any caps;

[18] In the second consultation paper on PPF review issued in December 2009 (http://www.mas.gov.sg/~/media/resource/publications/consult_papers/2009/CP_PolicyOwners_ProtectionFund_23Dec09.ashx), it is explicitly stated in paragraph 2.5 (Page 3) that term riders are meant to include riders like level term rider, decreasing term rider, convertible term rider and additional critical illness rider. However we noted that industry may still have some inconsistencies in what they classify as term riders in practice. MAS will look at refining the definition in the DI-PPF Act where necessary.

b) Riders to Category 4 policies are to be grouped with other policies in Category 4 if they are term riders, in computing the relevant caps in benefits per policy. Else, they are to be grouped with other policies and riders in Category 1, and will not be subject to any caps.

Question 12. MAS seeks comments on the proposal to amend the relevant schedule of the DI-PPF Act to expressly provide for the coverage of riders to Category 3 and Category 4 policies.

Question 13. MAS seeks comments on the proposed classification of Category 3 and Category 4 riders in paragraph 4.21.

Coupon Deposits, Advance Premium Payments and Unclaimed Moneys

4.22 Currently coupon deposits, advance premium payments and unclaimed moneys (as described in the following table) are covered under the PPF Life Scheme without any caps. This decision was taken when the PPF Scheme was enhanced in 2011, for ease of administration, recognising that these amounts were not that significant as a percentage of the PPF Life Scheme members' total protected liabilities.

Coupon deposits	Advance premium payments	Unclaimed moneys
Means any sum of money, being part of the policy moneys which the insurer is obliged to pay to the insured policy owner at agreed intervals under the terms of the insured policy, including any amount due at maturity, which the insured policy owner instructs the insurer not to pay out to him but for the sum of money to be deposited with the insurer to earn interest at an agreed rate.	Not explicitly defined in DI-PPF Act, but meant to capture the advance premium payments which insurers receive from policy owners for their life insurance policies.	Means any policy moneys which, as a result of a contingency happening, have been ascertained by the failed PPF Scheme member to be due and payable under that insured policy before the date but which have not yet been paid to or have been paid but not yet received by the by the person entitled to payment of the policy moneys

4.23 Some PPF Life Scheme members have since asked whether such moneys relating to life insurance policies without any guaranteed death benefits (e.g. ILPs without any guaranteed death benefits) are still covered under the PPF Life Scheme, even if the underlying policies are not[19]. SDIC also provided feedback that some PPF Life Scheme members may have inconsistent practices in how they have classified the above benefits, or system constraints could have led them to classifying more items under the above benefits than intended.

4.24 MAS explored with the PPF Life Scheme members on applying a "look-through" to these moneys. This means to consider whether the underlying policies would in the first place be covered under the PPF Life Scheme. Another option would be to impose a cap on these benefits as a practical way to address issues of operational inconsistencies and potential over-payment.

4.25 The "look-through" approach did not gain much traction with the PPF Life Scheme members as it would be operationally challenging to trace the underlying policies for unclaimed moneys or even advance premium payments in their systems. A few members hence preferred introducing a cap on practical grounds.

4.26 As at 31 Dec 2015, the aggregate of coupon deposits, advance premium payments and unclaimed moneys make up just around 7%[20] of the total protected liabilities. Hence, these amounts remain insignificant.

4.27 Therefore, MAS proposes not to adopt a "look-through" approach to these benefits given that it is operationally complex to do so, and the aggregate amounts are insignificant.

4.28 To minimise inconsistent practices across the PPF Life Scheme members, MAS has come up with some examples in Annex B on what should or should not be classified under such benefits. In addition, MAS proposes to tighten the definition within the DI-PPF Act, such that coverage of coupon deposits, advance premium payments and unclaimed moneys is only to the extent that these have not been already reflected in the surrender value computation by the insurer.

4.29 MAS proposes not to introduce a cap for now, for the very same reasons of not proposing the "look-through" approach. We will monitor the size of the benefits and review them regularly.

[19] As discussed in earlier sections, PPF Life Scheme does not cover non-guaranteed benefits.

