

# Financial Reporting Developments

in

# Malaysia & Singapore

22 June 2006

**TAS**

*Teh Actuarial Services*

# Agenda

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

# Risk Based Capital - Timeline

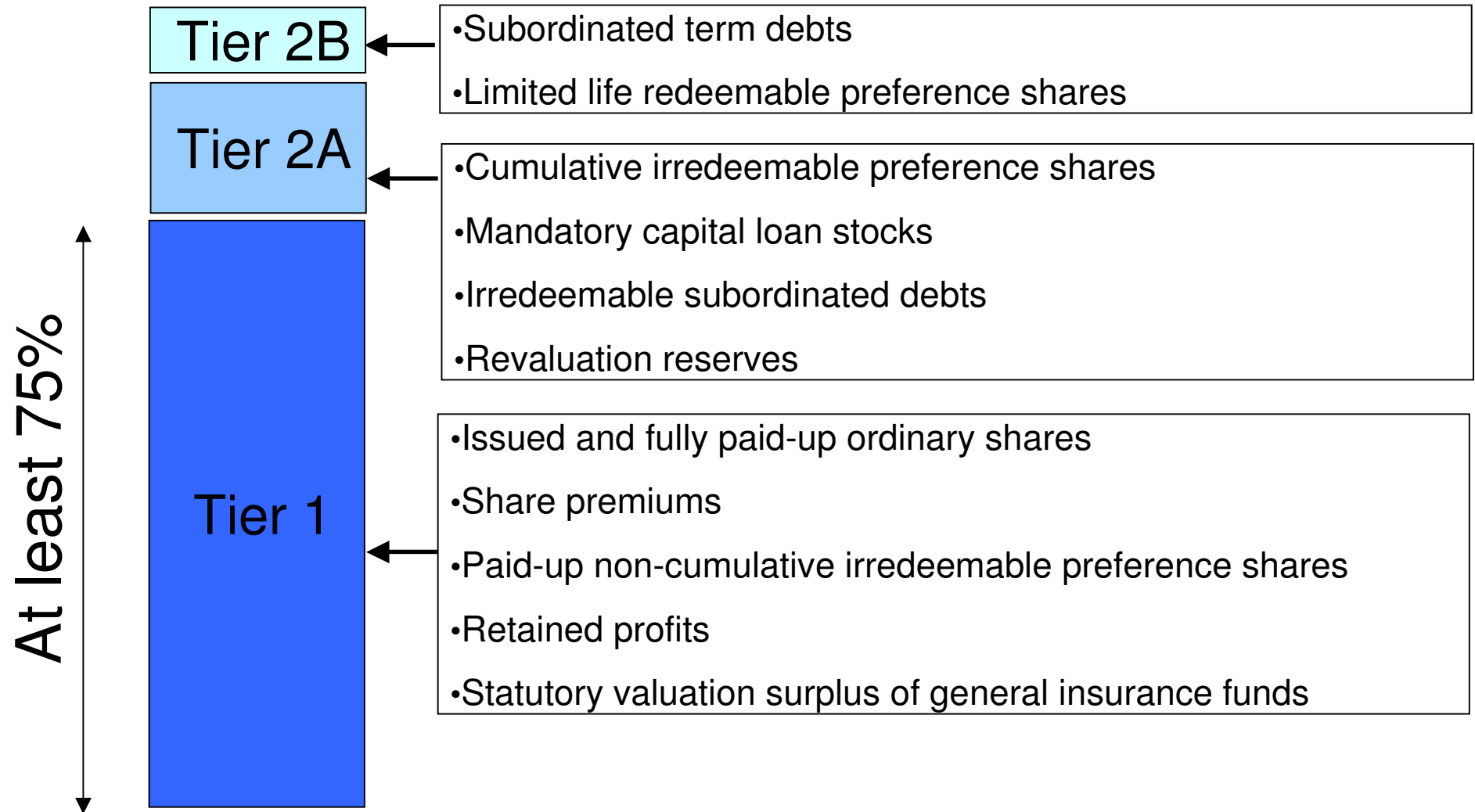
- **Malaysia**
  - Target implementation date: 1 Jan 2008
  - Parallel run in year 2007

