

# **Deposit Insurance and Policy Owners' Protection Schemes (Amendment) Bill**

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**Bill No. 21/2018.**

*Read the first time on 17 May 2018.*

A BILL

*i n t i t u l e d*

An Act to amend the Deposit Insurance and Policy Owners' Protection Schemes Act (Chapter 77B of the 2012 Revised Edition) and to make a related amendment to the Insurance Act (Chapter 142 of the 2002 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

## Short title and commencement

1. This Act is the Deposit Insurance and Policy Owners' Protection Schemes (Amendment) Act 2018 and comes into operation on a date that the Minister appoints by notification in the *Gazette*.

### 5 Amendment of section 2

2. Section 2(1) of the Deposit Insurance and Policy Owners' Protection Schemes Act (called in this Act the principal Act) is amended —

(a) by deleting the definition of “beneficiary” and substituting the following definition:

“ “beneficiary” —

(a) in relation to an insured policy which is covered under the PPF Life Fund or the PPF General Fund, means any person entitled to claim benefits under the terms of that insured policy; and

(b) in relation to an accidental death insurance cover provided by a PPF Scheme member before the inception of an insured policy, means any person entitled to the accidental death benefit under the terms of the cover;”;

(b) by deleting the words “, including any amount due at maturity,” in the definition of “coupon deposit”;

(c) by inserting, immediately after the definition of “coupon deposit”, the following definition:

“ “covered party” means —

(a) an insured policy owner of an insured policy which is covered by the PPF Life Fund or the PPF General Fund (as the case may be);

(b) the trustee of a trust of an insured policy which is covered by the PPF Life Fund or the PPF General Fund (as the case may be), in that capacity; or

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(c) a beneficiary in relation to —

(i) an insured policy which is covered by the PPF Life Fund or the PPF General Fund (as the case may be); or

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(ii) an accidental death insurance cover provided by a PPF Scheme member before the inception of an insured policy;”;

(d) by deleting the definitions of “failed DI Scheme member” and “failed PPF Scheme member” and substituting the following definitions:

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““failed DI Scheme member” means a DI Scheme member in respect of which the Authority has made a determination that compensation is to be paid out of the DI Fund under section 21(1), and any reference to “failure” in relation to a DI Scheme member is to be construed accordingly;

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“failed PPF Scheme member” means a PPF Scheme member in respect of which the Authority has made a determination under section 46(1) that the PPF Life Fund or the PPF General Fund is to be utilised for one or more of the purposes mentioned in section 46(1A), and any reference to “failure” in relation to a PPF Scheme member is to be construed accordingly;”;

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(e) by deleting the definition of “quantification date” and substituting the following definition:

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“ “quantification date” means —

(a) in the case of a DI Scheme member —

5 (i) that is wound up by a court in Singapore, the date of commencement of winding up under the Companies Act (Cap. 50);

10 (ii) that is wound up by a court in a country or territory outside Singapore, the date of commencement of winding up under the law of that country or territory;

15 (iii) that is wound up by a court in Singapore and by a court in a country or territory outside Singapore, the date of commencement of winding up under the Companies Act;

20 (iv) that is wound up voluntarily in Singapore, the date of commencement of winding up under the Companies Act;

25 (v) that is wound up voluntarily in a country or territory outside Singapore, the date of commencement of winding up under the law of that country or territory;

30 (vi) that is wound up voluntarily in Singapore and in a country or territory outside Singapore, the date of commencement of winding up under the Companies Act; or

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(vii) in respect of which the Authority determines that compensation be paid out of the DI Fund under section 21(1) (whether the DI Scheme member is subsequently wound up or not), the date on which the notice of payment of compensation is published in the *Gazette* under section 21(4); and 5  
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(b) in the case of a PPF Scheme member —

(i) that is wound up by a court in Singapore, the date of commencement of winding up under the Companies Act; 15

(ii) that is wound up by a court in a country or territory outside Singapore, the date of commencement of winding up under the law of that country or territory; 20

(iii) that is wound up by a court in Singapore and by a court in a country or territory outside Singapore, the date of commencement of winding up under the Companies Act; 25

(iv) that is wound up voluntarily in Singapore, the date of commencement of winding up under the Companies Act; 30

(v) that is wound up voluntarily in a country or territory outside Singapore, the date of 35

commencement of winding up under the law of that country or territory;

5 (vi) that is wound up voluntarily in Singapore and in a country or territory outside Singapore, the date of commencement of winding up under the Companies Act;

10 (vii) that is a co-operative society in respect of which the Registrar of Co-operative Societies has made an order cancelling the registration of that society under  
15 section 89(1) of the Co-operative Societies Act (Cap. 62), the date of the order; or

20 (viii) in respect of which the Authority has made a determination under section 46(1) that the PPF Life Fund or the PPF General Fund is to be utilised for one or more  
25 of the purposes mentioned in section 46(1A) (whether the PPF Scheme member is subsequently wound up or not), the date on which the notification of the Authority's determination is published in  
30 the *Gazette* under section 46(4);”;

35 (f) by deleting the word “means —” in the definition of “specified personal line insurance policy” and substituting

the words “means any of the following policies of insurance issued to a natural person:”;

- (g) by deleting the word “or” at the end of paragraph (c) of the definition of “specified personal line insurance policy”; and
- (h) by inserting, immediately before the definition of “unclaimed moneys”, the following definitions: 5

““trust”, in relation to an insured policy which is covered under the PPF Life Fund or the PPF General Fund, means —

- (a) any trust of the policy moneys created under section 49L(2) of the Insurance Act (Cap. 142); 10
- (b) any trust of the objects of the insured policy created under section 73 of the Conveyancing and Law of Property Act (Cap. 61); 15
- (c) any express trust created by the insured policy owner over the policy moneys; or
- (d) any resulting or constructive trust over the policy moneys; 20

“trustee”, in relation to a trust, means a trustee of a trust in that capacity;”.

### **Amendment of section 10**

- 3. Section 10(1) of the principal Act is amended — 25
  - (a) by deleting the word “and” at the end of paragraph (a)(iii);
  - (b) by inserting the word “and” at the end of sub-paragraph (iv) of paragraph (a), and by inserting immediately thereafter the following sub-paragraph:

“(v) the submission by the Agency to the liquidator of a failed DI Scheme member that is being wound up of any consolidated proof of debt on behalf of insured depositors in relation to each of their insured deposits placed with the failed DI Scheme member that exceeds the Maximum DI Coverage;” and

(c) by inserting, immediately after paragraph (b), the following paragraph:

“(ba) the repayment of any moneys borrowed by the Agency for the purpose of performing its functions and the payment of any expenses and interest incurred in connection with the moneys borrowed;”.

#### **Amendment of section 21**

4. Section 21(1) of the principal Act is amended by deleting the word “or” at the end of paragraph (a), and by inserting immediately thereafter the following paragraph:

“(aa) a DI Scheme member is wound up voluntarily under the Companies Act or under the law of a country or territory outside Singapore; or”.

#### **Amendment of section 25**

5. Section 25 of the principal Act is amended —

- (a) by deleting the word “and” at the end of subsection (5)(b);
- (b) by deleting the full-stop at the end of paragraph (c) of subsection (5) and substituting the word “; and”, and by inserting immediately thereafter the following paragraph:



“(d) provide for the treatment of any transfer order which has not been cleared and settled under the Rules of a payment system, in the computation of compensation due to any insured depositor who is entitled to compensation under this Act.”; and

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(c) by inserting, immediately after subsection (5), the following subsection:

“(6) In subsection (5)(d), “transfer order” and “Rules” have the meanings given by the Payment and Settlement Systems (Finality and Netting) Act (Cap. 231).”.

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### **Amendment of section 27**

6. Section 27 of the principal Act is amended by deleting subsections (5) and (6) and substituting the following subsections:

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“(5) Despite any provision in the Companies Act, the Agency is entitled —

(a) in the case where the failed DI Scheme member is wound up, to be reimbursed out of the assets of the failed DI Scheme member for the expenses incurred for or in respect of —

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(i) the payment of any compensation to any insured depositor, including any interest charged on moneys borrowed by the Agency for the purpose of making payment of any compensation to any insured depositor under the DI Scheme;

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(ii) the lodging of any claim with the liquidator of the failed DI Scheme member for any compensation that has been paid out to any insured depositor;

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(iii) any communication with any insured depositor and the public on, or relating to, the payment of

any compensation to any insured depositor under the DI Scheme; and

(iv) such other matters as may be prescribed by the Authority; and

5 (b) in any other case, to be reimbursed by the failed DI Scheme member or the provisional liquidator of the failed DI Scheme member, as the case may be, for the expenses incurred for or in respect of —

10 (i) the payment of any compensation to any insured depositor, including any interest charged on moneys borrowed by the Agency for the purpose of making payment of any compensation to any insured depositor under the DI Scheme;

15 (ii) the lodging of any claim with the provisional liquidator of the failed DI Scheme member for any compensation that has been paid out to any insured depositor;

20 (iii) any communication with any insured depositor and the public on, or relating to, the payment of any compensation to any insured depositor under the DI Scheme; and

(iv) such other matters as may be prescribed by the Authority.

