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INSURANCE ACT
(CHAPTER 142)

INSURANCE (VALUATION AND CAPITAL)
(AMENDMENT) REGULATIONS 2018

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.—(1) These Regulations are the Insurance (Valuation and Capital) (Amendment) Regulations 2018 and, except for regulations 18(*b*), 21(*b*) to (*i*), 24(*b*) and 26(*b*), (*c*) and (*f*), come into operation on 1 January 2019.

(2) Regulations 18(*b*), 21(*b*) to (*i*), 24(*b*) and 26(*b*), (*c*) and (*f*) come into operation on 31 December 2018.

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 inserting, immediately after the definition of “Accounting Standards”, the following definition:

““aggregate limit”, in relation to a contract of reinsurance entered into between an SPRV and a ceding insurer, means the maximum amount payable to the ceding insurer under that contract;”;

(*b*) by inserting, immediately after the definition of “associates”, the following definition:

“ceding insurer” means an insurer that enters into a contract of reinsurance with an SPRV;”;

(c) by inserting, immediately after the definition of “forward contract”, the following definition:

“fully funded”, in relation to an SPRV, means —

- (a) in the case of any contract of reinsurance entered into between the SPRV and a ceding insurer that specifies an aggregate limit, that the assets held on trust or otherwise held under the terms of that contract by or on behalf of the SPRV for the benefit of the ceding insurer are not at any time less than the potential liabilities of the SPRV under all reasonably foreseeable scenarios, taking into account the aggregate limit of that contract and the expenses that the SPRV expects to incur; and
- (b) in the case of any contract of reinsurance entered into between the SPRV and a ceding insurer that does not specify an aggregate limit, that the assets held on trust or otherwise held under the terms of that contract by or on behalf of the SPRV for the benefit of the ceding insurer are not at any time less than the potential liabilities of the SPRV under all reasonably foreseeable scenarios, taking into account the obligations of the SPRV towards the ceding insurer under that contract and the expenses that the SPRV expects to incur;”;

(d) by inserting, immediately after the definition of “government debt security”, the following definition:

““insurance securitisation”, in relation to an SPRV, means any debt or other financing arrangement entered into by the SPRV with an investor, where repayment of the principal or interest (or both) to the investor is contingent upon the occurrence or non-occurrence of an event, upon which the ceding insurer is exposed to financial loss under contracts of insurance or reinsurance that the ceding insurer has issued;”;

(e) by inserting, immediately after the definition of “investment grade”, the following definitions:

““MAS Notice 129” means the notice commonly known as MAS Notice 129 issued by the Authority under sections 36(3), 36(3A), 37(1)(b) and 64(2) of the Act, as amended from time to time, and includes any notice that replaces it;

““MAS Notice 130” means the notice commonly known as MAS Notice 130 issued by the Authority under sections 36(3), 36(3A) and 64(2) of the Act, as amended from time to time, and includes any notice that replaces it;

““MAS Notice 131” means the notice commonly known as MAS Notice 131 issued by the Authority under sections 36(3), 36(3A) and 64(2) of the Act, as amended from time to time, and includes any notice that replaces it;

““MAS Notice 212” means the notice commonly known as MAS Notice 212 issued by the Authority under sections 36(3), 36(3A) and 64(2) of the Act, as amended from time to time, and includes any notice that replaces it;”;

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- (f) by inserting, immediately after the words “the liability” wherever they appear in paragraphs (a) and (b) of the definition of “minimum condition liability”, the words “(net of reinsurance)”;
- (g) by deleting paragraph (b) of the definition of “policy assets” and substituting the following paragraph:
- “(b) all liabilities of the fund (except liabilities in respect of the policies comprised in the participating fund);” and
- (h) by inserting, immediately after the definition of “share”, the following definition:
- ““Special Purpose Reinsurance Vehicle” or “SPRV” means an insurer licensed under section 8 of the Act as a reinsurer to carry on life or general business or both classes of business and —
- (a) is created for the sole purpose of entering into contracts of reinsurance with one or more ceding insurers; and
- (b) at all times fully funds its obligations under the contracts of reinsurance with the ceding insurer or insurers mentioned in paragraph (a) through insurance securitisation;”.

Amendment of regulation 3

3. The principal Regulations are amended by renumbering regulation 3 as paragraph (1) of that regulation, and by inserting immediately thereafter the following paragraph:

“(2) The requirement in paragraph (1) does not apply in relation to —

- (a) an applicant applying to be licensed under section 8 of the Act as a direct insurer to carry on marine mutual insurance business only; or

(b) an applicant —

- (i) created for the sole purpose of entering into contracts of reinsurance with one or more insurers; and
- (ii) applying to be licensed under section 8 of the Act as a reinsurer, where its obligations under the contracts of reinsurance mentioned in sub-paragraph (i) entered into by the applicant as a licensed reinsurer are to be at all times fully funded through insurance securitisation.”.

