

# CONSULTATION PAPER

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MAS

Monetary Authority of Singapore

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## PREFACE

Under the Insurance Act (Cap 142) (“IA”), insurers are required to seek prior approval from the Monetary Authority of Singapore (“MAS”) before appointing the directors of the board and key executive persons, namely the principal officer (“PO”), the Appointed Actuary (“AA”) and the Certifying Actuary (“CA”). The roles, responsibilities and approval process for the appointment of POs and directors are set out in MAS Notice 106, while those for actuaries are prescribed in the Insurance (Actuaries) Regulations 2004 (“Actuaries Regulations”).

2 MAS has reviewed the provisions relating to the appointment of directors and key executive persons in the IA, and set out the proposed changes to the IA in this consultation paper.

3 This consultation paper also sets out the proposals to prescribe the roles and responsibilities of all key executive persons in a new set of regulations, to repeal the Actuaries Regulations, and to revise MAS Notice 106 to make it applicable to the appointment of directors of the board and all key executive persons.

4 MAS invites interested parties to forward their comments on the proposals set out in this paper. Electronic submission is encouraged. Please submit your comments by 14 September 2012 to:

Insurance Department  
Monetary Authority of Singapore  
10 Shenton Way, MAS Building  
Singapore 079117

Fax: 6229 9694  
Email: [keypersons2012@mas.gov.sg](mailto:keypersons2012@mas.gov.sg)

5 Please note that any submission received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

## 1 INTRODUCTION

1.1 Sections 31 and 37 of the IA require insurers to seek prior approval from MAS before the appointment of the directors of the board<sup>1</sup> and key executive persons, namely the PO<sup>2</sup>, AA<sup>3</sup> and CA<sup>4</sup>.

1.2 MAS proposes to amend the IA provisions relating to the appointment of the directors of the board and key executive persons. The changes aim to provide greater clarity to better reflect MAS' policy intent and supervisory objectives. The changes are aligned with practices in established jurisdictions.

1.3 Currently, the roles, responsibilities, and approval process for the appointment of POs and directors are set out in MAS Notice 106, while those for actuaries are prescribed in the Actuaries Regulations.

1.4 MAS proposes to prescribe the roles and responsibilities of all key executive persons in a new set of regulations and to repeal the Actuaries Regulations. The intention is to reorganise, for ease of reference, the requirements relating to all key executive persons in a single piece of legislation. The provisions in the Actuaries Regulations will be transferred to the new regulations. We also propose to revise MAS Notice 106 to extend the mandatory requirements and administrative guidelines on the approval process of the directors of the board and all key executive persons.

1.5 The new regulations and revised MAS Notice 106 will be rolled out when the amendments to the IA have been effected.

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<sup>1</sup> Only applicable to insurers incorporated in Singapore, as per section 31(1) of IA

<sup>2</sup> Section 31(1) of IA

<sup>3</sup> Section 31(2) of IA

<sup>4</sup> Section 37(2) of IA

## 2 CHANGES REQUIRING IA AMENDMENTS

### Changes relating to Director and Key Executive Persons

2.1 The IA is presently not explicit enough in its requirement for an insurer to appoint a person as the PO or a director, and to seek MAS' prior approval.

#### **Proposal 1**

MAS proposes to make clear in the IA that insurers are required to appoint director of the board or key executive persons, and to seek MAS' prior approval on these appointments.

2.2 At present, appointments which require MAS' approval under the IA are the director and key executive persons namely the PO, AA and CA. MAS is of the view that such appointments should include the Chairman of the board of directors of all locally-incorporated insurers<sup>5</sup> and the deputy chief executive (this will be discussed in detail in the later sections). As there could be other persons whom MAS may deem necessary to approve in the future, MAS will need flexibility in its approach to respond to developments effectively.

#### **Proposal 2**

MAS proposes to give itself powers to prescribe in the form of regulations, additional persons whom the insurers are required to appoint and to seek MAS' prior approval for, as well as to set out their roles and responsibilities.

2.3 MAS may under section 31(4) of the IA, direct the registered insurer to remove the PO, director or AA if they have failed to perform their functions or is not fit and proper. For an actuary approved under section 37(2) of the IA, MAS has the power to revoke the approval by serving on a notice of revocation. In any case, MAS has powers under section 41 of the IA to direct a registered insurer to remove any person from the insurer.

2.4 There could be circumstances where MAS finds that a person holding a director or key executive person position is no longer competent for that position, but MAS has no objection to the person holding other non-key positions in the insurer. In such cases, MAS would only want to *revoke the approval* for the director or key executive person appointment by serving on the insurer a notice of revocation. However, there could also be circumstances where MAS may want the person to be removed from employment of the insurer altogether if the integrity of the person is in question or if MAS has concerns about the fitness and propriety of the person.

