

CONSULTATION PAPER

P012 - 2022

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Amendments to the Insurance Act and the Insurance (Intermediaries) Regulations

MAS

Monetary Authority of Singapore

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1 Preface

1.1 The Insurance Act 1966 (“IA”) provides an integrated regulatory framework for persons engaging in insurance business and acting as insurance intermediaries in Singapore. As Singapore’s insurance market grows and evolves, MAS seeks to ensure its regulatory regime for insurance activities remains relevant, risk-proportionate and in line with international best practice, while continuing to safeguard the interests of policy owners.

1.2 In this regard, MAS is proposing amendments to the IA to take into account regulatory and market developments, as well as to align where appropriate, the regulatory framework for insurance with that of other financial activities regulated by MAS. The proposed IA amendments set out in this consultation seek to achieve 4 main objectives:

- (i) Enhance MAS’ powers to better achieve our supervisory objectives;
- (ii) Provide more clarity on MAS’ existing policy intent;
- (iii) Align with other provisions within the IA or other MAS-administered Acts; or
- (iv) Update provisions to reflect changes in policy intent.

1.3 We are also proposing two amendments relating to insurance brokers in the Insurance (Intermediaries) Regulations (“IIR”). These two amendments are for alignment with other MAS-administered regulations.

1.4 The Law Revision Commissioners¹ completed the Universal Law Revision Exercise (“the Exercise”) on 31 December 2021. As part of the Exercise, the name of the IA has been changed from “Insurance Act (Chapter 142)” to “Insurance Act 1966” while many sections in the IA have been re-numbered. We have made reference to the new section numbers of the IA in this consultation. In addition, we have included the corresponding previous section numbers of the IA, where relevant, for ease of reference.

¹ The Law Revision Commissioners are part of the Editorial and Revision Group of the Attorney-General’s Chambers, and are responsible for producing revised editions of the laws.

1.5 The proposed amendments highlighted in paragraphs 1.2 and 1.3 are set out in **Annex A** and **Annex B** respectively. MAS welcomes comments from financial institutions and other interested parties on the proposed amendments to the IA and IIR.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like:

- (i) their whole submission or part of it (but not their identity), or**
- (ii) their identity along with their whole submission,**

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. 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.

1.6 Please submit your comments on the consultation paper by 13 January 2023 at the link below –

<https://form.gov.sg/62a2f2b5b3ba9500126b610b>

ANNEX A: AMENDMENTS TO THE INSURANCE ACT 1966 (“IA”)

Category A: Enhance MAS’ powers to better achieve our supervisory objectives

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
1	New provision	Not applicable (“N.A.”)	<p>Powers to Introduce Anti-Commingling Policy for Insurers and Insurance Brokers</p> <p>MAS proposes to introduce a policy to regulate the conduct of and investment in insurance and non-insurance businesses by insurers in Singapore (the anti-commingling policy). This policy ensures insurers remain focused on their core insurance business and competencies and avoid potential contagion from the conduct of non-insurance businesses. The general thrust of this policy is to prohibit insurers from:</p> <ul style="list-style-type: none"> (a) directly undertaking businesses other than insurance business and permissible businesses [please refer to section 1.1 of this item]; (b) using or sharing their names, logos or trademarks on or with (i) physical infrastructure; or (ii) any other entities [please refer to section 1.2 of this item]; and (c) acquiring or holding a major stake in any corporation, without the prior approval of MAS [section 34 of the IA]

² These are new section numbers according to the Insurance Act 1966.

³ These are old section numbers according to the Insurance Act (Chapter 142).

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>1.1 Permissible Business</p> <p>1.1.1 In line with the proposed anti-commingling policy, MAS proposes to include new provisions in the IA that set out the type of permissible business that can be conducted by a licensed insurer. These are as follows:</p> <ul style="list-style-type: none"> (a) Insurance business; (b) Any business which is incidental to (a); (c) Any other business which MAS may prescribe or specify; subject to conditions; and (d) Any other business that MAS may approve, subject to conditions. <p>1.1.2 In other words, an insurer is prohibited from carrying on businesses other than insurance business (similar definition as “insurance business” in section 2 of the IA), business incidental to its insurance business and businesses prescribed, specified or approved by MAS under the proposed provisions (c) and (d) respectively.</p> <p>1.1.3 Under the proposed anti-commingling policy, a business is considered “incidental” to the conduct of insurance business if the business is necessary to ensure that the insurance business can be conducted satisfactorily. Whether a business is considered “incidental” to the insurance business of an insurer depends in part on the business model of the insurer. Insurers should consult MAS ahead of time if it is uncertain whether its proposed business is considered “incidental” to the conduct of its insurance business.</p> <p>1.1.4 For instance, provision of financial advisory service may be considered incidental to the insurance business of life insurers but would not be considered as incidental to the insurance</p>

