

Financial Reporting Developments

in

Malaysia & Singapore

22 June 2006

Agenda

- Malaysia
 - Risk Based Capital
 - IFRS 39 / FRS 139
 - IFRS 4 / FRS 104
 - FRS 107
- Corresponding developments in Singapore

Risk Based Capital - Timeline

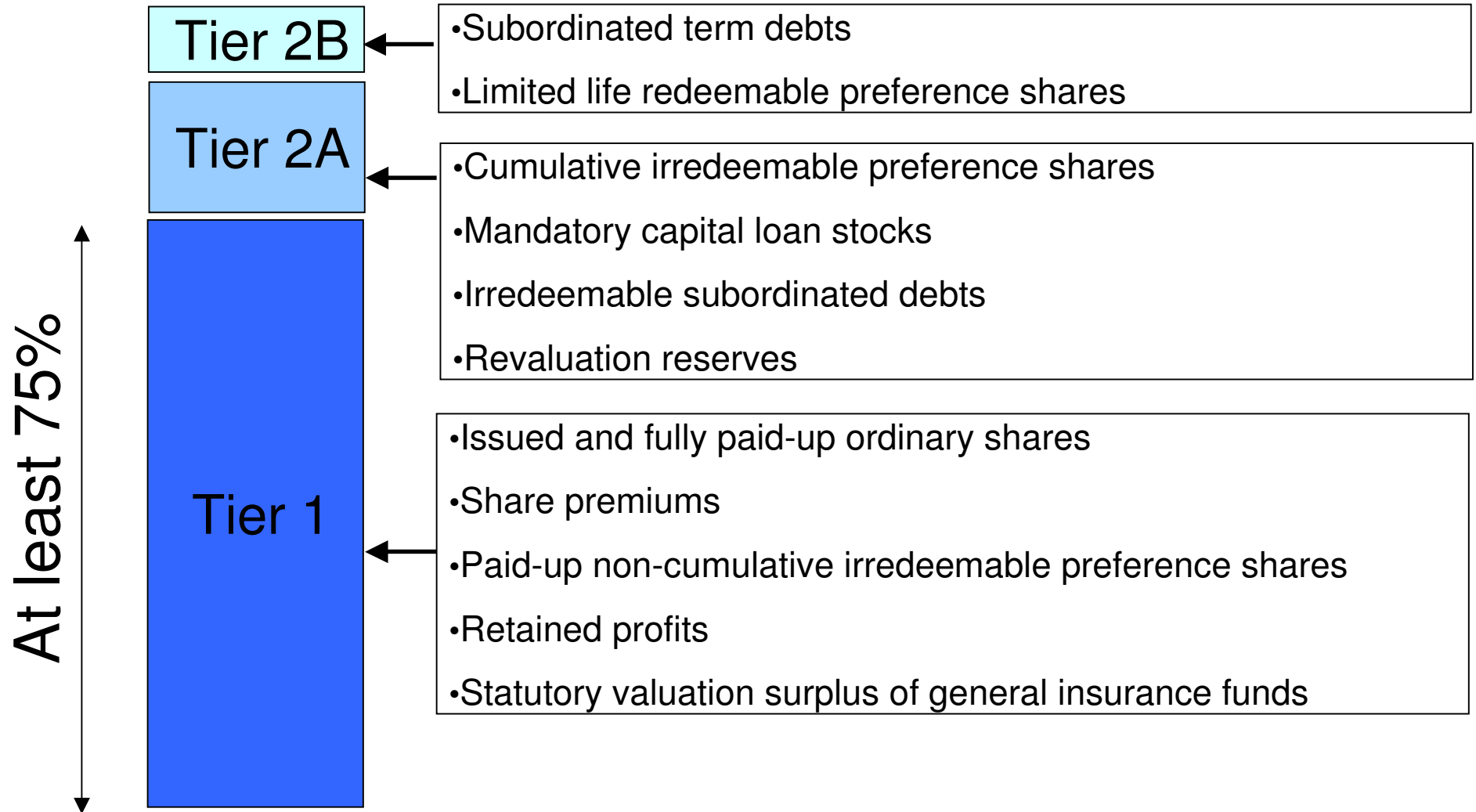
- **Malaysia**
 - Target implementation date: 1 Jan 2008
 - Parallel run in year 2007

Capital Adequacy Ratio (CAR)

- Solvency of insurance company is measured by CAR
- $$CAR = \frac{\text{Total Capital Fund Available (TCFA)}}{\text{Total Capital required (TCR)}} \times 100\%$$
- CAR must be > RBC level
- RBC level = (100 + a + b + c)%
- a = common risks (e.g. operational risks)
- b = company specific risks
- c = loading for margin

