

## Glossary

### **Old Framework (applicable for year 2004 and before):**

- Insurance Regulations (cancelled with effect from 23 Aug 2004)
- Insurance (Accounts and Statements) Regulations (cancelled with effect from 23 Aug 2004)

### **New Framework (applicable from 2005 onwards):**

- Insurance (Valuation and Capital) Regulations 2004
- Insurance (Accounts and Statements) Regulations 2004

Unless otherwise specified, the definitions of terms used in the Insurance Report are the equivalent to that in the Valuation and Capital Regulations 2004 and Accounts and Statement Regulations 2004.

<b>Term</b>	<b>Derivation</b>
<b>Annual Payments</b>	Amounts payable per year by an annuity policy.
<b>Assets</b>	<p>For all insurers, the new framework requires assets to be reported at fair value whereas the old framework requires assets to be reported using the “lower of cost or market value” rule.</p> <p>In addition, the concept of admitted assets is no longer applicable under the new framework. To account for this, the asset figures under the new framework are compared against the aggregate of total assets under the old framework for the purpose of the Insurance Report. As a result, the total assets figures for 2004 and earlier would not tally with previous years’ Insurance Report admitted assets figures.</p>
<b>Benefit Payments</b>	<p>Benefit Payments consists of death, maturity, surrender, cash dividends, annuity and other payments where:</p> <ul style="list-style-type: none"><li>• Death payments include payments of total and permanent disability and critical illness;</li><li>• Maturity payments include advance payment of maturity values under anticipated endowment policies; and</li><li>• Surrender payments include surrenders of bonus.</li></ul>
<b>Claim Liabilities</b>	Amount not less than the sum of the value of expected future payments in relation to all claims incurred prior to the valuation date (other than payments which have fallen due for payment before valuation date), whether or not they have been reported to the insurer, including any expense expected to be incurred in settling those claims and any provision for adverse deviation from the expected experience calculated based on the 75 percent level of sufficiency.

Term	Derivation
<b>Distribution Expenses</b>	Sum of net commissions incurred and other distribution expenses. Other distribution expenses include agency allowance and profit commissions.
<b>Earned Premiums</b>	Net premiums plus any increase or decrease, as the case may be, in the premium liabilities during the period.
<b>Gross Premiums</b>	<p>For 2005 figures onwards, SIF and OIF gross premiums in respect of general business for each type of insurers is derived from gross premiums in respect of direct business and total reinsurance business accepted.</p> <p>This is a revision from the approach taken in earlier years' Insurance Reports whereby gross premiums of each type of insurers excluded reinsurance accepted in or ceded in Singapore to minimise double counting of gross premiums written in Singapore.</p> <p>The earlier years' gross premiums have been recomputed in this year's Insurance Report to align with the new approach.</p>
<b>Incurred Loss Ratio</b>	Ratio of net claims incurred over earned premiums.
<b>Net Claims Incurred</b>	Net claims settled plus any increase or decrease, as the case may be, in the claims liabilities during the period.
<b>Net Investment Income</b>	<p>Under the new framework, the net investment income for all insurers is determined by subtracting investment expenses from the interest, dividend and rental income, taking into account both the realised and unrealised gains/losses from investments.</p> <p>Under the old framework and forms, net investment income figures in 2004 and earlier do not include realised and unrealised gains/losses from investments.</p> <p>To facilitate comparison, the earlier years' net investment income has been recomputed in this year's Insurance Report to include realised gains/losses.</p>
<b>Net Premiums</b>	Net amount of premiums after deduction of return premiums and payments in respect of reinsurance business ceded.
<b>Operating Profit/Loss</b>	Underwriting profit/loss after including net investment income.
<b>Persistency of policies</b>	Percentage of the business that remains inforce since issuance. Business lapses is based on annualised premiums during the year for the aggregate of whole life and endowment policies. This applies to individual life business only.

Term	Derivation
<b>Policy liabilities</b>	<p>For life insurers, the new framework requires life policy liabilities to be valued using a discounted prospective cash flows method adopting best estimate assumptions with explicit allowances for uncertainties. Policy liabilities under the new framework are based on figures reported in the fund balance sheets.</p> <p>In contrast, the old framework requires life policy liabilities to be reported using the net premium valuation method adopting prescriptive valuation assumptions. Policy liabilities under the old framework are based on total net liabilities figures reflected in the valuation result and distribution of surplus form.</p> <p>For general insurers, the policy liabilities are the aggregate of premium liabilities and claims liabilities.</p>
<b>Premium Liabilities</b>	Amount that is not less than the higher of unearned premium reserve and the unexpired risk reserves of the fund.
<b>Reinsurance Ceded</b>	Premiums paid or payable on reinsurance ceded during the period. It includes portfolio premiums in respect of ceded business.
<b>Retention Ratio</b>	Ratio of net premiums over gross premiums.
<b>Surplus</b>	<p>Surplus is defined as total assets net of total liabilities.</p> <p>For life insurers, the balance of revenue figures in 2004 and earlier years are not comparable to the surplus figures for 2005 and beyond due to the changes to the valuation approach for assets and liabilities. In addition, the surplus for participating funds under the new framework only reflects allocations to the shareholders of the company whereas surplus under the old framework would include both allocations to shareholders and policyholders.</p>
<b>Underwriting Profit/Loss</b>	Earned premiums less net claims incurred, management expenses, net commissions incurred and other distribution expenses.