



Regulatory Updates and Expectations on Appointed & Certifying Actuaries

SAS Practising Certificate Seminar

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Agenda

1 The Work Ahead

2 Approving AA/CA

3 Roles and Responsibilities

4 Challenges Faced

The Work Ahead



Capital Framework

What we have achieved

- Close engagement with significant direct life insurers on investment strategies and capital management plans given market volatility
- Put in place a regular Illiquidity Premium (“IP”) review process, with twice-yearly collection of industry data and flexibility to make off-cycle adjustment based on trend indicators
- Soft-consulted on counter-cyclical adjustment concept for equity risk requirement and capital treatment for structured products (including securitised assets)
- Consulted industry on capital treatment of derivatives and leased assets (FRS 116)
- Issued clarification note on capital treatment of bonds (including perpetual bonds)
- Conducted RBC 2 thematic inspections and shared the key findings with external auditors and industry
- Publicly consulted on Domestic Systemically Important Insurers (“D-SIIs”) which sets out the assessment methodology and proposed policy measures (including D-SII capital surcharge)
- Publicly consulted on Group Capital Framework for Designated Financial Holding Company (Licensed Insurer) (“DFHC (Licensed Insurer)”)

The Work Ahead



**Capital
Framework**

What to expect

- Update on IP calibration (ahead of 30 Jun 2023 valuation)
- Consult industry on -
 - Concept of counter-cyclical adjustment for equity risk requirement
 - Capital treatment for infrastructure investments and structured product
 - General insurance catastrophe risk charge
 - Other refinements of RBC 2
- Update to MAS Notice 133 on Valuation and Capital Framework for Insurers in Singapore
- Issuance of new Group Capital Notice for DFHC (Licensed Insurer)
- Review of RBC 2 calibration

The Work Ahead

What we have achieved

- Conducted 2022 Industry Wide Stress Test (IWST) on significant direct insurers as well as significant reinsurers. Included long-term climate risk scenarios on different climate pathways. Also conducted liquidity stress testing on significant direct life insurers – results were shared with industry
- Shared stress testing templates and scenarios with rest of industry as would be helpful to consider for ORSAs
- Revised MAS Notice 124 (Public Disclosure), Notice 125 (Investment) and Notice 126 (ERM) took effect from 1 Jan 2023 - included enhanced requirements on liquidity risk management and liquidity stress testing



Stress Testing, Surveillance & ERM Framework

The Work Ahead

What to expect

- Review how insurers have implemented the ORSA requirements, for example with respect to liquidity risk management and liquidity stress testing
- Conduct 2023 IWST on significant direct insurers and reinsurers



**Stress Testing,
Surveillance & ERM
Framework**

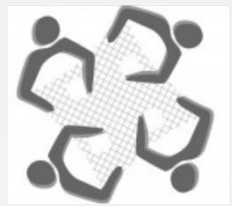
The Work Ahead

What we have achieved

- Conducted PPF thematic inspections on selected significant PPF Scheme members and shared key findings and issues with the inspected members
- Thematic inspection covered governance and control for PPF-related processes, and whether policies being covered under PPF are correctly identified and classified in the PPF register, caps (if any) are computed correctly.
- Issued circular on MAS' expectations on PPF Scheme members
- Issued survey on standardised information template to be submitted to SDIC for PPF compensation payout

What to expect

- Survey and collection of data for calibration of aggregate caps for PPF Life
- MAS sharing on PPF thematic inspection findings to all PPF Scheme members
- Consultation on review of PPF, including legislative changes needed
- Consultation on requirement for PPF annual submission to MAS and PPF-related processes being audited by external auditors



**Safety Nets &
Resolution
Framework**

The Work Ahead



What we have achieved

- Conducted a survey to help inform MAS' review of Portfolio Bond ("PB") requirements for the industry
- MAS Notice 302 on Product Development & Pricing and MAS Notice 321 on Direct Purchase Insurance Products amended in Mar 2021 to remove requirement for hardcopy submission

What to expect

- Consultation on PB requirements
- Review of product approval & notification process and submission requirements

MAS' Focus Ahead..from a Risk Perspective

Macroeconomic Risks

- Continue to conduct regular top-down stress testing; enhanced MAS Notice 122 for this purpose (expect year end)
- Continue to conduct regular IWST
- Conducted interest rate thematic stress test on direct life insurers in 2020; will consider further thematic stress test in future
- Continue to review the ORSAs

Counterparty Concentration Risks

- Developing network analysis capabilities for identifying any concentration risk of reinsurance counterparties and investment counterparties
- Continue to review the ORSAs

