

**RESPONSE TO  
FEEDBACK RECEIVED**

June 2016

**Review of Insurance  
Returns**

**MAS**

Monetary Authority of Singapore

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## **1 Preface**

1.1 On 13 October 2014, MAS issued a public consultation paper on the review of insurance returns. A total of 43 respondents submitted their feedback. The respondents are listed in Annex A. MAS would like to thank all respondents for their comments.

1.2 MAS has carefully considered the feedback received. Comments that are of wider interest, together with MAS' responses, are set out in Sections 2 to 4 below.

1.3 The revised submission requirements, insurance forms and instructions<sup>1</sup> for completion of these forms are set out in the appendices.

## **2 Proposal 2: Reporting requirements**

### **2.2(b) Information on loans and exposures to related parties**

### **2.2(f) Information on transactions with related parties**

#### *Clarification on "Type of Exposure" in Annex A1-10*

2.1 Several respondents enquired about the information that is required to be reported under "Type of Exposure" and "Cost/ Notional Principal Amount" in Annex A1-10.

#### MAS' Response

2.2 MAS would like to clarify that "Type of Exposure" should include information on all asset and liability exposures with related corporations, such as equity securities, debt securities, cash and deposits, secured and unsecured loans, options and swaptions, futures and forwards, swaps, and financial guarantees. For derivatives and financial guarantees, insurers should report the notional principal amount under "Cost/ Notional Principal Amount". For other types of exposures, insurers should report the cost under "Cost/ Notional Principal Amount".

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<sup>1</sup> The wordings for the instructions are in draft form and subject to change. However, any subsequent changes should not affect how the forms are to be completed.

*Related party disclosures in Annexes A1-10 and A2-5*

2.3 Some respondents commented that the information required to be reported in Annexes A1-10 and A2-5 is already disclosed in the financial statements prepared in accordance with the Singapore Financial Reporting Standards ("FRS Financial Statements"). Hence, the reporting requirements under those annexes are not necessary. One respondent also commented that the reporting requirements will place additional burden on insurers in meeting the submission deadlines.

MAS' Response

2.4 MAS would like to clarify that there is no fixed presentation format for related party disclosures in the FRS Financial Statements and therefore, these disclosures may not be presented in the same format as those in Annexes A1-10 and A2-5. It should also be noted that the FRS do not require related party disclosures to be presented separately for each fund. For comparability purposes, MAS would have to specify a presentation format for all insurers to follow. With regard to the comment that the reporting requirements will place additional burden on insurers, MAS is of the view that these requirements are necessary because they give an indication of the contagion risks faced by insurers.

**2.2(c) Statement to keep track of capital injected into and withdrawn from participating funds**

2.5 One respondent enquired about the purpose of Annex A1-11, and asked if the annex should only include capital injections from the surplus account to the participating fund for the purpose of satisfying the minimum condition liability. Another respondent suggested that the references to minimum condition liability be removed from Annex A-11 to take into account capital injections from the surplus account to the participating fund for purposes other than to satisfy the minimum condition liability.

MAS' Response

2.6 The purpose of Annex A1-11 is to monitor the amounts transferred from the surplus account to meet the requirements under regulation 22(7) of the Insurance (Valuation and Capital) Regulations 2004. MAS will amend the title of Annex A1-11 to "Amount transferred from surplus account to satisfy minimum condition liability of

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participating fund" and the relevant row descriptions of Annexes A1-11 and A2-4 to make this intent clearer.

**2.2(g) Information on gross premiums by territory for life reinsurance inward business**

**2.2(h) Information on gross claims incurred by territory for both life and general reinsurance inward business**

**2.2(i) Information on the financial performance of each line of life reinsurance business**

2.7 One respondent pointed out that the lines of business in Form L7 are not consistent with those in Forms A6 and L2.

MAS' Response

2.8 MAS has taken note of the feedback and will amend Form L7 accordingly.

**2.2(j) Information on gross premiums and incurred loss ratios for each line of group life insurance business**

2.9 A few respondents enquired about the bases for the computations of "Gross premiums received or receivable" and "Incurred loss ratios" in Notes 3 and 4 to Form L4 respectively.

