

Singapore Reinsurance Market Contract Certainty Project

Market Briefing September 2014

Background

The goal of the Singapore Reinsurance Market Contract Certainty Project is to embed within the Singapore reinsurance community a self-disciplined and consistent approach to achieving contract certainty, centred on an agreed definition and principles. To give focus to the implementation phase of the project, the project sponsors have agreed with Monetary Authority of Singapore [MAS] that by December 2014, at least 85% of all reinsurance contracts which are either purchased, intermediated or reinsured by MAS regulated entities will be contract certain, according to the definition and principles agreed by the market.

This briefing is intended to give an update on the progress that the market has made toward this goal.

Summary

Since the last market briefing in [April](#), the performance of the market with the contract certainty project has continued to improve.

1. The market aggregate contract certainty performance for June contracts was 73.3%.
2. However, the current rate of improvement is not sufficient to achieve the 85% market target by end of December 2014. Individual companies, with the support of their respective market associations, must increase their focus on this objective, particularly senior management oversight, and also allocating the necessary resources.
3. 83% of the market reported contract certainty performance statistics for June. The Contract Certainty Working Group still believes that achieving reporting levels consistently over 95% is important for the credibility of the initiative and to demonstrate robust statistics. We believe this is achievable, because 95% of companies in the scope of this project have reported statistics at least once. [Note: even for months in which no inward or outward reinsurance transacted by a company, it should still submit a 'nil return' through the portal].
4. If there is not a step change in performance, then the market is inviting the potential for regulatory intervention and also risks undermining its credibility as a global reinsurance hub.

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Contract Certainty Statistics

The contract certainty performance on reporting statistics are set out in the table below:

Reporting As		Reinsurance Type	May	June	July	August	September	October	November	December	January	February	March	April	May	June	
Reinsured Location	Singapore	Broker	Treaty	NA	0.0%	40.0%	33.3%	25.0%	NA	NA	NA	49.6%	100.0%	50.0%	11.4%	NA	0.0%
			Facultative	45.0%	13.6%	55.6%	85.1%	20.0%	54.8%	81.5%	75.5%	76.3%	82.6%	52.6%	60.0%	60.5%	50.5%
		Reinsured	Treaty	17.3%	36.4%	28.6%	72.0%	63.6%	94.1%	66.7%	85.5%	88.5%	92.9%	33.3%	99.5%	65.2%	38.8%
			Facultative	36.8%	51.6%	48.7%	58.0%	38.9%	72.5%	61.7%	73.3%	76.8%	72.4%	79.4%	76.3%	88.1%	89.4%
	Reinsurer	Treaty	0.0%	60.0%	100.0%	42.9%	16.7%	0.0%	50.0%	50.0%	59.1%	66.7%	91.7%	81.7%	58.3%	100.0%	
		Facultative	57.6%	60.7%	57.7%	60.0%	14.3%	76.0%	73.9%	76.6%	67.6%	65.9%	79.4%	65.6%	68.8%	72.5%	
	Offshore	Broker	Treaty	68.8%	30.8%	46.9%	68.8%	37.5%	66.7%	40.0%	55.6%	62.4%	90.0%	96.2%	72.8%	65.4%	50.0%
			Facultative	66.9%	80.3%	71.2%	48.8%	67.0%	70.9%	86.3%	74.6%	68.7%	53.4%	69.5%	72.9%	65.4%	72.0%
		Reinsurer	Treaty	60.0%	56.5%	73.7%	70.6%	73.7%	44.3%	62.5%	83.3%	64.9%	75.6%	75.4%	68.8%	69.7%	54.6%
			Facultative	50.9%	62.3%	64.6%	61.4%	66.1%	63.7%	70.2%	64.3%	66.0%	68.9%	64.6%	63.8%	70.2%	70.3%
Market Aggregate			49.3%	60.5%	60.4%	59.3%	61.9%	67.4%	70.5%	70.3%	68.5%	68.1%	70.6%	69.9%	73.1%	73.3%	
Reporting Entities			96	103	96	107	101	108	108	112	113	112	113	109	116	114	
Registered Entities			106	115	118	125	128	129	129	132	133	133	133	134	135	136	
Number in Scope			130	130	130	130	130	135	135	137	137	137	137	138	138	138	
Percentage Reporting			74%	79%	74%	82%	78%	80%	80%	82%	82%	82%	82%	79%	84%	83%	

Implications of Failing to Meet December 2014 Milestone

Singapore Regulated Reinsurance Buyers

As early as Nov 2007, MAS has set an expectation that entities regulated by them are to ensure that the reinsurance arrangements they put in place are contract certain, as set out in The Guidelines on Risk Management Practices for Insurance Business. In June 2010, the MAS issued a consultation paper on the proposed framework for reinsurance management. In the paper, it was stated that MAS observed several unsatisfactory practices including lack of or incomplete documentation of outward reinsurance arrangements and late finalisation and signing of reinsurance contracts by the contracting parties after inception of risk.. As a result, the MAS strongly supported the formation of the CCWG to facilitate the achievement of this objective as a market-driven initiative.

The current trajectory of the Contract Certainty results risks inviting a more prescriptive and intrusive approach to this legitimate and important regulatory objective.

Singapore Regulated Reinsurers & Reinsurance Brokers

There are two areas of focus for these players:

- i) To support Singapore based reinsurance buyers in achieving contract certainty, in support of their risk management objectives.

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- ii) To adopt contract certainty best practices to demonstrate that Singapore can have equivalent standards as that expected of a global reinsurance hub. This will help Singapore achieve a world-class contract certain reinsurance supply environment.

Workshops

We have noted that companies seeking to improve their contract certainty performance often seek contract certainty briefings for their staff to ensure a common baseline understanding on which to build their own implementation efforts. Given the impending December 2014 milestone and the potential demand for training, the Working Group has coordinated with the Singapore College of Insurance (SCI) to hold Contract Certainty Workshops open to the market which are intended to help practitioners overcome the challenges they face in the successfully implementing Contract Certainty practices in their business.

These workshops are scheduled to be held on 19 September, 10 October and 31 October of 2014. Details have been posted up on the Contract Certainty Portal.

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