

Notice No.: MAS 302
Issue Date: 15 December 2005

Last revised on 29 June 2018

PRODUCT DEVELOPMENT AND PRICING

Introduction

1. This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142) (“the Act”). It comprises both mandatory requirements (Part I) and guidelines (Part II).
2. This Notice shall be read in conjunction with the provisions of the Act and the Insurance (Actuaries) Regulations 2013 (S 239/2013) (“the Regulations”).

[MAS Notice 302 (Amendment) 2015]
3. This Notice applies to all direct insurers licensed under the Act to carry on life business.

[MAS Notice 302 (Amendment) 2015]
[MAS Notice 302 (Amendment) 2018]
4. [Deleted by MAS Notice 302 (Amendment) 2007]
5. [Deleted by MAS Notice 302 (Amendment) 2007]

Definition

- 5A. In this Notice,
- “settlement option” in relation to a policy, means an arrangement where a policyholder or a person entitled to payment of the policy moneys under a policy (“entitled person”), as the case may be, has the option at any time, upon the surrender or maturity of, or where a claim has been made under the policy, to leave the policy moneys ascertained to be due and payable under the policy, with the insurer which issued the policy, to further accrue interest on or invest, the payments or convert the otherwise lump sum payment to instalment payments over a fixed period of time, when the policy no longer provides for any payment of policy moneys on the happening of any subsequent contingency;
- “PPF Scheme” means the Policy Owners’ Protection Scheme established under section 30 of the Deposit Insurance and Policy Owners’ Protection Schemes Act (Cap. 77B).
- [MAS Notice 302 (Amendment) 2015]
6. The expressions used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same respective meanings as in the Act and the Regulations.

Part I - Mandatory Requirements

Prudent Management Oversight

7. An insurer shall –

- (a) exercise prudent management oversight; and
- (b) implement and maintain adequate controls

in respect of the development and pricing of insurance products and investment-linked policy sub-funds (“ILP sub-funds”).

[MAS Notice 302 (Amendment) 2007]

7A. An insurer shall ensure that the board of directors approves the policies and procedures in respect of the development and pricing of insurance products and ILP sub-funds.

[MAS Notice 302 (Amendment) 2007]

8. The policies and procedures in respect of the development and pricing of insurance products and ILP sub-funds shall include such items listed in Appendix A as may be applicable.

[MAS Notice 302 (Amendment) 2007]

Prohibited Payout Features

8A An insurer shall not include, in any insurance product for which a policy holder or new customer has submitted a proposal to the insurer on or after 1 October 2013, a term or condition which–

- (a) if the insurance contract is entered into, provides a settlement option; or
- (b) in a case of an insurance product where policy moneys are to be paid out over a period of time and the policy no longer provides for any payment of policy moneys on the happening of any subsequent contingency, allows the payment of any part of the policy moneys ascertained to be due and payable under the policy to be made more than 10 years after the occurrence of the insured event. For avoidance of doubt, an insurer need not comply with this sub-paragraph in respect of an insurance product where outstanding payments are contingent on the termination or continuance of human life or the insured event, such as a policy which covers total and permanent disability or long term care.

[MAS Notice 302 (Amendment) 2013]

Disclosure to Policyholders and Entitled Persons who have exercised a Settlement Option and the Settlement Option has not come into effect

- 8B An insurer shall notify—
- (a) a policyholder or an entitled person:
 - (i) who has exercised a settlement option prior to 1 October 2013, and
 - (ii) the settlement option has not come into effect, on or before the date the insurer next sends a policy statement to the policy holder or entitled person, as the case may be; or
 - (b) a policyholder or an entitled person:
 - (i) who exercises a settlement option on or after 1 October 2013, and
 - (ii) the settlement option has not come into effect, within one month of the date of the exercise of the settlement option,
- that moneys payable in accordance with the settlement option—
- (i) is not covered under the PPF Scheme; and
 - (ii) in the event of insolvency of the insurer, rank after policy liabilities and equally with the unsecured liabilities of the insurer.

