

Insurance (General Provisions and Exemptions for Special Purpose Reinsurance Vehicles) Regulations 2008

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THE SCHEDULE Insurance Act (Chapter 142)

No. S 617

**INSURANCE ACT
(CHAPTER 142)**

**INSURANCE (GENERAL PROVISIONS AND EXEMPTIONS FOR SPECIAL
PURPOSE REINSURANCE VEHICLES) REGULATIONS 2008**

In exercise of the powers conferred by sections 9, 18, 36, 52 and 64(1) of the

Insurance Act, the Monetary Authority of Singapore hereby makes the following Regulations:

PART I

PRELIMINARY

Citation and commencement

1. These Regulations may be cited as the Insurance (General Provisions and Exemptions for Special Purpose Reinsurance Vehicles) Regulations 2008 and shall come into operation on 2nd December 2008.

Definitions

2. In these Regulations, unless the context otherwise requires —

“aggregate limit”, in relation to a contract of reinsurance entered into between an SPRV and any ceding insurer, means the maximum amount payable to the ceding insurer under that contract;

“ceding insurer” means an insurer that enters into a contract of reinsurance with an SPRV;

“debt security” includes any debenture, bond or note;

“electronic record” has the same meaning as in section 2 of the Electronic Transactions Act (Cap. 88);

“fully funded”, in relation to an SPRV, means —

- (a) in the case of any contract of reinsurance entered into between the SPRV and any ceding insurer that specifies an aggregate limit, that the assets held on trust or otherwise held under the terms of that contract by or on behalf of the SPRV for the benefit of the ceding insurer are, at all times, not less than the potential liabilities of the SPRV under all reasonably foreseeable scenarios, taking into account the aggregate limit of that contract and the expenses the SPRV expects to incur; and
- (b) in the case of any contract of reinsurance entered into between the SPRV and any ceding insurer that does not specify an aggregate limit, that the assets held on trust or otherwise held under the terms of that contract by or on behalf of the SPRV for the benefit of the ceding insurer are, at all times, not less than the potential liabilities

of the SPRV under all reasonably foreseeable scenarios, taking into account the obligations of the SPRV towards the ceding insurer under that contract and the expenses the SPRV expects to incur;

“insurance securitisation”, in relation to an SPRV, means any debt or other financing arrangement entered into by the SPRV with investors, where repayment of the principal or interest, or both, to the investors is contingent upon the occurrence or non-occurrence of an event whereupon the ceding insurer is exposed to financial loss under contracts of insurance or reinsurance it has issued;

“Special Purpose Reinsurance Vehicle” or “SPRV” means an insurer registered under section 8 of the Act as a reinsurer to carry on life or general business or both classes of business and —

- (a) is created for the sole purpose of entering into contracts of reinsurance with one or more ceding insurers; and
- (b) at all times fully funds its obligations under the contracts of reinsurance with the ceding insurers referred to in paragraph (a) through insurance securitisation.

PART II

OPERATION OF SPRV

Permitted activities

3. An SPRV may enter into arrangements and carry on any business as may be necessary to fulfill its obligations and administrative duties related or incidental to insurance securitisation and the contracts of reinsurance entered into with one or more ceding insurers, including entering into management and administrative services agreements, swap agreements and other forms of asset management agreements.

Obligation to notify

4. An SPRV shall immediately notify the Authority when the SPRV becomes aware that it has failed, or is likely to fail, to be fully funded for a contract of reinsurance it has entered into.

Insurance securitisation requirements

5. An SPRV shall not issue any debt securities unless the agreement governing the

issuance of the debt securities makes it a condition of the debt securities issued or to be issued by the SPRV that the holders of the debt securities undertake not to initiate or participate in winding up proceedings against the SPRV until the debt securities are discharged.

PART III

FINANCIAL REQUIREMENT BEFORE REGISTRATION, FUND SOLVENCY REQUIREMENT AND CAPITAL ADEQUACY REQUIREMENT

Paid-up capital requirement

6. For the purposes of section 9(1)(c) of the Act, the Authority shall not register an applicant as an SPRV unless the applicant has a paid-up ordinary share capital (or its equivalent recognised by the Authority as applicable to the applicant under the laws of the country or territory in which the applicant is incorporated, formed or established) of not less than \$20,000.

Fund solvency and capital adequacy requirements

7.—(1) For the purposes of section 18(1)(a) of the Act, the fund solvency requirement in respect of an insurance fund established and maintained by an SPRV under the Act shall at all times be such that the assets of the fund are not less than the liabilities of the fund.

(2) For the purposes of section 18(1)(b) of the Act, the capital adequacy requirement of an SPRV shall at all times be such that the assets of the SPRV are not less than the liabilities of the SPRV.

(3) In computing the fund solvency requirement of an insurance fund and the capital adequacy requirement under paragraphs (1) and (2), respectively, an SPRV shall not include any exchange translation reserves resulting from the translation of financial statements from a non-Singapore dollar denominated functional currency to the presentation currency in Singapore dollar.

(4) An SPRV shall immediately notify the Authority when the SPRV becomes aware that it has failed, or is likely to fail, to comply with paragraph (1) or (2).

Exemption from Insurance (Valuation and Capital) Regulations 2004

8. An SPRV shall be exempt from regulations 3 and 4 of the Insurance (Valuation