

## MAS Questionnaire For Year End 2018 RBC 2 Parallel Run

Most of the questions here are relevant for insurers writing life business (except for question 5 that is applicable for insurers writing life or general business). However, if insurers writing general business would like to provide any comments or feedback relating to the YE 2018 Parallel Run, they can do so under Question 17 at the end of this questionnaire.

**Please complete the survey online via the link provided to you in the circular ID 07/19.**

Please provide name of company.

### **(I) VALUATION OF ASSETS AND LIABILITIES**

#### **DATA QUALITY**

Q1. Please provide details of any simplifications or approximations made which may have a material impact on the results.

#### **PROVISION FOR ADVERSE DEVIATION (“PAD”)**

Q2. Please describe how the PAD is determined. **[This question is only applicable for insurers writing life business]**

#### **DISCOUNT RATES FOR VALUATION OF POLICY LIABILITIES**

Q3. Do you have any comments pertaining to the discounting approach?

**VALUATION OF LONG-TERM MEDICAL POLICIES**

**[Question 4 is only applicable for life insurers writing long-term medical policies]**

Q4. Further to the information provided in the Main Workbook under the tab “Long Term Medical Policies Info”, please provide us with the justification on the choice of contract boundary selected for long-term medical policies and riders (*See paragraphs 3.11 to 3.13 of the Technical Specifications*).

**CONTRACT BOUNDARY**

**[Question 5 is applicable to all insurers writing life OR general business]**

Q5. Do you think the definition for contract boundary based on paragraphs 3.11 to 3.13 of the Technical Specifications would be applicable to other types of products (other than long term medical policies)? If yes, please explain which types of products would be affected, and in what ways, if the definition were to be similarly applied.

**(II) REQUIRED CAPITAL**

**C1 REQUIREMENTS (LIFE INSURANCE)**

**[Questions 6 – 7 are only applicable for insurers writing life business.]**

Q6. Further to the information provided in the Main workbook under the tabs with the prefix “C1” (e.g. C1\_SIFP\_NonMA), please describe how the groupings of policies into homogeneous risk groups are determined for each C1 requirement. Please justify the appropriateness of the grouping basis.

Q7. Has the basis of grouping policies into homogenous risk groups in this year's parallel run changed from the previous year's impact study? Please justify the change in basis (if any) and state the impact on C1 risk requirements.

### **(III) MATCHING ADJUSTMENT ("MA") AND ILLIQUIDITY PREMIUM ("IP")**

**[Questions 8 - 14 are only applicable for insurers writing life business.]**

**[Question 8 is only applicable for reinsurers writing life business.]**

Q8. For life reinsurance business, the IP should only be applied to reinsurance arrangements that exhibit similar characteristics as the direct life insurance products (e.g. Whole Life, Endowment and Annuity Products) that qualify for IP. (See paragraph 6.3, note 3 of the *Technical Specifications*)

If IP has been applied to life reinsurance business, please provide justification on how your reinsurance arrangements qualify for IP. Please explain with sufficient details.

Q9. A haircut has been imposed on the MA calculation to reflect the risk that excess asset cash flows and excess premium income that is reallocated to meet future benefit and expense payments could only be invested in eligible assets that earn less than the full spread of the MA portfolio.

Do you think that this treatment is appropriate?

If the treatment is not appropriate, please provide suggestions to address MAS' concerns.

Q10. MA has been floored at the level of IP that would have been applicable to the MA portfolio. Where the floor is operational, the modified MA (i.e. MA') that is used to determine the C2 credit spread risk requirement will be reduced by the difference between the unfloored MA and the corresponding IP, subject to MA' being non-negative.

Do you think that this treatment is appropriate?

If the treatment is not appropriate, please suggestions on how MA' should be adjusted.

Q11. In the criteria for eligible assets in Appendix 16, USD Treasury Securities or USD corporate bonds can be used to back SGD liabilities, subject to the insurer putting in place a suitable currency swap to convert the resulting USD payments to SGD cash flows.

Should the cost of the currency swap be deducted from the MA? Please explain.

Q12. Further to Q11, if you have such currency swaps, what is the average cost of hedging for the currency swaps?

Q13. Do you have any other comments pertaining to the MA?

Q14. Do you have any other comments pertaining to the IP?

**(IV) SOLVENCY INTERVENTION LEVEL**

Q15. MAS is reviewing the quality of capital used to support the MCR i.e. having more stringent requirements in terms of type and limits than those used for supporting PCR. Do you have any views on how this should be different, for example, should the MCR be fully supported by CET1?

**(V) OTHERS**

Q16. With respect to the adjustments for asset concentration, which is done at the adjusted fund level (as per paragraph 5.16 of the Technical Specifications), please describe the methodology that you have used to allocate the adjustments back to the respective insurance fund, including any MA portfolios.

Q17. Do you have any other comments in relation to the parallel run?