

CONSULTATION PAPER

P003 - 2013

February 2013

Proposed Public Disclosure Requirements for Insurers

MAS

Monetary Authority of Singapore

PREFACE

Insurers are currently required to make certain disclosures in their financial statements and MAS statutory returns. MAS is proposing to enhance the public disclosure requirements for insurers in order to improve market discipline and understanding of the risks to which an insurer is exposed and the manner in which those risks are managed. Disclosure of relevant information allows members of the public, including policyholders, to better assess the performance of and risks taken by insurers and thereby assist them in their decision making process. This consultation paper sets out the proposed public disclosure requirements to complement the insurers' existing disclosures in the published financial statements and MAS statutory returns.

2 MAS invites interested parties to submit their views and comments on the proposals made in this paper. Electronic submission is encouraged. Please submit your written comments by 1 March 2013 to:

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

Fax: (65) 6229 9694
Email: disclosure13@mas.gov.sg

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

1 INTRODUCTION

1.1 It is important for insurers to disclose relevant, comprehensive and adequate information on a timely basis in order to give members of the public, including policyholders, a clear view of their business activities, performance and financial position. This is expected to enhance market discipline and understanding of the risks to which an insurer is exposed and the manner in which those risks are managed.

1.2 MAS proposes to implement a Notice on public disclosure requirements to complement the insurers' existing disclosures in the published financial statements and MAS statutory returns. The details of the proposals are outlined below.

2 SCOPE

2.1 MAS proposes to apply the disclosure requirements to all registered insurers, except for captive insurers and marine mutual insurers. Captive insurers are restricted to writing business that consists principally of the risks of their parent and related corporations; and marine mutual insurers are restricted to writing business that consists of risks of their own members. MAS is of the view that the policyholders of captive insurers and marine mutual insurers will have access to relevant information for them to understand the risks to which the insurer is exposed and the manner in which those risks are managed. As such, it is not necessary to subject captive insurers and marine mutual insurers to the proposed Notice.

Proposal 1

MAS proposes to apply the disclosure requirements to all registered insurers, except for captive insurers and marine mutual insurers.

3 INFORMATION REQUIRED FOR DISCLOSURE

3.1 MAS proposes to require the insurer to publicly disclose the following information:

- (a) information about its company profile, including the nature of its business, a general description of its key products, the external

environment in which it operates, its objectives and its strategies in place to achieve these objectives;

- (b) key features of its corporate governance framework and management controls, including information on the implementation of the framework and controls;
- (c) quantitative and qualitative information about its enterprise risk management framework, including its asset-liability management (“ALM”) in total and, where appropriate, at a segmented level as appropriate to the business of the insurer. The registered insurer shall disclose the methodology and key assumptions employed in the measurement of assets and liabilities for ALM purposes, and any capital or provisions held as a consequence of a mismatch between assets and liabilities;
- (d) quantitative and qualitative information on all its reasonably foreseeable and relevant material insurance risk exposures, and the management of such risk exposures, including:
 - (i) its objectives and policies, models and techniques for the management of insurance risk exposures and underwriting process controls;
 - (ii) the nature, scale and complexity of risks arising from insurance contracts;
 - (iii) the use of reinsurance or other forms of risk transfer;
 - (iv) an understanding of the interaction between capital adequacy and risk; and
 - (v) a description of risk concentrations¹;
- (e) quantitative and qualitative information about the determination of technical provisions, including future cash flow assumptions, the rationale for the choice of discount rates, and a description of methodology used to determine technical provisions (e.g. risk adjustment methodology) which shall be presented in appropriate segments;

¹ This may include the following information, where relevant:

- (a) the geographical concentration of insurance risks or premiums;
- (b) the economic sectoral concentration of insurance risk; and
- (c) the risk concentration inherent in the reinsurance arrangement such as the number of reinsurers, the percentage of premiums ceded to each reinsurer and the credit risk concentration of reinsurance assets.