[20] Made up of primarily coupon deposits (4%), advance premium payments (2%) and unclaimed moneys (1%).

Question 14. MAS seeks comments on the proposed approach for coupon deposits, advance premium payments and unclaimed moneys as described in paragraphs 4.27 to 4.29.

(a) Is the proposed approach appropriate? Please explain your responses and suggest alternative approaches if your answer is 'No'.

(b) Are there other examples which have not been included in Annex B, where the classification may be unclear? Please describe these examples.

Temporary Coverage Before Policy Acceptance

4.30 Majority of the life insurers provide temporary coverage against accidental death in Singapore for the period between the receipt of the completed application form and acceptance of the proposed risk. Such temporary coverage is stated in documents like the proposal application forms, premium receipts or product summary. Direct life and composite insurers do not separately cost for this as the probability of accidental death is very low, and for most of the cases, the period of coverage is very short.

4.31 As the policy has not been incepted yet, such temporary coverage is currently not covered under the PPF Life Scheme. During the closed door consultation with the PPF Life Scheme members, views were sought on expanding the scope of the PPF Life Scheme to include such temporary coverage without the need to impose any additional levies[21]. The views were mixed. Reasons for objecting include operational challenges in administering this (as such temporary coverage is not catered for in the insurer's system since there is no policy yet), as well as a lack of consistency in the treatment of transient premiums (which are premiums received at underwriting stage when the proposal has not yet been accepted, and such premiums are not covered under the PPF Life Scheme).

4.32 Unlike transient premiums where a policy has not been incepted yet, temporary coverage is after all an insurance coverage provided by the insurer. The incremental cost to the PPF Life Scheme is very small (see footnote 21). On the contrary, there could be significant negative publicity if a scheme member were to fail, and the beneficiaries did not get any compensation even though an application has been submitted to, but has not yet been underwritten by the scheme member.

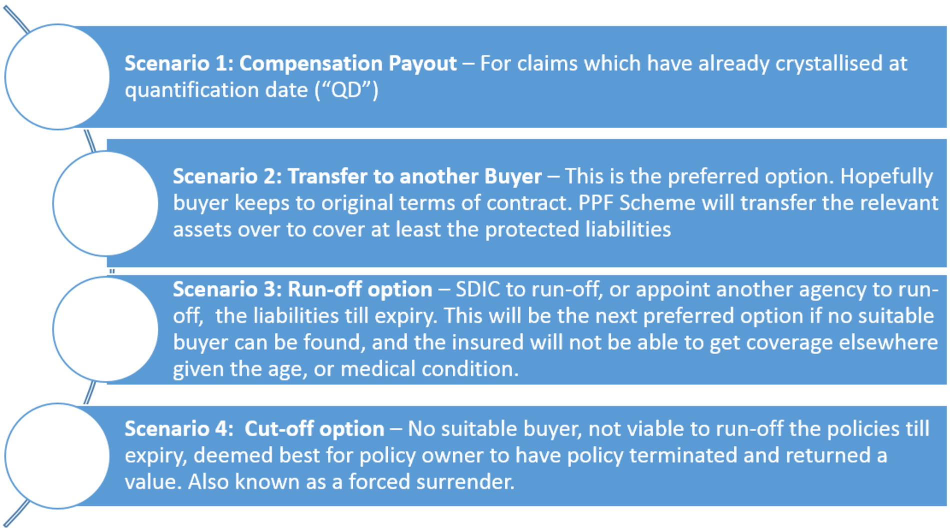
[21] The cost implication would be very insignificant as death must be due to accidental causes, take place within the window period between receipt of the completed submission of application and the acceptance of the proposed risk, and the insurer has to fail during the same time too.

4.33 On balance, MAS proposes to include temporary coverage against accidental death in Singapore under the PPF Life Scheme. There is no need for the PPF Life Scheme members to compute additional levies, on grounds of operational simplicity and immateriality. At the point of compensation payout, the policy owner or beneficiary will only need to show the relevant documentation (e.g. proposal application forms, premium receipts) to prove existence of the coverage to SDIC, and SDIC will then verify from the insurer's records that the proposal is still being underwritten.