Liquidity Risks

- Continue to conduct regular liquidity stress testing for significant direct life insurers under IWST
- Continue to review the ORSAs for all insurers with respect to liquidity risk management (based on revised MAS Notice 126 requirements wef 1 Jan 2023)

Climate Risks

- Incorporated longer-term climate scenarios within 2022 IWST; will look to refine future climate risk scenario analyses
- Look into collecting appropriate and more granular asset and liability exposure data for more effective monitoring of climate-related risks
- Continue to review ORSAs

Better use of Technology in Regulatory and Supervisory work



Streamline processes, better use of technology

- Product approval & notification
- Key persons' appointment
- MAS Tx platform
- Network analysis
- Data Collection Gateway



Reduce duplicative requests re data



Rationalising on the regulations we have, apply proportionality where appropriate



Perform the analysis at MAS' end

- Top-down stress testing

Efforts have already been made to streamline processes, and leverage on data better for the industry's benefit. We are **reviewing the way** in which we have been preparing reports, submitting information etc.

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Approving AA/CA

MAS Notice 106 on Appointment of Director, Chairman, Member of Nominating Committee and Key Executive Person

- Revisions made in Notice in April 2013 to enhance transparency in approval criteria and monitor ongoing fitness & propriety. Further changes in Sep 2021.
- Required more information to be submitted when insurers seek approval from MAS on new appointments e.g.
 - reporting structure, outstanding engagements in equivalent AA/CA positions, directorships, additional executive officer positions, etc.;
 - written explanation** from board of directors or nominating committee on how certain circumstances would give rise to **conflict of interest** or would otherwise **impair the proposed appointee's ability to discharge his duties or would give rise to concern over the proposed appointee's ability to devote sufficient time and attention to his proposed appointment** , and the measures that it has put into place, or proposes to put into place, to mitigate the risks arising from such concerns.
- Need to submit ongoing information on changes in roles and responsibilities, and in reporting structure, as well as outstanding engagements in equivalent CA/AA roles.

Approving AA/CA

- Relevant Knowledge & Experience
- Potential Conflict of Interest
 - Reporting structure, shareholdings & directorships, multiple roles, etc.
- Additional Engagements in equivalent AA/CA roles
- Board of Directors/Nominating Committee's assessment and certification of fitness and propriety

Assessment on fitness & propriety does not just take place at approval stage; it takes place on an ongoing basis

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Roles and Responsibilities

Insurance (Actuaries) Regulations 2013

- Previously, role of certifying actuaries (“CAs”) only specified as **valuation of liabilities** under the regulations, though stress testing introduced a few years ago.
- Now **more aligned with roles & responsibilities of appointed actuaries (“AAs”)**, where relevant, e.g.:
 - ❑ **Conduct stress testing** of direct insurers as specified by MAS;
 - ❑ Verify whether reinsurance arrangement involves **significant insurance risk transfer** between insurer and counterparty of arrangement;
 - ❑ Prepare a **written report to chief executive** (extending a copy to the board of directors) of the insurer on any matter which
 - has come to the attention of the actuary in the course of carrying out his duties,
 - in the opinion of the actuary, has any material adverse effect on the financial condition of the insurer; and
 - requires rectification by the insurer;

Roles and Responsibilities

- ❑ Send a copy of the aforementioned report to MAS, notifying the board of directors, when insurer has failed to take appropriate steps to rectify any matter reported to him within a reasonable time (“whistleblowing”);
- ❑ Assist the insurer in the following, e.g.:
 - **Formulating a suitable policy** on how the assets of any of its insurance funds are to be invested, having regard to the nature and terms of the liabilities of the insurer and the availability of appropriate assets for purpose of asset liability matching;
 - **Any risk management activity** for its business, such as risk identification, risk quantification, risk management policies, controls relevant to the insurer’s financial condition, and the use of any internal model for the purposes of calculating liabilities and capital requirements for the insurer’s insurance products;
 - **Matters of product pricing and development**, such as identifying appropriate rating factors for product pricing, the design of product features and the setting of underwriting standards.

Roles and Responsibilities

- Explicitly stated that insurer has to ensure that its AA or CA **meets its board of directors at such frequency as the actuary may reasonably require, and has free and unfettered access to board of directors at all reasonable times.**
- Actuary required to **notify insurer of engagement accepted to carry out any duty or function that is equivalent to that of an AA or CA;** as well as for insurer to furnish such information to MAS in a form specified.