MAS' Response

2.10 MAS would like to clarify that "Gross premiums received or receivable" in Note 3 to Form L4 should be prepared on the same basis as "Gross premiums" in Form A2. "Incurred loss ratios" in Note 4 to Form L4 should be calculated by dividing net claims incurred by premiums earned during the period, both of which should be computed on the same bases as in Form A5. MAS will amend Notes 3 and 4 to Form L4 to reflect this.

## 2.2(k) Information on gross premiums for specialised business lines

2.11 One respondent commented that it is not the market practice to categorise "terrorism", "war", "catastrophe excess of loss reinsurance" and "crisis management" as business lines. The respondent was of the view that "terrorism" and "war" are perils rather than business lines, and that "catastrophe excess of loss reinsurance" is a category of reinsurance. The respondent added that "crisis management" was not defined in the consultation paper.

### MAS' Response

2.12 MAS would like to clarify that the reporting requirements relating to "terrorism" and "war" in Note 2 to Form G1 refer to standalone terrorism and war cover. It is also possible to quantify the amount of gross premiums relating to "catastrophe excess of loss insurance", notwithstanding that it is not a line of business.

2.13 With respect to the comment on "crisis management", MAS understands that insurance policies covering crisis management may fall under different business lines, depending on the underlying risk or cause of the crisis. Therefore, MAS has removed the reporting requirement relating to "crisis management", and will revise Note 2 to Form G1 according to the table below:

Description	SIF	OIF
Agriculture		
Catastrophe excess of loss reinsurance		
Energy		
Luxury lines (such as fine art and specie, jewellers block, and yachts)		
Professional indemnity		
Trade credit		
<b>Breakdown of SIF "Others" and OIF "Liability and Others"</b>		
Cyber liability		
Environmental liability		
Political risk		
Terrorism		
War		
Others (to specify based on insurer's internal classification)		

The breakdown of SIF "Others" and OIF "Liability and Others" will give MAS a better understanding of insurers' business profiles.

## **2.2(m) More granular information on premiums and claims development**

### *Accident year versus underwriting year basis*

2.14 A respondent sought clarification on whether there is a need to report the development table of direct and facultative business on an accident year basis, even if they had been reserving on an underwriting year basis. A few respondents further suggested that information for reinsurance business should only be reported on an underwriting year basis, with some citing difficulties in obtaining information on the accident year basis. One respondent also commented that there should not be a need to complete the tables on both accident year and underwriting year bases given that one set of information based on either accident or underwriting year should suffice.

### MAS' Response

2.15 To clarify, the development information of direct and facultative business and treaty business written on loss occurring basis ("loss-occurring treaty business") is to be reported on an accident year basis (in Table A and Table C respectively), even if the insurer performs its reserving on an underwriting year basis. The exception to this would be for certain lines of direct and facultative business as mentioned in instruction 5 for the completion of Form G2, which the insurer can choose to submit Table A using accident year basis or Table B using underwriting year basis. Development information for treaty business written on risk attaching basis ("risk-attaching treaty business") is to be reported using underwriting year basis in Table D.

2.16 We wish to clarify that there were some errors in instructions 4(b) and 4(c) for the completion of Form G2 in the consultation paper. Instruction 4(b) should read as: "Table C shall be completed on an accident year basis for treaty business written on a loss occurring basis.", while instruction 4(c) should read as: "Table D shall be completed on an underwriting year basis for treaty business written on a risk attaching basis."

2.17 Form G2 requires insurers to submit claims development information using accident year basis for facultative business and loss-occurring treaty business, as the

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development of claims for such businesses would be inherently different from risk-attaching treaty business. The former covers claims incurred during the contract or treaty term, which makes the analysis of claims development using accident year more relevant. On the other hand, the latter covers risks that have been written during the treaty term, and claims relating to such risks could arise beyond the treaty term. Hence, the claims development for risk-attaching treaty business would have to be based on underwriting year.

2.18 With regard to the feedback on the difficulty in obtaining information on the accident year basis, MAS is of the view that insurers should be able to classify the claims in the respective accident years in Tables A and C, given that claims arising from facultative contracts or loss-occurring treaty business would have been reported to the insurers accordingly.

*Separate reporting requirements for Form G2 and actuary's report on policy liabilities*

2.19 One respondent commented that there is duplication in reporting requirements for Form G2 and the actuary's report on policy liabilities. The respondent suggested incorporating the information in Form G2 within the actuary's report.