Amendment of regulation 4

4. Regulation 4 of the principal Regulations is amended by inserting, immediately after the words “licensed insurer” in paragraphs (1), (2) and (3), the words “(except a captive insurer, an SPRV or a marine mutual insurer)”.

Deletion and substitution of heading to Part IV

5. Part IV of the principal Regulations is amended by deleting the Part heading and substituting the following Part heading:

“RECOGNITION AND VALUATION OF ASSETS”.

Amendment of regulation 7

6. Regulation 7 of the principal Regulations is amended by deleting the words “valuation of any asset” and substituting the words “recognition and valuation of the assets”.

Deletion and substitution of regulation 8

7. Regulation 8 of the principal Regulations is deleted and the following regulation substituted therefor:

“Recognition and valuation of assets generally

8. Unless otherwise specified in this Part or any direction issued by the Authority, an asset of an insurance fund is to be recognised and valued by a licensed insurer in accordance with the Accounting Standards.”.

Amendment of regulation 12

8. Regulation 12 of the principal Regulations is amended by deleting the words “provision for doubtful debts” and substituting the words “allowance for impairment losses”.

Amendment of regulation 14

9. Regulation 14 of the principal Regulations is amended by deleting the words “provision for doubtful debts” and substituting the words “allowance for impairment losses”.

Amendment of regulation 16

10. Regulation 16 of the principal Regulations is amended by deleting the words “provision for doubtful debts” and substituting the words “allowance for impairment losses”.

New regulation 16A

11. The principal Regulations are amended by inserting, immediately after regulation 16, the following regulation:

“Reinsurers’ share of policy liabilities

16A.—(1) A licensed insurer must recognise, as assets of an insurance fund established and maintained under section 17 of the Act for the general business of the insurer, the reinsurers’ share of premium liabilities, and the reinsurers’ share of claim liabilities, in respect of the policies of the insurance fund.

(2) A licensed insurer must calculate the reinsurers’ share of premium liabilities mentioned in paragraph (1) as the amount of premium liabilities (gross of reinsurance) less the amount of premium liabilities (net of reinsurance).

(3) A licensed insurer must determine the amount of premium liabilities (gross of reinsurance) and the amount of premium liabilities (net of reinsurance) mentioned in paragraph (2) in the manner provided in regulations 19A(2)(a) and 19(1)(a), respectively.

(4) A licensed insurer must calculate the reinsurers’ share of claim liabilities mentioned in paragraph (1) as the amount of

claim liabilities (gross of reinsurance) less the amount of claim liabilities (net of reinsurance).

(5) A licensed insurer must determine the amount of claim liabilities (gross of reinsurance) and the amount of claim liabilities (net of reinsurance) mentioned in paragraph (4) in the manner provided in regulations 19A(2)(b) and 19(1)(b), respectively.

(6) A licensed insurer must make separate calculations of the reinsurers' share of premium liabilities and the reinsurers' share of claim liabilities for each line of business that is carried on by the insurer and that is described in the following Form (whichever is applicable):

- (a) in the case of a licensed insurer who is not a captive insurer, an SPRV or a marine mutual insurer — Form G1 in Appendix B to MAS Notice 129;
- (b) in the case of a captive insurer — Form G1 in Appendix B to MAS Notice 130;
- (c) in the case of an SPRV — Form G1 in Appendix B to MAS Notice 131;
- (d) in the case of a marine mutual insurer — Form G1 in Appendix B to MAS Notice 212.

(7) A licensed insurer carrying on life business must recognise, as an asset of a participating fund, non-participating fund or investment-linked fund, the reinsurers' share of policy liabilities in respect of the following, respectively:

- (a) the policies of the participating fund;
- (b) the policies of the non-participating fund;
- (c) the policies of the investment-linked fund.

(8) A licensed insurer carrying on life business must calculate the reinsurers' share of policy liabilities in respect of the policies of a participating fund mentioned in paragraph (7)(a) as the value derived from the formula $A - B$, where —

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- (a) A is the sum of —
- (i) the liability (gross of reinsurance) in respect of each non-participating policy of the participating fund, determined in the manner provided in regulation 20A(3); and
 - (ii) the liability (gross of reinsurance) in respect of each participating policy of the participating fund, which is the value derived from the formula $(W + X) - Y$, where —
 - (A) W is the value of the expected future payments arising from the guaranteed benefits of the policy (including any expense that the insurer expects to incur in administering the policy and settling any claim against the policy);
 - (B) X is any provision for any adverse deviation from the expected experience; and
 - (C) Y is the value of future receipts arising from the policy; and
- (b) B is the minimum condition liability of the participating fund.