<sup>5</sup> As proposed in the Consultation Paper on Corporate Governance for Insurers in February 2012

2.5 In order that supervisory actions can be proportionate to the risks posed, MAS proposes to make explicit in the IA both the powers to remove the director or key executive person from office (which achieves the same effect as revoking the approval of appointments), as well as to remove the person from employment altogether.

**Proposal 3**

MAS proposes to amend the powers under section 31 of the IA, such that it is explicit that MAS can choose to remove any director or key executive person from office or from employment altogether.

**Principal Officer Terminology and Definition**

2.6 The term “chief executive” is a generic term used for the most senior executive position in an organisation. It is MAS’ intention that the approved PO is most senior *executive officer* in the organisation whom MAS deals with and holds accountable for the licensed operation of the insurer in Singapore. Currently, the use of the term PO has occasionally given rise to situations where insurers appoint someone other than their chief executive to be their PO. This would not be in line with MAS’ intent. Going forward, we propose to use the term chief executive, instead of PO. This is the term used in the Banking Act (Cap 19) as well as other insurance jurisdictions<sup>6</sup>.

**Proposal 4**

MAS proposes to use the term ‘chief executive’ instead of ‘principal officer’.

2.7 Section 1A of the IA currently stipulates that the PO is directly responsible for the conduct of *any* class of insurance business of the insurer *in Singapore*. However, MAS’ intention is that the PO should be responsible for the conduct of *every* class of insurance business that the insurer is registered to write, be it *in or outside Singapore*. MAS also expects the PO to be held accountable for the conduct of the business of the overseas branches and subsidiaries of locally-incorporated insurers. The PO should also be responsible for the conduct of any non-insurance business that the insurer conducts<sup>7</sup>.

2.8 With the proposed amendments, insurers still have the flexibility to appoint individual Chief Executive Officers (“CEOs”) to be in charge of the different local offices, and such roles do not need to be approved by MAS. As far as MAS is

<sup>6</sup> “Chief Executive Officer” is used in Canada by Office of the Superintendent of Financial Institutions, and “Chief Executive” is used in Australia by Australian Prudential Regulation Authority, and in UK by Financial Services Authority, UK.

<sup>7</sup> Insurers may engage in some non-insurance activities which are incidental to their writing of insurance business, or which MAS has allowed them to do so.

concerned, the chief executive whom we approve will be responsible for the entire operations of the insurer, including the business that its overseas branches and subsidiaries engage in. In the case of insurers which are set up as branches in Singapore, the PO is only responsible for the business conducted by the branch in Singapore.

#### **Proposal 5**

MAS proposes to make it clear that the PO is the person, who is in direct employment of, or acting for or by arrangement with, the insurer to be principally responsible for the management and conduct of the business of the insurer, including the business that its overseas branches and subsidiaries engage in.

In the case of foreign incorporated insurers, the PO is only responsible for the management and conduct of business of the branch in Singapore.

2.9 The Banking Act currently accords the bank with the flexibility to appoint a deputy chief executive, and MAS the power to approve such an appointment. MAS proposes to create a deputy chief executive appointment in the IA. The deputy chief executive will have the same statutory responsibility as the PO, and will be held jointly responsible with the PO for the operations of the insurer. Thus, the role will require MAS' approval.

2.10 MAS would encourage an insurer to appoint a deputy chief executive if the PO will be unable to carry out his responsibility as a PO for an extended period of time. For example, the PO needs to recuperate from an illness for more than 2 weeks.

#### **Proposal 6**

MAS proposes to create a deputy chief executive appointment in the IA which has the same statutory responsibility as the PO. MAS will leave insurers with the option to appoint a deputy chief executive. Any appointment to this role will require MAS' prior approval.

MAS also proposes to set out in the non-mandatory guidelines section of the revised Notice that an insurer should appoint a deputy chief executive if the PO will be unable to carry out his responsibility as a PO for an extended period of time.

2.11 MAS Notice 106 provides for the Alternate PO and the Acting PO appointments. The former requires MAS approval but the latter does not. However, both the Acting PO and the Alternate PO are only acting on behalf of the PO who is

not absolved from his responsibility as a PO by delegating his responsibilities. Thus, the Alternate PO should also not require MAS approval.

2.12 Under MAS Notice 106, POs are required to ensure that they have made prior arrangements for a senior management staff to act on their behalf during their absences from office, unless an Alternate PO has been appointed. In this age where information technology allows POs to be contactable during their absence, MAS proposes to leave it to POs to decide whether they need to appoint an Acting PO in their absence. Thus, MAS proposes to remove the Acting PO appointment from MAS Notice 106. As the Alternate PO only acts on behalf of the PO, MAS also proposes to remove the Alternate PO appointment.

**Proposal 7**

MAS proposes to do away with the Alternate PO and the Acting PO appointments in MAS Notice 106.

Changes Relating to Actuaries

2.13 Under the IA, the appointment of the AA has to be made by the board of directors in writing and be subject to MAS' approval. However there is no similar requirement for the board to appoint the PO, the directors and the CA in writing.