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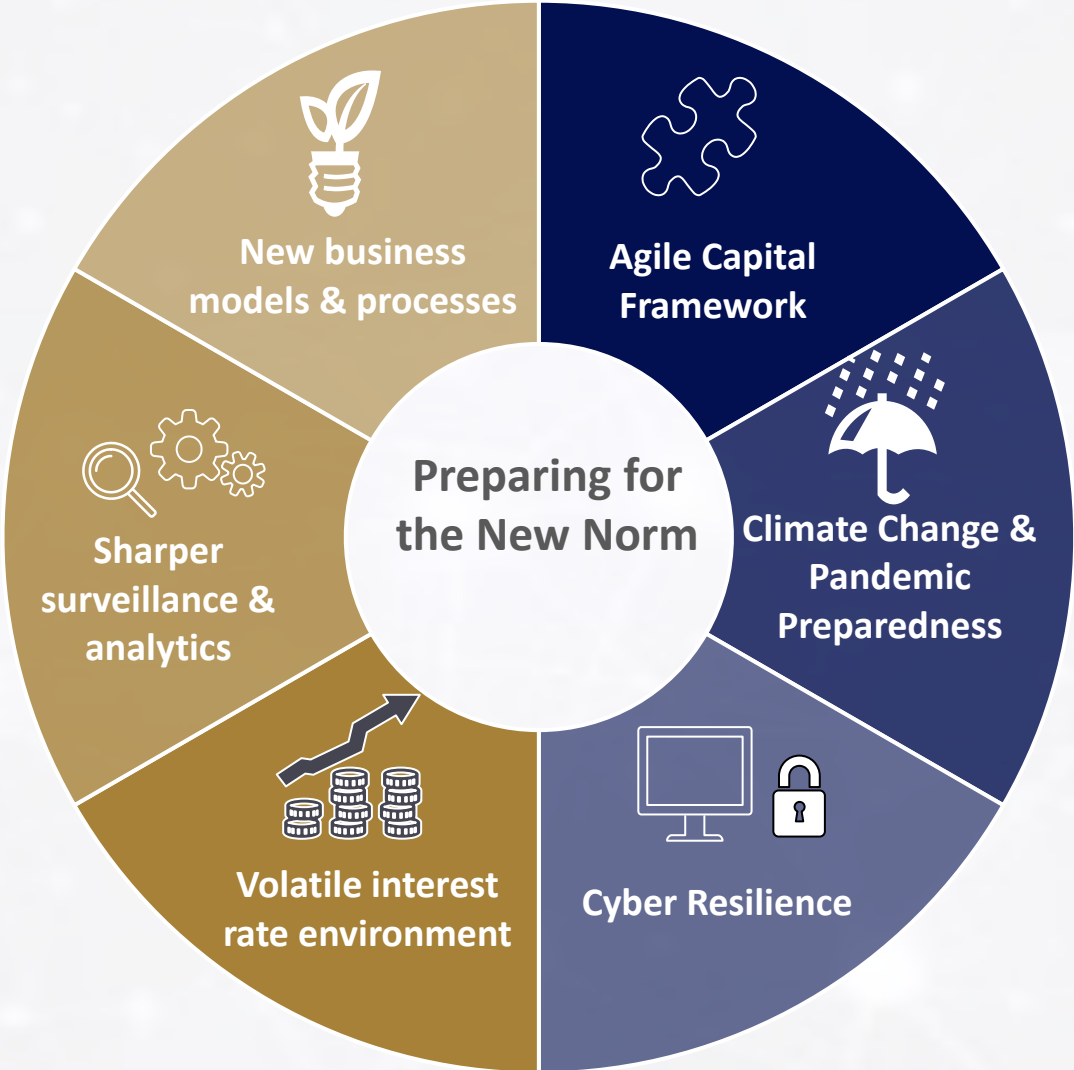
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The New Norm



Challenges Faced

- Uncertain macroeconomic and political environment
- Impact of pandemic and climate change
- Technological advancements affecting the way insurance business is carried out
- Regulatory, tax, and accounting requirements
- Actuaries continuing to exert sufficient influence

Challenges Faced

When each of the panelists was asked about what it meant to be a professional in 2017; and what we consider as the 3 key challenges facing the actuarial profession and/or the financial services sector in 2017/ the foreseeable future... I answered...

- First, **understanding the landscape of the future or the new rules of the game**, which are constantly changing. We do not know exactly how the landscape we operate in will look like in the future, but we have a general idea of where it is heading. There is still great uncertainty in how fast new ideas and concepts, once thought inconceivable, will take off.
- Second, **willingness to change and adapt**. Many of us will need to relearn again. Continuous professional development becomes ever so critical. Is it just a compliance requirement? Are we catching up quickly enough?
- Third, **the rising competition** (e.g. from the risk specialists, data scientists, modellers) and **increasing expectations from consumers**. We have to find ways to distinguish ourselves, both as a profession as well as a financial services sector, value add, or risk losing relevance quickly.