25 (6) The Authority may by regulations —

(a) provide for the manner, process or method by which the Agency may exercise its rights to be subrogated to the rights and remedies as set out in subsection (1); and

30 (b) prescribe the matters mentioned in subsection (5)(a)(iv) and (b)(iv).”.

## **New section 28A**

7. The principal Act is amended by inserting, immediately after section 28, the following section:

### **“Duties of liquidators in winding up of DI Scheme member**

**28A.—**(1) A person who — 5

(a) is appointed as a liquidator under the Companies Act for the winding up of a DI Scheme member; and

(b) has been approved by the Authority as such under section 54(4) of the Monetary Authority of Singapore Act (Cap. 186), 10

(called in this section the liquidator) must, in carrying out its functions as a liquidator, work together with the Agency to ensure that any insured depositor who is entitled to receive compensation from the DI Fund receives payment from the Agency as soon as is reasonably practicable. 15

(2) The Authority may, by written notice to the liquidator, require the liquidator to give the Agency such information and reasonable assistance as the Authority considers necessary —

(a) to ensure that any insured depositor who is entitled to receive compensation from the DI Fund receives payment from the Agency as soon as is reasonably practicable; and 20

(b) to enable the Agency to fulfil its objects and discharge its functions under this Act.

(3) Despite any written law or rule of law but subject to subsection (4), the liquidator must not, without the prior written approval of the Authority, sell or transfer any assets of the DI Scheme member being wound up to — 25

(a) any person who provides services in connection with the winding up of the DI Scheme member; or 30

(b) any person working for or on behalf of —

(i) the Agency;

(ii) the Authority; or

(iii) a person mentioned in paragraph (a).

(4) Subsection (3) does not prevent the payment by the liquidator of any debt of the DI Scheme member being wound up in accordance with any written law or rule of law relating to the winding up of companies.

(5) Any sale or transfer of assets by the liquidator in contravention of subsection (3) is void.

(6) Any liquidator who —

(a) without reasonable excuse, fails to comply with subsection (1), or any notice issued by the Authority under subsection (2); or

(b) being required to provide information to the Agency under subsection (2), knowingly or recklessly furnishes any information or document that is false or misleading in a material particular,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding \$12,500 for every day or part of a day during which the offence continues after conviction.”.

### **Amendment of section 35**

**8.** Section 35(1) of the principal Act is amended —

(a) by deleting the words “insured policy owners or beneficiaries” in paragraph (a)(iv) and substituting the words “any covered party”;

(b) by deleting the word “and” at the end of paragraph (a)(v);

(c) by inserting, immediately after sub-paragraph (vi) of paragraph (a), the following sub-paragraphs:

“(vii) the termination of any insured policy issued by a failed PPF Scheme member; and

(viii) the raising and repayment of any loan for, or in connection with, any of the above expenses;”;

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(d) by inserting, immediately after paragraph (b), the following paragraph:

“(ba) the repayment of any moneys borrowed by the Agency for the purpose of performing its functions and the payment of any expenses and interest incurred in connection with the moneys borrowed;”.

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#### **Amendment of section 37**

9. Section 37(1) of the principal Act is amended by deleting the words “, from the effective date appointed under section 46(5),”.

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#### **Amendment of section 40**

10. Section 40(1) of the principal Act is amended by deleting the words “insured policy owners or beneficiaries, or to fund any transfer or run-off of the insurance business of any” and substituting the words “any covered party, to fund any transfer or run-off of the insurance business of any failed PPF Scheme member, or to fund the termination of any insured policy issued by a”.

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#### **Amendment of section 46**

11. Section 46 of the principal Act is amended —

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(a) by deleting subsection (1) and substituting the following subsections:

“(1) Where —

(a) on or after 1 September 2011, an order is made by a court in Singapore or elsewhere to wind up a PPF Scheme member;

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- 5 (b) on or after the date of commencement of section 11(a) of the Deposit Insurance and Policy Owners' Protection Schemes (Amendment) Act 2018, a PPF Scheme member is voluntarily wound up under the Companies Act or under the law of a country or territory outside Singapore;
- 10 (c) on or after the date of commencement of section 11(a) of the Deposit Insurance and Policy Owners' Protection Schemes (Amendment) Act 2018, an order is made, in respect of a PPF Scheme member that is a co-operative society registered under the Co-operative Societies Act, cancelling its registration under section 89(1) of that Act;
- 15 (d) on or after 1 September 2011, the Authority is of the opinion that a PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments; or
- 20 (e) on or after 1 September 2011, the Authority is exercising or is likely to exercise, or has exercised, its powers under Part IVB of the Monetary Authority of Singapore Act (Cap. 186) in relation to a PPF Scheme member,
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the Authority may determine that the PPF Life Fund or the PPF General Fund be utilised for one or more of the purposes mentioned in subsection (1A).

30 (1A) The purposes mentioned in subsection (1) are —

- (a) to pay compensation out of the PPF Life Fund or the PPF General Fund to any covered party in accordance with this Act;

- (b) to fund, whether in whole or in part, the transfer of the whole or part of the business of the PPF Scheme member to another insurer;
- (c) to fund the run-off of the insurance business of the PPF Scheme member without taking in any new insurance business or renewing any existing policies (other than a policy which has a provision providing for guaranteed renewability); and
- (d) to fund the termination of any insured policy issued by the PPF Scheme member.

(1B) For the purposes of subsection (1A) —

- (a) the reference in paragraph (b) of that subsection to funding the transfer of the whole or part of the business of the PPF Scheme member to another insurer includes the payment of compensation out of the PPF Life Fund or the PPF General Fund to any covered party in accordance with this Act that is made following from, or in consequence of, the transfer;
- (b) the reference in paragraph (c) of that subsection to funding the run-off of the insurance business of the PPF Scheme member includes the payment of compensation out of the PPF Life Fund or the PPF General Fund to any covered party in accordance with this Act that is made following from, or in consequence of, the run-off of the insurance business; and

(c) the reference in paragraph (d) of that subsection to funding the termination of any insured policy issued by the PPF Scheme member includes the payment of compensation out of the PPF Life Fund or the PPF General Fund to any covered party in accordance with this Act that is made following from, or in consequence of, the termination,

and similar references in other parts of this Act are also to be construed accordingly.”;

(b) by inserting, immediately after the word “member,” in subsection (4), the words “or to fund the termination of any insured policy issued by the failed PPF Scheme member,”; and

(c) by deleting subsection (5) and substituting the following subsections:

“(5) Where the Authority has made a determination under subsection (1) that the PPF Life Fund or the PPF General Fund be utilised for the purpose mentioned in subsection (1A)(c), the Authority may make a further determination that the PPF Life Fund or the PPF General Fund, as the case may be, be utilised for one or more of the purposes mentioned in subsection (1A)(b) or (d).

(6) Where the Authority makes a determination under subsection (5), the Authority must immediately give notice in writing of its determination to the Agency, and subsections (3) and (4) apply to that notice as if it were a notice given under subsection (2).

(7) Upon receipt of the notice mentioned in subsection (2) or (6), the Agency must take all steps necessary to give effect to the Authority’s determination.”.



## Repeal of sections 47 and 48 and new sections 47, 48, 48A and 48B

12. Sections 47 and 48 of the principal Act are repealed and the following sections substituted therefor:

### “Entitlement to compensation for life business

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47.—(1) Subject to subsections (3) and (6) and section 49, where an insured policy owner has one or more insured policies covered under the PPF Life Fund issued by a failed PPF Scheme member which —

(a) is or are issued to the insured policy owner; or

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(b) is or are issued to the insured policy owner jointly with one or more other persons as joint policy owners,

a covered party is entitled to compensation from the PPF Life Fund of one or more of the amounts mentioned in subsection (2).

(2) The amounts mentioned in subsection (1) are —

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(a) in the case of a Category 1 insured policy mentioned in the Second Schedule, an amount equivalent to the product of the protection ratio mentioned in paragraph 2(a) of the Fourth Schedule and the amount of policy moneys payable in respect of that insured policy;

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(b) in the case of a Category 2 insured policy mentioned in the Second Schedule, an amount equivalent to —

(i) the product of the protection ratio for the sum assured mentioned in paragraph 2(b) of the Fourth Schedule and the sum assured guaranteed under that insured policy, or (if part of the sum assured guaranteed under that insured policy had previously been paid out under the insured policy) the remaining amount of the sum assured in the event that a claim event occurs before the quantification date;

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(ii) the product of the protection ratio for the surrender value mentioned in paragraph 2(c)

of the Fourth Schedule and, as the case may be —

(A) the surrender value guaranteed under that insured policy in the event that the insured policy owner, or the trustee of the trust of the insured policy, has given notice in writing to the failed PPF Scheme member to surrender that insured policy before the quantification date; or

(B) the remaining amount of the surrender value guaranteed under that insured policy in the event that payment of claims had been made to a covered party before the quantification date; or

(iii) the sum of sub-paragraphs (i) and (ii), where applicable;

(c) in the case of a Category 3 insured policy mentioned in the Second Schedule, an amount equivalent to the product of the protection ratio mentioned in paragraph 2(d) of the Fourth Schedule and the amount of policy moneys guaranteed to be payable under the annuity by the failed PPF Scheme member; and

(d) in the case of a Category 4 insured policy mentioned in the Second Schedule, an amount equivalent to —

(i) the product of the protection ratio for the sum assured mentioned in paragraph 2(e)(i) of the Fourth Schedule and the sum assured guaranteed under that insured policy in the event that a claim event occurs before the quantification date;

(ii) the product of the protection ratio for the surrender value mentioned in paragraph 2(e)(ii) of the Fourth Schedule and the surrender value guaranteed under that insured policy in the event of a surrender before the quantification date; or

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(iii) the product of the protection ratio for the commuted value mentioned in paragraph 2(e)(iii) of the Fourth Schedule and the amount of policy moneys which are guaranteed to be payable in the case of an annuity.

