

INSURANCE ACT
(CHAPTER 142)

INSURANCE
(VALUATION AND CAPITAL)
REGULATIONS 2004

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In exercise of the powers conferred by sections 9 (1) (c), 17, 18 and 64 (1) of the Insurance Act, the Monetary Authority of Singapore hereby makes the following Regulations:

PART I

PRELIMINARY

Citation and commencement

1. These Regulations may be cited as the Insurance (Valuation and Capital) Regulations 2004 and shall come into operation on 23rd August 2004.

Definitions

2.—(1) In these Regulations, unless the context otherwise requires —

“Accounting Standards” has the same meaning as in section 4 (1) of the Companies Act (Cap. 50);

“appointed actuary” means the actuary appointed by a direct insurer under section 31 of the Act;

“appointed day” means the date of commencement of these Regulations;

“associates” has the same meaning as in section 27 (4) (d) of the Act;

“collective investment scheme” has the same meaning as in section 2 (1) of the Securities and Futures Act (Cap. 289);

“commodity”, in relation to a forward contract or futures contract, means —

(a) a financial instrument; or

(b) gold, any class of oil or any other physical commodity;

“counterparty” means any person who is under a financial obligation to the insurer;

“debt security” includes any debenture, bond or note;

“derivative” includes any warrant, convertible security, forward contract, futures contract, swap, contract for differences or option;

“equity security” includes any stock, share, depository receipt or unit in a collective investment scheme;

“financial resources” has the meaning set out in paragraph 1 of the First Schedule;

“forward contract” means a contract the effect of which is that one party to the contract agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party to the contract at a specified future time and at a specified price payable at that time, and includes an option on a forward contract but does not include a futures contract;

“futures contract” means a contract the effect of which is that —

- (a) one party to the contract agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party to the contract at a specified future time and at a specified price payable at that time under the terms and conditions set out in the business rules and practices of the futures exchange, recognised trading system provider or overseas futures exchange at which the contract is made; or
- (b) the parties to the contract will discharge their obligations under the contract by settling the difference between the value of a specified quantity of a specified commodity agreed at the time of the making of the contract and at a specified future time, such difference being determined in accordance with the business rules and practices of the futures exchange, recognised trading system provider or overseas futures exchange at which the contract is made,

and includes an option on a futures contract;

“government debt security” means a debt security which —

- (a) is issued or fully guaranteed by the Government;
- (b) is issued or fully guaranteed by a central government or central bank of a country or territory which has a sovereign rating of investment grade; or
- (c) is issued or fully guaranteed by a central government or central bank of a country or territory which does not have a sovereign rating of investment grade, is denominated in the national currency of that country, and has a residual maturity of 12 months or less;

“investment-linked fund” means an insurance fund for investment-linked policies established and maintained under section 17 (1A) of the Act;

“investment grade” means a credit rating set out in Table 1 of the Sixth Schedule issued by the corresponding credit rating agency in that Table or any better credit rating;

“minimum condition liability”, in relation to a participating fund, means the sum of —

- (a) the liability in respect of each non-participating policy of the fund determined in the manner provided in regulation 20 (1); and
- (b) the liability in respect of each participating policy of the fund determined in accordance with the manner provided in regulation 20 (1) for determining the liability in respect of a non-participating policy, but does not include any provision for non-guaranteed benefits;

“money market debt security” means any debt security with a maturity of 12 months or less, and includes any banker’s acceptance, commercial paper, certificate of deposit or government or treasury bill or note, with a maturity of 12 months or less;

“non-participating fund” means an insurance fund established and maintained under section 17 (2) of the Act which comprises wholly of non-participating policies;

“ordinary share” means any share other than a preference share;

“participating fund” means an insurance fund established and maintained under section 17 (2) of the Act which comprises wholly or partly of participating policies;

“policy assets”, in relation to a participating fund, means the total assets of the fund as at valuation date less —

- (a) the balance in the surplus account established and maintained in accordance with regulation 22; and
- (b) other liabilities, as calculated in the manner provided in Form 1 of the First Schedule to the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004);

“preference share”, in relation to a registered insurer incorporated in Singapore, has the same meaning as in section 4 (1) of the Companies Act (Cap. 50);

“public authority” means any body corporate constituted under any Act or under the law of any other country or territory for the purpose of carrying out a public function;

“qualifying Tier 2 instrument” has the meaning set out in paragraph 2 of the First Schedule;

“recognised multilateral agency” means an organisation listed in Table 2 of the Sixth Schedule;

“reinsurance recoverables” means any amount that an insurer is entitled to recover, but has yet to recover, from its reinsurance counterparty in respect of claims that have been paid by the insurer;

“share”, in relation to a registered insurer incorporated in Singapore, has the same meaning as in section 4 (1) of the Companies Act (Cap. 50);

“special risk” means —

- (a) any liability under a marine and aviation policy which consists of or which includes a liability arising from the insurance of a marine hull or aircraft hull; or
- (b) any other risk which, by reason of its exceptional nature or amount, the Authority permits to be treated as a special risk;

“total risk requirement” has the meaning set out in the Second Schedule;

“unit”, in relation to a collective investment scheme, has the same meaning as in section 2 (1) of the Securities and Futures Act (Cap. 289);

“valuation date” means the date on which the assets and liabilities of a registered insurer are valued.

(2) In these regulations —

- (a) any reference to a policy of a participating, non-participating or investment-linked fund shall be construed as a reference to a policy in respect of which the participating, non-participating or investment-linked fund, as the case may be, is established or maintained by an insurer under the Act; and
- (b) any reference to a registered insurer incorporated in Singapore includes a registered insurer which is a society registered under the Co-operative Societies Act (Cap. 62).

PART II

FINANCIAL REQUIREMENT BEFORE
REGISTRATION, FUND SOLVENCY REQUIREMENT
AND CAPITAL ADEQUACY REQUIREMENT

Paid-up capital requirement

3. For the purposes of section 9 (1) (c) of the Act, the Authority shall not register an applicant as a direct insurer or reinsurer under section 8 of the Act unless the applicant has a paid-up ordinary share capital (or its equivalent recognised by the Authority as applicable to the applicant under the laws of the country or territory in which the applicant is incorporated, formed or established) of no less than —

- (a) in the case of an applicant applying to be a direct insurer carrying on only one of the types of insurance business listed in Table 3 of the Sixth Schedule, \$5 million;
- (b) in the case of an applicant applying to be a direct insurer other than a direct insurer referred to in sub-paragraph (a), \$10 million; and
- (c) in the case of an applicant applying to be a reinsurer, \$25 million.

Fund solvency requirement and capital adequacy requirement

4.—(1) For the purposes of section 18 (1) (a) of the Act, the fund solvency requirement in respect of an insurance fund established and maintained by a registered insurer under the Act shall at all times be such that the financial resources of the fund are not less than the total risk requirement of the fund.

(2) For the purposes of section 18 (1) (b) of the Act, the capital adequacy requirement of a registered insurer shall at all times be such that the financial resources of the insurer are not less than —

- (a) the sum of —
 - (i) the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Act; and
 - (ii) where the insurer is incorporated in Singapore, the total risk requirement arising from the assets and

liabilities of the insurer that do not belong to any insurance fund established and maintained under the Act; or

(b) a minimum amount of \$5 million, whichever is the higher.

(3) A registered insurer shall immediately notify the Authority when the insurer becomes aware that —

- (a) it has failed, or is likely to fail, to comply with paragraph (1) or (2); or
- (b) a financial resources warning event has occurred or is likely to occur.

(4) Where the Authority is notified by an insurer under paragraph (3) (a) or becomes aware of any inability by the insurer to comply with paragraph (1) or (2), the Authority may —

- (a) require the insurer to comply with such directions as the Authority may impose, and in particular, require the insurer —
 - (i) to submit to the Authority financial statements on a monthly basis or at such other intervals as the Authority may require, until the insurer satisfies the fund solvency requirement or the capital adequacy requirement, as the case may be, for 90 consecutive days or such other period as may be determined by the Authority;
 - (ii) to submit to the Authority a plan on how the insurer intends to satisfy the fund solvency requirement or the capital adequacy requirement, as the case may be; or
 - (iii) to stop renewing or issuing further policies in respect of one or more classes of business; and
- (b) direct the insurer to carry on its business in such manner and on such conditions as the Authority may impose.

(5) If the Authority is notified by an insurer under paragraph (3) (b) or becomes aware that a financial resources warning event has occurred, the Authority may direct the insurer —

- (a) to submit to the Authority a plan on how the insurer intends to stop the financial resources warning event from continuing; and

(b) to carry on its business in such manner and on such conditions as the Authority may impose.

(6) In this regulation, “financial resources warning event” means an event which results in the financial resources of the insurer being less than —

(a) 120% of the amount calculated in accordance with paragraph (2) (a); or

(b) the minimum amount in paragraph (2) (b),
whichever is the higher.

PART III

OTHER FINANCIAL REQUIREMENTS

Reduction in paid-up ordinary share capital or redemption of preference shares

5.—(1) A registered insurer incorporated in Singapore shall not reduce its paid-up ordinary share capital or redeem any preference share without the prior written approval of the Authority.

(2) A registered insurer incorporated outside Singapore shall not reduce its paid-up ordinary share capital (or its equivalent recognised by the Authority as applicable to the insurer under the laws of the country or territory in which the insurer is incorporated, formed or established) without giving prior notice to the Authority.

Preference shares and qualifying Tier 2 instruments

6. A registered insurer which is incorporated in Singapore shall notify the Authority of its intention to issue any preference share or qualifying Tier 2 instrument prior to the date of issue of the preference share or instrument.

PART IV

VALUATION OF ASSETS

Application of this Part

7. This Part applies to the valuation of any asset of an insurance fund established and maintained under section 17 of the Act.

Valuation of assets

8.—(1) Unless otherwise specified in this Part, a registered insurer shall value an asset of an insurance fund in accordance with the Accounting Standards.

(2) The following items shall not be treated as assets of an insurance fund:

- (a) assets comprised in the deposit made by the insurer under section 14 of the Act;
- (b) intangible assets, including the goodwill of the insurer.

Equity securities

9.—(1) A registered insurer shall value an equity security as follows:

- (a) where it is listed on a securities exchange, at its market value; or
- (b) where it is not listed on any securities exchange, at its net realisable value.

(2) In determining the net realisable value of an equity security which is not listed on a securities exchange, the insurer shall take into account —

- (a) the amount of consideration it would receive by selling the equity security; and
- (b) the net tangible asset value of the equity security.

Debt securities

10.—(1) A registered insurer shall value a debt security as follows:

- (a) where it is listed on any securities exchange, at its market value; or
- (b) where it is not listed on any securities exchange, at its net realisable value.

(2) In determining the net realisable value of a debt security that is not listed on a securities exchange, the insurer shall take into account —

- (a) the prevailing interest rate;
- (b) the likelihood of default by the issuer; and
- (c) the cash flows that are expected to arise from the debt security.

Land and buildings

11.—(1) A registered insurer shall value any land or building at its estimated market value.

(2) In estimating the market value of any land or building, the insurer shall take into account —

- (a) the last available valuation report made by a qualified property valuer;
- (b) the prevailing market for the land or building; and
- (c) any damage or improvement affecting the land or building from the date of the last available valuation report.

(3) An insurer shall obtain a new valuation from a qualified property valuer —

- (a) when the value of the land or building has been substantially impaired by any event; and
- (b) in any event, at least once every 3 years.

Loans

12. A registered insurer shall value loans made to other persons by aggregating the principal amounts outstanding under all loans less any provision for doubtful debts.

Cash and deposits

13.—(1) A registered insurer shall value any cash or deposit with a financial institution, other than a negotiable certificate of deposit, at the nominal amount of such cash or deposit after deducting any amount deemed uncollectible from the financial institution.

(2) A registered insurer shall value a negotiable certificate of deposit at its market value.

Outstanding premiums and agents' balances

14. A registered insurer shall value the outstanding premiums and agents' balances by aggregating the principal amounts outstanding after deducting any provision for doubtful debts.

Deposits withheld by cedants

15. A registered insurer shall value deposits withheld by cedants by aggregating the amounts of deposits outstanding after deducting any amount deemed uncollectible from the cedant.

Reinsurance recoverables

16. A registered insurer shall value reinsurance recoverables by aggregating the amounts of reinsurance recoverables outstanding after deducting any provision for doubtful debts.

PART V

VALUATION OF LIABILITIES

Application of this Part

17. This Part applies to the valuation of any liability of an insurance fund established and maintained under section 17 of the Act.

Valuation of liabilities

18.—(1) Unless otherwise provided for in this Part, a registered insurer shall value any liability of an insurance fund in accordance with the Accounting Standards and sound actuarial principles.

(2) The Authority may, by notice in writing to a registered insurer, specify the bases, methodologies and other details of a technical nature to be complied with in relation to the determination of liabilities in respect of a policy and in respect of an insurance fund.

Valuation of liabilities of general business

19.—(1) A registered insurer shall calculate the liabilities in respect of policies of an insurance fund established and maintained under section 17 of the Act for the general business of the insurer as the sum of —

(a) premium liabilities, which shall be an amount not less than —

(i) the unearned premium reserves of the fund calculated as the aggregate of unearned premium reserves for each policy of the fund determined in the manner provided in paragraph (5); or

(ii) the unexpired risk reserves, calculated as the sum of —

(A) the value of the expected future payments arising from future events insured under policies in force as at the valuation date, including any expense expected to be incurred in administering the policies and settling relevant claims; and

(B) any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency,

whichever is the higher; and

(b) claim liabilities, which shall be an amount not less than the sum of —

(i) the value of the expected future payments in relation to all claims incurred prior to the valuation date (other than payments which have fallen due for payment before the valuation date), whether or not they have been reported to the insurer, including any expense expected to be incurred in settling those claims; and

(ii) any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency.