Therefore if you ask me what it means to be a professional in 2017, I would say one who can **constantly unlearn and relearn new things, is willing to do so, and is able to demonstrate value add amidst a fast-changing landscape.**

*Panel Session, State of the actuarial profession in 2017 and beyond,
28 Sep 2016, IFoA member event, Singapore, 8 May 2017*

Challenges Faced

“...**actuaries will need to increasingly exert influence**, not just at the technical level, but also at the level of the senior management and board of directors, to ensure that your views are heard and respected.

I would like to encourage all of you to **do your part in reversing this trend [i.e. declining seniority and influence of actuary]**; you can look beyond the technical work of reserving and actuarial reports, and comment on the business strategy of your company; and you can also **seek out opportunities to advise boards and senior management on risks and strategies**, based on your expertise and experience.

....**communication is a key part** of what you do. Actuaries are supposed to maintain independent views, and your ability to **communicate these views to the senior levels within the organisation** is critical for achieving sound and balanced business decisions.

Ultimately, insurers must have a structure that supports the role of actuaries. But actuaries too need to embrace these roles, and to **recognise that your opinion is an important part of a company’s decision making process**.

Speech by Chua Kim Leng, Assistant Managing Director, MAS at SAS 40th Anniversary Gala Dinner, 28 Sep 2016

Regulation vs Professionalism

First regulation **gives recognition to the importance of the role of actuaries, being statutory roles**. Regulations also tries to give actuaries the conducive environment to be able to carry out their professional duties....

Second, **a risk-based and risk proportionate regulatory regime provides actuaries with ability to exercise their judgment**....Progressively, regimes are moving away from prescribed valuation bases and non-risk based solvency margins to use of best estimate assumptions with risk margin and risk-based capital...Regulators are also increasingly mindful of the need for proportional application of regulatory requirements. This again helps the profession to be able to focus on greater impact, more complex issues when carrying out their duties...

Third, **a forward looking regulatory regime will help nudge the profession in the right direction and prepare ahead for theses risks/developments**. In Singapore, we have through our industry wide stress testing, try to acclimatise our insurers to **emerging risks like non-affirmative cyber risk, climate variability risks etc**. We have also tried to **prepare the industry to think of its role** in view of climate change, use of AI and data analytics, and other insurtech developments through different initiatives...Regulators can also promote professionalism by getting actuaries to **provide their views of global issues**, e.g. international capital standards, holistic framework of assessing systemic risk of insurers, and think of whether these issues would impact their work....

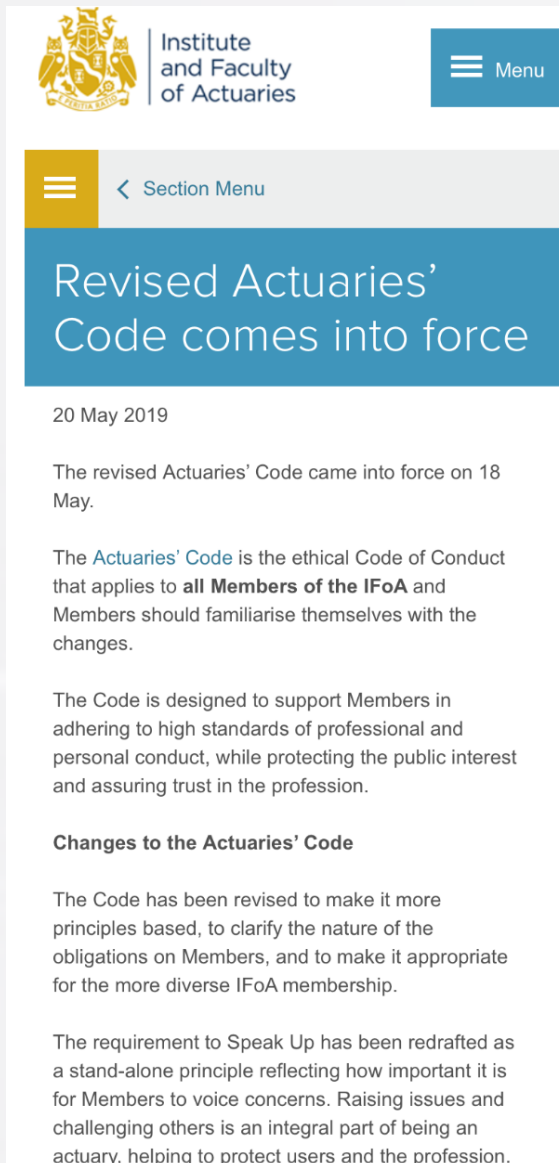
Fourth, **a regulatory approach that focuses on consultation and co-creation can help to foster greater professionalism**.RBC 2, in particular the matching adjustment design, is a good example.