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(3) Subject to subsection (4), where any of the insured policies mentioned in subsection (1) is an insured policy which is covered under the PPF Life Fund —

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(a) the insured policy owner;

(b) the trustee of a trust of the insured policy;

(c) any beneficiary of the insured policy; or

(d) any combination of persons mentioned in paragraph (a), (b) or (c),

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is or are entitled to compensation from the PPF Life Fund of the full amount of the protected liabilities in respect of the insured policy.

(4) Where a combination of the persons mentioned in subsection (3)(d) are entitled to compensation from the PPF Life Fund, their total compensation must not exceed the full amount of the protected liabilities in respect of the insured policy.

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(5) The determination of the amount of compensation payable under an insured policy mentioned in subsection (2) must only include the accumulated values (including interest which has accrued on such values) of coupon deposits, advance premium payments and unclaimed moneys under the insured policy, insofar as they relate to an insured policy that provides fully guaranteed or partially guaranteed benefits.

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(6) Where a claim event for an insured policy has occurred, or where an insured policy has been terminated, on or before the quantification date, there must be deducted from the amount of compensation mentioned in subsection (2) —

- 5           (a) any outstanding loan taken out against that insured policy; and
- (b) any outstanding premiums owed by the policy owner for that insured policy.

10           **Entitlement to compensation for life business — refund of premiums and claim under accidental death insurance cover**

15           **48.**—(1) Where an insured policy owner is expressly entitled under the contract of insurance in respect of an insured policy which is covered under the PPF Life Fund to a refund of premiums by a failed PPF Scheme member, a covered party is entitled to compensation from the PPF Life Fund for the premiums in full.

20           (2) Where an accidental death insurance cover is provided by a PPF Scheme member to a customer before the inception of an insured policy, and an accidental death claim on the cover arises on or before the quantification date, the customer's beneficiary is entitled to compensation from the PPF Life Fund for the accidental death benefit under the cover upon admission of the claim.

25           **Entitlement to compensation for general business**

**48A.**—(1) Subject to subsections (2), (4), (5) and (6) and section 49, where an insured policy owner has one or more insured policies covered under the PPF General Fund issued by a failed PPF Scheme member, which —

- 30           (a) is or are issued to the insured policy owner; or

(b) is or are issued to the insured policy owner jointly with one or more other persons as joint policy owners,

a covered party is entitled to compensation from the PPF General Fund of the aggregate amount of the protected liabilities in respect of the insured policy or all such insured policies. 5

(2) The entitlement to compensation under subsection (1) is subject to the maximum amount of compensation that is prescribed by the Authority for the class or type of insured policy or claim event, or both.

(3) The Authority may make regulations to prescribe the maximum amount of compensation that a covered party is entitled to under subsection (1) for each class or type of insured policy or claim event, or both. 10

(4) Subject to subsection (5), where any of the insured policies mentioned in subsection (1) is an insured policy which is covered under the PPF General Fund — 15

(a) the insured policy owner;

(b) the trustee of a trust of the insured policy;

(c) any beneficiary of the insured policy; or

(d) any combination of persons mentioned in paragraph (a), (b) or (c), 20

is or are entitled to compensation from the PPF General Fund of the full amount of the protected liabilities in respect of the insured policy.

(5) Where a combination of the persons mentioned in subsection (4)(d) is entitled to compensation from the PPF General Fund, their total compensation must not exceed the full amount of the protected liabilities in respect of the insured policy. 25

(6) Where a claim event for an insured policy has occurred, or where an insured policy has been terminated, on or before the quantification date, the compensation under subsection (1) is to be reduced by the amount of all outstanding premiums due under the insured policy at the time of the claim event. 30

**Entitlement to compensation for general business —  
refund of premiums**

5       **48B.** Where an insured policy owner is expressly entitled under the contract of insurance in respect of an insured policy which is covered under the PPF General Fund to a refund of premiums by a failed PPF Scheme member, a covered party is entitled to compensation from the PPF General Fund for the premiums in full.”.

**Repeal and re-enactment of section 50 and new section 50A**

10       **13.** Section 50 of the principal Act is repealed and the following sections substituted therefor:

**“Restrictions on entitlement to compensation under PPF Scheme**

15       **50.** A person is not entitled to compensation under this Part in respect of an insured policy, or an accidental death insurance cover mentioned in section 48(2), if the Agency has, in respect of the insured policy or accidental death insurance cover, paid to —

- (a) the insured policy owner;
- (b) a trustee of a trust of the insured policy;
- 20       (c) a beneficiary of the insured policy or the accidental death insurance cover;
- (d) the insured policy owner and a beneficiary of the insured policy or the accidental death insurance cover;
- or
- 25       (e) a trustee of a trust of the insured policy and a beneficiary of the insured policy or the accidental death insurance cover,

as the case may be, the full amount of compensation payable to the person or persons in accordance with this Act.

### **Cessation of coverage under PPF Scheme**

**50A.**—(1) If a determination is made by the Authority for the utilisation of the PPF Life Fund under section 46(1), the insured policy owner of an insured policy which —

(a) is covered by the PPF Life Fund; and 5

(b) is issued by the PPF Scheme member in relation to which the determination was made,

is not entitled to exercise any settlement option contained in a contract of insurance for the insured policy on or after the quantification date. 10

(2) Where a settlement option contained in a contract of insurance for an insured policy which is covered by the PPF Life Fund has been exercised before the quantification date —

(a) the insured policy ceases to be covered under the PPF Life Fund as at the date on which the settlement option was exercised; and 15

(b) a covered party is not entitled to any compensation under this Part.

(3) In this section, “settlement option” means an option that is exercisable by a covered party upon the surrender or maturity of an insured policy, or upon a claim being made under an insured policy — 20

(a) to leave the policy moneys ascertained to be due and payable under the policy with the insurer which issued the policy to further accrue interest on or to invest the payments; or 25

(b) to convert the otherwise lump sum payment of the policy moneys ascertained to be due and payable under the policy to instalment payments over a fixed period. 30

(4) This section only applies in respect of a settlement option contained in a contract for an insured policy if, apart from the payment of the principal and interest or gains, or the instalment payments, as a result of exercising the option set out in

subsection (3), no further policy moneys are payable under the insured policy on the happening of any contingency after the exercise of the option.”.

### **Amendment of section 51**

5     **14.** Section 51 of the principal Act is amended —

(a) by deleting subsections (1) and (2) and substituting the following subsections:

10             “(1) The Agency must compute in accordance with this Act the amount of compensation due to a covered party under an insured policy which is covered under the PPF Life Fund or the PPF General Fund issued by a failed PPF Scheme member.

15             (2) The Agency is entitled to rely on the books of the failed PPF Scheme member, and any other books that the Agency thinks relevant, for the purpose of determining the eligibility of, the entitlement to, and the amount of compensation due to a covered party under an insured policy which is covered under the PPF Life Fund or the PPF General Fund that is issued  
20             by the failed PPF Scheme member.”; and

(b) by deleting paragraph (a) of subsection (5) and substituting the following paragraph:

25             “(a) specify the person to whom, or the account into which, payment of compensation is to be made for the benefit of any covered party who is entitled to compensation under this Act; and”.

### **Amendment of section 52**

**15.** Section 52 of the principal Act is amended —

30     (a) by deleting the words “any insured policy owner in respect of his insured policy, or any beneficiary in the case of any insured policy which is covered under the PPF General



Fund and provides third party benefits” in subsection (1) and substituting the words “any covered party”;

- (b) by deleting the word “or” at the end of subsection (1)(b);
- (c) by deleting paragraph (c) of subsection (1) and substituting the following paragraphs: 5

“(c) the trustee of a trust of an insured policy; or

(d) the person who received compensation on behalf of the insured policy owner, the trustee of a trust of an insured policy or the beneficiary,”; 10

- (d) by inserting, immediately before the words “the PPF General Fund” in subsection (1)(ii), the words “the PPF Life Fund or”;

- (e) by deleting the words “and (c)” in subsections (1)(iii) and (4) and substituting in each case the words “, (c) and (d)”;
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- (f) by deleting the words “or (c)” in subsections (1) and (2) and substituting in each case the words “, (c) or (d)”;

- (g) by deleting subsection (3) and substituting the following subsection:

“(3) For the purposes of subsection (1), where the Agency is unable to effect payment to any covered party (whether due to an incorrect or outdated address, a dormant account or any other reason beyond the reasonable control of the Agency), the Agency is treated as having made payment out of the PPF Life Fund or the PPF General Fund, as the case may be, of compensation under this Act to, or for the benefit of, the covered party, if the Agency makes payment of the compensation to the Public Trustee appointed under the Public Trustee Act (Cap. 260) to be held on trust for the covered party.”;

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- (h) by deleting subsections (5) and (6) and substituting the following subsections:

“(5) Despite any provision in the Companies Act or the Co-operative Societies Act, the Agency is entitled —

5 (a) in the case where a failed PPF Scheme member is wound up or dissolved, to be reimbursed out of the assets of the failed PPF Scheme member for the expenses incurred for or in respect of —

10 (i) the payment of any compensation to any covered party, including any interest charged on moneys borrowed by the Agency for the purpose of making payment of any compensation under the PPF Scheme;

15 (ii) the lodging of any claim with the liquidator of the failed PPF Scheme member for any compensation that has been paid out to any covered party under the PPF Scheme;

20 (iii) any communication with any covered party and the public on, or relating to, the payment of any compensation to any covered party under the PPF Scheme; and

25 (iv) such other matters as may be prescribed by the Authority; or

30 (b) in any other case, to be reimbursed by the failed PPF Scheme member or the provisional liquidator of the failed PPF Scheme member, as the case may be, for the expenses incurred for or in respect of —

35 (i) the payment of any compensation to any covered party, including any interest charged on moneys borrowed by the Agency for the

purpose of making payment of any compensation under the PPF Scheme;

- (ii) the lodging of any claim with the provisional liquidator of the failed PPF Scheme member for any compensation that has been paid out to any covered party under the PPF Scheme; 5
- (iii) any communication with any covered party and the public on, or relating to, the payment of any compensation to any covered party under the PPF Scheme; and 10
- (iv) such other matters as may be prescribed by the Authority. 15

(6) The Authority may by regulations —

- (a) provide for the manner, process or method by which the Agency may exercise its rights to be subrogated to the rights and remedies as set out in subsection (1); and 20
- (b) prescribe the matters mentioned in subsection (5)(a)(iv) and (b)(iv).”; and
- (i) by deleting the words “insured policy owners and beneficiaries” wherever they appear in subsection (7) and substituting in each case the words “any covered party”. 25

### **Amendment of section 53**

**16.** Section 53 of the principal Act is amended —

- (a) by deleting paragraphs (a) and (b) of subsection (1) and substituting the following paragraph:

“(a) any compensation paid to, or for the benefit of, any covered party is in excess of what ought to have been paid to the covered party under this Act; or”; and 30

(b) by deleting the words “insured policy owners or the beneficiaries in the case where the insured policies are covered under the PPF General Fund and provides third party benefits” in subsection (4)(a) to (d) and substituting in each case the words “covered party”.

#### **Amendment of section 54**

17. Section 54 of the principal Act is amended —

(a) by deleting subsection (1) and substituting the following subsections:

“(1) In determining under section 46 —

(a) whether the PPF Life Fund or the PPF General Fund is to be utilised to fund —

(i) any transfer of the whole or part of the insurance business of the failed PPF Scheme member to another insurer;

(ii) any run-off of the insurance business of the failed PPF Scheme member; or

(iii) any termination of insured policies issued by the failed PPF Scheme member; and

(b) the amount of the PPF Life Fund or the PPF General Fund to be utilised,

the Authority must (without limiting any other factor that the Authority may consider relevant) have regard to the factors in subsection (1A).

(1A) For the purposes of subsection (1), the factors are —

- (a) the costs of transferring the whole or part of the insurance business of the failed PPF Scheme member, running-off the insurance business of the failed PPF Scheme member, or terminating the insured policies issued by the failed PPF Scheme member, as the case may be; and 5
- (b) the impact of not transferring the whole or part of the insurance business of the failed PPF Scheme member, not running-off the insurance business of the failed PPF Scheme member, or not terminating the insured policies issued by the failed PPF Scheme member, as the case may be.”; 10
- (b) by deleting subsection (3) and substituting the following subsections: 15
- “ (3) Where the insurance business of a failed PPF Scheme member is transferred to another insurer, or the insurance business is run-off by the Agency or by a person appointed by the Agency or the Authority, and a contingency upon which policy moneys are payable under an insured policy issued by the failed PPF Scheme member occurs after the transfer, or during the run-off, of the insurance business — 20
- (a) the benefits that an insured policy owner, or a trustee of a trust, of an insured policy which is covered under the PPF Life Fund or the PPF General Fund is entitled to receive under the insured policy; or 25
- (b) in the case of an insured policy which is covered under the PPF Life Fund or the PPF General Fund and which provides third party benefits, the benefits that — 30
- (i) any insured policy owner;

- (ii) any trustee of a trust of the insured policy;
- (iii) any beneficiary of the insured policy;
- (iv) any insured policy owner and any beneficiary of the insured policy; or
- (v) any trustee of a trust of the insured policy and any beneficiary of the insured policy,

as the case may be, is or are entitled to receive under the insured policy,

must be an amount not less than the protected liabilities in respect of the insured policy.

(3A) Where an insured policy issued by a failed PPF Scheme member is terminated by the Agency —

- (a) the benefits that a covered party is entitled to receive under an insured policy which is covered under the PPF Life Fund or the PPF General Fund; or
- (b) in the case of an insured policy which is covered under the PPF Life Fund or the PPF General Fund and which provides third party benefits, the benefits that —
  - (i) any insured policy owner;
  - (ii) any trustee of a trust of the insured policy;
  - (iii) any beneficiary of the insured policy;
  - (iv) any insured policy owner and any beneficiary of the insured policy; or

(v) any trustee of a trust of the insured policy and any beneficiary of the insured policy,

as the case may be, is or are entitled to receive under the insured policy,

5

must be an amount not less than the protected liabilities in respect of the insured policy.

(3B) The entitlement to benefits mentioned in subsections (3) and (3A) is subject to the maximum amounts of benefits prescribed by the Authority for the class or type of insured policy.

10

(3C) The Authority may make regulations to prescribe the maximum amount of benefits that the persons mentioned in subsections (3) and (3A) are entitled to for each class or type of insured policy.”;

15

(c) by deleting the words “subsection (3)” in subsection (4) and substituting the words “subsections (3) and (3A)”;

(d) by deleting the word “and” at the end of subsection (5)(a);

(e) by deleting the full-stop at the end of paragraph (b) of subsection (5) and substituting the word “; and”, and by inserting immediately thereafter the following paragraph:

20

“(c) in the event of the termination of insured policies issued by the failed PPF Scheme member, the costs and expenses of effecting such termination.”; and

25

(f) by inserting, immediately after the words “insurance business” in the section heading, the words “or for termination of insured policies”.

### **New section 54A**

**18.** The principal Act is amended by inserting, immediately after section 54, the following section:

30

**“Duties of liquidators in winding up of PPF Scheme member**

**54A.**—(1) A person who —

- 5           (a) is appointed as a liquidator under the Companies Act for the winding up of a PPF Scheme member; and
- (b) has been approved by the Authority as such under section 54(4) of the Monetary Authority of Singapore Act,

10           (called in this section the liquidator) must, in carrying out its functions as a liquidator, work together with the Agency to ensure that any covered party who is entitled to receive compensation from the PPF Life Fund or the PPF General Fund receives payment from the Agency as soon as is reasonably practicable.

15           (2) The Authority may, by written notice to the liquidator, require the liquidator to give the Agency such information and reasonable assistance as the Authority considers necessary —

- 20           (a) to ensure that any covered party who is entitled to receive compensation from the PPF Life Fund or the PPF General Fund receives payment from the Agency as soon as is reasonably practicable; and
- (b) to enable the Agency to fulfil its objects and discharge its functions under this Act.

25           (3) Despite any written law or rule of law but subject to subsection (4), the liquidator must not, without the prior written approval of the Authority, sell or transfer any assets of the PPF Scheme member being wound up to —

- 30           (a) any person who provides services in connection with the winding up of the PPF Scheme member; or
- (b) any person working for or on behalf of —
- (i) the Agency;
- (ii) the Authority; or
- (iii) a person mentioned in paragraph (a).



(4) Subsection (3) does not prevent the payment by the liquidator of any debt of the PPF Scheme member being wound up in accordance with any written law or rule of law relating to the winding up of companies.

(5) Any sale or transfer of assets by the liquidator in contravention of subsection (3) is void. 5

(6) Any liquidator who —

(a) without reasonable excuse, fails to comply with subsection (1), or any notice issued by the Authority under subsection (2); or 10

(b) being required to provide information to the Agency under subsection (2), knowingly or recklessly furnishes any information or document that is false or misleading in a material particular,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding \$12,500 for every day or part of a day during which the offence continues after conviction.”. 15 20

### **Amendment of section 55**

**19.** Section 55 of the principal Act is amended —

(a) by deleting paragraph (a) of subsection (1) and substituting the following paragraph:

“(a) the Agency has paid compensation out of the PPF Life Fund or the PPF General Fund in accordance with this Act to — 25

(i) any insured policy owner;

(ii) any trustee of a trust of an insured policy; 30

(iii) any beneficiary of an accidental death insurance cover; or

(iv) any combination of persons mentioned in sub-paragraphs (i), (ii) and (iii);”; and

5 (b) by inserting, immediately after subsection (3), the following subsection:

10 “(4) In this section, a reference to the insured policy owner includes, where compensation has been paid by the Agency under section 48(2) to a person entitled to accidental death benefit under the terms of an accidental death insurance cover provided by a PPF Scheme member to a customer before the inception of an insured policy, the customer of the PPF Scheme member.”.