(9) A licensed insurer carrying on life business must calculate the reinsurers' share of policy liabilities in respect of the policies of a non-participating fund mentioned in paragraph (7)(b), which is the value determined in the manner provided in regulation 20A(8) less the value determined in the manner provided in regulation 20(5).

(10) A licensed insurer carrying on life business must calculate the reinsurers' share of policy liabilities in respect of the policies of an investment-linked fund mentioned in paragraph (7)(c), which is the value determined in the manner provided in regulation 20A(8) less the value determined in the manner provided in regulation 20(5).”.

Deletion and substitution of heading to Part V

12. Part V of the principal Regulations is amended by deleting the Part heading and substituting the following Part heading:

“RECOGNITION AND VALUATION OF LIABILITIES”.

Amendment of regulation 17

13. Regulation 17 of the principal Regulations is amended by deleting the words “valuation of any liability” and substituting the words “recognition and valuation of the liabilities”.

Amendment of regulation 18

14. Regulation 18 of the principal Regulations is amended —

(a) by deleting paragraph (1) and substituting the following paragraph:

“(1) Unless otherwise specified in this Part or in any direction issued under the Act —

(a) a liability of an insurance fund is to be recognised by a licensed insurer in accordance with the Accounting Standards; and

(b) a liability of an insurance fund is to be valued by a licensed insurer in accordance with the Accounting Standards and sound actuarial principles.”; and

(b) by deleting the regulation heading and substituting the following regulation heading:

“**Recognition and valuation of liabilities generally**”.

Deletion and substitution of regulation 19 and new regulation 19A

15. Regulation 19 of the principal Regulations is deleted and the following regulations substituted therefor:

“Valuation of liabilities of general business (net of reinsurance)

19.—(1) A licensed insurer must calculate the liabilities (net of reinsurance) 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 (net of reinsurance), which is an amount not less than the higher of the following:
 - (i) the unearned premiums reserves (net of reinsurance) of the fund, which is the aggregate of unearned premium reserves (net of reinsurance) for each policy of the fund determined in the manner provided in paragraph (8);
 - (ii) the unexpired risk reserves (net of reinsurance), which is the sum of 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 claims against those policies) and —
 - (A) in the case of a captive insurer or marine mutual insurer, any provision for any adverse deviation from the expected experience; or
 - (B) in any other case, any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency; and
- (b) claim liabilities (net of reinsurance), which is an amount not less than the value derived from the formula $A + B$, where —
 - (i) A is the value of the expected future payments in relation to claims incurred prior to 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 —

(A) in the case of a captive insurer or marine mutual insurer, any provision for any adverse deviation from the expected experience; or

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

(2) In determining the amount of unearned premium reserves (net of reinsurance) of an insurance fund mentioned in paragraph (1)(a)(i), a marine mutual insurer must treat every insurance policy that it issues as a marine and aviation policy.

(3) In determining the unexpired risk reserves (net of reinsurance) mentioned in paragraph (1)(a)(ii) and claim liabilities (net of reinsurance) mentioned in paragraph (1)(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.

(4) A licensed insurer may, instead of determining the unexpired risk reserves (net of reinsurance) mentioned in paragraph (1)(a)(ii) and claim liabilities (net of reinsurance) mentioned in paragraph (1)(b) in the manner provided in paragraph (3), determine the same using claims data that is net of reinsurance if there is no material change in —

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- (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.

(5) A licensed insurer must make separate calculations of the premium liabilities (net of reinsurance), the unexpired risk reserves (net of reinsurance) and the claim liabilities (net of reinsurance) for each line of business that is carried on by the insurer and that is described in the following Form (whichever is applicable):

- (a) in the case of a licensed insurer who is not a captive insurer, an SPRV or a marine mutual insurer — Form G1 in Appendix B to MAS Notice 129;
- (b) in the case of a captive insurer — Form G1 in Appendix B to MAS Notice 130;
- (c) in the case of an SPRV — Form G1 in Appendix B to MAS Notice 131;
- (d) in the case of a marine mutual insurer — Form G1 in Appendix B to MAS Notice 212.

