

# **RESPONSE TO FEEDBACK RECEIVED – CONSULTATION PAPER ON PROPOSED PUBLIC DISCLOSURE REQUIREMENTS FOR INSURERS**

## **1 Introduction**

1.1 On 1 February 2013, MAS issued a public consultation paper on proposed public disclosure requirements for insurers. A total of 19 respondents have submitted their feedback. The respondents are listed in the Annex. 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 below.

## **2 Need for Public Disclosure Requirements**

2.1 Some respondents who are reinsurers commented that they do not directly deal with members of the public, unlike the direct insurers. They informed that their cedants will obtain any necessary information directly from them and hence, they should not be subject to the public disclosure requirements. On the other hand, some respondents who are direct insurers commented that the disclosures are too complex to understand and may even be misleading to members of the public. Hence, they are of the view that these disclosures are unnecessary.

2.2 In addition, these respondents commented that the disclosure requirements are excessive and will lead to an increase in compliance cost. The respondents felt that the information in the credit rating reports and the existing disclosures in their annual reports will suffice.

## MAS' Response

2.3 MAS would like to reiterate the importance for insurers to disclose relevant and adequate information on a timely basis for the benefit of members of the public, including policyholders.

2.4 Globally, there has been a progressive move towards greater transparency and disclosure supported by international organisations and standard setting bodies for accounting, financial regulation, financial stability and corporate governance. With reference to the feedback that information in the credit rating reports and the existing disclosures in their annual reports will suffice, the Financial Stability Board has recognised the need to reduce mechanistic reliance on credit rating agencies' ratings. We disagree with the comment that enhanced disclosures could mislead the public. There are already a number of insurers in Singapore who have embarked on enhancing disclosures beyond the requirements under the Singapore Financial Reporting Standards. Furthermore, given Singapore's rising educational levels, there is a more literate and sophisticated public who will find the greater disclosure and accessibility of information useful when deliberating on their choice of insurance providers. Policyholders will also be able to benefit from greater market discipline which will be facilitated with the enhanced disclosures. Insurers should take the responsibility to make sure that their disclosures are comprehensible and not misleading.

## **3 Information Required for Disclosure**

3.1 Some respondents felt that the disclosure requirements were too broad and requested for more details of what is expected to be disclosed. It was suggested that a standard template for disclosure be included in the Public Disclosure Notice to ensure comparability amongst insurers. Others commented that there would no longer be a differentiation in the disclosure requirements between listed and non-listed insurers.

## MAS' Response

3.2 MAS' regulatory returns and the requirements under Singapore's financial accounting standards presently allow for broad comparability. MAS is of the view that it is not necessary to prescribe a standard template for disclosures, which may inadvertently limit the extent and presentation format of disclosure. The flexibility given in the presentation format is also necessary to cater for the different business profiles of each insurer. MAS has stated in its Notice on Public Disclosure the areas to enhance disclosures in. The insurer should take into account its nature, scale and complexity when determining the relevance and extent of information to be disclosed.

## **4 Proprietary Information**

4.1 For information that the insurer deems to be proprietary, MAS had proposed to allow the insurer to disclose more general information about the subject matter of the required disclosure item rather than the specific information. Even so, there are still concerns amongst the insurers that such disclosures may erode their competitive advantage.

4.2 Some respondents commented that clarification should be provided on what MAS contemplates to be proprietary information so that there will be a level playing field in terms of the extent of disclosure amongst insurers. Others enquired whether they have full discretion to determine which information is proprietary.

## MAS' Response

4.3 It is not practical for MAS to prescribe the list of information that is considered proprietary, as this may differ from one insurer to the next depending on their business model and strategy. The insurer will be in the better position to determine whether a particular information is considered proprietary, and be able to explain why this is so.

## **5 Exemption for Run-off Insurers**

5.1 One respondent requested for run-off insurers to be exempted from the public disclosure requirements given that such insurers do not write any more new business.

### MAS' Response

5.2 MAS agrees that it may not be useful to require run-off insurers to comply with public disclosure requirements in excess of those in the accounting standards and MAS statutory returns. MAS will exempt run-off insurers from the requirements under the Public Disclosure Notice.

## **6 Period for Disclosure**

6.1 Some respondents requested to make the necessary disclosures for each financial year in-lieu of each accounting period<sup>1</sup>. This is because the financial year of the insurer may not coincide with the accounting period.

### MAS' Response

6.2 MAS agrees that it is appropriate for insurers to make the necessary disclosures based on their financial year. Insurers will be allowed to use either their financial year or accounting period for the purpose of public disclosure. For comparability, insurers should be consistent in their period for disclosure. Where there is a change in the period for disclosure, the insurer shall be required to provide comparative information for the preceding period.

