

---

---

First published in the *Government Gazette*, Electronic Edition, on 28 February 2020 at 5 pm.

## No. S 137

### INSURANCE ACT (CHAPTER 142)

#### INSURANCE (VALUATION AND CAPITAL) (AMENDMENT) REGULATIONS 2020

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

#### **Citation and commencement**

1. These Regulations are the Insurance (Valuation and Capital) (Amendment) Regulations 2020 and come into operation on 31 March 2020.

#### **Amendment of regulation 2**

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

- (a) by deleting the definitions of “associates”, “commodity”, “derivative”, “financial resources”, “forward contract”, “investment grade”, “money market debt security”, “public authority”, “qualifying Tier 2 instrument”, “recognised multilateral agency” and “special risk”;
- (b) by deleting the definitions of “futures contract” and “government debt security” and substituting the following definition:

““general fund” means an insurance fund established and maintained by a licensed insurer under section 17(1) of the Act for general business;”;

(c) by inserting, immediately after the definition of “MAS Notice 131”, the following definition:

““MAS Notice 133” means the notice commonly known as MAS Notice 133 issued by the Authority under sections 18 and 64(2) of the Act, as amended from time to time, and includes any notice that replaces it;”;

(d) by inserting, immediately after the definition of “share”, the following definition:

““short-term policy” means —

(a) a short-term accident and health policy; or

(b) a policy issued by a licensed insurer as part of the insurer’s life business that has a remaining term of not more than one year in the determination of its liabilities in accordance with MAS Notice 133;”;

(e) by deleting the word “Second” in the definition of “total risk requirement” and substituting the word “First”.

### **Amendment of regulation 3**

3. Regulation 3(1) of the principal Regulations is amended —

(a) by deleting the words “section 9(1)(c)” and substituting the words “section 8(3)(b)”; and

(b) by deleting the words “Table 3 of the Sixth Schedule” in sub-paragraph (a) and substituting the words “the Second Schedule”.

### **Deletion and substitution of regulation 4**

4. Regulation 4 of the principal Regulations is deleted and the following regulation substituted therefor:

---

---

**“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 licensed insurer under the Act is that the total assets of the fund must not at any time be less than the total liabilities of the fund.

(2) The fund solvency requirement of an adjusted fund is that the financial resources of the adjusted fund must not at any time be less than —

- (a) the amount of the total risk requirement of the adjusted fund at the higher solvency intervention level; and
- (b) the amount of the total risk requirement of the adjusted fund at the lower solvency intervention level.

(3) For the purposes of section 18(1)(b) of the Act, the capital adequacy requirement of a licensed insurer is that the financial resources of the insurer must not at any time be less than —

- (a) the higher of the following:
  - (i) the amount of the total risk requirement of the licensed insurer at the higher solvency intervention level;
  - (ii) \$5 million; and
- (b) the higher of the following:
  - (i) the amount of the total risk requirement of the licensed insurer at the lower solvency intervention level;
  - (ii) \$5 million.

(4) A licensed insurer must immediately give written notice to the Authority when the insurer becomes aware that the fund solvency requirement mentioned in paragraph (1) or (2), or the capital adequacy requirement mentioned in paragraph (3), is not

---

---

satisfied or is not likely to be satisfied in accordance with section 18(1) of the Act.

(5) A licensed insurer is not excused from giving written notice to the Authority under paragraph (4) on the ground that the disclosure of any information in the written notice may tend to incriminate the insurer.

(6) Where a licensed insurer claims, before giving written notice to the Authority under paragraph (4), that any information in the notice may tend to incriminate the insurer, that information is not admissible in evidence against the insurer in criminal proceedings, except for proceedings for an offence under section 18(6) of the Act.

(7) Where the Authority is notified by a licensed insurer or becomes aware that the financial resources of the adjusted fund, or the financial resources of the insurer, are less than or likely to be less than the amount of the total risk requirement of the adjusted fund or licensed insurer (as the case may be) at the higher solvency intervention level, the Authority may issue a direction to the insurer for all or any of the following purposes:

- (a) requiring the insurer —
  - (i) to satisfy the fund solvency requirement of the adjusted fund, or the capital adequacy requirement of the licensed insurer (as the case may be) by the end of the period determined by the Authority;
  - (ii) to submit to the Authority a plan on how the insurer intends to satisfy that requirement; and
  - (iii) to submit to the Authority the financial statements of the insurer on a monthly basis or at other interval required by the Authority, until the insurer has continuously satisfied that requirement for a period determined by the Authority;

---

---

(b) directing the insurer to carry on its business in any manner and in accordance with any condition imposed by the Authority.

