Monetary Authority of Singapore

Consultation Paper

P021-2023 – December 2023

Consultation Paper on Proposed Enhancements to the Policy Owners' Protection Scheme in Singapore

Contents

1. Preface

1.1. The pre-funded Policy Owners' Protection Scheme ("the PPF Scheme") was introduced in 2011, following enactment of the Deposit Insurance and Policy Owners' Protection Schemes Act (DI-PPF Act). Pursuant to section 46(2) of the DI-PPF Act, the PPF Life Fund and the PPF General Fund (collectively known as "the PPF Funds") can be utilised to: (a) pay a compensation to any covered party; (b) fund the transfer of the business of a failed PPF Scheme member[1] to another insurer; (c) fund the run-off of the insurance business of a failed PPF Scheme member; and (d) fund the termination of any insured policy issued by a failed PPF Scheme member. These are referred to as "the payout scenarios" in this consultation paper.

1.2. The PPF Scheme was last reviewed in 2017 ("the 2017 review"), with a focus on the scope, coverage and areas needing better clarity.

1.3. With further changes in product design, consumer preferences and market practices since then, the Monetary Authority of Singapore (MAS) launched another major review of the PPF Scheme in 2020 to ensure its continued relevance.

1.4. MAS has also been working closely with the Singapore Deposit Insurance Corporation Limited (SDIC) to review the operational processes when utilising the PPF Funds under the payout scenarios. This entails mapping out the key steps, as well as clarifying the roles and responsibilities of the parties involved (e.g. MAS, SDIC, PPF Scheme members and liquidators). MAS and SDIC have actively engaged PPF Scheme members on the scheme's operational aspects and areas requiring further clarification.

1.5. This consultation paper sets out the recommendations arising from MAS' latest review. Section 2 covers the proposed changes and clarifications pertaining to the coverage under the PPF General Fund. Section 3 covers the same areas under the PPF Life Fund. Section 4 addresses the issues relating to the operationalisation of the PPF Scheme under different payout scenarios. In section 5, MAS makes a number of the proposals to align, where useful and practicable, with the Deposit Insurance Scheme ("the DI Scheme"). There will be a subsequent consultation on the legislative changes to the DI-PPF Act to effect the relevant proposals.

1.6. MAS invites comments and feedback from interested parties on the proposals.

Please note that all submissions received will be published and attributed to the respective respondent unless they expressly request MAS not to do so. As such, if respondents would like:

[1] PPF Scheme members are direct life or general insurers as specified in Section 31 of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011.

(a) **their whole submission or part of it (but not their identity), or**

(b) **their identity along with their whole submission,**

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where submission appears to be libellous or offensive.

1.7. Please submit written comments by 16 Feb 2024 via this *link*:

https://go.gov.sg/ppfconsultation2023

2. Issues relating to PPF General Fund

2.1. The PPF General Fund covers compulsory insurance policies[2], individual and group accident and health (A&H)[3] policies and specified personal line insurance policies[4] which are Singapore policies[5].

2.2. MAS periodically reviews the coverage under the PPF Scheme for continued relevance. The key objectives and considerations of the recent review are as follows:

Objectives	Considerations
• Reduce discontinuity and disruption to society and economy arising from insurer default • Other than commercial lines protected under the compulsory insurance policies, the priority is given to providing protection to individuals rather than corporates • Reduce moral hazard of an implicit government guarantee	• Coverage of policies which are commonly purchased, and those with significant impact should insurer default • Cost-effective to the insurance industry • Equitable allocation of costs amongst insurers, commensurate with their risk profile • Should not dilute market discipline

These are consistent with the objectives and considerations set out previously in our consultation papers for the PPF Scheme, issued in 2005, and in 2017.

Compulsory insurance policies

2.3. "Compulsory insurance policy" is currently defined under the DI-PPF Act as any policy of insurance which complies with the requirements of –

(a) the Motor Vehicles (Third-Party Risks and Compensation) Act 1960, which requires all motor vehicles to be insured against the event of causing death or bodily injury to third parties whilst being driven in Singapore and West Malaysia; or

2 "Compulsory insurance policy" is defined under section 2 of DI-PPF Act.
3 "Accident and health policy" is defined under the First Schedule of the Insurance Act 1966.
4 "Specified personal line insurance policy" is defined under section 2 of DI-PPF Act.
5 "Singapore policy" is defined under the First Schedule of the Insurance Act 1966.

(b) the Work Injury Compensation Act 2019 or the repealed Work Injury Compensation Act (Cap. 354, 2009 Revised Edition)[6], which requires that employers have in place insurance policies to cover compulsory compensation for workmen. These compensation requirements relate to the death and bodily injury of the workmen in the course of employment.

2.4. A direct general or composite insurer can combine a few types of benefits into one policy to meet the needs of its commercial customers. For example, the "Business Package Insurance" product sold to small businesses offers coverage on areas like business interruption, public liability, fire (contents), motor, personal accident of employees and work injury compensation. For such commercial insurance policies, the PPF coverage will only be for the liability arising from the specified legislation in the paragraph above, which is the Motor Vehicles (Third-Party Risks and Compensation) Act 1960 and the Work Injury Compensation Act 2019.

2.5. Post-2017 review, another applicable compulsory insurance policy has been introduced since Dec 2020, under section 58A of the Active Mobility Act 2017, which requires -

(a) licensed operators that provide specified mobility devices for hire by any individual; and

(b) employers which provide specified mobility devices to individuals in the course of, or engage individuals who use specified mobility devices to carry out work under, the employers' prescribed business,

to ensure these individuals are insured for a prescribed minimum amount against third-party liabilities for death or personal injury which the individual may incur during the device hiring period or in the course of working, as the case may be.

2.6. MAS proposes to extend the definition of compulsory insurance policy under the DI-PPF Act to also cover policies that meet the requirements of the Active Mobility Act 2017.

Question 1. MAS seeks comments on the proposed extension of the definition of compulsory insurance policy under the DI-PPF Act to also cover policies that meet the requirements of the Active Mobility Act 2017.

Question 2. MAS seeks feedback on whether the specified personal line insurance policies covered under the PPF General Fund should also be extended to cover a policy of insurance which provides cover for personal mobility devices, power-assisted bicycles, motorised wheelchair or mobility scooter (as defined under section 2 of the Active Mobility Act 2017). By doing so, if a PPF Scheme member had offered a personal line insurance policy that covers these mobility

[6] Section 83(1) of the Work Injury Compensation Act 2019 states that "Despite its repeal, the repealed Act continues to apply, as if this Act had not been enacted, to any personal injury caused by an accident to an employee, or disease contracted by an employee, if the date of the accident contracted by an employee, if the date of the accident for that personal injury or disease is before 1 September 2020.

devices, e.g. covering loss and damage, liability insurance, accident and health benefits etc, these would be covered under the PPF Scheme.

Specified personal line insurance policies

Clarification on whether specified personal line insurance policies issued to sole proprietors are covered by the PPF Scheme

2.7. When the pre-funded PPF Scheme was first introduced in 2011, the DI-PPF Act did not define what is considered a "personal" line insurance policy. "Personal" and "commercial" lines were terms widely used in the industry. Insurers also had underwriting policies to distinguish between the two. In the 2017 review, MAS noted that the line between personal and commercial usage had become blurred in certain instances, such as in personal motor insurance and personal property (structure and contents) insurance[7]. MAS hence made legislative changes to define a "personal" line insurance policy as one that is owned by a natural person[8].

2.8. MAS has since noted inconsistencies in how policies issued to sole proprietors are treated by PPF Scheme members. Some PPF Scheme members have wrongly assumed that if an applicant bears a company name, then all policies taken up by the applicant (other than those falling under compulsory insurance policy under section 2 of the DI-PPF Act) are not covered by the PPF Scheme.

2.9. MAS would like to clarify that sole proprietors are considered natural persons, and hence specified personal line insurance policy issued to them are covered under the PPF Scheme. PPF Scheme members therefore need to identify sole proprietors and capture the relevant information within their systems, regardless of whether these persons registered a business name under a corporate entity or as a natural person.

2.10. PPF Scheme members should make the necessary changes to their processes in the interim and have their systems in place by 30 Jun 2024.

Question 3. MAS seeks feedback from PPF Scheme members on putting in place processes in the interim to identify sole proprietors and to make the necessary system changes by 30 Jun 2024.

[7] There was then already a growing trend of individuals using their personal properties for commercial purposes, for example, privately owned cars used for hire, and home offices.

[8] This excludes any company or association or body of persons, corporate or incorporate.

Extend PPF coverage to personal travel insurance issued to non-natural persons

2.11. MAS' 2018 legislative amendment set out that only a specified personal line insurance policy issued to a natural person is covered by the PPF Scheme. In the context of travel insurance, what this means is that if the individual had directly purchased the personal travel cover as the policy owner, he or she would enjoy protection under the PPF Scheme. However, if the purchase of the personal travel cover by the individual was facilitated or arranged by a non-natural person, such as by a travel agency or credit card company, the policy would not be entitled to coverage under the PPF Scheme.

2.12. MAS has observed that it is common for travel agencies to facilitate the purchase of such personal travel cover with the travel agency being the policy owner, even though the cover is paid for by the consumer. It is also common for employers to purchase a group travel insurance policy for employees with the employer as the policy owner.