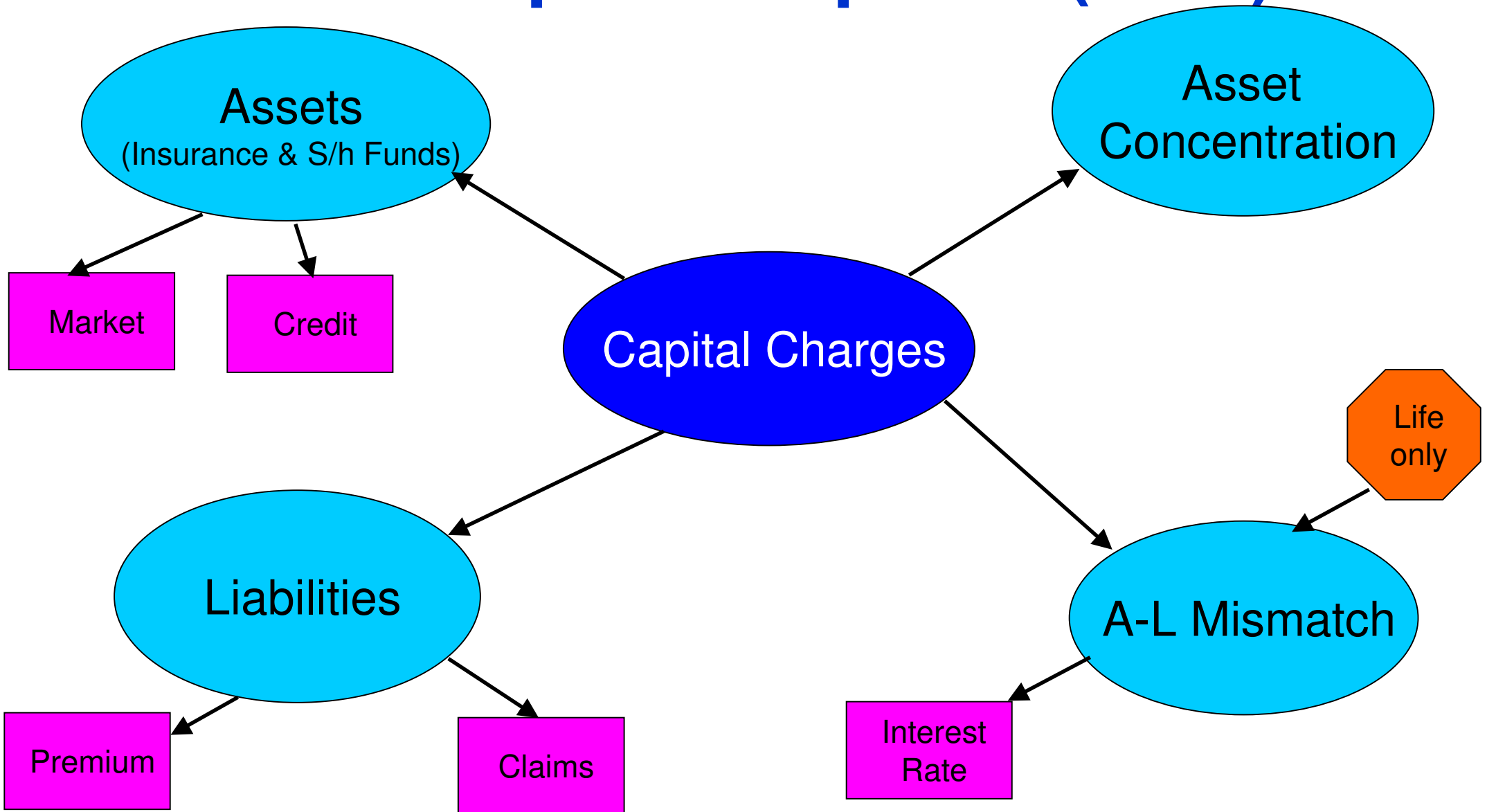
$$CAR = \frac{\text{Total Capital Fund Available (TCFA)}}{\text{Total Capital required (TCR)}} \times 100\%$$

Total Capital Fund Available (TCFA)