(8) Where the Authority is notified by a licensed insurer or becomes aware that the financial resources of an adjusted fund of the insurer, or the financial resources of the insurer, are less than or likely to be less than the amount of the total risk requirement of the adjusted fund or licensed insurer (as the case may be) at the lower solvency intervention level, the Authority may issue a direction to the insurer for all or any of the following purposes:

(a) requiring the insurer —

- (i) to stop renewing any existing policy or issuing any new policy in respect of one or more classes of insurance business;
- (ii) to satisfy the fund solvency requirement of the adjusted fund, or the capital adequacy requirement of the licensed insurer (as the case may be) by the end of the period determined by the Authority;
- (iii) to submit to the Authority a plan on how the insurer intends to satisfy that requirement; and
- (iv) to submit to the Authority the financial statements of the insurer on a monthly basis or at other interval required by the Authority, until the insurer has continuously satisfied that requirement for a period determined by the Authority;

(b) directing the insurer to carry on its business in any manner and in accordance with any condition imposed by the Authority.

(9) To avoid doubt, paragraph (8) does not affect any power of the Authority to cancel the licence of any insurer.

---

---

(10) Where the Authority has issued a direction to a licensed insurer under paragraph (7) or (8) —

- (a) the fund solvency requirement under paragraph (2) does not apply in relation to the adjusted fund in respect of which the direction was issued to the insurer; or
- (b) the capital adequacy requirement mentioned in paragraph (3) does not apply in relation to the insurer,

as the case may be, during the period of validity of the direction.

(11) In this regulation, an adjusted fund is —

- (a) a participating fund established and maintained by a licensed insurer under the Act that relates to Singapore policies;
- (b) a participating fund established and maintained by a licensed insurer under the Act that relates to offshore policies;
- (c) the aggregate of the following insurance funds (if any) established and maintained by a licensed insurer under the Act that relate to Singapore policies:
  - (i) a non-participating fund;
  - (ii) an investment-linked fund;
  - (iii) a general fund; or
- (d) the aggregate of the following insurance funds (if any) established and maintained by a licensed insurer under the Act that relate to offshore policies:
  - (i) a non-participating fund;
  - (ii) an investment-linked fund;
  - (iii) a general fund.

(12) In this regulation —

“financial resources” means any asset or other resources specified in MAS Notice 133 to be eligible for the

---

---

purpose of meeting the total risk requirement of an adjusted fund or a licensed insurer, as the case may be;

“higher solvency intervention level”, in relation to the amount of the total risk requirement of an adjusted fund or a licensed insurer, is the amount specified in MAS Notice 133 as the higher solvency intervention level;

“lower solvency intervention level”, in relation to the amount of the total risk requirement of an adjusted fund or a licensed insurer, is the amount specified in MAS Notice 133 as the lower solvency intervention level.

(13) This regulation does not apply to a captive insurer, an SPRV and a marine mutual insurer.”.

### **Deletion of regulation 6**

5. Regulation 6 of the principal Regulations is deleted.

### **Amendment of regulation 19**

6. Regulation 19 of the principal Regulations is amended by deleting the words “a captive insurer or marine mutual insurer” in paragraphs (1)(a)(ii)(A) and (b)(ii)(A) and (6)(b)(ii)(A) and (c)(ii)(A) and substituting in each case the words “a captive insurer, an SPRV or a marine mutual insurer”.

### **Amendment of regulation 19A**

7. Regulation 19A of the principal Regulations is amended by deleting the words “a captive insurer or marine mutual insurer” in paragraphs (2)(a)(ii)(A) and (b)(ii)(A) and (6)(b)(ii)(A) and (c)(ii)(A) and substituting in each case the words “a captive insurer, an SPRV or a marine mutual insurer”.