2.13. MAS proposes that the PPF Scheme cover personal travel insurance policy even if it is issued to non-natural persons as the policy owner. This means that for personal travel insurance, PPF coverage would apply regardless of whether the policy owner is a natural or non-natural person. This would better align with MAS' policy intent to benefit individuals.

Question 4.	*MAS seeks comments on the proposed extension of PPF coverage to include personal travel insurance policies issued to non-natural persons as the policy owner.*
Question 5.	*MAS seeks feedback from PPF Scheme members if they write any group travel insurance policy as a commercial line instead of a personal line, and if so, what is the basis for this approach.*

Setting out the list of benefits that are covered and not covered under the PPF General Fund

2.14. Currently, the DI-PPF Act lists specified personal line insurance policy to include:

(a) a policy of insurance which provides personal motor cover;

(b) a policy of insurance which provides personal travel cover;

(c) a policy of insurance which provides personal property (structure and contents) cover;

(d) a policy of insurance which provides cover in connection with the employment of a foreign domestic worker.

2.15. No definition or further guidance is provided on these types of policies as they were earlier deemed to be commonly understood terms when the pre-funded PPF Scheme was introduced in 2011. MAS notes that product design has since evolved. While most specified personal line insurance policies remain relatively straightforward, there are a few cases where some benefits offered within the insurance policy do not meet the PPF objectives and considerations reiterated in paragraph 2.2. MAS also noted certain types of policies where PPF Scheme members differed on perceived coverage under the fund. For example, a few PPF Scheme members have treated policies covering individual personal valuables (e.g. laptops, jewellery) as covered under the PPF General Fund when these do not qualify as personal property (structure and contents) insurance.

2.16. For greater clarity to PPF Scheme members and the public on what is covered under the PPF General Fund, MAS proposes to explicitly set out in legislation a more detailed list of benefits that are covered as well as not covered for the various specified personal line insurance policies under the PPF General Fund. This will facilitate consistency in the determination of coverage under the PPF Scheme. The list of benefits can be found in the Annex. Based on earlier closed-door consultations, the industry has expressed a preference for such an approach over requiring PPF Scheme members to split up a specified personal line insurance policy such that benefits that are not covered under the PPF Scheme are segregated into a separate rider or policy.

2.17. In addition to the PPF objectives and considerations in paragraph 2.2, MAS proposes further principles to guide the decision on benefits that should be covered in the lists in the Annex –

(a) The policy is issued to an individual, and benefits under that policy directly covers this individual or other individuals as permitted under the policy (e.g. passengers in the insured car, occupants of the insured residential premises etc.);

(b) The benefit is clearly related to the personal insurance cover such as the insured car, insured residential premises etc. (e.g. utilities bill relief for circumstances like unemployment and illness is not clearly or directly related to personal property cover);

(c) The benefit should follow the principle of indemnity (i.e. either reasonably compensates or indemnifies the losses suffered by the insured individual). It should not lead the insured into being induced or tempted to profit from it;

(d) The benefit is prevalent and commonly purchased, rather than restricted to niche demand (e.g. hole-in-one for golf should not be protected under the PPF Scheme even though it may come under personal travel cover).

2.18. The lists in the Annex will be updated from time to time, depending on the need for MAS to provide clarity to the industry and the pace in which the insurance products evolve. This can be triggered by enquiries from PPF Scheme members, or based on feedback received by MAS. MAS expects the industry to play an active role in ensuring the lists remain updated and relevant.

Question 6.	*MAS seeks comments on the proposed lists of benefits in the Annex that should and should not be covered under the various specified personal line insurance policies under the PPF General Fund. On inclusion or exclusion of certain benefits to be covered under the PPF General Fund but are currently not indicated in the Annex, please suggest which specified personal line insurance it should sit under and justify if it is prevalent in the marketplace.*
Question 7.	*MAS seeks feedback on the key principles to guide the benefits that should be covered in the lists in the Annex. If there are new suggestions, please elaborate how the principle would be helpful.*

Requiring disclosure on benefits that are covered or not covered under the PPF General Fund

2.19. MAS proposes to require PPF Scheme members to include a schedule within the relevant policy documents (e.g. policy contract, product summary) to help policy owners understand which benefits are covered under the PPF General Fund. This can be done as a positive list (i.e. listing all the benefits that are covered) or a negative list (i.e. listing all the benefits that are not covered), and a statement saying that the rest of the other benefits are not covered or covered respectively. PPF Scheme members must ensure that the classification of the benefits in this schedule is aligned with the benefits in the proposed lists in the Annex.

Question 8.	*MAS seeks comments on the proposal to require PPF Scheme members to include a disclosure schedule within the relevant policy documents as set out in paragraph 2.19.*

Issues relating to refund of premiums

2.20. PPF General Fund will compensate covered parties on claims incurred, up to 30 days from quantification date (QD)[9], in respect of insured policies covered. This enables policy owners to seek alternative coverage from other insurers during that 30 day period whilst continuing to enjoy cover from PPF. PPF General Fund covers refund of premiums for the unused (also known as unexpired)

[9] QD is defined in section 2 of the DI-PPF Act. It is generally (a) the date of commencement of winding up, (b) in the case of co-operative society, the date of cancellation of the order made by the Registrar of Co-operative Societies to cancel the registration of that society; or (c) the date on which the notification of MAS' determination to utilise the PPF Funds under section 46(1) for one or more of the payout scenarios (whether the PPF Scheme member is subsequently wound up or not) is published in the Gazette under section 46(4) of the DI-PPF Act.

portion of the insurance coverage (other than for compulsory insurance) as part of the protected liabilities. The refund of premium will help to defray the cost of purchase of the alternative coverage.

2.21. Following the 2017 review, legislative amendments were made in 2018 to expand on the circumstances under which a refund of premiums would be paid by both PPF Life and PPF General Funds (i.e. the shaded cells in the table below). Under such circumstances, if the policy contracts expressly state that the policy owners are entitled to a refund of the premium, PPF would cover the refund of such premiums in full.

Circumstances of refund	PPF General Fund	PPF Life Fund
Refund of unused premium upon termination	Already provided for as part of protected liabilities; need not have express provision within the contract to be entitled to such refunds.	Covered, if expressly provided for in the policy contract#
Cancellation of policy, e.g. free-look cancellation	Covered, if expressly provided for in the policy contract*	Covered, if expressly provided for in the policy contract#
Voiding of policy from inception (e.g. due to material non-disclosure or suicide within 12 months of policy inception)	Covered, if expressly provided for in the policy contract*	Covered, if expressly provided for in the policy contract#
Refund of excess premiums paid	Covered, if expressly provided for in the policy contract*	Covered, if expressly provided for in the policy contract#

* As per section 48B of DI-PPF Act

\# As per section 48(1) of DI-PPF Act

2.22. However, a plain reading of section 48B of the DI-PPF Act may suggest that the insured policy owner is only entitled to a refund of the unused premiums if this is expressly provided for under the policy contract. To avoid ambiguity, MAS will make it clear in the legislation that the policy owner is entitled to a refund of the unused premiums under the PPF Scheme, regardless of whether this has been expressly provided for under the policy contract.

Standardise the formula for calculating refund of unused premiums

2.23. Given that policy owners have 30 days from QD to seek alternative coverage from other insurers while still being protected under the PPF General Fund, time and accuracy are of essence in computing and making the refund of unused premiums to the policy owners for each insured policy.

2.24. Currently, the refund of unused premiums under the PPF General Fund is based on how the premium liabilities are being valued under regulation 19(8) of the Insurance (Valuation and Capital) Regulations 2004 ("V&C regulations"). MAS has also observed some differences in computations amongst PPF Scheme members as the V&C regulations only set out the minimum computation basis (e.g. 1/24th method). Some PPF Scheme members may also have explicitly set out in the policy contract the basis of computing the refund of unused premiums.

2.25. To simplify the approach, MAS proposes to standardise the basis for calculating the refund of unused premiums related to general insurance business based on a pro-rate of the exact number of days of unexpired coverage period (i.e. 1/365th method). The proposed approach is intended to help expedite the refund of unused premiums to policy owners.

<u>Example to illustrate the difference between the 1/24th method and proposed 1/365th method in calculating the refund of unused premiums</u>

Insurance policy, with a premium of $1000, has a duration of 12 months and is incepted on 20 May 2023.

Based on the 1/24th method[10]*, the refund of unused premium as at 30 Sep 2023*
= 15/ 24 x $1000 = $625

Based on the 1/365th method, the refund of unused premium as at 30 Sep 2023
= No of days of unexpired coverage[11] */ 365 x $1000*
= 232 / 365 x $1000 = $635.62

Question 9.	*MAS seeks comments on the proposed standardisation on calculation basis. Please elaborate if there are concerns and provide suggestions on how to address them.*

[10] Under this method, policies are assumed to be written evenly over each month, i.e. on average, the date of issue of all policies is in the middle of each month.

[11] This is the sum of 31 days in Oct 2023, 30 days in Nov 2023, 31 days in Dec 2023, 31 days in Jan 2024, 29 days in Feb 2024, 31 days in Mar 2024, 30 days in Apr 2024 and 19 days in May 2024.

