

Circular No. ID 02/08

18 Feb 2008

To Principal Officers  
All Direct Life and Composite Insurers

Dear Sir/Madam

**CLASSIFICATION OF TAX LIABILITIES ARISING FROM NON-GUARANTEED BENEFITS OF PARTICIPATING POLICIES**

Under the Insurance (Valuation and Capital) Regulations 2004 (“the V&C Regulations”), the allowance for provision for non-guaranteed benefits of participating policies constitutes part of the financial resources of the participating fund for the purpose of risk-based capital computation. This allowance may include up to 50% of the aggregate of the values of expected payments (“EP”) arising from non-guaranteed benefits of each participating policy, and the provision for adverse deviations thereof, determined in accordance with regulations 20(3)(b) and (c) of the V&C Regulations.

2 It is the intent of the Authority for the EP to include expected tax payments from the participating fund arising from non-guaranteed benefits of each participating policy. All direct life and composite insurers should include such expected tax payments as policy liabilities under Form 1 of the First Schedule to the Insurance (Accounts and Statements) Regulations 2004. The value of such expected tax payments should also be disclosed under the section on “additional information” in the Form.

3 Please contact your company’s liaison officer in MAS should you require further clarification.

Yours faithfully

[sent via MASNET]

LOW KWOK MUN  
EXECUTIVE DIRECTOR  
INSURANCE SUPERVISION DEPARTMENT

Cc: Institute of Certified Public Accountants of Singapore