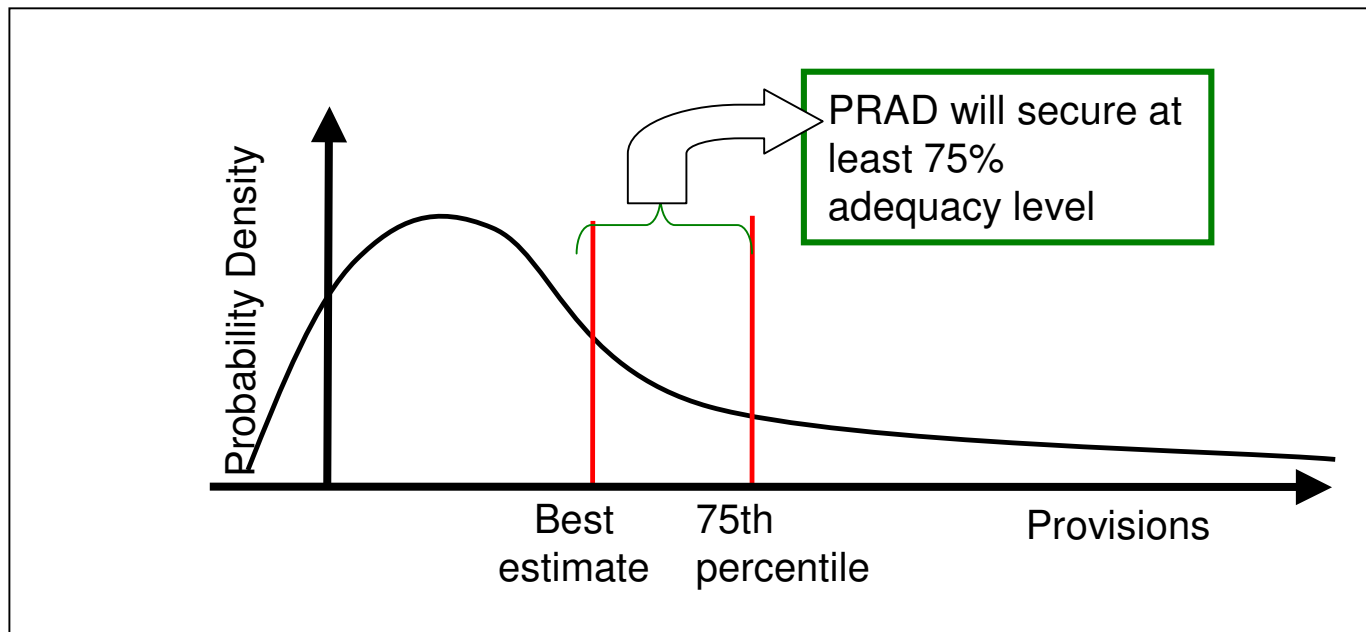
$$CAR = \frac{\text{Total Capital Fund Available (TCFA)}}{\text{Total Capital required (TCR)}} \times 100\%$$

Total Capital Required (TCR)



