



Review of Requirements on Investment Activities of Insurers



Response to the
Monetary Authority of Singapore
Consultation Paper P001-2013 (January 2013)

By

Singapore Actuarial Society

5 March 2013



SINGAPORE ACTUARIAL SOCIETY

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5 March 2013

Ms. Luz Foo
Head, Insurance Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117

Dear Ms. Foo,

**Re: Consultation Paper P001-2013
Review of Requirements on Investment Activities of Insurers (“Investment Activities for Insurers”)**

The Singapore Actuarial Society (“the Society”) is pleased to present the response to the Proposals put forward in the above Consultation Paper on the Investment Activities for Insurers undertaken by MAS. The Society strives to promote actuarial best practices in the insurance industry and the responses represent the views of members who have interest in the investment activities of both life and general insurers.

This document is the culmination of efforts from both the Life and General insurance Committees and the Council of the Society.

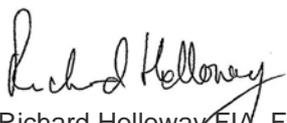
While these responses represent the view of a number of members of the Society, they may not represent the views of every individual member. They also represent the views of the profession and not those of the employers of, or other parties receiving advice from, our members.

The Society will be publishing the response on the Society’s website and it will be available to the public.

We are looking forward to meeting with you and your team at a suitable date to discuss the Society’s responses. If you or they have any questions or wish to speak to me, I may be contacted at President@actuaries.org.sg or Jhoffman@MunichRe.com or at +65 6318 0764.

Yours sincerely,


Jill Hoffman, FSA, FCIA, FSAS
President 2012/2013
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About the Singapore Actuarial Society

The Singapore Actuarial Society was formed in 1976. At that time, the profession was little known in Singapore and there were only a handful of qualified actuaries. The adoption of the new Constitution in July 1996 and the Code of Professional Conduct in November 1997 is the fruition of efforts made in the past two decades to promote the study of actuarial science and professional standards.

The Society is the recognised representative body of the actuarial profession in Singapore, having the final authority in setting professional standards. The objectives of the Society are:

- to uphold the highest professional standards among members;
- to serve the public's interest in matters we are uniquely qualified to respond on;
- to promote the study, discussion, publication and research into the application of economic, financial and statistical principles to practical problems, the actuarial, economic and allied aspects of life assurance, non-life insurance, employee retirement benefits, finance and investment with particular reference to Singapore and the ASEAN region;
- to assist students in the course of their actuarial studies;
- to further the professional development of actuaries; and
- to foster and encourage social relationship among the members.

Our office is located at 81 Clemenceau Avenue, #04-15/16 UE Square, Singapore, 239917. Please visit our website www.actuaries.org.sg for more information.



Consultation Response

Review of Requirements on Investment Activities of Insurers

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Section 1 – Background and Scope

- 1.1. The Monetary Authority of Singapore (“MAS”) issued a Consultation Paper on 23 January 2013 entitled Review of Requirements on Investment Activities of Insurers (“the Consultation Paper”).
- 1.2. The Society’s Life Insurance and General Insurance Committees together with the Council of the Society help meetings (“the Taskforce”) to review the Consultation Paper and provided our responses.
- 1.3. The final responses from the Society, taking into account comments the Taskforce, were reviewed and approved by the Council of the Society.
- 1.4. The comments and recommendations in the Society’s responses are:
 - based on actuarially sound principles and not on subjective bases or opinions;
 - the independent views of the Society based on feedback from those individual members of the Society who were part of the Taskforce, and do not represent the views of any company, firm or any other association with which any of our members may be engaged in or with; and
 - solely directed to the Consultation Paper and may not necessarily be applicable to any other regimes and jurisdictions outside Singapore.
- 1.5. The list of Taskforce members can be found in Appendix 1.



Section 2 – Responses on Individual Proposals

General comments

- 2.1 Investment is more significant for life insurers. There is a need to strike a balance between requirements for life insurance companies and reinsurance/general insurance companies, also based on significance/size of the businesses

Proposal 1

To extend the requirements in MAS Notice 317 to direct general insurers and reinsurers, including the need for an investment policy and investment committee.

Comments

- 2.2 The principle of applying the requirements to general insurance/reinsurance companies should not depend on whether the Certifying Actuary (“CA”) is an external (or internal) person.
- 2.3 CA’s of general insurance companies may not have enough experience with investment activities, so may have less to add to the requirements. i.e. it is not as obvious that they should be part of an investment committee.

Proposal 2

To extend the requirements under MAS Notice 104 and MAS Notice 317 to the shareholders’ fund.

- 2.4 The principles are fine.
- 2.5 Shareholders should have some freedom to invest monies in a more flexible manner provided that solvency is preserved. This is better covered through the ongoing CAR and appropriate Stress Testing.



Proposal 3

To include more explicit and detailed guidance on ALM.

Proposal 4

To include additional amendments to MAS Notice 104 and MAS Notice 317 to provide greater clarity on the exiting requirements.

Proposal 5

*To introduce a new Notice, which incorporates the requirements under the existing MAS Notice 104 and MAS Notice 317, as well as the above proposals. The amendments under Proposal 4 and in **bold italics**.*

Comments on Proposals 3, 4, 5

- 2.6 We think this may be one step too far for general insurance/reinsurance companies. Starting with an investment committee with a targeted deadline a few years later of ALM (if required).
- 2.7 The notice should be principles based, and less prescriptive with prescriptive measures being left to actuarial guidance.
- 2.8 In Appendix A it is not common for SAA to be set by product line, with SAA being set by fund, or major product groupings within a fund (eg short term single premium business). Furthermore, this is less relevant for general insurance business, which will almost certainly be set at a fund level.
- 2.9 In Appendix A is there a need to define diversification in such a manner. Also should 'limits' depend on the degree of diversification?
- 2.10 Proposal 4 implies that insurers should have adequate diversification in their investments. However, RBC2 proposal seems to imply that diversification is unlikely to reduce overall risk of the company. Some consistency in philosophy is required here.

Proposal 6

To impose requirements on the investment activities of insurance groups. The proposed requirements are set out in Appendix 2.

Comments

- 2.11 Applying investment requirements to non-Singapore domiciled groups (i.e. overseas holding companies of Singapore domiciled insurers) may be difficult. Is MAS' intention that the group investment principles will only apply to Singapore domiciled holding companies?



Appendix 1 – Taskforce Members

A special thanks to the key contributors to the responses:

1. Richard Holloway (Chairman)
2. Khoo Chung Chang (Head of Life Insurance Committee)
3. Matthew Maguire (Head of General Insurance Committee)
4. Tan Yue Li

Also, a big thank you to the following:

1. Council Members
2. Other members of the Society who have contributed in the Consultation Response



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