### Amendment of section 57

15 **20.** Section 57 of the principal Act is amended —

(a) by deleting paragraph (c) of subsection (2) and substituting the following paragraph:

20 “(c) make payments of compensation out of the PPF Life Fund and the PPF General Fund in respect of protected liabilities to any covered party after the Agency has determined the covered party’s eligibility and entitlement;”;

25 (b) by deleting paragraphs (e) and (f) of subsection (2) and substituting the following paragraphs:

“(e) make interim payments of compensation, of such amounts as the Agency considers appropriate, out of the PPF Life Fund and the PPF General Fund to any covered party;

30 (f) where the transfer of the whole or part of the insurance business from a failed PPF Scheme member, or from a company set up to hold the insured policies of the failed PPF Scheme member, to another PPF

Scheme member is reasonably practicable, make payment out of the PPF Life Fund or the PPF General Fund to fund such transfer;”;

- (c) by inserting, immediately after paragraph (h) of subsection (2), the following paragraph: 5

“(ha) carry out the termination of insured policies issued by a failed PPF Scheme member and make payment out of the PPF Life Fund or the PPF General Fund to fund such termination;”;

- (d) by deleting paragraph (j) of subsection (2) and substituting the following paragraph:

“(j) claim from the failed PPF Scheme member for reimbursement of the amount of compensation paid to covered parties out of the PPF Life Fund or the PPF General Fund, together with any accrued interest;”;

- (e) by deleting paragraph (l) of subsection (2) and substituting the following paragraph: 20

“(l) claim payment from the liquidator or provisional liquidator of a failed PPF Scheme member, out of the assets of the failed PPF Scheme member, for reimbursement of the amount of compensation paid to covered parties out of the PPF Life Fund or the PPF General Fund, together with any accrued interest;”;

- (f) by deleting the full-stop at the end of paragraph (m) of subsection (2) and substituting a semi-colon, and by inserting immediately thereafter the following paragraph: 30

“(n) submit to the liquidator of a failed DI Scheme member a consolidated proof of debt on behalf of insured depositors of a failed DI Scheme member in relation to 35

each of their insured deposits placed with the failed DI Scheme member that exceeds the Maximum DI Coverage.”;

(g) by inserting, immediately after subsection (3), the following subsection:

“(3A) Without affecting the generality of subsection (3), the Agency may —

(a) for the purpose of making payments of compensation to insured depositors in respect of their insured deposits under the DI Scheme, raise loans by means of a charge over the assets of the DI Fund; and

(b) for the purpose of making payments out of the PPF Life Fund or the PPF General Fund, raise loans by means of a charge over the assets of the PPF Life Fund or the PPF General Fund.”; and

(h) by deleting the words “annual estimates” in subsection (4) and substituting the word “estimates”.

### **Amendment of section 58**

**21.** Section 58 of the principal Act is amended by deleting the words “memorandum and articles of association” in subsections (1) and (2) and in the section heading and substituting in each case the word “constitution”.

### **Amendment of section 59**

**22.** Section 59(1) of the principal Act is amended by deleting the words “memorandum and articles of association” and substituting the word “constitution”.

### **Amendment of section 63**

**23.** Section 63(2) of the principal Act is amended —

(a) by deleting paragraph (e) and substituting the following paragraph:

“(e) the manner in which compensation is to be paid to the following persons:

- (i) insured depositors and persons mentioned in section 22(7) from the DI Fund; 5
- (ii) any covered party from the PPF Life Fund and the PPF General Fund;”;  
and

(b) by deleting paragraph (g) and substituting the following paragraph: 10

“(g) the collection from any PPF Scheme member by the Agency of any information in relation to the insured policies and any covered party for the purpose of computing the amount of compensation that is to be paid to the covered party.”. 15

#### **Amendment of section 64**

**24.** Section 64 of the principal Act is amended —

- (a) by deleting the words “policy owners” in subsection (1) and substituting the words “covered parties”; and 20
- (b) by inserting, immediately after subsection (4), the following subsection:

“(5) Any DI Scheme member or PPF Scheme member which in purported compliance with the regulations made under this section, without reasonable care, discloses any information that is inaccurate, false or misleading, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000.”. 25 30

### **Amendment of section 69**

25. Section 69(2) of the principal Act is amended by inserting, immediately after the words “furnishing of information”, the words “that is false or misleading in a material particular”.

### 5 **Amendment of section 73**

26. Section 73(4) of the principal Act is amended by deleting the words “shall be paid to the Authority” and substituting the words “must be paid into the Consolidated Fund”.

### **Repeal and re-enactment of section 77**

10 27. Section 77 of the principal Act is repealed and the following section substituted therefor:

#### **“Three-year estimates of income and expenditure**

15 77.—(1) The Agency must before the start of every period of 3 consecutive financial years beginning 1 April 2019, prepare or cause to be prepared estimates of income and expenditure of the DI Fund, the PPF Life Fund, the PPF General Fund and the Agency for the 3 ensuing financial years.

20 (2) The Agency must also prepare or cause to be prepared a supplementary estimate for any financial year where the estimates prepared under subsection (1) are insufficient.

(3) All estimates mentioned in subsections (1) and (2) must be presented to the Minister for his approval.”.

### **Amendment of section 79**

25 28. Section 79 of the principal Act is amended by deleting the words “with reasonable care and”.

### **New section 79A**

29. The principal Act is amended by inserting, immediately after section 79, the following section:

**“Indemnity for Agency’s officers against cost of action to which section 79 applies**

**79A.**—(1) The Agency must indemnify a person mentioned in subsection (2) against all costs and expenses reasonably incurred by the person in connection with any action, suit or other legal proceedings to which the person is a party by reason of anything done (including any statement made) or omitted to be done in good faith in the course of or in connection with any of the matters mentioned in section 79(i), (ii) or (iii). 5

(2) Subsection (1) applies to a person who was a person mentioned in section 79(b) or (c) at the time of the alleged act or omission giving rise to the action, suit or proceeding.”. 10

**Amendment of section 82**

**30.** Section 82 of the principal Act is amended —

(a) by inserting, immediately after subsection (1), the following subsection: 15

“(1A) The Authority may, by notification in the *Gazette*, appoint one or more of its officers to exercise a power conferred on the Authority to grant an exemption to any person (not being an exemption granted to a class of persons) under this Act, or to revoke any such exemption.”; and 20

(b) by inserting, immediately after the words “subsection (1)” in subsection (2), the words “or (1A)”. 25

**Amendment of section 84**

**31.** Section 84 of the principal Act is amended —

(a) by deleting the word “or” at the end of subsection (3)(c);

(b) by deleting the full-stop at the end of paragraph (d) of subsection (3) and substituting the word “; or”, and by inserting immediately thereafter the following paragraph: 30

“(e) disclosure of the information is required or authorised by an order of a court in

Singapore, or by or under any written law.”;  
and

(c) by inserting, immediately after subsection (4), the following subsection:

5                   “(5) Any DI Scheme member or PPF Scheme member which in purported compliance with subsection (1), without reasonable care, provides any information or produces any book that is  
10                   inaccurate, false or misleading shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000.”.

### **Amendment of First Schedule**

15                   **32.** The First Schedule to the principal Act is amended by deleting “\$50,000” in the definition of “Maximum DI Coverage” and substituting “\$75,000”.

### **Amendment of Second Schedule**

**33.** The Second Schedule to the principal Act is amended —

(a) by deleting “47(1)” in the Schedule reference and substituting “47(2)”;

20                   (b) by deleting sub-paragraphs (ii) to (v) of sub-paragraph (a) and substituting the following sub-paragraphs:

                          “(ii) any group health policy;

                          (iii) any group personal accident policy;

25                   (iv) any rider to an individual policy, whether or not it is a Category 1 insured policy, with the exception of a rider which, upon the occurrence of a claim event —

                                  (A) accelerates the payment of part or all of the sum assured stated in the policy; or

30                            (B) provides for a payout of an additional sum of money over and above the sum assured stated in the policy;



- (v) the part of any insured policy, whether or not it is a Category 1 insured policy —
  - (A) comprising the accumulated values (including interest which has accrued on such values) of coupon deposits, advance premium payments and unclaimed moneys under such insured policy; and 5
  - (B) excluding such coupon deposits, advance premium payments and unclaimed moneys as have been factored, in whole or in part, in the surrender value computation by the PPF Scheme member; 10
- (vi) any accident and health benefit payable under a Category 4 insured policy (other than a benefit that accelerates the payment of part or all of the sum assured stated in the policy);” 15
- (c) by deleting the words “or rider” in sub-paragraph (b)(i);
- (d) by deleting the words “any term rider” in sub-paragraph (b)(v) and substituting the words “any rider, whether or not it is a Category 2 insured policy,”; 20
- (e) by inserting, immediately before the words “policy owner” in sub-paragraph (c), the word “insured”; and
- (f) by deleting sub-paragraph (d) and substituting the following sub-paragraph:
  - “(d) Category 4 insured policies, comprising any of the following types of policies or riders: 25
    - (i) any non-voluntary group insurance policy, being a non-voluntary group term policy, non-voluntary group whole life policy, non-voluntary group endowment policy or non-voluntary group annuity policy; 30
    - (ii) any rider of a non-voluntary group insurance policy which, upon the occurrence of a claim event —
      - (A) accelerates the payment of part or all of the sum assured stated in the policy; or 35

(B) provides for a payout of an additional sum of money over and above the sum assured stated in the policy,

other than any accident and health benefit, not being a benefit under a rider that accelerates the payment of part or all of the sum assured stated in the policy, payable under any such policy.”.