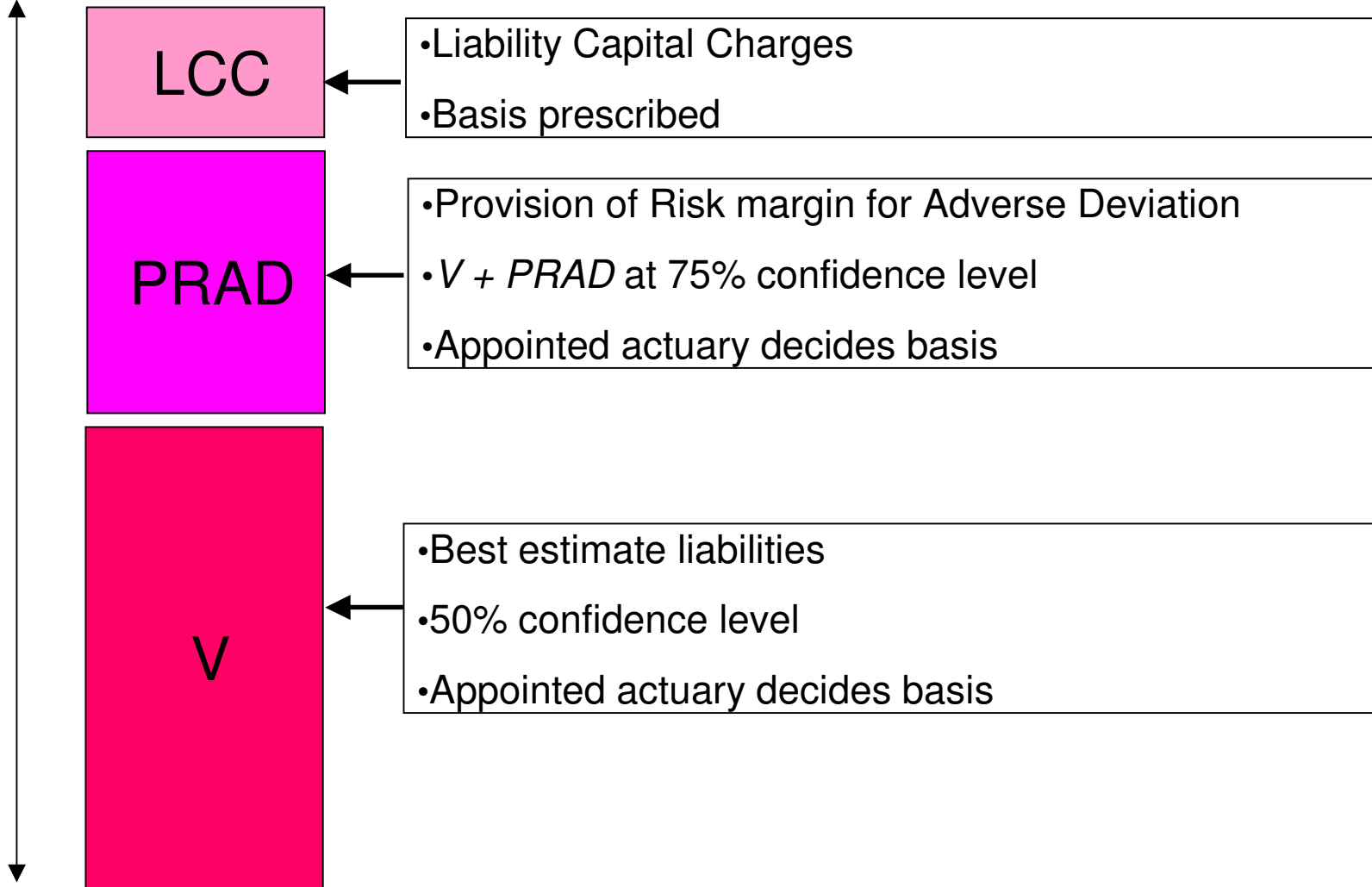
Liability (General Insurance)

- Liabilities to be measured at 75% level of confidence
- Also need to calculate at 99.5% level of confidence
- Best estimate liabilities are at 50% level of confidence



Liability (Life Insurance)

Adjusted value of liabilities (V')



RBC in Singapore

- Asset Valuation
 - Market/realistic value
- Policy Liability Valuation
 - Realistic liability value based on expected future income and outgo (including future bonuses), plus provision for adverse deviation
- Solvency & Capital Adequacy Requirement
 - Explicit risk charges for liability, asset, mismatching & concentration risk
 - Clearly defined forms of capital and regulatory control level

A wide-angle, high-angle photograph of the Grand Canyon. The canyon's layered rock formations are visible in various shades of red, orange, and brown. The sky is a vibrant blue with scattered white clouds. The text "Developments in Accounting Standards" is overlaid in a large, bold, blue font.

Developments in Accounting Standards

TAS

Teh Actuarial Services

Accounting Standards Bodies

- **Malaysia**

- Malaysia Accounting Standards Boards (MASB)
www.masb.org.my

- **Singapore**

- Council on Corporate Disclosure and Governance (CCDG)
www.ccdg.gov.sg

FRS 139 - Financial Instruments: Recognition and Measurement

- **Malaysia**

- Target implementation date:
 - 1 Jan 2006 / 1 Oct 2006 / ?????
- Identical to IAS 39 (revised)
- FRSs are optional for private companies
 - Private companies may use former MASB standards

- **Singapore**

- Implemented 1 Jan 2005

FRS 4 – Insurance Contracts

- **Malaysia**

- Target implementation date: 1 Jan 2008
- Exposure draft ED51 issued in Jan 2006
- Invitation to comment closed 31 Mar 2006
- Intention: identical to IFRS 4

- **Singapore**

- FRS 104
- Implemented 1 Jan 2005

FRS 107 – Financial Instruments: Disclosures

- **Malaysia**
 - Target implementation date: 1 January 2008
 - Exposure Draft is being finalised by a working group
 - Target date for issuance of Exposure Draft: Q4 2006
- **Singapore**
 - Target implementation date: 1 January 2007
 - Exposure Draft released in 2004

A wide-angle photograph of the Grand Canyon, showing the layered rock formations and the deep, winding paths of the river. The sky is a vibrant blue with scattered white clouds. The text "Thank You!" is overlaid in the upper center.

Thank You!

Terima kasih!

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TAS *Teh Actuarial Services*