

SINGAPORE REINSURANCE MARKET CONTRACT CERTAINTY PROJECT MARKET BRIEFING - August 2021

OVERVIEW

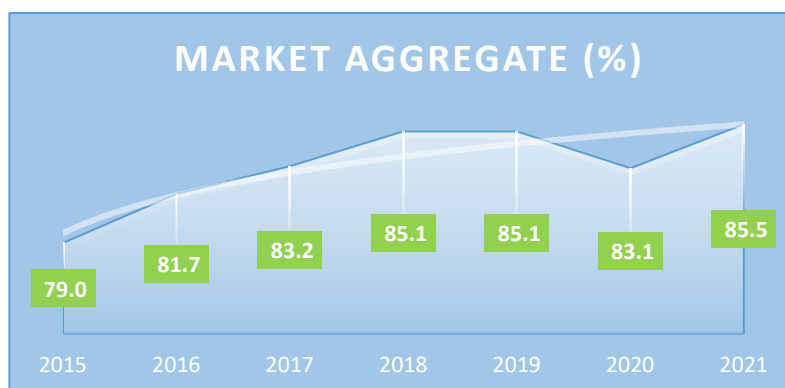
The Contract Certainty Working Group (CCWG) is pleased to publish this market report on the status of Contract Certainty in the Singapore Reinsurance Market.

With the encouragement and support from the Monetary Authority of Singapore (MAS), the reinsurance industry in Singapore has been working towards a market led solution to strengthen the levels of contract certainty in reinsurance contracts since 2011. Five industry bodies, namely the General Insurance Association, the Reinsurance Brokers' Association of Singapore, the Singapore Reinsurers' Association, the Life Insurance Association and Lloyd's Asia came together to form the Contract Certainty Working Group (CCWG), an advisory body made up of volunteers. The CCWG guides the market associations and Lloyd's Asia in enabling the Singapore reinsurance market to find its own solution to achieving high levels of contract certainty and to help reinsurance buyers to comply better with MAS' existing risk management guidelines.

This briefing provides an update on the progress made by the market and the status as at 30th April 2021. The contract certainty project includes within its scope, all reinsurances bought, written, and intermediated in Singapore by entities that are regulated by the MAS. The percentage of both the Singapore and Offshore contracts meeting this condition is measured by the "Market Aggregate percentage". The aspiration target for the Market Aggregate percentage is for at least 85% of all reinsurance contracts to meet the contract certainty criteria laid out by CCWG. Given the fluctuation in the monthly Market Aggregate percentages due to the wide variations in the number of reinsurance contracts placed and renewed in different months, which the CCWG has been monitoring since 2013, the moving averages over a twelve-month period gives a more consistent measure of the market's performance. The CCWG is pleased to report that due to the consistent efforts and hard work of all the entities in the industry and the regular training and education facilitated by the CCWG, the market aggregate has held steady at the level of 85% since June 2018, barring a slight dip in performance during the early months of the Covid-19 pandemic, due to the abrupt changes forced on the market, in particular the entire industry around the world switching to working from home.

PROGRESS UPDATE

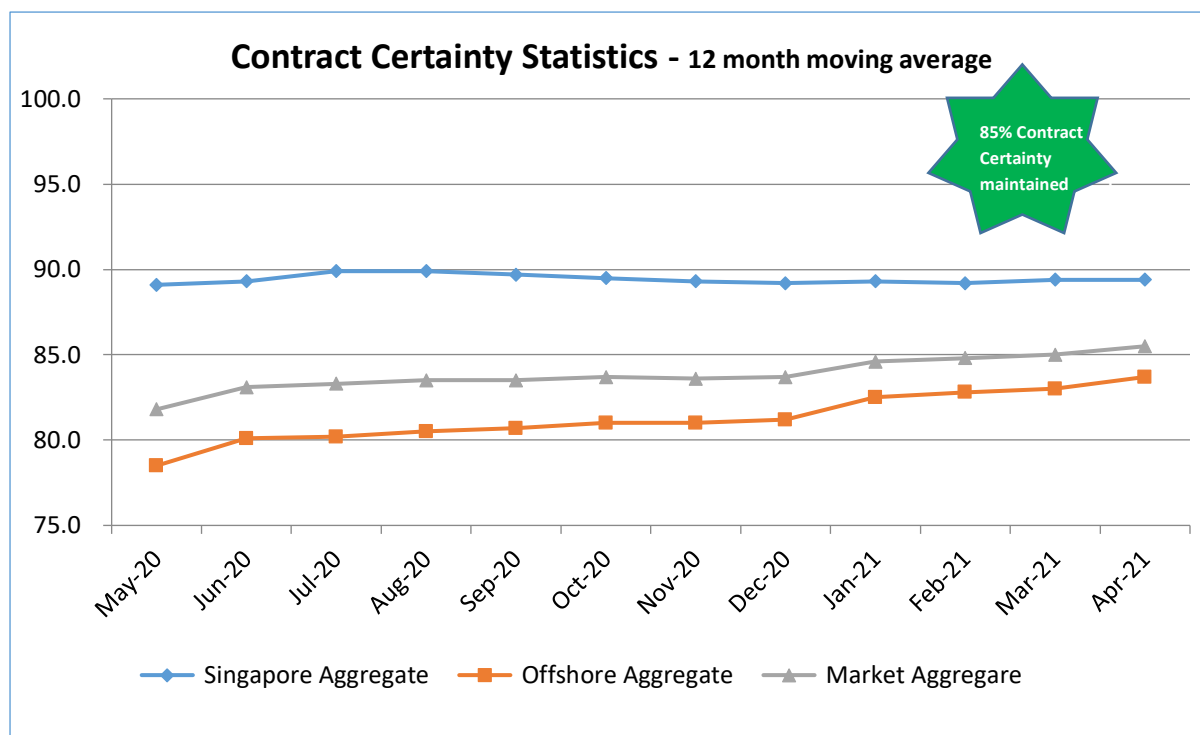
CONTRACT CERTAINTY ACHIEVEMENT RATE – Market Aggregate since 2015



Singapore reinsureds are obliged under the MAS Guidelines on Risk Management Practices for Insurance Business to achieve contract certainty of their reinsurance programmes. The performance of the contracts of Singapore-based reinsureds has consistently been well above 85% certainty levels, even crossing 90% in many months. Expectation from this market segment would naturally be higher than

from the offshore segment. The reinsurance contracts purchased by the Singapore reinsureds are expected to continue demonstrating healthy levels of contract certainty in the future.

As far as the contracts of the offshore reinsureds are concerned, the challenges have been the lack of consistency and completeness of the contract documents. This could be the result of a lack of clearly articulated standards on contract certainty within the regulatory framework in the countries within this region. However, the performance in this segment too, has been showing a slow but steady improvement.



CONTRACT CERTAINTY REPORTING RATE

Approximately 95% of the market regularly report on their contract certainty performance on a monthly basis

Market reporting is consistently at around 95%. The CCWG believe this percentage could be higher if the market constituents improve processes around succession planning, specifically with regard to handing over of reporting responsibilities when there is a change in personnel.

PERFORMANCE ISSUES AND CONCERNS

The two main causes of contract certainty failure continue to be lack of reference to an underlying policy (for facultative placements) and failure to fully clause subjectivities.

Some generic measures that can be taken to improve contract certainty performance would be to promote a stronger risk culture; increase senior management focus; and provide regular and enhanced training to underwriters and brokers.

Generally, the treaty market with its slip wordings and longer lead period to inception enables risks to be more contract certain than the facultative risks. There is also a concern over the consistency of the reporting of facultative contracts.

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