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>business of general insurers. Insurers should assess each business on a case-by-case basis to determine if it is indeed “incidental” to its insurance business.</p> <p>1.1.5 MAS intends to prescribe or specify a list of permissible business which an insurer can carry on pursuant to the proposed provision (c). The list of permissible business would be business which is related or complementary to the insurance business. MAS will consult the public on the list of permissible business in due course.</p> <p>1.1.6 Where an insurer intends to carry on, either directly or indirectly (e.g. in partnership, joint venture or any other arrangement with another entity), any other business which does not fall within the proposed provisions (a), (b) and (c), it must seek MAS’ prior approval before carrying out the said business. In reviewing such applications, MAS will consider if the business is related or complementary to the insurer’s insurance business, the strategic value of the business, and also the associated risks.</p> <p>1.1.7 A flowchart illustrating the above proposals is set out in Annex C.</p> <p>1.2 Sharing of Name, Logo or Trademark of a Licensed Insurer (other than Captive Insurers and Special Purpose Reinsurance Vehicles (“SPRVs”))</p> <p><i>For insurers incorporated and headquartered in Singapore⁴ (“locally-owned insurers”)</i></p>

⁴ An insurer is considered incorporated and headquartered in Singapore when its ultimate parent is incorporated in Singapore.

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>1.2.1 In line with the proposed anti-commingling policy, MAS' prior approval must be obtained for any use of a locally-owned insurer's name, logo or trade mark by a person other than the insurer. This includes using or sharing of the name, logo or trademark on or with (i) a physical infrastructure, such as a building that is not owned by the licensed insurer; or (ii) any other entities. This is to avoid reputation and contagion risks that can result from the sharing of names and logos between insurers and other entities, especially with non-financial entities. It also helps to minimise confusion to the public who may otherwise perceive the insurer to be associated with a particular trade or business, when it is not the case. However, exceptions may apply and MAS' prior approval would not be required if the other entity is:</p> <p>(a) a financial holding company designated by MAS and which is the holding company of the insurer ("designated FHC"); or</p> <p>(b) a subsidiary of the licensed insurer or designated FHC, carrying on financial business⁵, whether regulated by MAS or a foreign regulatory authority.</p> <p>This proposal does not apply to captive insurers and SPRVs licensed by MAS as their business is confined principally to the risks of their related companies and sponsors respectively.</p> <p>1.2.2 That said, MAS recognises that the placement of the insurer's name, logo or trade mark in relation to an event that is sponsored by the insurer is a commonly accepted avenue of advertisement. This is typically done on an ad hoc basis and is short term in nature. As such, MAS proposes to allow a locally-owned insurer to place its name, logo or trade mark on any event that</p>

⁵ Financial business refers to any business the conduct of which is regulated or authorised by a regulatory authority or, if carried on in Singapore, would be regulated or authorised by MAS, under any written law.

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>is sponsored by the insurer, subject to deliberation and approval by the insurer’s board of directors.</p> <p><i>For insurers incorporated in Singapore but headquartered outside of Singapore and insurers incorporated outside of Singapore (“foreign-owned insurers”)</i></p> <p>1.2.3 MAS recognises that foreign-owned insurers would have limited control if their head office or related entities decide to share the insurers’ name, logo, or trade mark with other entities as part of global or regional arrangements. Hence, they would generally not be subjected to the prohibition on sharing of name, logo or trade mark set out in paragraph 1.2.1, except when a foreign-owned insurer enters into any partnership or arrangement with any person or acquires a major stake to undertake unregulated financial business or non-financial business, in which MAS’ prior approval must be obtained before the insurer can share its name. This is because when a foreign-owned insurer enters into such arrangement or acquisition, it would have control over any name-sharing arrangement.</p> <p>1.3 Acquiring or Holding a Major Stake in Any Corporation</p> <p>1.3.1 Section 34 of the IA requires an insurer to seek MAS’ prior approval before acquiring or holding a major stake in any corporation. This provision is part of the anti-commingling framework to ensure that anti-commingling rules are applied, regardless of whether the insurer acquires a major stake to conduct the business or directly undertakes the business (i.e. a life insurer will be allowed to acquire or hold a major stake in a financial advisory firm in the same vein that the life insurer is allowed to directly undertake such business on its own). Where an insurer is prohibited from conducting certain non-insurance business, MAS will similarly not approve the insurer to acquire or hold a major stake in an entity conducting such non-insurance business.</p>

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>1.4 Anti-Commingling requirements for registered insurance brokers</p> <p>1.4.1 The amendments also extend the proposed anti-commingling powers to registered insurance brokers. The introduction of such powers in the IA is in line with MAS' expectations that insurance brokers have commensurate policies, processes and risk management procedures in managing their entire operations, including ensuring that the risks arising from their unregulated activities would not adversely affect their regulated businesses and customers. MAS will conduct further public consultation prior to the introduction of specific anti-commingling requirements for registered insurance brokers.</p>
2	New provision	N.A.	<p>Powers to Strengthen MAS' Oversight of Outsourcing Arrangements of Insurers</p> <p>MAS proposes to introduce powers in the IA to strengthen MAS' oversight of insurers' outsourcing arrangements. This will empower MAS to require insurers to comply with the following in respect of their outsourcing arrangements (including any arrangement with a branch or head office of the insurer):</p> <ul style="list-style-type: none"> (a) Conduct due diligence to evaluate the ability of the service provider before the insurer enters into an outsourcing arrangement with the service provider and on an ongoing basis; (b) For arrangements with its branch or head office, include in its policy and procedures, provisions relating to: <ul style="list-style-type: none"> (i) the protection of confidentiality of customer information of the insurer; (ii) the right of MAS or the insurer to audit the books of the service provider; (iii) provision of any record, document, information or report relating to the outsourcing arrangement to MAS upon request; (iv) termination of the outsourcing contract under specified circumstances; and