- (f) quantitative and qualitative information about capital adequacy to enable the reader to evaluate the registered insurer's objectives, policies and processes for managing capital and to assess its capital adequacy. The registered insurer shall disclose its generic solvency requirements as imposed by legislation or otherwise directed by MAS², the capital available to cover regulatory capital requirements, and information on any internal model used to determine capital resources and requirements;
- (g) quantitative and qualitative information about its financial instruments and other investments by class, including:
 - (i) investment objectives;
 - (ii) policies and processes;
 - (iii) values, assumptions and methods used for general purpose financial reporting and solvency purposes, as well as an explanation of the differences (where applicable); and
 - (iv) information concerning the level of sensitivity to market variables associated with the disclosed amounts; and
- (h) quantitative and qualitative information on financial performance in total and at a segmented level, including quantitative source of earnings analysis, claims statistics (including claims development), pricing adequacy, information on returns on investment assets and components of such returns.

3.2 For purposes of the proposed disclosures in paragraph 3.1, MAS proposes that the registered insurer should take into account its nature, scale and complexity when determining the extent of information to be disclosed. Key accounting methodologies and assumptions used in the preparation of the information should be clearly explained. Where any changes are made to the methods and assumptions, a registered insurer should disclose the nature and reason for such changes, and their effects, where material. Where appropriate, the disclosed information should be presented so as to facilitate the identification of patterns of development over time, including the provision of comparative or corresponding figures from previous periods.

3.3 MAS recognises that the disclosure of proprietary information could negatively influence the competitive position of an insurer. In the case where

² Except for solvency requirements that are specified to be confidential or that MAS has directed to be kept confidential.

any disclosure required in paragraphs 3.1 and 3.2 would seriously prejudice the interest of the insurer, MAS would allow the insurer to disclose more general information about the subject matter of the required disclosure item rather than the specific information.

3.4 Where an insurer is part of a group³ and the required disclosure in paragraphs 3.1 and 3.2 has been made at the group level, MAS would allow the insurer to cross-refer to that disclosure made at the group level so that the insurer need not repeat the disclosure. Similarly, an insurer incorporated outside Singapore may leverage on the disclosure made by its head office, where applicable.

3.5 Where any required disclosure in paragraphs 3.1 and 3.2 has been made in:

- (a) the insurer's annual returns lodged under regulations 4 and 8 of the Insurance (Accounts and Statements) Regulations 2004 and published on MAS' website; or
- (b) any document lodged with the Accounting and Corporate Regulatory Authority ("ACRA") and made publicly available by ACRA,

the insurer need not repeat the disclosure. However, it is recommended that the insurer provides in a single location all links or references to these required disclosures.

Proposal 2

MAS proposes to require the insurer to publicly disclose the information outlined in paragraphs 3.1 and 3.2.

Proposal 3

For proprietary information, MAS proposes to allow the insurer to disclose more general information about the subject matter of the required disclosure item rather than the specific information.

Proposal 4

MAS proposes to allow the insurer to cross-refer any required disclosure made at the group level so that it need not repeat the disclosure. For an insurer incorporated outside Singapore, it may leverage on the disclosure made by its head office, where applicable.

³ Group refers to the ultimate holding company, its subsidiaries and any other company or entity treated as part of the ultimate holding company's group of companies according to the Singapore Financial Reporting Standards.

Proposal 5

Where any required disclosure has been made in the insurer's annual returns or any document lodged with ACRA that will be made publicly available, the insurer need not repeat the disclosure. However, it is recommended that the insurer provides in a single location all links or references to these required disclosures.

4 MEDIA FOR DISCLOSURE

4.1 The disclosed information should be disseminated in ways best designed to bring it to the attention of members of the public, including policyholders. It is also important to take into account the relative costs of the different methods of dissemination. Therefore, MAS proposes to require the insurer to make the disclosures on the insurer's official website.

Proposal 6

MAS proposes to require the insurer to make the disclosures on the insurer's official website.

5 PROPOSED NOTICE AND IMPLEMENTATION TIMELINE

5.1 MAS proposes to issue a new Notice pursuant to section 64(2) of the Insurance Act (Cap. 142) to set out the disclosure requirements for registered insurers. The proposed Notice is in the Annex. MAS proposes to require the insurers to implement their first set of public disclosures for the accounting period ended 31 December 2013. MAS also proposes a deadline of 6 months from the last day of each accounting period for the insurers to comply with the disclosure requirements in the proposed Notice.

