RESPONSE TO FEEDBACK RECEIVED

30 September 2022

# Proposed Revisions to Enterprise Risk Management, Investment and Public Disclosure Requirements for Insurers

MAS Monetary Authority of Singapore

# Contents

## Preface

1.1 On 19 February 2021, MAS issued a consultation paper ("the Paper") to propose revisions to MAS Notice 126 Enterprise Risk Management ("ERM"), MAS Notice 125 Investments of Insurers and MAS Notice 124 Public Disclosure Requirements.

1.2 The consultation period closed on 19 March 2021, and MAS would like to thank all respondents for their contributions. The list of respondents and their submissions are respectively provided under Annex A and Annex B.

1.3 MAS has carefully considered the feedback received and will incorporate them as appropriate. Comments that are of wider interest, together with MAS' responses are set out in the sections below.

## Revisions to MAS Notice 126

### Common Themes

2.1 MAS observed common themes arising from the feedback to selected topical areas (namely concentration risk, counterparty and macroeconomic stress testing, and liquidity risk management) in the proposed revisions to MAS Notice 126. MAS' response to these common themes are addressed in this section, while specific feedback relating to the relevant topical areas are addressed in later sections.

*(i) Assessment of Materiality*

2.2 Some respondents suggested that if concentration risk and liquidity risk are assessed not to be material risks to the insurer, the insurer should be able to determine that the assessment of concentration risk, material counterparty stress testing, liquidity stress testing, liquidity contingency funding planning and liquidity risk management analysis are not necessary elements of its ERM framework. Several respondents also requested that the new mandatory requirements be set out as guidelines instead.

*(ii) Flexibility of adoption of requirements and guidelines*

2.3 Many respondents requested that the new requirements be set out in a principle-based manner, with adequate flexibility granted to insurers in meeting the various requirements. In relation to material counterparty stress testing and macroeconomic stress testing, respondents requested that the nature and design of these stress tests should take the insurer's business and risk profiles into account.

2.4 In relation to the liquidity risk management requirements, several respondents provided feedback that insurers should be able to adopt liquidity risk management techniques which are proportionate to the nature of their business and liquidity risk profiles. For example, a few respondents asked for flexibility to adopt their Head Office's ("HO") or Group's liquidity bucketing framework and liquidity stress testing methodology, or to adopt such frameworks from established credit rating agencies where appropriate.

*(iii) Request for additional guidance*

2.5 While many respondents asked for flexibility in adopting the new requirements, several respondents also requested that additional guidance relating to the application of these requirements be given to facilitate their compliance with the new requirements.

2.6 Regarding the assessment of concentration risk, several respondents asked for more clarity on the specific nature of concentration risk to be assessed and additional guidance on key metrics to measure concentration risk. On counterparty stress testing, macroeconomic stress testing and liquidity stress testing, several respondents asked for more guidance on the design of these stress tests by including more examples on relevant risk events and description of methodologies to determine the level of stress parameters.

## MAS' Response

2.7 MAS' proposed enhancements to the ERM requirements for insurers are designed to help insurers to be more aware of their exposures to and potential vulnerabilities from systemic risks and proactively take preventive actions. The COVID-19 induced macroeconomic downturn and unprecedented financial market conditions globally, such as those during February/March 2020, can have a significant impact on the solvency and liquidity position of certain FIs.

2.8 MAS would like to highlight that the mandatory requirements relating to the assessment of concentration risk and performance of material counterparty, macroeconomic and liquidity stress testing, maintenance of a portfolio of unencumbered liquid assets, establishment of a liquidity contingency funding plan and the submission of a liquidity risk management analysis as part of the ORSA, will be set out in a principle-based manner. Accompanying guidelines will set out relevant non-exhaustive examples and methodologies, so as to aid insurers in their implementation efforts. Hence, while MAS' requirements will need to be adhered to and effectively implemented in insurers' ERM framework and ORSA, insurers will be expected to determine how to meet these requirements in a risk proportionate manner, commensurate with the nature, scale and complexity of their business, and provide appropriate documentation on their considerations.

2.9 For instance, in line with the nature, scale and complexity of their business, insurers may vary the scope and granularity of liquidity stress testing, and the extent of detail in the liquidity contingency funding plan and liquidity risk management analysis. Where an insurer chooses to apply its HO's or Group's liquidity risk management approach, it should ensure that this would be appropriate to the business and risk profile for the licensed entity in Singapore. Overall, these new requirements are introduced in the context of an insurer's ERM framework and ORSA, where insurers are able to apply a risk-based approach to its risk management and stress testing processes.

2.10 In relation to the request for more specific guidance in the application of the various mandatory requirements, MAS is of the view that the proposed guidelines set out in the Paper (which have included international best practices) provide a sufficiently wide range of examples and scenarios to assist insurers in their risk assessment and stress testing processes. We will look to update these in the future in line with evolving best practice. Insurers should note that these guidelines are non-exhaustive, and insurers may choose other relevant examples if deemed appropriate to the nature, scale and complexity of their business. Where there are merits to include certain suggestions and feedback from respondents into specific guidelines, these are detailed in MAS responses of the relevant sections below.

## Concentration Risk and Counterparty Stress Testing

*Types of concentration risk to be assessed*

2.11 Most respondents supported the inclusion of concentration risk as one of the mandatory risks to be addressed in the ERM framework, and many respondents stated that they are already doing so. Nonetheless, some respondents requested that more information be provided on the types of concentration risk to be identified and assessed as part of the ERM framework and ORSA.

### MAS' Response

2.12 Given that concentration risk is to be assessed in the context of an insurer's own ERM framework, insurers should consider concentration risks which are relevant to their business and risk profiles. These may include concentration risks relating to financial and non-financial counterparties, concentration risk by lines of business, geographical regions or industry sectors, and concentration risk in business operations such as reliance on select third-parties for delivery of services.

*Considerations for insurers managing concentration risk at HO or group level*

2.13 A few respondents provided feedback that their reinsurance and retrocession arrangements are handled at the HO or group level, and suggested that it would be more appropriate for the assessment and management of concentration risks relating to reinsurance or retrocession counterparties to be performed at the HO or group level.

### MAS' Response

2.14 Notwithstanding that reinsurance and retrocession arrangements may be handled at the HO or group level, paragraph 6(v) of MAS Notice 114 on Reinsurance Management already states that a licensed insurer's reinsurance management strategy should consider the diversification and credit worthiness of its reinsurers, and manage any known concentration risks with respect to a particular industry, geographical region, product type, and/or single insured in the insurer's underwriting books. Hence, a description of how such concentration risks relevant to the licensed insurer are assessed and mitigated should be documented in the licensed insurer's ERM framework and ORSA report.

## Macroeconomic Stress Testing

*Alignment with the Industry-Wide Stress Test ("IWST")*

2.15 One respondent suggested to exempt insurers from performing macroeconomic stress testing in the ORSA if they are subject to macroeconomic stress testing under the IWST. Another respondent sought clarification on whether insurers can leverage on the existing parameters provided in the IWST for the ORSA macroeconomic stress test.

### MAS' Response

2.16 MAS would like to emphasise that the purpose of the macroeconomic stress scenario in the IWST is for MAS to assess potential vulnerabilities of insurers (and the insurance sector as a whole) to adverse macroeconomic and financial developments. On the other hand, macroeconomic stress testing under the ORSA should be based on the insurer's own view of potential adverse macroeconomic conditions, and tailored to the nature, risk and complexity of individual insurer's asset mix and business profile. Nonetheless, an insurer may reference the macroeconomic stress testing parameters used in the IWST to perform its ORSA macroeconomic stress test if it assesses that it is appropriate and relevant to do so.

*Time horizon for macroeconomic stress testing*

2.17 Two respondents sought clarification on the time horizon to be used for the ORSA macroeconomic stress test and suggested that the time horizon used should be consistent with that used in an insurer's business planning horizon.

### MAS' Response

2.18 While MAS Notice 126 states that an insurer should perform its ORSA with a time horizon that is consistent with that used in its business planning, MAS would like to clarify that the time horizons used need not necessarily be the same for the base and stress scenarios. In practice, an insurer has the flexibility to use time horizons which are appropriate to its risk profile and business strategy. For example, while an insurer may adopt a 3 year projection period for the base scenario, it may adopt a 1-year or longer stress horizon to capture the full impact of a macroeconomic stress scenario.

## Liquidity Risk Management

*Maintenance of an unencumbered portfolio of liquid assets*

2.19 MAS observed that some respondents were under the impression that MAS was planning to introduce minimum regulatory liquidity requirements similar to the Liquidity Coverage Ratio ("LCR") under Basel III, and had asked for more information on the minimum amount of liquid assets or the minimum liquidity ratio that was needed. One respondent also suggested that MAS introduce such LCR requirements and adopt the asset bucketing and asset haircut levels under the Basel III LCR framework for licensed insurers.

2.20 Several respondents sought clarification on whether the portfolio of unencumbered liquid assets would be applicable at the company level or at the insurance fund level. Two respondents also sought clarification on whether this requirement involves the ring-fencing of the unencumbered assets or the establishment of a separate investment portfolio, and asked for more information on its implication to the matching adjustment ("MA") portfolio.

2.21 One respondent asked whether MAS intended to conduct field testing with the industry before finalising the new liquidity risk management requirements. Two respondents also suggested that the non-liquid concentration requirement in RBC 2 (as specified in Table 2-II of Appendix 5E of MAS Notice 133) should be reviewed in view of the requirement to maintain a portfolio of unencumbered liquid assets.