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>(v) the right to sub-contract only under specified conditions;</p> <p>(c) For arrangements with any other persons or corporations, including in its outsourcing contract, provisions relating to:</p> <p>(i) the protection of confidentiality of customer information of the insurer;</p> <p>(ii) the right of MAS or the insurer to audit the books of the service provider;</p> <p>(iii) provision of any record, document, information or report relating to the outsourcing arrangement to MAS upon request;</p> <p>(iv) termination of the outsourcing contract under specified circumstances; and</p> <p>(v) the right to sub-contract only under specified conditions.</p> <p>The specific outsourcing requirements will be set out in a Notice on Outsourcing by Insurers which MAS will separately carry out a public consultation in due course.</p>
3	New provision	N.A.	<p>Powers for MAS to Require Insurers to Restitute their Insurance Funds for Participating (“Par”) and Investment-linked (“IL”) Policies</p> <p>MAS proposes to set out explicit powers to require insurers to reconstitute their insurance funds for Par and IL policies. In the past, there had been instances where MAS required insurers to reconstitute their Par and IL funds due to various reasons, which included but are not limited to:</p> <p>(a) subsidising by the Par fund, of tranche products which did not provide for indirect expenses and were hence under-priced;</p> <p>(b) erroneous charging to the Par fund, for payments related to non-Par policies; and</p>

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			(c) erroneous charging to the IL fund, for investment losses arising from operational delays in executing trade or transaction requests.

Category B: Provide more clarity on MAS' existing policy intent

Item No.	Section(s) to be Amended ²	Corresponding Old Section Number(s) ³	Description of IA Amendment
4	16(2), (3) & (7)	17(1A), (2) & (6)	<p>Revision to Require Captive Insurers Licensed to Carry on Life Business to Establish Insurance Funds for IL/Non-IL Policies and Par/Non-Par Policies, and to Allocate Par Fund's Surplus to Surplus Account</p> <p>Under sections 16(2), (3) and (7) of the IA, direct insurers licensed to carry on life business are required to:</p> <p>(a) establish and maintain separate insurance funds for IL policies, non-IL policies, Par policies and non-Par policies; and</p> <p>(b) allocate surplus of Par policies to a surplus account.</p> <p>The above provisions currently include direct insurers licensed to carry on life business only and do not extend to captive insurers licensed to carry on life business.</p> <p>MAS' policy intent is to apply these requirements to captive insurers licensed to carry on life business.</p> <p>Therefore, MAS proposes to amend sections 16(2), (3) and (7) to include captive insurers licensed to carry on life business.</p>
5	16(2) & (3)	17(1A) and (2)	<p>Revision to Require Reinsurers to Establish Insurance Funds for IL Policies, Par Policies and Non-Par Policies</p> <p>Section 16(1) of the IA requires licensed insurers to establish and maintain separate insurance funds for each class of insurance business. However, sections 16(2) and (3) only requires direct insurers licensed to carry on life business to further establish and maintain separate funds for IL policies, Par policies and non-Par policies.</p>

Item No.	Section(s) to be Amended ²	Corresponding Old Section Number(s) ³	Description of IA Amendment
			It remains our policy intent to require reinsurers to establish and maintain separate insurance funds for IL policies, Par policies, and non-Par policies. Hence MAS proposes to amend sections 16(2) and (3) of the IA to include reinsurers.
6	35(1)	31(1)	<p>Revision to Clarify Requirement on Approval of Actuary for Captive Insurers Licensed to Carry on Life Business</p> <p>Section 35(1)(b) of the IA only requires a direct insurer licensed to carry on life business to have an appointed actuary.</p> <p>MAS' policy intent is to require captive insurers licensed to carry on life business to have an actuary who is approved by MAS under section 35(4)(b) of the IA to investigate into its financial condition as required under Section 95(1)(a) of the IA. Hence, MAS proposes to amend section 35(1) to include the requirement for a captive insurer licensed to carry on life business to appoint an actuary that must be approved by MAS under section 35(4) of the IA.</p>
7	2	1A	<p>Revision to the Definition of Marine Mutual Insurance Business</p> <p>The current definition of "marine mutual insurance business" in section 2 of the IA states that it is the business of providing insurance on the basis of 'mutual insurance', where 'mutual insurance' is within the meaning of section 85 of the Marine Insurance Act 1906 ("MIA").</p> <p>MAS proposes to amend this definition for the following reasons:</p> <p>(a) MAS' policy intent is to allow MMIs to provide insurance on a non-mutual basis, as long as the majority of the gross premiums written by MMIs are on a mutual basis.</p> <p>(b) The current definition makes reference to 'mutual insurance' in section 85 of the MIA, which does not explicitly state MAS' policy intent that for insurance business to be considered as written on a 'mutual' basis, MMIs must be able to call for supplementary or additional</p>