(6) For the purposes of paragraph (5), a licensed insurer must calculate the premium liabilities (net of reinsurance), the unexpired risk reserves (net of reinsurance) and the claim liabilities (net of reinsurance) for each line of business in the following manner:

- (a) the premium liabilities (net of reinsurance) is an amount not less than the unexpired risk reserves (net of reinsurance);
- (b) the unexpired risk reserves (net of reinsurance) is the value derived from the formula $A + B$, after allowing for the effect of diversification (if any) at the level of the relevant insurance fund mentioned in paragraph (1), where —

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- (i) A is 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 claims against the policies); and
 - (ii) B is —
 - (A) in the case of a captive insurer or marine mutual insurer, any provision for any adverse deviation from the expected experience; or
 - (B) in any other case, any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency;
- (c) the claim liabilities (net of reinsurance) is an amount not less than the value derived from the formula $A + B$, after allowing for the effect of diversification (if any) at the level of the relevant insurance fund mentioned in paragraph (1), where —
- (i) A is the value of the expected future payments in relation to claims incurred prior to 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 they have been reported to the insurer; and
 - (ii) B is —
 - (A) in the case of a captive insurer or marine mutual insurer, any provision for any adverse deviation from the expected experience; or
 - (B) in any other case, any provision for any adverse deviation from the expected

experience, calculated based on the 75 per cent level of sufficiency.

(7) In respect of the general business of an insurer (other than a captive insurer, an SPRV or a marine mutual insurer), the amount of premium liabilities (net of reinsurance) and claim liabilities (net of reinsurance) as at the end of an accounting period for each line of business that is carried on by the insurer and that is described in Form G1 in Appendix B to MAS Notice 129 must not be less than the corresponding amount of premium liabilities (net of reinsurance) and claim liabilities (net of reinsurance) as valued by the actuary appointed under section 37(1)(a) of the Act.

(8) The amount of unearned premium reserves (net of reinsurance) for a policy in respect of general business must be —

- (a) subject to sub-paragraphs (b) and (c) and paragraph (9), an amount calculated on a basis not less accurate than the 1/24th method;
- (b) in the case of a direct insurer that underwrites risks relating to cargo policies, an amount not less than 25% of the net premiums written in the accounting period for those policies or an amount calculated on a basis not less accurate than the 1/24th method; or
- (c) in the case of an insurer that carries on the business of reinsurance of liabilities under insurance policies —
 - (i) an amount not less than 25% of the net premiums written in the accounting period in the case of marine and aviation policies and 40% of the net premiums written in the accounting period in other cases; or
 - (ii) an amount calculated on a basis not less accurate than the 1/24th method.

(9) The amount of unearned premium reserves (net of reinsurance) for a policy in respect of general business must be calculated —

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

(10) In this regulation, “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.

**Recognition and valuation of liabilities of general business
(gross of reinsurance)**

19A.—(1) A licensed insurer must recognise, as a liability of an insurance fund established and maintained under section 17 of the Act for the general business of the insurer, the liabilities (gross of reinsurance) in respect of the policies of the insurance fund.

(2) The licensed insurer must calculate the liabilities mentioned in paragraph (1) as the sum of —

- (a) premium liabilities (gross of reinsurance), which is an amount not less than the higher of the following:

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- (i) the unearned premium reserves (gross of reinsurance) of the fund, which is the aggregate of unearned premium reserves (gross of reinsurance) for each policy of the fund determined in the manner provided in paragraph (7);
 - (ii) the unexpired risk reserves (gross of reinsurance), which is the sum of 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 claims against those policies) and —
 - (A) in the case of a captive insurer or marine mutual insurer, any provision for any adverse deviation from the expected experience; or
 - (B) in any other case, any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency; and
- (b) claim liabilities (gross of reinsurance), which is an amount not less than the value derived from the formula $A + B$, where —
- (i) A is the value of the expected future payments in relation to claims incurred prior to 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 —
 - (A) in the case of a captive insurer or marine mutual insurer, any provision for any

adverse deviation from the expected experience; or

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

(3) In determining the amount of unearned premium reserves (gross of reinsurance) of an insurance fund mentioned in paragraph (2)(a)(i), a marine mutual insurer must treat every insurance policy that it issues as a marine and aviation policy.

(4) In determining the unexpired risk reserves (gross of reinsurance) mentioned in paragraph (2)(a)(ii) and claim liabilities (gross of reinsurance) mentioned in paragraph (2)(b), a licensed insurer must take into account any non-reinsurance recovery such as salvage and subrogation.

(5) A licensed insurer must make separate calculations of the premium liabilities (gross of reinsurance), the unexpired risk reserves (gross of reinsurance) and the claim liabilities (gross of reinsurance) for each line of business that is carried on by the insurer and that is described in the following Form (whichever is applicable):

- (a) in the case of a licensed insurer who is not a captive insurer, an SPRV or a marine mutual insurer — Form G1 in Appendix B to MAS Notice 129;
- (b) in the case of a captive insurer — Form G1 in Appendix B to MAS Notice 130;
- (c) in the case of an SPRV — Form G1 in Appendix B to MAS Notice 131;
- (d) in the case of a marine mutual insurer — Form G1 in Appendix B to MAS Notice 212.