## MAS' Response

2.22 The purpose of the maintenance of a portfolio of unencumbered liquid assets is for an insurer to assess whether it holds an adequate level of liquid assets as part of its liquidity risk management process, after taking into account the stressed cash in-flows and out-flows from its liquidity stress testing scenario(s) in the ORSA. This requirement does not involve insurers having to comply with a specified minimum regulatory liquidity ratio. Instead, the maintenance of a portfolio of unencumbered liquid assets enables an insurer to identify the types of liquid assets (via a bucketing framework) which would be able to meet its obligations under a range of time horizons under stress. To avoid doubt, MAS has no plans at this stage to introduce a minimum regulatory liquidity ratio for insurers. We will continue to monitor developments at the international level.

2.23 An insurer's decision on whether to identify its portfolio of unencumbered liquid assets at the company or insurance fund level should consider the manner in which it manages its asset portfolio, taking into account asset-liability matching considerations and investment strategies. In this regard, an insurer should also consider the fungibility and availability of the liquid assets in one fund to support liquidity needs of another fund. Where the assets have been earmarked and segregated for liability matching (e.g. MA portfolio), these assets should not be made available to support liquidity needs for other purposes.

2.24 As MAS is not introducing a minimum regulatory liquidity ratio for insurers, we will not be conducting field testing to assess the impact of the new liquidity risk management requirements. In relation to the non-liquid concentration requirement under RBC 2 for insurers that write general business, MAS will monitor if insurers are able to adequately manage liquidity risks under the ERM framework before assessing whether to make any changes to the RBC 2 framework.

*Scope of assets to be included in the portfolio of unencumbered liquid assets*

2.25 Several respondents were of the view that the primary bucket of the portfolio of liquid assets should be expanded to include more assets which are of high credit quality (such as investment grade non-financial corporate debt securities), with appropriate haircuts applied accordingly. A few respondents also suggested that liquidity sources such as bank credit/liquidity facilities and projected capital injections should be considered as part of the secondary bucket in the portfolio of liquid assets.

2.26 Several respondents also sought clarification on whether certain assets could be included in the secondary bucket, such as:

- premium receivables;
- reinsurance recoverables;
- intercompany balances; and
- repurchase agreements.

2.27 One respondent sought clarification on whether all the characteristics of liquid assets[1] set out in paragraph 2.14 of the Paper need to be met in order to be included in the secondary bucket of the portfolio of liquid assets.

## MAS’ Response

2.28 Liquid assets that should be included in the primary bucket are those which are of the highest credit quality and liquidity, and are more likely to have willing buyers in short time horizons even during stressed conditions. Secondary bucket assets (such as investment grade non-financial corporate debt securities) are still of high quality, but will generally incur larger haircuts and take more time to find a buyer than primary bucket assets under the same stress conditions.

2.29 MAS is of the view that liquidity sources such as bank credit/liquidity facilities and projected capital injections should not be included in the portfolio of liquid assets. While an insurer may draw on such off-balance sheet liquidity sources when in liquidity distress, these sources may be more appropriately considered as part of an insurer’s liquidity contingency funding plan. Furthermore, while these off-balance sheet sources may provide funding under normal conditions, they may not all be available, or to the same extent, in times of stress, as a large number of firms may try to seek funding from the same sources. Hence, it would be more prudent for an insurer to exclude such liquidity sources when assessing its liquidity position during liquidity stress testing (for both the baseline and stressed scenarios), and instead consider these as possible management actions that can be taken should its capital buffers deteriorate significantly. In the same vein, insurers may consider these as liquidity sources that can be activated as management actions to address vulnerabilities observed for the purposes of liquidity stress testing.

[1] These characteristics may include:

- being able to be easily convertible into cash;
- being assessed to be of low credit risk;
- being able to easily obtain transparent and accurate valuations;
- showing low correlation with other risky assets;
- having consistently active markets; and
- being reliable sources of liquidity during stress.

2.30 Regarding whether the balance sheet items listed above can be included in the secondary bucket, insurers should consider the characteristics of those assets, the timing in which these assets are convertible to cash, and whether these assets are a reliable source of liquidity during stressed market conditions. Taking premium receivables as an example, such assets are unlikely to be easily convertible to cash and be reliable sources of liquidity during stressed market conditions. Instead, insurers may consider the projected premium income over various time horizons as part of the cash inflows when performing liquidity stress testing.

2.31 In determining whether an asset can be classified as “other assets” to be included in the secondary bucket, insurers need to demonstrate that all the characteristics of liquid assets described in the Paper are met and document these considerations accordingly.

*Exclusion of assets issued by financial firms in the portfolio of liquid assets*

2.32 While most respondents acknowledged that potential wrong-way risks could be embedded in assets issued by financial firms, most respondents were of the view that these assets should continue to be included in the portfolio of liquid assets. Some respondents were of the view that a blanket exclusion of such assets would be too conservative as most of these assets are highly rated. Several respondents were of the view that this would negatively impact the financial sector and real economy by disincentivising insurers’ investments in the debt or equity securities of financial institutions, and cause insurers to shift their investment portfolios to other sectors which could have unintended consequences (such as a concentration of investments across a few large non-financial firms among insurers). A few respondents suggested that such assets could be included in the portfolio of liquid assets with appropriate adjustments (e.g. reasonable haircuts, used only for longer stress testing time horizons, only FI assets with high credit quality allowed).

## MAS’ Response

2.33 MAS notes the feedback that the exclusion of corporate debt and equity securities issued by financial firms may be overly conservative and may result in certain unintended consequences as described above. Hence, such assets may be included as part of the secondary bucket in the portfolio of unencumbered liquid assets for liquidity stress testing purposes if insurers have assessed that such assets meet the characteristics of liquid assets as outlined in the Paper. This assessment should be documented in the liquidity risk management policy. Nonetheless, given that these assets have the potential for wrong-way risk, a higher haircut should be applied to these assets relative to similar assets issued by non-financial firms. The amount of these haircuts should also vary depending on the time horizons used during liquidity stress testing.

*Liquidity Stress Testing*

2.34 In relation to the time horizons used for liquidity stress testing, a few respondents suggested that the immediate stress time horizon (i.e. 7 days or less) may not be relevant and meaningful to insurers as compared to banks due to their different asset and liability profiles. Several respondents also asked for flexibility in allowing insurers to use stress testing time horizons that are relevant to their risk profile.

2.35 Two respondents suggested to include underwriting losses with short-term liquidity implications (such as severe natural catastrophe losses) as an example of a relevant liquidity stress factor in the guidelines. There were also a few suggestions on additional factors to consider in the determination of asset haircuts during liquidity stress testing. These include suggestions that the haircut calibration should be based on historical data of asset price movements during periods of stressed financial market conditions, the length of time horizon used in the stress tests (i.e. lower haircuts applied to longer time horizons) and asset price volatility (i.e. assets with greater price volatility would be subject to higher haircuts).

## MAS' Response

2.36 While insurers are generally exposed to and are expected to plan for medium to longer term risks, certain activities such as collateral calls or sudden withdrawals from policies with large cash values, can result in sudden large demands for liquidity. Hence, the immediate stress time horizon may be more applicable for insurers which have sizeable capital markets activities and exposures that could generate short-term liquidity needs (e.g. derivative transactions), as a significant macroeconomic or market-specific shock could trigger calls for additional margins or collateral. Overall, an insurer should use stress testing time horizons which are commensurate with the nature of its asset and liability profile, and document the considerations accordingly. If an insurer assesses that the immediate stress time horizon is not applicable due to its nature of business and risk profile, it should document its justifications accordingly and adopt the appropriate longer stress time horizons in its liquidity stress testing.

2.37 MAS agrees with the suggestion to include underwriting losses with short-term liquidity implications as an example of a relevant liquidity stress factor in the guidelines, and will also include the additional considerations on the determination of the asset haircuts described above in the guidelines.

*Reliance on Head Office/Group liquidity stress testing*

2.38 In addition to the requests for flexibility to adopt their HO's or group's liquidity bucketing framework and liquidity stress testing methodology, several respondents also suggested that liquidity stress testing should not be mandatory for licensed insurers if their HO or Group have included the licensed insurer in the HO/Group's liquidity stress testing assessment.

## MAS' Response

2.39 While an insurer's liquidity risks may be included as part its HO's or Group's liquidity stress testing, MAS Notice 126 requires a licensed insurer's ORSA stress tests to take into account the relevant and material risks of the licensed insurer. Hence, an insurer should ensure that its ORSA liquidity stress testing process considers the nature and complexity of its own liquidity risk profile.

*Liquidity Contingency Funding Plan and Liquidity Risk Management Analysis*

2.40 Two respondents suggested that a liquidity contingency funding plan and liquidity risk management analysis would not be necessary if most of the insurer's assets are in highly liquid assets (such as cash and government bonds), and a few respondents were of the view that these requirements should not be applicable to subsidiaries and branches of international insurance groups as these entities are likely to rely on HO's or the group's liquidity contingency plan and liquidity risk management analysis. One respondent also suggested that there could be significant overlaps between the liquidity contingency funding plan and the recovery plan.

2.41 One respondent suggested that the guidelines on the establishment of a liquidity contingency funding plan could include an example of a pre-determined list of possible management actions to undertake during a liquidity crisis, such as (1) reviewing the asset allocation; (2) using reinsurance to free up capital from in-force business; (3) ceasing or winding back new business; (4) setting up additional credit lines with banks; (5) deferring or reducing dividend payments; and (6) requesting capital injection from shareholders.

## MAS Response

2.42 The objective of a liquidity contingency funding plan is to set out the insurer's strategy and plans for addressing liquidity shortfalls, so as to enable the insurer to respond promptly to liquidity stress events in a timely manner and at a reasonable cost. Depending on the insurer's liquidity risk profile and nature of business, insurers may vary the form and level of detail in the contingency funding plan. For licensed insurers which choose to adopt the liquidity contingency plan of the HO or group, the plan should include the specific management actions that the licensed insurer could realistically take to ensure that liquidity sources are sufficient to maintain normal operations and to continue to meet its financial obligations under liquidity stress. Similarly, a licensed insurer's liquidity risk management analysis should consider the assessment of its own liquidity position in relation to its liquidity risk appetite and contain the results of its own liquidity stress test(s). For licensed insurers which have included liquidity contingency planning as part of their recovery plan, they may rely on the recovery plan to fulfil this requirement.