Refund of premiums for compulsory insurance policies[12]

2.26. Unlike specified personal line insurance and individual and group A&H policies, refund of unused premiums have not been provided for in the DI-PPF Act for compulsory insurance policies due to the following reasons:

(a) The relevant legislation requiring the compulsory insurance does not require such a refund;

(b) Most compulsory insurance policies are purchased by corporates, instead of individuals. The PPF Scheme is more geared towards protecting individuals as set out in paragraph 2.2;

(c) PPF Scheme members do not separately price for the compulsory and non-compulsory portions of such policies.

2.27. Compulsory insurance policies have become more relevant to individuals due to individuals entering into sole proprietorship arrangements. MAS thus proposes providing for premium refunds of unused premiums for compulsory insurance policies, regardless of whether they are taken up by corporates or individuals.

2.28. Where estimates have to be made, MAS proposes to set the basis for identifying the compulsory and non-compulsory portions of the premiums based on past years' claims experience, consistent with PPF Scheme members' approach taken for estimating the PPF Scheme levy of the relevant compulsory insurance policies[13].

Question 10. MAS seeks comments on the proposal to segregate compulsory and non-compulsory premiums of insurance policies using past claims experience. Please elaborate if there are concerns and provide suggestions on how to address them.

Question 11. MAS seeks suggestions on other practicable approaches to determine the split between compulsory and non-compulsory portion for premiums of compulsory insurance policies.

Unclaimed moneys

2.29. Unclaimed moneys, in relation to an insured policy issued by a failed PPF Scheme member, is defined in the DI-PPF Act as any policy moneys which, as a result of a contingency happening, has been

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12 As described in paragraph 2.3

13 For the purpose of PPF levy computation, a proxy could be used by applying the ratio of (Total Gross Claims Paid for covered benefits/ Total Gross Claims Paid) for that product. Such an approach is currently used for the Motor (Third Party Bodily Injury) Act Insurance for the "Commercial Motor" line of business and the Work Injury Compensation Act Insurance for the "Work Injury Compensation Act" line of business.

ascertained by the failed PPF Scheme member to be due and payable under that insured policy on or before QD but which have not been paid to, or have been paid but not yet received, by the person entitled to payment of the policy moneys.

2.30. The following are examples to illustrate the concept of unclaimed moneys –

Assume QD is 31 Oct 2023, and that there are 4 separate claims in question.

Claim	Scenario	Is this amount deemed as unclaimed money?
Claim 1	Claim has already been assessed by the failed PPF Scheme member to be due and payable on 20 Oct 2023. However the failed PPF Scheme member has not arranged for any payment to be made to the covered party yet as of 31 Oct 2023.	Yes
Claim 2	Claim has already been assessed by the failed PPF Scheme member to be due and payable on 20 Oct 2023. The failed PPF Scheme member has arranged for a cheque payment to be made to the covered party. However as at 31 Oct 2023, the cheque has not been banked in by the covered party. This amount will be deemed as unclaimed money.	Yes
Claim 3	Claim has already been assessed by the failed PPF Scheme member to be due and payable on 20 Oct 2023. The failed PPF Scheme member has arranged for a cheque payment to be made to the covered party. As at 31 Oct 2023, the cheque has already been banked in and reflected as such within the ledger balance of the covered party's account (hence received by the entitled person). This amount will not be deemed as unclaimed money.	No
Claim 4	Claim is still being assessed by the failed PPF Scheme member as at 31 Oct 2023. No arrangement for payment has been made yet as the claim is still being assessed.	No

2.31. Unlike for the PPF Life Fund, it is not explicitly mentioned in the DI-PPF Act that unclaimed moneys will be covered under the PPF General Fund even though this is the policy intent. MAS will make it clear in the legislation that unclaimed moneys will also be covered under the PPF General Fund.

2.32. MAS proposes to subject unclaimed moneys to caps where applicable. Currently, caps only apply for the following claims –

(a) Own property damage motor claims for personal motor insurance policies, where a cap of S$50,000 applies; and

(b) Property damage claims for personal property (structure and contents insurance), where a cap of S$300,000 applies.

Question 12. MAS seeks feedback on the proposal to subject unclaimed moneys to the applicable caps.

3. Issues relating to PPF Life Fund

3.1. All life and A&H policies are covered under the PPF Life Fund, subject to applicable caps. Caps are necessary to keep the cost of the PPF Scheme affordable and reduce moral hazard. The relevant policies and riders are classified into four categories as set out in the Second Schedule of the DI-PPF Act. The Fourth Schedule of the DI-PPF Act sets out how protection ratios (PRs) are calculated for each category. Caps are then applied through PRs.

3.2. For example, Category 1 insured policies are not subject to caps and thus have a PR of 100%. For Category 2 insured policies, a cap of S$500k and S$100k have been set for guaranteed sum assured (GSA) and guaranteed surrender value (GSV) respectively. As insurance policies cover both protection and savings needs, both death benefit and surrender value are considered when scaling down the benefits. The caps currently apply on the aggregate GSA and GSV of all Category 2 insured policies taken up on the same life assured and issued by the same PPF Scheme member. The PR that applies currently depends on the payout scenarios and PPF levy computation.

Changes to application of PRs for insured policies under PPF Life Fund

3.3. We illustrate the current application of PRs for Category 2 insured policies (based on same life assured for an insurer) using the following numerical examples.

Before applying any PR	**GSA**	**GSV**
Policy 1	S$200,000	$100,000
Policy 2	S$100,000	S$50,000
Policy 3	S$300,000	-
Total	S$600,000	S$150,000
Maximum (cap)	S$500,000	S$100,000
PR	83.3% (500/600)	66.7% (100/150)

3.4. For the purposes of compensation payout, the PR for GSA (PR_{GSA}) or PR for GSV (PR_{GSV}) are applied respectively to aggregated guaranteed death claims or aggregated guaranteed surrender claims, depending on whether it is a death claim or surrender claim on or prior to QD. This ensures that if it had been a death claim, the covered party would receive S$500k in aggregate, consistent with the cap that has been set for GSA. Similarly, if the policy owner had surrendered all the Category 2 insured policies on the same life assured, then the total amount received would have been S$100k in aggregate, consistent with the cap that has been set for GSV.

After applying the PR separately	**GSA**	**GSV**
Policy 1	S$166,667	$66,667
Policy 2	S$83,333	S$33,333
Policy 3	S$250,000	-
Total	S$500,000	S$100,000

3.5. For all other payout scenarios (such as transfer and run-off) and for PPF levy computation, the average of PR_{GSA} and PR_{GSV} (“$PR_{AVERAGE}$”) is applied to scale down the benefits to arrive at the protected liabilities. Taking an average ratio is a pragmatic solution as it considers both death benefits and surrender value and because it is operationally challenging to segregate all Category 2 insured policies into protection-oriented and savings-oriented ones. In this case, $PR_{AVERAGE}$ is 75%.

After applying $PR_{AVERAGE}$	**GSA**	**GSV**
Policy 1	S$150,000	$75,000
Policy 2	S$75,000	S$37,500
Policy 3	S$225,000	-
Total	S$450,000	S$112,500
Compared to the Maximum (cap)	*S$500,000*	*S$100,000*

3.6. However, this approach can lead to counterintuitive results. In the example above, we can see that after applying the $PR_{AVERAGE}$, the aggregate GSA of the three policies works out to be less than the cap of S$500k, whilst the aggregate GSV works out to be higher than the cap of S$100k.

3.7. Another example is when the aggregate GSA does not exceed the S$500k cap (so PR_{GSA} is 100%), but given that the aggregate GSV exceeds the cap of S$100k (meaning PR_{GSV} is less than 100%), the benefits of all the Category 2 insured policies would have to be scaled down proportionally. Although only a small percentage of life assureds will be affected by the caps, it would still appear counterintuitive to the affected policy owners.

3.8. Moving forward, MAS proposes to use only PR_{GSA} across all the payout scenarios and for PPF levy computation. The simplified approach is easier to understand and provides certainty on the extent of coverage. This approach avoids the counterintuitive situation where a person would need to have the benefits of his or her insured policies scaled down, even though the aggregate GSA of his or her policies has not exceeded the cap.

3.9. In addition, it is operationally more efficient to use a single ratio for all the payout scenarios, including compensation payout –

(a) In paragraph 3.4, we show that if all of the life assured's Category 2 insured policies were surrendered on or prior to QD, applying PR_{GSV} will result in the aggregate GSV of S$100k to be paid in full, as per the aggregate GSV cap. However, it may not be the case that all policies under the same life assured are surrendered on or before QD. For those policies that have not been surrendered on or prior to QD, these will be pending the liquidator's arrangement for transfer/ run-off/ termination, and $PR_{AVERAGE}$ will be used in determining the protected liabilities. Meanwhile for those policies that have been surrendered on or prior to QD, they will have the PR_{GSV} applied instead. The various permutations may create unnecessary anxiety amongst policy owners during that period.

