

## **Contract Certainty FAQs**

Edited 09.04.14

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## Contract Certainty FAQs

Edited 09.04.14

### FAQs relating to When Entering into the Contract

1. **Q:** “or Reinsured’s firm order to bind, whichever is later” Is this referring to the date the reinsured company decides to buy a cover at the quoted terms? In other words on a brokered placement the point at which the reinsured company provides written instruction to place on specified terms.

**A:** Yes

### FAQ relating to Demonstration of Performance

2. **Q:** Inter-Group reinsurance transactions (with sister companies & Head Office), and placements done by e-mail citing material information only without the necessity of full reinsurance slip and signature due to it being between companies in the same group. Can such inter-group reinsurance transactions be exempted from contract certainty?

**A:** Reinsurance arrangements placed within the group or outside of the group should also be subjected to the contract certainty guidelines. Such arrangements are to be included in reporting through the contract certainty portal. MAS may conduct periodic checks to ensure that companies are adhering to the contract certainty guidelines and principles.

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<p style="text-align: center;"><b>FAQs relating to:</b> <b>After Entering into the Contract</b></p>
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3. **Q:** Must the slip be signed by the required parties – Reinsured Company and Reinsurer; and signed by the reinsurer (1) before the inception of risk or (2) after; but, within the 30 days?

**A:** The slip or any other document detailing the reinsurance offer must be signed by the reinsurer prior to inception of reinsurance and the acceptance (firm order) must be given prior to the inception of reinsurance or at the time of binding reinsurance. Assuming a signature is required on the Slip or any other document from the Reinsured, such signature on the document must be received by the reinsurer, within 30 days of reinsurance commencing for the contract to be certain.

4. **Q:** Is it a requirement from 1<sup>st</sup> May 2013 for the Reinsured to sign the facultative reinsurance (Fac RI) slip?

**A:** With effect from 1<sup>st</sup> May 2013, in order to achieve contract certainty, an MAS-registered company who is reinsured needs to sign the Reinsurance Slip on any reinsurance contract they enter into with a reinsurer.

If the reinsured company is not MAS-registered, the need for a reinsured company's signature on the Reinsurance Slip will be determined by the broker and/or reinsurer.

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Edited 09.04.14

<p style="text-align: center;"><b>FAQs relating to Reinsured's Signing Page</b></p>
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5. **Q:** Are all parties to the reinsurance contract required to sign the contract documentation and signing takes place within the 30 days from inception?

**A:** Yes. If a Singapore reinsured company is involved, both the reinsurer and the reinsured company have to sign the contract documentation.

6. **Q:** Will electronic signatures be accepted?

**A:** Electronic signatures are accepted subject to them being acceptable in the jurisdiction that is applicable to the reinsurance contract.

7. **Q:** Do I need to get all my reinsurance contracts countersigned by the reinsured?

**A:** It is considered prudent risk management to get all contracts countersigned by both parties to the contract. However, when counting your contracts for contract certainty, it is not necessary to have the contract signed by the reinsured unless the Reinsured reinsured is Singapore based, in which case the contract must be signed by both parties within 30 days of the inception of the risk by the reinsurer or the date of binding whichever is later.

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Edited 09.04.14

### FAQs relating to Contract Administration

8. **Q:** Facultative reinsurance placements are sometimes done using e-mail citing material information (without full Reinsurance Slip & signature) and especially for straightforward renewal cases. Would this be considered contract certain?
- A:** Yes, it is contract certain provided offer and acceptance have been achieved and the contract is deemed certain by each of the two contracting parties – Reinsured and Reinsurer (in line with their checklist).
- Documentation signed by the Reinsurer will need to be provided within the 30-day period following commencement of reinsurance.
9. **Q:** We may receive Facultative Reinsurance closings from Singapore-based reinsured companies after 30 days from inception, especially during peak renewal period. Can we consider making some allowance for such delays which are beyond our control?
- A:** Singapore-based insurers and reinsurers will also be working towards contract certainty, and as a result they will be looking to complete their documentation within 30 days. As stated in the insurance industry market briefing there are considerable benefits arising from contract certainty, one of which is that your counter party will be working to the same timescale as yourself.
- A reinsurance closing from a reinsured company is not a contract. It is part of reinsurance accounting documentation.
- The 30-day period for documentation to be lodged between the contracting parties commences from date of inception or at the time of binding the reinsurance. There are no exceptions to the 30 days documentation period.
10. **Q:** Facultative reinsurance closings from offshore reinsured companies will definitely take longer than 30 days, There should be differentiation between Singapore and offshore contracting entities and a longer timeline be envisaged for such transactions.
- A:** A reinsurance closing is no more than an accounting document and it should not affect contract certainty (but it could be designed to).
- Whilst onshore contracts require a signature from both counter parties, this is not a requirement for offshore companies. As a result, CCWG believes 30 days is achievable.