2.43 MAS agrees that it can be useful to include the list of possible management actions to undertake during a liquidity crisis described above as an example in the guidelines, and will take this into account during the drafting of the revised MAS Notice 126.

*Effective date of revised MAS Notice 126*

2.44 One respondent provided feedback that an adequate transition period should be provided so that insurers have sufficient time to implement the required changes to their ERM processes.

### MAS' Response

2.45 To provide sufficient time for insurers to implement the new requirements, MAS will adopt 1 January 2023 as the effective date for the proposed requirements. The ORSA reports which are submitted in 2023 are to reflect the revised requirements accordingly.

## Revisions to and Applicability of MAS Notice 125

*Asset allocation limits by type of asset and credit rating*

3.1 Most of the respondents were supportive of this requirement. Two respondents suggested that this requirement could be set out in other internal policies instead of the board-approved written investment policy.

3.2 One respondent had suggested that the frequency of monitoring of the limits should be established as well, while several other respondents suggested that this requirement should be broad-based to allow insurers the flexibility and autonomy to determine their own limits.

### MAS' Response

3.3 An insurer should consider the nature, scale and complexity of its investment activities and the associated risks when establishing its limits for asset allocation, including the monitoring frequency of these limits. These requirements could also be established under other board-approved written policies.

*Counterparty risk appetite statement*

3.4 Several respondents suggested that the formulation of a counterparty risk appetite statement may not be necessary, as the elements are already considered for or governed under other policies. Where necessary, one respondent suggested that it should only be applicable to the insurance funds (excluding shareholders' funds), while another respondent suggested that insurers should be granted autonomy and highlighted that it will be challenging for insurers with smaller investment portfolios to establish thresholds for the formulation. One respondent suggested that this could be a guideline rather than a requirement.

3.5 Two respondents provided suggestions on the elements that the counterparty risk appetite statement should contain, which includes qualitative constraints and limits such as credit rating limits, issuer limits, portfolio's average credit rating, industry and geographic limits. Another respondent asked for more guidance on the formulation of the counterparty risk appetite and sought clarification on the indicators that could be used to assess counterparty risk.

## MAS' Response

3.6 The proposed requirement is for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary. An insurer should conduct its own assessment to assess the necessity of a counterparty risk appetite statement, taking into account the nature, scale and complexity of its investment activities. Where the insurer has assessed that this is useful and necessary, this could be accounted for under other board-approved policies.

3.7 MAS has also included guidance on elements that could be included in a counterparty risk appetite statement in the revised Notice 125. The guidance provided is in line with the published guidelines on risk management practices[2] for credit risk to guide financial institutions (including insurers) on managing credit risk and establishing appropriate limits to control concentration risk.

*Exclusion of requirements under paragraphs 13 and 14 of Notice 125*

[2] Guidelines on Risk Management Practices – Credit Risk: *https://www.mas.gov.sg/regulation/guidelines/guidelines-on-risk-management-practices--credit-risk*

3.8 All respondents were supportive of this proposal. One insurer sought clarity on whether this exclusion applies to both the unit and non-unit portion of the investment-linked policies.

## MAS' Response

3.9 MAS intends to apply this exclusion under paragraphs 13 and 14 to be consistent with the current exclusion under paragraphs 21 to 28, in respect of the part of any insurance fund established and maintained for its investment-linked policies relating to the unit reserves of the policies of the fund.

## Revisions to and Applicability of MAS Notice 124

*Confidential Information and Existing Disclosures*

4.1 While a majority of the respondents were supportive or did not have any issues with the additional disclosures proposed in the Paper, some respondents were concerned that the information required for disclosure are confidential and such disclosures may erode their competitive advantage. Also, some respondents commented that these additional disclosures are already found in the financial statements, MAS statutory returns, or disclosures made by their head office.

## MAS' Response

4.2 MAS recognises insurers' concern on the confidentiality of the information to be disclosed. Nonetheless as accurately noted by some respondents, some aspects of the proposed additional disclosures relating to liquidity and investment risks are already in the financial statements as required under the accounting standards. There should not be a concern on proprietary or confidential information being disclosed with respect to these disclosures. Where any information required for disclosure is deemed by an insurer to be either proprietary or confidential in nature and such disclosure would seriously prejudice the interest of the insurer, paragraph 12 of MAS Notice 124 states that the insurer need only disclose general information about the subject matter of the requirement.

4.3 If the insurer has made the disclosures in its financial statements or MAS annual returns (which are published on MAS' website) or where disclosures that are relevant and appropriate to the insurer's operations in Singapore have been made by the head office of the insurer, the insurer only needs to provide in a single location on its official website all links or references to these disclosures. Please refer to paragraphs 10 and 11 of MAS Notice 124.

*Granularity of Disclosure*

4.4 Some respondents requested for more details on the granularity of the additional disclosures proposed in the Paper. A few respondents also suggested having a standard template to facilitate the disclosures.

## MAS' Response

4.5 The insurer should consider its nature, scale and complexity when determining the relevance and extent of information to be disclosed. MAS is of the view that it is not necessary to prescribe a standard template for disclosures, which may inadvertently constrain the extent and presentation format of disclosure. The flexibility given in the presentation format is also necessary to cater for the different business profiles of each insurer. Moreover, some aspects of the proposed additional disclosure requirements such as those relating to liquidity and investment risks are already set out in the accounting standards.

*Disclosure on Corporate Structure*

4.6 MAS had proposed to require insurers to disclose their corporate structures, including any material changes to the structures that have taken place during the year. Some respondents sought clarity on the nature of this disclosure item and the extent of the disclosure required.

## MAS' Response

4.7 MAS would like to clarify that corporate structure refers to the group structure showing the ultimate parent and other legal entities within the group. MAS expects insurers to disclose sufficient information for users to understand the structure, and this should include disclosure of at least the identity and place of incorporation or establishment of the ultimate parent and material upstream and downstream entities of the insurer, as well as the ownership structure among these entities.

4.8 Insurers should use their judgement to assess whether changes in the corporate structure are deemed material. It is not feasible for MAS to prescribe an exhaustive list of scenarios where a change in corporate structure is deemed material. Nonetheless, MAS would expect insurers to minimally disclose any significant changes to the ownership structure mentioned in paragraph 4.7 such as changes in shareholdings or control. In the case where the insurer operates as a branch in Singapore, the Singapore branch should still make such disclosures on the corporate structure unless the head office has already made the disclosures. In this case, the Singapore branch can simply provide references to the disclosures made by its head office.

*Clarification on Technical Provision Disclosure*

4.9 Some respondents sought clarity on what is meant by insurance business segments in relation to the disclosure on technical provisions.

## MAS' Response

4.10 MAS would like to clarify that the insurance business segments in this context would depend on the business profile of the insurer and could include lines of business or types of products. MAS' intention is to allow each insurer to decide on the appropriate segmentation for disclosure purposes. Where appropriate, insurers can take guidance from how their actuaries group their risks for the determination of the valuation of policy liabilities, as the basis for the segmentation.

*Standardisation of non-GAAP financial measures*

4.11 A few respondents requested that MAS provide a standardised list of non-GAAP financial measures[3] together with the formulae for these measures.

## MAS' Response

4.12 While MAS recognises that non-GAAP financial measures can provide useful insight into an insurer's financial condition and performance, MAS is not proposing to require insurers to make such disclosures. Nonetheless, some insurers may deem the use of non-GAAP financial measures to be useful in providing flexibility in communicating entity-specific information to the public. As different insurers have different profiles, it would be helpful for insurers to have leeway to determine the types of non-GAAP financial measures to use and the formulae for these measures. Therefore, MAS is of the view that it is not necessary to prescribe a standardised list of non-GAAP financial measures that insurers have to use.

# Implementation effective date

5.1 To provide sufficient time for insurers to implement the new requirements, MAS will adopt an effective date of 1 January 2023 for the revised MAS Notices 124, 125 and 126.

[3] This can include combined ratio, earnings before interest, taxes, depreciation and amortisation (EBITDA), economic capital, free cash flows, new business embedded value, and weighted new sales

**MONETARY AUTHORITY OF SINGAPORE**

30 September 2022

**Annex A**

# LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED REQUIREMENTS ON ENTERPRISE RISK MANAGEMENT, INVESTMENT AND PUBLIC DISCLOSURE REQUIREMENTS FOR INSURERS

1. AIA Singapore Pte Ltd, which requested for confidentiality of submission for Question 8
2. Chubb Insurance Singapore Ltd
3. FWD Singapore Pte. Ltd.
4. Manulife Singapore Pte Ltd
5. Muenchener Rueckversicherungs-Gesellschaft, Singapore Branch
6. Partner Reinsurance Asia Pte Ltd
7. RGA International Reinsurance Company dac, Singapore branch
8. Swiss Re International SE
9. Tokio Marine Life Insurance Singapore Ltd.
10. Respondent A, which requested for confidentiality of identity and/or submission
11. Respondent B, which requested for confidentiality of identity and/or submission
12. Respondent C, which requested for confidentiality of identity and/or submission
13. Respondent D, which requested for confidentiality of identity and/or submission
14. Respondent E, which requested for confidentiality of identity and/or submission
15. Respondent F, which requested for confidentiality of identity and/or submission
16. Respondent G, which requested for confidentiality of identity and/or submission
17. Respondent H, which requested for confidentiality of identity and/or submission
18. Respondent I, which requested for confidentiality of identity and/or submission
19. Respondent J, which requested for confidentiality of identity and/or submission
20. Respondent K, which requested for confidentiality of identity and/or submission
21. Respondent L, which requested for confidentiality of identity and/or submission
22. Respondent M, which requested for confidentiality of identity and/or submission

23. Respondent N, which requested for confidentiality of identity and/or submission
24. Respondent O, which requested for confidentiality of identity and/or submission
25. Respondent P, which requested for confidentiality of identity and/or submission
26. Respondent Q, which requested for confidentiality of identity and/or submission
27. Respondent R, which requested for confidentiality of identity and/or submission
28. Respondent S, which requested for confidentiality of identity and/or submission
29. Respondent T, which requested for confidentiality of identity and/or submission

Please refer to Annex B for the submissions.