(b) In the subsequent paragraph 4.12 of this consultation paper, MAS proposes to extend the compensation payout to cover claims (excluding surrenders) that occur between QD and transfer, run-off or termination date, as it can take some time for the liquidation process to be completed. As such, using a single ratio may be more practical given that a liquidator can proceed with the transfer/ run-off etc. by applying the PR_{GSA} to adjust the benefits of the policies that are in-force as at QD, whilst any time that there are claims that happen after QD, the same ratio can be applied to compensate the covered parties.

3.10. MAS recognises that there are scenarios where the PPF Life Fund may end up covering a higher GSV amount compared to the status quo[14] because of reliance on PR_{GSA} alone. Based on MAS' review of policy data from insurers, such situations should be rare.

3.11. On a related note, MAS has assessed that the aggregate cap of S$500k for guaranteed sum assured remains adequate, as it covers more than 93% of life assureds in full[15].

3.12. MAS proposes to put in place a single PR based on PR_{GSA}, where the aggregate cap for GSA is S$500k, for the payout scenarios and PPF levy computation, when the legislative amendments for the DI-PPF Act take effect, which at this juncture is expected to be on 1 Jan 2027. Based on MAS' initial impact study, the incremental cost of the proposal will not be significant.

Question 13. MAS seeks comments on the proposal to use only PR_{GSA} to compute the protected liabilities for the payout scenarios and for PPF levy computation, where the aggregate cap for GSA is S$500k.

[14] For illustration, where there is just one Category 2 insured policy with a GSA of S$400k and GSV of S$200k, PR_{GSA} would be 100%, and hence the GSV of S$200k would be covered in full as there would be no need to scale down the benefits. Using $PR_{AVERAGE}$ would have resulted in a ratio of 75% (average of 100% and 50%), and the GSV covered would be S$150k.

[15] Weighted by the number of unique life assureds across the significant direct life insurers.

Question 14. MAS seeks feedback on whether the proposed timeline to effect the application of only using PR_{GSA} is reasonable. Please suggest an alternative date and justification if deemed not reasonable.

Policies with predominantly A&H benefits and nominal death benefit payable on all causes

3.13. Some PPF Scheme members wrongly classified certain critical illness policies as Category 1 insured policies (i.e. no caps) because they pay a nominal death benefit[16] on all causes. Even though these policies predominantly provide A&H benefits, they do not qualify[17] as A&H policies and should be classified as Category 2 insured policies instead as required under the Second Schedule of the DI-PPF Act.

3.14. For such cases of misclassification, MAS proposes that where these are guaranteed renewable policies and the policy contract allows for the terms and conditions to be adjusted, PPF Scheme members should make adjustments to insurance policies with predominantly A&H benefits and nominal death benefits payable due to all causes, in order for these to qualify as Category 1 insured policies at the next policy renewal. Under this approach, PPF Scheme members are to pass endorsements on the affected policies upon their next renewal to inform these policy owners that the nominal death benefits payable due to all causes will be offered as a separately identifiable rider[18] (at no additional costs). Alternatively, policy owners could be provided with an opportunity to have the nominal death benefit removed. In doing so, affected PPF Scheme members may need to effect system changes and the necessary communication to affected policy owners, within an appropriate transition period.

Question 15. MAS seeks comments on the proposed adjustments to insurance policies with predominantly A&H benefits and nominal death benefits payable due to all causes, in order for these to qualify as Category 1 insured policies, as outlined in paragraph 3.14.

Question 16. MAS seeks feedback from the affected PPF Scheme members on what would be a reasonable transition period to implement the proposed approach.

16 For example, the policy may pay a benefit of $100k upon diagnosis of the specified critical illness, but also pays a nominal death benefit of $5k on death from all causes.

17 Under the Insurance Act 1966, an A&H policy means any policy which provides A&H benefits only.

18 This rider will then be treated as Category 2 insured policy, and be aggregated with other Category 2 insured policies when deriving the PR.

All voluntary group life policies[19] to be classified as Category 2 insured policies

3.15. A distinction has been made to the categorisation of group life policy[20] depending on whether it is voluntary (i.e. the policy is taken out at the request or discretion of the life assured) or non-voluntary in nature. Voluntary group life policies (i.e. voluntary group term, voluntary whole life or voluntary group endowment) are to be aggregated with the other individual life policies in Category 2 when computing the PR. Non-voluntary group life policies are to be treated as Category 4, where there are policy caps[21]. The difference in treatment mainly arise because of two considerations –

(a) First, non-voluntary group life policies are typically arranged by an individual's employer, with the individual having minimal input on the choice of the insurer or amount of coverage. Hence the amount of coverage should not be aggregated with other Category 2 insured policies that the life assured has;

(b) Second, voluntary group life policies (especially affinity schemes[22]) are underwritten in a similar manner as individual life policies. Hence, there is less concern, unlike for non-voluntary group life policies, about system constraints when aggregating them with other individual life policies in Category 2.

3.16. As voluntary group policies are taken up and paid for by individuals, they should be categorised together with other similar policies purchased by them under Category 2. However, not all PPF Scheme members have done so given that information on life assureds under voluntary group life policies may not be readily available, especially where they relate to voluntary top-ups by life assureds under their employer's benefits scheme (i.e. the non-voluntary group life policies). Some PPF Scheme members have shared that requiring such information may affect their competitiveness as insurance brokers or corporate customers may seek out other insurers.

3.17. Another difficulty cited was that for such voluntary group life policies, where voluntary top-ups are made to the non-voluntary group life policies, the voluntary group policies still reside in the group policy administration system, which is distinct from the system used for the individual insurance policies. As a result, it was onerous to aggregate both individual and voluntary group life policies together. These PPF Scheme members requested MAS to consider further differentiating the categorisation approach between the voluntary group life policies that are top-ups to the non-voluntary group policies purchased by the individual's employer as part of the employer's benefits

[19] These are policies taken out at the request or discretion of the life assureds under a group insurance policy.

[20] For group A&H policy, this will be treated as Category 1 insured policies, regardless of whether they are voluntary or non-voluntary.

[21] There is a cap of $100k for group sum assured and $50k for group surrender value for each non-voluntary group life policy in Category 4.

[22] Under such schemes, the policy design is similar to that offered to an individual, but in this case, is offered as a group policy for the affinity grouping e.g. those belonging to a particular club or association.

scheme for its employees, and other types of voluntary group life policies which do not fall under an employer's benefits scheme for its employees (e.g. affinity scheme).

3.18. MAS proposes that PPF Scheme members collect the relevant information of life assureds coming under voluntary group life policies and classify them as Category 2 insured policies by 30 Jun 2024. Having the relevant information about the underlying life assured of the voluntary group life policies would allow PPF Scheme members to better underwrite and price their policies. A consistent approach would eliminate competitive considerations and MAS is of the view that the system constraints are not insurmountable.

Question 17. MAS seeks comments on the proposal for the PPF Scheme member to collect the relevant information to allow it to categorise voluntary group life policies as Category 2 and aggregate them with the other relevant Category 2 insured policies when computing the PR.

Question 18. MAS seeks comments on the proposed timeline of 30 Jun 2024.

Unclaimed moneys to be classified as Category 2 insured policies

3.19. Under the DI-PPF Act, unclaimed moneys[23] of insured policies of the PPF Life Fund fall under Category 1 insured policies and are therefore not subject to any caps on their payouts. Depending on the claim processing turnaround time (which may differ across claims assessors of the PPF Scheme member), it could affect the assessment on whether a claim is considered unclaimed moneys. In a scenario when QD is declared, there are several possible outcomes for a valid death claim on a Category 2 insured policy received shortly before QD, of which 2 are highlighted below –

Outcome 1: The death claim had been processed and paid to the covered party, but he/ she has yet to receive the payment (e.g. the payment transaction is still being processed[24]). The claim at QD is considered as unclaimed moneys and will be compensated in full under the PPF Scheme.

Outcome 2: The death claim is still being processed and has not been finalised. At QD, it will not qualify as unclaimed moneys, and will be aggregated with other Category 2 insured policies and subject to caps.

[23] This is already defined in paragraph 2.29.

[24] Whilst most payments will be instantaneous, there may be certain payment modes, e.g. inter-bank transfer or cheque payments, cashier's order etc. which may require more than a day to process.

3.20. The treatment of unclaimed moneys should not have to depend on the turnaround time different assessors within the same PPF Scheme member take to process the claims. To ensure clarity and consistency in the treatment of unclaimed moneys, MAS proposes for unclaimed moneys to be classified as Category 2 insured policies, with effect from when the legislative amendments to the DI-PPF Act are expected to take effect, e.g. 1 Jan 2027. All unclaimed moneys arising on or after this date will therefore be subject to caps set out under the Fourth Schedule of the DI-PPF Act, together with other Category 2 insured policies. PPF Scheme members will be required to put in place the necessary system enhancements and processes to support this change. Unclaimed moneys that arose prior to 1 Jan 2027 will be grandfathered, i.e. will remain as Category 1 insured policies.

3.21. Please note that similar to Claim 3 in paragraph 2.30, for a claim which has already been assessed by the failed PPF Scheme member to be due and payable on or prior to QD, and that payment has already been arranged by the failed PPF Scheme member and the payment has been reflected as such within the ledger balance of the covered party's account as at QD, this will not be deemed as unclaimed moneys. If the payment has not been reflected within the ledger balance of the covered party's account as at QD (because payment transaction is still pending), then this would be deemed as unclaimed moneys and would be subject to being classified as Category 2 insured policy when the legislative amendments of the DI-PPF Act take effect.