2.14 MAS is of the view that while the onus remains with the board of directors to ensure that the directors and key executive persons put up for MAS' approval are fit and proper, it is not necessary for the board of directors to appoint the director and key executive person in writing. Hence, MAS proposes to remove the requirement for the board to appoint the AA in writing. For the avoidance of doubt, the appointment of the AA is still subject to MAS' approval.

**Proposal 8**

MAS proposes to remove the need for written approval by the board on the appointment of the AA.

2.15 For life insurance business, a direct insurer is required to appoint an actuary under section 31(2) of the IA to perform such duties as may be prescribed. The appointment of this actuary, known as the AA, is subject to MAS' approval, and the duties are prescribed currently in the Actuaries Regulations and relevant Notices. As is it currently worded in the IA, it is possible that in the case of a direct insurer writing life business, a different person from the AA can be appointed with the approval of MAS for the purposes of carrying out an investigation on the financial condition of the life business as required under section 37(1)(a) of the IA.



2.16 MAS is of the view that it would be more appropriate and comprehensive for the same person, that is the AA, to cover all responsibilities, including the investigation of the financial condition under section 37(1)(a), given the importance of the valuation of liabilities and stress testing. Hence, MAS proposes to amend the IA to clarify MAS' intention.

**Proposal 9**

MAS proposes to amend the IA such that the AA approved under section 31(2) would have to carry out the duties required under section 37(1)(a) of the IA in the case of a direct insurer writing life business.

2.17 Currently, section 37(1)(a) of the IA stipulates that a registered insurer shall have an investigation made by an actuary approved by MAS into the financial condition of its life business for each accounting period. It is then explained in the Actuaries Regulations that for a direct life insurer, this entails:

- the valuation of the liabilities of the insurer with respect to policies of its life business as at the end of the accounting period, and carrying out any other investigation on such liabilities which MAS may specify; and
- an assessment of the financial soundness of the insurer by conducting, at the end of each accounting period of the insurer, prospective test of the financial condition of each insurance fund for life business under such economic and business conditions as MAS may specify.

2.18 Section 37(1)(b) of the IA just stipulates that a registered insurer shall in respect of its general business, have an investigation made by an actuary approved by MAS into its liabilities in respect of insurance policies. It is necessary for section 37(1)(b) and 37(1)(a) to be aligned. The role of a CA is no longer limited to just performing liability valuation. In fact, since August 2009, direct general insurers have undertaken annual stress testing of their financial conditions. Stress testing is an important tool which an insurer can use to assess the impact of various risks on its financial condition, and thus should be a fundamental element in an insurer's overall risk management framework.

**Proposal 10**

To align the powers under 37(1)(b) with 37(1)(a) of the IA, meaning that section 37(1)(b) will also include that a registered insurer shall have an investigation made by an actuary approved by MAS into the financial condition of its general business for each accounting period.

### 3 INTRODUCTION OF KEY EXECUTIVE PERSONS REGULATIONS

3.1 Under the IA, insurers are required to seek prior approval from MAS before appointing the directors of the board and key executive persons, namely the PO, the AA and the CA. Currently, the roles, responsibilities, and approval process for the appointment of POs and directors are set out in MAS Notice 106, while those for actuaries are prescribed in the Actuaries Regulations. MAS proposes to reorganise, for ease of reference, the requirements relating to all key executive persons in a single piece of legislation.

3.2 The new regulations would set out the roles, responsibilities and appointment of key executive persons<sup>8</sup>. All existing provisions in the current Actuaries Regulations will be transferred to the new regulations. Where provisions in the Actuaries Regulations are equally applicable to other key executive persons<sup>9</sup>, they will be extended to other key executive persons as well in the new regulations. These applicable provisions are the requirement for the insurer to notify MAS of the termination of the AA and the reasons for the termination, and the requirement for the AA to furnish MAS with the circumstances of and reasons for his termination or resignation. The existing Actuaries Regulations will be repealed upon the introduction of the new regulations on key executive persons.

#### **Proposal 11**

MAS proposes to introduce a new set of regulations to set out the roles, responsibilities and appointment of all key executive persons. The Actuaries Regulations will be repealed with the introduction of the new regulations. Provisions in the Actuaries Regulations which are equally applicable for other key executive persons would be extended to the new regulations.

3.3 The Actuaries Regulations was effected in 2005. The roles and responsibilities of an actuary have since grown with developments in the regulatory framework and corporate governance. There is a need to update and reflect the enhanced roles and responsibilities of the AA and CA accordingly.

#### **Proposal 12**

MAS proposes to expand the roles and responsibilities of the AA and CA beyond what is presently covered under the Actuaries Regulations. The proposed additions are:

<sup>8</sup> Roles and responsibilities relating to directors of the board, including the Chairman of the board, will be contained within the applicable corporate governance regulations. The proposed new regulation on key executive persons will only relate to certain executive positions within the insurer, namely the POs, AAs and CAs at this juncture.