# 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

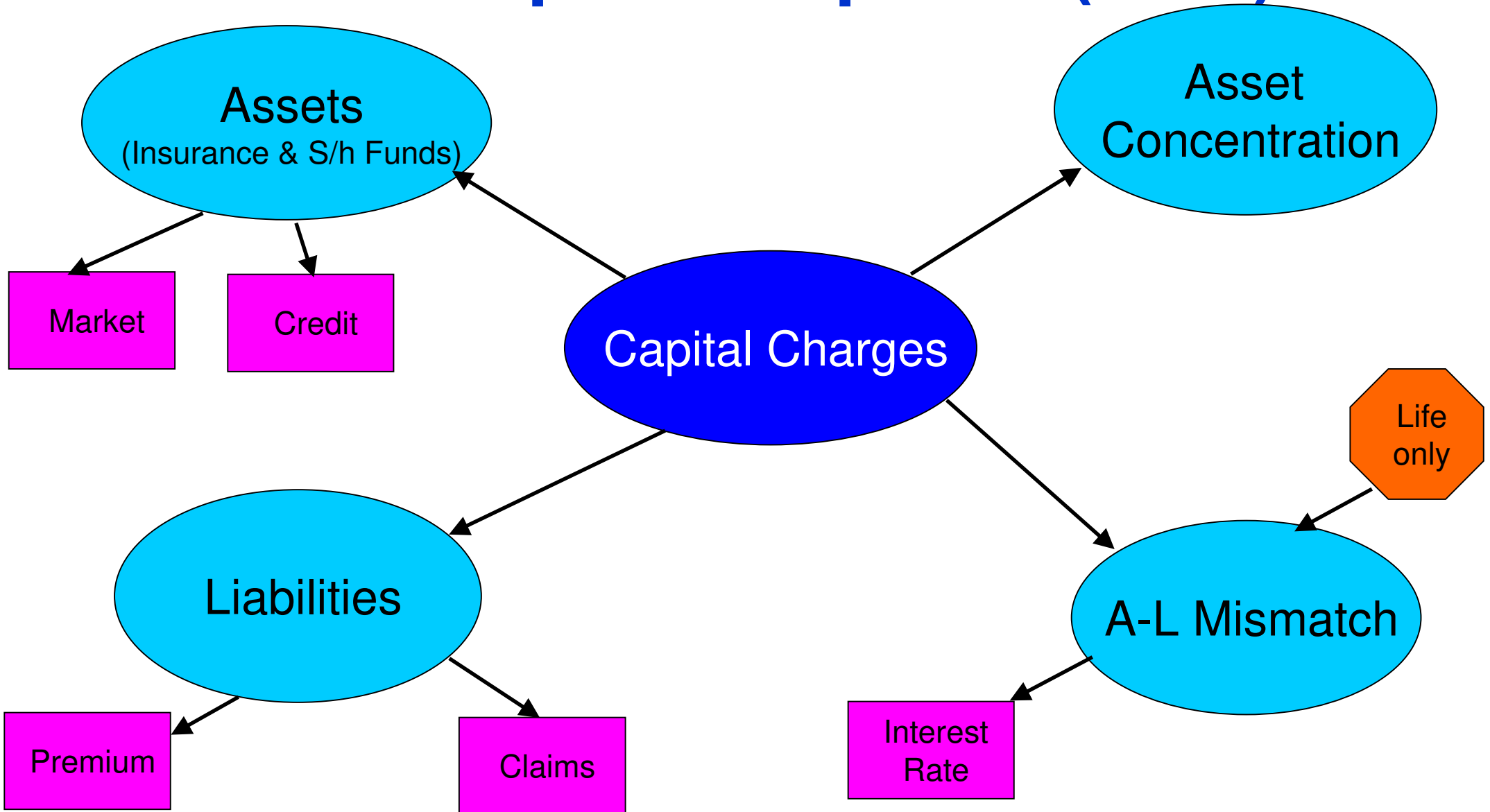
$$CAR = \frac{\text{Total Capital Fund Available (TCFA)}}{\text{Total Capital required (TCR)}} \times 100\%$$