Question 15. MAS seeks comments on the inclusion of temporary coverage against accidental death in Singapore within the scope of the PPF Life Scheme, without the need for additional levies to be paid.

Forced Surrender

4.34 The PPF Scheme provides for coverage under a number of scenarios as set out in the diagram below. The level of protection will be the same regardless of the scenarios[22], that is, only guaranteed benefits will be covered, and subject to caps where relevant.



4.35 Under normal circumstances, policy owners incur surrender penalties if they make an early termination of their insurance policies. In addition, surrenders are typically not permitted for annuities during the vesting[23] period. Question arose as to whether policy owners should still be subject to surrender penalties for early termination of policies in the various scenarios, especially during forced surrender, that is, Scenario 4.

[22] In fact, different products/portfolios of the failed insurer may end up under different scenarios.

[23] The initial period from inception of the policy up to the point when the annuity payout commences.

Given that forced surrender has not been stipulated contractually, there is an added complexity on how the surrender value should be determined under such scenario.

4.36 Based on MAS' consultation, majority of the PPF Life Scheme members agreed that it is reasonable to waive surrender penalties under a forced surrender scenario. A few members which were against the idea of waiving surrender penalties highlighted that surrender penalties can either be in explicit or implicit form, or both, especially for ILPs. In reality, it was not feasible to strip out implicit surrender penalties. One member felt that as surrender penalties might be used to offset distribution costs, it would not be fair to insurers for such penalties to be waived.

4.37 MAS is of the view that surrender penalties should be waived only under circumstances of forced surrender, given that policy owners should not be penalised for an action beyond their control. For the other scenarios, waiver of surrender penalties would not be appropriate as it will inadvertently incentivise policy owners to surrender their policies when their insurers fail. This is not a desired outcome as continuity of coverage will be important[24].

4.38 PPF Life Scheme members' views were also sought on the feasibility of expressly stating the computation method for surrender value, under a forced surrender scenario, in the policy contract for certain products. Specifically these are products which may not have a surrender value set out in the policy contract as surrenders are typically not permitted, for example, annuities after the vesting period. Several members were of the view that setting out a basis for calculating the value of forced surrender within the policy contract is not ideal. They explained that it would be confusing to policy owners and that it may also not be practical to determine the value at the onset, given that factors affecting the calculation may vary from case to case depending on the insurer's circumstances. For consistency, one member suggested setting out the basis or approach and putting it on SDIC's website, which is publically available.

4.39 Based on the feedback received during earlier consultations, MAS maintains the proposal to waive surrender penalties only if policy owners were directed to surrender their policies, that is, Scenario 4 (forced surrender). The waiver would apply to only explicit surrender penalties. Surrenders in other scenarios would still be subject to surrender penalties.

4.40 Further, MAS proposes not to require insurers to expressly state the computation method for a forced surrender value in the policy contract for products such as annuities

[24] Given that the insured may develop medical conditions which may make him or her uninsurable or insurable only at a higher premium.

after vesting period, having taken into consideration the feedback indicated in paragraph 4.38. This would be determined at point of forced surrender. To ensure consistency however, MAS will work with the industry to provide some guidance on a reasonable basis or approach to determine a forced surrender value for such products.

Question 16. MAS seeks comments on the proposal to waive the surrender penalties expressly provided for in the policy contract only if policy owners were directed to surrender their policies (i.e. scenario 4 - forced surrender). Surrenders in other scenarios will still be subject to surrender penalties.

Question 17. MAS seeks comments on not requiring direct life and composite insurers to expressly state the computation method for a forced surrender value in the policy contract, for products which may not asset out a surrender value as surrenders are typically not permitted, e.g. annuities after the vesting period. MAS will work with the industry to provide guidance on a reasonable basis or approach to determine a forced surrender value in this instance.

Question 18. MAS seeks comments on whether there are other products which should be included within the guidance besides annuities after the vesting period.