<sup>9</sup> For now, the other key executive person would be the PO, but in subsequent proposals, MAS will have the flexibility to expand on the list of key executive persons.

- (a) The AA and CA should be responsible for the computation and reporting of the protected liabilities for the purposes of the Policy Owners' Protection Scheme;
- (b) The AA and CA should verify that reinsurance contracts involve significant insurance risk transfer when valuing policy liabilities net of reinsurance<sup>10</sup>;
- (c) The AA and CA should prepare a written report to the PO and board of directors of the insurer on any matter which,
  - (i) has come to the attention of the actuary in the course of carrying out his duties;
  - (ii) in the opinion of the actuary, has any material adverse effect on the financial condition of the insurer in respect of its life or general business (as the case may be); and
  - (iii) requires rectification by the insurer<sup>11</sup>.

Where the actuary is of the opinion that the insurer has failed to take appropriate steps to rectify any matter reported to him (as described above) within a reasonable time, the actuary should immediately send a copy of his report to MAS and notify the directors that he has done so<sup>12</sup>.

- (d) The CA should, besides conducting an investigation into the liabilities of the insurer, also conduct an investigation into the financial condition<sup>13</sup> of the life or general business (as the case may be) for each accounting period. The CA should submit to the board of directors all reports on and all necessary documents relating to the investigation. The CA should also explain, when required by the board of directors, any report or document submitted<sup>14</sup>.
- (e) The CA should advise the PO and board of directors on actuarial matters and other matters such as investment policy, risk management, and pricing, for which his expertise and experience would be useful<sup>15</sup>. In discharging his responsibilities, the CA should ensure that the interests and rights of policyholders are not compromised to the best of his knowledge.

<sup>10</sup> This has been consulted upon with the introduction of the revised MAS 114 on Reinsurance Management.

<sup>11</sup> This is currently required of an AA under the Actuaries Regulations, except that we are proposing that the report be submitted to the board of directors as well, instead of just the PO.

<sup>12</sup> This is also an existing requirement for the AA under the Actuaries Regulations.

<sup>13</sup> Arising from a related proposed amendment to the IA in the earlier section.

<sup>14</sup> This will be consistent with the requirement for AAs under the current Actuaries Regulations.

<sup>15</sup> AAs are already currently required under the Actuaries Regulations to provide advice on investment policy, premium rates, and bonus allocation policy.

3.4 To ensure that the AA or CA is able to carry out his roles and responsibilities with independence and objectivity, the AA or CA should have direct, unfettered access to the board of directors. In this regard, the insurer should ensure that its organisational structure does not prevent the AA or CA from carrying out his roles effectively and independently. MAS is of the view that giving the AA or CA a direct reporting line to the board of directors would help the AA or CA in discharging his responsibilities more effectively. This does not preclude the AA or CA from having matrix reporting to other persons within the organisation.

#### **Proposal 13**

MAS proposes to set out in the regulations on key executive persons the requirement for the insurer to ensure the CA and AA has,

- (a) a direct reporting line to the board of directors, and;
- (b) the opportunity to communicate directly and to meet periodically, without the presence of the management, with the Chairman of any relevant board committee and/or with the Chairman of the full board.

3.5 The AA or CA is expected to commit sufficient time and resource in carrying out his duties and responsibilities. The quality of the work of the AA or CA may be easily compromised if he has been contracted to perform work for too many other insurers (including insurers based overseas).

3.6 For monitoring purposes, MAS proposes to make it mandatory for the AA or CA to notify the insurer when the AA or CA is contracted to perform similar duties with other insurers (including those overseas), within one month after such additional appointment has taken effect. MAS further proposes to require the insurer to, within one month of being notified by the AA or CA, notify MAS about it and describe how the additional appointment would impact the quality of work done by the AA or CA, or result in potential conflict of interest, and the mitigating measures that have been put in place. These requirements will be set out in the new regulations on key executive persons.

#### **Proposal 14**

To set out in the regulations on key executive persons the requirement for the AA or CA to notify the insurer when the AA or CA is contracted to perform similar duties with another insurer (including overseas insurers) within one month after such additional appointment has taken effect.

In addition, to require the insurer to, within one month of being notified by the AA or CA, notify MAS about it in a format prescribed in Appendix A. To also require the

insurer's board of directors (in the case of a locally incorporated insurer) or the board member responsible for the Singapore operations<sup>16</sup> (in the case of a foreign incorporated insurer) to provide a written explanation to MAS on whether the change would result in a compromise of the quality of work of the AA or CA, or result in potential conflict of interest, and if so, the measures that the insurer has or proposes to put in place to mitigate the risks.

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<sup>16</sup> We have not proposed a written explanation from the entire board at the Head Office level as it would not be reasonable to expect the board to deliberate on this, especially if the Singapore branch is only a very small operation.

