

Circular No. ID 12/20

09 March 2020

To Chief Executives  
All Direct Life and Composite Insurers

Dear Sir/Madam

**CLASSIFICATION OF TAX LIABILITIES ARISING FROM NON-GUARANTEED BENEFITS OF PARTICIPATING POLICIES**

Under RBC 2, the allowance for provision for non-guaranteed benefits (“APNGB”) of participating policies is a positive regulatory adjustment to financial resources. Section B of Appendix 5E of MAS Notice 133 on Insurance Valuation and Capital Framework provides for the calculation of the APNGB, in particular, paragraph 2(b) refers to the aggregate of the values of expected payments (“EP”) arising from non-guaranteed benefits of each participating policy and any provision for adverse deviation from the expected experience for each participating policy of the participating fund, determined in accordance with regulations 20(3)(b) and (c) of the Insurance (Valuation and Capital) Regulations 2004.

2 Per Circular No. ID 02/08, it remains the intent of the Authority for the EP to include expected tax payments from the participating fund arising from non-guaranteed benefits of each participating policy. All direct life and composite insurers should include such expected tax payments as policy liabilities under Form A1 of Appendix B of MAS Notice 129 on Insurance Returns (Accounts and Statements). The value of such expected tax payments should also be disclosed under the section on “additional information” in the Form.

3 Circular No. ID 02/08 is cancelled with immediate effect. Please contact your company’s liaison officer should you require further clarification. Thank you.

Yours faithfully

[sent via MASNET]

DANIEL WANG  
EXECUTIVE DIRECTOR  
INSURANCE SUPERVISION DEPARTMENT

Cc: Institute of Singapore Chartered Accountants