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Edited 30.07.2013

### **FAQs relating to Contract Administration (continued)**

11. **Q:** It takes time for reinsured companies to document the policy and generate the policy number for both new and renewal cases. So the actual policy number will not be available at the time of reinsurance placement which is done before risk inception. Practically, documentation is done after risk inception.

For renewals, we trust it will be acceptable if we indicate under Policy Reference as “Renewal of expiring policy no XXX” as it will satisfy the checkpoints that are highlighted for contract certainty.

**A:** Contract certainty compliance relates to the reinsurance placement and documentation for a particular risk. Although the insurance policy may not have been issued the reinsurance placement must be done and the terms and conditions of reinsurance must be noted and documented.

In the reinsurance contract, reference will be made to the original insurance policy wording which must be clearly identified and referenced in the reinsurance placement. Documentation must be issued, signed and lodged with the contracting parties Reinsured Company and Reinsurer, within 30 days of the reinsurance being in effect.

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### FAQs relating to Contract Administration (continued)

12. **Q:** We are currently exploring our system landscape to build in contract certainty requirements. Would a tick box YES/NO be sufficient which indicates that contract certainty before/on inception date is reached (Administration staff to confirm that all criteria are fulfilled to be contract certain (a) and another tick box YES/NO that complete documentation was signed and sent/received within the 30 days (b)?

Can all related attachments (emails, files, follow-up notes) be stored centrally in a share drive? We are exploring a link to the system as well. Would that be audit proof?

**A:** We believe a tick box YES/NO would satisfy requirements internally as long as you are able to reconcile the response to the file concerned.

However, in the event a contract is not certain, it is important to rectify the situation as quickly as possible and to record the reason why it was not contract certain. You will then be able to determine if there is a common cause to failure and if so take steps to remedy it.

13. **Q:** Is there a complete checklist needed for retrocession business? How about fronting business?

**A:** Whether a risk is a retrocession or a fronting arrangement, it will still be considered a reinsurance contract. The checklist for contract certainty can be amended to suit individual circumstances. The checklist is to provide guidance and to try and produce a level of consistency with regard to contract certain risks. It is not definitive and can be rationalised to meet individual entities' requirements.

14. **Q:** We received a copy of the circulated checklist. Does it mean that if we answer "NO" to an item in the checklist, the contract is not certain?

**A:** The checklist contains identified areas that could, if not verified, possibly lead to disputes. We recommend the use of the checklist for each contract but it is not mandatory. You can vary the checklist according to the type of client, class of business or the needs of your particular organisation.

MAS will adopt the Contract Certainty Working Group guidelines as the best practice and will conduct audits in accordance with the guidelines. A "NO" response would suggest that the contract is not certain. You may consider a "NA-Not Applicable" answer to be more appropriate.

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**FAQs relating to Contract  
Certainty Checklist Risk  
Details**

**-Wordings and all clauses attached/referenced in submission**

15. **Q: Facultative Reinsurance** – (Requirement on Wordings/clause certainty) Is reference to policy number sufficient for contract certainty? Or must we provide/obtain full wordings for each case?

**A:** Reference to a policy number is sufficient for contract certainty, assuming that in the event of a claim the policy wording can be produced and both reinsurance contracting parties to the claim have common terms of reference which determine whether there is a claim or not under the policy. Coverage under the policy wording may be disputed, but at least there is a policy wording which can be reviewed by either party to the reinsurance contract. If there is no policy number but you propose to use your standard fire policy, then this can be referenced by the print run at the bottom i.e Tenet Sampo fire policy 2012/02.

**FAQs relating to Contract  
Certainty Checklist Security  
Details  
-Signing Provisions**

16. **Q:** Facultative Reinsurance – (Requirement on Signature by Reinsured Companies/reinsurers and documentation within 30 days) Does this still apply if reinsured companies/reinsurers are located overseas and not under MAS regulation?

