GENERAL INSURANCE ASSOCIATION OF SINGAPORE

THE FINANCIAL STABILITY BOARD (FSB) CONSULTATIVE DOCUMENT ON PRINCIPALS FOR AN EFFECTIVE RISK APPETITE FRAMEWORK

31out of 37 members responded on the above.
27 members have no comments.

4 members, namely **AXA Insurance Singapore Pte Ltd, Direct Asia Insurance (Singapore) Pte Ltd, MSIG Insurance (Singapore) Pte. Ltd.** and **QBE Insurance (International) Ltd** provided their feedback as indicated below:-

AXA Insurance Singapore Pte Ltd		1. **Risk limits established for business lines and legal entities:** Currently, our Group requirements do not require allocation of the overall risk appetite to individual business lines. Additionally, business lines may not always be independent of each other and there may be diversification benefits, hence it will not be practical to allocate risk limits to individual business lines from the aggregate risk appetite. 2. **Independent assessment of risk appetite framework at least annually:** As the RAF is a relatively new concept and likely to be subject to frequent improvements, it may be premature to conduct independent assessment of its design and effectiveness. Moreover, having the independent assessments at least annually may be too frequent, we suggest having the assessment once in 3 years – in line with the submission of the ORSA report (as per MAS regulations). Instead of internal audit or external auditors, we recommend to allow the independent assessment of the design and effectiveness of the RAF to be carried out by our Regional or Group Risk Management team, who will have the technical capability and are not involved in the day-to-day running of the business.
Direct Asia Insurance (Singapore) Pte Ltd		Overall we are in agreement with the principles set out in the Risk Appetite Framework, and recognise this is just one of the key steps that is required to implement an effective Enterprise Risk Management Framework

		We do however have the following issues that we wish to highlight; 1) The Risk Appetite Framework makes no mention of size and complexity of an organization, a “one size fits all” approach is adopted which is not necessarily appropriate and relevant to al organisations. There should be some guide to adopting this framework and the level it is adopted by smaller financial organisations. Placed in the context of ERM guidelines issued by MAS, these specifically make a distinction between Tier 1 and Tier 2 organisations and have differing timescales and levels of requirements for both, ultimately linked to size and complexity of organisation. 2) MAS notice 124 on Public Disclosure Requirements will come into effect June 2014. This requires certain disclosures by financial institutions to be made either on their web site or financial statements. As part of these requirements there is a need to disclose the risk appetite of an entity, risk framework, and roles and responsibilities in relation to risk. The MAS notice specifically makes separation between mandatory public disclosures and those that are guidelines. This is done to address and deal with issues relating to size and complexity of an organisation. This consultation paper on Risk Appetite Framework does not address the level of disclosure that should be made by entities. A comprehensive Risk appetite framework should also deal with the level of disclosure to be made to the general public, and also linking this to size and complexity of organisation.

MSIG Insurance (Singapore) Pte. Ltd.		MSIG’s comments on the proposed Risk Appetite Framework (“RAF”) are that if MAS intends to issue the RAF paper, the suggestion is that they should consider issuing it as a Guideline (similar to the MAS RMP Guidelines 2013), as opposed to a MAS Notice or regulation. Consideration and leeway should also be given to Tier 2 insurers in particular, if timelines are issued for the insurers to comply with them. This is bearing in mind that all insurers are currently rushing to ensure they implement MAS 126 on ERM by the 2014 Deadline set by MAS.
QBE Insurance (International) Ltd		QBE supports the adoption of an effective Risk Appetite Framework ("RAF"), and appreciates the dissemination of guidelines which articulates the principles for such framework. QBE Singapore is implementing a RAF that is consistent with our strategy, business plans and our Group's risk management framework. The paper sets out a number of matters for a supervisor's attention. For example, supervisors should regularly discuss with financial institutions any changes to its RAF and breaches in risk limits. QBE Singapore recommends that to reinforce a strong risk culture at financial institutions, supervisor could also consider introducing incentives to financial institutions with effective RAF. An approach could be via according regulatory capital credit to these financial institutions. The paper also sets out that the board of directors of financial institutions should discuss with supervisors, decisions regarding the establishment and ongoing monitoring of risk appetite as well as any material changes in the elements of the RAF, current risk appetite levels, or regulatory expectations regarding risk appetite. QBE Singapore recommends that with reference to the above, it may suffice to add that the board of directors should satisfy itself that the RAF aligns with supervisory expectations . The discussion between board of directors and supervisors (if any) could then be focused more on (i) material changes in the current risk appetite levels, and (ii) how materials risks exposures are determined, evaluated and monitored. From our experience of implementing RAF, a major challenge is in establishing credible and easy-to-understand models and systems to aggregate risk

		exposures within and across each material risk categories for evaluation and reporting purposes. We look forward to any pertinent points on this area.