## 4 REVISION OF MAS NOTICE 106

4.1 MAS Notice 106 sets out MAS' expectation for insurers to ensure the fitness and propriety of the PO candidate, and elaborates on the fit and proper criteria. It also encloses the application form for PO and director appointments. The scope of the Notice will however be expanded to cover directors as well as other key executive persons besides the PO. The revised Notice will also expand on the description of the criteria which MAS will take into consideration when approving the directors' and key executive persons' appointments. This will help insurers understand MAS' expectations, as well as enhance the transparency of the approval process.

### **Proposal 15**

MAS proposes to expand the scope of the current MAS Notice 106 beyond POs and directors, to cover directors of the board and all key executive persons. The revised Notice will cover the mandatory requirements relating to the approval process, as well as guidelines on the criteria that MAS will take into consideration in the approval of such appointments.

### Application Process

4.2 When obtaining the approval of MAS for the appointment of any director or key executive person, an insurer should submit to MAS the particulars of the person proposed to be appointed ("proposed appointee"), in the form set out in Appendix B no later than one month before the proposed date of appointment.

4.3 The form has been enhanced. For example, the list of questions in part 6 has been updated to be more aligned with FSG-G01 Guidelines on Fit and Proper Criteria ("Fit and Proper Guidelines") issued by MAS.

### **Proposal 16**

MAS proposes to adopt a common application form for directors of the board and all key executive persons, as set out in Appendix B. The form should be submitted to MAS no later than one month before the proposed date of appointment.

### Assessment Criteria

4.4 Apart from fitness and propriety, other factors used in MAS' assessment on the appointment of directors and key executive persons would include:

- the potential conflicts of interest arising from the proposed appointee's duties as the director or key executive person and other additional *executive officer* (as defined in the IA) roles that appointee may have in the insurer or elsewhere;

- the effectiveness of the measures the insurer has or proposes to put in place to mitigate the risk associated with any potential conflicts of interest; and
- in the case of AA and CA, their engagement by other insurers in performing equivalent roles.

### **Proposal 17**

MAS proposes to set out in the non-mandatory guidelines section of the revised Notice, criteria which would be taken into consideration by MAS when assessing the appointment of directors of the board and key executive persons. These include, but are not limited to:

- (a) the fitness and propriety of the proposed appointee, in accordance with the Fit and Proper Guidelines issued by MAS;
- (b) the potential conflicts of interest arising from the proposed appointee's duties as the director or key executive person of the insurer and his directorship(s), shareholding(s) and other position(s) currently held by the proposed appointee in the insurer or any other corporation or business, as well as arising from the proposed appointee's reporting structure;
- (c) the effectiveness of the measures that the insurer has put in place, or proposes to put into place, in mitigating the risks associated with the resultant conflict of interest arising from (b); and
- (d) in the case of AA and CA, their engagements by other insurers (in Singapore or overseas) where they perform an equivalent role. Here, MAS will have regards to<sup>17</sup>:
  - (i) the volume and complexity of the business written by, and risk profile of, such an insurer;
  - (ii) whether such an insurer is newly set-up, a going-concern or in run-off;
  - (iii) the level of actuarial support provided by the insurer itself; and
  - (iv) the level of actuarial support which the AA or CA can rely upon from the consultancy firm, the head office, parent company, regional office or other related entities, as the case may be, where he works from.

### **Proposal 18**

MAS proposes to set out in the non-mandatory guidelines section of the revised Notice that the proposed appointee for director or key executive person should not hold additional roles as an *executive officer*<sup>18</sup> in the insurer to avoid the potential conflict of interest arising from holding multiple positions.

<sup>17</sup> This is in respect of both the insurer for which he is proposed to be appointed, as well as the insurer(s) for which he has already been appointed the AA or CA (or its equivalent).

<sup>18</sup> As defined in the IA.

If the proposed appointee has multiple roles in an insurer, the insurer will be required to provide a written explanation from the board of directors in support of the appointment. If the insurer is not locally incorporated, MAS will require the written explanation from the board member who is responsible for the Singapore operations.

This written explanation should opine if there is any conflict of interest, and if so, the measures that the insurer has or proposes to put in place to mitigate the conflict of interest risks arising. MAS will then consider how effective such measures are in managing the potential conflict of interest.

### Ongoing Notifications to MAS

4.5 After the appointment of a director or key executive person has been approved, MAS would like to be kept updated on a timely basis, on changes in circumstances that would give rise to any conflict of interest, or if the director or key executive person is hampered from discharging his statutory duties properly. These circumstances include:

- (a) the insurer's intention to arrange for the director<sup>19</sup> or key executive person, in addition to his current position(s) in the insurer, to take up a new *executive officer* position in the insurer;
- (b) in the case of a locally-incorporated insurer, its parent company's intention to arrange for the director or key executive person, in addition to his current position(s) in the insurer, to take up a new role equivalent to that of an *executive officer*, in the parent company, regional office or other related entities, as the case may be;
- (c) in the case of an insurer incorporated outside of Singapore, its head office's intention to arrange for the director or key executive person, in addition to his current position(s) in the insurer, to take up a new role equivalent to that of an *executive officer*, in the head office, regional office or other related entities, as the case may be; or
- (d) a change in reporting structure for the director or key executive person.

