

REVISIONS TO THE MAS INSURANCE REPORT

MAS introduced a new valuation and risk-based capital (“RBC”) framework for insurers in August 2004. Compliance with the framework became a mandatory requirement for insurers with effect from 1 January 2005.

2 Arising from the adoption of the new framework and changes to the insurance returns, MAS conducted a review of the Insurance Report posted on the MAS website (“Insurance Report”) to facilitate the comparability of insurance statistics between the periods of 2004 and earlier and from 2005 onwards. In particular, we would like to highlight the following key differences in the statistics:

Valuation of Assets:

- For all insurers, the new framework requires assets to be reported at fair value whereas the old framework requires assets to be reported at “lower of cost or market value”.

Valuation of liabilities:

- For life insurers, the new framework requires life policy liabilities to be valued using a discounted prospective cash flow method adopting best estimate assumptions with explicit allowances for uncertainties. In contrast, the old basis requires life policy liabilities to be reported using the net premium valuation method adopting prescriptive valuation assumptions.

Surplus of insurance funds:

- For life insurers, the balance of revenue figures in 2004 and earlier years are not equivalent to the surplus figures for 2005 and beyond. We have, therefore, reformatted the assets and liabilities tables so as to present the 5-years statistics on an as comparable basis as possible. In addition, the surplus for participating funds under the RBC framework only reflects allocations to the shareholders of the company whereas surplus under the old framework would include both allocations to shareholders and policyholders.

Additional information on the basis used in deriving the insurance statistics can be found in the Glossary.

3 The Insurance Report has also been streamlined and will only include the insurance statistics. The sections on Supervisory Development, Market Development and Insurance Industry Performance provided in previous years’ Insurance Reports have been discontinued as such information is available in the MAS Annual Report and other industry reports.

4 Please contact the MAS, Insurance Supervision Department (e-mail: masid@mas.gov.sg) should you require further clarification.