Question 19. MAS seeks comments on the proposal to treat unclaimed moneys as Category 2 insured policies, from the date that the legislative amendments of the DI-PPF Act take effect.

Question 20. MAS seeks feedback on whether the effective date of the legislative amendments of DI-PPF Act, which at this juncture is expected to be on 1 Jan 2027, is a reasonable cut-off date for the grandfathering.

Question 21. MAS seeks feedback on whether PPF Scheme members foresee any issues in maintaining unclaimed moneys under 2 different treatments (i.e. before and, on or after the effective date of the legislative amendments of DI-PPF Act, e.g. 1 Jan 2027).

4. Issues relating to the operationalisation of PPF under various payout scenarios

4.1. PPF can be utilised for one or more of the following purposes after a determination has been made by MAS under section 46 of the DI-PPF Act –

(a) To pay compensation out of the PPF Life Fund or PPF General Fund to any covered party;

(b) To fund, whether in whole or in part, the transfer of the whole or part of the business of the PPF Scheme member to another insurer;

(c) To fund the run-off of the insurance business of the PPF Scheme member without taking in any new insurance business or renewing any existing policies (other than a policy which has a provision for guaranteed renewability); and

(d) To fund the termination of any insured policy issued by the PPF Scheme member.

4.2. MAS and SDIC have been working closely to review the operational processes for the activation of the PPF Scheme. This entails mapping out the key steps, as well as the roles and responsibilities of the parties involved under each step, when MAS makes a determination to utilise the PPF Funds for one or more of the payout scenarios. MAS also took the opportunity to review the legislative amendments needed to effect greater operational efficiency when utilising PPF Funds under the payout scenarios. There will be a subsequent consultation on the legislative amendments that would need to be made to enhance the efficacy of the use of PPF under the various payout scenarios. In the meantime, MAS will consult on some of the key recommendations for each of the payout scenarios in this section.

During compensation payout stage

4.3. PPF Funds can be utilised to pay a compensation to any covered party. Such compensation would include –

(a) in the case of the PPF Life Fund, claims (including surrenders) that have occurred on or prior to QD; or

(b) in the case of the PPF General Fund, claims that have occurred on or prior to, or within 30 days after, QD. For the purposes of this stage, MAS will also consider the refund of unused premiums so that policy owners can find alternative coverage quickly.

4.4. In order to expedite and facilitate such compensation payments, it is necessary to rely on PPF Scheme members' processes and systems to (a) generate the required policy and claims information for determining the eligibility and entitlement of a covered party; and (b) make such compensation payments.

4.5. Following a PPF Scheme member's failure, information on claims that have crystallised and policy details should be submitted by the failed PPF Scheme member and the appointed liquidator to SDIC promptly, after conducting the necessary due diligence. This information will be submitted in regular batches until compensation has been made to all covered parties. For each batch of submission, SDIC would conduct necessary checks before transferring the relevant amounts from the PPF Life Fund or PPF General Fund to the trust account set up by the appointed liquidator for the failed PPF Scheme member. In the case of an insurer that issues Integrated Shield Plans (IPs), the Central Provident Fund Board (CPFB) would also pay the Medishield Life (MSHL) portion of the IP claim into the trust account[25]. The appointed liquidator would draw on the funds in the trust account to disburse compensation payments directly to the covered parties via the failed PPF Scheme member's processes and systems.

4.6. To facilitate the process mentioned above, MAS and SDIC have started working with PPF Scheme members and potential liquidators on the required information to be submitted to SDIC upon failure of a PPF Scheme member. This information will be collected using a standardised template on a regular basis to ensure that PPF Scheme members are able to generate accurate information in a timely manner, and that the involved parties are familiar with their respective roles and responsibilities should a PPF Scheme member fail.

Expectations under business-as-usual conditions

4.7. Given the reliance on the PPF Scheme members' processes and systems to execute payouts, it is important that PPF Scheme members ensure that the needed processes and controls are in place. MAS expects PPF Scheme members to conduct regular internal audits and compliance reviews on their PPF-related processes and controls. Such audits and reviews should also include checks that the categorisation of the insured policies and computation of the relevant figures (e.g. protected liabilities, protected gross premiums) are done in accordance with the DI-PPF Act.

[25] Currently, hospitals submit IP claims through the Ministry of Health's MediClaim system. An insurer which issues IPs (IP insurer) will process the private insurance portion of the IP claim in the insurer's claims system and post the claims outcome on MediClaim before routing it to CPFB. CPFB will process the MSHL portion of the IP claim and post the claims outcome on MediClaim. CPFB will then pay the MSHL claims money to the IP insurer, and the IP insurer will pay the hospital the consolidated claim amount.

In the event of failure of a PPF Scheme member which has IPs, money drawn from the PPF Life Fund for funding the private insurance portion of the IP claim would be transferred by SDIC into the trust account set up by the liquidator. CPFB would pay the MSHL portion of the IP claim into the trust account. The liquidator would then pay the consolidated claim amount to the hospital. On the whole, this approach will be convenient for policy owners and is operationally feasible.

4.8. MAS proposes for internal audits and compliance reviews to be carried out at least annually, to cover the following areas –

(a) accuracy of figures in returns submitted to MAS;

(b) accuracy and timeliness of update of the PPF registers;

(c) accuracy of regular submission of data to SDIC;

(d) compliance with disclosure requirements; and

(e) controls and governance of PPF-related processes.

4.9. MAS also proposes that external audits be conducted on PPF-related processes periodically. These can be carried out on a less frequent basis compared to the internal audits, and should cover controls and governance on the processes of the following areas –

(a) categorisation of insured policies according to the PPF registers[26] for PPF Life Fund and PPF General Fund[27];

(b) computation of PRs and protected liabilities for PPF Life Fund, and computation of protected gross premiums, protected liabilities and caps (where relevant) for PPF General Fund;

(c) handling of new products which are insured policies; and

(d) changes to benefits of products which are insured policies.

4.10. The above checks by internal auditors, compliance teams and external auditors, and regular submission of the standardised information template are proposed with the objective that upon failure of a PPF Scheme member, reliance can still be placed on the failed PPF Scheme members' processes and systems to generate the necessary information for compensation payments in an accurate and timely manner. This is barring exceptional circumstances such as instances where the failed Scheme member's systems may be compromised at failure (e.g. due to data loss arising from malicious damage to systems), and more time is reasonably needed to commission special investigations and for compensation payouts to be made. The independent audits will supplement the regular submission of information to SDIC in business-as-usual conditions, as attestation to the PPF Scheme member's operational readiness, and hence instil confidence in the public.

Question 22. MAS seeks comments on the proposed areas to be included within the scope for internal audit and compliance review as set out in paragraph 4.8.

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26 Under Regulation 10 of the Deposit Insurance and Policy Owners' Protection Schemes (Policy Owners' Protection Schemes) Regulations 2011 ("the PPF Regulations"), PPF Scheme members must maintain a register of all their products which are insured policies.

27 Based on SDIC PPF Rules, the categories within the PPF register are (a) for PPF Life Fund, the same as Category 1 to 4 of the Second Schedule of the DI-PPF Act; and (b) for PPF General Fund, based on the compulsory insurance policies, A&H policies, and the various specified personal line insurance policies.

Question 23. MAS seeks comments on the proposed frequency for annual internal audits and compliance reviews.

Question 24. MAS seeks comments on the proposed areas to be included within the scope for external audit as set out in paragraph 4.9.

Question 25. MAS seeks feedback on a reasonable timeframe to set for the proposed periodic external audit.

Extend compensation to cover claims that occur between QD and transfer/ run-off/ termination date

4.11. The PPF Scheme currently covers crystallised claims that have occurred on or prior to QD, or in the case of PPF General Fund, claims that have occurred on or prior to QD, or within 30 days from QD. For claims that occur after QD, particularly in the case for life insurance policies[28], it is envisaged that such claims would be subsequently settled by the new buyer when the transfer takes place, or if there are no buyers, by the company that will be set up using PPF Funds to run off the policies.

4.12. However, during its review, MAS noted that the liquidation process can take years, and in order not to prejudice any creditors, the actual transfer, run-off or termination are expected to take place towards the end of the liquidation process. This could mean a protracted period of time after QD during which crystallised claims, such as death claims and other claims (e.g. medical), would not be paid. To ensure prompt compensation to covered parties under the PPF Scheme, MAS proposes to extend compensation to claims events of an insured policy, other than surrender claims, that have occurred between QD and, the date of transfer or run-off of the insurance business or termination of the insured policies of the failed PPF Scheme member.

4.13. MAS does not propose to cover surrender requests on insured policies received after QD as efforts would be underway to secure continuity as far as practicable. Covering surrender requests received after QD may lead to anti-selective behaviour (e.g. healthier lives may surrender the policies, whilst those with health conditions may stay on), resulting in poorer claims experience, hence affecting the process to find new buyers. Any surrender requests on insured policies received after QD will continue to be settled towards the end of the liquidation period.