5 Issues Relevant to both PPF Life and PPF General Schemes

Compensation Payouts to Joint or Multiple Policy Owners

5.1 Section 49 of the DI-PPF Act states that each of the joint or multiple policy owners of an insured policy is entitled to compensation from the PPF Scheme and each of them shall be deemed to have an equal share in the insured policy unless there is an express provision to the contrary in the books of the failed scheme member.

5.2 During consultation, PPF General Scheme members shared that most of their claims are paid to third parties, e.g. mortgagee or to a contractor. Only a small portion of the claims are paid in cash and made to the policy owners. The scheme members highlighted that in such cases, they would usually pay to only one of the policy owners, even though they may not have an express provision in their contracts to allow them to do so.

5.3 The purpose of section 49 of the DI-PPF Act is to set out clearly the share in which each joint or multiple policy owner is entitled to. During a compensation payout, if SDIC were to make payment to only one and not all of the policy owners, even though the policy contract has not expressly provided for the claims to be paid in this manner, SDIC may bear the risk of not having discharged its duties effectively. Other policy owners may subsequently dispute why they were not entitled to their share of the claims.

5.4 To ensure that SDIC compensates in accordance with the terms and conditions of the policy contract and not expose itself to the risk of legal suits, MAS proposes that scheme members shall ensure that their policy contracts have the express provision that allows them to pay claims to a specified policy owner for contracts with multiple policy owners. Otherwise, scheme members shall collect and maintain information of all joint policy owners to allow SDIC to discharge its duties accordingly, that is, for SDIC to make the payments to each policy owner in accordance to the share as stipulated in section 49 of the DI-PPF Act. This would apply to both the PPF Life and General Schemes.

Question 19. MAS seeks comments on the approach as recommended in paragraph 5.4 with respect to policies with joint or multiple policy owners.

Refund of Premiums

5.5 Direct life and composite insurers will typically refund premiums to policy owners under the following circumstances:

a) Refund of unused premiums, where insurers will refund the unused portion of the premiums in the event of a claim;

b) Cancellation of policy, for example, free-look cancellation;

c) Voiding of the policy from inception (which could be due to reasons such as material non-disclosure or suicide within 12 months of policy inception);

d) Refund of excess premiums paid; and

e) As a form of surrender value or maturity benefit.

5.6 Refund of premiums under (e) has already been covered under the earlier section on Living Benefits. This section will thus focus on refund of premiums under scenarios (a) to (d).

5.7 Currently, unused premiums are considered under policy liabilities of the insured policies, and covered under the PPF General Scheme, with the exception of compulsory insurance policies. It is not expressly provided in the PPF Life Scheme that the refund of premiums is covered.

5.8 During MAS' consultation with the PPF Life Scheme members, whilst there was a general consensus to provide for refund of premiums for insured policies, a few members were of the view that only refunds which have been expressly provided for in the policy contract (e.g. free-look cancellations) should be covered, but not those arising from voiding of policy due to material non-disclosure. However, the majority were of the view that all refunds should be included, including those for voided policies. They explained that firstly, these are usually not material, and it may be operationally tedious to treat them differently based on cause for refund. Secondly, it may be easier to communicate to the public if all types of refunds are covered. MAS agrees with the majority's view.

5.9 Hence, MAS proposes to include refund of premiums, with no caps imposed, in the coverage of the PPF Life Scheme if it is expressly allowed for in the policy contract, which would include return of excess premium[25], unused premium upon termination for certain policies or riders, free-look cancellation and voided policies (e.g. due to material non-disclosure or death due to suicide within predefined number months from policy inception).

[25] Practices differ among insurers, with some insurers not expressly providing for a return of excess premium in the policy contract. However, to protect SDIC against potential legal suits, MAS proposes to only cover what was expressly provided for in the policy contract.

5.10 Additionally, refund of premiums under the circumstances described in (b), (c) and (d) in paragraph 5.5 may be just as applicable to general insurers. Hence MAS proposes to include such refund of premiums for specified personal lines policies only, with no caps imposed, in the coverage of the PPF General Scheme, if it is expressly allowed for in the policy contract. As mentioned in paragraph 5.7, refund of unused premiums for policies covered under the PPF General Scheme is already provided for under the current DI-PPF Act.