### **Amendment of regulation 20**

8. Regulation 20 of the principal Regulations is amended by inserting, immediately after paragraph (7), the following paragraphs:

“(8) Despite anything in this regulation, a licensed insurer may use the method mentioned in paragraph (11) (called in this regulation the simplified method) to determine the value of the

---

---

liabilities (net of reinsurance) in respect of the short-term policies issued as part of the insurer's life business, if —

- (a) the insurer has verified (in accordance with paragraph (9)) that using the simplified method results in a value that is not less than the value determined in the manner provided in paragraphs (1) to (7) (as applicable); and
- (b) the insurer has determined that using the simplified method is appropriate, taking into consideration the risks covered by each policy and any other factors that may be relevant.

(9) The verification mentioned in paragraph (8) must be carried out once in the year in which the valuation under paragraphs (1) to (7) is to be carried out, and —

- (a) in a case where the licensed insurer uses the simplified method for the purpose of preparing the “Annual Returns” mentioned in MAS Notice 129 for that year — as part of the actuarial investigation under section 37 of the Act; or
- (b) in a case where the licensed insurer uses the simplified method for the purpose of preparing any of the “Quarterly Returns” mentioned in MAS Notice 129 for that year — before the first time in that year it uses that method.

(10) The Authority may require the licensed insurer to provide documentary evidence in support of the insurer's verification under paragraph (8).

(11) In this regulation, the simplified method to determine the value of the liabilities (net of reinsurance) in respect of the short-term policies mentioned in paragraph (8) is the totalling of the following:

- (a) the premium liabilities (net of reinsurance) of the policies, being an amount that is not less than the higher of the following:

- 
- 
- (i) the unearned premiums reserves (net of reinsurance) of the policies, being an amount that is the aggregate of the unearned premium reserves (net of reinsurance) for each policy determined in the manner provided in paragraph (14);
  - (ii) the unexpired risk reserves (net of reinsurance) of the policies, being an amount that is the aggregate of the expected future payments arising from future events insured under each policy in force as at the valuation date (including any expense expected to be incurred in administering the policy and settling claims against the policy) and any provision for any adverse deviation from the expected experience, calculated based on 75 per cent level of sufficiency;
- (b) the claim liabilities (net of reinsurance) of the policies, being an amount that is not less than the value derived from the formula  $A + B$ , where —
- (i) A is the aggregate of the expected future payments in relation to claims under each policy incurred before the valuation date (including any expense expected to be incurred in settling the claims) and that fall due for payment after the valuation date, whether or not the claims have been reported to the insurer; and
  - (ii) B is any provision for any adverse deviation from the expected experience, calculated based on 75 per cent level of sufficiency.

(12) In determining the unexpired risk reserves (net of reinsurance) of the policies mentioned in paragraph (11)(a)(ii) and claim liabilities (net of reinsurance) of the policies mentioned in paragraph (11)(b), the licensed insurer must —

- 
- 
- (a) make separate estimates of the gross incurred claims and recoveries from the reinsurance counterparty; and
  - (b) take into account the likelihood of default by the reinsurance counterparty and any non-reinsurance recovery such as salvage and subrogation.

(13) A licensed insurer may, instead of determining the unexpired risk reserves (net of reinsurance) of the policies mentioned in paragraph (11)(a)(ii) and claim liabilities (net of reinsurance) of the policies mentioned in paragraph (11)(b) in the manner provided in paragraph (12), determine the same using claims data that is net of reinsurance if 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 (net of reinsurance) and claim liabilities (net of reinsurance) relates; and
- (b) the manner in which liabilities are reinsured at the valuation date.

(14) For the purposes of paragraph (11)(a)(i), the amount of unearned premium reserves (net of reinsurance) for a short-term policy must be —

- (a) subject to sub-paragraph (b) and paragraph (15), an amount calculated on a basis not less accurate than the 1/24th method; or
- (b) in the case of an insurer that carries on the business of reinsurance of liabilities under insurance policies —
  - (i) an amount not less than 40% of the net premiums written in the accounting period for the policy; or
  - (ii) an amount calculated on a basis not less accurate than the 1/24th method.

(15) Where the simplified method is used, the amount of unearned premium reserves (net of reinsurance) for a short-term policy must be calculated —

- 
- 
- (a) in a case where the 1/24th method or some other more accurate method is used — using an amount of net premiums written for the policy that is reduced by the actual commissions payable for the policy; or
  - (b) in any other case — using an amount of net premiums written for the policy without any deduction for commissions payable from the net premiums for the policy.”.

