
First published in the *Government Gazette*, Electronic Edition, on 26th March 2012 at 5:00 pm.

No. S 112

INSURANCE ACT
(CHAPTER 142)

INSURANCE
(VALUATION AND CAPITAL) (AMENDMENT)
REGULATIONS 2012

In exercise of the powers conferred by section 64(1) of the Insurance Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Insurance (Valuation and Capital) (Amendment) Regulations 2012 and shall come into operation on 28th March 2012.

Amendment of regulation 2

2. Regulation 2(1) of the Insurance (Valuation and Capital) Regulations 2004 (G.N. No. S 498/2004) (referred to in these Regulations as the principal Regulations) is amended —

(a) by deleting the definition of “political risk insurance policy”;
and

(b) by deleting the definition of “trade credit and political risk insurer” and substituting the following definition:

“ “trade credit insurer” means an insurer registered under the Act which has liabilities in respect of trade credit insurance policies;”.

Amendment of regulation 8

3. Regulation 8 of the principal Regulations is amended by deleting paragraph (2).

Amendment of regulation 11

4. Regulation 11 of the principal Regulations is amended by inserting, immediately after paragraph (3), the following paragraph:

“(4) For the purposes of paragraph (3), the qualified property valuer shall conduct a physical inspection of the land or building in providing the valuation.”.

Deletion and substitution of regulation 22A

5. Regulation 22A of the principal Regulations is deleted and the following regulation substituted therefor:

“Contingency reserves

22A.—(1) In addition to maintaining claim liabilities and premium liabilities as required under regulation 19, a mortgage insurer and a trade credit insurer shall, in accordance with the requirements specified in the Seventh Schedule, establish and maintain contingency reserves in each insurance fund established and maintained under section 17(1) of the Act by the mortgage insurer or trade credit insurer.

(2) Notwithstanding paragraph (1), where the mortgage insurer does not have any claim liabilities and premium liabilities in respect of all the mortgage insurance policies, the mortgage insurer may withdraw the contingency reserves held in respect of mortgage insurance policies.”.

Amendment of First Schedule

6. Paragraph 1 of the First Schedule to the principal Regulations is amended —

(a) by inserting, immediately after the words “regulation 20(3)(b)” in sub-paragraph (8)(b), the words “and (c)”;

(b) by deleting paragraph (a) of the definition of “financial resource adjustment” in sub-paragraph (14) and substituting the following sub-paragraphs:

“(a) the sum of the product of the appropriate counterparty risk factor set out in Table 11 of the Sixth Schedule and each of the following (if any) —

(i) all deposits placed with a related corporation, unless where these deposits aggregated with all other deposits placed with that related corporation and other related corporations which are —

(A) licensed under the Banking Act (Cap. 19); and

(B) in Counterparty Risk Class A or B as set out in Table 17 of the Sixth Schedule,

are less than or equal to 5% of the total assets of the respective insurance fund established and maintained under section 17 of the Act (referred to in this paragraph as “insurance fund”), or of the total assets that do not belong to any insurance fund established and maintained under the Act (referred to in this paragraph as “other funds”);

(ii) any loan to or guarantee granted for a related corporation, except where such loan or guarantee arises from a contract of insurance; and

(iii) 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 that insurer, except where such unsecured amount arises from a contract of insurance;

(ab) where the deposits referred to in sub-paragraph (a)(i) as aggregated, are more than 5% of the total assets of the respective insurance fund, or of the total assets of the other funds, the product of the amount exceeding 5% and the counterparty risk factor of the related corporation with the lowest rating (such rating being the credit rating set out in the second column (“Rating of entity”) of Table 17 of the Sixth Schedule);”;

(c) by deleting sub-paragraph (i) of paragraph (b) of the definition of “financial resource adjustment” in sub-paragraph (14) and substituting the following sub-paragraph:

“(i) the charge was created to secure a credit facility and the insurer has not fully drawn down on the credit facility,

in which case only the amount drawn down shall be included as a charged asset”;

- (d) by inserting, immediately after the words “business of the insurer” in paragraph (b)(ii) of the definition of “financial resource adjustment” in sub-paragraph (14), the words “, in which case only the amount of the liability shall be included as a charged asset”;
- (e) by inserting, immediately after the words “the Fourth Schedule” in paragraph (b)(iii) of the definition of “financial resource adjustment” in sub-paragraph (14), the words “, in which case only the amount equivalent to the liability incurred as a result of the derivative transaction shall be included as a charged asset”; and
- (f) by deleting the word “and” at the end of paragraph (dd) of the definition of “financial resource adjustment” in sub-paragraph (14), and by inserting immediately thereafter the following paragraph:

“(de) any equity security held in a related corporation; and”.