Question 20. MAS seeks comments on the proposed approach relating to refund of premiums for the PPF Life Scheme, as described in paragraph 5.9.

Question 21. MAS seeks comments on the proposal to cover refund of premiums due to other circumstances (besides refund of unused premium) if they are expressly allowed for in the policy contract for specified personal lines policies, without any caps, under the PPF General Scheme.

Treatment of Outstanding Premiums

5.11 In practice, PPF Scheme members deduct any outstanding premiums of any policy against the claim proceeds of that policy. However, this is not currently provided for in the DI-PPF Act, though it would be reasonable and cost-effective to do so in the case of a compensation payout of the PPF Scheme.

5.12 Whilst the premium payment framework has been introduced recently, and requires "cash-before-cover", this holds true only for personal lines policies. For commercial policies, where the PPF General Scheme covers compulsory insurance elements, the issue of outstanding premiums would still be relevant.

Question 22. MAS seeks comments on the proposal to amend sections 47 and 48 of the DI-PPF Act to include the deduction of outstanding premiums from the compensation payout of the PPF Scheme.

6 Legislative Changes for Alignment with Deposit Insurance Scheme

6.1 MAS also proposes to make some amendments to the DI-PPF Act and MAS Notice on Policy Owners' Protection Scheme Returns ("DIPOP-N02") to enhance the operational efficiency and clarity of the PPF Scheme. The proposed amendments are mostly aligned with those set out in MAS' September 2014 Consultation Paper on "Proposed Amendments to the Deposit Insurance and Policy Owners' Protection Schemes Act" for the Deposit Insurance ("DI") Scheme.

Expenses Incurred in Communicating with Policy Owners

6.2 Section 52(5) of the DI-PPF Act permits SDIC to be reimbursed out of the assets of the failed PPF Scheme member for the expenses incurred in the payment of any compensation to insured policy owners and beneficiaries.

6.3 MAS proposes amending section 52(5) of the DI-PPF Act to clarify that SDIC is also entitled to recover expenses incurred in connection with its communication with policy owners, beneficiaries and the public in the event of a PPF compensation payout, from the failed PPF Scheme member's assets.

6.4 As clear and timely crisis communication (including engaging crisis communication personnel and printing press advertisements) are essential in keeping policy owners and beneficiaries updated and maintaining their confidence, MAS is of the view that SDIC is entitled to recover such necessary expenses.

Question 23. MAS seeks comments on the proposal to amend section 52(5) of the DI-PPF Act to clarify that SDIC is entitled to recover expenses incurred in connection with its communications with policy owners, beneficiaries and the public, in the event of a PPF compensation payout, and such other types of expenses as may be prescribed by MAS, from the failed PPF Scheme member.

Sharing Information in the PPF Scheme Returns with SDIC

6.5 In the event a PPF compensation payout is triggered, SDIC may need to assess the amount of protected liabilities of a PPF Scheme member expeditiously, to determine its funding needs more accurately.

6.6 Currently, MAS Notice DIPOP-N02 requires every PPF Scheme member to submit to MAS, information on the amount of protected liabilities within four months from 31 December of each year. To enhance SDIC's operational efficiency, MAS is of the view that it would be useful to share the information in the PPF Scheme returns under MAS Notice DIPOP-N02 with SDIC. Pursuant to section 80 of the DI-PPF Act, such information would be kept confidential by SDIC and can only be disclosed under certain circumstances.

Question 24. MAS seeks comments on the proposal to amend MAS Notice DIPOP-N02 to include a clause providing that, by completing and submitting the returns prescribed in MAS Notice DIPOP-N02, the PPF Scheme members consent to MAS sharing the information in the returns with SDIC.

Triggers for PPF Compensation Payout

6.7 Currently, under section 46 of the DI-PPF Act, MAS may make a determination for PPF compensation to be paid out of the PPF Life Fund and/ or PPF General Fund where:

a) an order is made by a court in Singapore or elsewhere to wind up a PPF Scheme member;
b) MAS is of the opinion that a PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments; or
c) MAS is exercising, is likely to exercise, or has exercised its powers under Part IIIAA[26] of the Insurance Act.

