Asia Pacific Insurance - Singapore

Guide for Directors and Senior Managers of Insurance Companies

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# Does the CEO, director or senior executives of an insurance company need to be registered or licensed by the insurance regulatory authority?

The Monetary Authority of Singapore (MAS) needs to approve the appointment of a director, chair or key executive person (which includes the chief executive and where applicable, the deputy chief executive) of an insurer incorporated in Singapore. For an insurer not incorporated in Singapore, the appointment of a key executive person also requires the approval of the MAS.

# Is approval from the regulator required for the appointment of a director/senior management of an insurance company? Is there any distinction between persons acting in an executive capacity and persons in a non-executive capacity?

Yes. MAS approval is required for the appointment of key executive persons (including the chief executive, deputy chief executive (where applicable) and appointed/certifying actuary), regardless of where the insurer is incorporated.

Where the insurer is a Tier 1 insurer (ie, a direct life insurer, a direct general insurer or a reinsurer, or a direct composite insurer established or incorporated in Singapore, with at least the minimum prescribed amount of assets or gross premiums) incorporated in Singapore, MAS approval for the appointment of all directors (whether EDs or NEDs), the chair of the board, the nominating committee members, the chief financial officer and the chief risk officer will also be required.

# Is there generally any distinction between EDs and NEDs?

No. There is no distinction (to the extent that it relates to the approval requirement) between an executive director and a non-executive director. MAS approval will be required for a licensed insurer (being one which is established or incorporated in Singapore) to appoint a person as its director, and such director will need to satisfy the MAS that he is a fit and proper person to be so appointed. That said, the assessment of whether a director is fit and proper may differ depending on whether the director is an ED or an NED. For example, the appointment of any person who is assuming concurrent responsibilities, particularly someone who will be or is an ED, requires closer scrutiny.

# Is approval from the regulator required for the resignation or removal of a director/senior management of an insurance company? Is there any distinction between EDs and NEDs?

No. However, MAS must be notified of the resignation or removal of directors/senior management, depending on the relevant position.

# Is there any nationality requirement for directors/senior management of an insurance company? If so, do any exemptions exist?

No. However, residency requirements may apply.

# Is there a minimum qualification or minimum number of years of relevant experience applicable to directors/senior management of an insurance company?

Key executive persons and other directors are subject to fit and proper requirements, which include competence and capability criteria, taking into account past relevant experience and qualifications.

# Are there any other fitness and propriety requirements that apply to directors of an insurance company? What are they?

Yes. Candidates must satisfy the criteria of honesty, integrity and sound reputation, and financial soundness, and comply with the fit and proper guidelines.

# Are there any other negative factors which will disqualify a candidate from becoming a director of an insurance company?

Yes. This includes a past conviction relating to fraud or dishonesty or other criminal offenses, being an undischarged bankrupt, having had execution in respect of a judgment debt returned unsatisfied in whole or in part, having entered into a compromise or scheme of arrangement with creditors (being a compromise or scheme of arrangement that is still in operation), having had a prohibition order made by the MAS against him/her or has been a director or concerned in the management of regulated financial institutions that ended up having their licenses revoked or wound up by a court.

# Is there a residency requirement for directors/senior management of an insurance company (e.g., primary residence must be in each local jurisdiction)?

The chief executive is expected to be primarily a resident in Singapore.

# Does the insurance company need to evaluate its directors/senior management before appointing such persons? What certifications, if any, must the insurance company provide to the insurance regulatory authority in respect of its directors/senior management?

Yes. An insurance company is expected to (i) assess the fitness and propriety of key executive persons, directors and the chair and, where  
applicable, committee members; (ii) assess whether the appointment will cause any conflicts of interest; and (iii) if applicable, satisfy  
independence and board composition requirements.

Information that needs to be submitted to the MAS includes personal particulars, educational and professional qualification, employment  
history, business interests in other entities (including an assessment of any conflict of interest) and a fit and proper certification.

