

Insurance (Amendment No. 2) Regulations 2002

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No. S 466

INSURANCE ACT

INSURANCE (AMENDMENT NO. 2) REGULATIONS 2002

In exercise of the powers conferred by sections 35Y, 35ZA, 35ZC, 35ZD, 35ZE, 35ZG, 35ZN, 35ZO, 56A(3) and 64 of the Insurance Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Insurance (Amendment No. 2) Regulations 2002 and shall come into operation on 1st October 2002.

Amendment of regulation 18

2. Regulation 18 of the Insurance Regulations (Rg 1) is amended —

(a) by deleting paragraph (1) and substituting the following paragraph:

“(1) Subject to paragraphs (3) and (4), the extent to which the Singapore Insurance Fund Assets shall be taken into account under regulation 17 shall be subject to the investment limits specified in the Schedule.”; and

(b) by inserting, immediately after paragraph (2), the following paragraphs:

“(3) The investment limits imposed on overseas assets specified in the Schedule shall not apply to Singapore Dollar denominated fixed income or floating rate securities issued by non-residents that are accorded —

- (a) a rating of “Baa” or higher by the rating agency “Moody’s”; or
- (b) a rating of “BBB” or higher by the rating agency “Standard and Poor’s”.

(4) The investment limits imposed on foreign currency denominated and overseas assets in the Schedule shall not apply to Synthetic Singapore Dollar Assets.

(5) In paragraph (4), “Synthetic Singapore Dollar Asset” means a foreign currency denominated fixed income or floating rate security that —

- (a) is fully hedged to the Singapore Dollar where —
 - (i) any forward foreign exchange contract used for hedging matches the underlying foreign currency-denominated security in terms of cash flow and term-to-redemption; and
 - (ii) any forward foreign exchange contract used for hedging is entered into with a financial institution licensed by the Authority that has an individual or financial strength rating of a category higher than “C”, as accorded by the rating agency “Fitch Inc.” or by the rating

- agency “Moody”s”;
- (b) is accorded —
 - (i) a rating of “Baa” or higher by the rating agency “Moody”s”; or
 - (ii) a rating of “BBB” or higher by the rating agency “Standard and Poor”s”; and
 - (c) has been classified by the insurer as a Synthetic Singapore Dollar Asset.”.

Amendment of regulation 18A

3. Regulation 18A of the Insurance Regulations is amended —

- (a) by deleting the word “The” in the 1st line of paragraph (2) and substituting the words “Subject to paragraph (4), the”; and
- (b) by inserting, immediately after paragraph (3), the following paragraph:

“(4) An insurer may take into account deposits made with any approved financial institution, group of financial institutions, bank or merchant bank, if any, of an amount not exceeding \$3 million notwithstanding that the amount of the deposits exceeds the counterparty exposure limits referred to in paragraph (2)(a) and (c).”.

New Part VA

4. The Insurance Regulations are amended by inserting, immediately after regulation 27, the following Part:

“PART VA

INSURANCE INTERMEDIARIES

Definitions of this Part

27A.—(1) In this Part, unless the context otherwise requires —

“applicant” means an applicant for registration as an insurance broker referred to in section 35X of the Act;

“exempt direct general insurance broker” means an exempt insurance broker carrying on business as a direct general insurance broker;

“exempt insurance broker” means any person who is exempt from registration as an insurance broker under section 35ZN(1)(a) to (e) of the Act in respect of carrying on business as an insurance broker;

“net asset value”, in relation to a company, means the excess of the value of the assets owned by the company over its liabilities.

(2) For the purposes of this Part —

- (a) in determining the value of the assets owned by a company, any amount on account of goodwill or of any other intangible assets shall be disregarded; and
- (b) in determining the amount of the liabilities of a company, all contingent or prospective liabilities shall be taken into account but not any amount on account of any liability related to the share capital of the company.

Minimum paid-up share capital

27B.—(1) For the purposes of section 35Y(1)(b) of the Act, an applicant who intends to be registered as either a direct general insurance broker, a general reinsurance broker or a life reinsurance broker shall have a paid-up share capital of an amount not less than \$300,000.

(2) An applicant who intends to be registered as an insurance broker in respect of more than one type of insurance broking business shall have a paid-up share capital of not less than the aggregate of the amounts of paid-up share capital specified in paragraph (1) in respect of each of those businesses.

(3) A registered insurance broker shall maintain at all times a paid-up share capital of an amount that is not less than the minimum amount of paid-up share capital applicable to it by virtue of paragraph (1) or (2), as the case may be.

Professional indemnity insurance

27C.—(1) For the purposes of section 35Y(1)(c) of the Act, the limit of indemnity to be covered under a professional indemnity insurance policy for an applicant who intends to be registered as a direct general insurance broker, a general reinsurance broker or a life reinsurance broker shall be an amount of not

less than \$1 million, under which the deductible allowed shall be —

- (a) where the applicant is in its first financial year of operation, not more than 20% of the paid-up capital; and
- (b) in any other case, not more than 20% of the applicant's net asset value as at the end of its preceding financial year.

(2) Where the applicant intends to be registered as an insurance broker in respect of more than one type of insurance broking business, the limit of indemnity to be covered under a professional indemnity policy shall be not less than the aggregate of the amounts of the limit of indemnity specified in paragraph (1) for each of those businesses, under which the deductible allowed shall be —

- (a) where the applicant is in its first financial year of operation, not more than 20% of the paid-up capital; and
- (b) in any other case, not more than 20% of the applicant's net asset value as at the end of its preceding financial year.

(3) A registered insurance broker shall have in force at all times a professional indemnity insurance policy —

- (a) under which the limit of indemnity covered is an amount not less than the minimum limit of indemnity applicable to it by virtue of paragraph (1) or (2), as the case may be; and
- (b) under which the deductible allowed is —
 - (i) where the registered insurance broker is in its first financial year of operation, not more than 20% of the paid-up capital; and
 - (ii) in any other case, not more than 20% of the registered insurance broker's net asset value as at the end of its preceding financial year.

Net asset value

27D. For the purposes of section 35ZC of the Act, the net asset value to be maintained at all times by any registered insurance broker shall be an amount that is not less than 50% of the minimum paid-up share capital required to be maintained by the registered insurance broker under regulation 27B(3).