Amendment of Third Schedule

7. Paragraph 3(6) of the Third Schedule to the principal Regulations is amended by deleting the words “Table 5” and substituting the words “Tables 5 and 5A”.

Amendment of Sixth Schedule

8. The Sixth Schedule to the principal Regulations is amended —

- (a) by inserting, immediately after the words “VOLATILITY CATEGORY” in the heading of Table 5, the words “(EXCLUDING POLITICAL RISK)”;
- (b) by deleting the words “or political risk” in paragraph (c) under the heading “*Business lines — Offshore insurance fund*” corresponding to item (2) in Table 5;
- (c) by deleting the words “or political risk” in paragraph (f) under the heading “*Business lines — Singapore insurance fund*” corresponding to item (2) in Table 5;

(d) by inserting, immediately after paragraph (f) under the heading “*Business lines — Singapore insurance fund*” corresponding to item (2) in Table 5, the following paragraph:

“(fa) Mortgage”;

(e) by inserting, immediately after the words “Casualty and others” in paragraph (b) under the heading “*Business lines — Offshore insurance fund*” corresponding to item (3) in Table 5, the words “(including mortgage)”; and

(f) by inserting, immediately after Table 5, the following Table:

“

Paragraph 3 of Third Schedule

TABLE 5A — VOLATILITY CATEGORY
(POLITICAL RISK)

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Volatility category</i>	<i>Domicile of the risk — in Singapore</i>	<i>Domicile of the risk — outside Singapore</i>
(1) Low	Political risk	
(2) High		Political risk

”.

Amendment of Seventh Schedule

9. The Seventh Schedule to the principal Regulations is amended —

(a) by deleting the definition of “threshold amount” in paragraph 1 and substituting the following definition:

““threshold amount” —

(a) in relation to the contingency reserves for an accounting period for a mortgage insurer, means 400% of the highest of the following amounts:

- (i) the amount of the net premiums written for that accounting period;
- (ii) the amount of the net premiums written for the preceding accounting period;

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- (iii) the amount of the net premiums written for the accounting period preceding the accounting period referred to in sub-paragraph (ii); and
 - (b) in relation to the contingency reserves for an accounting period for a trade credit insurer, means 150% of the highest of the following amounts:
 - (i) the amount of the net premiums written for that accounting period;
 - (ii) the amount of the net premiums written for the preceding accounting period;
 - (iii) the amount of the net premiums written for the accounting period preceding the accounting period referred to in sub-paragraph (ii);
 - (iv) the amount of the net premiums written for the accounting period preceding the accounting period referred to in sub-paragraph (iii);
 - (v) the amount of the net premiums written for the accounting period preceding the accounting period referred to in sub-paragraph (iv).”;
 - (b) by deleting sub-paragraph (1) of paragraph 3 and substituting the following sub-paragraph:

“(1) Subject to sub-paragraphs (3) and (4), at the end of each accounting period, a trade credit insurer shall transfer to the contingency reserves —

 - (a) where the amount of contingency reserves maintained by a trade credit insurer is less than one-third of the threshold amount at the end of an accounting period —
 - (i) 12% of the net premiums written in that period in respect of trade credit insurance policies; or
 - (ii) 50% of underwriting profit earned during that period in respect of trade credit insurance policies,whichever is the higher; or
 - (b) where the amount of contingency reserves maintained by a trade credit insurer is equal to or more than one-third of the threshold amount at the end of an accounting period —
 - (i) 12% of the net premiums written in that period in respect of trade credit insurance policies; or

- (ii) 50% of underwriting profit earned during that period in respect of trade credit insurance policies,
whichever is the lower.”;
- (c) by deleting the words “and political risk insurance policies” wherever they appear in paragraph 3(2);
- (d) by deleting the words “and political risk” wherever they appear in paragraph 3(3) and (4); and
- (e) by deleting the words “and political risk” in the heading of paragraph 3.

[G.N. Nos. S 884/2005; S 733/2007; S 160/2008]

Made this 14th day of March 2012.

RAVI MENON
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[ID05.1 V.33; AG/LLRD/SL/142/2010/7 Vol. 1]