



Monetary Authority of Singapore

# Regulatory Update by MAS

Appointed Actuaries' Symposium

3 November 2011

1. What guides and influences our work as a regulator/supervisor?

# What guides our regulatory work?

## OBJECTIVES

1. Stable financial SYSTEM
2. Safe and sound INTERMEDIARIES
3. Safe and efficient INFRASTRUCTURE
4. Fair, efficient and transparent MARKETS
5. Transparent and fair-dealing INTERMEDIARIES and OFFERORS
6. Well-informed and empowered CONSUMERS

## Effective Regulation

## TENETS

Outcome Focused

Shared Responsibility

Risk Appropriate

Responsive to Change and Cycles

Impact Sensitive

Clear & Consistent

## PRINCIPLES

Risk-Focused

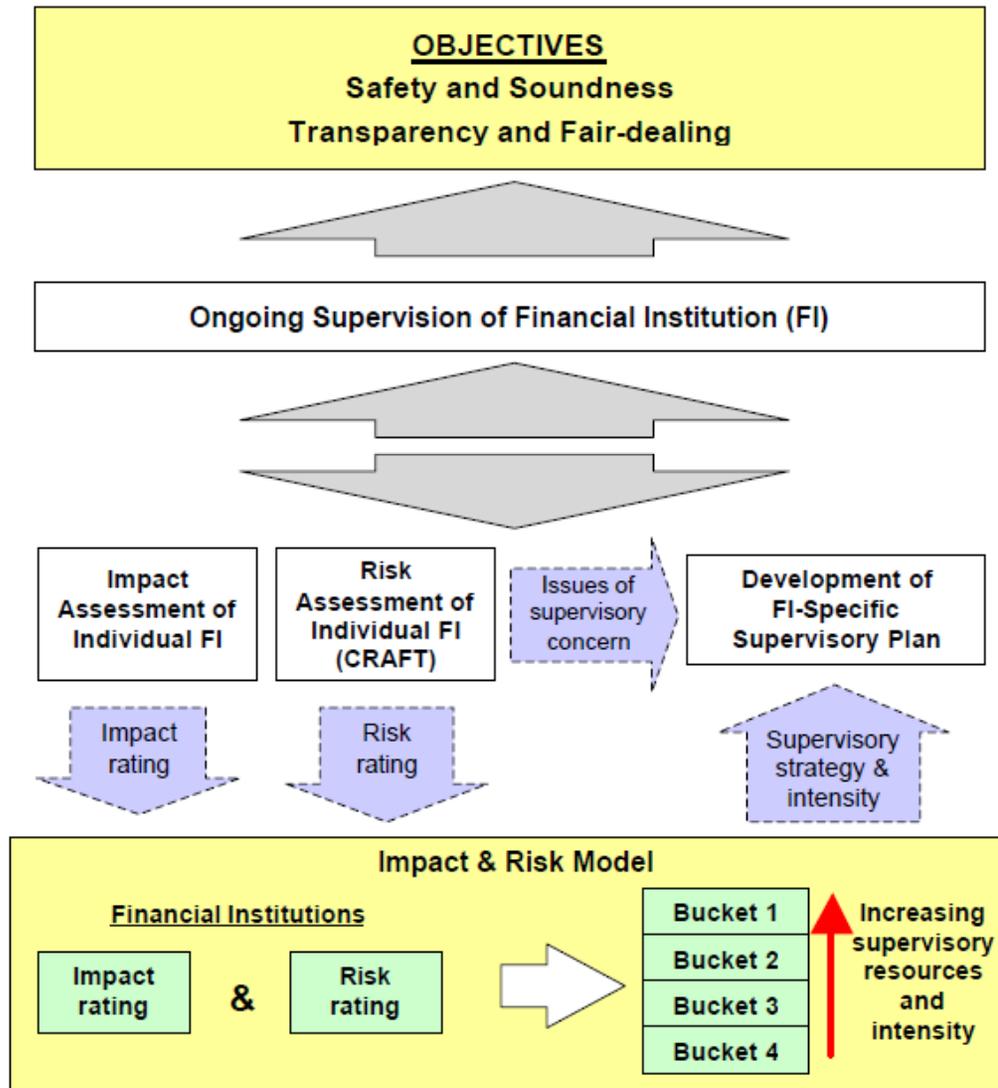
Stakeholder-Reliant

Disclosure-Based

Business-Friendly

# What guides our supervision work?

## SUPERVISORY FRAMEWORK

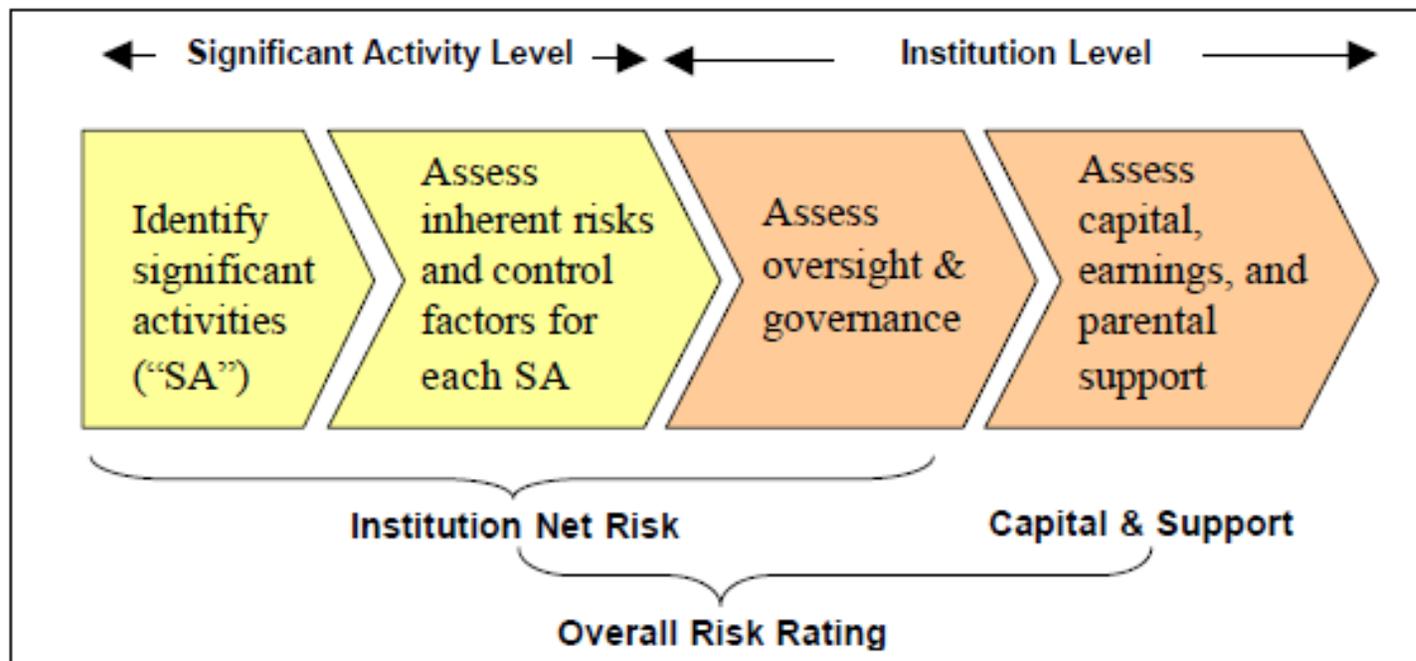


# What guides our supervision work?

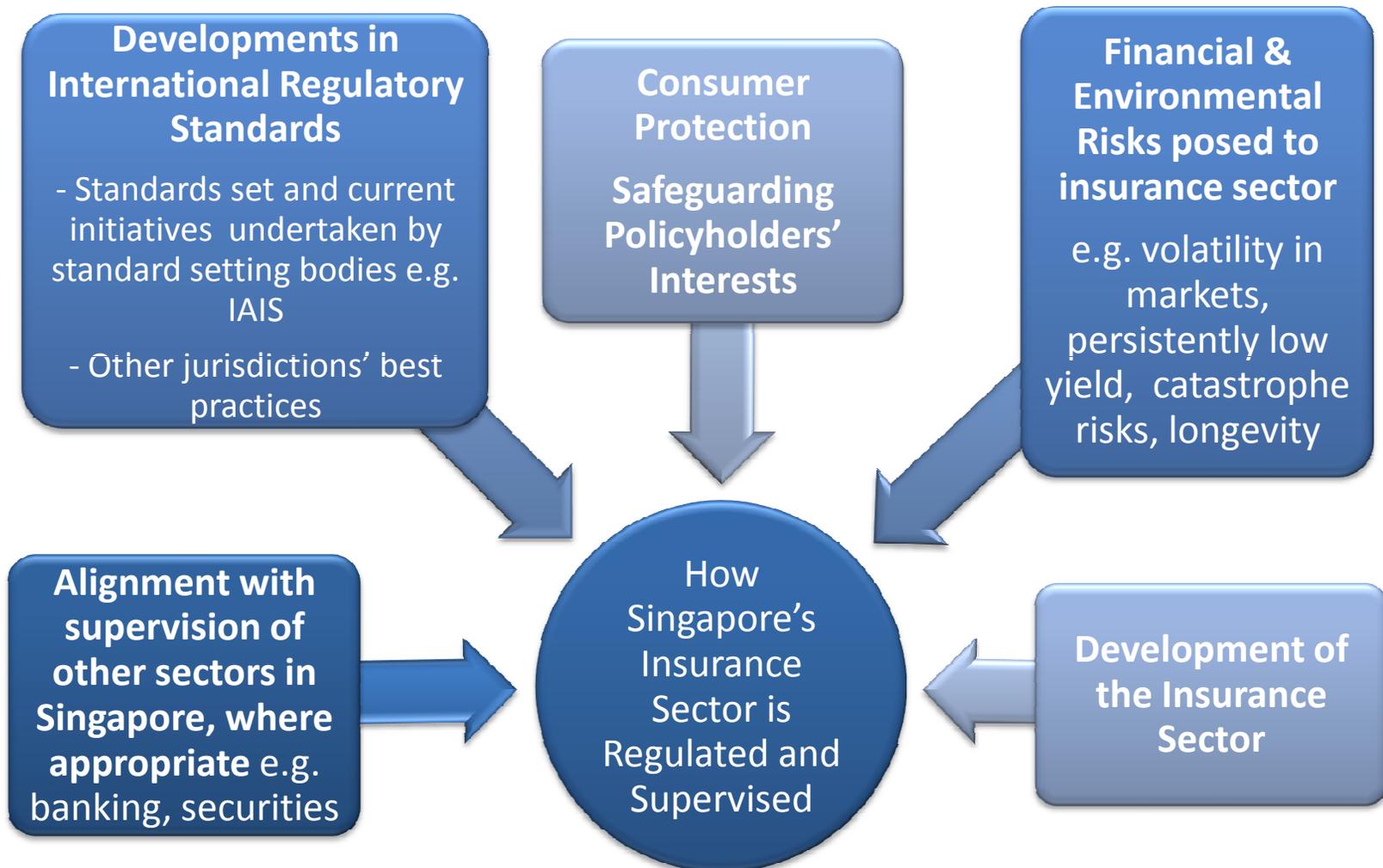
## COMMON RISK ASSESSMENT FRAMEWORK AND TECHNIQUES (CRAFT)

Overall Risk Rating			
Institution Net Risk			Capital & Support
Inherent Risks	Control Factors	Oversight & Governance	
<ul style="list-style-type: none"> <li>• Credit / asset</li> <li>• Liquidity</li> <li>• Market</li> <li>• Operational</li> <li>• Technology</li> <li>• Insurance</li> <li>• Market conduct</li> <li>• Legal, reputational and regulatory</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management systems and control</li> <li>• Operational management</li> <li>• Internal audit</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Board of directors</li> <li>• Senior management</li> <li>• Head office / parent company</li> </ul>	<ul style="list-style-type: none"> <li>• Capital</li> <li>• Earnings</li> <li>• Parental support</li> </ul>
<< Assessed at Significant Activity Level >>		<< Assessed at Institution Level >>	