6.8 The DI-PPF Act currently does not include the voluntary winding up of a PPF Scheme member as a possible trigger for PPF compensation payout. Thus, if a compensation payout is to be made under the voluntary winding up of a PPF Scheme member, MAS must separately determine that the PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments.

6.9 MAS is of the view that it would be more expedient to rely on a PPF Scheme member having been voluntarily wound up as one of the triggers for MAS to determine whether PPF compensation payout should be made.

Question 25. MAS seeks comments on the proposal to include the voluntary winding up of a PPF Scheme member as a separate trigger (apart from those already present in section 46 of the DI-PPF Act) for MAS to determine whether PPF compensation payout should be made.

[26] Part IIIAA of the Insurance Act covers the voluntary and compulsory transfer of business, compulsory transfer of shares, restructuring of a licensed insurer and winding up.

Clarification on Definition of "Quantification Date"

6.10 Under section 2 of the DI-PPF Act, the "quantification date" for PPF compensation payout, in relation to a PPF Scheme member, means:

a) the date on which the PPF Scheme member is wound up; or

b) where a PPF Scheme member is not wound up, the date on which the notice of payment of compensation from the PPF Life Fund or PPF General Fund or notice that the PPF Life Fund or PPF General Fund is to be utilised for the funding of any transfer or run-off of the business of the failed PPF Scheme member is published in the Gazette under section 46(4) of the DI-PPF Act.

MAS proposes to amend the DI-PPF Act to further clarify the quantification dates for certain scenarios.

Where the PPF Scheme member is wound up by a court order in Singapore

6.11 Where a PPF Scheme member is wound up by a court order in Singapore, the quantification date for PPF compensation payout is currently defined as "the date on which the PPF Scheme member is wound up". However, there are two possible interpretations of this winding up date – it could refer to the date of the winding up ***application***, or it could also refer to the date of the winding up ***court order***.

6.12 MAS proposes to clarify that where a PPF Scheme member is wound up, the quantification date refers to the date of commencement of winding up. Under section 255(2) of the Companies Act, winding up shall be deemed to have commenced at the time of ***application*** for the winding up.

Where the PPF Scheme member is wound up voluntarily in Singapore

6.13 Where a PPF Scheme member is wound up voluntarily in Singapore, MAS is of the view that the quantification date defined within the DI-PPF Act should be aligned with the date of commencement of winding up as provided for under the Companies Act.

6.14 Under section 291(6) of the Companies Act, the relevant dates of commencement of a voluntary winding up are:

a) where a provisional liquidator has been appointed before the resolution for voluntary winding up was passed, at the time when the company's directors lodge a statutory declaration that the company cannot by reason of its liabilities continue its business; or

b) in any other case, at the time of the passing of the resolution for voluntary winding up.

Where the PPF Scheme member is wound up under foreign law

6.15 Where a PPF Scheme member is wound up overseas, whether by a court order or voluntarily, MAS proposes that the quantification date for PPF compensation payout be the applicable date of commencement of winding up under the relevant foreign law. This would be consistent with the proposal above to align the quantification date defined within the DI-PPF Act with the relevant date of commencement of winding up under Singapore law.

6.16 However, where the PPF Scheme member is wound up both in Singapore and overseas[27], MAS proposes that the quantification date be pegged to the date of commencement of winding up under Singapore law, as this would be the date that the Singapore liquidator will recognise.

Where the PPF compensation payout is triggered by MAS' opinion that the PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments

6.17 Where a PPF compensation payout is triggered by MAS' opinion that the PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments, the current definition of quantification date suggests that there could be two different dates:

a) where the PPF Scheme member is wound up, the quantification date is the date on which the PPF Scheme member is wound up;

b) where the PPF Scheme member is not wound up, the quantification date is the date on which the notice of payment of compensation is published in the Gazette.