**Annex B**

# SUBMISSION FROM RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED REQUIREMENTS ON ENTERPRISE RISK MANAGEMENT, INVESTMENT AND PUBLIC DISCLOSURE REQUIREMENTS FOR INSURERS

| S/N | Respondent | Responses from respondent |
|---|---|---|
| 1 | AIA Singapore Private Limited | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>AIAS agrees with MAS' proposal.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>AIAS agrees on the proposed inclusion of guidelines, but would like to seek further clarity/details on the assessment regarding the "lack of diversification of products or business lines" in relation to life insurance business.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>When designing Own Risk and Solvency Assessment ("ORSA") stress scenarios, AIAS considers relevant material risks to the company capital positions and solvency. Suggest noting counterparty risk in the Enterprise Risk Management ("ERM") framework as a risk the company should consider. The framework should allow the company to assess and decide if it is material enough to perform the counterparty stress testing as part of ORSA.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.** |

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| | | AIAS welcomes MAS' proposal to introduce guidelines relating to the design of the counterparty stress tests. However, we suggest that MAS allows insurers to design their own stress scenarios that reflects the risks material to the company.<br><br>Suggest for the ERM framework to note the type of counter parties that the insurers should consider, e.g. reinsurers, bond issuers of major sectors or industry. Given that the nature of the risk of the counterparty could be quite different, it would be better for the company to design the parameters if this is a material risk to the company.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>AIAS agrees with MAS' proposal to require insurers to perform macroeconomic stress testing as part of their ORSA.<br><br>Macroeconomic stress is the key stress to most life insurance companies.<br><br>**Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>AIAS welcomes MAS' proposal to introduce guidelines relating to the design of the macroeconomic stress tests. However, we suggest that MAS allows insurers to design their own stress scenarios that reflect the risks material to the company. This is because some shocks may not have a significant impact to the company's solvency position or possibly an immediate improvement in solvency due to release of capital requirements. For example, fall in new business premium may not have much impact to the solvency of large insurers in the next 3 to 5 years.<br><br>AIAS would like to seek clarity on the projected time horizon required for ORSA stress testing, noting that MAS CP paragraph 2.8 requires insurers to "define a projection horizon that is commensurate with the severity of the scenario so that the impact of the stresses on its financial position could be captured in the projection horizon.", whereas paragraph 32 of MAS Notice |

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| | | 126 requires insurers to perform stress testing "with a time horizon which is consistent with that used in its business planning."<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>AIAS agrees with MAS' proposal.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>(Confidential)<br><br>**Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>AIAS would like to seek clarity if repurchase agreement are to be considered as liquidity sources.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.**<br><br>AIAS suggests that assets issued by financial firms be included within the portfolio of liquid assets as excluding these assets may result in insurers' liquidity ratio to fall significantly. This could potentially result in insurers shifting their emphasis to assets issued by non-financial firms which might be less secured and regulated when compared to the financial firm bonds.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>AIAS agrees with MAS' proposal. |

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| | | **Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>AIAS welcomes MAS' proposal to introduce guidelines on how insurers should design the liquidity stress test. However, we suggest that MAS allows insurers to design their own stress scenarios that reflects the risks material to the company.<br><br>AIAS suggests that MAS allows the company to consider the time horizon to test, e.g. considers the longer-term horizon (1 year) mainly for stress testing, unless the company has identified that short term liquidity risks are material. The purpose of stress testing is to envisage the impact on the insurer due to adverse events.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>Refer to AIAS' comments to Q12.<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>AIAS uses the Bloomberg LQA to measure asset liquidity risk under stress scenarios. Stressed liquidity factors considered include daily expected trading volume, price volatility, and bid-ask spread which defines the relationship between liquidation cost, horizon and volume for each security.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>AIAS agrees with MAS' proposal.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding** |

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| | | **plan and welcomes suggestions on any additional guidance that should be included.**<br><br>AIAS agrees with proposed key elements however noted that there are large overlaps with the requirements within the Recovery Plan.<br><br>**Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>AIAS agrees on the inclusion of liquidity risk management analysis as part of ORSA.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>AIAS agrees with the proposed guidelines.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>We propose for insurers to have the flexibility to include the establishment of asset allocation limits and credit rating in the policy based on how the insurer manages its own investment.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>We propose that MAS allows insurers to consider the necessity to formulate a counterparty risk appetite statement according to the risk and return profile of the insurer's investment.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>No comment as AIAS is not a Special Purpose Reinsurance Vehicle ("SPRV"). |

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| | | **Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>The requirement to exclude requirements under paragraphs 21 to 28 of Notice 125 does not apply in respect of the part of any insurance fund established for its investment linked policies relating to the unit reserves of the policies of the fund. They still apply to the non-unit or operating fund supporting investment linked policies.<br><br>AIAS is agreeable to the proposal to exclude the requirements under paragraph 13 and 14 of Notice 125 on the basis noted above, only for the unit reserves of the policies of the fund.<br><br>**Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) AIAS is agreeable to providing qualitative information in respect of liquidity risk as this provides the public a view of the risk and how the Company is addressing it. However, having quantitative information might result in information overload as different interpretation of a set of financials might not generate the same intended understanding across different readers. Thus, it might be more assuring to have a |

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| | | general statement stating that based on the Company's internal assessment, the Company continues to have high levels of liquidity to meet its needs.<br><br>(b) AIAS is agreeable to providing qualitative information in as this provides the public a view of the risk and how the Company is addressing it. However, having quantitative information might result in information overload as different interpretation of a set of financials might not generate the same intended understanding across different readers.<br><br>Public disclosure of investment risk covers both quantitative and qualitative information. We propose that MAS allows insurers the discretion to disclose information on the risk categories based on the insurer's investment asset profile.<br><br>(c) AIAS suggests for the revisions in MAS Notice 124 to be clear that the proposed disclosure of "corporate structure" refers to the disclosure of immediate shareholding structure of the insurer, instead of providing the full organisational chart of the insurer and its related entities.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>AIAS agrees with the proposal to disclose technical provisions based on material insurance business segments. We presume that the insurer has the flexibility to determine materiality and business segment refers to the life insurance funds.<br><br>**Question 25. MAS seeks comments on the proposal to require insurers to:**<br>**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and**<br><br>**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities..**<br><br>(a) AIAS agrees with MAS' proposal. |

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| | | (b) AIAS agrees with MAS' proposal.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>No comment as AIAS is not a SPRV. |
| 2 | Chubb Insurance Singapore Ltd | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>We have no comment on this proposal. Concentration risk is currently being considered as part of Chubb's identification and assessment of material risks in its ERM framework.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>We agree with MAS' proposal to provide examples of concentration risks to be assessed, so that there are consistencies among the insurers.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>We have comment on this proposal. Default of significant reinsurance counterparties is one of the stress scenarios already considered by Chubb management in the reverse stress test.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>We have no comment on this proposal.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.** |

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| | | We have no comment on this proposal. In addition to the self-select stress scenarios used for the ORSA stress testing, Chubb also considered the MAS' macroeconomic stress test scenario as one of its stress scenarios.<br><br>**Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>We propose that MAS use the same macroeconomic stress test scenarios as the industry-wide stress test conducted by MAS.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>We have no comment on this proposal.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>We have no comment on this proposal.<br><br>**Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>We are wondering if MAS would consider intercompany balances as liquid assets in the secondary bucket given that our Group credit rating is within the credit quality of class B. In addition, since these are balances with our affiliates, we would be able to request faster settlement when in urgent need of liquid funds.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.** |

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| | | We have no comment on this proposal.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>We have no comment on this proposal. Chubb conducted liquidity stress testing as part of its ORSA review.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>We have no comment on this proposal.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>We have no comment on this proposal.<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>We have no comment on this proposal.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>We have no comment on this proposal.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding plan and welcomes suggestions on any additional guidance that should be included.**<br><br>We have no comment on this proposal. |

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| | | **Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>We have no comment on this proposal.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>We have no comment on this proposal.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>We are fine with the proposal as currently our investment policy already includes type of asset and credit rating limits.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>We don't think this is necessary if counterparty concentration risk limit is already included in the insurer investment policy.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>We have no comment on this proposal. Chubb does not have any SPRV.<br><br>**Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>We have no comment on this proposal. Chubb does not have any investment-linked policies. |

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| | | **Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) We would require more information on the exact nature and contents of the disclosure required by MAS to provide comments on this requirement. However, we are comfortable for any information related to liquidity risk management that is already publicly available in Chubb Group and Singapore financial statements, websites, or other documents to be disclosed.<br><br>(b) We have no comment on this proposal.<br><br>(c) We have no comment on this proposal.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>We foresee some difficulties in providing all the quantitative and qualitative disclosure information at insurance business segments. Some of these are currently only assessed at company level.<br><br>**Question 25. MAS seeks comments on the proposal to require insurers to:** |