(6) For the purposes of paragraph (5), the licensed insurer must calculate the premium liabilities (gross of reinsurance), the unexpired risk reserves (gross of reinsurance) and the claim

liabilities (gross of reinsurance) for each line of business in the following manner:

- (a) the premium liabilities (gross of reinsurance) must be an amount not less than the unexpired risk reserves (gross of reinsurance);
- (b) the unexpired risk reserves (gross of reinsurance) is the value derived from the formula $A + B$, after allowing for the effect of diversification (if any) at the level of the insurance fund mentioned in paragraph (1), where —
 - (i) A is 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 claims against the policies); and
 - (ii) B is —
 - (A) in the case of a captive insurer or marine mutual insurer, any provision for any adverse deviation from the expected experience; or
 - (B) in any other case, any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency;
- (c) the claim liabilities (gross of reinsurance) must be an amount not less than the value derived from the formula $A + B$, after allowing for the effect of diversification (if any) at the level of the insurance fund mentioned in paragraph (1), where —
 - (i) A is the value of the expected future payments in relation to claims incurred prior to 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 —

(A) in the case of a captive insurer or marine mutual insurer, any provision for any adverse deviation from the expected experience; or

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

(7) A licensed insurer must calculate the amount of unearned premium reserves (gross of reinsurance) for a policy in respect of general business as —

(a) in the case of a direct insurer that underwrites risks relating to cargo policies —

(i) an amount not less than 25% of the gross premiums written in the accounting period for those policies; or

(ii) an amount calculated on a basis not less accurate than the 1/24th method;

(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 —

(A) 25% of the gross premiums written in the accounting period in the case of marine and aviation policies; or

(B) 40% of the gross premiums written in the accounting period in other cases; or

(ii) an amount calculated on a basis not less accurate than the 1/24th method; or

(c) in any other case, subject to paragraph (8), an amount calculated on a basis not less accurate than the 1/24th method.

(8) A licensed insurer must calculate the amount of unearned premium reserves (gross of reinsurance) for a policy in respect of general business —

(a) where the 1/24th method or a more accurate method is used, using an amount of gross premiums written which is reduced by the actual commissions payable; or

(b) in any other case, using an amount of gross premiums written without any deduction for commissions payable from the gross premiums.

(9) In this regulation, “marine and aviation policy” has the meaning given by regulation 19(10).”.

Amendment of regulation 20

16. Regulation 20 of the principal Regulations is amended —

(a) by inserting, immediately after the words “the liability” wherever they appear in paragraphs (1) to (5) and (7), the words “(net of reinsurance)”;

(b) by deleting paragraph (6) and substituting the following paragraph:

“(6) A licensed insurer must calculate the liability (net of reinsurance) in respect of the policies of a participating fund as the highest of the following:

(a) the sum of the liability (net of reinsurance) 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;

(c) the value of policy assets of the fund less the reinsurers’ share of policy liabilities

determined in the manner provided in regulation 16A(8).”; and

- (c) by inserting, immediately after the words “life business” in the regulation heading, the words “(net of reinsurance)”.

New regulation 20A

17. The principal Regulations are amended by inserting, immediately after regulation 20, the following regulation:

“Recognition and valuation of liabilities of life business (gross of reinsurance)

20A.—(1) A licensed insurer carrying on life business (called in this regulation a licensed insurer) must recognise, as a liability of a participating fund, non-participating fund or investment-linked fund, the liability (gross of reinsurance) in respect of the policies of the fund.

(2) Subject to paragraph (5), a licensed insurer must calculate the liability (gross of reinsurance) in respect of a participating policy as the value derived from the formula $(A + B + C) - D$, where —

- (a) A is the value of the expected future payments arising from the guaranteed benefits of the policy (including any expense that the insurer expects to incur in administering the policy and settling any claim against the policy);
- (b) B is the value of the expected future payments arising from the non-guaranteed benefits of the policy in respect of —
 - (i) future allocations by way of bonus under section 17(6)(b) of the Act; and
 - (ii) future allocations to the surplus account under section 17(6)(c) of the Act;
- (c) C is any provision made for any adverse deviation from the expected experience; and

(d) D is the value of the expected future receipts arising from the guaranteed benefits of the policy.