Proposal 7

MAS proposes to require the insurers to implement their first set of public disclosures for the accounting period ended 31 December 2013.

Proposal 8

MAS proposes a deadline of 6 months from the last day of each accounting period for the insurers to comply with the disclosure requirements in the proposed Notice.

6 PUBLIC DISCLOSURE REQUIREMENTS FOR INSURANCE GROUPS

6.1 In February 2012, MAS issued consultation papers on “Insurance Group-Wide Supervision” and “Regulatory Framework for Financial Holding Companies”. As part of the group-wide supervision, MAS intends to extend the public disclosure requirements to insurance groups⁴ in Singapore when the regulatory frameworks for insurance group-wide supervision and financial holding companies are in place.

Proposal 9

MAS proposes to extend similar public disclosure requirements laid out in proposals 2, 3, 5, 6 and 8 to insurance groups in Singapore when the regulatory frameworks for insurance group-wide supervision and financial holding companies are in place.

⁴ This refers to those groups with an insurance company operating in Singapore and whose ultimate parent entity is incorporated in Singapore.

ANNEX

DRAFT NOTICE

Disclaimer: The proposed wordings below are in draft form and subject to change.

**Notice No. : MAS XXX
Issue Date : XXX**

PUBLIC DISCLOSURE REQUIREMENTS

Introduction

1 This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142) (“the Act”) and comprises both mandatory requirements and guidelines on public disclosure requirements.

2 This Notice shall apply to all registered insurers, except for captive insurers and marine mutual insurers.

3 The purpose of this Notice is to require insurers to disclose relevant, comprehensive and adequate information on a timely basis in order to give a clear view of their business activities, performance and financial position. This is expected to enhance understanding of the risks to which an insurer is exposed and the manner in which those risks are managed. This Notice will require insurers to disclose quantitative and qualitative information on their profile, governance and controls, financial position, technical performance and the risks to which they are subject. Such information disclosed is expected to be useful, timely, comprehensive, meaningful and reliable for decision making. Where appropriate, information disclosed is also expected to be comparable and consistent so as to enable relevant trends to be discerned; however, this should not compromise the relevance and reliability of the information disclosed.

4 This Notice sets out the following in two parts:
(a) Part I – Mandatory requirements on public disclosure.
(b) Part II – Guidelines on public disclosure.

Definitions

5 For the purposes of this Notice:

“Accounting Standards” has the same meaning as in section 4(1) of the Companies Act (Cap. 50); and

“marine mutual insurer” has the same meaning as in regulation 2 of the Insurance (General Provisions and Exemptions for Marine Mutual Insurers) Regulations 2007 (G.N. No. S 746/2007).

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.

Part I – Mandatory requirements on public disclosure

7 A registered insurer shall make the disclosures required under paragraph 9 for each accounting period within 6 months from the last day of that accounting period.

8 A registered insurer shall disclose information under paragraph 9 which is useful, timely, comprehensive, meaningful and reliable for decision making. Where appropriate, a registered insurer shall provide information which is comparable to that provided by other insurers operating in the same market and consistent over time so as to enable the reader to discern relevant trends.

9 A registered insurer shall disclose:

- (a) information about its company profile, including the nature of its business, a general description of its key products, the external environment in which it operates, its objectives and its strategies in place to achieve these objectives;
- (b) key features of its corporate governance framework and management controls, including information on the implementation of the framework and controls;
- (c) quantitative and qualitative information about its enterprise risk management framework including its asset-liability management (“ALM”) in total and, where appropriate, at a segmented level as appropriate to the business of the insurer. The registered insurer shall disclose the methodology and key assumptions employed in the measurement of assets and liabilities for ALM purposes, and any capital or provisions held as a consequence of a mismatch between assets and liabilities;
- (d) quantitative and qualitative information on all its reasonably foreseeable and relevant material insurance risk exposures, and the management of such risk exposures, including:
 - (i) its objectives and policies, models and techniques for the management of insurance risk exposures and underwriting process controls;
 - (ii) the nature, scale and complexity of risks arising from insurance contracts;
 - (iii) the use of reinsurance or other forms of risk transfer;