### **Proposal 19**

MAS proposes to set out in the revised Notice the requirement for insurers to notify MAS, in a prescribed format as set out in Appendix C, when there is intention for a director or key executive person, in addition to his current position(s) in the insurer, to take up an *executive officer* position, or when there is a change in the associated reporting structure, at least one month before the proposed change takes effect.

<sup>19</sup> Equally relevant for directors, as they can be directors with executive roles within the insurer ("executive director"), as opposed to non-executive director.



In addition, to require the insurer's board of directors (in the case of a locally incorporated insurer) or the board member who is responsible for the Singapore operations (in the case of a foreign incorporated insurer) to provide a written explanation to MAS on whether the proposed change would result in potential conflict of interest, and if so, the measures that the insurer has or proposes to put into place to mitigate the risks.

#### Fit and Proper Policy

4.6 MAS expects every insurer to have in place a policy approved by the board of directors to ascertain that its directors and key executive persons are fit and proper to fulfil their respective roles and responsibilities. Such policy should take into account the Fit and Proper Guidelines issued by the MAS.

#### **Proposal 20**

MAS proposes to set out under the non-mandatory guidelines section of the revised Notice that an insurer should have in place a policy to ascertain that its directors and key executive persons and *executive officers* are fit and proper to fulfil their respective roles and responsibilities. Such a policy:

- (a) should be approved by the board of directors and reviewed by the board of directors at least once a year to ensure its relevance; and
- (b) should cover the recruitment policies, internal control systems and procedures put in place by the insurer to reasonably ensure that the directors and key executive persons and *executive officers* meet the fit and proper criteria in the Fit and Proper Guidelines, not just at the time of the appointment but on a continuing basis as well. It should have regard to the different types of responsibilities required or expected of different appointments and designations.

MAS also proposes to set out under the non-mandatory guidelines section of the revised Notice that the insurer's board of directors (in the case of locally incorporated insurer) or the board member who is responsible for the Singapore operations (in the case of a foreign incorporated insurer) identifies and reviews all proposed candidates for the appointment of directors and key executive persons to assess that these candidates are fit and proper for such roles.

## **5 IMPLEMENTATION TIMELINE**

5.1 The proposed amendments to the IA relating to the appointment of directors and key executive persons are scheduled to be legislated by the end of 2012. Concurrently, MAS plans to repeal the Actuaries Regulations and introduce the new regulations on key executive persons, as well as the proposed revisions to MAS Notice 106.

**Appendix A**

**NOTIFICATION TO MAS OF ADDITIONAL EQUIVALENT ROLES TAKEN UP BY  
CERTIFYING ACTUARY/ APPOINTED ACTUARY**

Name of insurer	
Name of Appointed Actuary/ Certifying Actuary	
Appointed Actuary/ Certifying Actuary	<input type="checkbox"/> Appointed Actuary ("AA") <input type="checkbox"/> Certifying Actuary ("CA") <i>(Please tick accordingly)</i>
Type of change	Taking up Additional Equivalent AA/CA Roles with Other Insurers (including insurers overseas)
Date that the above change will take effect (dd/mm/yy)	
Date of notification to the Authority (dd/mm/yy)	
Description of the change	
Please include a written explanation from the board of directors (in the case of a locally incorporated insurer) or the board member who is responsible for the Singapore operations (in the case of a foreign incorporated insurer), if the above change would result in a compromise of the quality of work done by the Appointed Actuary or Certifying Actuary (as the case may be), or result in potential conflict of interest. If the answer is yes, the measures that the registered insurer has put into place, or proposes to put into place, to mitigate the risks associated.	

**Appendix B**

**APPLICATION FORM FOR APPOINTMENT OF DIRECTORS AND KEY EXECUTIVE PERSONS**

1 APPLICATION IS HEREBY MADE FOR

\_\_\_\_\_

(Full name of proposed appointee, including any alias and other names.  
Please underline family name)

TO BE APPOINTED AS A(N) CHIEF EXECUTIVE/ DEPUTY CHIEF EXECUTIVE/ CHAIRMAN OF  
BOARD OF DIRECTORS/ EXECUTIVE DIRECTOR/ NON-EXECUTIVE DIRECTOR/ APPOINTED  
ACTUARY/ CERTIFYING ACTUARY/OTHERS (PLEASE STATE) \_\_\_\_\_ \* OF

\_\_\_\_\_

(Full name of insurer)

WITH EFFECT FROM

\_\_\_\_\_

(Proposed date of appointment dd/mm/yy)

*\* please delete accordingly*

2 PERSONAL PARTICULARS

Set out below the personal particulars of the proposed appointee.