Item No.	Section(s) to be Amended ²	Corresponding Old Section Number(s) ³	Description of IA Amendment
			<p>premiums if the original premiums collected are insufficient to meet its obligations under the insurance policies.</p> <p>As such, MAS proposes to amend the definition of “marine mutual insurance business” in section 2 of the IA to:</p> <ul style="list-style-type: none"> (a) clarify that MMIs are able to write non-mutual business as long as the majority of the gross premiums written by MMIs pertains to mutual business; (b) clarify that MMIs must be able to make supplementary premium calls in order for a business to be considered mutual business; and (c) remove the reference to section 85 of the MIA, as the definition of “mutual insurance” will be included in the IA.

Category C: Align with other provisions within the IA or other MAS-administered Acts

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
8	97(3)	39(3)	<p>Remove Provision on Public Inspection of Insurance Returns</p> <p>MAS proposes to remove section 97(3) of the IA which provides members of the public with the right to come to MAS' office during office hours to inspect returns lodged by the insurers. This is because MAS had begun the practice of publishing insurance returns lodged by the insurers on the MAS website since 2005 and no member of the public has visited MAS' office in recent years to inspect the returns. This will also align with the Banking Act 1970 ("BA").</p>
9	97(6)	39(6)	<p>Revision to the Penalty Amount for Contravention of Requirements Relating to Submission of Returns</p> <p>MAS proposes to raise the penalty for contravention of requirements relating to submission of returns under sections 94(1), (3), (4)(a), (5) and (11), and 95 of the IA from \$100,000 to \$250,000 to align with the BA.</p>
10	142(1)	55(1)	<p>Revision to the Scope of Penalty Provisions to Apply to All Documents Lodged or Information Submitted to MAS</p> <p>Currently, the scope of penalty provision in section 142(1) of the IA does not include any unsigned documents lodged with MAS under sections 94, 95 or 119(1)(a) of the IA. As any person who provides information to MAS should exercise due care and ensure that the information is not materially false, MAS proposes to expand the scope of penalty provision in section 142(1) to include all documents and information lodged with MAS under sections 94, 95 and 119(1)(a) of the IA. This will also align with the BA.</p>

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
11	New provision under 97	N.A.	<p>Powers for MAS to Take Action for Lack of Reasonable Care to Ensure Accuracy of Returns Lodged with MAS</p> <p>All insurers and insurance brokers should exercise reasonable care to ensure accuracy of returns lodged with MAS, as information in the returns is important for MAS to make appropriate supervisory decisions. Hence, MAS proposes to include a penalty provision in the IA to take action against insurers and insurance brokers that fail to take reasonable care to ensure accuracy of returns lodged with MAS. This will also align with the BA.</p>
12	New provision	N.A.	<p>Powers to Protect Auditors from Liability Arising from Disclosure in Good Faith to MAS</p> <p>As part of MAS' supervision of insurers and insurance brokers, MAS may obtain information from the auditors of insurers and insurance brokers. Accordingly, MAS proposes to include a provision to protect auditors of insurers and insurance brokers from liability arising from disclosure of any information to MAS in good faith, including in the course of their duties under sections 94(10)(a), 94(10)(d) and 94(12) of the IA. This will also align with the BA.</p>
13	New provision	N.A.	<p>Powers to Require Auditors to Comply with MAS' Directions Imposed Under Section 94(10) of the IA</p> <p>Currently, section 94(10) of the IA allows MAS to impose duties on an auditor without explicit mention that the auditor has to comply with MAS' imposition of duties. Hence, MAS proposes to introduce a new provision to make it explicit that an auditor has to comply with MAS' imposition of duties under section 94(10) of the IA. This will also align with the BA.</p>