(2) In determining the unexpired risk reserves referred to in paragraph (1) (a) (ii) and claim liabilities referred to in paragraph (1) (b), a registered insurer shall —

(a) calculate the amount of unexpired risk reserves and claim liabilities as the amount net of reinsurance ceded —

(i) by making separate estimates of the gross claims payments and recoveries from the reinsurance counterparty; and

(ii) by taking into account the likelihood of default by the reinsurance counterparty; and

(b) take into account any non-reinsurance recovery such as salvage and subrogation.

(3) Where there is no material change in —

- (a) the manner in which liabilities are reinsured during the period to which the data used to determine the unexpired risk reserves and claim liabilities relates; and
- (b) the manner in which liabilities are reinsured at valuation date,

a registered insurer may, instead of complying with paragraph (2) (a), calculate the amount of unexpired risk reserves and claim liabilities net of reinsurance ceded using data on claims payment that are net of reinsurance.

(4) A registered insurer shall make separate calculations of the unearned premium reserves, the unexpired risk reserves and the claim liabilities in the manner provided in paragraph (1) for each type of business described in Form 6 in the First Schedule to the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004) that is carried on by the insurer.

(5) The amount of unearned premium reserves for a policy in respect of general business shall be —

- (a) subject to sub-paragraphs (b) and (c) and paragraph (6), an amount calculated on a basis not less accurate than the $\frac{1}{24}$ th method;
- (b) in the case of a direct insurer which underwrites risks relating to cargo policies, an amount not less than 25% of the premiums for those policies or an amount calculated on a basis not less accurate than the $\frac{1}{24}$ th method; or
- (c) in the case of an insurer which carries on the business of reinsurance of liabilities under insurance policies —
 - (i) an amount not less than 25% of the premiums in the case of marine and aviation policies and 40% of the premiums in other cases; or
 - (ii) an amount calculated on a basis not less accurate than the $\frac{1}{24}$ th method.

(6) The amount of unearned premium reserves for a policy in respect of general business shall be calculated —

- (i) where the $\frac{1}{24}$ th method or some other more accurate method is used, using an amount of premiums written which is reduced by the actual commissions payable; or

(ii) in any other case, using an amount of premiums written without any deduction for commissions payable therefrom.

(7) In paragraph (5) —

“marine and aviation policy” means a policy of insurance —

- (a) upon goods, merchandise or property of any description transported on board vessels, aircraft or other means of conveyance, including incidental transit before and after shipment;
- (b) upon the freight of, or any other interest in or relating to vessels, aircraft or other means of conveyance;
- (c) upon vessels or aircraft, or upon machinery, tackle furniture or equipment of vessels or aircraft;
- (d) against damage arising out of or in connection with the use of vessels or aircraft, including third-party risks; or
- (e) against risks incidental to the construction, repair or docking of vessels, including third-party risks;

“premiums” means the amount of the premiums written in the accounting period after deducting for any premium refund and any payment in respect of reinsurance and retrocession.

Valuation of liabilities of life business

20.—(1) Subject to paragraph (4), a registered insurer shall value the liability in respect of a non-participating policy as the value of expected future payments arising from the policy, including any expense that the insurer expects to incur in administering the policy and settling any relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy.

(2) Subject to paragraph (4), a registered insurer shall value the liability in respect of an investment-linked policy as the sum of —

- (a) the unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and
- (b) the non-unit reserves, calculated as the value of expected future payments arising from the policy (other than those relating to the unit reserves), including any expense that the insurer expects to incur in administering the policies and settling the relevant claims and any provision made for any adverse deviation from the expected experience, less

expected future receipts arising from the policy (other than those relating to the unit reserves).

(3) Subject to paragraphs (4) and (7), a registered insurer shall value the liability in respect of a participating policy as the sum of —

- (a) the value of expected future payments arising from guaranteed benefits of the policy, including any expense that the insurer expects to incur in administering the policies and settling the relevant claims, less expected future receipts arising from guaranteed benefits of the policy; and
- (b) the value of expected payments arising from non-guaranteed benefits of the policy and any provision made for any adverse deviation from the expected experience.

(4) A registered insurer shall not value the liability in respect of any policy to be less than zero, unless there are moneys due to the insurer when the policy is terminated on valuation date, in which event the value of the liability in respect of that policy may be negative to the extent of the amount due to the insurer.

(5) A registered insurer shall calculate the liability in respect of the policies of a non-participating fund or an investment-linked fund as the sum of the liability in respect of each policy of that fund determined in the manner provided in paragraph (1) or (2), respectively.

(6) A registered insurer shall calculate the liability in respect of the policies of a participating fund as —

- (a) the sum of the liability in respect of each policy of the fund determined in the manner provided in paragraphs (1) and (3);
- (b) the minimum condition liability of the fund; or
- (c) the value of policy assets of the fund,

whichever is the highest.

(7) Where the liability in respect of the policies of a participating fund determined in the manner provided in paragraph (6) is greater than the sum of the liability in respect of each policy of the fund as determined in the manner provided in paragraphs (1) and (3), the insurer shall make such adjustments as may be necessary to the components for the valuation of the liability in respect of a participating

policy referred to in paragraph (3) (b), for all or part of the participating policies of the fund such that the sum of the liability in respect of each policy of the fund equals the value determined in paragraph (6).

Treatment in relation to reinsurance arrangement with head office and branch

21.—(1) Where a registered insurer incorporated outside Singapore treats the liabilities in respect of any policy of its insurance business in Singapore as liabilities of, or part of the liabilities of, the head office or a branch outside Singapore of the insurer, the insurer may make a deduction in respect of such liabilities, when valuing such liabilities, where the following conditions are satisfied:

- (a) there is a written arrangement between the head office or branch outside Singapore and the branch in Singapore, stating that the insurer treats the liabilities of the insurance business of the branch in Singapore as liabilities of, or part of the liabilities of, the head office or branch outside Singapore of the insurer; and
- (b) any release of reinsurance deposit retained by the branch in Singapore under any such arrangement is to be released only in accordance with the written arrangement.

(2) Where a registered insurer makes a deduction in accordance with paragraph (1), the insurer shall —

- (a) regard the written arrangement between the branch in Singapore and the head office or branch outside of Singapore as a contract of reinsurance of those liabilities; and
- (b) the head office or branch outside Singapore shall be treated as if it were a separate insurer.

PART VI

MISCELLANEOUS PROVISIONS

Surplus account

22.—(1) For the purpose of section 17 (6) (a) of the Act, a direct insurer registered to carry on life business shall establish and maintain a surplus account —

- (a) by keeping the assets of the surplus account for a participating fund separate from other assets of the fund; and

(b) by identifying the particular assets that form part of the surplus account in its books, accounts and records.

(2) For any participating fund established before 1st January 2005, the insurer shall assign, as the balance in the surplus account as at 1st January 2005, the value of —

(a) the higher of —

(i) the amount of surplus of assets over liabilities allocated to the shareholders for the accounting period beginning from 1st January 2004 and ending on 31st December 2004 but which has yet to be transferred from the participating fund to the shareholders funds; or

(ii) zero; or

(b) the total assets of the fund less the sum of —

(i) the minimum condition liability of the fund; and

(ii) other liabilities as calculated in the manner provided in Form 1 in the First Schedule to the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004),

immediately before 1st January 2005,

whichever is the lower.

(3) For any participating fund established on or after 1st January 2005, the insurer shall assign, as the balance in the surplus account, the value of zero at the establishment of the fund.

(4) For the purposes of section 17 (7) of the Act, the insurer may, in addition to an allocation made under section 17 (6) (c) of the Act, make the following allocations to the surplus account:

(a) an amount relating to investment income earned on assets representing the balance in the surplus account;

(b) a recovery of any amount transferred out of the surplus account on or after 1st January 2005 under paragraph (7) if it has not been transferred back into the surplus account previously.

(5) The amount of a participating fund allocated by way of bonus to participating policies under section 17 (6) (b) of the Act by the insurer shall be —

- (a) where the allocation is not immediately paid out but is accrued as additional future obligations under the policies, the increase in minimum condition liability as a result of such allocation; or
- (b) where the allocation is immediately paid out when the allocation is made, the actual amount paid out.

(6) The insurer may transfer any asset which is not part of the participating fund to the surplus account where such transfer is made —

- (a) to comply with paragraph (9);
- (b) to satisfy the fund solvency requirement of the participating fund; or
- (c) to reduce the likelihood that the fund solvency requirement of the participating fund is breached.

(7) Where the liability in respect of the policies of the participating fund of the insurer as calculated in the manner provided in regulation 20 (6) is more than the policy assets of the fund, the insurer shall immediately transfer out of the surplus account an amount no less than the difference between the liability in respect of the policies of the fund and the policy assets of the fund so as to meet any deficiency of policy assets in satisfying the liabilities in respect of policies of the fund.

(8) The insurer shall deduct from the surplus account —

- (a) any amount withdrawn from the fund in accordance with section 17 (9) of the Act;
- (b) any expense or loss relating to the investment of assets in the surplus account; and
- (c) where the balance in the surplus account is negative, the interest that would have been earned on such negative balance calculated, on a monthly basis, using the average rate of investment return on the policy assets of the fund, subject to a minimum rate of zero.

(9) Where the balance in the surplus account is negative, the insurer shall immediately make payment into the surplus account so that the balance in the surplus account is at least zero.

(10) In paragraph (5), “minimum condition liability”, in relation to a participating fund, means the sum of —

- (a) the liability in respect of each non-participating policy of the fund determined in the manner provided in regulation 20 (1) but does not include the application of regulation 20 (4); and
- (b) the liability in respect of each participating policy of the fund determined in accordance with the manner provided in regulation 20 (1) for determining the liability in respect of a non-participating policy, but does not include the application of regulation 20 (4) and any provision for non-guaranteed benefits.

Revocation

23. The Insurance Regulations (Rg 1) and the Insurance (Investment-Linked Life Insurance) Regulations (Rg 4) are revoked.

Savings and transitional provisions

24.—(1) These Regulations shall not apply to any registered insurer which carried on insurance business immediately before the appointed day for the period from the appointed day to 31st December 2004.

(2) The registered insurer referred to in paragraph (1) shall continue to comply with the Insurance Regulations (other than regulations 23, 24 and 25) (Rg 1) and the Insurance (Investment-Linked Life Insurance) Regulations (Rg 4) in force immediately before the appointed day during —

- (a) the period referred to in paragraph (1); and
- (b) the period from the day immediately following the end of the period referred to in paragraph (1) to the day on which the registered insurer lodges the statements of account and other statements required under the Insurance (Accounts and Statements) Regulations (Rg 2) in force immediately before the appointed day in respect of the accounting period beginning 1st January 2004 and ending on 31st December 2004 (both days inclusive),

for the purpose of enabling the insurer to comply with regulation 18 (2) of the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004) in respect of the preparation and lodgment of the statements of account and other statements required to be lodged under the Insurance (Accounts and Statements) Regulations.

(3) Notwithstanding paragraphs (1) and (2), any registered insurer may elect to comply with these Regulations at any time before the expiry of the period referred to in paragraph (1).

(4) Where a registered insurer elects to comply with these Regulations under paragraph (3), the insurer shall give the Authority notice in writing of the date from which the insurer elects to comply with these Regulations no later than 14 days after that date, and in that event —

(a) paragraph (1) shall not apply to the insurer from the date the election is made; and

(b) paragraph (2) shall continue to apply to the insurer.

(5) Notwithstanding regulation 22, where an insurer elects to comply with these Regulations under paragraph (3), regulation 22 (2) shall not apply in relation to any participating fund established before 1st January 2005 and the insurer shall assign, as the balance in the surplus account as at —

(a) where the participating fund was established on or before the date of the election, the date when the election is made; or

(b) where the participating fund is established after the date of the election, the date on which the fund is established,

the value of —

(i) the higher of —

(A) the amount of surplus of assets over liabilities allocated to the shareholders as at the date the election is made, or when the fund is established, as the case may be, but which has yet to be transferred from the participating fund to the shareholders fund; or

(B) zero; or

(ii) the total assets immediately before the date when the election is made or when the fund is established, as the case may be, of the fund less the sum of —

(A) the minimum condition liability of the fund; and

(B) all other liabilities as calculated in the manner provided in Form 1 of the First Schedule to the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004),

whichever is the lower.

FIRST SCHEDULE

Regulation 2 (1)

FINANCIAL RESOURCES AND QUALIFYING TIER 2 INSTRUMENT

Financial resources

1.—(1) “Financial resources” means —

(a) in relation to an insurance fund established and maintained by a registered insurer under the Act —

(i) in the case of a participating fund, the sum of —

(A) the balance in the surplus account; and

(B) the allowance for provision for non-guaranteed benefits calculated in accordance with sub-paragraph (8); or

(ii) in the case of any other insurance fund, the surplus of the assets of the fund over its liabilities,

less any reinsurance adjustment calculated in accordance with sub-paragraph (10) and any financial resource adjustment; and

(b) in relation to a registered insurer, the sum of the following items:

(i) Tier 1 resource calculated in accordance with sub-paragraph (2);

(ii) where it is a registered insurer incorporated in Singapore, Tier 2 resource calculated in accordance with sub-paragraph (4); and

(iii) where the insurer is a direct insurer registered to carry on life business and has established and maintained any participating fund, the aggregate of the allowances for provision for non-guaranteed benefits calculated in accordance with sub-paragraph (9) for each participating fund.