4.14. There is no impact on the modeling of PPF fund size, and hence the PPF levies, as it is based on the unchanged underlying exposure (i.e. protected liabilities), and not the timing of the payouts.

[28] For general insurance policies, the default action would be to terminate the policies (please refer to paragraph 4.23), rather than secure continuity as far as practicable.

Question 26. MAS seeks comments on the proposal to extend compensation to claims (other than surrender claims) that have occurred between QD and the date of transfer or run-off of the insurance business or termination of the insured policies of the failed PPF Scheme member.

Introduce a time limit to submit reported claim events

4.15. During liquidation process, the liquidator would typically retain part of the claims staff of the failed PPF Scheme member to continue to assess claims that arise. As described in paragraph 4.6, for claims that are covered under the PPF Scheme and assessed to be payable, the liquidator would submit the claims information to SDIC in a standardised template. The liquidator would make payments directly to covered parties leveraging on the failed PPF Scheme member's system, using funds which have been transferred to the trust account by SDIC.

4.16. While most of the claim events are expected to be reported and settled before completion of the liquidation process, there may be exceptions. One example would be latent claims, which are long-tailed liability claims where there is a significant time lag between the occurrence and manifestation of the injury or damage[29]. A potential consequence of this is the claim event may be reported long after liquidation is completed, when the liquidator would no longer be around to handle the claims. The failed PPF Scheme member would also have ceased to exist, and neither the claims staff nor system would then be available.

4.17. Although it is possible to appoint a third-party claims administrator[30] to take over the records and system in perpetuity after liquidation is completed, this would entail additional costs that may not be commensurate with a small-sized portfolio[31].

4.18. MAS proposes to introduce a time limit of 7 years from QD or the date when the liquidator is discharged, whichever is later, for the claims event to be reported. Following the expiry of this time limit, covered parties would not be entitled to claim for PPF compensation. The time limit is similar to that proposed for DI Scheme in the Jun 2023 public consultation[32]. Although there is still a need to appoint a third-party claims administrator if the liquidator is discharged before 7 years from QD is up, the costs would be more manageable given the defined period.

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29 For example, an insurance policy may cover work injury compensation, and although the employee had contact with certain substances handled at work, the medical condition may not manifest itself until many years later.

30 Alternatively, it is possible to explore appointing an existing insurer to provide this claims administration service.

31 The portfolio may be small and hence per policy fee would be high, especially given the expected open-ended tenure of the engagement.

32 https://mas.gov.sg/publications/consultations/2023/consultation-paper-on-proposed-enhancements-to-the-deposit-insurance-scheme-in-singapore

Question 27. MAS seeks comments on the proposal to introduce a time limit for the claims event to be reported to be entitled to PPF compensation. The proposed time limit is 7 years from QD or the date when the liquidator is discharged, whichever is later.

During the run-off stage

Exemption for company set up with PPF Funds to hold insured policies of a failed insurer from risk-based capital requirements and the PPF Scheme levy

4.19. PPF Funds may be used to set up a company ("the run-off company") to hold the insured policies of a failed PPF Scheme member and run off the business accordingly. Such a company, being a licensed insurer, is subject to all existing regulatory requirements unless exempted by MAS.

4.20. Given its circumstances of being able to tap on PPF Funds and is guaranteed of any top-ups necessary under the PPF Scheme to carry out the running off of insured policies, MAS proposes to exempt the run-off company from risk-based capital requirements under MAS Notice 133 (Notice on Valuation and Capital Framework for Insurers) ("MAS Notice 133") and V&C regulations[33]. Instead, MAS will place emphasis on investment requirements to ensure that the run-off company's assets are held in safe and liquid instruments.

4.21. The run-off company will also be subject to PPF rules[34], which would include the requirement under section 37 of the DI-PPF Act to pay a levy in respect of insured policies. MAS proposes to exempt the run-off company from paying the PPF Scheme levy, as it would already be receiving funds from the PPF Scheme.

Question 28. MAS seeks comments on the proposal to exempt run-off entities from risk-based capital requirements under MAS Notice 133 and V&C regulations, as outlined under paragraph 4.20.

Question 29. MAS seeks comments on the proposal to exempt run-off entities from paying the PPF Scheme levy.

[33] There will still be a need to value the asset and liabilities in accordance with MAS Notice 133 and the V&C regulations, as well as to conduct any financial projections that MAS may require.

[34] Legislation relevant to the PPF include DI-PPF Act, the PPF Regulations and other PPF-related MAS Notices.

During termination stage

Giving MAS explicit powers within the DI-PPF Act to terminate policies

4.22. The approach to termination is different for general insurance policies and life insurance policies.

4.23. For general insurance policies, as explained in paragraph 2.20, the PPF General Fund provides an extra 30 days coverage from QD for the insured policies, so that there is time for the policy owner to seek alternative cover. We have also mentioned that it is important to be able to compute accurately and refund premiums in a timely manner so that the refund can go towards defraying the cost of purchasing alternative coverage. This presumes that insured policies would be terminated quickly. In practice, it is also likely to be the liquidator's preferred course of action to terminate the general insurance policies quickly (regardless of whether they are covered under the PPF General Fund) upon the winding up of the PPF Scheme member. This helps to preserve the value of the failed PPF Scheme member's estate from claims that are incurred 30 days from QD (for those covered under the PPF General Fund) or after QD (for other general insurance policies not covered under the PPF General Fund).

4.24. For life insurance policies, the preferred course of action is to ensure continuity of coverage as far as practicable. Termination is typically the last resort after considering other options (like transfer and run-off).

4.25. However, circumstances may warrant the early termination of certain types of policies. For example, assuming a transfer is not possible, it would not be practical to set up a run-off company using PPF Funds to take over investment-linked policies (ILPs). A run-off company is not equipped to handle the complexities of managing the ILP business, which would have a number of flexible features built within such as premium holidays, top-ups and fund switches. In addition, the insurance coverage of the ILP and riders would require ongoing deductions from the net asset value of the ILP, which is not covered under the PPF Scheme.

4.26. MAS will explore the need to introduce explicit powers to terminate insurance policies, including those which might not be covered under the PPF Scheme. An example could be bundled commercial insurance policies which may comprise compulsory insurance components that are covered under the PPF Scheme (see paragraph 2.4).

Question 30. MAS seeks feedback on the merits to introduce explicit powers to terminate certain types of insurance policies, including those which might not be covered under the PPF Scheme.

Question 31. MAS seeks feedback on the types of life insurance policies that may need to be terminated early, and the scenarios and reasons for them.

Determining the termination value for life insurance business

4.27. The termination value for general insurance business would be refund of the unused premiums, which was discussed in section 2. For life insurance policies, the termination value currently does not follow the amount of protected liabilities[35] derived for other payout scenarios like transfer and run-off. Having a similar basis in deriving the protected liabilities can help to ensure that regardless of which payout scenario pans out eventually, the amount of PPF protection is consistent.

4.28. The protected liabilities are computed based on the application of PR to the amount of guaranteed policy liabilities. In section 3, MAS proposed to apply the same PR based on guaranteed sum assured for Category 2 insured policies across the payout scenarios. As for the valuation of guaranteed policy liabilities, this will be done in accordance with the V&C regulations. That said, some of the underlying assumptions used may be different depending on a payout scenario. For example, for the purpose of run-off, the expense, claims and lapse assumptions may be less favourable[36] as it will be a closed block of business.

4.29. MAS intends to amend the relevant legislation to ensure consistency in the derivation of protected liabilities across the payout scenarios.

Question 32. MAS seeks comments on the proposed approach that the amount of protection under the PPF Scheme should be similar regardless of the payout scenario.

5. Other operational issues

5.1. MAS issued a public consultation on 27 Jun 2023[37] to improve the operational efficiency and clarity of the DI Scheme. In this section, we will address a number of these proposals which are also relevant for the PPF Scheme.

[35] The amount of protected liabilities is set out in the Third Schedule of the DI-PPF Act.

[36] Some reasons for being less favourable include (a) no new policies to help defray some of the fixed overhead expenses, resulting in higher expense assumptions and (b) claims experience may also worsen as life assureds get older.

[37] https://mas.gov.sg/publications/consultations/2023/consultation-paper-on-proposed-enhancements-to-the-deposit-insurance-scheme-in-singapore

Introducing powers for MAS to stipulate a time to QD

5.2. Under the DI-PPF Act, when MAS determines that compensation is to be paid out of any of the PPF Funds, the compensation that a covered party is entitled to is computed as at QD. As the cut-off time is not explicitly stated, this could lead to ambiguity over the amount of compensation due, given that the protected liabilities in respect of the insured policies may change.

5.3. To improve legal certainty on the amount of compensation due and enable PPF Scheme compensation payments to be made expeditiously and accurately to insured policy owners, we propose to clarify in the DI-PPF Act that MAS may stipulate a time for QD where the protected liabilities in respect of insured policies are taken as final.

Question 33. MAS seeks comments on the proposal for MAS to stipulate a time for QD where the protected liabilities in respect of insured policies are taken as final.