**A:** Reinsured companies/ reinsurers that are located overseas are not under MAS regulation. However if these overseas entities have reinsurance treaties or facultative reinsurance with or through a Singapore-based reinsurance entity, the requirement for signature on reinsurance documentation will apply. The 30-day period for documentation to be lodged with all contracting parties remains.

## Contract Certainty FAQs

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### **FAQs relating to Contract Certainty Portal Reporting**

17. **Q:** I am a branch office of an insurance company. I do not accept reinsurance and my outwards protections are arranged by my head office overseas. Do I need to register for Contract Certainty?

**A:** As an entity licensed by the MAS, you should register for Contract Certainty and report all reinsurance protections to the portal. The MAS' Guidelines on Risks Management Practices for Insurance Business (March 2013) does not differentiate between reinsurance protections arranged locally or those managed overseas covering a Singapore branch office. It is important that you understand the parameters of your reinsurance protection and we believe it would be prudent to sign off to this effect,

18. **Q:** I am a branch office or a subsidiary of an overseas insurance company. My reinsurance is part of a global programme and arranged overseas. Do I need to count these for Contract Certainty?

**A:** Regardless whether reinsurance is arranged by the entity in Singapore or overseas, it should be aware of the parameters of its reinsurance protection. We believe that requiring companies to include these contracts in the monthly reports would impress this upon them. MAS' Guidelines on Risks Management Practices for Insurance Business (March 2013) does not differentiate between reinsurance protections arranged locally or those managed overseas covering a Singapore branch office.

19. **Q:** Reporting – is this done by reinsurance placement inception date basis?

**A:** Yes – Those reinsurance placements incepting from May 2013 will be subject to contract certainty reporting.

20. **Q:** In the new portal for monthly reporting two measures [(a)+(b)] have to be reported per Type of Business and with number of Risks. Can we assume per Risk for the business means just for total Treaty and total Facultative Business? Who is responsible for that portal? MAS?

**A:** Contracts are reported separately depending on whether they are treaty or facultative. Each slip is a separate contract.

CCWG has contracted with Singapore College of Insurance (SCI) to manage the portal.

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21. Q: Reporting will start 1 May 2013 onwards. Which month do we have to report for (a) and (b)? ie do we report in July for risk incepted in May or June (slip & wordings)? And how about all documents signed 30 days after inception in June (that may only be available after the July reporting deadline passed)?

a) contract certain at time risk is bound (on or before inception): ie when we sign the binding slip with wordings

b) documentation within 30 days (all parties signed) after inception

A: Contract Certainty commences for reinsurance contracts incepting in May 2013. However, in order to achieve contract certainty the contract must be certain at inception or the time of binding reinsurance and documentation must be issued within 30 days. If either aspect is not met, the contract fails contract certainty.

As a result you will not be able to report on a reinsurance contract bound on 31st May until 30th June (30 days later). Therefore the reporting period for all May risks will be July.

If reinsurers do not have to provide documentation then they can answer yes to the documentation within 30 days section.

You only respond once to the portal for reinsurance contracts. There is no requirement to amend a negative entry once it becomes contract certain next month.

Endorsements need to be contract certain but they will not be measured.

Both parties are required to sign the document within 30 days if the reinsured company is regulated by MAS.

22. Q: When does the portal close for reporting?

A: The portal will allow you to alter your returns for the month concerned, but you will not be able to make any amendments once the month has passed.

23. Q: Does cession from a MAS regulated insurer to a non MAS regulated entity (i.e. captive or offshore reinsurer) fall within the scope of this reporting?

A: Yes. The reinsured should have a copy of the contract documentation, signed by both the reinsurer and the reinsured, with a clear understanding of the terms and conditions of the contract being entered into.

## Contract Certainty FAQs

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### **FAQs relating to Contract Certainty Portal Reporting (continued)**

24. Q. Contract certainty compliance requirements commences for reinsurance contracts incepting in May 2013. Does this mean a risk incepting on 29 May but only bound for reinsurance on 10 June will still have to be reported in July?

A: Contract certainty commences at the time the reinsurance contract is documented and signed. Hence a risk incepting on 29<sup>th</sup> May but only bound for reinsurance on 10<sup>th</sup> June will be regarded as a June risk and reported in the month of August.

25. Q: What are the numbers that we need to report?

When does the reporting begin?

Is the information confidential?

What will be circulated?