- (iv) an understanding of the interaction between capital adequacy and risk; and
 - (v) a description of risk concentrations⁵;
- (e) quantitative and qualitative information about the determination of technical provisions, including future cash flow assumptions, the rationale for the choice of discount rates, and a description of methodology used to determine technical provisions (e.g. risk adjustment methodology) which shall be presented in appropriate segments;
- (f) quantitative and qualitative information about capital adequacy to enable the reader to evaluate the registered insurer's objectives, policies and processes for managing capital and to assess its capital adequacy. The registered insurer shall disclose its generic solvency requirements as imposed by legislation or otherwise directed by the Authority⁶, the capital available to cover regulatory capital requirements, and information on any internal model used to determine capital resources and requirements;
- (g) quantitative and qualitative information about its financial instruments and other investments by class, including:
- (i) investment objectives;
 - (ii) policies and processes;
 - (iii) values, assumptions and methods used for general purpose financial reporting and solvency purposes, as well as an explanation of the differences (where applicable); and
 - (iv) information concerning the level of sensitivity to market variables associated with the disclosed amounts; and
- (h) quantitative and qualitative information on financial performance in total and at a segmented level, including quantitative source of earnings analysis, claims statistics (including claims development), pricing adequacy, information on returns on investment assets and components of such returns.

10 Where any disclosure which relates to activities conducted at the group⁷ level has been made at the group level, a registered insurer, which is a subsidiary of a group, may cross-refer to those disclosures made at the group level.

⁵ This may include the following information, where relevant:

- (a) the geographical concentration of insurance risks or premiums;
- (b) the economic sectoral concentration of insurance risk; and
- (c) the risk concentration inherent in the reinsurance arrangement such as the number of reinsurers, the percentage of premiums ceded to each reinsurer and the credit risk concentration of reinsurance assets.

⁶ Except for solvency requirements that are specified to be confidential or that the Authority has directed to be kept confidential.

⁷ Group refers to the ultimate holding company, its subsidiaries and any other company or entity treated as part of the ultimate holding company's group of companies according to the Accounting Standards.

11 A registered insurer incorporated outside Singapore may leverage on the disclosures made by its head office, where applicable.

12 A registered insurer is required to prepare audited financial statements on an annual basis under the requirements of either the Insurance (Accounts and Statements) Regulations 2004 (G.N. No. S 494/2004) or the Companies Act (Cap. 50). These audited financial statements are publicly available both on the website of the Authority and from the Accounting and Corporate Regulatory Authority (“ACRA”). Where a registered insurer has not made the disclosures required under paragraph 9 in:

- (i) its annual returns lodged under regulations 4 and 8 of the Insurance (Accounts and Statements) Regulations 2004 and published by the Authority on its website; or
- (ii) any document lodged with ACRA and made publicly available by ACRA,

the insurer shall make the requisite disclosures on its official website. A registered insurer should provide in a single location on its official website all links or references to the disclosures required under paragraph 9.

13 Where any information required for disclosure under paragraph 9 is deemed by a registered insurer to be either proprietary or confidential in nature and the disclosure of such information would seriously prejudice the interest of the insurer, the insurer need only disclose general information about the subject matter of the requirement.

Part II – Guidelines on public disclosure

14 A registered insurer should take into account its nature, scale and complexity when determining the extent of information to be disclosed. Key accounting methodologies and assumptions used in the preparation of the information should be clearly explained. Where any changes are made to the methods and assumptions, a registered insurer should disclose the nature and reason for such changes, and their effects, where material. Where appropriate, the registered insurer should present the information to facilitate the identification of patterns of development over time, including the provision of comparative or corresponding figures from previous periods.

Effective date

15 This Notice shall take immediate effect.

16 Notwithstanding paragraph 15, a registered insurer registered before 1 July 2013 shall comply with this Notice with effect from the accounting period ended 31 December 2013.



Monetary Authority of Singapore