

SETTING UP A
SERVICE
COMPANY IN
SINGAPORE

2022

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This is a guide to assist Managing Agents with the intention of setting up a Service Company in Asia.

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Background to Lloyd's operation in Singapore

The Platform

The Lloyd's Asia platform was established to meet the common interest of Lloyd's and the Singapore Authority, the Monetary Authority of Singapore (MAS), to enable Lloyd's to establish an underwriting presence in Singapore. Lloyd's intention for Lloyd's Asia is for it to serve as a regional centre for Lloyd's marketing, business promotion and regulatory liaison. The MAS wants to continue to develop Singapore as a global financial services hub and are keen to encourage the transfer of "intellectual technology" to Singapore and believes that this will be enhanced by underwriters with Lloyd's/ London market experience working in Singapore.

In order for Lloyd's members to have an onshore presence in Singapore, the Lloyd's Asia Scheme regulations, which govern the onshore presence of Lloyd's members in Singapore, require that the Lloyd's member's managing agent must set up a Lloyd's Asia Service company, co-located with the administrator of the Scheme, Lloyd's of London (Asia) Pte Ltd, (Lloyd's Asia) which is a subsidiary of the Lloyd's Corporation.

To have an onshore presence in Singapore to underwrite (re)insurance business in Singapore, a member of Lloyd's must establish a Service Company. The company must be registered with Lloyd's Asia and be a subsidiary of a managing agent at Lloyd's; or a subsidiary of the holding company of a managing agent at Lloyd's.

Benefits of joining Lloyd's Asia

- **Proximity** Underwriters in Lloyd's Asia have greater proximity to the client base and regional brokers and are able to trade in the same time zone as Asian clients. This enables improved access to broker networks, an improved understanding of the different Asian markets and an increased ability to service business written. By having a presence in Asia and establishing relationships, syndicates have better opportunities of being presented with more favourable risks, which don't reach London.
- **No Broker Restriction** Unlike Lloyd's underwriters in London, the MAS does not restrict local brokers dealing with Lloyd's Asia underwriters. Lloyd's Asia underwriters may also transact directly with clients in addition to any broker, local or otherwise.
- **Broker Support** Local brokers are very enthusiastic for more Lloyd's syndicates to join Lloyd's Asia, as it offers them the opportunity of obtaining Lloyd's capacity locally without the time delay and additional cost of going through London. Hence, they are likely to be supportive of a new Lloyd's Asia Service Company granted with meaningful underwriting authority.
- **Excellent Infrastructure** There is an existing legal and physical infrastructure to assist and provide

ongoing support to newcomers to the Lloyd's Asia platform. Lloyd's Asia takes responsibility for diverse areas including regional marketing of the Lloyd's brand; management of the office premises as well as providing a single interface with the MAS and ensuring the platform remains compliant with local requirements advising on other regulatory matters.

- **Established Procedures** New participants benefit from lessons learned by the pioneers and advice given by Lloyd's Asia centrally. There are established activities and events in place on the platform to assist with trading and networking opportunities for the platform participants; newcomers may immediately benefit from these.
- **London Underwriting Experience** The co-location of Lloyd's managing agents' regional operations within the same office premises, plus the prominence of the common Lloyd's Asia brand, gives greater profile and access throughout the Asia-Pacific region to all Lloyd's Asia participants than they could achieve working as stand-alone Service Companies. The co-location of Lloyd's business provides newcomers with an immediate market network, administrator support and opportunities to meet the broking community through Lloyd's weekly "trading hours" and other events run for the Lloyd's underwriting community.
- **Sub-delegate to Singapore and overseas Coverholder** Since April 2015, the governing Lloyd's Asia regulations permitted Lloyd's Asia service companies to establish sub-delegated underwriting arrangements with overseas or Singapore based Coverholders or MGAs.

Following agreement with the MAS and the General Insurance Association of Singapore (GIA), Lloyd's is exclusively responsible for the oversight of the Lloyd's Singapore Coverholders and no further local registration is required (overseas Coverholders will be subject to the usual overseas regulatory requirements in addition to Lloyd's own approval process). This provides Lloyd's Asia service companies with a competitive advantage, as it is not permitted of the company market to have Singapore MGAs, unless the MAS approve the specific arrangement. Singapore Coverholders may only establish arrangements with Lloyd's Asia service companies; binders with Lloyd's Managing agents are not permitted.

Sub-delegation by the Lloyd's Asia service company provides a more efficient mechanism to establish and manage Coverholder arrangements in the Asia Pacific region, rather than from London.

Key considerations for becoming a Service Company with Lloyd's Asia

Establish a Business Plan

A managing agent looking to establish a Service Company must make their Oversight Manager and Syndicate Performance (SP) Manager, and concurrently, the Lloyd's Asia Country Manager, aware of their intention. Discussion between the Managing Agent and SP will be held in respect of the entity's business strategy, the classes of business to be underwritten and the experience of the underwriter(s).

Following discussions with the managing agent and general agreement by Lloyd's over the proposal. i.e. that it is logical, realistic and achievable, the next step is for the managing agent to submit a business plan (SBF). No underwriting or operational set up can occur without the Capital and

Planning Group's (CPG) approval of the business plan, nor without the approval by Delegated Authority (DA).

Managing agents are reminded that all Lloyd's Service Companies globally must adhere to the 13 Principles for doing business at Lloyd's.

Once the managing agent has submitted an application to DA to review it will be reviewed by SP who will ensure that the classes of business are already underwritten by the Managing Agent. This is to ensure that the Managing Agent has the necessary experience to review and oversee the underwriting of this business.