(2) Subject to sub-paragraph (5), “Tier 1 resource” of a registered insurer means the sum of the following items:

(a) the aggregate of the surpluses of the assets over the liabilities of all insurance funds (other than a participating fund) established and maintained under the Act by the insurer;

(b) the balance in the surplus account of each participating fund; and

(c) where it is a registered insurer incorporated in Singapore, the sum of —

(i) its paid-up ordinary share capital;

(ii) any unappropriated profit or loss that is not already accounted for less the items in sub-paragraphs (a) and (b);

(iii) its irredeemable and non-cumulative preference shares; and

(iv) any other capital instrument approved by the Authority as a Tier 1 resource in respect of the insurer,

less the aggregate of the reinsurance adjustments of all insurance funds established and maintained under the Act by the insurer and any financial resource adjustment.

FIRST SCHEDULE — *continued*

(3) In approving a capital instrument for the purposes of sub-paragraph (2) (c) (iv), the Authority shall have regard to whether the following requirements are satisfied:

- (a) the instrument is issued and fully paid-up in cash, whereby only the net proceeds received from the issuance of instruments shall be included as financial resources of the insurer;
- (b) the instrument does not have a maturity date;
- (c) the instrument, if redeemable (whether through a call option, share buy-back or otherwise), may only be redeemed at the option of the insurer with the prior approval of the Authority;
- (d) the agreement governing the issuance of the instrument does not have any call option within the first 5 years from the issue date, other than a call option which may be exercised by the insurer where —
 - (i) the instrument was issued for the purpose of a merger with, or acquisition by, the insurer and the merger or acquisition is aborted; or
 - (ii) there is a change in tax status of the instrument due to changes in the applicable tax laws of the country or territory in which the instrument was issued;
- (e) the agreement governing the issuance of the instrument does not contain any provision that mandates or creates an incentive for the insurer to repay the outstanding principal of the instrument early, other than a call option —
 - (i) no earlier than 10 years after the issuance of the instrument, accompanied by a provision whereby the dividend or coupon rate payable under the instrument increases by no more than 100 basis points over the initial rate, less the swap spread between the initial index basis and the stepped-up index basis if the insurer chooses not to exercise its option, such increase in dividend or coupon rate being the only one during the validity period of the instrument; or
 - (ii) in the two situations set out in sub-paragraph (d);
- (f) any dividend or coupon to be paid under the instrument is only paid to the extent that the insurer has profits distributable under any written law, determined from the latest statements of account lodged with the Authority in accordance with section 36 of the Act or such other subsequent audited statements of account provided to the Authority;
- (g) the insurer has full discretion over the amount and timing of dividends or coupons under the instrument where the insurer —
 - (i) has not paid or declared a dividend on its ordinary shares in the preceding financial year; or
 - (ii) determines that no dividend is to be paid on such shares in the current financial year;

FIRST SCHEDULE — *continued*

- (h) the dividends or coupons on the instrument are non-cumulative;
 - (i) the agreement governing the issuance of the instrument does not contain any provision that mandates the insurer to make any dividend or coupon payments in the form of shares of the insurer;
 - (j) the dividend or coupon rate, or the formula for calculating dividend or coupon payments, is fixed at the time of issuance of the instrument and is not linked to the credit standing of the insurer;
 - (k) the instrument is available to absorb the losses of the insurer without it being obliged to cease carrying on insurance business;
 - (l) the holder of the instrument has a priority of claim, in respect of the principal and interest of the instrument in the event of a winding up of the insurer, which is lower than that of policy owners, other creditors of the insurer and holders of qualifying Tier 2 instruments, except where such persons rank equally with, or behind the holder of the instrument;
 - (m) the instrument is not secured or covered under any arrangement that legally or economically enhances the priority of the claim of any holder of the instrument as against the persons set out in sub-paragraph (l);
 - (n) for any instrument issued as debt by the insurer, the holder of the instrument waives his right to set off any amount he owes the insurer against any subordinated amount owed to him under the instrument and further agrees to return any amount which is set-off to the liquidator;
 - (o) the subordination provisions of the instrument are governed by the laws of Singapore, or if the instrument is subject to the laws of a jurisdiction other than Singapore, the insurer satisfies itself and the Authority that all the relevant conditions specified in sub-paragraphs (a) to (s) are met under the laws of that jurisdiction;
 - (p) the main features of the instrument, in particular sub-paragraphs (f) to (n), are disclosed accurately and in a manner that is easily understood by an investor;
 - (q) the agreement governing the issuance of the instrument cannot be amended or varied without the prior approval of the Authority;
 - (r) an appropriate memorandum relating to the instrument has been submitted to the Authority stating how the proposed issuance complies with the requirements set out in sub-paragraphs (a) to (q) and identifying the relevant portions of the agreement governing the issuance of the instrument which addresses these requirements;
 - (s) confirmation from the insurer to the Authority that it has received written external legal and accounting opinions stating that the insurer has met with the requirement set out in sub-paragraphs (a) to (q).
- (4) Subject to sub-paragraphs (5), (6) and (7), “Tier 2 resource” of a registered insurer incorporated in Singapore means the sum of the following items:
- (a) its irredeemable and cumulative preference shares; and

FIRST SCHEDULE — *continued*

- (b) any qualifying Tier 2 instrument approved by the Authority as a Tier 2 resource in respect of the insurer.

(5) A registered insurer incorporated in Singapore may include as its Tier 1 resource —

- (a) irredeemable and non-cumulative preference shares under sub-paragraph (2) (c) (iii) and any other capital instrument approved by the Authority under sub-paragraph (2) (c) (iv) up to a combined amount not exceeding 30% of the total Tier 1 resource; and
- (b) capital instruments approved by the Authority under sub-paragraph (2) (c) (iv) up to an amount not exceeding 15% of the total Tier 1 resource,

and any excess shall be treated as part of its Tier 2 resource.

(6) Where the Tier 2 resource of a registered insurer exceeds its Tier 1 resource, the excess Tier 2 resource shall not be recognised as financial resources of the insurer.

(7) Where the aggregate amount of qualifying Tier 2 instruments under the Tier 2 resource of a registered insurer exceeds 50% of its Tier 1 resource, the excess qualifying Tier 2 instruments shall not be recognised as financial resources of the insurer.

(8) For the purpose of the sub-paragraph (1) (a) (i) (B), the allowance for provision for non-guaranteed benefits of a participating fund shall be calculated as —

- (a) the difference between —
 - (i) the liability in respect of the policies of the participating fund determined in accordance with regulation 20 (6); and
 - (ii) the minimum condition liability of the participating fund, or
- (b) 50% of the aggregate of the values of expected payments 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 regulation 20 (3) (b),

whichever is the lower.

(9) For the purpose of sub-paragraph (1) (b) (iii), the allowance for provision for non-guaranteed benefits shall be —

- (a) where the direct insurer is incorporated outside Singapore and has not established and maintained any insurance fund other than participating funds, the same as that calculated in accordance with sub-paragraph (8);
- (b) in any other case, the amount calculated in accordance with sub-paragraph (8) with the necessary adjustments to ensure that the unadjusted capital ratio of the insurer is not greater than its adjusted capital ratio.

FIRST SCHEDULE — *continued*

(10) The reinsurance adjustment of an insurance fund established and maintained by a registered insurer under the Act shall be the aggregate of the reinsurance adjustments for each reinsurance counterparty calculated in accordance with sub-paragraphs (11), (12) and (13), to whom the insurer cedes its liabilities in respect of the policies of the fund.

(11) An insurer shall calculate the reinsurance adjustment for a reinsurance counterparty as follows:

$$D = A \times B \times C,$$

where A is the reinsurance reduction, which is —

- (a) in the case of the life business of the insurer, the reduction in the value of the liabilities of the insurer in respect of its participating policies, non-participating policies and investment-linked policies due to reinsurance ceded to that reinsurance counterparty, excluding any special risk ceded by way of reinsurance; or
- (b) in the case of the general business of the insurer, the reduction in unearned premium reserves of the insurer in respect of its general business due to reinsurance ceded to that reinsurance counterparty, excluding any special risk ceded by way of reinsurance;

B is the reinsurance counterparty factor, which is —

- (a) in a case where the reinsurance counterparty is a registered insurer or a foreign insurer carrying on insurance business under a foreign insurer scheme established under section 35B of the Act, 0%;
- (b) in a case where the reinsurance counterparty is an authorised reinsurer, a related corporation of the insurer (where the reinsurance arrangement between the related corporation and the insurer is one which is exempted from the application of section 56A of the Act under regulation 12 (b) of the Insurance (Authorised Reinsurers) Regulations 2003 (G.N. No. S 680/2003)) or, where the insurer is incorporated outside Singapore, its head office or a branch of its head office, 50%; or
- (c) in any other case, 100%;

C is the appropriate counterparty risk factor set out in Table 11.

(12) For the purposes of sub-paragraph (11) —

- (a) item A may be reduced, where there is a deposit from the reinsurance counterparty that satisfies the requirements set out in sub-paragraph (13), by the amount of the deposit but the reduction shall not cause item A to be less than zero; and
- (b) where item D calculated in accordance with sub-paragraph (11) exceeds item A, the reinsurance adjustment shall be taken to be item A.

(13) For the purposes of sub-paragraph (12), the requirements that the deposit shall satisfy are as follows:

FIRST SCHEDULE — *continued*

- (a) the deposit shall be held by the insurer as security for the whole of the liabilities of the reinsurance counterparty under the contracts of reinsurance to which the deposit relates;
 - (b) the reinsurance counterparty may not withdraw the deposit so long as any such liability is secured thereon but may reduce the deposit in the event of, and in proportion to, a reduction in such liability;
 - (c) in the case of an insurer registered to carry on life business, the deposit shall only relate to that business and the deduction shall relate to liabilities secured thereon; and
 - (d) in the case of an insurer registered to carry on general business, the deposit shall only relate to that business and the deduction shall relate to unearned premium reserves secured thereon.
- (14) In this paragraph —
- “adjusted capital ratio”, in relation to an insurer, means the ratio of the financial resources of the insurer (excluding the financial resources of any participating fund) to the total risk requirement of the insurer (excluding such requirement arising from any participating fund);
- “charged asset” means any asset which is subjected to a charge under which a third party has a right of retention or sale of the asset upon default of the insurer and the deposit made by the insurer under section 14 of the Act;
- “credit facility” means —
- (a) the granting by a financial institution of advances, loans and other facilities whereby a registered insurer has access to funds or financial guarantees; or
 - (b) the incurring by a financial institution of other liabilities on behalf of a registered insurer;
- “financial resource adjustment” means the sum of the following items:
- (a) any loan to or guarantee granted for a related corporation, or any other unsecured amount owed by a related corporation or reflected in the books of the insurer to be due and owing from the head office of the insurer to the insurer, except where such loan, guarantee or other unsecured amount arises from a contract of insurance;
 - (b) any charged asset, except where —
 - (i) the insurer has not drawn down on the credit facility, if the charge is created to secure a credit facility;
 - (ii) a liability is incurred by the insurer in respect of the charged asset for use in the conduct of the insurance business of the insurer; or
 - (iii) the asset is provided as a collateral for a transaction for which the insurer is required to calculate a derivative

FIRST SCHEDULE — *continued*

counterparty risk requirement in accordance with paragraph 8 of the Fourth Schedule;

- (c) any deferred tax asset;
- (d) any intangible asset (including goodwill); and
- (e) any other assets that the Authority may specify to an insurer for the purpose of this sub-paragraph;

“unadjusted capital ratio”, in relation to an insurer, means the ratio of the financial resources of the insurer (including the financial resources of any participating fund) to the total risk requirement of the insurer (including such requirement arising from any participating fund).

Qualifying Tier 2 Instrument

2.—(1) “Qualifying Tier 2 instrument” means an instrument, of an amount specified under sub-paragraph (3), that satisfies the following criteria:

- (a) the instrument is issued and fully paid-up in cash, and only the net proceeds received from the issuance of instruments shall be included as financial resources of the insurer;
- (b) the instrument has a minimum original maturity of 10 years, and in the case where the agreement governing the issuance of the instrument provides for the instrument to be drawn down in a series of tranches, the minimum original maturity of each tranche shall be 10 years;
- (c) the instrument, if redeemable (whether through a call option, share buy-back or otherwise), may only be redeemed at the option of the insurer with the prior approval of the Authority;
- (d) the instrument does not have any call option within the first 5 years from the issue date, other than a call option which may be exercised by the insurer where —
 - (i) the instrument is issued for the purpose of a merger with or acquisition by the insurer, and the merger or acquisition is aborted; or
 - (ii) there is a change in the tax status of the instrument due to changes in the applicable tax laws of the country or territory in which the instrument was issued;
- (e) the agreement governing the issuance of the instrument does not contain any provision that mandates or creates an incentive for the insurer to repay the outstanding principal of the instrument early, other than a call option —
 - (i) no earlier than 10 years after the issuance of the instrument, accompanied by a provision whereby the dividend or coupon rate payable under the instrument increases by no more than 100 basis points over the initial rate, less the swap spread between the initial index basis and the stepped-up index basis if the insurer

FIRST SCHEDULE — *continued*

chooses not to exercise its option, such increase in dividend or coupon rate being the only one during the validity period of the instrument; or