(3) Subject to paragraph (5), a licensed insurer must calculate the liability (gross of reinsurance) in respect of a non-participating policy as the value derived from the formula $(A + B) - C$, where —

(a) A is 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 claim against the policy);

(b) B is any provision made for any adverse deviation from the expected experience; and

(c) C is the value of the expected future receipts arising from the policy.

(4) Subject to paragraph (5), a licensed insurer must calculate the liability (gross of reinsurance) in respect of an investment-linked policy as the sum of —

(a) the unit reserves, which is the value of the underlying assets backing the units relating to the policy; and

(b) the non-unit reserves, which is the value derived by the formula $(A + B) - C$, where —

(i) A is the value of the expected future payments arising from the policy (including any expense expected to be incurred in administering the policy and settling any claim against the policy), other than payments relating to the unit reserves;

(ii) B is any provision made for any adverse deviation from the expected experience; and

(iii) C is the value of the expected future receipts arising from the policy, other than receipts relating to the unit reserves.

(5) Subject to paragraph (6), a licensed insurer must not value the liability (gross of reinsurance) in respect of any policy

mentioned in paragraph (2), (3) or (4) to be less than zero unless there are moneys due to the insurer when the policy is terminated on the valuation date.

(6) Where there are moneys due to a licensed insurer when a policy is terminated on valuation, the licensed insurer may value the liability (gross of reinsurance) in respect of the policy as negative to the extent of the amount due to the insurer.

(7) A licensed insurer must calculate the liability (gross of reinsurance) in respect of the policies of a participating fund as the sum of the following:

- (a) the liability (net of reinsurance) in respect of those policies determined in the manner provided in regulation 20(6);
- (b) the reinsurers' share of policy liabilities in respect of those policies determined in the manner provided in regulation 16A(8).

(8) A licensed insurer must calculate the liability (gross of reinsurance) in respect of the policies of a non-participating fund or an investment-linked fund as the sum of the liability (gross of reinsurance) in respect of each policy of that fund determined in the manner provided in paragraph (3) or (4), respectively.”.

Amendment of regulation 22

18. Regulation 22 of the principal Regulations is amended —

- (a) by deleting paragraph (2);
- (b) by deleting paragraph (5) and substituting the following paragraph:

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

- (a) where the allocation is not immediately paid out but is accrued as additional future obligations under the policies, the sum of —

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- (i) the increase in the minimum condition liability of the participating fund as a result of the allocation; and
 - (ii) the amount of tax payable on the allocation at the rate under section 43(9) of the Income Tax Act (Cap. 134); or
 - (b) where the allocation is immediately paid out when the allocation is made, the sum of —
 - (i) the actual amount paid out to policyholders; and
 - (ii) the amount of tax payable on the allocation at the rate under section 43(9) of the Income Tax Act.”;
 - (c) by inserting, immediately after the words “the liability” wherever they appear in paragraphs (7) and (10)(a) and (b), the words “(net of reinsurance)”;
 - (d) by deleting the words “the liabilities” in paragraph (7) and substituting the words “the liability (net of reinsurance)”;
 - and
 - (e) by inserting, immediately after paragraph (7), the following paragraph:
 - “(7A) In paragraph (7), a reference to the policy assets of a fund is a reference to the policy assets of the fund less the reinsurers’ share of policy liabilities determined in the manner provided in regulation 16A(8).”.

Amendment of regulation 22A

19. Regulation 22A of the principal Regulations is amended —

- (a) by deleting the words “In addition to maintaining claim liabilities and premium liabilities as required under regulation 19” in paragraph (1) and substituting the words “Subject to paragraphs (2) and (3)”;
- (b) by deleting the words “claim liabilities and premium liabilities” in paragraph (2) and substituting the words “claim liabilities (net of reinsurance) and premium liabilities (net of reinsurance)”; and
- (c) by inserting, immediately after paragraph (2), the following paragraphs:

“(3) A trade credit insurer who is a captive insurer may, for the purposes of establishing and maintaining contingency reserves in an insurance fund in accordance with the Seventh Schedule, disregard the net premiums written, underwriting profit earned, net claims incurred and net premiums earned in respect of any trade credit insurance policy comprised in the insurance fund if the trade credit insurance policy is written by the captive insurer to cover an in-house risk.

(4) In paragraph (3), “in-house risk”, in relation to a trade credit insurance policy written by a captive insurer, means a risk of a related corporation of the captive insurer that may ultimately result in losses affecting only the related corporation (and no other party) if the related corporation had not insured the risk with the captive insurer, and includes any risk where the captive insurer is only responsible for insuring the related corporation’s share of the risk in an insured.”.