2.1	Residential Address		
2.2	Telephone No.	Home:	Office:
2.3	Date of Birth (dd/mm/yy)		

2.4	Sex	Male / Female *
2.5	Place of Birth	
2.6	Nationality	
2.7	Identity Card No./Foreign Identification No. (FIN) #	
2.8	Passport No. (for non-Singaporean citizen)	
2.9	Whether a permanent resident in another country and if so, which country	

# If not currently available, please provide details separately within a week that it has been given.

### 3 EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS

(i) Set out details of highest academic and professional qualifications attained by the proposed appointee.

Name and location of school/ college/ university	Period (dd/mm/yy)		Qualification awarded
	From	To	

Professional qualifications (including any membership with professional bodies)	Institution	Year Conferred

**4 EMPLOYMENT HISTORY**

- (i) Set out details of the proposed appointee's employment history. Enclose a separate attachment if necessary.

Name and address of employer (if self-employed, state so)	Nature of business of employer	Designation and Department	Description of duties	Period (mm/yy)	
				From	To

- (ii) Set out the details of any achievements and special positions held presently or previously (please state date of achievement and period of special positions held). Enclose a separate attachment if necessary.

**5 DIRECTORSHIPS/ POSITIONS AND SHAREHOLDINGS HELD**

- (i) Set out details of any directorship, partnership, sole-proprietorship, or other position (that is, as an employee) currently held by the proposed appointee in any corporation.

Name of corporation and place of incorporation	Nature of business	Position held	Date of appointment	Percentage shareholding in corporation

(ii) Set out any substantial shareholdings (5% or more of total nominal amount of voting shares) held by the proposed appointee in any corporation.

Name of corporation and place of incorporation	Nature of business	Date of acquisition (mm/yy)	Percentage shareholding in corporation

(iii) Describe the reporting structure of the proposed appointee within the insurer, where applicable. Please also describe any reporting lines, where applicable, that the proposed appointee would have in relation to individuals at the head office, parent company, regional office or other related entities, as the case may be.

(iv) Where the proposed appointee for Appointed Actuary or Certifying Actuary is an employee of an external consultancy firm or is directly employed by the insurer's head office, parent company, regional office or other related entities, as the case may be, please set out in the table below the appointments equivalent to that of the Appointed Actuary or Certifying Actuary which the proposed appointee is currently holding, at other insurers, whether in Singapore or overseas.

Name of insurer and country where it is registered	Type of appointment (e.g. Appointed Actuary or Certifying Actuary)	Type of insurer <sup>a</sup>	Level of actuarial support <sup>b</sup>	Date of appointment (dd/mm/yy)

Notes:

<sup>a</sup> Please include information such as whether the insurer is (a) a direct life/ general/ composite insurer or life/general/composite reinsurer; (b) a going-concern or in run-off; and (c) the market share (for overseas insurers).

<sup>b</sup> For example, whether the actuarial support comes from the insurer's own actuarial team, the consultancy firm, or the insurer's head office, parent company, regional office or other related entities, as the case may be.

(v) Where applicable, please provide a written explanation from the board of directors, in the case of a locally incorporated insurer, or the board member who is responsible for the Singapore operations, in the case of a foreign-incorporated insurer on -

(a) whether a conflict of interest would arise from the arising from the proposed appointee's proposed duties as the Chief Executive/ Deputy Chief Executive/ Chairman of Board of Directors/ Executive Director/ Non-executive Director/ Appointed Actuary/ Certifying Actuary/Others (Please state)\_\_\_\_\_ \* and his directorship(s), shareholding(s), position(s) held, or reporting structure as stated above in (i) to (iv); or

(b) whether a conflict of interest would arise if the proposed appointee, in addition to his proposed appointment as a director or key executive person, is expected to take up or has already taken up an *executive officer* position (as defined under the Insurance Act (Cap. 142) within the registered insurer; and

(c) if the answer to (a) or (b) is "Yes", the measures that it has put into place, or proposes to put into place, to mitigate the risks associated with the resultant conflict of interest.

(vi) Will the proposed appointee for Appointed Actuary or Certifying Actuary be resident in Singapore (as defined in the Income Tax Act (Cap. 134))?

If the answer is "No", please provide a written explanation from the board of directors, in the case of a locally incorporated insurer, or the board member who is responsible for the Singapore



operations, in the case of a foreign-incorporated insurer, on how the proposed appointee will be able to manage and fulfill his responsibilities when based overseas.

6 OTHER INFORMATION

(i) If the answer to any of the following questions is in the affirmative, please attach annexes and supporting documents, where appropriate, to provide all relevant particulars.