- (ii) in the 2 situations set out in sub-paragraph (d);
- (f) the agreement governing the issuance of the instrument provides the insurer with an option to defer any dividend or interest payment on the instrument, subject that the interest rate payable on deferred dividends or interest shall not exceed market rates, where the insurer —
 - (i) has not paid or declared a dividend on its ordinary and other classes of preference shares in the preceding financial year; or
 - (ii) determines that no dividend is to be paid on such shares in the current financial year;
- (g) the dividend or coupon rate, or the formula for calculating dividend or coupon payments, is fixed at the time of issuance of the instrument and is not linked to the credit standing of the insurer;
- (h) the instrument is available to absorb the losses of the insurer without the insurer being obliged to cease carrying on business;
- (i) the holder of the instrument has a priority of claim in respect of the principal and interest of the instrument, in the event of a winding up of the insurer, which is lower than that of policy owners and other creditors of the insurer, except where such persons rank equally with, or behind, the holder of the instrument;
- (j) the instrument is not secured or covered under any arrangement that legally or economically enhances the priority of the claim of any holder of the instrument as against the persons set out in sub-paragraph (i);
- (k) for any instrument issued as debt by the insurer, the holder of the instrument waives his right to set off any amounts he owes the insurer against any subordinated amount owed to him due to the instrument and agrees to return any amount set-off to the liquidator;
- (l) the subordination provisions of the instrument are governed by the laws of Singapore, or if the instrument is to be subject to the laws of a jurisdiction other than Singapore, the insurer satisfies itself and the Authority that all the relevant conditions specified within sub-paragraphs (a) to (r) are met under the laws of that jurisdiction;
- (m) the main features of the instruments, in particular sub-paragraphs (f) to (k), are disclosed accurately and in a manner that is easily understood by an investor;
- (n) the agreement governing the issuance of the instrument cannot be amended or varied without the prior approval of the Authority;
- (o) any instrument issued in its final 5 years to maturity shall have the amount eligible as a Tier 2 resource amortised on a straight-line basis by

FIRST SCHEDULE — *continued*

20% per annum, and in a case where the loans are repayable in separate tranches, each tranche is to be amortised individually, as if it were a separate loan;

- (*p*) where an insurer issues an instrument in a foreign currency, the instrument is to be revalued periodically (at least monthly) in terms of Singapore dollars at the prevailing exchange rates;
- (*q*) an appropriate memorandum of compliance has been submitted to the Authority stating how the proposed issuance complies with the requirements set out in sub-paragraphs (*a*) to (*p*) and identifying the relevant portions of the agreement governing the issuance of the instrument which addresses those requirements; and
- (*r*) confirmation from the insurer to the Authority that it has received written external legal and accounting opinions stating that the insurer has met with the requirement set out in sub-paragraphs (*a*) to (*p*).

(2) For the purposes of sub-paragraph (1) (*p*), where the insurer intends to use a swap to hedge the foreign exchange exposure arising from the foreign currency instrument, it shall obtain the prior approval of the Authority on the capital treatment applicable to the hedge.

(3) The amount of a qualifying Tier 2 instrument shall be —

- (*a*) in the case of an instrument which has no maturity or has a remaining maturity of more than 5 years, the amount paid for principal of the instrument; or
- (*b*) in the case of an instrument which has a remaining maturity of 5 years or less, the principal of the instrument reduced, at least on a yearly basis, on a straight-line basis over 5 years.

SECOND SCHEDULE

Regulation 2 (1)

TOTAL RISK REQUIREMENT

Total risk requirement

1. “Total risk requirement” of an insurance fund established and maintained under the Act or, in the case of a registered insurer incorporated in Singapore, arising from assets and liabilities that do not belong to any insurance fund established and maintained under the Act (including assets and liabilities of any of the insurer’s branches located outside Singapore) means the sum of the following:

- (*a*) Component 1 (C1) requirement relating to insurance risks calculated in accordance with the Third Schedule;
- (*b*) Component 2 (C2) requirement relating to market risks, credit risks and risks arising from the mismatch, in terms of interest rate sensitivity and currency exposure, of the assets and liabilities of the insurer, calculated in accordance with the Fourth Schedule; and

SECOND SCHEDULE — *continued*

- (c) Component 3 (C3) requirement relating to concentration risks calculated in accordance with the Fifth Schedule.

2. The “total risk requirement” of a registered insurer shall be the aggregate of the total risk requirements of every insurance fund established or maintained by the insurer under the Act and, where the insurer is a registered insurer incorporated in Singapore, the total risk requirement arising from assets and liabilities that do not belong to any insurance fund established and maintained under the Act (including assets and liabilities of any of the insurer’s branches located outside Singapore).

3. In the calculation of the total risk requirement, an insurer shall not include the following items:

- (a) in the case of an investment-linked fund, the part of the fund relating to the unit reserves of the policies of the fund determined in the manner provided in regulation 20;
- (b) any insurance fund established and maintained under the Act by a reinsurer in respect of offshore policies; and
- (c) in the case of a reinsurer incorporated in Singapore, the assets and liabilities of any of its branches located outside of Singapore.

4. In the case of a registered insurer incorporated in Singapore, in determining the total risk requirement for assets and liabilities that do not belong to any insurance fund established and maintained under the Act, the value of such assets and liabilities (including that arising from insurance business) shall be determined in accordance with Parts IV and V of these Regulations.

5. Any asset or part of an asset that causes an insurer’s C3 requirement to increase shall be excluded from the calculation of C2 requirement.

6. The contribution to the total risk requirement of any asset excluded from the financial resources of the registered insurer shall be zero.

THIRD SCHEDULE

Paragraph 1 of Second Schedule
and paragraph 4 of Fourth Schedule

COMPONENT 1 (C1) REQUIREMENT — INSURANCE RISKS

C1 requirement

1. Subject to paragraph 5, a registered insurer shall determine the C1 requirement of an insurance fund established and maintained under section 17 of the Act in the following manner:

- (a) where the insurance fund is established and maintained in respect of the general business of an insurer, the C1 requirement shall be determined in the manner as provided in paragraph 3; and

THIRD SCHEDULE — *continued*

- (b) where the insurance fund is established and maintained in respect of the life business of an insurer, the C1 requirement shall be determined in the manner as provided in paragraph 4.

2. Subject to paragraph 5, a registered insurer incorporated in Singapore shall determine the C1 requirement arising from any insurance business of the insurer that does not belong to any insurance fund established and maintained under the Act in the same manner as its insurance business relating to an insurance fund established and maintained under the Act.

C1 requirement for general business

3.—(1) The C1 requirement of an insurance fund established and maintained in respect of general business is calculated as the sum of —

- (a) premium liability risk requirement calculated in accordance with sub-paragraphs (2) and (3); and
- (b) claim liability risk requirement calculated in accordance with sub-paragraphs (4) and (5).

(2) For each volatility category, there shall be calculated a premium liability risk requirement for that category as —

- (a) the product of —
 - (i) the premium liability risk factor for that volatility category set out in Table 4 of the Sixth Schedule; and
 - (ii) the unexpired risk reserves determined in the manner provided in regulation 19 (1) (a) (ii) relating to that volatility category,less the premium liability relating to that volatility category; or

- (b) zero,

whichever is the higher.

(3) The premium liability risk requirement of the insurance fund shall be the aggregate of the premium liability risk requirements for each volatility category.

(4) For each volatility category, there shall be calculated a claim liability risk requirement for that category as —

- (a) the product of —
 - (i) the claim liability risk factor for that volatility category set out in Table 4 of the Sixth Schedule; and
 - (ii) the claim liabilities determined in the manner provided in regulation 19 (1) (b) relating to that volatility category, excluding such claim liabilities arising from any policy which the maximum loss that may be incurred under the policy is already provided for,

less the claim liabilities relating to that volatility category (excluding such claim liabilities arising from any policy which the maximum loss that may be incurred under the policy is already provided for); or

THIRD SCHEDULE — *continued*

(b) zero,
whichever is the higher.

(5) The claim liability risk requirement of the insurance fund shall be the aggregate of the claim liability risk requirements for each volatility category.

(6) In this paragraph, “volatility category” refers to the grouping of business lines in accordance with Table 5 of the Sixth Schedule, or any other grouping that the Authority may allow in respect of any particular insurer.

C1 requirement for life business

4.—(1) The C1 requirement of an insurance fund established and maintained in respect of life business is calculated as the sum of —

- (a) the policy liability risk requirement calculated in accordance with sub-paragraphs (2) and (3); and
- (b) the surrender value condition requirement calculated in accordance with sub-paragraphs (4) and (5).

(2) The policy liability risk requirement of a non-participating fund or an investment-linked fund shall be —

- (a) the difference between —
 - (i) a modified liability in respect of policies of the fund where the value is determined by adjusting assumptions used in the valuation or by making such other adjustments as are set out in Table 6 of the Sixth Schedule; and
 - (ii) the liability in respect of policies of the fund determined in the manner provided in regulation 20 (5); or

(b) zero,
whichever is the higher.

(3) The policy liability risk requirement of a participating fund shall be —

- (a) the difference between —
 - (i) a modified minimum condition liability of the fund where the value is determined by adjusting assumptions used in the valuation or by making such other adjustments as are set out in Table 6 of the Sixth Schedule; and
 - (ii) the minimum condition liability of the fund; or

(b) zero,
whichever is the higher.

(4) The surrender value condition requirement of a non-participating fund or an investment-linked fund shall be —

- (a) the aggregate of the surrender values of the policies of the fund less the sum of —

THIRD SCHEDULE — *continued*

- (i) the total risk requirement of the fund; and
 - (ii) the liability in respect of policies of the fund determined in the manner provided in regulation 20 (5); or
- (b) zero,
- whichever is the higher.

(5) The surrender value condition requirement of a participating fund shall be —

- (a) the aggregate of the surrender values of the policies of the fund, less —
 - (i) the total risk requirement of the fund and the minimum condition liability of the fund; or
 - (ii) the liability in respect of policies of the participating fund determined in the manner provided in regulation 20 (6),whichever is the higher; or
 - (b) zero,
- whichever is the higher.

Alternative method of calculating C1

5. A registered insurer may use any alternative method to calculate the C1 requirement if the method results in a C1 requirement which is no less than that determined in the manner provided in this Schedule and in such a case, the Authority may require the insurer to provide documentary evidence of that fact.

FOURTH SCHEDULE

Paragraph 1 (14) of First Schedule
and paragraph 1 of Second Schedule

COMPONENT 2 (C2) REQUIREMENT — INVESTMENT RISKS AND RISKS ARISING FROM INTEREST RATE SENSITIVITY AND FOREIGN CURRENCY MISMATCH BETWEEN ASSETS AND LIABILITIES

C2 requirement

1.—(1) Subject to paragraph 10, a registered insurer shall calculate the C2 requirement as the sum of the following:

- (a) the equity investment risk requirement calculated in accordance with paragraph 2;
- (b) the debt investment and duration mismatch risk requirement calculated as —
 - (i) the debt investment risk requirement in an increasing interest rate environment calculated in accordance with paragraph 3 and the liability adjustment requirement in an increasing interest rate environment calculated in accordance with paragraph 4; or

FOURTH SCHEDULE — *continued*

- (ii) the debt investment risk requirement in a decreasing interest rate environment calculated in accordance with paragraph 3, and the liability adjustment requirement in a decreasing interest rate environment calculated in accordance with paragraph 4, whichever is the higher;
- (c) the loan investment risk requirement calculated in accordance with paragraph 5;
- (d) the property investment risk requirement calculated in accordance with paragraph 6;
- (e) the foreign currency mismatch risk requirement calculated in accordance with paragraph 7;
- (f) the derivative counterparty risk requirement calculated in accordance with paragraph 8; and
- (g) the miscellaneous risk requirement calculated in accordance with paragraph 9.

Swap positions

- (2) A registered insurer shall deem a position in a swap as —
 - (a) a notional long position in a forward contract or an option, on a security or an index; and
 - (b) a notional short position in a forward contract or an option, on a security or an index,

such that the combined payouts arising from the two notional positions match the payouts arising from the swap exactly in terms of timing and amount.

(3) Where the notional position referred to in sub-paragraph (2) makes reference to an interest rate instead of a specific security, the notional position shall be deemed as a position in a government debt security.

Valuation of notional positions

(4) A registered insurer shall value a notional position in a security as the current market value of the security, except in the case of a notional position derived from a warrant or a convertible security, in which event the insurer shall value the notional position as —

- (a) the sum of the current market value of the underlying share and an amount equal to any loss on conversion; or
- (b) the current market value of the underlying share less an amount equal to any profit on conversion, subject to a minimum value of zero.

C2 requirement for non-standard instruments

(5) Where a registered insurer holds a position in any security, futures contract, forward contract, foreign exchange contract or other financial asset for

FOURTH SCHEDULE — *continued*

which no method for computation of a C2 requirement has been prescribed in this Schedule, the insurer shall —

- (a) immediately consult the Authority; and
- (b) until otherwise directed by the Authority —
 - (i) add 100% of the current market value of the position to the miscellaneous risk requirement calculated in paragraph 9; or
 - (ii) calculate an appropriate C2 requirement for the position in the manner that the Authority may otherwise direct.

Equity investment risk requirement

2.—(1) In calculating the equity investment risk requirement, a registered insurer shall include —

- (a) any position in an equity security, except, where the insurer elects to include in the calculation of the debt investment risk requirement under paragraph 3, any position in a collective investment scheme with a mandate to invest in debt securities and debt derivatives only;
- (b) any position in an equity derivative; and
- (c) any position in a convertible security that —
 - (i) has less than 30 days remaining to the first date on which conversion may take place; and
 - (ii) is trading at a premium of less than 10%, where “premium” means the excess of the current market value of the convertible security over the current market value of the underlying share, expressed as a percentage of the current market value of the underlying share.

(2) In the calculation of the equity investment risk requirement, the insurer shall derive the position in relation to every depository receipt, warrant, convertible security or other equity derivative included —

- (a) in relation to a depository receipt, a warrant, a convertible security, futures on a single stock, or a forward on a single stock, as a notional position in the underlying share;
- (b) in relation to a future or a forward on a basket of shares or share index, as notional positions in the constituent shares of the basket of shares or share index;
- (c) in relation to a purchased call option or a written put option, as a notional long position in the underlying share; and
- (d) in relation to a purchased put option or a written call option, as a notional short position in the underlying share.