MAS' Response

2.20 MAS is of the view that it is not appropriate to incorporate the information in Form G2 within the actuary's report as this may unduly restrict the way in which the certifying actuary performs the valuation of policy liabilities.

*Availability of development data for prior years*

2.21 A few respondents commented that they did not maintain data for prior years according to the categories of own damage motor claims, third party property damage motor claims, bodily injury motor claims, and the business lines based on the newly introduced definitions in Appendix C of the consultation paper. In respect of reinsurance business which is currently prepared in Form 11 using the underwriting year basis, one respondent commented that considerable resources would be required to restate the data for prior years to accident year basis in Form G2.



### MAS' Response

2.22 MAS has noted the practical difficulties faced by some insurers in restating their data for prior years. For insurers that are unable to restate their data for prior years, they should engage their MAS liaison officers early to work out a solution to present the relevant statistics for the past 8 years in Form G2.

## **3 Proposal 6: Definitions for each line of business as described in Form G1**

3.1 One respondent enquired whether fidelity guarantee insurance would fall under the proposed definition of "Surety" in Appendix C of the consultation paper.

### MAS' Response

3.2 As the risk of fidelity guarantee insurance differs from those of maid and bond insurance, MAS will revise the definition of "Surety" to make clear that it will exclude fidelity guarantee insurance.

## **4 Proposals 11 and 12: Implementation and transitional arrangements**

4.1 Some insurers commented that it would be difficult to prepare the 2015 Annual Returns based on the format and requirements of the revised insurance returns, because they would not be able to make changes to their systems in time.

4.2 In addition, some respondents suggested that the implementation of the revised insurance returns coincide with that of RBC 2.

### MAS' Response

4.3 In order to give insurers sufficient time to make changes to their systems, MAS will defer the date of implementation of the revised insurance returns. The revised insurance returns will be implemented on 1 January 2018, with Form 6 - Statement of Premiums, Claims and Underwriting Results in respect of General Business of the existing returns to run parallel for the year 2018.

4.4 As changes in regulatory capital calculations are only likely to affect Form A4, it will not be necessary to hold back the implementation of the revised insurance returns until the implementation of RBC 2.

4.5 MAS has also made minor changes to the submission requirements relating to (a) auditor's reports for all insurers; (b) actuarial returns and annual reports/ FRS financial statements for specialist insurers; and (c) additional returns for marine mutual insurers. Please refer to Appendix A for the revised submission requirements.