### **Amendment of regulation 20A**

9. Regulation 20A of the principal Regulations is amended by inserting, immediately after paragraph (8), the following paragraphs:

“(9) Despite anything in this regulation, a licensed insurer may use the method mentioned in paragraph (12) (called in this regulation the simplified method) to determine the value of the liabilities (gross of reinsurance) in respect of the short-term policies issued as part of the insurer’s life business, if —

- (a) the insurer has verified (in accordance with paragraph (10)) that using the simplified method results in a value that is not less than the value determined in the manner provided in paragraphs (1) to (8) (as applicable); and
- (b) the insurer has determined that using the simplified method is appropriate, taking into consideration the risks covered by each policy and any other factors that may be relevant.

(10) The verification mentioned in paragraph (9) must be carried out once in the year in which the valuation under paragraphs (1) to (8) is to be carried out, and —

- (a) in a case where the licensed insurer uses the simplified method for the purpose of preparing the “Annual Returns” mentioned in MAS Notice 129 for that year — as part of the actuarial investigation under section 37 of the Act; or

---

---

(b) in a case where the licensed insurer uses the simplified method for the purpose of preparing the “Quarterly Returns” mentioned in MAS Notice 129 for that year — before the first time in that year it uses that method.

(11) The Authority may require the licensed insurer to provide documentary evidence in support of the insurer’s verification under paragraph (9).

(12) In this regulation, the simplified method to determine the value of the liabilities (gross of reinsurance) in respect of the short-term policies mentioned in paragraph (9) is the totalling of the following:

- (a) the premium liabilities (gross of reinsurance) of the policies, being an amount that is not less than the higher of the following:
- (i) the unearned premiums reserves (gross of reinsurance) of the policies, being an amount that is the aggregate of the unearned premium reserves (gross of reinsurance) for each policy determined in the manner provided in paragraph (14);
  - (ii) the unexpired risk reserves (gross of reinsurance) of the policies, being an amount that is the aggregate of the expected future payments arising from future events insured under each policy in force as at the valuation date (including any expense expected to be incurred in administering the policy and settling claims against the policy) and any provision for any adverse deviation from the expected experience, calculated based on 75 per cent level of sufficiency;
- (b) the claim liabilities (gross of reinsurance) of the policies, being an amount that is not less than the value derived from the formula  $A + B$ , where —

- 
- 
- (i) A is the aggregate of the expected future payments in relation to claims under each policy incurred before the valuation date (including any expense expected to be incurred in settling the claims) and that fall due for payment after the valuation date, whether or not the claims have been reported to the insurer; and
  - (ii) B is any provision for any adverse deviation from the expected experience, calculated based on 75 per cent level of sufficiency.

(13) In determining the unexpired risk reserves (gross of reinsurance) of the policies mentioned in paragraph (12)(a)(ii) and claim liabilities (gross of reinsurance) of the policies mentioned in paragraph (12)(b), a licensed insurer must take into account any non-reinsurance recovery such as salvage and subrogation.

(14) For the purposes of paragraph (12)(a)(i), the amount of unearned premium reserves (gross of reinsurance) for a short-term policy must be —

- (a) in the case of an insurer that carries on the business of reinsurance of liabilities under insurance policies —
  - (i) an amount not less than 40% of the gross premiums written in the accounting period for the policy; or
  - (ii) an amount calculated on a basis not less accurate than the 1/24th method; or
- (b) in any other case — subject to paragraph (15), an amount calculated on a basis not less accurate than the 1/24th method.

(15) Where the simplified method is used, the amount of unearned premium reserves (gross of reinsurance) for a short-term policy must be calculated —

- 
- 
- (a) where the 1/24th method or some other more accurate method is used — using an amount of gross premiums written for the policy that is reduced by the actual commissions payable for the policy; or
  - (b) in any other case — using an amount of gross premiums written for the policy without any deduction for commissions payable from the gross premiums for the policy.”.

### **Amendment of regulation 21**

**10.** Regulation 21 of the principal Regulations is amended —

- (a) by deleting the word “Where” in paragraph (1) and substituting the words “On or before 31 December 2021, where”; and
- (b) by inserting, immediately after paragraph (2), the following paragraph:

“(3) On or after 1 January 2022, where a licensed 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, if 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;
- (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;
- (c) any other condition specified in MAS Notice 133.”.

