

Circular No. ID 07/20

28 February 2020

Chief Executives

All Licensed Insurers except for Captive Insurers, Marine Mutual Insurers and SPRVs

Dear Sir/Madam

ISSUANCE OF INSURANCE (VALUATION AND CAPITAL) (AMENDMENT) REGULATIONS 2020 AND NEW MAS NOTICE ON VALUATION AND CAPITAL FRAMEWORK FOR INSURERS (“MAS NOTICE 133”)

The review of the valuation and capital framework for insurers in Singapore (“RBC 2 review”) has gone through extensive rounds of public and industry consultations, as well as quantitative testing. Further to our last update in Circular No. ID 03/20 on 21 January 2020, we are pleased to inform that the relevant legislation to give effect to the enhanced valuation and capital framework (“RBC 2”) has been finalised. We would like to thank the industry for the constructive feedback and active participation throughout the RBC 2 review.

2 MAS has issued the Insurance (Valuation and Capital) (Amendment) Regulations 2020¹ to amend the existing Insurance (Valuation and Capital) Regulations 2004 (“V&C Regulations”) today. This is to reflect the changes in our current valuation and capital framework following the RBC 2 review. The main changes relate to the introduction of two solvency intervention levels and the associated supervisory actions for not meeting these levels, as well as the requirement to meet the fund solvency requirement at a broader adjusted fund instead of insurance fund level.

3 MAS has also issued a new MAS Notice 133² which contains the technical details on valuation of asset and liabilities, as well as the computation of financial resources and risk requirements. These details are currently mainly covered under the V&C Regulations. MAS Notice 319 and the Guidelines ID 1/04 on Valuation of Policy Liabilities of General Business will be cancelled once MAS Notice 133 takes effect, since relevant requirements and guidance on valuation of liabilities have been incorporated into MAS Notice 133. MAS will issue updated guidelines on the preparation of the actuarial investigation report (as required under

¹ Please refer to MAS website (<https://www.mas.gov.sg>) for the published Amendment Regulations

² <https://www.mas.gov.sg/regulation/notices/notice-133>

Section 37(1) of the Insurance Act) in Q2 2020. Insurers should reference the revised guidelines in preparing actuarial investigation reports that are to be submitted by 31 March 2021.

4 The Insurance (Valuation and Capital) (Amendment) Regulations 2020 and MAS Notice 133 will come into effect on 31 March 2020. As previously communicated to the industry, the statutory returns for the quarter ending 31 March 2020 are to be prepared on RBC 2 basis, and are due on 21 April 2020. Consequential amendments will be made to relevant legislation to include references to MAS Notice 133 as well as update references as a result of amendments to the V&C Regulations, where applicable. These amendments will be finalised and issued next week.

5 MAS will be sending letters, where relevant, to insurers in respect of RBC 2 related issues which are applicable to the insurer, such as any applicable capital add-on, approval of the use of matching adjustment and updates on exemptions granted under the previous capital framework.

6 As communicated in Circular No. ID 03/20, insurers are to submit the parallel run results for the year ending 31 December 2019 to MAS by 30 May 2020. The completed workbooks, which have been shared earlier on 21 January 2020, should be submitted by the insurer via an email attachment to the insurer's liaison officer in MAS, using AES 256 encryption or higher. The insurer should deliver the corresponding alphanumeric password of minimum 12 characters in length or encryption key via a separate transmission channel (e.g. telephone) to MAS. MAS uses WinZip12 AES 256 encryption to protect such information.

7 If you have any further queries, please contact your company's liaison officer in MAS. Thank you.

Yours faithfully

[sent via MASNET]

DANIEL WANG
EXECUTIVE DIRECTOR
INSURANCE DEPARTMENT