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| | | **(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and**<br><br>**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities.**<br><br>(a) We do not have any issue with this proposal.<br><br>(b) We do not have any issue with this proposal.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>We have no comment on this proposal. Chubb does not have any SPRV. |
| 3 | FWD Singapore Pte Ltd | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>Agree with the proposal, as this may be a risk that could be significant for some insurers. The inclusion of concentration risk in the ERM framework would mean insurers needs to assess the significance of the risk. The controls set up to address the risk would reflect how large the risk is, which would differ across companies.<br><br>Can MAS clarify its expectation on insurers to address the concentration risk? Would there a specific timeframe for insurers to work on? Diversification of concentration risks in a small number of reinsurers, products and business lines cannot be achieved within a short timeframe. It may take months or years for de-risking to materialise, especially smaller insurers that have little or no bargaining power.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.** |

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| | | Items such as number of reinsurers, custodian bank or other counterparties could be included as a guide. However, some of these may be unavoidable for a small insurer. For instance, a small insurer with less than $5m of cash may not consider it operationally possible to split the monies up into a few banks and may end up with only one or two bank accounts. Consideration of the practicality of these guidelines for small insurers is proposed to be made.<br><br>It will also be helpful if MAS can provide examples of key metrics to measure the concentration risk given that the level of concentration risk for smaller insurers may be different from larger insurers due to limited options available.<br><br>The impact of concentration risk may not materialise immediately. As such, what are the factors the insurers should consider when determining the next course of action to be taken immediately (by the insurers) despite not having real risk event now.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>Insurers should assess if counterparty risk is a significant risk in the company; and if so, the stress test should be performed. Otherwise, if counterparty risk is assessed to have insignificant impact, then the stress test should not be compulsory.<br><br>MAS to provide clear guidance on what constitutes “material counterparty exposure” or set out the criteria in assessing the materiality of the counterparty exposure.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>Such guidance is welcomed; it is already the practice of some insurers to have such stress tests (where the risk is assessed to be significant). |

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| | | **Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>Little impact as most life insurers typically include this as one scenario in ORSA. However, the extent and what type of macroeconomic stresses to include in the test should be determined by the insurer, based on its assessment of risk significance. General insurers should be given the option to ascertain if this will form a significant risk before they perform the macroeconomic stress test.<br><br>**Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>Agree, the guidelines are useful. In addition, it may be worth mentioning in the guidelines that the aim of having multiple stresses in a single scenario is to ensure the stress test remains robust and reflects what could happen when a stress event occurs. It is not meant to be a random consolidation of multiple stresses performed simply to achieve a negative result.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>This seems to be too prescriptive. All insurers should already have a liquidity risk management policy, under which thresholds on liquidity metrics are defined and liquidity risk are regularly monitored.<br><br>Would the MAS specify the limit or threshold requirement on the portfolio of unencumbered liquid assets or the primary and secondary bucket?<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.** |

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| | | A principles-based approach is proposed rather than this rules-based one. To adopt the rules-based approach, the definition what can qualify under bucket 1 and 2, e.g. definition of long and short time in “can be liquidated in a short time even under stress”, needs to be specified.<br><br>Guidelines which are not compulsory are welcomed. Some insurers already have liquidity management framework established as part of their group office’s framework but adapted to the local regulatory and business context. Such guidelines may guide the insurers to consider if there are areas which have not been considered in their current framework. Others which do not have such support from group office will find such guidelines useful. However, to require every insurer to fit their liquid assets into the two defined buckets is prescriptive and may result in situations where they end up conflicting with internal definitions. Alternatively, the guidelines could allow the insurer to define which assets fall into each bucket with broad principles guiding such definition.<br><br>Consideration should be made on smaller insurers which are still in a net capital injection position. Such insurers would not have strong liquidity position, given that they may be receiving capital injection on a regular or as-needed basis. The practicality of such bucketing for these insurers should be considered.<br><br>As mentioned above, it may be challenging for some insurers to try to fit the existing portfolios into primary and secondary buckets. Will MAS be prescribing the minimum liquidity level in each bucket?<br><br>**Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>As above, the definition what can qualify under bucket 1 and 2, e.g. definition of long and short time in “can be liquidated in a short time even under stress”, needs to be specified.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.** |

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| | | It may be too harsh to fully exclude such assets. A haircut, or an adjustment based on some form of credit rating or liquidity score, is proposed. MAS to assess and consider the impact of such exclusion on the insurers' liquidity position.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>It is reasonable, and some insurers already perform this as part of ORSA. However, smaller insurers may not have resources like their bigger counterparts to cope with such rigorous testing. In particular, insurers which are still in a net capital injection position would typically manage such risk by planning in advance amounts of capital injections. Such analysis may not be performed in the form of an ORSA but would have been performed (for capital injection planning) and served similar purposes.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>Such guidelines are welcomed but should not be compulsory as the insurer should assess which are the key risks.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>Some insurers already have such guidelines in their liquidity risk management framework. Consideration for small insurers on a net capital injection basis needs to be made, as their liquidity is often boosted by regular capital injections, so will fluctuate in between the injections.<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.** |

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| | | References could be made to the movement of asset prices during the COVID period, particularly the widening of credit spreads. Financial stresses from late 2019 to mid 2020 were considered by some insurers to be two times of a 1-in-200 scenario. Haircuts could be made by calibrating downwards the stresses from the observations during that period. The guidelines could also provide some proposed haircuts, especially to help smaller insurers which may not have the expertise and resources to perform these analyses.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>Yes, this should form part of the liquidity risk management policy of the insurer.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding plan and welcomes suggestions on any additional guidance that should be included.**<br><br>The guidelines are clear and reasonable. The liquidity contingency funding (LCF) plan should form part of and complement the liquidity risk management policy of the insurer, which should define the immediate, short- and longer-term horizon of the insurer, in accordance with its risk appetite. The LCF, as opposed to the main liquidity risk management policy, should cover any exceptional liquidity need arising in the immediate / very short term. The guidelines should make clear if that is the objective; otherwise, it may not be clear to insurers how this might be different from its liquidity risk management policy.<br><br>**Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>Liquidity is equally as important as solvency, so it is a reasonable requirement. However, one of the key elements included is the results of the liquidity stress test. As mentioned above, the insurer should be allowed to assess if liquidity is a major risk to the company. If the risk is assessed to not be significant, then there may not be a specific scenario for this test. However, the |

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| | | result of such assessment could be submitted instead. Is there a timeline MAS is looking to implement this new requirement?<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>Majority of the elements are already part of insurer's liquidity risk management framework. As mentioned above, the insurer should be allowed to assess if liquidity is a major risk to the company. If the risk is assessed to not be significant, then there may not be a specific scenario for this test. However, the result of such assessment could be submitted instead. In addition, we would appreciate if the regulator can provide us with more examples of potential vulnerabilities and the approaches to enhance liquidity positions.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>This is reasonable and is already in the investment policy of some insurers, as per their internal group office policies.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>Counterparty risk is only one aspect of many other considerations of the insurer when formulating its investment strategies. For example, the insurer's exposure to factors such as geographical area and currency may be a result of the nature of its liabilities. Diversifying its investments into other geographical areas and currencies may give rise to other issues, such as mismatching risks. It is reasonable to have this requirement as long as the insurer has the autonomy to assess the significance of its counterparty risks vis-à-vis other factors / constraints not relating to counterparty risks before deciding whether to include it in its investment policy.<br><br>Furthermore, it will be challenging for small insurance companies to establish threshold for formulation of counterparty risk |

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| | | appetite statement given smaller size of the investment portfolio and options may be limited to achieve the investment objectives.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>No comments<br><br>**Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>Agreed. To avoid ambiguity, please clarify if this includes both the unit and non-unit portion of the investment-linked policies.<br><br>**Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) Part of these disclosures are already in place for some insurers. Liquidity risk is addressed through cash flow projections in the short and long-term, to ensure the company has sufficient liquidity to meet its liabilities. Requirements on qualitative information may need to be clarified on, as it is not clear to what level of detail this is required. |

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| | | For instance, details of significant commitments may be sensitive to be disclosed publicly; however, it is reasonable to expect the insurer to disclose the broad categories of its liabilities and commitments – this appears to already be in the disclosures of some insurers.<br><br>As another example, known trends and expectations of future experience are embedded in the best estimate assumptions used in insurance contract liability valuation; however, such views are not disclosed publicly, as they may be proprietary information. Instead, the insurer can include statements to indicate if such trends and expectations have been reflected in its cash flow projections.<br><br>There may be undesirable consequences of disclosing the insurers' liquidity and investment risks publicly especially for smaller insurers that may not have adequate resources to manage the public's scrutiny or concerns appropriately. Hence, we would appreciate if the regulator can provide clearer guidance on the level of details to be disclosed publicly and take into consideration the nature and scale of the insurer's operations as well as potential impact.<br><br>(b) Agree, but only where this is assessed to be applicable and significant. For insurers that do not carry significant investment risk in the products they write, or where investment risk does not affect their ability to meet liabilities, they should be allowed to state as such and exclude the quantitative information.<br><br>(c) What would be considered as material changes in corporate structure? For e.g. would the set up of new distribution channel or appointment of new Chief Marketing Officer be considered? Would appreciate more clarity in this aspect to encourage a level playing field in terms of public disclosure.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>This is reasonable; however, as with comments above, this should not result in the insurer having to disclose proprietary information, particularly relating to assumptions. |

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| | | **Question 25. MAS seeks comments on the proposal to require insurers to:**<br>**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and**<br><br>**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities.**<br><br>(a) Yes, but only if such financial measures are used in the insurer's disclosures.<br><br>(b) Yes, but only if such financial measures are used in the insurer's disclosures.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>No comments. |
| 4 | Manulife Singapore Pte Ltd | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>As shared in the consultation paper, there are many different types of concentration risks i.e. from operational to credit/reinsurance. Though it is good to have concentration risks as one of the mandatory risks to be considered and address, it should be left to the insurers to determine the type of concentration risks.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>The risk charges on assets and credit exposure are natural deterrence for concentration hence asset and credit might not be the focus for the revised guideline. High correlation between established investment markets would probably need to be |