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
14	37(2)	32(2)	<p>Revision to the Definition of “Director”</p> <p>The IA refers to “son” and “daughter” in the definition of “director” in relation to the provision in section 37 on restrictions on granting loans to directors. For this provision, MAS proposes to amend the definition of “director” to include stepchildren and children who have been de facto adopted by the person in question, whether or not such adoption has been registered in accordance with the provisions of any written law. This will also align with the BA.</p>
15	New provision under 35	N.A.	<p>Powers to Require Insurer and Registered Insurance Broker to Notify MAS if Any of Its Chairperson, Director, and Key Executive Person, is No Longer Fit and Proper</p> <p>Directors and key executive persons are expected to be fit and proper not only at the point of their appointment, but throughout their tenure. Therefore, MAS proposes to introduce a provision requiring insurers to notify MAS if a director or key executive person is no longer fit and proper, in accordance with the Guidelines on Fit and Proper Criteria, to hold that office or appointment. This will align with the BA.</p> <p>For registered insurance brokers, the proposed notification provision will be included under the IIR, where registered insurance brokers will be required to notify MAS of material adverse developments which includes when the director is no longer fit and proper. These are aligned with the Trust Companies Act 2005 (“TCA”), Financial Advisers Act 2001 (“FAA”) and Securities and Futures Act 2001 (“SFA”).</p>
16	35(9)	31(9)	<p>Revision to Limit the Term of a Key Executive Person’s Appointment</p> <p>Section 35(9) of the IA currently empowers MAS to prescribe the maximum term for the appointment of a chairperson or director. MAS proposes to expand the scope of section 35(9)</p>

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			to empower MAS to prescribe the maximum term for a key executive person's appointment. This will align with the BA.
17	35(10), 35(11), 54(6), 54(7), 58(3), 58(4), 88(3) and 88(4)	31(10), 31(11), 35C(6), 35C(7), 35G(3), 35G(4), 35ZJ(2), 35ZJ(3)	<p>Revision to Allow MAS to Remove Executive Officer Who is Not Fit and Proper and Include Additional Considerations for Removal of Chairperson, Director, Key Executive Person and Executive Officer</p> <p>MAS proposes to expand the scope of sections 35(10), 35(11), 54(6), 54(7), 58(3), 58(4), 88(3) and 88(4) of the IA to empower MAS to direct licensed insurers, administrators of foreign insurer scheme, agents for foreign insurer scheme and insurance brokers to remove an executive officer who is no longer a fit and proper person to hold the appointment.</p> <p>In addition, MAS proposes to expand the considerations for directing licensed insurers to remove their chairperson, director, key executive person and executive officers under section 35(10) of the IA to include the following:</p> <ul style="list-style-type: none"> (a) whether the individual has wilfully contravened or wilfully caused the licensed insurer to contravene any provision of the IA; (b) whether the individual has, without reasonable excuse, failed to secure the compliance of the licensed insurer with the IA, the Monetary Authority of Singapore Act 1970 ("MAS Act") or any of the written laws set out in the Schedule to the MAS Act. <p>MAS also proposes to expand sections 54(6), 58(3) and 88(3) of the IA relating to administrators of foreign insurer scheme, agents for foreign insurer scheme and insurance brokers to include similar considerations as section 35(10) of the IA.</p> <p>This will align with the BA.</p>

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
18	69(1)	35R(1)	<p>Revision to Widen the Scope of Circumstances under which Statements made by Insurance Intermediaries would be deemed as False or Misleading</p> <p>Under the IA, it is an offence for insurance intermediaries to, with intent to deceive, make false or misleading statements in relation to amounts payable or the effect of any provision of an insurance contract.</p> <p>MAS expects insurance intermediaries to exercise due care in ensuring that information provided to customers in connection with the arrangement of insurance contracts is not false or misleading. This is so that customers have the assurance that they can reasonably rely on representations made by insurance intermediaries. Should there be issues that arise due to false or misleading statements made by insurance intermediaries, it is also important that these insurance intermediaries can be taken to task, and it would not be restricted to circumstances where the insurance intermediaries made a false or misleading statement “with the intent to deceive” or that the false or misleading statement related to amounts payable or the effect of any provision of an insurance contract.</p> <p>Accordingly, MAS proposes to widen the scope of circumstances under which statements made by insurance intermediaries would be deemed as false or misleading by:</p> <ul style="list-style-type: none"> (a) removing the restriction that the false or misleading statements must be made with “intent to deceive”; and (b) including statements made in connection with the arrangement of contracts of insurance, and if the insurance intermediary has not taken care to ascertain if the statement is true or false.

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>The proposed amendments would bring the standard of care expected of insurance intermediaries in line with that of other regulated intermediaries dealing in or providing advice on capital markets products and/or life policies under the SFA and/or FAA.⁶</p>
19	77	35Y	<p>Revision to Widen Grounds for MAS to Refuse an Application or Cancel the Registration of a Registered Insurance Broker</p> <p>Under the IA, the grounds to refuse an application to be a registered insurance broker are where the applicant is not a company; has less than the required paid-up share capital; or does not have in force the required professional indemnity insurance policy.</p> <p>In practice, in assessing whether to refuse an application for registration as an insurance broker, MAS considers a wide range of factors, including (i) whether the applicant has failed to satisfy MAS that the applicant or its officers, employees and substantial shareholders are fit and proper persons; (ii) whether the applicant has provided false or misleading information to MAS; or (iii) whether the applicant or any of its substantial shareholders or officers has been convicted of fraud or dishonesty offences, amongst others.</p> <p>To strengthen its gatekeeping powers over registered insurance brokers, MAS proposes to widen the grounds for refusing applications for registration as an insurance broker to align with section 8(1) of the FAA which includes the above-mentioned factors.</p> <p>MAS also proposes to provide persons whose applications have been refused with the right of appeal. The appeal may be made to the Minister in writing, in accordance with Part 3B of the IA.</p>