# What guides our supervision work?



# Factors influencing how we regulate and supervise the insurance sector



2. What are the key work/initiatives undertaken by IAIS, and focus moving on?

# Key Work undertaken by IAIS to...

## Strengthen the effectiveness of insurance supervision and foster convergence...

### Insurance Core Principles (ICPs)

- New set of revised ICPs adopted in Oct 2011, taking into account of developments since last revision in 2003
- Constitutes the globally-accepted framework used in evaluation of supervisory regimes under Financial Sector Assessment Program (FSAP) conducted jointly by World Bank and IMF
- 26 ICPs in total; Of particular relevance to AAs– ICP 13 (Reinsurance and other Forms of Risk Transfer); ICP 14(Valuation); ICP 15 (Investment); ICP 16 (Enterprise Risk Management for Solvency Purposes); ICP 17 (Capital Adequacy); ICP 23 (Group-wide Supervision); and ICP 24 (Macroprudential Surveillance and Insurance Supervision).

### ComFrame for Internationally Active Insurance Groups

- Target to develop a common framework for supervising IAIGs by Jul 2013
- Concept paper released for consultation in July 2011

# Key Work undertaken by IAIS to...

## Supervisory Forum

- Supervisory Forum, comprising of high-level senior supervisors with experience in supervisory practice, established in mid-2011
- Platform for insurance supervisors to exchange experience, with focus on large insurers and insurance groups.

## As well as to promote financial stability...

## Closer cooperation with FSB and other external bodies

- IAIS has become more intensively involved in Financial Stability Board's workstreams, and insurance issues have featured more prominently on the FSB agenda
- Also active in Joint Forum (alongside Basel Committee for Banking Supervision and IOSCO), promoting consistency across sectors

# Key Work undertaken by IAIS to...

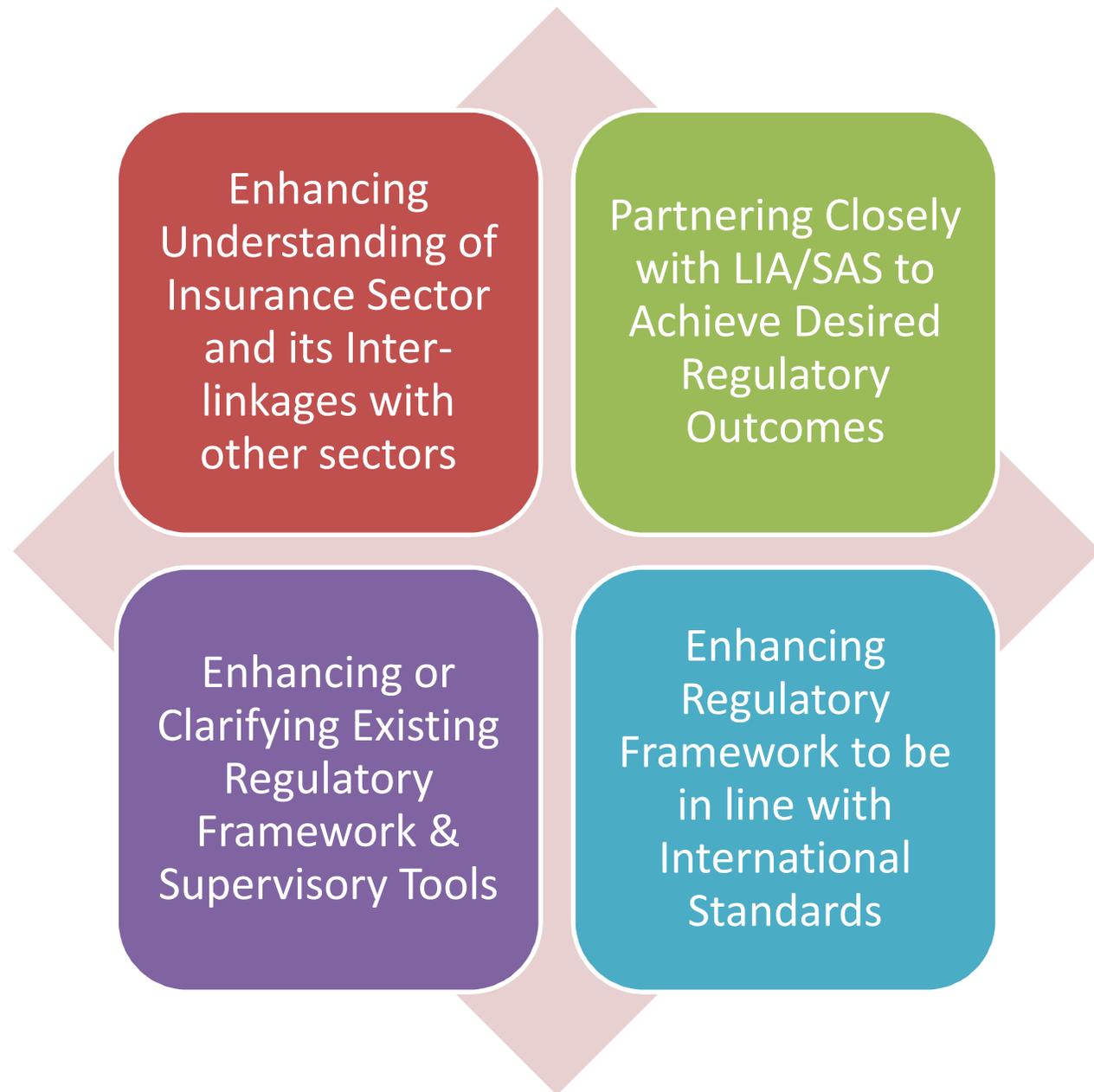
## Development of methodology to identify potential G-SIFs