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| | | considered, since it means diversification through geographical region is less effective.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>While agreeing that it is good to perform counterparty stress testing on material counterparties as part of ORSA, Insurers should be given the option to focus on the main risk drivers and the frequency for the stress testing.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>Guideline on counterparty stress design should be based on principles, as situation facing each insurers can be different.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>Agree. If appropriate, the insurer should be given the choice to use the stress test scenarios as part of the macroeconomic stress testing.<br><br>**Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>We support the inclusion of principles based guidelines regarding the design of macroeconomic stress tests. Of note we recommend that guidelines are principles based rather than are prescriptive in order to recognize that the calibration of macroeconomic stresses may need to be updated to reflect market conditions prevailing at the valuation date.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.** |

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| | | Agree with the proposal and it is aligned generally with our company's liquidity risk management framework.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>Agree generally with the criteria described in paragraph 2.14.<br><br>**Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>No further comments.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.**<br><br>The exclusion of instruments issued by financial institutions, in addition to being overly conservative, would give rise to negative impacts on the financial sector and real economy by disincenting insurers' investments in the debt of other financial institutions. The exclusion of financial institution assets could also incent insurers to hold larger single-name non-financial exposures, which may result in riskier holdings in a market downturn.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>Agree. It would be good to allow insurers to determine the frequency in particular when they have monitoring mechanism in place.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.** |

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| | | Examples would be useful while the guidelines should be principled based and avoid being too prescriptive.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>Agree. If appropriate, the insurer should be given the choice to use the industry wide liquidity stress test.<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>We generally agree with the factors mentioned.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>We agree with the proposal and have established a liquidity contingency funding plan in the company.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding plan and welcomes suggestions on any additional guidance that should be included.**<br><br>We agree with the proposed key elements.<br><br>**Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>Agree with proposal.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.** |

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| | | Agree with proposed guidelines.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>We concur that having limits established for the allocation of assets by type of asset and credit rating in the investment policy for the asset classes would be a beneficial step in terms of risk management. Such limits have been part of the Group wide investment guidelines and is also practiced at the Singapore entity level but at a broader level with review of the limits on a regular basis depending on the changes of investment strategy, risk appetite as well as maturity of the portfolio. Some benefits of having such limits established would be to minimize concentration risk to the portfolios from both an asset class and rating perspective as well as being able to reap the benefits of having a diversified portfolio especially during times of volatility.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>Having a formal counterparty risk appetite statement would be a good step in terms of risk management and for it to be a known stance for the company. This would also create awareness for the team to be more cognizant of for example, single counterparty risk or risk exposure to a certain group of companies or sectors. This would then enable the Company to better manage their risk and would be aware of the level of risk or exposure that they are taking on a totality basis vis-à-vis the total asset base and the impact of such exposures on their books.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>Agree with proposal.<br><br>**Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.** |

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| | | Agree with proposal.<br><br>**Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) Agree with the proposal and suggest that it should be principled based not prescriptive.<br><br>(b) Agree with the proposal and suggest that it should be principled based not prescriptive.<br><br>(c) Agree with the proposal and suggest that it should be principled based not prescriptive.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>Agree with proposal.<br><br>**Question 25. MAS seeks comments on the proposal to require insurers to:**<br>**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and** |

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| | | **(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities..**<br><br>(a) It might not be possible to disclose the full formula and methodology, but it might help to have a general statement of the metric. In addition, the proposal in point b would be helpful.<br><br>(b) Agree with the proposal as the definition could vary across entities.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>No comments. |
| 5 | Muenchener Rueckversicherungs-Gesellschaft, Singapore Branch | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>No comments.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>No comments.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.** |

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| | | While we welcome the guidance provided by MAS, we would like MAS to take into account that there are differences in complexities, size of operations and materiality etc. Regardless of the guidance given, flexibility should still be given to each institution in terms of the actual stress test performed.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>No comments.<br><br>**Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>See response to question 4.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>As a reinsurer, we manage liquidity risk to ensure that we are in a position to meet our payment obligations at all times. In this regard, we are aligned with MAS' proposal.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>Whilst the Branch agree that quality of liquid assets is important, we caution that too much regulation not only increases compliance cost but also stifles business growth. The RBC 2 framework that came into effect on 31 March 2020 is more risk sensitive and has greater coverage compared to its predecessor. To a certain extent, compiling with RBC 2 should equate being well-capitalised. In this regard, we are of the opinion that establishing a liquidity bucketing framework is somewhat unnecessary. |

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| | | **Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>See response to question 8.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.**<br><br>See response to question 8.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>While this is a reasonable requirement, it is important that the stress testing approach fits to the liquidity steering approach of the respective company. Therefore, we would like to inform you about the chosen approach by our Head Office: There exists a group liquidity stress testing assessment which is performed at legal entity level. As we are a branch of our Head Office, we are included in the assessment of our Head office and hence covered by the group liquidity stress testing although there exists no solo result on branch level. We would therefore like to request that MAS allow reinsurers incorporated as a branch in Singapore to rely on the liquidity stress testing of their Head Office.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>See response to question 11.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>See response to question 11. |

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| | | **Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>See response to question 11.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>Our Head Office has a group liquidity crisis plan that describes the procedures to be adopted in the event of the group experiencing a material unplanned surge in liquidity outflows. It is reasonable to assume that if the Branch is affected by a liquidity stress, the group is affected as well. Otherwise, assistance of the group should be possible. We would therefore like to request that MAS allow reinsurers incorporated as a branch in Singapore to rely on the liquidity contingency planning of their Head Office.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding plan and welcomes suggestions on any additional guidance that should be included.**<br><br>See response to Questions 11 and 15.<br><br>**Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>See response to Questions 11 and 15.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>See response to Questions 11 and 15.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for** |

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| | | **the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>The Branch already has in place investment limits that was established in accordance to concentration risk under RBC 2. While we agree that there should be limits established for asset allocation, MAS should exercise flexibility to allow insurers the autonomy to determine their own limits based on their risk appetite.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>We are of the opinion that having a counterparty risk appetite statement adds little value to the insurer's asset liability management strategy. Being a branch who relies on the Head Office's risk appetite and strategy, counterparty risk is part of credit risk assessment that is managed at the group level.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>No comments.<br><br>**Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>No comments.<br><br>**Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;** |

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| | | **(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) Being a branch who is reliant on its Head Office for funding, it makes better sense for MAS to rely on the disclosures by the Head Office rather than the Branch. Such disclosures are readily available in the annual report of our Head Office.<br><br>(b) See response to question 23(a).<br><br>(c) This should not be applicable to foreign branches.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>Can MAS elaborate on what is meant by material insurance business segment i.e. line of business or actuarial segment etc.? The Branch would be able to make a more meaningful comment if there is more clarity on the proposed change.<br><br>**Question 25. MAS seeks comments on the proposal to require insurers to:**<br>**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and**<br><br>**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities.**<br><br>(a) While we do not foresee any issue to make such public disclosures, we would like to know where MAS expect (re)insurers to make it. |

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| | | (b) From our perspective, it is not clear on the value that the disclaimers will add to the public, in particular policy holders, who are reading the report. As the number of disclaimers in public disclosures increase, the readability of these documents might suffer.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>No comments. |
| 6 | Partner Reinsurance Asia Pte Ltd | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>No comment.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>No comment.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>No comment.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>No comment.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>No comment. |

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| | | **Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>We agree that macroeconomic stress testing is an integral part of the ORSA stress testing process. We also believe that guidelines on the design of the macroeconomic stress tests should not be too prescriptive since different stresses may be more or less relevant for individual (re)insurers. In terms of time horizon, we suggest to use the same time horizon as for the solvency projection, i.e. consistent with the business planning horizon.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>No comment.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>No comment.<br><br>**Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>No comment.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.**<br><br>While we acknowledge the positive correlation of the liquidity of assets issued by financial firms and the broader economy, the liquidity drain for reinsurance companies is mostly driven by rapid-payout insurance catastrophe events which would not |

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| | | impact the banking sector in the same way. We therefore suggest to treat assets issued by financial firms equally to assets issued by other corporations.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>No comment.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>We would suggest to let (re)insurers specify the stress factors and parameters for the liquidity stress testing as part of the ORSA since different stresses may be more or less relevant for individual (re)insurers.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>No comment.<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>No comment.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>No comment.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding** |

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| | | **plan and welcomes suggestions on any additional guidance that should be included.**<br><br>No comment.<br><br>**Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>No comment.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>No comment.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>No comment.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>No comment.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>N/A.<br><br>**Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>N/A. |

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| | | **Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) No comment.<br><br>(b) No comment.<br><br>(c) No comment.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>No comment.<br><br>**Question 25. MAS seeks comments on the proposal to require insurers to:**<br>**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and**<br><br>**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities..** |

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| | | (a) No comment.<br><br>(b) No comment.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>N/A. |
| 7 | RGA International Reinsurance Company dac, Singapore branch | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>No comments.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>Currently most of the stress tests have been covered in our ORSA. Nevertheless, we would appreciate that MAS takes into account possible industry wide testing when setting the implementation timeline.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>No comments. |

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| | | **Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>We opine that the requirement to hold liquid assets, types of assets and bucketing approach could be too prescriptive for a reinsurance company. Any liquidity assessment should be proportionate to the nature of our business, ie reinsurance, and considering other mitigating factors such as retrocession agreement (ie, x% from the branch) that may change the profile of any liquidity needs.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>No comments.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.**<br><br>No comments. |

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| | | **Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>No comments.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>No comments.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>No comments.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding plan and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.** |