⁶ Section 35 of the FAA and section 199 of the SFA

Item No.	Section(s) to be Amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>With this proposed amendment, the grounds under which MAS may cancel an insurance broker's registration will consequently be widened in view of section 80(2)(d) of the IA.</p>
20	New provision	N.A.	<p>Powers to Allow MAS to Remove Effective Controller of Registered Insurance Broker who is not Fit and Proper</p> <p>Currently, MAS has the powers⁷ to object to effective controllers of licensed insurers retaining their stake in licensed insurers where the effective controller has ceased to be a fit and proper person, or where the effective controller has furnished false or misleading information to MAS when applying to have effective control of a licensed insurer.</p> <p>To enhance MAS' supervisory oversight over registered insurance brokers, MAS proposes to include a new provision in the IA to empower MAS to object to existing persons having effective control of a registered insurance broker under the same grounds as set out in the IA for licensed insurers and FAA.</p> <p>Consistent with what is set out for licensed insurers, MAS will provide affected persons the right of appeal before being removed as effective controllers of a registered insurance broker. The appeal may be made to the Minister in writing, in accordance with Part 3B of the IA.</p>

⁷ Under section 28 read together with section 26 of the IA

Category D: Update provisions to reflect changes in policy intent

Item No.	Section(s) to be amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
21	46 and 47	34D and 34E	<p>Reinsurance Deposit Requirement</p> <p>Section 46 of the IA requires authorised reinsurers to maintain a reinsurance deposit with MAS and this can be placed in the form of a fixed deposit or a bank covenant (commonly known as bank guarantee). To reduce the authorised reinsurers' administrative burden in managing the fixed deposit, MAS proposes to remove fixed deposits as a form of reinsurance deposit (i.e. only a bank covenant would be accepted as reinsurance deposit). In addition, MAS proposes to move the operational requirements of a bank covenant in section 47 of the IA to the Insurance (Authorised Reinsurers) Regulations.</p>
22	Part 3C (131, 132 and 133)	Part IIIC (49K, 49L, 49M)	<p>Revision to the Nomination of Beneficiaries ("NOB") Framework</p> <p>(a) MAS proposes to update the NOB framework to allow policy owners of joint life insurance policies to effect trust or revocable nominations subject to certain conditions:</p> <ul style="list-style-type: none"> (i) Trust nomination: Policy owners must be the lives insured and have spousal or former spousal relationship when the nomination is made. Only children belonging to at least one of the policy owners can be nominated as beneficiaries. This includes adopted children and stepchildren as defined under the First Schedule of the IA. (ii) Revocable nomination: Policy owners must be the lives insured and spousal relationship at the point of nomination is not necessary. Any person (other than the policy owners themselves) can be nominated as beneficiaries.

Item No.	Section(s) to be amended ²	Corresponding Previous Section Number(s) ³	Description of IA Amendment
			<p>To avoid doubt, insurable interest must still be present at the time the joint life insurance policy is effected, based on section 146 of the IA. Both policy owners will also have to agree to the nominations made.</p> <p>(b) Based on the feedback received that short-term accident and health (“A&H”) policies generally have a short period of cover, low death benefits and may not be meaningful for estate planning purposes, and that such policies are typically not designed primarily for the financial protection of the policy owners’ beneficiaries, MAS proposes to exclude short-term A&H policies from the NOB framework.</p>
23	2	1A	<p>Remove the Flexibility to Vary the Definition of “Accounting Period”</p> <p>MAS proposes to remove the flexibility to vary the definition of “accounting period” under section 2 of the IA. “Accounting period” is largely used in the context of the submission requirements of insurance returns and variations in insurers’ accounting periods would not facilitate the comparability of the insurers’ returns. In other contexts where the policy intent is meant for a period different from that defined under the “accounting period”, MAS will set out the relevant period accordingly.</p>

ANNEX B: AMENDMENTS TO THE INSURANCE (INTERMEDIARIES) REGULATIONS (“IIR”)

Item No.	Regulation(s) to be Amended	Description of Amendment to IIR
24	New Regulations	<p>Require Registered Insurance Brokers to Notify MAS of Material Adverse Developments</p> <p>MAS expects registered insurance brokers to promptly inform MAS of material adverse developments that may affect them, as well as matters affecting the fitness and propriety of their substantial shareholders, controllers and key officers. This is so that MAS will be able to take supervisory action as may be necessary in a timely manner.</p> <p>For effective supervisory oversight based on updated information, MAS proposes to amend the IIR to require registered insurance brokers to notify MAS of:</p> <ul style="list-style-type: none"> (a) any adverse development that materially affects or is likely to materially affect (i) the registered insurance broker; (ii) any entity in the group⁸ of the registered insurance broker to the extent that the developments materially and adversely affect the registered insurance broker; and (b) matters affecting the fitness and propriety of the registered insurance broker’s (i) substantial shareholders or controllers; and (ii) key officers. <p>Examples of adverse developments include developments which may have an adverse impact on the registered insurance broker’s (i) financial soundness or reputation; or (ii) ability to serve its customers on a business-as-usual basis.</p>

⁸ “Group” refers to (a) the registered insurance broker; (b) any of its associates; and (c) any other entity treated as part of the registered insurance broker's group of companies according to the accounting standards applicable to the registered insurance broker. "Entity" means any body corporate or unincorporate, whether incorporated, formed or established in or outside Singapore.