[MAS Notice 302 (Amendment) 2013]

Disclosure to Policyholders and Entitled Persons who have exercised a Settlement Option and the Settlement Option has come into effect

- 8C An insurer shall notify—
- (a) a policyholder or an entitled person:
 - (i) who has exercised a settlement option, and
 - (ii) the settlement option has come into effect prior to 1 October 2013, on or before the date the insurer next sends a policy statement to the policy holder or entitled person, as the case may be, and thereafter at least annually; or
 - (b) a policyholder or an entitled person:
 - (i) who has exercised a settlement option, and
 - (ii) the settlement option comes into effect on or after 1 October 2013, within one month from the date the settlement option comes into effect and thereafter, at least annually,
- of the following particulars:
- (i) that moneys payable in accordance with the settlement option—
 - (A) is not covered under the PPF Scheme;
 - (B) in the event of insolvency of the insurer, rank after policy liabilities and equally with the unsecured liabilities of the insurer;

- (ii) the interest rate applicable to moneys payable in accordance with a settlement option, and whether such interest rate is guaranteed and the amount of such moneys together with any interest accrued, due to the policyholder or entitled person as the case may be.

[MAS Notice 302 (Amendment) 2013]

Approval for New Products

- 9. Subject to paragraph 10 below, an insurer shall obtain written approval from the Authority before offering any product with any feature that does not appear in any product in the insurer's then-existing business portfolio. Any request for such approval shall be made in writing (in both hardcopy and softcopy¹) and submitted to the Authority no later than one month before the proposed official launch date of the product. The request shall be accompanied by relevant information and product documents, including such information and documents specified in items 1 to 10 of Appendix B as may be applicable.

[MAS Notice 302 (Amendment) 2013]

- 10. Paragraph 9 above shall not apply in respect of—
 - (a) a short-term accident and health policy;
 - (b) a term policy having a duration of 5 years or less; or
 - (c) a Direct Purchase Insurance Product as defined under MAS Notice 321 – Notice on Direct Purchase Insurance Products².

[MAS Notice 302 (Amendment) 2015]

- 11. When in doubt, the insurer may check with the Authority on whether any proposed product requires such written approval.

Contravention of requirements imposed

- 12. Contravention of any requirement imposed under Mandatory Requirements of this Notice shall be an offence and shall attract the penalty specified in section 55(2) of the Act.

¹ The softcopy is to be submitted as an attachment to an email using AES 256 encryption or higher. The insurer shall deliver the corresponding password of minimum 12 characters in length or encryption key via a separate transmission channel (e.g. telephone) to the Authority. The Authority uses WinZip12AES 256 encryption to protect such information.

² Please refer to MAS Notice 321 – Notice on Direct Purchase Insurance Products for the approval requirements which apply to a Direct Purchase Insurance Product.

Part II - Guidelines

Notification for Products Launched

13. Subject to paragraph 14 below, an insurer should notify the Authority in writing (in both hardcopy and softcopy¹) of any product launched by the insurer that does not require the approval of the Authority under paragraph 9 above. Such notice should be given to the Authority within 7 working days after the official launch date of the product. The notification should contain relevant information and be accompanied by product documents, including such information and documents specified in items 1 to 7 of Appendix B as may be applicable.

[MAS Notice 302 (Amendment) 2013]

14. Paragraph 13 above does not apply in respect of—
- (a) a short-term accident and health policy;
 - (b) a term policy having a duration of 5 years or less; or
 - (c) a Direct Purchase Insurance Product as defined under MAS Notice 321 – Notice on Direct Purchase Insurance Products³.

[MAS Notice 302 (Amendment) 2015]

15. Without prejudice to the generality of paragraph 13, the circumstances in which an insurer should notify the Authority under paragraph 13 include, but not limited to –
- (a) when the single-premium endowment products in the then-existing business portfolio of the insurer have durations of 5 years, and the insurer wishes to introduce longer or shorter policy terms for any such products;
 - (b) when the insurer wishes to increase the number of dread diseases covered under their whole life products;
 - (c) when the insurer wishes to provide prospective or existing policyholders of a product in the insurer's then-existing business portfolio with the option of paying premiums at any frequency which is then unavailable to such policyholders; and
 - (d) when total permanent disability cover is an existing feature of any products other than whole life products in the insurer's then-existing business portfolio, and the insurer wishes to offer total permanent disability cover under any of its whole life products.