Panel Session on Regulation and Professionalism – Safeguarding Public Interest on 24 Oct 2019, Asian Actuarial Conference, Singapore, 21-24 Oct 2019, where I gave my views on why I believe regulation can help, instead of impede professionalism

What we can do, and do better

- Greater awareness, and more concrete demonstration of how the changes in landscape will affect the way things are done
 - For example, how advancements in technology, pandemic, climate change etc. will affect the way things are done (e.g. valuation, business projections, stress scenarios)
- Industry, SAS and MAS to continue to work in partnership to find the right balance in regulation setting
- Promulgate best practices amongst actuarial communities/professional bodies
 - For example, leveraging on relevant guidance notes and case studies e.g. on conflict of interest, whistle-blowing, and making it more relevant for the Asian context
- Develop the right risk culture and professionalism
 - Do what is good, what is right for policyholders and the insurance industry as a whole
- Right punitive actions if the right thing is not done
 - For example disciplinary process by SAS and even possible enforcement action by MAS

Other Actuarial Bodies have taken steps



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Revised Actuaries' Code comes into force

20 May 2019

The revised Actuaries' Code came into force on 18 May.

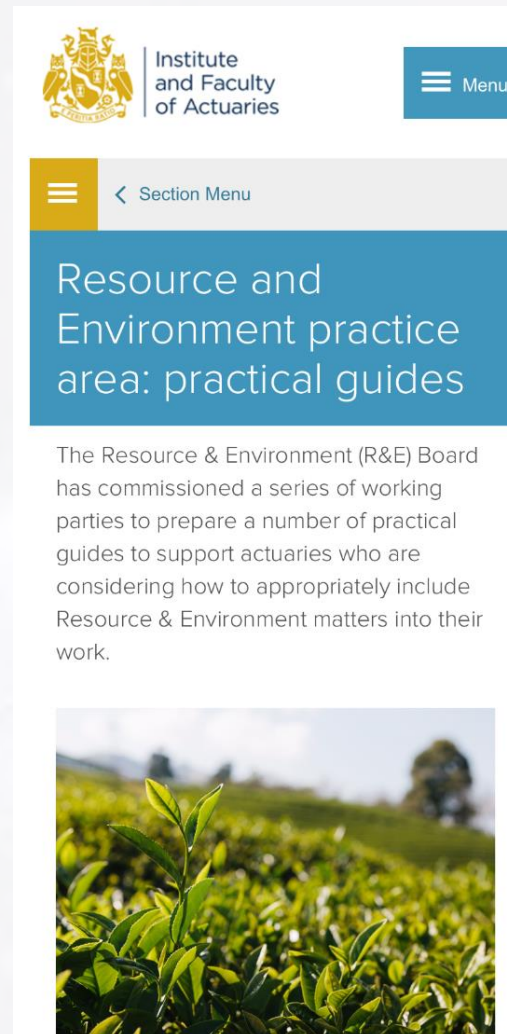
The **Actuaries' Code** is the ethical Code of Conduct that applies to **all Members of the IFoA** and Members should familiarise themselves with the changes.

The Code is designed to support Members in adhering to high standards of professional and personal conduct, while protecting the public interest and assuring trust in the profession.

Changes to the Actuaries' Code

The Code has been revised to make it more principles based, to clarify the nature of the obligations on Members, and to make it appropriate for the more diverse IFoA membership.

The requirement to Speak Up has been redrafted as a stand-alone principle reflecting how important it is for Members to voice concerns. Raising issues and challenging others is an integral part of being an actuary, helping to protect users and the profession.




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Resource and Environment practice area: practical guides

The Resource & Environment (R&E) Board has commissioned a series of working parties to prepare a number of practical guides to support actuaries who are considering how to appropriately include Resource & Environment matters into their work.



Actuaries Climate Index Fall 2018 Data Released Using Improved Methodology

ACI's Five-Year Moving Average Continues Upward Trend

Washington, D.C., Arlington, VA, Schaumburg, IL, and Ottawa, ON (May 7, 2019) —Organizations representing the actuarial profession in Canada and the United States have applied an improved methodology to the **Actuaries Climate Index** starting with newly released ACI data for fall 2018, and the latest data show that the previously reported upward trend in the key five-year moving average ACI metric continues.



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ERM Learnings From the Financial Advice 'Fees for No Service' Scandal - actuaries.digital/2019/05/28/erm...





Thank you