Deletion of regulation 24

20. Regulation 24 of the principal Regulations is deleted.

Amendment of First Schedule

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

- (a) by inserting, immediately after the words “the liability” in sub-paragraph (8)(a)(i), the words “(net of reinsurance)”;
- (b) by deleting sub-paragraph (a) of sub-paragraph (12) and substituting the following sub-paragraphs:

“(a) item A may be reduced, where there is one or more collaterals from the reinsurance counterparty that each satisfies the requirements in sub-paragraph (13), by the sum of the following amounts that are applicable:

- (i) in the case of a collateral that is cash or the cash value of a policy — 100% of its value;
- (ii) in the case of a collateral that is a security issued by a government or public authority — 95% of the current market value of the security;
- (iii) in the case of a collateral that is a corporate bond rated from “AA-” to “AAA” — 90% of the current value of the bond;
- (iv) in the case of a collateral that is a corporate bond rated from “BBB-” to “A+” — 85% of the current market value of the bond;
- (v) in the case of a collateral that is a security listed on a securities exchange — 70% of the current market value of the securities;
- (vi) in the case of a collateral that is none of the above — zero;

(aa) where there is a letter of credit issued in favour of the insurer, or a trust in which the insurer is a beneficiary, that satisfies such requirements as the Authority may specify in directions, item A may, in addition to any reduction under sub-paragraph (a), be reduced by such amount as the Authority may specify in directions; and”;

- (c) by deleting the words “the deposit shall satisfy” in sub-paragraph (13) and substituting the words “the collateral must satisfy”;

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- (d) by deleting the word “deposit” wherever it appears in sub-paragraph (13)(a), (c) and (d) and substituting in each case the word “collateral”;
- (e) by deleting sub-paragraph (b) of sub-paragraph (13) and substituting the following sub-paragraph:
- “(b) under the terms of the agreement under which the collateral is provided, the reinsurance counterparty must not withdraw the collateral so long as any liability mentioned in sub-paragraph (a) is secured on the collateral but may reduce the value of the collateral in the event of, and in proportion to, a reduction in such liability;”;
- (f) by inserting, immediately before the words “means the sum of the following items” in the definition of “financial resource adjustment” in sub-paragraph (14), the words “, subject to sub-paragraph (15),”;
- (g) by deleting the word “or” at the end of paragraph (b)(ii) of the definition of “financial resource adjustment” in sub-paragraph (14);
- (h) by deleting the words “equivalent to the liability incurred” in paragraph (b)(iii) of the definition of “financial resource adjustment” in sub-paragraph (14) and substituting the words “in excess of the amount of the liability that is incurred and recognised as a liability on the balance sheet of the insurer”; and
- (i) by inserting, immediately after sub-paragraph (14), the following sub-paragraph:
- “(15) The Authority may, if it considers fit in the circumstances of a particular insurer or class of insurers, issue a direction under section 64(2) of the Act for an amount to be the financial resource adjustment in relation to that insurer or class of insurers for the purposes of this paragraph.”.

Amendment of Second Schedule

22. Paragraph 3 of the Second Schedule to the principal Regulations is amended —

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- (a) by deleting the word “and” at the end of sub-paragraph (b); and
 - (b) by deleting the full-stop at the end of sub-paragraph (c) and substituting the word “; and” and by inserting, immediately thereafter, the following sub-paragraph:
 - “(d) the C2 and C3 requirements arising from reinsurers’ share of policy liabilities, premium liabilities and claim liabilities.”.

Amendment of Third Schedule

23. The Third Schedule to the principal Regulations is amended —

- (a) by deleting the words “claims liabilities” in paragraph 3(1A)(b)(iii) and (c)(iii) and substituting in each case the words “claim liabilities (net of reinsurance)”;
- (b) by inserting, immediately after the words “unexpired risk reserves” in paragraph 3(2)(a)(ii), the words “(net of reinsurance)”;
- (c) by inserting, immediately after the words “less the premium liability” in paragraph 3(2)(a), the words “(net of reinsurance)”;
- (d) by inserting, immediately after the words “claim liabilities” wherever they appear in paragraph 3(4)(a), the words “(net of reinsurance)”;
- (e) by inserting, immediately after the words “the liability” in paragraph 4(1A)(b)(i)(A)(AA) and (AB) and (B) and (c)(i)(A)(AA) and (AB) and (B), (2)(a)(ii), (4)(a)(ii) and (5)(a)(ii), the words “(net of reinsurance)”.