³ Please refer to MAS Notice 321 – Notice on Direct Purchase Insurance Products for the approval requirements which apply to a Direct Purchase Insurance Product.

Compliance with Guidelines

16. The standards set out in this Part II are not mandatory in that failure by an insurer to comply with any of the standards shall not of itself render the insurer to be in breach of this Notice. However, the Authority expects insurers to observe the standards set forth in this Part II.
17. The Authority may take into account a failure to comply with these standards in considering whether to –
 - (a) approve a new product;
 - (b) revoke the approval for a product; or
 - (c) issue directions for the withdrawal of a product.

*Notes on History of Amendments

1. MAS Notice 302 (Amendment) 2007 with effect from 20 August 2007.
2. MAS Notice 302 (Amendment) 2013 with effect from 30 September 2013.
3. MAS Notice 302 (Amendment) 2015 with effect from 30 March 2015.
4. MAS Notice 302 (Amendment) 2018 with effect from 2 July 2018.

Appendix A

Items to be included in Policies and Procedures on Development and Pricing of Insurance Products and ILP Sub-Funds

1. Policies on personnel participating in the development and pricing of insurance products and ILP sub-funds.
2. Profit requirements for major lines of insurance products.
3. Policies on insurance product lines and ILP sub-funds that the insurer is prepared to engage in or has chosen not to engage in.
4. Clearly defined and appropriate levels of delegation for approval of each material aspect of the design and pricing of insurance products and ILP sub-funds.
5. Processes for assessing risks, including risks arising from inflation, anti-selection, concentration, misrepresentation, catastrophes, changes in government policy and investment returns.
6. Requirements for limiting risk through, for example, diversification, exclusions and reinsurance.
7. Procedures for ensuring that policy documents are appropriately drafted to give legal effect to the proposed level of coverage under the insurance products.
8. Procedures for ensuring clear and adequate disclosure in the policy illustrations and marketing materials to prospective or existing policyholders.

[MAS Notice 302 (Amendment) 2018]

9. Procedures and criteria for withdrawal and re-pricing of existing insurance products and ILP sub-funds.
10. Policies on audit practices for monitoring compliance with insurer's policies and procedures.

[MAS Notice 302 (Amendment) 2007]

Appendix B

1. Tables of premium rates.
2. The date on which the new premium rates had or will come into force.
3. The proposed classification for the product, such as
 - a. participating; or
 - b. non-participating; or
 - c. investment-linked; or
 - d. a hybrid of any of the above.
4. The assumptions used or proposed to be used in calculating the premium rates, such as the assumptions in respect of:
 - a. the mortality and/or morbidity table;
 - b. the investment rate of return;
 - c. the initial and renewal expenses;
 - d. the commissions scale;
 - e. the bonus scale; and
 - f. the profit and contingencies loadings.
5. The results of profit testing based on cash flow projection of sample model points, together with the anticipated portfolio profitability of this product.
6. A statement by the appointed actuary for the insurer on whether the pricing of the product complies with the pricing policy of the insurer.
7. Policy form, proposal form, cover page, policy illustration, product summary, bundled product disclosure document, product highlights sheet,⁴ and any other documents, as may be applicable to the product, used or proposed to be used at the point of sale, for explaining the product features to consumers.

[MAS Notice 302 (Amendment) 2018]

8. The methodology of valuing the policy liabilities in respect of the product.
9. The method of calculating Component 1 (C1) Requirement in relation to the product in accordance with the Third Schedule to the Insurance (Valuation and Capital) Regulations 2004.

⁴ The terms “cover page”, “policy illustration”, “product summary”, “bundled product disclosure document” and “product highlights sheet” have the same respective meanings as in paragraph 2 of the Notice on Market Conduct Standards for Direct Life Insurer as a Product Provider [MAS Notice 318].

10. Any issues in complying with the Insurance (Valuation and Capital) Regulations 2004.