A: The portal will report separately for treaty and facultative contracts for the following 3 categories of transactors:-

1. Reinsured companies
2. Reinsurers
3. Reinsurance Brokers

An organisation can be a reinsured company in one contract and a reinsurer in another contract. Such transactions have to be reported separately. The reporting begins in July 2013 in respect of May 2013 contracts.

The above categories enable each organisation to bench mark their performance against their peers, but individual returns will be confidential.

In addition, there will be an overall report for the whole market.

26. Q: We may not be able to submit our report by the proposed date as we need more time to allocate resources to this project.

A: We have tried to provide a reasonable lead time into this project and believe that the reporting process should not create undue difficulties.

27. Q: Do we count by reinsurance risk, or by per reinsurer? (e.g 1 insurance policy with 3 facultative reinsurers – we count as three reinsurance contracts?)

A: If you have one risk with three slips and a reinsurer on each slip, that will be three contracts. If you have one risk with three reinsurers subscribing to one slip, that will be one contract.

## Contract Certainty FAQs

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### **FAQs relating to Contract Certainty Portal Reporting (continued)**

28. **Q:** Does contract certainty cover reinsurance contracts outside Singapore?  
**A:** Yes. This applies to reinsurance contracts either entered into by an MAS-regulated insurer or reinsurer or, or arranged through an MAS-regulated intermediary.
29. **Q:** We are concerned that our current reinsurance contracts are not certain as per the Singapore definition. Will we be penalised for this?  
**A:** It is recognized that initially many reinsurance contracts will not be deemed certain.  
We are starting down a road which leads to 85% of all contracts being certain by December 2014. We are not too concerned by the results in the early months as long as an improvement can be demonstrated as we move towards December 2014. It is important that you log your failure to achieve Contract Certainty so that you can identify areas of weakness and take steps to rectify the situation.
30. **Q:** What actions will be taken if we do not achieve the 85% target?  
**A:** MAS will discuss your contract certainty performance during their audits. We understand that you will not achieve 85% immediately but will make progress towards this target of 85% by December 2014.
31. **Q:** Is it compulsory for us to participate in the project?  
**A:** If you are an MAS regulated entity, you will be expected to provide a monthly result to the reporting portal.
32. **Q:** Do I have to give reasons for not achieving contract certainty?  
**A:** You will be expected to provide reasons for not achieving contract certainty. It is anticipated that those reasons may identify some difficulties in the process that can be modified.

## Contract Certainty FAQs

Edited 30.07.2013

**FAQs relating to  
Contract Certainty Portal  
Reporting  
(continued)**

- 33. Q:** We have many small reinsurance contracts that are currently not contract certain. Do you have any recommendations as to how we should handle these arrangements?

**A:** You can consider an over-arching agreement with your reinsurer which would contain all the terms and conditions for all the submissions which would attach to the over-arching agreement. As the over-arching agreement is contract certain, all the attachments there would be contract certain as well.

You would only need to count the main contract once as all the submissions would be deemed part of the main contract. If you are a Singapore reinsured, both parties should sign the over-arching agreement as well as each individual submission.

- 34. Q:** I am not a member of any of the associations that make up the Contract Certainty Working Group. Will I incur any costs from Contract Certainty?

**A:** It is recognised that there will be internal restructuring costs to a greater or lesser extent for all Singapore licensed entities involved in contract certainty. The associations have agreed to accept the majority of the costs associated with contract certainty. But it was felt equitable that those that did not contribute to these costs by way of membership fees should make a contribution which will be a one off charge of a \$100.00.

## Contract Certainty FAQs

Edited 30.07.2013

<p style="text-align: center;"><b>FAQs relating to Contract Certainty Portal Reporting – Retrocession Contracts</b></p>
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35. **Q:** “Retrocession contracts need to be included” In the event of reinsurance companies buying reinsurance. Does the company need to report compliance for both inwards and outwards contracts?  
**A:** Yes, Contract Certainty applies to all reinsurance contracts with effect of or after 1<sup>st</sup> May 2013.
36. **Q:** We are involved in global placements which can involve both inwards and outwards reinsurance. Do we need to count these arrangements for Contract Certainty?  
**A:** Yes, Contract Certainty applies to all reinsurance contracts with effect of or after 1<sup>st</sup> May 2013.
37. **Q:** Do we report in the portal section for “Contracts of Reinsureds Based in Singapore” for outwards (retrocession) that incepts in a given month bearing in mind in those cases the reinsured is a reinsurance company based in Singapore?  
**A:** Yes