

MAS Notice 134

9 May 2024

Last revised on 27 June 2024

NOTICE TO INSURERS AND DESIGNATED FINANCIAL HOLDING COMPANIES
FINANCIAL SERVICES AND MARKETS ACT 2022

RECOVERY AND RESOLUTION PLANNING

1. INTRODUCTION

- 1.1 This Notice is issued under section 51 of the Financial Services and Markets Act 2022 (“FSM Act”) and applies to a notified insurer and a notified DFHC (Licensed Insurer).
- 1.2 Recovery and resolution planning aims to reduce the risks posed by licensed insurers and DFHC (Licensed Insurers) to the stability of financial system, ensure the continuity of functions that are critical to the economy, and enable a distressed licensed insurer or DFHC (Licensed Insurer) to be restructured or to exit from the market in an orderly manner. This Notice sets out the requirements that a notified insurer and a notified DFHC (Licensed Insurer) have to comply with in its recovery and resolution planning.
- 1.3 This Notice takes effect on 1 January 2025.

2. DEFINITIONS

- 2.1 In this Notice –

“critical functions” refer to activities performed by a licensed insurer or a DFHC (Licensed Insurer) for third parties where failure would lead to the disruption of services that are vital for the functioning of Singapore’s economy and for financial stability due to the licensed insurer’s or DFHC (Licensed Insurer)’s size or market share, external and internal interconnectedness, complexity and cross-border activities;

“critical shared services” refer to activities performed within the group or outsourced to third parties, where failure of such service would lead to the inability of the licensed insurer or DFHC (Licensed Insurer) to perform critical functions;

“designated financial holding company” has the meaning given by section 2(1) of the Financial Holding Companies Act 2013;

“DFHC (Licensed Insurer)” means a designated financial holding company that has a subsidiary that is a licensed insurer incorporated, formed or established in Singapore;

“executive officer” –

(a) in relation to a licensed insurer, has the same meaning as in section 2 of the Insurance Act 1966; and

(b) in relation to a DFHC (Licensed Insurer), has the same meaning as in section 2(1) of the Financial Holding Companies Act 2013;

“group”, in relation to a licensed insurer or a DFHC (Licensed Insurer), includes its head office or parent company, subsidiaries, affiliates, and any entities (including their subsidiaries, affiliates and special purpose entities) that the licensed insurer or DFHC (Licensed Insurer) exerts control over or that exerts control over the licensed insurer or DFHC (Licensed Insurer);

“licensed insurer” means an insurer licensed under section 11 of the Insurance Act 1966;

“notified DFHC (Licensed Insurer)” means a DFHC (Licensed Insurer) which has received a direction issued by the Authority under section 52(1) of the FSM Act;

“notified insurer” means a licensed insurer which has received a direction issued by the Authority under section 52(1) of the FSM Act;

“outsourcing arrangement”, means an arrangement in which a service provider provides a licensed insurer or a DFHC (Licensed Insurer) with a service that may currently or potentially be performed by the licensed insurer or DFHC (Licensed Insurer) itself and which includes the following characteristics –

(a) the licensed insurer or DFHC (Licensed Insurer) is dependent on the service on an ongoing basis; and

(b) the service is integral to the provision of a financial service by the licensed insurer or DFHC (Licensed Insurer) or the service is provided to the market by the service provider in the name of the licensed insurer or the DFHC (Licensed Insurer);

“service provider” means a person which provides a service to a licensed insurer or a DFHC (Licensed Insurer), including an entity within the licensed insurer’s or DFHC (Licensed Insurer)’s group, whether it is located in Singapore or elsewhere.

2.2 Except where defined in this Notice or if the context otherwise requires, the expressions used in this Notice have the same meanings as in the FSM Act.

3. RECOVERY PLANNING

- 3.1 A recovery plan (“RCP”) serves as a guide to the recovery of a distressed notified insurer or notified DFHC (Licensed Insurer), and outlines actions the notified insurer or notified DFHC (Licensed Insurer) can take to stabilise and restore its financial strength and viability under situations of severe stress.
- 3.2 For the purposes of recovery planning, a notified insurer and a notified DFHC (Licensed Insurer) must –
- (a) prepare an RCP which includes the following:
 - (i) a framework of recovery triggers that identifies the points at which appropriate recovery options may be taken;
 - (ii) an escalation process upon the occurrence of a trigger event, to facilitate prompt assessment of the impact and decision on the appropriate course of action;
 - (iii) a menu of recovery options which are available in situations of severe stress to address capital shortfalls and liquidity pressures; and
 - (iv) a communication plan to ensure timely communication with internal and external stakeholders;
 - (b) keep the RCP up-to-date by reviewing it annually and upon the occurrence of an event that could materially impact the RCP; and
 - (c) ensure that the RCP is approved or endorsed by:
 - (i) for a locally incorporated notified insurer or a notified DFHC (Licensed Insurer), its board of directors; or
 - (ii) for a non-locally incorporated notified insurer, its chief executive in Singapore.
- 3.3 For the purposes of establishing an appropriate escalation process under paragraph 3.2(a)(ii), a notified insurer and a notified DFHC (Licensed Insurer) must –
- (a) outline the escalation process upon the occurrence of a trigger event in the RCP, including the decision-making mechanism governing the process and the roles and responsibilities of key staff involved; and
 - (b) specify the level of authority that is empowered to make decisions in respect of activating the recovery plan and determining the recovery options to be implemented.

- 3.4 When establishing a menu of recovery options under paragraph 3.2(a)(iii), a notified insurer and a notified DFHC (Licensed Insurer) must ensure that the options –
- (a) are sufficiently diverse so as to deal with a range of stress scenarios covering idiosyncratic and market-wide stresses;
 - (b) substantially enhance the viability of the notified insurer or notified DFHC (Licensed Insurer); and
 - (c) are capable of being executed within a reasonable timeframe.
- 3.5 In assessing events that could materially impact its RCP under paragraph 3.2(b), a notified insurer and a notified DFHC (Licensed Insurer) must take into account any changes in circumstances facing the notified insurer, notified DFHC (Licensed Insurer), group or the financial system.
- 3.6 A notified insurer and a notified DFHC (Licensed Insurer) must establish a framework to regularly test the feasibility and effectiveness of its RCP.

4. RESOLUTION PLANNING

- 4.1 A resolution plan facilitates the effective use of the Authority's resolution powers. It aims to make feasible the resolution of a notified insurer or a notified DFHC (Licensed Insurer) without severe systemic disruption while protecting systemically important functions.
- 4.2 For the purposes of resolution planning, a notified insurer and a notified DFHC (Licensed Insurer) must –
- (a) maintain data and information for the purposes of resolution planning, resolvability assessment and the conduct of resolution; and
 - (b) submit data and information for the purposes of resolution planning, resolvability assessment and the conduct of resolution, upon request by the Authority.

5. GENERAL

- 5.1 In addition to the requirements under Parts 3 and 4, a notified insurer and a notified DFHC (Licensed Insurer) must –

- (a) appoint an executive officer as the key person to oversee the recovery planning process and the maintenance and submission of the required information for resolution planning, and inform the Authority of the appointment;
- (b) immediately inform the Authority if the notified insurer or notified DFHC (Licensed Insurer) assesses that its viability is, or is potentially, threatened or upon the occurrence of an event that may necessitate the implementation of its RCP;
- (c) maintain management information systems that are able to produce, in a timely manner, information required for recovery and resolution planning, resolvability assessment and the conduct of resolution; and
- (d) put in place adequate measures such that outsourcing arrangements which support critical functions and critical shared services can be maintained in crisis situations and in resolution.