(3) The insurer shall calculate the equity investment risk requirement as the sum of —

FOURTH SCHEDULE — *continued*

- (a) the equity specific risk requirement calculated in accordance with sub-paragraph (4); and
- (b) the equity general risk requirement calculated in accordance with sub-paragraph (5).

Equity specific risk requirement

- (4) To calculate the equity specific risk requirement, the insurer shall —
 - (a) calculate, for the position in each share (whether it is a long or short position), 8% of the absolute value of the current market value of the position; and
 - (b) calculate the equity specific risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all shares.

Equity general risk requirement

- (5) To calculate the equity general risk requirement, the insurer shall —
 - (a) allocate the position in each share to an appropriate country or territory;
 - (b) calculate an overall net long or short position for each country or territory by netting the long and short positions in all shares allocated to that country or territory;
 - (c) calculate the equity general risk requirement for that country or territory as 8% of the absolute value of the current market value of the overall net long or short position calculated in accordance with sub-paragraph (b); and
 - (d) calculate the equity general risk requirement as the sum of the products calculated in sub-paragraph (c) for all countries or territories.

Adjustments for warrant or option

(6) The insurer shall adjust the absolute value of the equity investment risk requirement arising from an option by deducting an amount equal to the extent to which the option is out-of-the-money, which is determined as —

- (a) in the case of a call option, any positive excess of the value at which the option will be exercised (exercise value) over the current market value of the underlying share; and
- (b) in the case of a put option, any positive excess of the current market value of the underlying share over the exercise value,

but the adjusted absolute value of the equity investment risk requirement arising from the option shall not exceed the current market value of the option and in any case no less than zero.

(7) The insurer shall restrict the absolute value of the equity investment risk requirement arising from a warrant to the current market value of the warrant.

FOURTH SCHEDULE — *continued*

(8) Any adjustment made under sub-paragraphs (6) and (7) shall be made proportional to the equity specific risk requirement and equity general risk requirement arising from the warrant or option.

Interest rate add-on for equity derivatives

(9) The insurer shall calculate a risk requirement to cover the interest rate risk in a position in an equity derivative (whether or not the equity derivative has been treated or included as an equity position or equity derivative position) by including the notional position in a debt security derived in accordance with sub-paragraph (10) in the calculation of the debt investment risk requirement.

(10) For the purpose of sub-paragraph (9), the insurer shall derive the notional position in an appropriate debt security as follows:

- (a) the notional position shall have a maturity equal to the period up to the expiry of the equity derivative contract;
- (b) the notional position shall be either —
 - (i) a long position, in a case where the underlying equity position is a short position; or
 - (ii) a short position, in a case where the underlying equity position is a long position.

Debt investment risk requirement

3.—(1) Subject to sub-paragraph (4), in calculating the debt investment risk requirement, a registered insurer shall include —

- (a) any position in a debt security;
- (b) any position in a debt derivative;
- (c) where the insurer has made an election referred to in paragraph 2 (1) (a), any position in a collective investment scheme with a mandate to invest in debt securities and debt derivatives only;
- (d) any non-convertible preference share;
- (e) any position in a convertible security that does not meet the conditions in paragraph 2 (1) (c); and
- (f) any notional position arising from interest rate add-on for equity derivatives derived in accordance with paragraph 2 (10).

(2) In the calculation of the debt investment risk requirement, the insurer shall, subject to sub-paragraph (3), derive the position in relation to every debt derivative to be —

- (a) in relation to a long (or short) futures or forward contract on a debt security, a notional long (or short) position in the underlying debt security and a notional short (or long) position in a zero coupon government debt security with a maturity equal to the time of expiry of the futures or forward contract;

FOURTH SCHEDULE — *continued*

- (b) in relation to a futures contract on an interest rate or a forward rate agreement —
 - (i) where the insurer buys a futures contract on an interest rate or sells a forward rate agreement —
 - (A) a notional short position in a zero-coupon government debt security with a maturity equal to the period to expiry of the futures contract or the settlement date of the forward rate agreement; and
 - (B) a notional long position in a zero-coupon government debt security with a maturity equal to the sum of the period to expiry of the futures contract or the settlement date of the forward rate agreement and the maturity of the deposit period; and
 - (ii) where the insurer sells a futures contract on an interest rate or buys a forward rate agreement —
 - (A) a notional short position in a zero-coupon government debt security with a maturity equal to the sum of the period to expiry of the futures contract or the settlement date of the forward rate agreement and the maturity of the borrowing period; and
 - (B) a notional long position in a zero-coupon government debt security with a maturity equal to the period to expiry of the futures contract or the settlement date of the forward rate agreement;
- (c) in relation to a purchased call option or written put option on a debt security, a notional long position in the underlying debt security;
- (d) in relation to a purchased put option or written call option on a debt security, a notional short position in the underlying debt security;
- (e) in relation to an option on an interest rate, a notional position in an appropriate government security —
 - (i) which is —
 - (A) a long position, in the case of a purchased call option or a written put option; or
 - (B) a short position, in the case of a purchased put option or written call option; and
 - (ii) which has a maturity equal to the sum of the period until the expiry of the option and the period for which the interest rate is fixed;
- (f) in relation to an option on a futures contract or forward contract on a debt security, a notional position in the underlying futures contract or forward contract; and

FOURTH SCHEDULE — *continued*

- (g) in relation to an option on a futures contract on an interest rate or a forward rate agreement, a notional position in the underlying futures contract or forward rate agreement.

(3) Where it relates to a forward contract or a futures contract that allows settlement by a range of deliverable debt securities, the notional position derived according to sub-paragraph (2) shall refer to the debt security that is clearly identified as the most profitable for the party having a short position to deliver.

(4) For any position in a collective investment scheme included in the calculation of debt investment risk requirement with a mandate to invest in debt securities and debt derivatives only, the insurer shall treat such collective investment scheme as a single debt security and apply the calculation method as set out in sub-paragraph (7) to the average maturity, coupon, credit quality of the debt securities or debt derivatives underlying the collective investment scheme.

(5) A pair of long and short positions in the same debt security may be excluded from the calculation of debt investment risk requirement to the extent they are matched.

(6) For the purpose of sub-paragraph (5), a pair of long and short positions is matched if —

- (a) the positions are in respect of the same debt security with identical issuer, coupon, currency and residual maturity; or
- (b) for notional positions with identical issuer, nominal value and currency, but different coupon or residual maturity —
 - (i) the notional positions arise from futures contracts and mature within 7 days of each other;
 - (ii) both of the notional positions arise from swaps or forward rate agreements and have identical reference rates (for floating rate positions), and the coupon rates are within 15 basis points of each other; or
 - (iii) both the notional positions arise from swaps, forward rate agreements or forward contracts and —
 - (A) where the maturity of the positions are no more than 30 days from the valuation date, the maturity of the positions are on the same day;
 - (B) where the maturity of the positions are more than 30 days but no more than 12 months from the valuation date, the maturity of the positions are within 7 days of each other; or
 - (C) where the maturity of the positions are more than a year from the valuation date, the maturity of the positions are within 30 days of each other.

(7) An insurer shall calculate the debt investment risk requirement —

FOURTH SCHEDULE — *continued*

- (a) in an increasing interest rate environment, as the sum of —
 - (i) the debt specific risk requirement calculated in accordance with sub-paragraph (9); and
 - (ii) the debt general risk requirement calculated in accordance with sub-paragraph (10); or
- (b) in a decreasing interest rate environment, as the sum of —
 - (i) the debt specific risk requirement calculated in accordance with sub-paragraph (9); and
 - (ii) the negative of the debt general risk requirement calculated in accordance with sub-paragraph (10).

Maturity

- (8) In this Schedule, unless the context otherwise requires, “maturity” means —
 - (a) the period remaining till the maturity of the security; or
 - (b) in the case of a debt security with a floating rate coupon, the period remaining till the determination of the rate of the next coupon.

Debt specific risk requirement

- (9) For the purpose of calculating the debt specific risk requirement, the insurer shall calculate —
 - (a) the debt specific risk requirement for the position in each debt security (whether it is a long or short position) as the product of —
 - (i) the absolute value of the current market value of the position; and
 - (ii) the appropriate debt specific risk factor set out in Table 7 of the Sixth Schedule; and
 - (b) the debt specific risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all securities.

Debt general risk requirement

- (10) For the purpose of calculating the debt general risk requirement, the insurer shall —
 - (a) group long and short positions in each debt security for all securities in the same currency to form currency portfolios;
 - (b) apply one of the following methods to calculate the debt general risk requirement for each currency portfolio:
 - (i) for an insurer who does not have any short position in any debt security, the simplified method described in sub-paragraph (11); or
 - (ii) the maturity method described in sub-paragraph (12); and

FOURTH SCHEDULE — *continued*

- (c) calculate the debt general risk requirement as the sum of the requirements for each currency portfolio determined in sub-paragraph (b).

Simplified method

(11) For the purpose of calculating the debt general risk requirement for a currency portfolio under the simplified method, the insurer shall calculate —

- (a) for each position in debt securities in that currency portfolio, the product of —
 - (i) the market value of the position; and
 - (ii) the appropriate debt general risk factor set out in Table 8 of the Sixth Schedule; and
- (b) the debt general risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all debt positions.

Maturity method

(12) For the purpose of calculating the debt general risk requirement for a currency portfolio under the maturity method, the insurer shall —

- (a) allocate each position in debt securities in that currency portfolio into an appropriate maturity band according to the maturity and coupon of the debt securities in accordance with Table 8 of the Sixth Schedule;
- (b) for each maturity band defined by Table 8 of the Sixth Schedule —
 - (i) calculate the aggregate of all long positions;
 - (ii) multiply the aggregate determined in sub-paragraph (i) by the appropriate maturity band debt general risk factor set out in Table 8 of the Sixth Schedule;
 - (iii) calculate the aggregate of all short positions;
 - (iv) multiply the aggregate determined in sub-paragraph (iii) by the appropriate maturity band debt general risk factor set out in Table 8 of the Sixth Schedule;
 - (v) determine the vertical disallowance of the maturity band as the product of the appropriate maturity band matching factor set out in Table 9 of the Sixth Schedule and the lower of —
 - (A) the product determined in sub-paragraph (ii); and
 - (B) the absolute value of the product determined in sub-paragraph (iv); and
 - (vi) calculate the sum of the products determined in sub-paragraphs (ii) and (iv);
- (c) for each zone defined by Table 8 of the Sixth Schedule —
 - (i) calculate the aggregate of the sums determined in sub-paragraph (b) (vi) for all maturity bands within the zone where those sums are positive;

FOURTH SCHEDULE — *continued*

- (ii) calculate the aggregate of the sums determined in sub-paragraph (b) (vi) for all maturity bands within the zone where those sums are negative;
 - (iii) determine the intra-zone horizontal disallowance of the zone as the product of the appropriate zone matching factor set out in Table 9 of the Sixth Schedule and the lower of —
 - (A) the aggregate determined in sub-paragraph (i); and
 - (B) the absolute value of the aggregate determined in sub-paragraph (ii); and
 - (iv) calculate the sum of the aggregates determined in sub-paragraphs (i) and (ii);
- (d) where the product of the sum determined in sub-paragraph (c) (iv) for Zone 1 and the sum determined in sub-paragraph (c) (iv) for Zone 2 is negative —
- (i) determine the adjacent-zone horizontal disallowance as the product of the appropriate adjacent zone matching factor set out in Table 9 of the Sixth Schedule and the lower of —
 - (A) the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 1; and
 - (B) the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 2; and
 - (ii) calculate the aggregate of the sums determined in sub-paragraph (c) (iv) for Zones 1 and 2 and —
 - (A) where the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 1 is greater than the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 2, this aggregate shall be allocated to Zone 1 and shall be taken to replace the sum determined in sub-paragraph (c) (iv) for that zone for the purpose of the sub-paragraphs subsequent to this sub-paragraph; or
 - (B) otherwise, this aggregate shall be allocated to Zone 2 and shall be taken to replace the sum determined in sub-paragraph (c) (iv) for that zone for the purpose of the sub-paragraphs subsequent to this sub-paragraph;
- (e) where the product of the sum determined in sub-paragraph (c) (iv) for Zone 2 and the sum determined in sub-paragraph (c) (iv) for Zone 3 is negative —
- (i) determine the adjacent-zone horizontal disallowance as the product of the appropriate adjacent zone matching factor set out in Table 9 of the Sixth Schedule and the lower of —
 - (A) the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 2; and

FOURTH SCHEDULE — *continued*

- (B) the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 3; and
- (ii) calculate the aggregate of the sums determined in sub-paragraph (c) (iv) for Zones 2 and 3 and —
 - (A) where the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 2 is greater than the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 3, this aggregate shall be allocated to Zone 2 and shall be taken to replace the sum determined in sub-paragraph (c) (iv) for that zone for the purpose of the sub-paragraphs subsequent to this sub-paragraph; or
 - (B) otherwise, this aggregate shall be allocated to Zone 3 and shall be taken to replace the sum determined in sub-paragraph (c) (iv) for that zone for the purpose of the sub-paragraphs subsequent to this sub-paragraph;
- (f) where the product of the sum determined in sub-paragraph (c) (iv) for Zone 1 and the sum determined in sub-paragraph (c) (iv) for Zone 3 is negative, determine the cross-zone horizontal disallowance as the lower of —
 - (i) the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 1; and
 - (ii) the absolute value of the sum determined in sub-paragraph (c) (iv) for Zone 3; and
- (g) calculate the debt general risk requirement as the aggregate of —
 - (i) the sum of all products determined in sub-paragraph (b) (ii) and (iv) for all maturity bands;
 - (ii) the sum of the vertical disallowances determined in sub-paragraph (b) (v) for all maturity bands;
 - (iii) the sum of the intra-zone horizontal disallowances determined in sub-paragraph (c) (iii) for all zones;
 - (iv) the sum of the adjacent-zone horizontal disallowances determined in sub-paragraphs (d) (i) and (e) (i); and
 - (v) the cross-zone horizontal disallowance determined in sub-paragraph (f).