6.18 Therefore, a situation could arise where a PPF Scheme member had not been wound up at a particular point in time, but a compensation payout was nonetheless triggered. At this point in time, the quantification date would be the date on which the notice of payment of compensation is published in the Gazette. However, under the DI-PPF Act, if this PPF Scheme member is subsequently wound up, the quantification date

[27] An example of a PPF Scheme member being wound up both in Singapore and overseas is where it is a branch of an insurer incorporated outside of Singapore, and its head office is wound up in its home jurisdiction and the branch in Singapore is wound up under the Companies Act.

would be *changed* to the date on which the PPF Scheme member is wound up. This will create uncertainties for depositors and operational difficulties for SDIC. In practice, this may mean that SDIC will not be able to make compensation payment until there is certainty as to whether the PPF Scheme member would be wound up. Policy owners and/ or beneficiaries will thus not have access to any eligible claim payment for an extended period of time.

6.19 To enable PPF compensation payout to be paid expeditiously to policy owners and/ or beneficiaries, MAS proposes to amend the definition of "quantification date" such that in the event PPF compensation payout is triggered by MAS' opinion that the PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments, the quantification date shall be the date on which the notice of payment of compensation is published in the Gazette, even if the PPF Scheme member is wound up subsequently.

Question 26. MAS seeks comments on the proposal to amend the definition of "quantification date" for the triggering of the PPF compensation payout, as follows:

a) In the event a PPF Scheme member is wound up by a court in Singapore only or wound up voluntarily in Singapore only, the quantification date shall be the date of commencement of winding up under the Companies Act;

b) In the event a PPF Scheme member is wound up overseas only, the quantification date shall be the date of commencement of winding up under the relevant foreign law;

c) In the event a PPF Scheme member is wound up both in Singapore and overseas, the quantification date shall be the date of commencement of winding up under the Companies Act;

d) In the event a PPF Scheme member is not wound up, but MAS is of the opinion that the PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments, the quantification date shall be the date on which the notice of payment of compensation is published in the Gazette, even if the PPF Scheme member is wound up subsequently.

Other Amendments

6.20 In MAS' September 2014 Consultation Paper on "Proposed Amendments to the Deposit Insurance and Policy Owners' Protection Schemes Act", the following proposals were consulted on:

a) To delete the "reasonable care" requirement from section 79 of the DI-PPF Act to protect SDIC's directors and employees;
b) To amend section 84 of the DI-PPF Act to enable MAS to disclose information collected from scheme members, where required under written law or a court order;
c) To amend the Sixth and Seventh Schedules of the DI-PPF Act to state more generally that the accounts of the DI Fund, PPF Life Fund, PPF General Fund and SDIC must be audited annually by an auditor, and to permit SDIC to appoint commercial auditors without consulting the Auditor-General.

To recap, these proposals would similarly apply to both the DI and PPF Schemes.

Annex A

LIST OF QUESTIONS

Annex B

CLARIFICATIONS ON CLASSIFICATION OF COUPON DEPOSITS, ADVANCE PREMIUM PAYMENTS AND UNCLAIMED MONEYS

Category	Examples	Clarifications
Coupon Deposits	A 10-year participating anticipated endowment policy of a sum assured of $50,000, which pays a coupon of 20% of sum assured at the end of the 2nd, 4th, 6th and 8th year, subject to the life assured being alive. The policy owner instructs the insurer not to pay the coupon to him or her, but instead for the amount to be deposited with the insurer to earn an interest at an agreed rate.	The coupon deposits (i.e. $10,000 at the end of 2nd, 4th, 6th and 8th year) which are left with the insurer to earn interest are **covered under the PPF Life Scheme**. They will be tracked separately in another account, and will not form part of the surrender value or policy liabilities. PPF Scheme members currently submit information on these accumulated value of coupon deposits annually to MAS, so that PPF levies can be imposed. For avoidance of doubt, the maturity value (i.e. the remaining $10,000 plus the bonuses declared) will either be included within: (a) the guaranteed surrender value or protected policy liabilities; or (b) be treated as unclaimed moneys if: (i) ascertained to be due and payable by the scheme member before the maturity date; or (ii) have already been paid to but not yet received by the person entitled to the money.
	A participating insurance policy which pays dividends which have been declared and paid yearly. The policy owner instructs the insurer not to pay the dividend to him or her, but instead for the amount to be deposited with the insurer to earn an interest at an agreed rate.	Similar to the above, the dividends left with the insurer, will be tracked in a separate account, and accumulated with interest. **They are covered under the PPF Life Scheme**. PPF Scheme members currently submit information on the accumulated value of coupon deposits annually to MAS, so that PPF levies can be imposed.