Item No.	Regulation(s) to be Amended	Description of Amendment to IIR
25	New Regulations	<p>Requirement that Registered Insurance Brokers Have in Place Compliance, Risk Management and Internal Controls</p> <p>MAS expects regulated financial institutions to have in place compliance arrangements, risk management policies and internal controls that are commensurate with the nature, scale and complexity of their business. Such expectations have been set out in legislation for banks, insurers, capital markets intermediaries and licensed financial advisers.⁹</p> <p>To rationalize existing expectations of registered insurance brokers,¹⁰ MAS proposes to introduce a similar provision in the IIR for registered insurance brokers.</p>

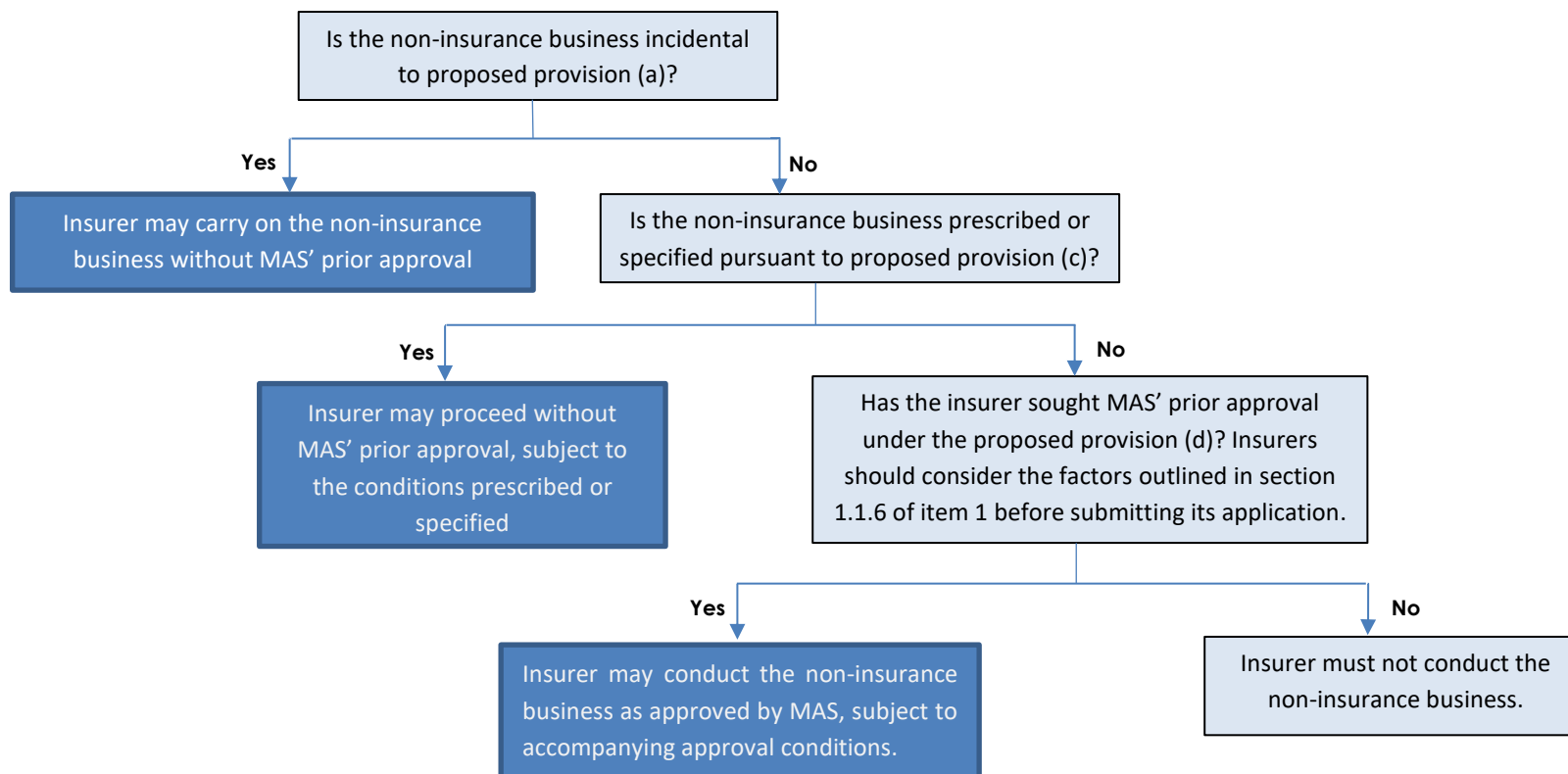
⁹ Regulation 35 of the Banking Regulations, regulation 14(1)(b) of the Financial Advisers Regulations, regulation 13(b) of the Securities and Futures (Licensing and Conduct of Business) Regulations and Notice 126 Enterprise Risk Management for Insurers.