# Total Capital Fund Available (TCFA)



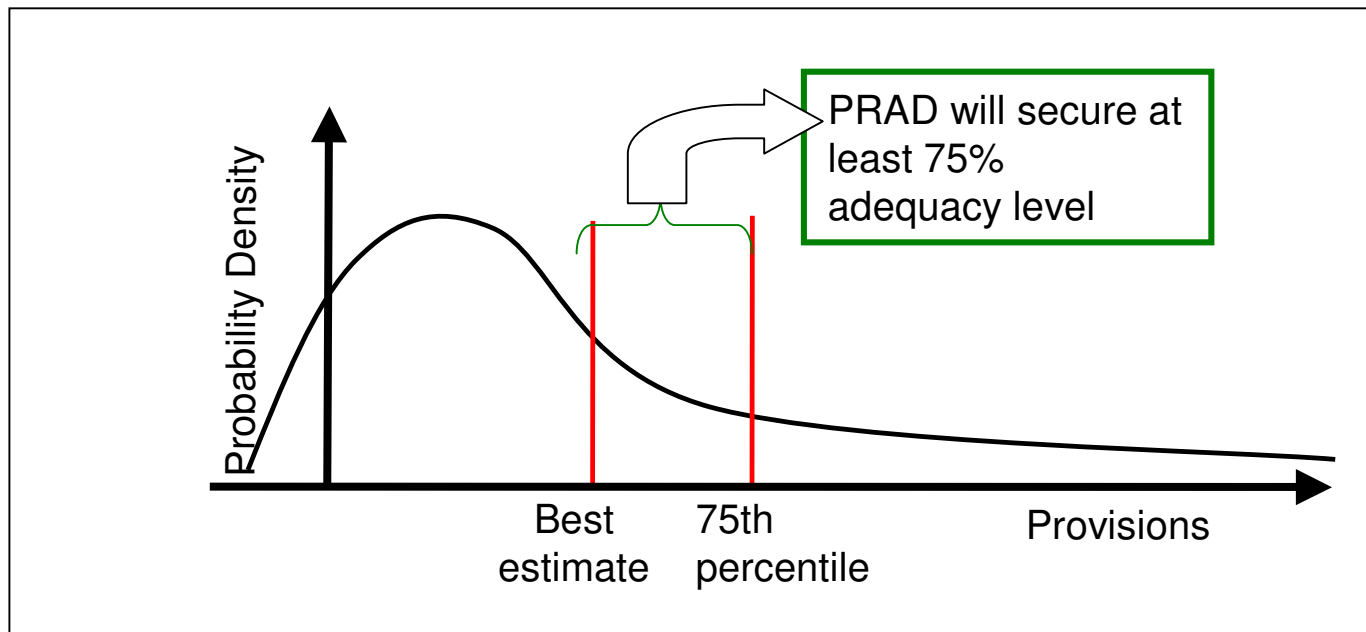
$$CAR = \frac{\text{Total Capital Fund Available (TCFA)}}{\text{Total Capital required (TCR)}} \times 100\%$$

