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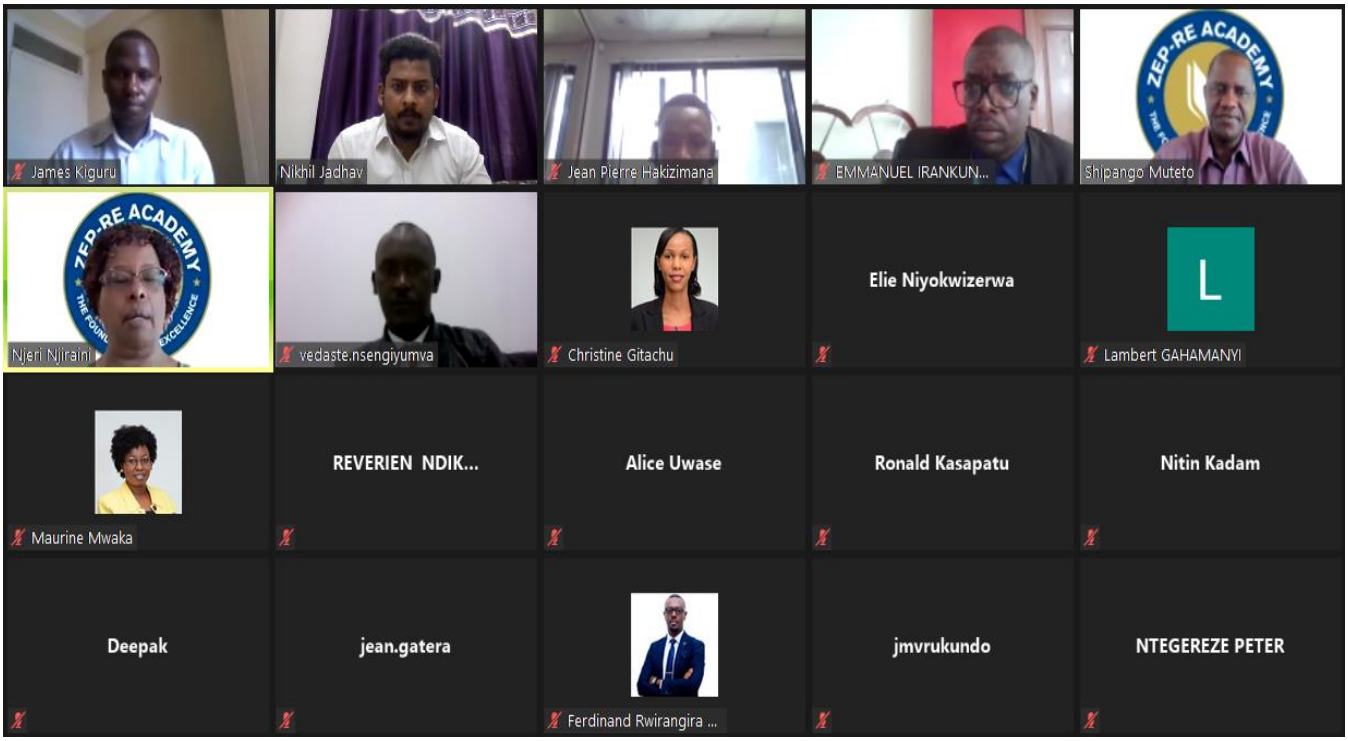
NEWS AT J.B.BODA



Training on Agriculture Insurance conducted for **ZEP-Re** between 24th to 26th Feb. 2021

PRIME STORY

MAS to revise ERM, investment and public disclosure rules for insurers

The Monetary Authority of Singapore (MAS) is proposing revisions to rules and guidelines for insurers on enterprise risk management (ERM), investments and public disclosure requirements.

The goal is to align MAS rules and regulations with the relevant updated Insurance Core Principles (ICPs) adopted by the International Association of Insurance Supervisors (IAIS) to encourage the maintenance of consistently high supervisory standards in IAIS member jurisdictions.

To this end, MAS has released a consultation paper setting out its proposals for these areas. Feedback on the proposals was due by 19 March 2021.

The proposed requirements set out in the consultation paper are designed to strengthen insurers' risk management practices, which includes the enhancement of liquidity risk. management and stress testing processes, and to help prevent insurance sector vulnerabilities and exposures from developing into systemic risks. MAS is also proposing a separate set of amendments to provide more clarity on its expectations regarding oversight and investment activities of insurers. The regulator proposes to enhance the public disclosure requirements in the areas of investment risk, company profile information, technical provisions, and non-GAAP financial measures.

ERM and concentration risk

MAS proposes to include a new requirement for an insurer to identify and address concentration risk in its enterprise risk management (ERM) framework. This is in addition to the risks currently set out in MAS guidelines such as insurance, market, credit, operational and liquidity risks. MAS has observed that many insurers already consider concentration risk as part of their identification and assessment of material risks in practice.

To facilitate insurers' assessment of their concentrated exposures, MAS proposes to include a new requirement for insurers to perform stress testing on material counterparty exposures as part of the insurers' annual Own Risk and Solvency Assessment (ORSA). MAS has observed that several insurers already perform stress testing relating to material counterparties as part of the ORSA, such as by constructing stress scenarios relating to the default or drop in reinsurance recoverables of significant reinsurance counterparties.