Adjustments for option

(13) The insurer shall adjust the absolute value of the debt investment risk requirement arising from an option by deducting an amount equal to the extent to which the option is out-of-the-money, which is determined as —

- (a) in the case of a call option, any positive excess of the exercise value over the current market value of the underlying share; and

FOURTH SCHEDULE — *continued*

(b) in the case of a put option, any positive excess of the current market value of the underlying share over the exercise value,
but the adjusted absolute value of the debt investment risk requirement arising from the option shall not exceed the current market value of the option and, in every case, no less than zero.

(14) Any adjustment made under sub-paragraph (13) shall be made proportional to the debt specific risk requirement and debt general risk requirement arising from the option.

Liability adjustment requirement

4.—(1) The liability adjustment requirement in respect of general business shall be —

- (a) in an increasing interest rate environment, the difference between —
 - (i) the C1 requirement calculated according to paragraph 3 of the Third Schedule, adjusting the interest rate assumption upwards by an appropriate adjustment set out in Table 10 of the Sixth Schedule; and
 - (ii) the C1 requirement calculated according to paragraph 3 of the Third Schedule; and
- (b) in a decreasing interest rate environment, the difference between —
 - (i) the C1 requirement calculated according to paragraph 3 of the Third Schedule, adjusting the interest rate assumption downwards (subjected to a minimum interest rate of zero) by an appropriate adjustment set out in Table 10 of the Sixth Schedule; and
 - (ii) the C1 requirement calculated according to paragraph 3 of the Third Schedule.

(2) Notwithstanding sub-paragraph (1), an insurer may elect not to calculate a liability adjustment requirement for an insurance fund established and maintained in respect of general business, in which case, both the liability adjustment requirement in an increasing interest rate environment and the liability adjustment requirement in a decreasing interest rate environment shall be taken to be zero.

(3) The liability adjustment requirement in respect of life business shall be —

- (a) in an increasing interest rate environment, the difference between —
 - (i) the policy liability risk requirement calculated according to paragraph 4 of the Third Schedule, adjusting the interest rate assumption upwards by an appropriate adjustment set out in Table 10 of the Sixth Schedule; and
 - (ii) the policy liability risk requirement calculated according to paragraph 4 of the Third Schedule; and
- (b) in a decreasing interest rate environment, the difference between —

FOURTH SCHEDULE — *continued*

- (i) the policy liability risk requirement calculated according to paragraph 4 of the Third Schedule, adjusting the interest rate assumption downwards (subjected to a minimum interest rate of zero) by an appropriate adjustment set out in Table 10 of the Sixth Schedule; and
- (ii) the policy liability risk requirement calculated according to paragraph 4 of the Third Schedule.

Loan investment risk requirement

5.—(1) In calculating the loan investment risk requirement for all loans originated from the insurer, a registered insurer shall calculate —

- (a) for each loan, the product of —
 - (i) the principal outstanding; and
 - (ii) 8% of the appropriate counterparty risk factor set out in Table 11 of the Sixth Schedule; and
- (b) the loan specific risk requirement as the aggregate of the products calculated in sub-paragraph (a) for all loans.

Acceptable collateral

(2) For the purpose of sub-paragraph (1), the insurer may reduce the principal outstanding used in determining the loan investment risk requirement by the amount of any acceptable collateral held by the insurer and such collateral shall have a value of —

- (a) in the case of cash or cash value of a policy, 100% of its value;
- (b) in the case of a security issued by a government or a public authority, 95% of the current market value of the securities;
- (c) in the case of a security listed on a securities exchange, 70% of the current market value of the securities; and
- (d) in any other case, zero.

Property investment risk requirement

6. A registered insurer shall calculate the property investment risk requirement as 16% of the total value of all the immovable properties of the insurer.

Foreign currency mismatch risk requirement

7.—(1) A registered insurer shall calculate for each currency (other than for the Singapore Dollar) the net open position of the insurer in the currency as the absolute value of the aggregate of the following:

- (a) the amount of all assets less all liabilities denominated in the currency;
- (b) the aggregate of amounts in the currency to be received by the insurer less the aggregate of amounts in the currency to be paid by the insurer in relation to the currency positions arising from any futures contract or

FOURTH SCHEDULE — *continued*

forward contract, including a forward contract associated with cross-currency swaps or other derivatives; and

(c) net positions in products denominated in the currency in relation to any non-currency futures contract, forward contract and other derivatives, excluding —

- (i) any asset or exposure for which the insurer has calculated a risk requirement equal to 100% of the value of the asset or the full contract value, as appropriate, under this Schedule; and
- (ii) any position the insurer holds to hedge against a foreign currency position referred to in sub-paragraph (i), where the hedging contract is clearly earmarked as a hedge, to the extent that the nominal amount underlying each hedging contract matches the nominal amount of the contract being hedged.

(2) The insurer shall convert its net open position in each currency to the Singapore Dollar (preserving the sign) at the prevailing market spot rate at valuation date.

(3) The insurer shall calculate its foreign currency risk exposure as the higher of —

- (a) the aggregate of net open positions of the insurer in currencies which net open position is positive; or
- (b) the absolute value of the aggregate of net open positions of the insurer in currencies which net open position is negative,

less 10% of the total value of assets in the insurance fund, subject to a minimum of zero.

(4) A registered insurer shall calculate the foreign currency mismatching risk requirement as —

- (a) for any insurance fund that the insurer establishes and maintains in respect of Singapore policies, 8% of the foreign currency risk exposure of the fund calculated in sub-paragraph (3); and
- (b) in any other case, zero.

(5) In the calculation of the net open positions of the insurer in currencies, the insurer shall derive the position in relation to every derivative to be —

- (a) in relation to a purchased call option or a written put option, a long position in the commodity currency and a short position in the term currency, each of an amount equivalent to the notional face value of the underlying contract;
- (b) in relation to a purchased put option or a written call option, a short position in the commodity currency and a long position in the term currency, each of an amount equivalent to the notional face value of the underlying contract; and

FOURTH SCHEDULE — *continued*

(c) in relation to a futures contract or forward contract, two notional positions, being —

- (i) a long position in the commodity currency of an amount equivalent to the notional value of the underlying contract; and
- (ii) a short position in the term currency of an amount equivalent to the notional value of the underlying contract.

(6) For avoidance of doubt, positions in gold shall be deemed as positions in a separate foreign currency.

Derivative counterparty risk requirement

8.—(1) A registered insurer shall calculate a counterparty exposure for any over-the-counter derivatives contract (other than an option written by the insurer) or derivatives contract traded on an exchange which is dependent on the issuer for performance of the contract as the credit equivalent amount of the contract.

(2) The insurer shall calculate the derivative counterparty risk requirement as the aggregate of the products of —

- (a) the counterparty exposure calculated in accordance with sub-paragraph (1); and
- (b) 8% of the appropriate counterparty risk factor set out in Table 11 of the Sixth Schedule,

for all contracts where the derivative counterparty risk requirement is applicable.

(3) The counterparty exposure calculated may be reduced in determining the derivative counterparty risk requirement by the amount of any acceptable collateral held by the insurer in accordance with paragraph 5 (2).

(4) In this paragraph —

“credit equivalent amount” of a contract means —

- (a) in the case of an over-the-counter foreign exchange contract with an original maturity of 14 days or less, zero; or
- (b) in any other case —
 - (i) if the replacement cost of the contract is positive, the sum of the replacement cost of the contract and the potential credit exposure of the contract; or
 - (ii) if the replacement cost of the contract is negative, the potential credit exposure;

“potential credit exposure” means the product of —

- (a) the nominal or notional principal underlying the contract; and
- (b) the relevant credit exposure factor as prescribed in Table 12 of the Sixth Schedule; and

“replacement cost of the contract” means the current market value of the contract.

FOURTH SCHEDULE — *continued*

Miscellaneous risk requirement

9.—(1) A registered insurer shall calculate, for each asset for which no equity investment risk requirement, debt investment risk requirement, loan investment risk requirement or property investment risk requirement has been calculated other than cash, the miscellaneous risk requirement as the aggregate of the products of —

- (a) the value of the asset; and
- (b) the appropriate risk factor set out in Table 13 of the Sixth Schedule.

(2) The insurer shall add to the miscellaneous risk requirement calculated in sub-paragraph (1) an appropriate proportion of its contingent liabilities set out in Table 13 of the Sixth Schedule.

Alternative method of calculating C2 requirement

10. A registered insurer may use any alternative method to calculate the C2 requirement if the method results in a C2 requirement which is no less than that determined in the manner provided in this Schedule, and in such a case, the Authority may require the insurer to provide documentary evidence of that fact.

FIFTH SCHEDULE

Paragraph 1 of Second Schedule

COMPONENT 3 (C3) REQUIREMENT — CONCENTRATION RISKS

Concentration risk requirement

1. Subject to paragraph 2, a registered insurer shall calculate the C3 requirement of any insurance fund established and maintained by the insurer under the Act as the difference between —

- (a) the total asset value of the fund; and
- (b) the value of assets that do not exceed any concentration limit set out in Table 14 of the Sixth Schedule.

Alternative method for calculating C3 requirement

2. A registered insurer may use any alternative method to calculate the C3 requirement if the method results in a C3 requirement which is no less than that determined in the manner provided in this Schedule, and in such a case, the Authority may require the insurer to provide documentary evidence of that fact.

SIXTH SCHEDULE

Regulation 2 (1)

TABLE 1 — INVESTMENT GRADE CREDIT RATINGS

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Credit rating agency</i>	<i>Rating of entity or security (where applicable)</i>	<i>Rating of money market debt security</i>
(1) Moody's Investor Services	Baa3	P3
(2) Standard and Poor's Corporation	BBB-	A3
(3) Fitch, Inc	BBB-	F3
(4) A. M. Best Company, Inc	bbb-/B+	AMB-3.

1. A registered insurer may calculate its total risk requirement using ratings from one or more of the rating agencies listed in this Table.

2. For any particular rating agency used by the insurer, all publicly available ratings from that agency shall be used by the insurer in calculating the total risk requirement.

3. Where more than one rating agency is used by the insurer and more than one rating is available on a particular security or entity, the second best rating of the security or entity shall apply in calculating the total risk requirement.

4. Where the particular security or entity is not rated by any of the rating agencies used by the insurer, the security or entity shall be treated as not investment grade.

Regulation 2 (1)

TABLE 2 — RECOGNISED MULTILATERAL AGENCIES

NAME OF MULTILATERAL AGENCY

- (1) The African Development Bank
- (2) The Asian Development Bank
- (3) The Bank for International Settlements
- (4) The European Bank for Reconstruction and Development
- (5) The European Economic Community
- (6) The European Investment Bank
- (7) The Inter-American Development Bank

SIXTH SCHEDULE — *continued*

- (8) The International Bank for Reconstruction and Development
(The World Bank)
- (9) The International Finance Corporation
- (10) The International Monetary Fund.

Regulation 3 (a)

TABLE 3 — TYPES OF BUSINESS QUALIFYING FOR
REDUCED CAPITAL REQUIREMENT

TYPES OF INSURANCE BUSINESS

- (1) Business concerned with investment-linked policies only.
- (2) Business concerned with short-term accident and health policies only.

Paragraph 3 of Third Schedule

TABLE 4 — PREMIUM LIABILITY RISK FACTOR AND
CLAIM LIABILITY RISK FACTOR

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Volatility Category</i>	<i>Premium liability risk factor</i>	<i>Claim liability risk factor</i>
(1) Low	124%	120%
(2) Medium	130%	125%
(3) High	136%	130%.

Paragraph 3 of Third Schedule

TABLE 5 — VOLATILITY CATEGORY

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Volatility category</i>	<i>Business lines — Singapore insurance fund</i>	<i>Business lines — Offshore insurance fund</i>
(1) Low	(a) Personal accident (b) Health (c) Fire	
(2) Medium	(a) Marine and aviation — cargo (b) Motor (c) Workmen's compensation	(a) Marine and aviation — cargo (b) Property

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Volatility category</i>	<i>Business lines — Singapore insurance fund</i>	<i>Business lines — Offshore insurance fund</i>
	(d) Bonds	
	(e) Engineering Construction All Risk/Erection All Risk	
	(f) Credit or political risk	
	(g) Others — non- liability class	
(3) High	(a) Marine and aviation — hull	(a) Marine and aviation — hull and liability
	(b) Professional indemnity	(b) Casualty and others.
	(c) Public liability	
	(d) Others — liability class	

Paragraph 4 of Third Schedule

TABLE 6 — ADJUSTMENTS TO LIABILITY VALUATION
REQUIRED IN THE CALCULATION OF
C1 REQUIREMENT

For the purpose of the Third Schedule, the adjustments to liability valuation required in the calculation of the C1 requirement are set out in the table below.