Provide flexibility to SDIC on mode of compensation payment for non-CPF Investment Scheme (non-CPFIS) insured policies

5.4. Regulation 8(3) of the PPF Regulations requires SDIC to pay compensation in respect of an insured policy entitled to compensation and which is not under CPFIS, to the covered parties directly or to their respective bank accounts under banks licensed under the Banking Act 1970. The intent is not to limit SDIC to these modes of payment.

5.5. To avoid any potential disputes on the mode of payment that SDIC would be effecting compensation for these policies and to provide SDIC with greater flexibility in such operational matters, MAS proposes to amend regulation 8(3).

5.6. In the event that PPF compensation is triggered, SDIC would make announcements to clarify the modes in which PPF compensation would be paid and for which type of insured policies. Hence, there would be clarity to the covered parties on what form and manner in which to expect their compensation.

Question 34. MAS seeks comments on the proposal of giving SDIC greater flexibility in paying compensation on non-CPFIS policies.

Provide legal certainty of information used to resolve disputes over compensation amounts

5.7. Under the DI-PPF Act, MAS may require an appointed liquidator to give SDIC such information and reasonable assistance as MAS considers necessary to ensure that any covered party who is entitled to receive compensation from the PPF Scheme receives payment from SDIC as soon as is reasonably practicable. SDIC in turn is entitled to rely on the books of the failed PPF Scheme member and any other books which, in the opinion of SDIC, are relevant for determining a policy owner's compensation.

5.8. In the event of disputes over compensation amounts in relation to insured policies of the failed PPF Scheme member, providing legal certainty over the source of information used in determining these amounts will help to resolve disputes fairly and efficiently. The liquidator would assess the disputed amounts based on information held by the failed PPF Scheme member. MAS proposes to clarify that the liquidator's assessment will be taken as final for the purposes of resolving such disputes. Accordingly, compensation amounts may not be disputed after the liquidator is discharged.

Question 35. MAS seeks feedback on taking the information which SDIC receives from the liquidator as final in relation to resolving disputes, and that compensation amounts may not be disputed after the liquidator is discharged.

Allow SDIC to accumulate recovered amounts paid in excess or in error, and make aggregated payments to relevant stakeholders

5.9. Under section 53 of the DI-PPF Act, if any compensation paid to covered parties is in excess of what ought to have been paid; or any compensation is paid in error to any person, SDIC may recover the amount paid in error or in excess from the person who received the compensation.

5.10. Upon the recovery of any amount paid in error or in excess from any person, SDIC must pay the recovered amount to the respective PPF fund, the failed PPF Scheme member or its liquidator or the Official Receiver, as the case may be under section 53(4). SDIC could thus be making many such payments over a short period of time. To simplify the process, MAS proposes to amend the DI-PPF Act to expressly allow SDIC to accumulate recovered amounts before making aggregate payments to relevant stakeholders, with each payment to be made no later than two months after SDIC receives the recovered amount.

Question 36. MAS seeks comments on the proposed amendments to the DI-PPF Act to allow SDIC to accumulate recovered amounts before making aggregate payments to relevant stakeholders.

SDIC to take over the administration of unclaimed PPF moneys from Public Trustees' Office (PTO)

5.11. Under the DI-PPF Act, when SDIC is unable to complete a DI or PPF compensation payment, SDIC may transfer the unclaimed moneys to PTO which will hold these compensation amounts in trust for the entitled persons. The Fifth Schedule of the DI-PPF Act sets out the role of PTO to act as a bare trustee in administering unclaimed DI and PPF moneys.

5.12. During the Jun 2023 public consultation on DI, MAS proposed that SDIC takes over the administration of unclaimed DI moneys with some proposed safeguards for greater operational efficiency, and to reduce the costs that DI Scheme incurs when engaging PTO as a trustee.

5.13. As the same considerations would apply in the case of the PPF Scheme, MAS also proposes that SDIC takes over the administration of unclaimed PPF moneys with the following safeguards –

(a) SDIC must ensure that unclaimed moneys are properly tracked, safeguarded, and audited, such that SDIC can clearly identify the amounts owed to each claimant and show that unclaimed moneys have not been used for any purpose other than compensating claimants;

(b) SDIC must establish an account held with MAS that is segregated from the rest of the PPF Funds for the purposes of depositing unclaimed PPF moneys; and

(c) SDIC must put in place processes to ensure that its operations can be scaled up to facilitate such claims, in the unlikely event that the volume of claims for unclaimed moneys is significant.

5.14. As MAS has earlier proposed the introduction of a time limit (paragraph 4.18) as well, the following figures set out the differences between the current and proposed arrangements –

Figure 1: Status Quo – without time limit and no changes to the role of PTO

QD

Liquidation completed

Period 1

- After making reasonable attempts to contact the covered party, **Liquidator** will transfer the unclaimed PPF moneys to an account held by **SDIC**.
- **SDIC** will transfer the unclaimed PPF moneys to the **PTO** since all means to contact the covered party have been exhausted.
- **PTO** may hold the moneys up to a maximum of 7 years from the date of receipt of such moneys and if they remain unclaimed at the expiry of that period, the compensation moneys together with any interest earned must be paid into the Consolidated Fund [1].

Period 2

Liquidator will no longer be around. Insurer will cease to exist. There would not be any IT system or employee remaining.

- After making reasonable attempts to contact the covered party, the **third party claims administrator** (which may also be an existing insurer) that is appointed by **MAS**, will transfer the unclaimed PPF moneys to an account held by **SDIC**.
- **SDIC** will transfer the unclaimed PPF moneys to the **PTO** since all means to contact the covered party have been exhausted.
- **PTO** may hold the moneys up to a maximum of 7 years from the date of receipt of such moneys and if they remain unclaimed at the expiry of that period, the compensation moneys together with any interest earned must be paid into the Consolidated Fund[1].

As long as the claim is eligible under the PPF Scheme and assessed to be payable, SDIC will make the payment.

[1] The Consolidated Fund is analogous to a bank account held by the Government.

Figure 2: Proposed – with time limit and SDIC taking over the role of PTO

Proposed time limit is to be 7 years from QD or the date when the liquidator is discharged, whichever is later. For illustration purposes, this assumes liquidation is completed before QD + 7 years i.e. time limit is at QD + 7 years.

QD

Liquidation completed

QD + 7 years

Period 1

- After making reasonable attempts to contact the covered party, **Liquidator** can hold the unclaimed PPF moneys in a trust account (separate from the trust account which **SDIC** will transfer PPF funds into for compensation payouts) in case of any further follow up with the covered party.
- **Liquidator** will transfer the unclaimed PPF moneys to an account held by **SDIC**, after the liquidation is completed.
- **SDIC** may hold the moneys up to a maximum of QD + 7 years and if they remain unclaimed at the expiry of that period, the compensation moneys together with any interest earned must be paid into the Consolidated Fund [1].

Period 2

Liquidator will no longer be around. Insurer will cease to exist. There would not be any IT system or employee remaining.

- After making reasonable attempts to contact the covered party, the **third party claims administrator** (which may also be existing insurer) that is appointed by **MAS**, can hold the unclaimed PPF moneys in a trust account (separate from the trust account which **SDIC** will transfer PPF funds into for compensation payouts) in case of any further follow up with the covered party.
- **Third party claims administrator** will transfer the unclaimed PPF moneys to an account held by **SDIC** at the end of QD + 7 years.
- **SDIC** will pay the compensation moneys together with any interest earned into the Consolidated Fund[1].

Period 3

As long as the claim is reported within the proposed time limit, is eligible under the PPF Scheme and assessed to be payable, SDIC will make the payment.

[1] The Consolidated Fund is analogous to a bank account held by the Government.

5.15. To clarify, regardless of whether it is status quo or proposed state, any investigations, resolution of disputes or recoveries of wrong payments of unclaimed moneys will be carried out by the liquidator or the third party claims administrator (when the liquidation is completed).

Question 37. MAS seeks comments on the proposal for SDIC to take over the administration of unclaimed moneys from PTO.

Question 38. MAS seeks feedback on the proposed process for SDIC to pay the compensation moneys together with any interest earned into the Consolidated Fund, under the scenario where the time limit is introduced and SDIC takes over the role of the PTO.

Changes to the maintenance of and access to PPF registers

5.16. Under Regulation 10 of the PPF Regulations, PPF Scheme members must maintain a register of all their products which are insured policies. The register is intended to provide clarity as to whether a product being sold or that has been sold by an insurer is covered under the PPF Scheme. PPF Scheme members must submit a copy of the register together with an annex that sets out the product codes of each product in the register, to SDIC within 10 days from the start of every financial year (i.e. 1 April) for SDIC's record and review. If there is any subsequent change to the register or annex, they must notify SDIC within 10 days after such change. A copy of the register must also be made available to any person upon request at the PPF Scheme member's place of business.

5.17. MAS noted that there are some differing practices amongst PPF Scheme members in terms of products which no longer have any in-force policies. Some PPF Scheme members may not proactively remove such products from their registers or have a formalised process to do so.

5.18. It is useful to keep a record of products that are insured policies even if they no longer have any in force policies. This information will be relevant for the handling of unclaimed moneys or reporting of claims events that may happen after the policy term has expired.