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<sup>1</sup> Under section 1A of the Insurance Act (Cap.142), "accounting period" in relation to any insurer, means the period beginning from the commencement of its business in Singapore or 1st January of any year, as the case may be, and ending on 31st December of that year for which accounts relating to the insurance business carried on by the insurer in Singapore are kept and for which an insurance fund has been established under this Act, unless otherwise allowed by the Authority.

6.3 Where the insurer uses its financial year for public disclosure, the deadline for complying with the disclosure requirements will be 6 months from the last day of each financial year.

## **7 Necessity for MAS' Prior Approval**

7.1 One respondent enquired whether it is necessary to submit the required disclosures to MAS for approval before making them public.

### MAS' Response

7.2 It is not necessary for the insurer to obtain MAS' prior approval before making the required disclosures public. MAS will look at the nature, scale and complexity of an insurer, and will work closely with individual insurers if MAS finds that the disclosures are not adequate.

## **8 Implementation Timeline**

8.1 Some respondents felt that the timeline for implementation is too short and requested MAS to defer the implementation of the first set of disclosure to a later date. They added that they will need more time to comply with the public disclosure requirements on top of other ongoing regulatory changes.

8.2 A few respondents commented that it is more appropriate to implement the public disclosure requirements after the Risk Based Capital 2 ("RBC 2") and Enterprise Risk Management ("ERM") regulatory frameworks are in place. They are of the view that given the evolving requirements surrounding these regulatory frameworks, any disclosures will be subject to future regulatory changes.

### MAS' Response

8.3 Based on the proposal in the consultation paper, the earliest deadline for making the necessary disclosures is 30 June 2014. MAS is of the view

that there is sufficient time for the insurers to comply with the public disclosure requirements.

8.4 MAS does not agree to hold back the public disclosure requirements just because the RBC 2 and ERM regulatory frameworks have not been finalised. Insurers should simply make the required disclosures based on its existing risk management practices.

## **9 Use of Group's Website for Disclosure**

9.1 Some respondents asked whether they could use their Group's website for the purpose of public disclosure, instead of creating another website for their Singapore operations.

### **MAS' Response**

9.2 MAS had proposed to require the insurers to make the disclosures on their official websites because this is an effective and cost efficient way to bring the disclosed information to the attention of members of the public.

9.3 For the purpose of public disclosure, insurers will not be required to create a separate official website for the Singapore operations. They may choose to leverage on their existing Group's website so long as it is clear that these disclosures relates to the Singapore operations rather than the Group as a whole.

## **10 Leveraging on Disclosures Made at Group Level or Head Office**

10.1 Some respondents sought clarity on how they will be able to cross-refer to the disclosures made at the Group level or Head Office. Others commented that the disclosures made at the Group level or Head Office could be either too generic or subject to different accounting rules from those of Singapore. Hence, the Group level or Head Office disclosures may not meet the proposed public disclosure requirements.

## MAS' Response

10.2 MAS would allow the insurer to cross-refer to the disclosures made at the Group level or Head Office instead of repeating the disclosure. These disclosures made at the Group level or Head Office must comprise information stated in paragraphs 3.1 and 3.2 of the consultation paper and be relevant and appropriate to the Singapore operations.

MONETARY AUTHORITY OF SINGAPORE

1 APRIL 2013

**RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED  
PUBLIC DISCLOSURE REQUIREMENTS FOR INSURERS**

1. Allianz Global Corporate & Specialty AG, Singapore Branch
2. Asia Capital Reinsurance Group Pte Ltd
3. Chartis Singapore Insurance Pte. Ltd.
4. Life Insurance Association Singapore
5. Manulife (Singapore) Pte. Ltd.
6. Mitsui Sumitomo Reinsurance Ltd, Singapore Branch
7. MSIG Insurance (Singapore) Pte. Ltd.
8. Prudential Assurance Co. Singapore (Pte) Ltd
9. QBE Insurance International Ltd, Singapore Branch
10. SCOR Global Life SE, Singapore Branch
11. SCOR Reinsurance Asia-Pacific Pte. Ltd.
12. Singapore Reinsurance Corporation Ltd
13. Singapore Reinsurers' Association
14. The Great Eastern Life Assurance Company Ltd
15. The Toa Reinsurance Company Ltd, Singapore Branch
16. Towers Watson Risk Consulting Pte Ltd

Three other respondents requested confidentiality.