<i>First column</i>	<i>Second column</i>
<i>Parameter</i>	<i>Assumption used</i>
(1) Mortality rate for a policy other than a policy which provides for the payment of an annuity —	
(a) during the period where premium rate payable by the policy owner is guaranteed; and	125% of the rate set out in Table 15
(b) during the period where premium rate payable by the policy owner is not guaranteed	112.5% of the insurer's best estimate of its future experience
(2) Mortality rate for a policy which provides for the payment of an annuity	100% of the rate set out in Table 16 with a 5-year setback

SIXTH SCHEDULE — *continued*

<i>First column</i> <i>Parameter</i>	<i>Second column</i> <i>Assumption used</i>
(3) Incidence rate of total and permanent disability —	
(a) during the period where premium payable by the policy owner is guaranteed for the full duration of the policy; and	125% of the insurer's best estimate of its future experience
(b) during the period where premium payable by the policy owner is not guaranteed for the full duration of the policy	112.5% of the insurer's best estimate of its future experience
(4) Incidence rate of dread disease —	
(a) during the period where premium payable by the policy owner is guaranteed for the full duration of the policy; and	140% of the insurer's best estimate of its future experience
(b) during the period where premium payable by the policy owner is not guaranteed for the full duration of the policy	120% of the insurer's best estimate of its future experience
(5) Maintenance expense	110% of the insurer's best estimate of its future experience
(6) Voluntary discontinuance rate	(i) 75% of the insurer's best estimate of its future experience; or (ii) 125% of the insurer's best estimate of its future experience, whichever produces a higher liability value
(7) Conversion rate for options provided to the policy owner	(i) 90% of the insurer's best estimate of its future experience; or (ii) 110% of the insurer's best estimate of its future experience, whichever produces a higher liability value

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>
<i>Parameter</i>	<i>Assumption used</i>
(8) Other insured events during the period —	
(a) where premium payable by the policy owner is guaranteed for the full duration of the policy; and	140% of the insurer's best estimate of its future experience
(b) where premium payable by the policy owner is not guaranteed for the full duration of the policy	120% of the insurer's best estimate of its future experience.

Paragraph 3 of Fourth Schedule

TABLE 7 — DEBT SPECIFIC RISK FACTORS

<i>Government Debt Securities</i>	<i>Qualifying Debt Securities</i>			<i>Other Debt Securities</i>
	<i>Maturity</i>			
	<i>Not more than 6 months</i>	<i>More than 6 months but not more than 24 months</i>	<i>More than 24 months</i>	
0.00%	0.25%	1.00%	1.60%	8.00%.

1. In this Table, “qualifying debt security” means a debt security which —
 - (a) is issued or fully guaranteed by a central government or central bank of a country or territory which does not have a sovereign rating of investment grade, is denominated in the national currency of that country, and has a residual maturity of more than one year;
 - (b) is issued or fully guaranteed by a statutory board in Singapore;
 - (c) is issued or fully guaranteed by a recognised multilateral agency; or
 - (d) has a rating of investment grade.

2. In determining the rating of a debt security which is unsecured and unsubordinated, the credit rating of the issuer of the debt security may be used in lieu of the credit rating of the debt security itself.

SIXTH SCHEDULE — *continued*

Paragraph 3 of Fourth Schedule

TABLE 8 — DEBT GENERAL RISK FACTORS FOR
SIMPLIFIED METHOD AND MATURITY METHOD

<i>Maturity band</i>		<i>Zone</i>	<i>Debt General Risk Factor (%)</i>
<i>Coupon/interest rate per annum</i>			
<i>More than 3%</i>	<i>Not more than 3%</i>		
(1) 1 month or less	1 month or less	1	0.00
(2) More than 1 month but not more than 3 months	More than 1 month but not more than 3 months	1	0.20
(3) More than 3 months but not more than 6 months	More than 3 months but not more than 6 months	1	0.40
(4) More than 6 months but not more than 12 months	More than 6 months but not more than 12 months	1	0.70
(5) More than one year but not more than 2 years	More than one year but not more than 1.9 years	2	1.25
(6) More than 2 years but not more than 3 years	More than 1.9 years but not more than 2.8 years	2	1.75
(7) More than 3 years but not more than 4 years	More than 2.8 years but not more than 3.6 years	2	2.25
(8) More than 4 years but not more than 5 years	More than 3.6 years but not more than 4.3 years	3	2.75
(9) More than 5 years but not more than 7 years	More than 4.3 years but not more than 5.7 years	3	3.25
(10) More than 7 years but not more than 10 years	More than 5.7 years but not more than 7.3 years	3	3.75
(11) More than 10 years but not more than 15 years	More than 7.3 years but not more than 9.3 years	3	4.50
(12) More than 15 years but not more than 20 years	More than 9.3 years but not more than 10.6 years	3	5.25
(13) More than 20 years	More than 10.6 years but not more than 12.0 years	3	6.00
(14) —	More than 12.0 years but not more than 20 years	3	8.00
(15) —	More than 20 years	3	12.50.

SIXTH SCHEDULE — *continued*

Paragraph 3 of Fourth Schedule

TABLE 9 — MATCHING FACTORS FOR
MATURITY METHODS

<i>Item</i>	<i>Matching Factor</i>
(1) Maturity Band Matching Factor	10%
(2) Zone Matching Factor (Zone 1)	40%
(3) Zone Matching Factor (Zone 2)	30%
(4) Zone Matching Factor (Zone 3)	30%
(5) Adjacent Zone Matching Factor	40%.

Paragraph 4 of Fourth Schedule

TABLE 10 — LIABILITY ADJUSTMENT REQUIREMENT
— REQUIRED ADJUSTMENT TO INTEREST RATE

<i>Length of time between the valuation date and the time of the cash flow</i>	<i>Adjustment (%)</i>
(1) 1 month or less	1.00
(2) More than 1 month but not more than 3 months	1.00
(3) More than 3 months but not more than 6 months	1.00
(4) More than 6 months but not more than 12 months	1.00
(5) More than 1 year but not more than 1.9 years	0.90
(6) More than 1.9 years but not more than 2.8 years	0.80
(7) More than 2.8 years but not more than 3.6 years	0.75
(8) More than 3.6 years but not more than 4.3 years	0.75
(9) More than 4.3 years but not more than 5.7 years	0.70
(10) More than 5.7 years but not more than 7.3 years	0.65
(11) More than 7.3 years but not more than 9.3 years	0.60
(12) More than 9.3 years but not more than 10.6 years	0.60
(13) More than 10.6 years but not more than 12.0 years	0.60
(14) More than 12.0 years but not more than 20 years	0.60
(15) More than 20 years	0.60.

SIXTH SCHEDULE — *continued*

Paragraphs 5 and 8 of
Fourth Schedule and Table 13
of this Schedule

TABLE 11 — COUNTERPARTY RISK FACTOR

<i>Counterparty risk factor</i>	<i>Counterparty</i>	
	<i>Counterparty which is the government of a country</i>	<i>Any counterparty other than a counterparty which is the government of a country</i>
(1) 0%	Counterparty Risk Class A	Not applicable
(2) 20%	Counterparty Risk Class B	Counterparty Risk Class A
(3) 50%	Counterparty Risk Class C	Counterparty Risk Class B
(4) 100%	Counterparty Risk Class D	Counterparty Risk Class C and Counterparty Risk Class D
(5) 150%	Counterparty Risk Class E	Counterparty Risk Class E.

In this Table, “Counterparty Risk Class” shall have the same meaning as that set out in Table 17 of this Schedule.

Paragraph 8 of Fourth Schedule

TABLE 12 — CREDIT EXPOSURE FACTORS

For the purposes of the Fourth Schedule, “credit exposure factor” is as specified in the table below, after making the following adjustments:

- (a) in the case of contracts with multiple exchanges of principals, the factors are multiplied by the number of remaining payments in the contract; and
- (b) the credit exposure factor of a single currency floating or floating interest rate swap is zero.

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Type of transaction</i>	<i>Residual maturity of contract</i>	<i>Credit exposure factor</i>
(1) Physical commodity contracts	(a) 12 months or less	10%
	(b) more than one year but not more than 5 years	12%
	(c) more than 5 years	15%

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Type of transaction</i>	<i>Residual maturity of contract</i>	<i>Credit exposure factor</i>
(2) Equity contracts	(a) 12 months or less	6%
	(b) more than one year but not more than 5 years	8%
	(c) more than 5 years	10%
(3) Foreign exchange contracts (other than leveraged foreign exchange contracts which are subject to margin requirements) or gold contracts	(a) a contract with original maturity of 14 calendar days or less	0%
	(b) 12 months or less, except a contract with original maturity of 14 calendar days or less	1%
	(c) more than one year but not more than 5 years	5%
	(d) more than 5 years	7.5%
(4) Interest rate contracts	(a) 12 months or less	0%
	(b) more than one year but not more than 5 years	0.5%
	(c) more than 5 years	1.5%.

Paragraph 9 of Fourth Schedule
and Table 14 of this Schedule

TABLE 13 — MISCELLANEOUS RISK FACTORS

<i>First column</i>	<i>Second column</i>
<i>Type of assets</i>	<i>Risk factor</i>
(1) A deposit with a bank or deposit-taking institution which has a rating of at least investment grade, and —	
(a) can be unconditionally withdrawn within 6 months from the date of computation of the total risk requirement	0.25%
(b) cannot be unconditionally withdrawn within 6 months from the date of computation of the total risk requirement, but can be unconditionally withdrawn within 2 years	1%

SIXTH SCHEDULE — *continued*

<i>First column</i> <i>Type of assets</i>	<i>Second column</i> <i>Risk factor</i>
(c) cannot be unconditionally withdrawn within 2 years from the date of computation of the total risk requirement	1.6%
(2) Any reinsurance recoverables due from a registered insurer or from a foreign insurer carrying on insurance business under a foreign insurer scheme established and maintained under section 35B of the Act in respect of any transaction related to a contract of reinsurance —	
(a) owing for 12 months or less	8% of the appropriate counterparty risk factor set out in Table 11 of this Schedule
(b) owing for more than 1 year but not more than 2 years	25% of the appropriate counterparty risk factor set out in Table 11 of this Schedule
(c) owing for more than 2 years	100% of the appropriate counterparty risk factor set out in Table 11 of this Schedule, subject to a maximum counterparty risk factor of 100%
(3) Any reinsurance recoverables from an authorised reinsurer, a related corporation of the insurer (where the reinsurance arrangement between the related corporation and the insurer is one which is exempted from the application of section 56A of the Act under regulation 12 (b) of the Insurance (Authorised Reinsurers) Regulations 2003 (G.N. No. S 680/2003)) or where the insurer is incorporated outside Singapore, its head office or a branch of its head office, in respect of any transaction related to a contract of reinsurance —	
(a) owing for 12 months or less	12% of the appropriate counterparty risk factor set out in Table 11 of this Schedule

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>
<i>Type of assets</i>	<i>Risk factor</i>
(b) owing for more than 1 year but not more than 2 years	37.5% of the appropriate counterparty risk factor set out in Table 11 of this Schedule
(c) owing for more than 2 years	100% of the appropriate counterparty risk factor set out in Table 11 of this Schedule, subject to a maximum counterparty risk factor of 100%
(4) Any reinsurance recoverables due from an insurer other than a registered insurer, an authorised reinsurer, a related corporation of the insurer (where the reinsurance arrangement between the related corporation and the insurer is one which is exempted from the application of section 56A of the Act under regulation 12 (b) of the Insurance (Authorised Reinsurers) Regulations 2003 (G.N. No. S 680/2003)) or where the insurer is incorporated outside Singapore, its head office or a branch of its head office, or from a foreign insurer carrying on insurance business under a foreign insurer scheme established and maintained under section 35B of the Act, in respect of any transaction related to a contract of reinsurance —	
(a) owing for 12 months or less	16% of the appropriate counterparty risk factor set out in Table 11 of this Schedule
(b) owing for more than 1 year but not more than 2 years	50% of the appropriate counterparty risk factor set out in Table 11 of this Schedule
(c) owing for more than 2 years	100% of the appropriate counterparty risk factor set out in Table 11 of this Schedule, subject to a maximum counterparty risk factor of 100%

SIXTH SCHEDULE — *continued*

<i>First column</i> <i>Type of assets</i>	<i>Second column</i> <i>Risk factor</i>
(5) Intra-group balances arising from any transaction which is not related to a contract of insurance or balances due from other insurance funds, shareholders fund, head office, overseas branches or related corporations —	
(a) outstanding for 90 days or less	8%
(b) outstanding for more than 90 days	100%
(6) Outstanding premiums, agents' balances, and any other receivables due from any person other than an insurer —	
(a) owing for 90 days or less;	8%
(b) owing for more than 90 days but not more than 180 days;	25%
(c) owing for more than 180 days but not more than 1 year;	50%
(d) owing for more than 1 year;	100%
(7) Outstanding premiums, agents' balances and any other receivables due from any insurer	8%
(8) Any other assets	8%
(9) Any general guarantee of indebtedness (including a standby letter of credit serving as a financial guarantee for loans and securities) and acceptance (including an endorsement with the character of acceptance) originating from the insurer, other than any guarantee or acceptance that has been accounted for as a liability in respect of policies	8%
(10) Any contingent liability relating to any specific transaction (including a performance bond, a warranty, and a standby letter of credit relating to a specific transaction) to the insurer, other than any guarantee or acceptance that has been accounted for as a liability in respect of policies	4%.