### **Amendment of Third Schedule**

**34.** The Third Schedule to the principal Act is amended —

(a) by deleting the words “section 48” in paragraph 2 and substituting the words “section 48A”;

(b) by deleting the words “a winding up order is made against the failed PPF Scheme member where the failed PPF Scheme member is wound up” in paragraph 2(a) and (b) and substituting in each case the words “the quantification date”;

(c) by inserting, immediately after paragraph 2, the following paragraphs:

“2A. For the purposes of determining the amount of benefits that an insured policy owner is entitled to receive from the PPF General Fund in the event of a claim under his insured policy, which occurs after the transfer or during the run-off of the insurance business of the failed PPF Scheme member under section 54, the protected liabilities in respect of his insured policy are —

(a) in the case of a compulsory insurance policy, the full amount of any liability of the failed PPF Scheme member under the insured policy for a sum payable to any person entitled to the benefit under the terms of the compulsory insurance policy for a liability of the policy owner that is subject to compulsory insurance, including the full amount of any such liability of the failed PPF Scheme member which becomes payable before, or within 30 days after, the quantification date; and

(b) in all other cases, the full amount of any liability of the failed PPF Scheme member to the insured policy owner under the terms of the insured policy, including

the full amount of any such liability of the failed PPF Scheme member which becomes payable before, or within 30 days after, the quantification date.

2B. For the purposes of determining the amount of benefits that an insured policy owner is entitled to receive from the PPF General Fund in the event of termination of an insured policy issued by the failed PPF Scheme member under section 54, the protected liabilities in respect of the insured policy are —

- (a) in the case of a compulsory insurance policy, the full amount of any liability of the failed PPF Scheme member under the insured policy before the termination, in respect of a sum payable to any person entitled to the benefit under the terms of the compulsory insurance policy for a liability of the policy owner that is subject to compulsory insurance before the termination of the policy; and
- (b) in all other cases, the full amount of any liability of the failed PPF Scheme member to the insured policy owner under the terms of the insured policy applicable before the termination.”;

(d) by deleting sub-paragraph (b) of paragraph 3 and substituting the following sub-paragraph:

“(b) in the case of a Category 2 insured policy, an amount calculated in accordance with the following formula:

$$\frac{A + B}{2} \times C,$$

where A is the protection ratio for the sum assured mentioned in paragraph 2(b) of the Fourth Schedule;

B is the protection ratio for the surrender value mentioned in paragraph 2(c) of the Fourth Schedule; and

C is the guaranteed policy liabilities for each of such Category 2 insured policies;”;

(e) by deleting the words “section 17” in paragraph 3(d) and substituting the words “section 18”; and

(f) by inserting, immediately after paragraph 3, the following paragraph:

5                   “4. For the purposes of determining the amount of benefits that an insured policy owner is entitled to receive from the PPF Life Fund in the event of termination of insured policies issued by the failed PPF Scheme member under section 54, the protected liabilities in respect of his insured policy are —

10                   (a) in the case of a Category 1 insured policy, the product of the protection ratio mentioned in paragraph 2(a) of the Fourth Schedule and the guaranteed policy liabilities for the policy applicable before the termination;

15                   (b) in the case of a Category 2 insured policy, the policy liabilities valued in accordance with regulations prescribed under section 18 of the Insurance Act (Cap. 142) for the valuation of assets and liabilities in an insurance fund before the termination of the policy using —

20                   (i) the adjusted guaranteed sum assured, which is the product of the protection ratio for the sum assured mentioned in paragraph 2(b) of the Fourth Schedule and the sum assured guaranteed under the policy applicable before the termination; and

25                   (ii) the adjusted surrender value, which is the product of —

30                   (A) the protection ratio for the surrender value mentioned in paragraph 2(c) of the Fourth Schedule; and

35                   (B) the surrender value guaranteed under the policy applicable before the termination, or if there is no such surrender value, the commuted value of the amount of guaranteed benefit payments under the policy if it had been in force at the time of the commuting;

- (c) in the case of a Category 3 insured policy, the product of the protection ratio mentioned in paragraph 2(d) of the Fourth Schedule and the guaranteed policy liabilities for the policy applicable before the termination; and 5
- (d) in the case of a Category 4 insured policy —
- (i) where the policy is a group term policy, group endowment policy or group whole life policy, the policy liabilities valued in accordance with regulations prescribed under section 18 of the Insurance Act for the valuation of assets and liabilities in an insurance fund before the termination of the policy using — 10
- (A) the adjusted sum assured, which is the product of the protection ratio for the sum assured mentioned in paragraph 2(e)(i) of the Fourth Schedule and the sum assured guaranteed under the policy applicable before the termination; and 15
- (B) the adjusted surrender value, which is the product of the protection ratio for the surrender value mentioned in paragraph 2(e)(ii) of the Fourth Schedule and the surrender value guaranteed under the policy applicable before the termination, or if not available, the commuted value of the amount of guaranteed benefit payments under the policy if it had been in force at the time of the commuting; and 25 30
- (ii) where the policy is a group annuity policy, the product of the protection ratio for the commuted value mentioned in paragraph 2(e)(iii) of the Fourth Schedule and the guaranteed policy liabilities for the policy applicable before the termination.”. 35

### **Amendment of Fourth Schedule**

**35.** The Fourth Schedule to the principal Act is amended —

(a) by deleting “47(1)” in the Schedule reference and substituting “47(2)”;

5 (b) by deleting sub-paragraph (i) of paragraph 2(b) and substituting the following sub-paragraph:

“(i) the ratio of the Maximum Sum Assured to the aggregate amount or (where instalment payments have, before the quantification date, been made to a covered party) the aggregate remaining amount, of the sum assured on the life assured guaranteed under all such policies (other than riders which accelerate the payment of part or all of the sum assured stated in the policy), upon the occurrence of a claim event (including the sum assured on any rider which provides additional payout of the sum assured upon the occurrence of a claim event); or”; and

10  
15  
20 (c) by inserting, immediately after the word “owner” in paragraph 2(c)(i), the words “or trustee of a trust of the insured policy”.

### **Amendment of Sixth Schedule**

**36.** The Sixth Schedule to the principal Act is amended —

25 (a) by deleting the words “, except that the first financial year of the PPF Life Fund and the PPF General Fund shall begin on the effective date appointed under section 46(5) and end on 31st March of the following year” in paragraph 1(2);

(b) by deleting paragraph 3 and substituting the following paragraph:

30 “**Auditor**

3. The accounts must be audited by such auditor as may be appointed annually by the Agency.”; and

(c) by deleting paragraph 12.

## **Amendment of Seventh Schedule**

**37.** The Seventh Schedule to the principal Act is amended —

(a) by deleting the words “memorandum and articles of association” in paragraph 1 and substituting the word “constitution”;

5

(b) by deleting paragraph 3 and substituting the following paragraph:

**“Auditor**

3. The accounts of the Agency must be audited by such auditor as may be appointed annually by the Agency.”; and

10

(c) by deleting paragraph 12.

## **Related amendment to Insurance Act**

**38.** Section 49FR(3) of the Insurance Act (Cap. 142) is amended by inserting, immediately after the words “the business of the licensed insurer” in paragraph (b), the words “or the termination of insured policies issued by the licensed insurer”.

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## **Saving and transitional provisions**

**39.—**(1) Section 77 of the principal Act as in force immediately before the date of commencement of section 27 continues to apply to the preparation of estimates relating to a financial year of the Agency that commences before 1 April 2019.

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(2) For a period of 2 years after the date of commencement of any provision of this Act, the Minister may, by regulations, prescribe such additional provisions of a saving or transitional nature consequent on the enactment of that provision as the Minister may consider necessary or expedient.

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## EXPLANATORY STATEMENT

This Bill seeks to amend the Deposit Insurance and Policy Owners' Protection Schemes Act (Cap. 77B) to enhance the clarity and operational efficiency of the Deposit Insurance Scheme and the Policy Owners' Protection Scheme, established under the Act.

The Bill also makes a related amendment to the Insurance Act (Cap. 142).

Clause 1 relates to the short title and commencement.

Clause 2 amends section 2(1) by updating the existing definitions of "beneficiary", "coupon deposit", "failed DI Scheme member", "failed PPF Scheme member", "quantification date" and "specified personal line insurance policy", and by inserting new definitions of "covered party", "trust" and "trustee".

Clause 3 amends section 10(1) to expressly allow the moneys in the Deposit Insurance Fund (the DI Fund) to be used by the deposit insurance and policy owners' protection fund agency (the Agency) —

- (a) for the payment of the expenses incurred in or incidental to the submission by the Agency of a consolidated proof of debt on behalf of insured depositors to the liquidator of a failed DI Scheme member that is being wound up in relation to insured deposits of each insured depositor that exceeds the Maximum DI Coverage (as defined in the Act); and
- (b) for the repayment of any moneys borrowed by the Agency for the purpose of performing its functions and the payment of any expenses and interest incurred in connection with the moneys borrowed.

