

Insurance (Valuation and Capital) (Amendment) Regulations 2007

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No. S 733

INSURANCE ACT (CHAPTER 142)

INSURANCE (VALUATION AND CAPITAL) (AMENDMENT) REGULATIONS 2007

In exercise of the powers conferred by sections 17 and 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 2007 and shall come into operation on 1st January 2008.

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 inserting, immediately after the definition of “money market debt security”, the following definitions:

“ “mortgage insurance policy” means a policy that protects against losses on mortgage loans arising from default by borrowers;

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

“net premiums written” means the net amount of premiums written by an insurer after deduction of return premiums and payments in respect of reinsurance business ceded;”;

(b) by inserting, immediately after the definition of “policy assets”, the following definition:

“ “political risk insurance policy” means a policy that protects against losses from business operations as a result of adverse political developments;” and

(c) by inserting, immediately after the definition of “total risk requirement”, the following definitions:

“ “trade credit and political risk insurer” means an insurer registered under the Act which has liabilities in respect of trade credit insurance policies or political risk insurance policies or both;

“trade credit insurance policy” means a policy that protects

against the risk of non-payment of goods and services by buyers and importers;”.

Amendment of regulation 19

3. Regulation 19 of the principal Regulations is amended —

(a) by inserting, immediately after paragraph (4), the following paragraph:

“(4A) In respect of the general business of an insurer, the amount of premium liabilities or claim liabilities as at the end of an accounting period for each line of business described in Form 6 in the First Schedule to the Insurance (Accounts and Statements) Regulations 2004 shall not be less than the corresponding amount of premium liabilities and claims liabilities as valued by the actuary under section 37(1)(b) of the Act.”;

(b) by deleting the word “premiums” wherever it appears in paragraph (5)(b) and (c)(i) and substituting in each case the words “net premiums written in the accounting period”;

(c) by inserting, immediately before the words “premiums written” in paragraph (6) (i) and (ii), the word “net”;

(d) by deleting the semi-colon at the end of paragraph (e) of the definition of “marine and aviation policy” in paragraph (7) and substituting a full-stop; and

(e) by deleting the definition of “premiums” in paragraph (7).

New regulation 22A

4. The principal Regulations are amended by inserting, immediately after regulation 22, the following regulation:

“Contingency reserves

22A. In addition to maintaining claim liabilities and premium liabilities as required under regulation 19, a mortgage insurer and a trade credit and political risk 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 and political risk insurer.”.

Amendment of First Schedule

5. Paragraph 1 (14) of the First Schedule to the principal Regulations is amended —

- (a) by deleting the word “and” at the end of paragraph (da) of the definition of “financial resource adjustment”, and by inserting immediately thereafter the following paragraphs:

“(db) where it relates to an insurance fund established and maintained by a registered insurer under the Act and the registered insurer is required to maintain contingency reserves in respect of that fund under these Regulations, the negative of the lower of —

- (i) 50% of the contingency reserves in each insurance fund established and maintained by the insurer in accordance with regulation 22A; and

- (ii) 50% of the C1 requirement of that fund;

(dc) where it relates to an insurance fund established and maintained by a registered insurer under the Act, the negative of the exchange translation reserves resulting from the translation of the financial statements of that insurance fund from a non-Singapore dollar denominated functional currency to the presentation currency in Singapore dollars;

(dd) where it relates to the “Tier 1 resource” of a registered insurer, the sum of —

- (i) the amounts referred to in paragraphs (db) and (dc) in respect of all insurance funds maintained by the insurer; and

- (ii) the negative of the exchange translation reserves resulting from the translation of the financial statements of all assets and liabilities that do not belong to any insurance fund maintained by the insurer from a non-Singapore dollar denominated functional currency to the presentation currency in Singapore dollars; and”;

- (b) by deleting the word “assets” in paragraph (e) of the definition of “financial resource adjustment” and substituting the word “adjustments”.

Amendment of Second Schedule

6. Paragraph 3 of the Second Schedule to the principal Regulations is amended by deleting sub-paragraphs (b) and (c) and substituting the following sub-paragraphs:

- “(b) in the case of a reinsurer incorporated outside of Singapore, 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 C2 and C3 requirements —
 - (i) of any insurance fund established and maintained under the Act in respect of offshore policies; and
 - (ii) arising from the assets and liabilities of any of its branches located outside of Singapore.”.

Amendment of Third Schedule

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

- (a) by deleting the words “paragraph 5” in paragraph 2 and substituting the words “paragraphs 3, 4 and 5”;
- (b) by deleting the word “The” in paragraphs 3 (1) and 4 (1) and substituting in each case the words “In the case of a registered insurer other than a reinsurer incorporated in Singapore, the”;
- (c) by inserting, immediately after sub-paragraph (1) of paragraph 3, the following sub-paragraph:

“(1A) In the case of a reinsurer incorporated in Singapore, the C1 requirement in respect of general business is calculated as follows:

- (a) in relation to an insurance fund established and maintained under the Act in respect of Singapore policies and in relation to assets and liabilities that do not belong to any insurance fund established and maintained under the Act (excluding the assets and liabilities of any of the reinsurer’s branches located outside of Singapore), the sum of —
 - (i) the premium liability risk requirement calculated in accordance with sub-paragraphs (2) and (3); and