Amendment of Fourth Schedule

24. The Fourth Schedule to the principal Regulations is amended —

- (a) by inserting, immediately after the words “aggregate of liabilities” in paragraph 4(1)(a)(i)(A) and (ii)(A) and (b)(i)(A) and (ii)(A), the words “(net of reinsurance)”;

(b) by inserting, immediately after sub-paragraph (b) of paragraph 5(2), the following sub-paragraphs:

“(ba) in the case of a corporate bond rated from “AA-” to “AAA” — 90% of the current market value of the bond;

(bb) in the case of a corporate bond rated from “BBB-” to “A+” — 85% of the current market value of the bond;”.

Amendment of Fifth Schedule

25. Paragraph 1(a) of the Fifth Schedule to the principal Regulations is amended by inserting, immediately after the word “fund”, the words “(less the reinsurers’ share of policy liabilities in respect of the fund)”.

Amendment of Sixth Schedule

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

(a) by deleting Table 5 and substituting the following table:

“TABLE 5 — VOLATILITY CATEGORY
(EXCLUDING POLITICAL RISK)

<i>First column Volatility category</i>	<i>Second column Business lines — Singapore insurance fund</i>	<i>Third column Business lines — Offshore insurance fund</i>
(1) Low	(a) Personal Accident	
	(b) Health	
	(c) Property	
(2) Medium	(a) Cargo	(a) Cargo
	(b) Motor	(b) Property
	(c) Employers’ Liability	(c) Credit/Credit- Related (excluding Mortgage)
	(d) Surety	(d) Engineering
	(e) Engineering	

<i>First column Volatility category</i>	<i>Second column Business lines — Singapore insurance fund</i>	<i>Third column Business lines — Offshore insurance fund</i>
	(f) Credit/Credit-Related	
	(g) Others — non-liability class	
(3) High	(a) Marine Hull	(a) Marine Hull
	(b) Aviation Hull	(b) Aviation Hull
	(c) Professional Indemnity	(c) Motor
	(d) Property	(d) Mortgage
	(e) Public Liability/Product Liability	(e) Liability and others (excluding political risk).
	(f) Others — liability class	

Note:

In this Table —

“Aviation Hull”, “Cargo”, “Credit/Credit-Related”, “Employers’ Liability”, “Engineering”, “Health”, “Marine Hull”, “Motor”, “Personal Accident”, “Product Liability”, “Professional Indemnity”, “Property”, “Public Liability”, and “Surety” have the same respective meanings given in paragraph 2 of MAS Notice 129;

“Mortgage” means an insurer’s insurance business in Singapore relating to mortgage insurance policies.”;

- (b) by deleting the words “rate set out in Table 15” in the second column of item (1)(a)(i) and (ii) of Table 6 and substituting in each case the words “insurer’s best estimate of its future experience”;
- (c) by deleting the words “100% of the rate set out in Table 16 with a 5-year setback” in the second column of item (2) of

Table 6 and substituting the words “75% of the insurer’s best estimate of its future experience”;

- (d) by inserting, immediately after the words “*As % of total assets*” in the heading of the second column of Table 14, the words “(*excluding reinsurers’ share of policy liabilities*)”;
- (e) by deleting the words “less 30% of claim liabilities of the fund” in the second column of item (7) of Table 14 and substituting the words “(less reinsurers’ share of policy liabilities in respect of the fund and 30% of claim liabilities (net of reinsurance))”; and
- (f) by deleting Tables 15 and 16 (including the table references).

Amendment of Seventh Schedule

27. Paragraph 1 of the Seventh Schedule to the principal Regulations is amended —

- (a) by inserting, immediately after the words “claim liabilities” wherever they appear in paragraph (b) of the definition of “net claims incurred”, the words “(net of reinsurance)”; and
- (b) by inserting, immediately after the words “premium liabilities” wherever they appear in paragraph (b) of the definition of “net premiums earned”, the words “(net of reinsurance)”.

Saving provisions

28. Despite anything in these Regulations —

- (a) regulation 3 does not apply in relation to an application made before 1 January 2019 to be licensed under section 8 of the Act;
- (b) regulations 2(f) and (g), 6 to 11, 13 to 17, 18(c), (d) and (e), 19(b), 21(a), 22, 23, 24(a), 25, 26(a), (b), (d) and (e) and 27 do not apply to or in relation to the valuation of assets or liabilities of an insurance fund established and maintained

under the Act for the purposes of preparing any statement of account or return that a licensed insurer is required to lodge with the Authority under the Act, for the following periods:

- (i) the quarter beginning on 1 October 2018 and ending on 31 December 2018 (both dates inclusive);
- (ii) the accounting period beginning on or after 1 January 2018 and ending on 31 December 2018;
- (iii) the financial year of the licensed insurer beginning on any day between 1 January 2018 and 31 December 2018 (both dates inclusive).

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

Made on 17 December 2018.

RAVI MENON
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