SIXTH SCHEDULE — *continued*

Paragraph 1 of Fifth Schedule

TABLE 14 — CONCENTRATION LIMITS

<i>First column</i>	<i>Second column</i>
<i>Description of limit</i>	<i>As % of total assets</i>
(1) Counterparty exposure limit to a counterparty or a group of related counterparties (except any transaction related to a contract of insurance):	
(a) where the counterparty is the Government, any central government or central bank of a country or territory which has a sovereign rating of investment grade or higher, any company wholly owned by the Government, or any statutory board in Singapore	100%
(b) where the counterparty is an approved financial institution	20%
(c) where the counterparty is not an entity specified in sub-paragraph (a) or any approved financial institution, and is listed on any securities exchange	10%
(d) where the counterparty is not an entity specified in sub-paragraph (a) or any approved financial institution, and is not listed on any securities exchange	5%
(2) Equity securities limit:	
(a) exposure to any equity security (other than a collective investment scheme) that is listed on a securities exchange	5%
(b) exposure to any unlisted equity (other than any collective investment scheme)	2.5%
(c) exposure to unlisted equities (other than any collective investment scheme) in aggregate	10%
(d) where the equity security is a collective investment scheme	10%
(3) Unsecured loans limit:	
(a) to a single counterparty	1%
(b) in aggregate	2.5%
(4) Property exposure limit	35%

SIXTH SCHEDULE — *continued*

<i>First column</i> <i>Description of limit</i>	<i>Second column</i> <i>As % of total assets</i>
(5) Foreign currency risk exposure calculated under paragraph 7 (3) of the Fourth Schedule	40%
(6) Limit on the aggregate value of assets to which the miscellaneous risk factor set out in sub-paragraph (8) of Table 13 of this Schedule applies	2.5%

<i>Description of limit</i>	<i>In absolute terms</i>
(7) For an insurance fund established and maintained by an insurer under the Act in respect of general business and relating to Singapore policies, limit on aggregate value of assets that are not liquid assets	Total assets of the insurance fund less 30% of claim liabilities of the fund.

1. In this Table —

“approved financial institution” means any bank or finance company licensed by the Authority or merchant bank approved by the Authority or any other commercial bank licensed in a foreign country;

“liquid assets” means any security issued by the Government and public authorities of Singapore, any cash and deposit in Singapore dollars in approved financial institutions, or any bill of exchange in Singapore dollars accepted or endorsed by a bank licensed under the Banking Act (Cap. 19) which arises from a bona fide commercial transaction and which is payable within 3 months;

“property corporation” means any body corporate where —

- (a) more than 50% of the total turnover of the body corporate is derived from property-related activities; or
- (b) more than 50% of the total assets of the body corporate comprise interests in or rights over immovable property situated in Singapore, other than such immovable property or any part thereof which is used —
 - (i) as premises for the conduct of any business carried on by body corporate;
 - (ii) for the business of a hotel or hostel; or
 - (iii) for community, charity or educational purposes;

“property-related activities” means —

- (a) the construction of or the causing of the construction of any building on, over or under any land in Singapore for the purpose of sale by the person carrying out or causing such construction, of

SIXTH SCHEDULE — *continued*

any right or interest in the land which would be appurtenant to such building, other than a building or part thereof constructed for use —

- (i) for the business of a hotel or hostel; or
 - (ii) for community, charity or educational purposes;
- (b) the acquisition or holding of any interest in or right over immovable property situated in Singapore for the purposes of rental, or for the purposes of securing a profit from its sale, other than such immovable property or part thereof used or to be used —
 - (i) by the person acquiring or holding the immovable property for occupation by himself or members of his family or as premises for any business carried on by him;
 - (ii) for the business of a hotel or hostel; or
 - (iii) for community, charity or educational purposes;
- (c) the financing of any activity referred to in paragraph (a) or (b);
- (d) the making of loans to any property corporation;
- (e) the acquisition or holding as beneficial owner of shares or debentures issued by any property corporation; and
- (f) the acquisition or holding as beneficial owner of debentures the payment of principal or interest of which is contingent, directly or indirectly, on the turnover, profits or cash flow from any activity under paragraph (a), (b), (c), (d) or (e);

“property exposure” means the aggregate of —

- (a) value of immovable property held, excluding such portion of the value as may be attributable to any interest in or right over immovable property or any part thereof used for the purpose of conducting the business of the insurer in Singapore or housing or providing amenities for its officers;
- (b) amounts of shares and debentures beneficially held by the insurer and issued by any property corporation;
- (c) amounts of debentures beneficially held by the insurer and issued by any person other than a property corporation, where the payment of principal or interest is contingent, whether in whole or in part, on the turnover, profits or cash flow from any property-related activity;
- (d) amounts outstanding, or will potentially be outstanding, to the insurer under any form of lending or guarantees (except in the case of a debenture) to any property corporation or to any related corporation of a property corporation for use by the property corporation; and

SIXTH SCHEDULE — *continued*

- (e) amounts outstanding, or will potentially be outstanding, to the insurer under any form of lending or guarantees (except in the case of a debenture) to any person other than a property corporation —
- (i) in a case where such person is a corporation, for the purpose of financing or facilitating the property-related activities of that person or any of its related corporations; and
 - (ii) in any other case, for the purpose of financing or facilitating the property-related activities of that person,
- but does not include any amounts in respect of —
- (A) credit facilities granted by the registered insurer to the Government or to any statutory board; or
 - (B) any instrument or transaction described in sub-paragraphs (a) to (e) to the extent that the insurer would be indemnified or otherwise protected from losses that may be incurred by it under that instrument or transaction pursuant to a guarantee issued by any bank or any credit derivative entered into by the insurer with any person other than a property corporation.

2. For each limit stated in this Table, where the amount of assets falling within the limit is calculated to be less than \$5 million, a limit of \$5 million shall apply.

Table 6 of this Schedule

TABLE 15 — PRESCRIBED MORTALITY TABLE

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
15	0.0001662	0.0001535
16	0.0002038	0.0001570
17	0.0002503	0.0001658
18	0.0002974	0.0001767
19	0.0003804	0.0001861
20	0.0004692	0.0001876
21	0.0005402	0.0001885
22	0.0005344	0.0001894
23	0.0005058	0.0001904
24	0.0004891	0.0001919

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
25	0.0004725	0.0001939
26	0.0004559	0.0002046
27	0.0004394	0.0002171
28	0.0004230	0.0002317
29	0.0004067	0.0002488
30	0.0004066	0.0002678
31	0.0004011	0.0002892
32	0.0004060	0.0003103
33	0.0004201	0.0003318
34	0.0004456	0.0003544
35	0.0004843	0.0003787
36	0.0005373	0.0004054
37	0.0006020	0.0004350
38	0.0006743	0.0004684
39	0.0007505	0.0005061
40	0.0008269	0.0005487
41	0.0009007	0.0005970
42	0.0009741	0.0006515
43	0.0010504	0.0007130
44	0.0011330	0.0007821
45	0.0012251	0.0008594
46	0.0013300	0.0009456
47	0.0014511	0.0010413
48	0.0015916	0.0011472
49	0.0017549	0.0012640
50	0.0019443	0.0013923
51	0.0021588	0.0015327
52	0.0024098	0.0016859
53	0.0026968	0.0018525

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
54	0.0030230	0.0020333
55	0.0033917	0.0022288
56	0.0038063	0.0024398
57	0.0042701	0.0026668
58	0.0047864	0.0029105
59	0.0053584	0.0031716
60	0.0059895	0.0034507
61	0.0066878	0.0037484
62	0.0074809	0.0040655
63	0.0084011	0.0044026
64	0.0094809	0.0047700
65	0.0107515	0.0052189
66	0.0122409	0.0058119
67	0.0139616	0.0066195
68	0.0158862	0.0077127
69	0.0179177	0.0091330
70	0.0198969	0.0108417
71	0.0216888	0.0127053
72	0.0233060	0.0145726
73	0.0249440	0.0163981
74	0.0268669	0.0183032
75	0.0292517	0.0204436
76	0.0317079	0.0224868
77	0.0353640	0.0254772
78	0.0392543	0.0287284
79	0.0434614	0.0323121
80	0.0481079	0.0363345
81	0.0532372	0.0408469
82	0.0588964	0.0459062

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
83	0.0651361	0.0515751
84	0.0720112	0.0579226
85	0.0795806	0.0650241
86	0.0879073	0.0729621
87	0.0970583	0.0818261
88	0.1071048	0.0917125
89	0.1181215	0.1027252
90	0.1301866	0.1149746
91	0.1433807	0.1285771
92	0.1577866	0.1436543
93	0.1734879	0.1603311
94	0.1905676	0.1787339
95	0.2091062	0.1989876
96	0.2291799	0.2212118
97	0.2508578	0.2455165
98	0.2741985	0.2719965
99	0.2992470	0.3007207.

For an insured life that has been subjected to a medical examination, the mortality rate may be assumed to be 85% of that described in this Table.

Table 6 of this Schedule

TABLE 16 — ANNUITANT MORTALITY TABLE — a(90)

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
20	0.000947	0.000340
21	0.000895	0.000329
22	0.000846	0.000323

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
23	0.000802	0.000328
24	0.000762	0.000342
25	0.000727	0.000361
26	0.000697	0.000376
27	0.000674	0.000389
28	0.000657	0.000397
29	0.000647	0.000401
30	0.000646	0.000409
31	0.000652	0.000424
32	0.000669	0.000446
33	0.000696	0.000475
34	0.000734	0.000513
35	0.000784	0.000561
36	0.000849	0.000619
37	0.000928	0.000689
38	0.001024	0.000771
39	0.001137	0.000865
40	0.001271	0.000972
41	0.001426	0.001092
42	0.001605	0.001224
43	0.001809	0.001367
44	0.002043	0.001521
45	0.002307	0.001686
46	0.002605	0.001859
47	0.002941	0.002042
48	0.003318	0.002233
49	0.003739	0.002434
50	0.004209	0.002645

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
51	0.004733	0.002868
52	0.005319	0.003105
53	0.005988	0.003358
54	0.006761	0.003629
55	0.007647	0.003929
56	0.008648	0.004270
57	0.009759	0.004667
58	0.010971	0.005132
59	0.012274	0.005674
60	0.013657	0.006301
61	0.015116	0.007014
62	0.016652	0.007813
63	0.018274	0.008697
64	0.019999	0.009669
65	0.021853	0.010737
66	0.023862	0.011915
67	0.026049	0.013220
68	0.028432	0.014665
69	0.031025	0.016265
70	0.033846	0.018037
71	0.036914	0.019998
72	0.040249	0.022167
73	0.043871	0.024566
74	0.047803	0.027217
75	0.052068	0.030145
76	0.056691	0.033377
77	0.061697	0.036943
78	0.067115	0.040874

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Age (rounded to the nearest year)</i>	<i>Male mortality rate</i>	<i>Female mortality rate</i>
79	0.072971	0.045203
80	0.079295	0.049967
81	0.086115	0.055204
82	0.093463	0.060955
83	0.101369	0.067262
84	0.109861	0.074170
85	0.118972	0.081726
86	0.128728	0.089976
87	0.139159	0.098970
88	0.150288	0.108755
89	0.162140	0.119379
90	0.174735	0.130889
91	0.188088	0.143328
92	0.202211	0.156736
93	0.217112	0.171147
94	0.232790	0.186591
95	0.249240	0.203086
96	0.266449	0.220644
97	0.284395	0.239265
98	0.303051	0.258935
99	0.322380	0.279627.

SIXTH SCHEDULE — *continued*

Table 11 of this Schedule

TABLE 17 — COUNTERPARTY RISK CLASS CLASSIFICATION
BY CREDIT RATING

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Credit rating agency</i>	<i>Rating of entity</i>	<i>Rating of money market debt security</i>
(1) Counterparty Risk Class A		
(a) Moody's Investor Services	Aa3 or better	P1
(b) Standard and Poor's Corporation	AA- or better	A1 or better
(c) Fitch, Inc	AA- or better	F1 or better
(d) A. M. Best Company, Inc	A+ or better	AMB-1 or better
(2) Counterparty Risk Class B		
(a) Moody's Investor Services	Worse than Aa3 but not worse than A3	P2
(b) Standard and Poor's Corporation	Worse than AA- but not worse than A-	A2
(c) Fitch, Inc	Worse than AA- but not worse than A-	F2
(d) A. M. Best Company, Inc	Worse than A+ but not worse than A-	AMB-2
(3) Counterparty Risk Class C		
(a) Moody's Investor Services	Worse than A3 but not worse than Baa3	P3
(b) Standard and Poor's Corporation	Worse than A- but not worse than BBB-	A3
(c) Fitch, Inc	Worse than A- but not worse than BBB-	F3
(d) A. M. Best Company, Inc	Worse than A- but not worse than B+	AMB-3

SIXTH SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Credit rating agency</i>	<i>Rating of entity</i>	<i>Rating of money market debt security</i>
(4) Counterparty Risk Class D		
(a) Moody's Investor Services	Worse than Baa3 but not worse than B3	NP
(b) Standard and Poor's Corporation	Worse than BBB- but not worse than B-	B
(c) Fitch, Inc	Worse than BBB- but not worse than B-	B
(d) A. M. Best Company, Inc	Worse than B+ but not worse than B-	AMB-4
(5) Counterparty Risk Class E		
(a) Moody's Investor Services	Worse than B3	Not applicable
(b) Standard and Poor's Corporation	Worse than B-	C or worse
(c) Fitch, Inc	Worse than B-	C or worse
(d) A. M. Best Company, Inc	Worse than B-	D.

1. A registered insurer may calculate its total risk requirement using ratings from one or more of the rating agencies listed in this Table.

2. For any particular rating agency used by the insurer, all publicly available ratings from that agency shall be used by the insurer in calculating the total risk requirement.

3. Where more than one rating agency is used by the insurer and more than one rating is available on a particular security or entity, the second best rating of the security or entity shall apply in calculating the total risk requirement.

4. Where the particular security or entity is not rated by any of the rating agencies used by the insurer, the security or entity shall belong to Counterparty Risk Class D.

Made this 23rd day of August 2004.

KOH YONG GUAN
Managing Director,
Monetary Authority of Singapore.