Clause 4 amends section 21(1) to provide that the Monetary Authority of Singapore (the Authority) may also determine that compensation be paid out of the DI Fund to the insured depositors of a DI Scheme member that is wound up voluntarily.

Clause 5 amends section 25 to provide that the regulations that the Authority may make for the purposes of compensation by the Agency include providing for the treatment of any transfer order (defined in the Payment and Settlement Systems (Finality and Netting) Act (Cap. 231)) which has not been cleared and settled under the Rules of a payment system (also defined in that Act) in the computation of compensation due to any insured depositor who is entitled to compensation under the Act.

Clause 6 amends section 27 by deleting and substituting subsections (5) and (6).

The new subsection (5) provides that the Agency is (amongst other things) also entitled to be reimbursed, out of the assets of a failed DI Scheme member that is wound up, or by the failed DI Scheme member or the provisional liquidator of the failed DI Scheme member in any other case, for or in respect of —



- (a) any communication with insured depositors and the public on, or relating to, the payment of any compensation to insured depositors under the DI Scheme; and
- (b) such other matters as may be prescribed by the Authority.

The new subsection (6) provides that the Authority may by regulations provide for the manner, process or method by which the Agency may exercise its rights to be subrogated to the rights and remedies mentioned in subsection (1) of section 27 and to prescribe the matters mentioned in subsection (5)(a)(iv) and (b)(iv) of that section.

Clause 7 inserts a new section 28A setting out additional duties of the liquidator in the winding up of a DI Scheme member. In summary —

- (a) the liquidator must work together with the Agency to ensure that any insured depositor who is entitled to receive compensation from the DI Fund receives payment from the Agency, as soon as is reasonably practicable;
- (b) the liquidator must, as required by the Authority's written notice, give the Agency such reasonable assistance, and provide such information, as is necessary to ensure that any insured depositor who is entitled to receive compensation from the DI Fund receives payment from the Agency as soon as is reasonably practicable, and to enable the Agency to fulfil its objects and discharge its functions under the Act; and
- (c) the liquidator must not, without the prior written approval of the Authority, sell or transfer any assets of the DI Scheme member in liquidation to —
  - (i) any person who provides services in connection with the winding up of the DI Scheme member; or
  - (ii) any person working for or on behalf of the Agency, the Authority, or a person who provides services in connection with the winding up of the DI Scheme member.

However, the liquidator is not prevented from paying any debt of the DI Scheme member being wound up in accordance with any written law or rule of law relating to the winding up of companies.

Clause 8 amends section 35(1) to provide that the moneys in the PPF Life Fund and the PPF General Fund may be used for —

- (a) all expenses incurred in or incidental to the termination of any insured policy issued by a failed PPF Scheme member, and the raising and repayment of any loan for, or in connection with, any of the expenses set out in subsection (1)(a); and

- (b) the repayment of any moneys borrowed by the Agency for the purpose of performing its functions and the payment of any expenses and interest incurred in connection with the moneys borrowed.

Clause 8 also makes a technical amendment to section 35(1).

Clause 9 amends section 37(1) to delete an obsolete reference.

Clause 10 amends section 40(1) to provide the following new grounds for the Authority to make a determination under that provision:

- (a) where there is insufficient moneys in the PPF Life Fund or the PPF General Fund to pay compensation due to a covered party (as defined in a definition to be inserted by clause 2);
- (b) where there is insufficient moneys in the PPF Life Fund or the PPF General Fund to fund the termination of any insured policy issued by a failed PPF Scheme member.

Clause 11 amends section 46 —

- (a) to expand the grounds on which the Authority may determine that the PPF Life Fund or the PPF General Fund may be utilised to include —
  - (i) where a PPF Scheme member is wound up voluntarily; and
  - (ii) where, in the case of a PPF Scheme member that is a co-operative society registered under the Co-operative Societies Act, its registration as a society under that Act has been cancelled;
- (b) to expand the purposes for which the Authority may determine that the PPF Life Fund or the PPF General Fund may be utilised to include the purpose of funding the termination of any insured policy issued by the relevant PPF Scheme member;
- (c) to make clear that the references to the funding of the transfer of the business of the PPF Scheme member, the funding of the run-off of the insurance business of the PPF Scheme member and the funding of the termination of any insured policy issued by the PPF Scheme member include the payment of compensation out of the PPF Life Fund or the PPF General Fund to any covered party in accordance with the Act that is made following from, or in consequence of, the transfer, run-off or termination, as the case may be;
- (d) to make clear that where the Authority makes a determination that the PPF Life Fund or the PPF General Fund be utilised to fund the run-off of the insurance business of the PPF Scheme member, the Authority may make further determinations to fund a transfer of the whole or part

of the business or to fund the termination of any insured policy issued by the PPF Scheme member, or both; and

- (e) to make clear that the Agency must take all necessary steps to give effect to the Authority's determination.

Clause 12 repeals sections 47 and 48 and inserts new sections 47, 48, 48A and 48B.

The new section 47 —

- (a) makes clear that where an insured policy owner has one or more insured policies covered under the PPF Life Fund, issued by a failed PPF Scheme member, the entitlement to compensation from the PPF Life Fund extends to any covered party; and
- (b) makes changes to the amount of compensation from the PPF Life Fund to which the covered party is entitled. In particular, the changes —
  - (i) clarify the formula for calculating compensation for Category 2 insured policies mentioned in the Second Schedule;
  - (ii) provide that the amount of compensation excludes outstanding premiums owed by the insured policy owner for the insured policy; and
  - (iii) provide that the determination of the amount of compensation payable under an insured policy must only include the accumulated values (including interest which has accrued on such values) of coupon deposits, advance premium payments and unclaimed moneys under the insured policy, insofar as they relate to an insured policy that provides fully guaranteed or partially guaranteed benefits.

The new section 48 provides that —

- (a) where an insured policy owner is expressly entitled under the contract of insurance in respect of an insured policy to a refund of premiums by a failed PPF Scheme member, a covered party is entitled to compensation from the PPF Life Fund for the premiums in full; and
- (b) where an accidental death insurance cover is provided by a PPF Scheme member to a customer before the inception of an insured policy, and an accidental death claim on the cover arises on or before the quantification date, the customer's beneficiary is entitled to compensation from the PPF Life Fund for the accidental death benefit under the cover upon admission of the claim.

The new section 48A —

- (a) makes clear that entitlement to compensation from the PPF General Fund in respect of an insured policy issued by a failed PPF Scheme member extends to a covered party;
- (b) provides that such entitlement to compensation is subject to the maximum amount of compensation that is prescribed by the Authority for the class or type of insured policy or claim event, or both; and
- (c) empowers the Authority to make regulations to prescribe the maximum amount of compensation that a covered party is entitled to under subsection (1) for each class or type of insured policy or claim event, or both.

The new section 48B provides that where an insured policy owner is expressly entitled under the contract of insurance in respect of an insured policy to a refund of premiums by a failed PPF Scheme member, a covered party is entitled to compensation from the PPF General Fund for the premiums in full.

Clause 13 repeals and re-enacts section 50 and inserts a new section 50A.

The new section 50 provides that a person is not entitled to compensation under Part IX in respect of an insured policy, or an accidental death insurance cover mentioned in section 48(2), if the Agency has, in respect of the insured policy or accidental death insurance cover, paid to —

- (a) the insured policy owner;
- (b) a trustee of a trust of the insured policy;
- (c) a beneficiary;
- (d) the insured policy owner and a beneficiary; or
- (e) a trustee of a trust of the insured policy and a beneficiary,

as the case may be, the full amount of compensation payable to him or them in accordance with the Act.

The new section 50A —

- (a) provides that where the Authority makes a determination under section 46 that the PPF Life Fund or the PPF General Fund be utilised, the insured policy owner of an insured policy which is covered by the PPF Life Fund and which is issued by the PPF Scheme member in relation to which the determination was made, may not exercise any settlement option on or after the quantification date (as defined in the definition of that term to be inserted by clause 2);
- (b) provides that if a settlement option contained in a contract of insurance for an insured policy is exercised before the quantification date —

- (i) the insured policy ceases to be covered under the PPF Life Fund on the date at which the settlement option was exercised; and
- (ii) the covered party is not entitled to any compensation under Part IX; and

(c) defines the term “settlement option”.

Clause 14 amends section 51 to provide that the provisions relating to computation of the amount of compensation that is due in respect of an insured policy, and to payment of compensation, extend to a covered party.

Clause 15 amends section 52 —

- (a) to provide that the right of subrogation by the Agency under the section applies where payment of compensation under the Act has been paid to any covered party;
- (b) to provide that the Agency is entitled —
  - (i) in the case where a failed PPF Scheme member is wound up or dissolved, to be reimbursed out of the assets of the failed PPF Scheme member for the expenses incurred for or in respect of any communication with any covered party and the public on, or relating to, the payment of any compensation to any covered party under the PPF Scheme; and for such other matters as may be prescribed by the Authority; and
  - (ii) in any other case, to be reimbursed by the failed PPF Scheme member or the provisional liquidator of the failed PPF Scheme member, as the case may be, for the expenses incurred for or in respect of any communication with any covered party and the public on, or relating to, the payment of any compensation to any covered party under the PPF Scheme; and such other matters as may be prescribed by the Authority; and
- (c) to empower the Authority to prescribe the other matters for which reimbursement must be made.