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| | | No comments.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>No comments.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>No comments.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>No comments.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>No comments.<br><br>**Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>No comments.<br><br>**Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and** |

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| | | **reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) Appreciate if MAS could provide some illustrations on the extent of disclosure.<br><br>(b) No comments.<br><br>(c) No comments.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>Currently we provide high-level description of our methodology. A more detailed disclosure based on material business segments could be proprietary information to RGA which we would not want to disclose to our competitors.<br><br>**Question 25. MAS seeks comments on the proposal to require insurers to:**<br>**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and**<br><br>**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities..**<br><br>(a) No concern to disclose financial measures that are publicly available through financial statements and regulatory returns (e.g. EBITDA, FCF, etc). However, disclosure of certain |

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| | | measures / methodologies which are proprietary to RGA may prove challenging. We propose having a fixed set of measure based on generally accepted matrixes to ensure consistent and fair disclosure.<br><br>(b) No comments.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>No comments. |
| 8 | Swiss Re International SE | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>Yes, we do agree with the proposal as outlined in the consultation document.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>We do seek more specific guidance with regard to intra-group retrocessions for which an exemption in the context of concentration risk would seem appropriate.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>Please refer to our comments on Question 2. Beyond that, we agree with the proposal as outlined in the consultation document.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>We welcome the proposed guidance on the design of counterparty stress tests. As mentioned in Question 2 before, we |

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| | | seek further guidance with regards to intra-group retrocessions which from our point of view should be exempt.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>Yes, we do agree with the proposal as outlined in the consultation document.<br><br>**Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>Yes, we do agree with the proposal as outlined in the consultation document as guidance only, but would like to emphasise that insurers should be able to select scenarios based on their own risk profile.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>We would propose to clarify that the time horizon in question will impact class of assets used to satisfy liquidity requirements, e.g. by stating: "the portfolio of assets must be unencumbered over the time horizon under consideration". That is the assets excluded for a 7-day horizon could still be used for 90-day horizon, if unencumbered over that longer time horizon. In addition, we would welcome more clarity around the requirement to assess liquidity per individual currency, in particular whether this is meant to cover more than convertibility issues.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>As outlined in Question 7, we see the need to align the admissible portfolio of liquid assets and the time horizon and therefore propose time horizon for to be taken into consideration for stress |

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| | | factors. In the same spirit, we would welcome a somewhat broader approach with regards to the inclusion of credit risky assets, having longer time horizons in mind. We propose allowing lower credit qualities in principle, e.g. in a diversified portfolio of lower credit quality assets, as long as assumed losses and market liquidity constraints are reflected appropriately in the framework.<br><br>**Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>We generally agree with the proposal as outlined. With regards to financials, please see comment on Question 10. Regarding longer time horizons, e.g. in a 1-year view, we would like to stress that a broader definition of assets, as reflected in the answer to question 7 and outlined later in the consultation paper, needs to be taken into account.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.**<br><br>With regards to financials, we see the proposal as somewhat restrictive. While this is defensible for financial market crises, especially over shorter time horizons, other stress scenarios might primarily be driven by other factors and the exclusion would be overly conservative. We propose to allow for an inclusion of financials for horizons of at least 1 year, if assumed losses and market liquidity constraints are reflected appropriately in the framework.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>We suggest to follow the materiality approach and exclude it from ORSA where justified by low materiality.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress** |

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| | | **factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>We agree with the guidance as an example, from which insurers may deviate. In addition, we propose to include underwriting losses with liquidity implications in the short term into the guidelines, such as natural catastrophes.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>We generally agree with the proposal as outlined in the consultation document. However, we propose that insurers be able to choose time horizons relevant for their risk profile, e.g. in a insurance context, it should be more focussed on longer time horizons (due to short term liquidity outflows e.g. from client behaviour such as mass lapse of policies with surrender values being less relevant for reinsurers than for primary insurers.)<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>Yes, we do agree with the proposal as outlined in the consultation document. Credit quality of assets determines the severity of haircut in addition to market condition.<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>We propose to allow for exemptions for subsidiaries of insurance groups from the requirement to file a full liquidity contingency plan. In our view, the requirement to produce a Liquidity Contingency plan needs to be commensurate with the liquidity position and risks of the insurer. We believe if the insurers have an appropriate liquidity risk management framework then they should be exempted from having additional contingency plan. |

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| | | **Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding plan and welcomes suggestions on any additional guidance that should be included.**<br><br>See comment on Question 15.<br><br>**Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>We suggest leaving it open whether such stress analysis needs to be provided, or can be omitted, where justified by low materiality, e.g. based on the liquidity stress testing results outside the ORSA report.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>See comment on Question 17.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>Yes, we do agree with the proposal as outlined in the consultation document.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>Yes, we do agree with the proposal as outlined in the consultation document.<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>Generally, Swiss Re International SE would be supportive of the proposal to exclude SPRVs. |

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| | | **Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>Yes, we do agree with the proposal as outlined in the consultation document.<br><br>**Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.**<br><br>(a) While we understand the reasoning behind the proposal, we do not agree with the proposed requirement for public disclosure of quantitative information on liquidity risk.<br><br>We would like to stress that an insurer's liquidity risk assessment needs to address the insurer's specific circumstances, which would make it very difficult to compare quantitative numbers across different institutions and hence will serve no purpose in public disclosure.<br><br>Also, some of the information could be confidential from competition perspective. This approach would go beyond the requirements in any other jurisdictions and hence we propose to MAS to not make it mandatory to disclose quantitative information on liquidity risk. |

(b) We agree with disclosing investment risks but suggests to limit the disclosure on to certain standardized market stresses (e.g. impact of a +/- 50bp credit spread change, etc.) which can be compared between different insurers.

Our suggestion would be not to make it mandatory to provide qualitative information on the insurer's policies and management approach of these risks. Such information tends to be specific to insurer, and therefore difficult to compare. It may also contain confidential information.

(c) We agree with your proposal as outlined that only material changes to corporate structures and key business segments are to be included. There could also be corporate changes within the group of companies which may be material for the entire group / head office, which may not impact the Singapore operations. Hence, our proposal to scope it in terms of changes that impact the Singapore licensed entities.

**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**

This information is already available via MAS Form A1-5 available in the MAS website.

**Question 25. MAS seeks comments on the proposal to require insurers to:**
**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS’ legislation that are used in their disclosures; and**

**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS’ legislation and hence may not be comparable with other entities..**

(a) Yes, we do agree with the proposal as outlined in the consultation document. However, would expect some pragmatism and baseline knowledge to be applied in similar vein to the reading and interpretation of publicly available financial statements.

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| | | (b) Yes, we do agree with the proposal as outlined in the consultation document.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>Generally, Swiss Re International SE would be supportive of the proposal to exclude SPRVs. |
| 9 | Tokio Marine Life Insurance Singapore Ltd. | **Question 1. MAS seeks comments on the proposed inclusion of concentration risk as one of the mandatory risks that licensed insurers will need to consider and address in the ERM framework.**<br><br>We agree that concentration risk should be one of the mandatory risks to be considered. However, as the scope of concentration risk can be very wide (e.g. certain service providers or uniqueness in certain market segments), it would be good if MAS can provide some clarity and more specific examples on the scope (in relation to Question 2), to facilitate what insurers should primarily focus on. In addition, this will help to standardize the practices across the industry.<br><br>**Question 2. MAS seeks comments on the proposed inclusion of guidelines relating to examples of concentration risks to be assessed, and welcomes suggestions on any additional guidance that should be included.**<br><br>The examples provided in the consultation paper are still rather broad. We propose that MAS consider specifying an exclusion list, similar to the approach taken in MAS' Outsourcing Guidelines, to indicate the third parties that would generally not be considered for the purposes of concentration risk, such as telcos, third party administrators and payment system providers.<br><br>**Question 3. MAS seeks comments on the proposed requirement for licensed insurers to perform counterparty stress testing on material counterparties as part of the ORSA.**<br><br>We agree that counterparty risk is important to the organization and stress testing on material counterparties will generate useful insights for management. However, for smaller insurers with limited manpower and expertise, it will be challenging to fulfil this and implement the other additional requirements in this |

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| | | consultation paper. There may also be a shortage of people in the industry with the necessary skillsets to do this effectively. We would propose that MAS take a phased approach to gradually ease the implementation of these additional stress testing requirements.<br><br>**Question 4. MAS seeks comments on the proposed inclusion of guidance relating to the design of the counterparty stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>We would like to seek more clarity on MAS' expectations in this area, otherwise there may be subjectivity on the design of such stress tests across the industry. For example, is it mandatory for an insurer to do stress testing on all material counterparties that it handles within a ORSA report, or can an insurer select a different area of focus annually (i.e. Year 1: focus on top 3 reinsurance counterparties, Year 2: bond issuers, etc)? The assessment of such material counterparties may also be subjected to individual FI's views and risk appetite. As such, an alignment and standardization of approaches across the industry would be beneficial.<br>In addition, we would like to highlight that for counterparties that are not financial institutions, there may be limited data to perform a meaningful stress test. We would like to ask if MAS' proposed guidance will cover such cases.<br><br>**Question 5. MAS seeks comments on the proposed requirement for licensed insurers to perform macroeconomic stress testing as part of the ORSA.**<br><br>We agree with the proposed requirements and have no further comments.<br><br>**Question 6. MAS seeks comments on the proposed inclusion of guidelines on the design of the macroeconomic stress tests, examples of relevant macroeconomic stress factors and welcomes suggestions on any additional guidance that should be included.**<br><br>We would like to confirm if an insurer can leverage on the existing parameters provided by MAS in the Industry Wide Stress Test (IWST), or are insurers expected to develop their own separate set of parameters. We note that MAS may phase out such IWST in future, but if may still be useful for MAS to prescribe certain |