## **MONETARY AUTHORITY OF SINGAPORE**

28 JUNE 2016

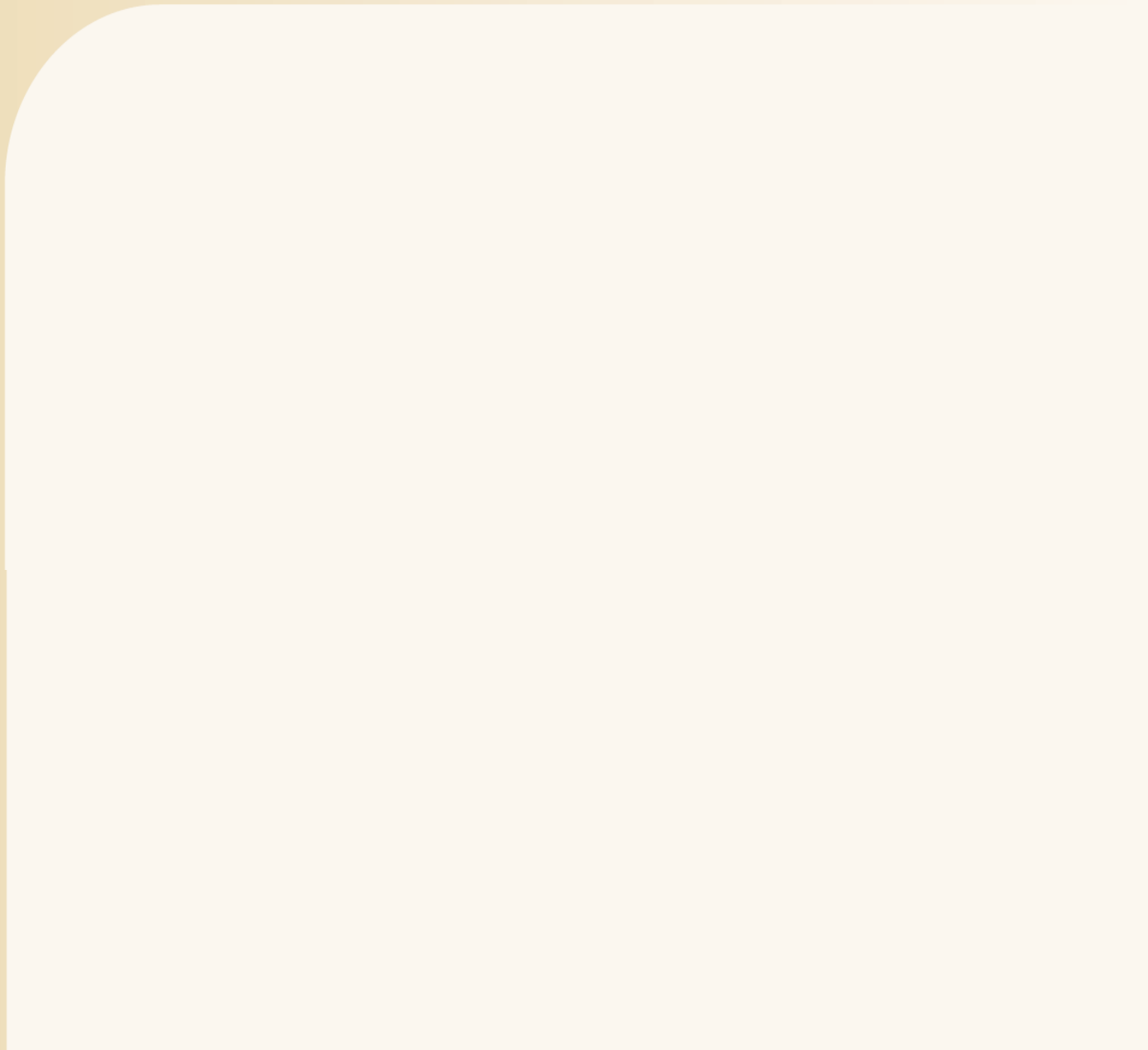
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**Annex A****LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON  
REVIEW OF INSURANCE RETURNS**

1. ACE Insurance Limited
2. Allianz SE Reinsurance Branch Asia Pacific
3. Asia Capital Reinsurance Group Pte. Ltd.
4. Aviva Ltd
5. AXA Insurance Singapore Pte Ltd
6. AXA Life Insurance Singapore Private Limited
7. Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE),  
Singapore Branch
8. Cosmic Insurance Corporation Limited
9. Endurance Specialty Insurance Ltd. Singapore Branch
10. Ergo Insurance Pte. Ltd.
11. Everest Reinsurance Company
12. First Capital Insurance Limited
13. Friends Provident International Limited (Singapore Branch)
14. Generali International Limited Singapore Branch
15. The Great Eastern Life Assurance Company Limited
16. HSBC Insurance (Singapore) Pte. Limited
17. IAG Re Singapore Pte. Ltd.
18. Korean Reinsurance Company Singapore Branch
19. Liberty Insurance Pte Ltd
20. Lloyd's of London (Asia) Pte Ltd
21. Marsh Management Services Singapore Pte Ltd
22. MSIG Insurance (Singapore) Pte. Ltd.
23. NTUC Income Insurance Co-operative Limited
24. Odyssey Reinsurance Company
25. PricewaterhouseCoopers LLP
26. Prudential Assurance Company Singapore (Pte) Limited
27. QBE Insurance (International) Limited, Singapore Branch
28. SCOR Global Life SE Singapore Branch
29. SCOR Reinsurance Asia-Pacific Pte Ltd
30. Singapore Reinsurance Corporation Limited
31. Singapore Reinsurers' Association
32. Swiss Re International SE Singapore Branch
33. Swiss Reinsurance Company Ltd, Singapore Branch
34. The Toa Reinsurance Company Limited (Singapore Branch)
35. Tokio Marine Insurance Singapore Ltd.
36. Tokio Marine Life Insurance Singapore Ltd.
37. Validus Reinsurance, Ltd. Singapore Branch

- 38. XL Re Ltd
- 39. Zurich Insurance Company Ltd (Singapore Branch)

Four other respondents requested confidentiality.



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