# Total Capital Required (TCR)



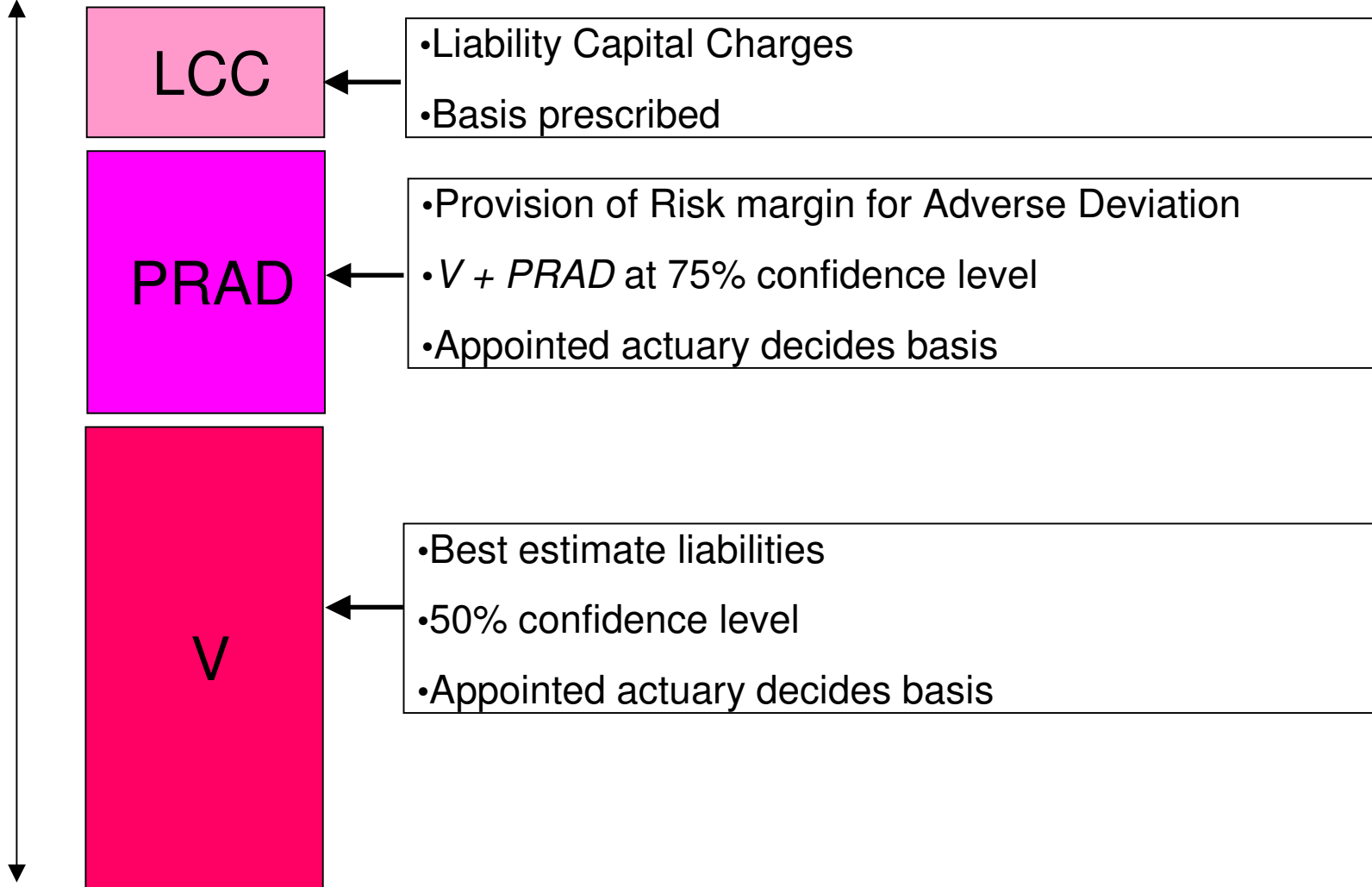
# Liability (General Insurance)

- 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 shades of red, orange, and brown, extending into the distance under a bright blue sky with scattered white clouds. The foreground shows the rugged, rocky edges of the canyon rim.

# Developments in Accounting Standards

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# Accounting Standards Bodies

- **Malaysia**

- Malaysia Accounting Standards Boards (MASB)

- [www.masb.org.my](http://www.masb.org.my)

- **Singapore**

- Council on Corporate Disclosure and Governance (CCDG)

- [www.ccdg.gov.sg](http://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



**Thank You!**

**Terima kasih!**

[tehloohai@gmail.com](mailto:tehloohai@gmail.com)

**TAS** *Teh Actuarial Services*