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| | | stress factors on annual basis to facilitate comparability at the industry level and promote a greater understanding of the key macroeconomic drivers given MAS' unique role in the financial system. In the overall scheme of things, there needs to be a balance of risk and returns, for insurers to take on some risks in the pursuit of business objectives, so insurers should not be overly penalized if the results of the macroeconomic stress test highlight some vulnerabilities.<br>Also, as highlighted in the Question 3, additional stress testing may cause a strain on existing resources. We would like to propose that MAS take a phased approach and prioritize the implementation of additional stress testing requirements.<br><br>**Question 7. MAS seeks comments on the proposed requirement for licensed insurers to maintain a portfolio of unencumbered liquid assets.**<br><br>Most insurers (and in particular life insurers) already maintain a sufficiently large pool of cash and short term deposits for liquidity purposes. As such, if insurers are required to maintain a specific level and separate portfolio of unencumbered assets to meet the new requirements, there will be opportunity costs for both policyholders and shareholders. For example, if the requirement is significant as a proportion of the total assets under management, there may be an impact to the performance of the Par fund, which may lead to detrimental effects for the policyholders in terms of bonus sustainability.<br>In addition, we would like to clarify if the assets identified for the Matching Adjustment will be considered as unencumbered assets for the purposes of this new requirement, or is there a need to ringfence those and keep an additional portfolio of unencumbered assets.<br><br>**Question 8. MAS seeks comments on the proposed inclusion of guidelines for licensed insurers to establish a liquidity bucketing framework to assess their ability to meet liquidity needs under different stress horizons and welcomes suggestions on any additional guidance that should be included.**<br><br>It would be useful for MAS to provide guidance on how to treat less liquid assets in this framework, and what is considered a reasonable timeframe for liquidation (i.e. what is meant by "liquidated in a short time even under stress"). It would also benefit insurers if MAS can share some best practices in the industry, such as those in the banks. |

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| | | **Question 9. MAS seeks comments on the types of other assets that could be assessed to demonstrate the characteristics of liquid assets and be included in the secondary bucket. Please also include supporting evidence as to how the criteria described in paragraph 2.14 would have been met for such assets.**<br><br>It would be useful for MAS to share some of the best practices adopted by other financial institutions on this matter, so that smaller insurers can learn and strengthen their own frameworks.<br><br>**Question 10. MAS seeks comments on the exclusion of assets issued by financial firms from the portfolio of liquid assets due to the potential for wrong-way risks.**<br><br>We agree with the above approach and have no further comments.<br><br>**Question 11. MAS seeks comments on the proposed requirement for licensed insurers to perform liquidity stress testing as part of the ORSA.**<br><br>We agree that liquidity stress testing would be beneficial to an insurer. However, as noted in Question 3 and 6, smaller insurers will face manpower constraints. We would propose that MAS take a balanced and phased approach for all the stress testing requirements.<br>In addition, we would like to suggest that MAS allow insurers the flexibility to determine liquidity stress parameters by leveraging on existing ORSA stress parameters (e.g. macroeconomic scenarios), instead of developing separate ones.<br><br>**Question 12. MAS seeks comments on the proposed inclusion of guidelines on the examples of relevant liquidity stress factors, design of the liquidity stress tests and welcomes suggestions on any additional guidance that should be included.**<br><br>In reference to point 2.23, we would like to seek clarification on the rationale of performing a stress testing within an immediate horizon (i.e. <7 days). Although we agree that an insurer should have measures in place to ensure that immediate liquidity needs are met, stress testing on such a narrow time horizon may not be a meaningful exercise given that the liquidity situation may fluctuate significantly week-by-week and it is dependent on how |

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| | | the markets may move at a point in time. There may thus be too much uncertainty to be considered for a useful analysis to be carried out.<br>In addition, it will be helpful if MAS can provide references to help insurers set the stress levels for the prescribed factors.<br><br>**Question 13. MAS seeks comments on the proposed inclusion of guidelines relating to the nature of assets which may be used to meet liquidity needs under various time horizons during liquidity stress testing and welcomes suggestions on any additional guidance that should be included.**<br><br>We agree with the above approach and have no further comments.<br><br>**Question 14. MAS seeks comments on the factors to be considered when determining the amount of haircut to be applied on the market value of the assets during liquidity stress testing. Are there any other factors that may affect the severity of haircuts that should be included in the guidelines.**<br><br>We have no further comments on the factors to consider. However, we would like to seek MAS' guidance on how an insurer could quantify the level of haircuts (e.g. leverage on MAS Notice 133 levels?)<br><br>**Question 15. MAS seeks comments on the proposal to require licensed insurers to establish a liquidity contingency funding plan as part of the ERM framework.**<br><br>It should be noted that such contingency measures, e.g. credit lines with banks, are costly. This will increase the expenses for the Par fund and affect the returns to policyholders. There could be potential constraints on FIs providing these credit lines to insurers too. Perhaps as a start, MAS could consider focusing on systemic insurers only.<br><br>**Question 16. MAS seeks comments on the proposed guidelines relating to the key elements of a liquidity contingency funding plan and welcomes suggestions on any additional guidance that should be included.**<br><br>It would be good if MAS can share what are some of the good practices that it has observed from the industry, such as illustrating a case study for insurers to note and learn from. |

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| | | **Question 17. MAS seeks comments on the proposal to require licensed insurers to submit a liquidity risk management analysis as part of the ORSA report submission.**<br><br>We agree that a liquidity risk management analysis would be beneficial to an insurer. However, as noted in some of the questions above, this may cause a strain on existing resources. We would propose that MAS take a phased approach for the implementation of the new requirements.<br><br>**Question 18. MAS seeks comments on the proposed guidelines relating to the key elements of the liquidity risk management analysis and welcomes suggestions on any additional guidance that should be included.**<br><br>We agree with the above approach and have no further comments.<br><br>General Comments:<br>We would like to highlight that the expertise and resources required for the implementation of the revised notices may be limited at the industry level. This is on top of the resource requirements for companies to comply with RBC2 and IFRS17 too. Time and resources will be required for insurers to prepare for these requirements. A transition period of at least 12 months from the issuance of the final notices would be helpful for the industry.<br><br>**Question 19. MAS seeks comments on the proposed requirement for insurers to include establishment of limits for the allocation of assets by type of asset and credit rating in the board-approved written investment policy.**<br><br>The approach is sound and logical. However, the frequency of monitoring of these limits should be established as well.<br><br>**Question 20. MAS seeks comments on the proposed requirement for insurers to consider whether the formulation of a counterparty risk appetite statement is necessary and the factors to be taken into account.**<br><br>The approach may not be necessary, as counterparty risk appetite can be part of other broad areas such as capital, liquidity and operational risks. If such a risk appetite is required, factors to |

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| | | be taken into considerations may include credit rating and financial soundness if the counterparty is a financial sector counterparty. However, we would like MAS to provide more guidance on formulation and frequency of reporting for counterparty risk appetite if different factors need to be considered in the calculation of different sectors of counterparties.<br>In addition, for the counter party risk, we would also like to clarify if one can use net base exposure (after considering collateral)?<br><br>**Question 21. MAS seeks comments on the proposal to exclude SPRVs from the requirements under paragraphs 8 to 20 of Notice 125.**<br><br>No further comments.<br><br>**Question 22. MAS seeks comments on the proposal to exclude the requirements under paragraphs 13 and 14 of Notice 125 in respect of the part of any insurance fund established and maintained for its investment-linked policies.**<br><br>No further comments.<br><br>**Question 23. MAS seeks comments on the proposal to require insurers to disclose:**<br>**(a) quantitative and qualitative information on liquidity risk (including quantitative sources and uses of liquidity, and qualitative information on liquidity risk exposures, management strategies, policies and processes), known liquidity trends, and significant commitments, demands and reasonably foreseeable events that potentially results in material improvement or deterioration in liquidity;**<br><br>**(b) quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives; and**<br><br>**(c) corporate structure, including any material changes that have taken place during the year, and key business segments.** |

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| | | (a) We would need more clarity on the type of quantitative and qualitative information pertaining to liquidity risk that MAS is expecting. For example, is the insurer required to disclose the liquidity ratio of all the investment portfolios etc.? And what will be the frequency of disclosure? Will MAS be setting the threshold on "material" improvement or deterioration in liquidity? It may be useful for MAS to engage LIA or any relevant parties to carry out an industry-wide study on this requirement.<br><br>(b) We would suggest to begin the disclosure of investment risk information on a smaller scale initially, for e.g. with quantitative information on currency risk only. This would give insurers ample time to prepare on the risk disclosure that MAS is expecting. In addition, we would also like to know the expected frequency of such disclosure.<br><br>Can MAS share more on what kind of qualitative information on the use of derivatives for hedging investment risks that it is expecting? Would that be along the line of justifications together with quantitative supporting results?<br><br>(c) No further comments.<br><br>**Question 24. MAS seeks comments on the proposal to clarify that the technical provisions disclosure shall be presented based on material insurance business segments.**<br><br>No further comments.<br><br>**Question 25. MAS seeks comments on the proposal to require insurers to:**<br>**(a) publicly describe the formula or methodology of financial measures other than those specified in the accounting standards or MAS' legislation that are used in their disclosures; and**<br><br>**(b) provide appropriate disclaimers that such financial measures do not have a standardised definition within the relevant accounting standards and MAS' legislation and hence may not be comparable with other entities.**<br><br>(a) We would like to suggest that MAS provide guidance on the standardization of the list of formulae to be disclosed. |

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| | | (b) We would like to suggest that MAS provide guidance on the standardization of requirements so that all FIs are on the same page on the disclosures.<br><br>**Question 26. MAS seeks comments on the proposal to exclude SPRVs from the public disclosure requirements in MAS Notice 124.**<br><br>No further comments. |

Monetary Authority of Singapore