MAS also proposes to provide guidance on the design of such counterparty stress tests. In designing the counterparty stress scenario, insurers should use assumptions relating to the deterioration of credit-worthiness or the default of individual legal entities, industry sectors or geographic areas. An example of a material counterparty stress testing scenario would be to assume the default of an insurer's largest reinsurer (or retrocessionaire for reinsurers), or a fall in the total reinsurance recoverable on paid and unpaid claims relating to its top three reinsurance counterparties. Insurers may also assume the default of bonds and major counterparties in relevant industry sectors or geographical areas in their investment portfolio.

Investments
In the area of investments, MAS proposes to require that limits for the allocation of assets by type of asset and credit rating to be additionally established in the board-approved written investment policy.

For insurers MAS proposes to include in their board-approved investment policy a consideration whether the formulation of a counterparty risk appetite statement is necessary, taking into account the size of the insurer's counterparty exposures, both in absolute terms and relative to the insurer's portfolio, according to type of asset, credit rating, geographical area, markets, sectors, counterparties and currency, as well as the complexity and form of these exposures. Particular attention should be paid to financial sector counterparties, as these counterparties may be more likely to contribute to the build-up of systemic risk. Attention should also be paid to off-balance sheet exposures or commitments, as these may be more likely to materialise during stress.

Public disclosure requirements
MAS proposes to require licensed insurers to publicly disclose quantitative and qualitative information on investment risk, including quantitative information on currency risk, market risk, credit risk and concentration risk, and qualitative information on the management of investment risk exposures, use of derivatives for hedging investment risks and internal policies on the use of derivatives.

The current requirements are for licensed insurers to disclose information about their company profile, including the nature of their business, a general description of their key products, the external environment in which they operate, their objectives and their strategies in place to achieve these objectives.

MAS proposes to enhance the company profile disclosure by requiring disclosures on corporate structure, including any material changes that have taken place during the year, and key business segments.

In addition, MAS requires licensed insurers to disclose quantitative and qualitative information about the determination of technical provisions, which shall be presented in appropriate segments. MAS proposes to amend this requirement to clarify the policy intent that such disclosure shall be presented based on material insurance business segments as this would be more meaningful and can enhance comparability of disclosures across licensed insurers.

Source: Asia Insurance Review

NATIONAL

Reinsurance market shows red ink in FY2020

The reinsurance sector in India reported aggregate losses for the financial year ended 31 March 2020 (FY2020), compared to profits for FY2019, according to the IRDAI's "Annual Report 2019-2020" released recently.

India's only locally incorporated reinsurer GIC Re reported a net loss of INR 3,590m for the financial year ended 31 March 2020 (FY2020). This contrasted with a profit after tax of INR22,240m in FY2019.

The total loss of all foreign reinsurance branches was INR 11,150m in FY2020 as against profit after tax of INR 100m in FY2019. Out of all the foreign reinsurance branches in India, five reported a profit after tax for FY2020 while the remaining foreign reinsurance branches posted losses.

Net written premium of reinsurers increased from INR 460,590m in FY2019 to INR 542,569m in FY2020 registering a growth of 17.80% (10.69% in FY2019). Foreign branches, including Lloyd's, recorded an increase of 7.61% while GIC Re recorded 19.64% growth in net written premium.

As of 31 March 2020, the IRDAI has allowed nine foreign reinsurance branches and Lloyds to operate in India.

Source: Asia Insurance Review

GLOBAL

Some regulators studying feasibility of insurance coverage of pandemic risk

Some regulators in the GCC are reportedly assessing the impact of insurance rates if pandemic risks were insured, S&P Global Ratings says. Insurers could develop new insurance and non-insurance-related services that cover changes in lifestyles, since a larger number of people are working from home, the international credit rating agency says.

Lead analyst, raised this point in the report outlining the opportunities in the GCC insurance market. Apart from new product development, growth opportunities in the region arise from:

Greater awareness
A higher awareness of insurance products and need for protection among the population could increase the demand for medical and critical illness policies covering pandemics. Business owners could obtain business interruption policies that cover against pandemic-related risks.

Increased automation and digital distribution
The pandemic has accelerated the development of digital sales and claims processing. Automation and focus on digital sales platforms to offset social-distancing measures could ease client access in the future.

Stricter regulations
The regulators in the region have enhanced their data collection and regulatory oversight following the outbreak of COVID-19. Stricter regulations and more effective regulatory oversight could improve discipline and transparency and also identify weak insurers, which could accelerate the industry's consolidation.

Source: MEIR

Catastrophic cold wave invades Texas

A polar cold wave invaded the southern part of the United States, particularly Texas on 15 February 2021. According to the local media, the temperature reached -18°C in this American state, which is more accustomed to heat waves than to falling temperatures.

This freezing cold episode caused water and electricity cuts and claimed the lives of more than 70 people. On 21 February 2021, the temperature climbed to 15°C to return to its normal seasonal level. However, 14 million people still have difficulty accessing drinking water and more than 60,000 Texan households are still deprived of electricity.

According to the Accuweather meteorological service, the damage caused by the cold spell is estimated at 50 billion USD.

The Insurance Council of Texas, an association of Texan insurers, believes that the natural disaster could become the most expensive in Texas history for insurers.

Source: Atlas Mag

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