# Generally, are there any distinctions in the duties and responsibilities or the regulatory treatment for EDs and NEDs?

Generally, the board is collectively responsible for the operations of the insurance company. However, we would highlight the following:

In the case of a Singapore branch insurance company, directors who are not responsible for the Singapore operations are, generally speaking, subject to less supervisory oversight by MAS. Rather, members of the senior management, collectively, of the insurer's head office with oversight responsibilities for the insurer's Singapore operations will be required to comply with certain obligations imposed on the licensed insurer.

Independent directors of Singapore-incorporated companies who are members of the relevant committees (see next section) are  
subject to specific corporate governance duties and responsibilities.

# Are there any overarching duties and responsibilities for directors/senior management of insurance companies arising from insurance regulations (in addition to general corporate laws)?

Directors are responsible for the operations of the insurer, including compliance with applicable regulatory requirements. The MAS Guidelines on Risk Management Practices for Insurance Business - Core Activities in this regard provide that the board of directors is ultimately responsible for the sound and prudent management of an insurer. The board should approve the risk management strategy and risk policies pertaining to core insurance activities. It should ensure that adequate resources, expertise and support are provided for the effective implementation of the insurer’s risk management strategy, policies and procedures. The senior management, or a committee comprising members of senior management from both the business operations and control functions, should establish the risk management framework.

The board and committees of Singapore-incorporated insurance companies are subject to specific corporate governance roles and responsibilities.

# Will directors/senior management be personally liable for breach of insurance regulations by the insurance company? What penalties are there, if any?

Yes, unless it is proven that they have exercised all such diligence to prevent the commission of the offense as they ought to have exercised, having regard to the nature of their functions in that capacity and to all the circumstances.

Statutory penalties include fines and/or imprisonment and the quantum/length depends on the offenses committed.

MAS may also issue warning letters or public reprimands and has the power to direct the insurance company to remove a director.

# Are directors/senior management of an insurance company subject to any periodic filing/notification requirements? What are they?

Generally, no periodic filings apply to directors. However, ad hoc filings may apply to resignation or cessation of appointment, notification to the MAS of any new roles/appointment and instances where conflicts of interest arise or there are changes in a fit and proper status. An annual notification on additional roles taken by appointed/certifying actuary applies.

However, these notifications are generally to be filed by the insurance company.

# Is there a requirement on minimum number of the board of directors of an insurance company?

Yes. Singapore-incorporated insurance companies are required to have at least three directors.

# Are there any rules around composition of the board of directors or equivalent (e.g., independence requirement or the number of executive- or management-level directors)?

Yes. For a Tier 1 Singapore-incorporated insurance company, the majority of directors must be independent, subject to certain exceptions.

For a Tier 2 Singapore-incorporated insurance company, at least one-third of directors must be independent, subject to certain exceptions.

# Are there any mandatory requirements for setting up of other committees (e.g., audit, remuneration committees)? If so, briefly describe the responsibilities of these committees.

Yes. Generally, subject to certain exceptions, Tier 1 Singapore-incorporated insurance companies are required to set up the following:

Nominating committee – responsible for identifying candidates and reviewing nominations of key persons and directors

Remuneration committee – responsible for recommending remuneration framework based on prescribed criteria

Audit committee – responsible for audit functions of the insurance company

Risk-management committee – responsible for establishing an independent risk-management system

Rules on the composition (eg, minimum number, independence) of the committees apply.

Note that Tier 1 Singapore-incorporated insurance companies require MAS approval for the appointment of the members of the nominating committee, the chief financial officer and chief risk officer.

# Are directors of an insurance company permitted to hold other passive business interests (e.g., non-executive directorships and investments/shareholdings in other corporations)? What disclosures, if any, need to be made to the relevant regulatory authorities? Are there restrictions on the number of positions board members can hold?

Yes, provided that there is no conflict of interest and subject to an independence rule where the director concerned makes up the independent composition. Such interests will need to be disclosed to the MAS and a report on the assessment of conflict of interest will need to be submitted.

# Is there any requirement or prohibition for an insurance company to make a payment to its directors/senior management?

No specific requirement or prohibition on remuneration to directors/senior management. However, corporate governance rules apply in respect of remuneration of senior management and other key personnel. For certain matters, such as subsidy payments to be made to INEDs, it will require approval from the shareholders in a general meeting.

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