### **New regulation 21A**

**11.** The principal Regulations are amended by inserting, immediately after regulation 21, the following regulation:

**“Treatment in relation to reinsurance arrangement with subsidiary of insurer**

**21A.** On or after 1 January 2022, where a licensed insurer treats the liabilities in respect of any policy of its insurance business in Singapore as liabilities of, or part of the liabilities of, a subsidiary of the insurer, the insurer may make a deduction in respect of the liabilities, when valuing the liabilities, if the conditions specified in MAS Notice 133 are satisfied.”.

### **Amendment of regulation 22**

**12.** Regulation 22 of the principal Regulations is amended —

- (a) by deleting the full-stop at the end of sub-paragraph (b) of paragraph (4) and substituting a semi-colon, and by inserting immediately thereafter the following sub-paragraph:

“(c) an amount that does not exceed 1/9th of the amount of tax payable (under section 43(9) of the Income Tax Act (Cap. 134)) on the amount allocated under section 17(6)(b) of the Act.”; and

- (b) by deleting sub-paragraphs (a) and (b) of paragraph (5) and substituting the following sub-paragraphs:

“(a) where the allocation is not immediately paid out but is accrued as additional future obligations under the policies — the increase in the minimum condition

liability of the participating fund as a result of the allocation; or

- (b) where the allocation is immediately paid out when the allocation is made — the actual amount paid out to policyholders.”.

### **Amendment of regulation 22A**

13. Regulation 22A of the principal Regulations is amended by deleting the words “Seventh Schedule” in paragraphs (1) and (3) and substituting in each case the words “Third Schedule”.

### **Deletion of First to Seventh Schedules and substitution of First, Second and Third Schedules**

14. The First to Seventh Schedules to the principal Regulations are deleted and the following Schedules substituted therefor:

#### **“FIRST SCHEDULE**

Regulation 2(1)

#### **TOTAL RISK REQUIREMENT**

##### **Total risk requirement**

1. The total risk requirement of an adjusted fund of an insurer, or (in the case of a licensed insurer incorporated in Singapore) arising from assets and liabilities of an insurer that do not belong to any insurance fund established and maintained by the insurer under the Act (including assets and liabilities of any of the insurer’s branches located outside Singapore) is to be calculated in accordance with MAS Notice 133 and comprises the following components:

- (a) Component 1 (C1) requirement relating to insurance risks of the insurer’s life and general businesses;
- (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;
- (c) the risk requirement relating to operational risk of the insurer as described in MAS Notice 133.

2. The total risk requirement of a licensed insurer is the aggregate of the total risk requirements of every adjusted fund of the insurer and, where the insurer is a licensed insurer incorporated in Singapore, the total risk

---

---

requirement arising from assets and liabilities of the insurer that do not belong to any insurance fund established and maintained by the insurer under the Act (including assets and liabilities of any of the insurer's branches located outside Singapore).

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

## SECOND SCHEDULE

Regulation 3(1)(a)

### TYPES OF INSURANCE BUSINESS

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

## THIRD SCHEDULE

Regulation 22A

### CONTINGENCY RESERVES

#### **Definitions**

1. In this Schedule —

“net claims incurred” means the sum of —

- (a) the net claims settled in an accounting period; and
- (b) the claim liabilities (net of reinsurance) at the end of the accounting period less the claim liabilities (net of reinsurance) at the beginning of the accounting period;

“net premiums earned” means the sum of —

- (a) the net premiums written in an accounting period; and
- (b) the premium liabilities (net of reinsurance) at the beginning of the accounting period less the premium liabilities (net of reinsurance) at the end of the accounting period;

---

---

“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;
  - (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).

### **Contingency reserves requirement for mortgage insurer**

2.—(1) At the end of each accounting period and subject to sub-paragraphs (6) and (7), a mortgage insurer must transfer to the contingency reserves 50% of the net premiums earned in that period in respect of mortgage insurance policies.