Category	Examples	Clarifications
Advance Premium Payments	Policy owner pays premiums in advance (e.g. pays a few years' of premium in advance) and the insurer tracks these in a separate account (e.g. advanced premium account).	**The advance premium payments are tracked separately and are covered under PPF Life Scheme**. PPF Scheme members currently submit information on the accumulated value of advance premium payments annually to MAS, so that PPF levies can be imposed.
	Premiums paid which are not really "advance" in nature, but are part of instalment premiums due (e.g. payment made on 15 Jan for premium due on 31 Jan).	**These would not be treated as advance premium payments.** Premiums paid prior to due date would typically be applied to the policy, moving the policy to the next premium due date, and the guaranteed surrender value would be adjusted accordingly. **They would still be covered under PPF Life Scheme but considered under the guaranteed surrender value of policy liabilities accordingly**. However, for purposes of levy computation only, it is acceptable that if such "advance" premium payments are tracked in a separate account and the PPF Life Scheme member does not adjust the guaranteed surrender value, they can be considered as advance premium payments.
	Excess premiums which have been paid by the policy owners.	This should not be considered as advance premium payments, and would be dealt with under refund of premiums.
	Premiums received in advance before the policy is issued i.e. still being underwritten.	**This would not be covered under the PPF Life Scheme**. These are transient premiums – the policy is not yet incepted.

Category	Examples	Clarifications
Unclaimed Moneys	Policies have expired or terminated some time ago but policy owners or beneficiaries have not come forth to claim.	**These would be covered under the PPF Life Scheme as unclaimed moneys.** PPF Scheme members currently submit information on the accumulated value of unclaimed moneys annually to MAS, so that PPF levies can be imposed.
	Maturity payments that are due soon.	**These would be covered under the PPF Life Scheme, either as unclaimed moneys or guaranteed surrender value (or protected policy liabilities).** Maturity value will either be included within: (a) the guaranteed surrender value or protected policy liabilities; or (b) be treated as unclaimed moneys if: (i) ascertained to be due and payable by the scheme member before the maturity date; or (ii) have already been paid to but not yet received by the person entitled to the money. PPF Scheme members currently submit information on the accumulated value of unclaimed moneys and protected liabilities annually to MAS, so that PPF levies can be imposed.
	Cheques for insurance benefit payments which are sent to policy owners which have not been banked in yet. This also includes examples of stale cheques and returned cheques due to incorrect mailing address.	**These would be covered under the PPF Life Scheme.** PPF Scheme members currently submit information on the accumulated value of unclaimed moneys annually to MAS, so that PPF levies can be imposed. Some members submit information only on cheques that have been sent to policy owners but which have not been banked in for more than preset number of months, e.g. 6 months. It is the policy intent that in the event of a failure of the insurer, **all cheques**

Category	Examples	Clarifications
		sent out, but which have not been received or banked in by the policy owners (regardless of what period), will be covered as unclaimed moneys under the PPF Life Scheme.
	Insurance benefit (e.g. claim, maturity and surrender) payments that have been admitted and processed, but arrangements for payment have not been made yet.	**These would be covered as unclaimed moneys.** PPF Scheme members currently submit information on the accumulated value of unclaimed moneys to MAS, so that PPF levies can be imposed.
	Pending benefit payments e.g. • claims which have been reserved but not approved for payment yet; • outstanding payments which have not been processed for payment; • upcoming claims instalments pending validation of certain documents, medication certification etc.	Such claims which are pending investigation or processing **would not be considered as unclaimed moneys.** They will be covered under PPF Scheme as protected liabilities.

Monetary Authority of Singapore