Clause 16 amends section 53 to provide that provisions relating to the right of the Agency to recover amounts of compensation paid in error or excess extend to a case where compensation has been paid to any covered party.

Clause 17 amends section 54 —

- (a) as a consequence of the amendments to section 46 made by clause 11. In particular, it extends the provisions of section 54 to take into account the fact that the Authority may determine that the PPF Life Fund or the PPF General Fund may be utilised to fund the termination of insured policies issued by a failed PPF Scheme member;

- (b) to set out the amount of benefits that a covered party is entitled to where the insurance business of a failed PPF Scheme member is transferred to another insurer or the insurance is run-off by the Agency or a person appointed by the Agency or the Authority, or where an insured policy is terminated by the Agency;
- (c) to provide that the entitlement to benefits under new subsections (3) and (3A) are subject to the maximum entitlement to benefits prescribed by the Authority for the class or type of insured policy; and
- (d) to empower the Authority to make regulations to prescribe the maximum amount of benefits that the persons mentioned in subsections (3) and (3A) are entitled to for each class or type of insured policy.

Clause 18 inserts a new section 54A setting out additional duties of the liquidator in the winding up of a PPF Scheme member. In summary —

- (a) the liquidator must work together with the Agency to ensure that any covered party who is entitled to receive compensation from the PPF Life Fund or the PPF General Fund receives payment from the Agency, as soon as is reasonably practicable;
- (b) the liquidator must give the Agency such reasonable assistance, and provide such information, as is necessary for the Agency to fulfil its objects and discharge its functions under the Act as required by the Authority's written notice; and
- (c) the liquidator must not, without the prior written approval of the Authority, sell or transfer any assets of the PPF Scheme member in liquidation to —
  - (i) any person who provides services in connection with the winding up of the PPF Scheme member; or
  - (ii) any person working for or on behalf of the Agency, the Authority, or a person who provides services in connection with the winding up of the PPF Scheme member.

However, the liquidator is not prevented from paying any debt of the PPF Scheme member in liquidation in accordance with any written law or rule of law relating to the winding up of companies.

Clause 19 amends section 55 —

- (a) to provide that the right of the liquidator to bring legal proceedings in the name, and on behalf, of a failed PPF Scheme member in the circumstances set out in the section applies where the Agency has paid compensation out of the PPF Life Fund or the PPF General Fund in accordance with the Act to any insured policy owner, any trustee of a

trust of an insured policy, any beneficiary of an accidental death insurance cover, or any combination of such persons; and

- (b) to provide that a reference to the insured policy owner in the section includes, where compensation has, under section 48(2), been paid by the Agency to a person entitled to accidental death benefit under the terms of an accidental death insurance cover provided by a PPF Scheme member to a customer before the inception of an insured policy, the customer of the PPF Scheme member.

Clause 20 amends section 57 —

- (a) to expand the functions of the Agency to include —
  - (i) making payment out of the PPF Life Fund or the PPF General Fund to fund the transfer of insurance business from a failed PPF Scheme member, or from a company set up to hold the insured policies of the failed PPF Scheme member, to another PPF Scheme member in certain circumstances;
  - (ii) carrying out the termination of insured policies issued by a failed PPF Scheme member and making payment out of the PPF Life Fund or the PPF General Fund to fund such termination; and
  - (iii) submitting to the liquidator of a failed DI Scheme member a consolidated proof of debt on behalf of insured depositors of a failed DI Scheme member in relation to each of their insured deposits placed with the failed DI Scheme member that exceeds the Maximum DI Coverage;
- (b) to provide that the Agency may —
  - (i) for the purpose of making payments of compensation to insured depositors in respect of their insured deposits under the DI Scheme, raise loans by means of a charge over the assets of the DI Fund; and
  - (ii) for the purpose of making payments out of the PPF Life Fund or the PPF General Fund, raise loans by means of a charge over the assets of the PPF Life Fund or the PPF General Fund; and
- (c) to make a technical amendment in subsection (4) as a consequence of the repeal and re-enactment of section 77 (under which annual estimates are no longer prepared) and to update the terminology used in the section for consistency with other changes made by the Bill.

Clause 21 makes technical amendments to section 58(1) and (2) and the section heading to replace references to “memorandum and articles of association” with the word “constitution”.

Clause 22 makes a technical amendment to section 59(1) to replace the reference to “memorandum and articles of association” with the word “constitution”.

Clause 23 amends section 63(2) to expand the power of the Agency to issue Rules to cover rules —

- (a) relating to the manner in which compensation is to be paid to any covered party; and
- (b) relating to the collection from any PPF Scheme member by the Agency of any information in relation to insured policies and any covered party for the purpose of computing the amount of compensation that is to be paid to the covered party.

Clause 24 amends section 64 —

- (a) to make it an offence for a DI Scheme member or PPF Scheme member to, in purported compliance with the regulations made under the section, without reasonable care, disclose any information that is inaccurate, false or misleading; and
- (b) to make a technical amendment to subsection (1) to replace the reference to “policy owners” with the words “covered parties”.

Clause 25 amends section 69(2) to make clear that the duty under subsection (1) (a person who furnishes the Authority or the Agency with any information under or for the purposes of any provision of the Act must use due care to ensure that the information is not false or misleading in any material particular) applies only to a requirement in relation to which no other provision of the Act creates an offence in connection with the furnishing of information that is false or misleading in a material particular.

Clause 26 amends section 73(4) to provide that composition sums collected under the section must be paid into the Consolidated Fund (instead of to the Authority).

Clause 27 repeals and re-enacts section 77 to provide —

- (a) that the Agency must before the start of every period of 3 consecutive financial years beginning 1 April 2019, prepare or cause to be prepared estimates of income and expenditure of the DI Fund, the PPF Life Fund, the PPF General Fund and the Agency for the 3 ensuing financial years;
- (b) that the Agency must also prepare or cause to be prepared a supplementary estimate for any financial year where the estimates prepared under subsection (1) are insufficient; and
- (c) that all estimates must be presented to the Minister for his approval.



Clause 28 amends section 79 to remove “reasonable care” as a requirement of protection from liability of the Agency, any director, officer, employee or agent of the Agency, etc., for anything done (including any statement made) or omitted to be done in the exercise or purported exercise of any power under the Act, the performance or purported performance of any function or duty under the Act, or the execution or purported execution of the Act.

Clause 29 inserts a new section 79A to require the Agency to indemnify any of its directors, officers, employees, agents and any person acting under the direction of the Agency, against costs incurred in legal proceedings, if the proceedings arose from anything done by that person in good faith in exercising a power or carrying out a duty or function of the Agency or in complying with a written law.

Clause 30 amends section 82 to empower the Authority to, by notification in the *Gazette*, appoint one or more of its officers to exercise a power conferred on the Authority to grant an exemption to any person (not being an exemption granted to a class of persons) under the Act, or to revoke any such exemption.

Clause 31 amends section 84 —

- (a) to provide that the Authority is not precluded under the section from disclosing information if the disclosure of the information is required by an order of a court in Singapore, or required or authorised by or under any written law; and
- (b) to make it an offence for a DI Scheme member or PPF Scheme member to, in purported compliance with subsection (1) (which relates to the power of the Authority to, by notice in writing, require a DI Scheme member or PPF Scheme member to provide information or produce any book), provide any information or produce any book that is inaccurate, false or misleading.

Clause 32 amends the First Schedule to increase the Maximum DI Coverage to \$75,000.

Clause 33 amends the Second Schedule to redefine the composition of Category 1 insured policies, Category 2 insured policies and Category 4 insured policies.

Clause 34 amends the Third Schedule to amend the manner in which the protected liabilities in respect of the insured policy of an insured policy owner are to be calculated.

Clause 35 amends the Fourth Schedule to amend the manner in which the protection ratio is to be calculated.

Clause 36 amends the Sixth Schedule to remove the requirement that the accounts of the DI Fund, the PPF Life Fund and the PPF General Fund must be audited by the Auditor-General (or an auditor appointed in consultation with the

Auditor-General). Instead, such accounts must be audited by an auditor appointed annually by the Agency.

Clause 37 amends the Seventh Schedule to remove the requirement that the accounts of the Agency must be audited by the Auditor-General (or an auditor appointed in consultation with the Auditor-General). Instead, such accounts must be audited by an auditor appointed annually by the Agency.

Clause 38 makes a related amendment to section 49FR(3)(b) of the Insurance Act to provide that the priority conferred in a winding up of a licensed insurer on the amount paid or payable out of any of the PPF Funds by the PPF Agency under the Deposit Insurance and Policy Owners' Protection Schemes Act to fund any transfer or run-off of the business of the licensed insurer over the other liabilities of the insurer also extends to the amount paid or payable out of any of the PPF Funds by the PPF Agency under the Deposit Insurance and Policy Owners' Protection Schemes Act to fund the termination of insured policies issued by the licensed insurer. This amendment is consequential upon the amendment of section 46 of the Deposit Insurance and Policy Owners' Protection Schemes Act (under clause 11) to allow the Authority to determine that the PPF Life Fund or the PPF General Fund be utilised (amongst other things) to fund the termination of any insured policy issued by a PPF Scheme member in certain circumstances.

Clause 39 provides for saving and transitional provisions.

## EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.

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