- Part of a workstream undertaken by IAIS' Financial Stability Committee to support FSB's efforts to address potential risks posed by insurers which may be regarded as global systematically important financial institutions (G-SIFs).

## Development of a macroprudential surveillance framework

- The other workstream by IAIS' Financial Stability Committee to commence the development of an analytical framework for macroprudential surveillance, with particular attention to the impact of non-traditional insurance activities

3. What are the key pieces of work undertaken by MAS which would have bearing actuaries' work?



# Enhancing our understanding of the insurance sector and the inter-linkages with others

Reinsurance  
Management Strategy  
MAS Notice 114

Developing a  
macroprudential  
surveillance framework  
for insurance sector

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for insurance sector

- First set of reinsurance management returns under the revised MAS 114 was submitted by the direct life and direct general insurers by 30 Jun 2011
- Information enables regulator to assess the adequacy of reinsurance arrangements and identify any potential areas of concern
- Also useful source of information to understand the linkages between the insurers and reinsurers

# Enhancing our understanding of the insurance sector and the inter-linkages with others

Reinsurance  
Management Strategy  
MAS Notice 114

Developing a  
macroprudential  
surveillance framework  
for insurance sector

- New ICP 24 on Macroprudential Surveillance and Insurance Supervision
- Pilot study conducted late 2010 on 12 significant direct life, direct general and reinsurers to explore inter-linkages
- High level preliminary findings recently shared at insurance industry dialogues with MAS
- Will be consulting on data template by year end to collect more granular data on asset and liability exposures for all insurers and reinsurers
- Evolving process, need to monitor risks and trends continuously and enhance framework

# Partnering closely with LIA/SAS to achieve desired regulatory outcomes

Review of Participating Life Insurance Business  
("Par Fund Review")

Developing Guidance Notes on Use of Internal Models for Liability and Capital Requirements for specific products

Enhancement of Disclosure of Charges in Benefit Illustration

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Developing Guidance Notes on Use of Internal Models for Liability and Capital Requirements for specific products