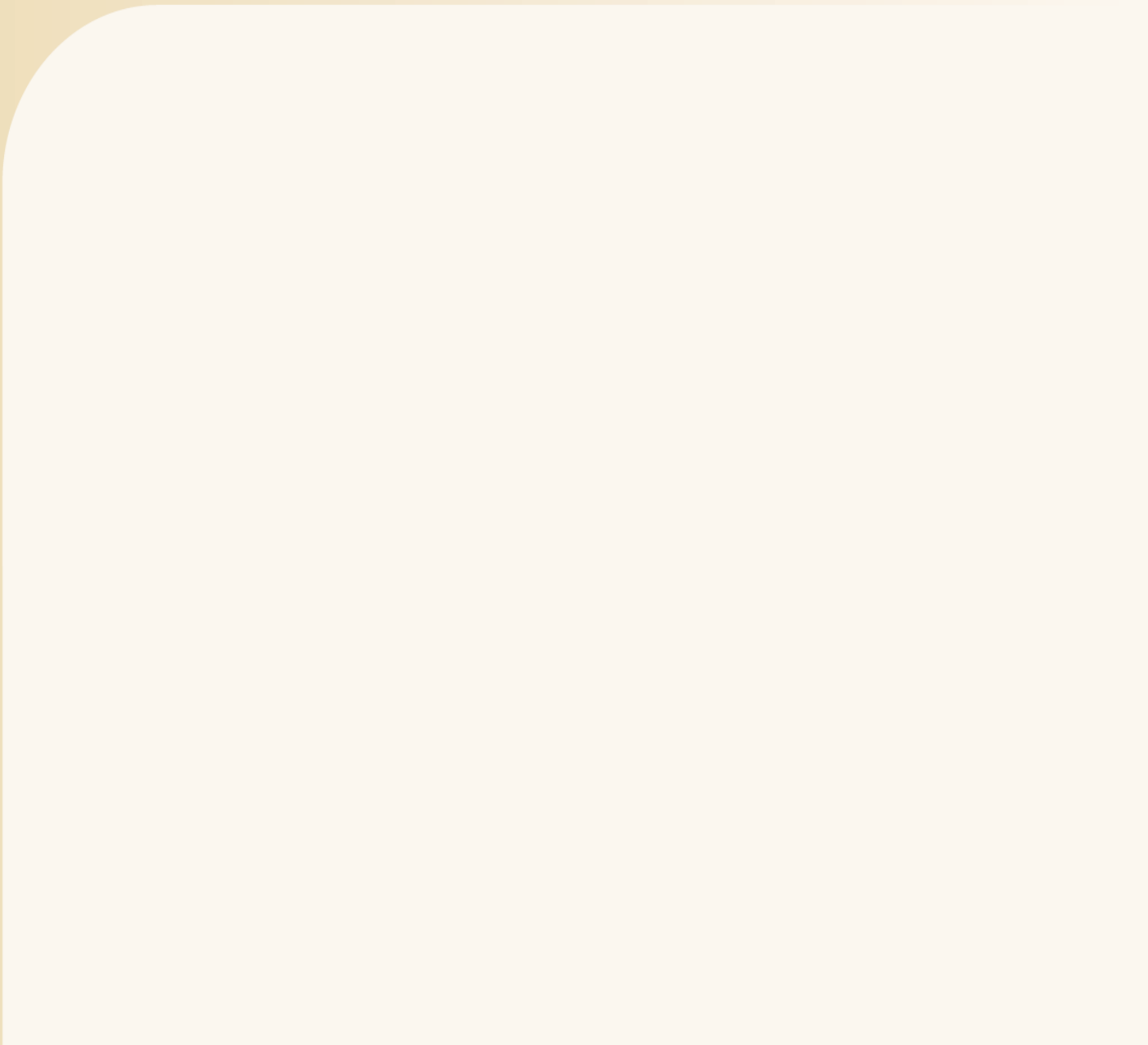
¹⁰ Expectations are spelt out in Guidelines on Criteria for the Registration of an Insurance Broker.

ANNEX C: FLOWCHART ON PERMISSIBLE NON-INSURANCE BUSINESSES (ITEM 1)

In Item 1, MAS proposes to include new provisions in the IA that sets out the type of permissible business that can be conducted by a licensed insurer. These are as follows:

- (a) Insurance business;
- (b) Any business which is incidental to (a);
- (c) Any other business which MAS may prescribe or specify; subject to conditions; and
- (d) Any other business that MAS may approve, subject to conditions.





Monetary Authority of Singapore