

MAS Notice 135

Issue Date: 24 April 2024

NOTICE TO AUTHORISED REINSURERS
INSURANCE ACT 1966

BANK COVENANTS IN LIEU OF DEPOSITS

Introduction

- 1 This Notice is issued pursuant to sections 47(1) and 154(4) of the Insurance Act 1966 ("the Act").
- 2 This Notice applies to all authorised reinsurers. It specifies the form of the agreement referred to in section 47(1) ("bank covenant"), the sum referred to in section 47(1)(a) and the requirements referred to in section 47(1)(b), of the Act.

Definitions

- 3 Except where defined in this Notice or where the context otherwise requires, the expressions used in this Notice have the same meaning as in the Act.

Form and Manner of Bank Covenants

- 4 For the purposes of section 47(1) of the Act, –
 - (a) the Authority may specify in writing to an authorised reinsurer the form of the bank covenant; and
 - (b) the bank covenant must be for an amount that is no less than the amount of reinsurance deposit to be maintained by the authorised reinsurer under regulation 4 of the Insurance (Authorised Reinsurers) Regulations.

Claim on Bank Covenant

- 5 For the purposes of section 47(1)(b) of the Act, the bank covenant must provide the Authority with the right to make a claim for the sum specified in section 47(1)(a) to be deposited with the Authority upon the occurrence of, at the minimum, any of the following circumstances, without being required to show proof of the occurrence of the circumstance:
 - (a) the taking of any proceedings in Singapore or elsewhere for the winding-up voluntarily or otherwise of the authorised reinsurer or any part of the authorised reinsurer's business;

- (b) any general reduction of the authorised reinsurer's liabilities or any description of them, by means of any composition or arrangement with its creditors or otherwise;
- (c) the transfer to another direct insurer or reinsurer, whether or not licensed or authorised under the Act, of the whole or part of the authorised reinsurer's general, life, or composite business in Singapore;
- (d) the making of an arrangement between the authorised reinsurer and the Authority under section 44(8)(b) of the Act, where a deposit is required by the Authority in connection with such arrangement.

Transitional Arrangement

- 6 Notwithstanding anything in paragraphs 4 and 5, an authorised reinsurer who has, prior to 30 April 2024, furnished the Authority with a bank covenant in accordance with MAS Notice IA/PP-N02.1a shall be deemed to have complied with the provisions of this Notice, if –
- (a) the bank covenant remains effective; and
 - (b) the sum in cash that the bank covenants to deposit with the Authority on account of the authorised reinsurer's reinsurance deposit under section 46(1) of the Act is an amount that is no less than the amount of reinsurance deposit to be maintained by the authorised reinsurer under regulation 4 of the Insurance (Authorised Reinsurers) Regulations.

Commencement and Cancellation

- 7 This Notice takes effect on 30 April 2024. MAS Notice IA/PP-N02.1a dated 16 January 2006 is cancelled on 30 April 2024.