Has the proposed appointee within the past 10 years-		Yes	No
(a)	been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific license, registration or other authorization is required by law from professional bodies in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>
(b)	has been issued a prohibition order under any Act administered by MAS or has been prohibited from operating in any jurisdiction by any financial services regulatory authority?	<input type="checkbox"/>	<input type="checkbox"/>
(c)	been censured, disciplined, suspended or refused membership or registration by MAS, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(d)	been convicted of any offence, or is being subject to any pending proceedings which may lead to such a conviction, under any law in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>
(e)	been the subject of any proceedings of a disciplinary or criminal nature or has been notified of any potential proceedings or of any investigation which might lead to those proceedings, under any law in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>
(f)	been the subject of any complaint made reasonably and in good faith, relating to activities that are regulated by MAS or under any law in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>
(g)	had any judgment (in particular, one associated with a finding of fraud, misrepresentation or dishonesty) entered against the relevant person in any civil	<input type="checkbox"/>	<input type="checkbox"/>

	proceedings or is a party to any pending proceedings which may lead to such a judgment, under any law in any jurisdiction?		
(h)	contravened or abetted another person in breach of any laws or regulations, business rules or codes of conduct, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(i)	been the subject of any investigations or disciplinary proceedings or been issued a warning or reprimand by MAS, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(j)	accepted civil liability for fraud or misrepresentation under any law in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>
(k)	had any civil penalty enforcement action taken against it or him by MAS or any other regulatory authority under any law in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>
(l)	been dismissed or asked to resign from — <ul style="list-style-type: none"> <li>• office;</li> <li>• employment</li> <li>• a position of trust; or;</li> <li>• a fiduciary appointment or similar position, whether in Singapore or elsewhere?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
(m)	been subject to disciplinary proceedings by his current or former employer(s), whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(n)	been disqualified from acting as a director or disqualified from acting in any managerial capacity, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(o)	been an officer found liable for an offence committed by a body corporate as a result of the offence having proved to have been committed with the consent or connivance of, or neglect attributable to, the officer, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(p)	been refused a fidelity or surety bond, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>

(q)	been unable to fulfill any of its or his financial obligations whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(r)	entered into a compromise or scheme of arrangement with its or his creditors, being a compromise or scheme of arrangement that is still in operation, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(s)	been the subject to a judgment debt which is unsatisfied, either in whole or in part, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(t)	been the subject of a bankruptcy petition or has been adjudicated a bankrupt and the bankruptcy is undischarged, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>

Has the proposed appointee within the past 10 years been a director, partner, substantial shareholder or concerned in the management of a business that has –		Yes	No
(u)	been censured, disciplined, or prosecuted or convicted of a criminal offence, or been the subject of any disciplinary or criminal investigation or proceeding, in Singapore or elsewhere, in relation to any matter that took place while the appointee was a director, partner, substantial shareholder or concerned in the management of the business?	<input type="checkbox"/>	<input type="checkbox"/>
(v)	been suspended or refused membership or registration by MAS, any other regulatory authority, operator or market or clearing facility, professional body or government agency, in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>
(w)	gone into insolvency, liquidation or administration during the period when, or within a period of one year after, the appointee was a director, partner or concerned in the management of the business, whether in Singapore or elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>

- (ii) Set out any additional information that the proposed appointee considers to be relevant or material to this application.

7 DECLARATION

I declare that all information given in this application and in the attached annex(es) (if any) is true and correct.

Signature of Proposed Appointee : \_\_\_\_\_

Date : \_\_\_\_\_

(dd/mm/yy)

**Appendix C**

**NOTIFICATION TO MAS OF CHANGES IN ROLES AND RESPONSIBILITIES/  
REPORTING STRUCTURE OF DIRECTORS AND KEY EXECUTIVE PERSONS**

Name of insurer	
Name of director/ key executive person	
Director/ Key executive person	<input type="checkbox"/> Chief Executive <input type="checkbox"/> Deputy Chief Executive <input type="checkbox"/> Chairman of Board of Directors <input type="checkbox"/> Executive Director <input type="checkbox"/> Non-executive Director <input type="checkbox"/> Appointed Actuary <input type="checkbox"/> Certifying Actuary <input type="checkbox"/> Others, please state: _____ <i>(Please tick accordingly)</i>
Type of change	<input type="checkbox"/> Taking up Additional Position(s) as Executive Officer <sup>1</sup> in the insurer (or its equivalent in other countries) <input type="checkbox"/> Changes in Reporting Structure <i>(Please tick accordingly)</i>
Date that the above change will take effect (dd/mm/yy)	
Date of notification to the Authority (dd/mm/yy)	
Description of the change	
Please include written explanation from the board of directors (in the case of a locally incorporated insurer) or the board member who is responsible for the Singapore operations (in the case of a foreign incorporated insurer),	

<p>if the above change would result in potential conflict of interest, and if yes, the measures that the registered insurer has put into place, or proposes to put into place, to mitigate the risks associated with the resultant conflict of interest.</p>	
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Notes:

- 1) As defined in Insurance Act (Cap. 142)



Monetary Authority of Singapore