Enhancement of Disclosure of Charges in Benefit Illustration

- SAS worked on developing guidance notes on the management of the par business
- MAS will check on adherence of par fund governance policy and practices with guidance notes; already did a preliminary round and will be talking to the insurers on the gaps
- LIA worked on enhancing “Your Guide to Par Policy” and also on consumer education initiatives to enhance understanding on bonus determination
- Plans to review MAS 101 on expense allocation and MAS 320 on par fund management remain , for next year

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Review of Participating Life Insurance Business (“Par Fund Review”)

Developing Guidance Notes on Use of Internal Models for Liability and Capital Requirements for specific products

Enhancement of Disclosure of Charges in Benefit Illustration

- SAS, LIA and MAS formed a workgroup with several work streams to look into a number of technical aspects of MAS’ draft guidelines on the “Use of Internal Models for Liability and Capital Requirements for Life Insurance Products containing Investment Guarantees with Non-linear Payout” (issued in Apr 2010 for consultation)
- Desired outcome will be a set of professional guidance notes to provide further guidance on these technical aspects
- MAS targets to issue the revised draft guidelines concurrently with the SAS guidance notes by AGM next year

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Review of Participating Life Insurance Business (“Par Fund Review”)

Developing Guidance Notes on Use of Internal Models for Liability and Capital Requirements for specific products

Enhancement of Disclosure of Charges in Benefit Illustration

- Soliciting ideas from LIA on ways to enhance the current disclosure of charges in the benefit illustration so as to better highlight the main purpose of the bundled insurance policy – more towards investment or protection?

# Enhancing or Clarifying Existing Regulatory Framework or Supervisory Tools

Stress-Testing Exercise

Changes to existing  
Valuation & Capital  
Regulations

Key Persons'  
Regulations and Notice

Policy Owners'  
Protection Fund (PPF)

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- Made enhancements to stress test exercise for year ending 2010
- Presented high level results, common short comings and best practices, as well as proposed enhancements for future stress test exercises at the LIA-MAS dialogue in September 2011
- Sharing to be done annually

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- Not RBC 2 review, but enhancements which have been previously consulted on e.g. Financial Resource Adjustment, and Treatment of Reinsurance
- Target to issue revised regulations by end 2011

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- Still in the pipeline, target to consult by end 2011
- Introduction of new common regulation on key persons, as well as revision of MAS Notice 106 to include appointment of all key persons (and not just POs and directors)
- More transparency on the criteria used by regulator in approving and assessing ongoing fitness and propriety

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- Legislation (DI-PPF Act and ensuing regulations and Notice) has been effected this year
- Amendments have also been made to Insurance Act to enhance insurance resolution powers (of solo entities)
- First round of levy collection has taken place this year too
- MAS will be providing more technical guidance on the computation of the protected policy liabilities, which can be complicated due to the different caps and need to aggregate policies

# Enhancing Regulatory Framework to be in line with International Standards

Group-Wide  
Supervision Framework

Review of Risk-Based  
Capital Framework  
("RBC 2")

Enterprise Risk  
Management (including  
Own Risk Solvency  
Assessment "ORSA")

# Enhancing Regulatory Framework to be in line with International Standards

Group-Wide  
Supervision Framework

- Developing a group-wide supervision framework for insurance groups in Singapore
- Includes elements on group capital, governance, risk management requirements , supervisory cooperation and coordination

Review of Risk-Based  
Capital Framework  
("RBC 2")

Enterprise Risk  
Management (including  
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- Currently reviewing the RBC framework, taking into account of international developments
- Target to consult on roadmap by end 2011/early 2012
- Will involve SAS/LIA in workgroups to look into technical aspects, e.g. calibration of risk factors
- Process will involve consultation and quantitative impact studies

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Supervision Framework

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- Currently have risk management guidelines on insurance activities; Looking into introducing ERM, including ORSA requirement on the solo and group entity
- Target to come up with ERM guidelines by end 2012



# Thank You

Should you have any queries or comments on the presentation, please feel free to contact Lee Wai Yi at [wylee@mas.gov.sg](mailto:wylee@mas.gov.sg)