(2) Subject to sub-paragraphs (3) and (4), any transfer to the contingency reserves may be withdrawn —

- (a) at the end of an accounting period; and
- (b) to the extent that the net claims incurred by the insurer in respect of mortgage insurance policies exceed 35% of the net premiums

---

---

earned by the insurer in respect of mortgage insurance policies during that accounting period.

(3) Any withdrawal under sub-paragraph (2) is to be attributed to transfers made to the contingency reserves on a first-in, first-out basis such that all withdrawals under sub-paragraph (2) are attributed to transfers in the order that they have been made to the contingency reserves, beginning with the earliest transfer.

(4) Where the amount to be withdrawn under sub-paragraph (2) exceeds the outstanding value of the transfer that it is to be attributed to under sub-paragraph (3) (being the balance remaining after deducting withdrawals that had been attributed to that transfer previously), the excess amount is to be attributed to the transfer immediately following the aforementioned transfer, and so on until the withdrawal has been fully attributed to one or more transfers.

(5) Where a mortgage insurer has made a transfer to the contingency reserves under sub-paragraph (1) in respect of an accounting period (the particular accounting period), the mortgage insurer must, at the end of 10 contiguous accounting periods following the particular accounting period, withdraw from the contingency reserves an amount that is equal to the difference between —

- (a) the transfer to the contingency reserves made in respect of the particular accounting period; and
- (b) the aggregate of the amounts withdrawn under sub-paragraph (2) and attributable to the transfer in respect of the particular accounting period in accordance with sub-paragraphs (3) and (4),

and such withdrawal is to be regarded as attributed to that transfer for the purpose of sub-paragraph (3).

(6) Where the amount of contingency reserves maintained by a mortgage insurer at the end of an accounting period is equal to or above the threshold amount for that accounting period after taking into account any withdrawal to be made under sub-paragraphs (2) and (5) only, a mortgage insurer is not required to make the transfer under sub-paragraph (1).

(7) Where, in respect of any accounting period, after taking into account —

- (a) any withdrawal to be made under sub-paragraphs (2) and (5) in respect of that accounting period; and
- (b) any transfer to be made under sub-paragraph (1) in respect of that accounting period,

the amount of contingency reserves maintained by a mortgage insurer would exceed the threshold amount for that accounting period, the amount that the

---

---

insurer must transfer for the purpose of sub-paragraph (1) is reduced by an amount that is equal to the extent by which the contingency reserves would exceed the threshold amount.

**Contingency reserves requirement for trade credit insurer**

3.—(1) Subject to sub-paragraphs (3) and (4), at the end of each accounting period, a trade credit insurer must 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 — the higher of the following amounts:

- (i) 12% of the net premiums written in that period in respect of trade credit insurance policies;
- (ii) 50% of underwriting profit earned during that period in respect of trade credit insurance policies; 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 — the lower of the following amounts:

- (i) 12% of the net premiums written in that period in respect of trade credit insurance policies;
- (ii) 50% of underwriting profit earned during that period in respect of trade credit insurance policies.

(2) Any transfer to the contingency reserves may be withdrawn at the end of an accounting period and to the extent that the net claims incurred by the insurer in respect of trade credit insurance policies exceed the net premiums earned by the insurer in respect of trade credit insurance policies during that accounting period.

(3) Where the amount of contingency reserves maintained by a trade credit insurer at the end of an accounting period is equal to or above the threshold amount for that accounting period after taking into account any withdrawal to be made under sub-paragraph (2), a trade credit insurer is not required to make the transfer under sub-paragraph (1).

(4) Where, in respect of any accounting period, after taking into account —

(a) any withdrawal to be made under sub-paragraph (2) in respect of that accounting period; and

(b) any transfer to be made under sub-paragraph (1) in respect of that accounting period,

the amount of contingency reserves maintained by a trade credit insurer would exceed the threshold amount for the accounting period, the amount which the insurer must transfer for the purpose of sub-paragraph (1) is reduced by an amount that is equal to the extent by which the contingency reserves would exceed the threshold amount.”.

*[G.N. Nos. S 884/2005; S 733/2007; S 160/2008;  
S 112/2012; S 233/2013; S 845/2018]*

Made on 25 February 2020.

RAVI MENON  
*Managing Director,  
Monetary Authority of Singapore.*

[ID 05.1 V.31; AG/LEGIS/SL/142/2020/1 Vol. 2]