5.19. To provide better clarity to consumers, MAS proposes for PPF Scheme members to maintain 2 separate PPF registers –

(a) a register of products which are insured policies that still have in force policies or are being sold; and

(b) a register of products which are insured policies that no longer have any in force policies and are no longer being sold.

5.20. Further, consistent with the DI Scheme, to streamline and digitise the work processes for SDIC and PPF Scheme members, as well as to provide more timely updates on the scope of products which are insured policies to consumers, MAS proposes to –

(a) require PPF Scheme members to maintain a continually updated register as indicated under paragraph 5.19, of products which are insured policies, with SDIC;

(b) remove the current requirements for annual submissions and notification to SDIC as and when there are changes to the register or annex; and

(c) require PPF Scheme members to publish and maintain the registers as indicated under paragraph 5.19 on their website, indicating clearly the purpose of each register.

5.21. With the proposed changes, PPF Scheme members can direct the public to their websites, whenever there are enquiries on whether a product is an insured policy. PPF Scheme members will be required to ensure that the continual updates to their registers are prompt and accurate, and consistent with similar information provided to MAS or SDIC.

Question 39. MAS seeks comments on the proposals regarding changes made to the maintenance of two separate registers, as outlined under paragraph 5.19.

Question 40. MAS seeks comments on the proposals regarding changes made to the maintenance of, and access to the register, as outlined under paragraph 5.20.

6. List of Questions

Annex

List of benefits that are covered and not covered under the various specified personal line insurance policies under the PPF General Fund

1. Policy of insurance which provides personal motor cover

List of benefits/ features that are covered	List of benefits/ features that are not covered
a) Own damage cover for damage or losses to insured vehicle that is caused by an accident b) Cover for damage or losses to insured vehicle that is caused by fire c) Cover for damage or losses to insured vehicle that is caused by natural disasters or acts of God, e.g. flood d) Cover for damage or losses to insured vehicle caused during strikes, riots or civil commotion e) Cover for damage or losses to insured vehicle that is caused by theft f) Cover for third party property damage g) Compensation for loss of use of insured vehicle e.g. cash compensation, transport allowance or provision of courtesy car h) Accident towing service i) Emergency or vehicle breakdown assistance j) Cover for windscreen or window k) Cover for car roof l) Cover for replacement of locks and keys m) Cover for accessories, i.e. cost of replacing or repairing declared accessories n) No Claims Discount (NCD) Protector, which protects the insured's NCD by allowing a claim to be made without affecting the NCD o) Cover for loss of personal belongings stored in the insured vehicle	a) Compensation for costs of repairing insured vehicle should it suffer from a mechanical or electrical breakdown outside the original manufacturer's warranty period b) Cover for new-for-old replacement car, where a car, which is more than 12 months old, will be replaced with a car of the same make and model if it is stolen or suffers total loss To avoid doubt, the following policies, which are typically offered as commercial line policy, are not covered under the PPF Scheme – i) a policy that compensates for the difference between the motor insurer's total loss settlement and the original net invoice price of the motor vehicle; ii) a policy that compensates for the difference between the motor insurer's total loss settlement and the price of a new replacement vehicle of the same make and model as the original new car.

List of benefits/ features that are covered	List of benefits/ features that are not covered
p) Cover for repatriation costs (i.e. reimbursement for insured vehicle to be towed back to Singapore from another country, e.g. West Malaysia, Southern Thailand) q) Cover for new-for-old replacement car, where a car, which is up to 12 months old, will be replaced with a car of the same make and model if it is stolen or suffers total loss r) Cover for medical expenses for driver and passengers s) Cover for third party bodily injury t) Cover for personal accident	

2. Policy of insurance which provides personal travel cover

List of benefits/ features that are covered	List of benefits/ features that are not covered
a) Compensation for charges incurred for change of traveller due to insured person not being able to travel for the trip as a result of serious injury, illness, death or that of the family members or travel companion in a stipulated period prior to the trip b) Compensation for insolvency of licensed travel agencies registered with the Singapore Tourism Board (including NATAS registered travel agencies) c) Compensation for additional administrative and travel expenses incurred on alternative transport to the same destination due to disruption to original itinerary d) Compensation for additional transport expenses due to snatch theft, robbery or road accident e) Emergency medical evacuation f) Compensation for baggage or flight delay g) Cover for accidental loss of, or damage to, baggage or personal belongings during travel h) Cover for theft or robbery of money, baggage or personal belongings during travel i) Compensation for unauthorised charges made to insured person's bank card while he or she is overseas j) Compensation for overbooked flight k) Cover for medical expenses incurred overseas due to specified causes as provided for in the insurance contract l) Personal accident cover m) Liability cover n) Compassionate visit when insured is unfit for evacuation o) Reimbursement for unused entertainment tickets or visitor passes purchased for the trip	a) Cover for hole in one for golf b) Cover for extended warranty To avoid doubt, policies sold on purchase protection, are not covered under the PPF Scheme. These are policies, typically offered by credit card companies, that provide replacement or repair for eligible damaged, lost or stolen items purchased using a credit card.

List of benefits/ features that are covered	List of benefits/ features that are not covered
p) Reimbursement for unused green fees (in the case of golf) or any equivalent unused fee for other sports activities q) Reimbursement for rental of sports equipment (e.g. skiing, golf etc) due to loss of or damages to such personal belongings during travel r) Cover for pet care due to delayed return of insured pet owner s) Kidnap and hostage cover t) Hijack cover	

3. Policy of insurance which provides personal property (structure and contents) cover

List of benefits/ features that are covered	List of benefits/ features that are not covered
a) Compensation for cost of reconstruction inclusive of fixtures and fittings forming part of the building due to the insured perils b) Compensation for the cost of renovation due to insured perils c) Compensation for loss of rent or costs of alternative accommodation due to insured to insured perils d) Compensation for professional fees (including home cleaning expenses) and costs of removal of debris incurred arising directly from matters related to insured perils e) Cover for damage or losses to building improvements, fixtures, fittings, furniture and other household contents within the insured building, including damage or losses to contents temporarily removed from home due to insured perils f) Cover for damage or losses to household contents kept in storage facilities due to insured perils g) Cover for liability to the public due to insured perils, i.e. covers third party claims for bodily injuries or property damaged caused by the insured or his or her family while living in the insured premises h) Cover for liability of insured as tenant to landlord due to insured perils i) Cover for liability of insured as landlord to tenant due to insured perils j) Personal accident cover to occupants of the personal property due to insured perils k) Medical expenses cover for occupants of the personal property due to insured perils l) Pet cover that is directly linked to insured perils	a) Cover for cyber risk, such as loss due to identity theft, online shopping fraud or fraudulent electronic transfer b) Worldwide personal effects cover, where personal effects and personal money are covered for damage or loss anywhere in the world (outside of Singapore) c) Worldwide personal or family liability cover, which covers third party claims for bodily injuries or property damage caused by the insured or his or her family while outside of Singapore d) Worldwide medical expenses and personal accident cover (outside of Singapore) e) Compensation for monetary loss or damage suffered due to Automated Teller Machine assault f) Protection for warranty for kitchen and home products against failure of any sort g) Pet cover not directly related to insured perils (e.g. grooming, veterinary consultation costs for conditions not directly related to insured perils, such as illness) h) Coverage of utilities bill in unforeseen events not directly related to insured perils such as illness, retrenchments To avoid doubt, standalone policy of insurance that covers specific personal belongings only, such as mobile phone, jewellery, watches, laptops, equipments etc. is not covered under the PPF Scheme.

List of benefits/ features that are covered	List of benefits/ features that are not covered
m) Emergency cash allowance arising directly from matters related to insured perils n) Compensation for cost for replacement of personal belongings due to insured perils o) Coverage of utilities bill in unforeseen events directly related to insured perils p) Cover for accidental fixed glass breakage q) Cover for replacement of locks r) Cover for damage or losses to food stored in freeze at home s) Emergency home assistance due to insured perils	

4. Policy of insurance which provides cover in connection with the employment of a foreign domestic worker (FDW)

List of benefits/ features that are covered	List of benefits/ features that are not covered
a) Insurance guarantee bond i.e. letter of guarantee for security bond issued to Ministry of Manpower (MOM) on policy owner's behalf b) Performance bond for relevant embassy c) Reimbursement of daily wages and levy if FDW is hospitalised d) Reimbursement of hiring fee for replacement helper e) Compensation for expenses incurred on replacement of FDW (i.e. offset fees for a replacement helper following termination of FDW's service due to death, injury or illness) f) Cover for hospitalisation and surgical charges on FDW, including pre- and post-hospitalisation treatment. This includes overseas hospitalisation and surgical expenses if FDW is travelling along with policy owner or family g) Cover for daily hospital cash allowance if FDW is hospitalised h) Outpatient medical expenses coverage on FDW (includes dengue fever, dental and Traditional Chinese Medicine treatments) i) Ambulance fee for ferrying FDW to hospital j) Reimbursement of costs for the regular medical examination for FDW required by MOM k) Personal accident cover for FDW. This includes overseas personal accident cover if FDW is travelling along with policy owner or family l) Dread disease cover for FDW m) Cover for repatriation expenses incurred on FDW n) Liability cover for FDW o) Cover for FDW's personal belongings	a) Cover for damage or losses to contents within confines of residence