SP will consider the key metrics, such as Income and loss ratio estimates, as part of the review process as well as ensuring that the line sizes requested are aligned with their whole account SBF. These discussions will take place as part of the establishing a business plan process.

Service Company Application

Lloyd's DA team will review the service company application via the Atlas system. In addition to the Atlas application, a [Service Company decision paper](#) needs to be submitted to Lloyd's for review. A business plan provided to Lloyd's Asia should include the person and their scope of responsibility to ensure all regulatory and Lloyd's requirements are met. Appendix 3 provides for a starting point to consider these requirements and this document should not be taken as exhaustive.

Service companies operating in Asia must comply with Lloyd's requirements outlined with the [Service Company Code of Practice](#). Every application requires a Service Company undertaking to be signed and uploaded onto the Atlas application.

. Once the Service Company has been approved by Lloyd's DA team and Lloyd's Asia, the Service Company will be able to enter into a [Service Company Underwriting Agreement](#). This is a binding authority which authorises a Service Company to enter into a contract or contracts of insurance only to be underwritten by members of a syndicate managed by the Service Company.

Any further changes to the Service Company record once the entity has been approved will need to be submitted to Lloyd's through ATLAS e.g. if the Service Company is looking to write an additional line of business then the Managing Agent will need to submit a class of business extension and accompanying checklist.).

Obtain MAS Approval

The main regulations governing the Service Company are the [Lloyd's Asia Scheme](#) and the [Insurance Act](#). Lloyd's Asia will inform the MAS Insurance Supervisory team with the managing agent prior to submission of the application. The managing agent will have to complete a **Lloyd's Service Company Application** (Appendix 1) and the **Director/CEO Application** (Appendix 2) for each of the three directors including the CEO. The CEO can be one of the directors.

Please note that managing agents should not contact the MAS directly as Lloyd's Asia is the designated point of contact for all official liaison.

Operational Costs

Office rent – It is a requirement for new Service Companies to be co-located, in Lloyd's Asia premises. Please contact the Country Manager for information regarding the office space rental.

Funding of Lloyd's Asia administrator costs – The costs of operating the Lloyd's Asia office are shared with the platform. The common areas such as pantry / shared meeting space/ are divided prorata to all the SC in the platform. Every month with the invoices, this will also be included. All the other points are clearly specified in the sub lease.

Infrastructure considerations - Each service company is responsible for their own IT infrastructure. There is no shared IT platform or common systems in place. It is important therefore that each managing agent determines their individual requirements during the office fit out phase considering IT and telephone set up (PBX or IP telephony for example) and connectivity in the office (voice, video conference capabilities).

Regulatory reporting - MASnet must also be enabled to ensure that regulatory returns and surveys can be submitted. MASnet is a financial network operated by the Monetary Authority of Singapore (MAS) that facilitates submission of returns, data exchange between financial institution and government agencies. MAS will provide for the application details once the Service Company is approved.

Premium Trust Funds (PTFs)

PTFs should be set up by each service company, one each for Singapore policies (SIF) and offshore (OIF) policies, in as many different currencies as needed. These must be operated in accordance with Lloyd's premium trust deeds.

Repatriation of funds is permitted at any time, but at the point of transfer, the funds to be transferred must only be the cash and deposit surplus over the claims liabilities, as supported by the MAS regulatory returns.

There are no specific local investment requirements of the premium trust funds as long as the SIF and OIF funds are not co-mingled and also kept separate from other syndicate funds e.g. UK PTFs.

Employee considerations

Each service company must have an underwriter with 6 years or more relevant underwriting experience and a resident, employed, CEO (these roles can be met by the same person); support staff (will be dependent on individual service company needs). Potentially an accountant to meet the local regulatory return submission requirements, although this can be performed by London if there is sufficient resource to dedicate to this activity. All staff with underwriting or claims authority must meet [Notice 211](#) requirements, of minimum Certificate of general Insurance or equivalent.

Expatriate staff can enter Singapore on a social visit pass (up to 30 days for UK residents) and apply for a work visa while in Singapore. These are obtained from the Ministry of Manpower and it is advisable to allow at least three weeks for this process. Further information can be provided by Lloyd's Asia in addition to <http://www.mom.gov.sg>. Lloyd's Asia can also provide recommendations on housing and realtors if required.

Goods & Service Tax (GST) & Audit

Each service company must appoint an external auditor for the audit of syndicate business MAS returns as well as for the service company. Lloyd's Asia will register the service company for inclusion in the consolidated GST return however each managing agent will need to register their service company for GST purposes.

Register to Lloyd's Asia Scheme

Confirmation of registration is provided by Lloyd's Asia following SBP and DA approval. Following approval, service companies will be required to conform to the Lloyd's Asia regulations with the associated charges.

Further Considerations

Regulatory and Compliance Reporting

Quarterly and annual audited reports are required to be submitted to the MAS, on only the insurance activity of the syndicate's underwriting in Singapore which includes balance sheet and P&L information with underwriting results by business category. Assets and liabilities of the Service company should not be included in these returns (this why it is helpful to have separate accounts for the service company and the syndicate's business in Singapore). These returns are submitted to the MAS electronically (using MASnet – a web-based internet interface), which is performed by the Service Companies themselves. Service Companies need to apply for MASnet and pay for the service (albeit a nominal fee), after MAS approval. Prior to submission to the MAS, the returns must be provided to Lloyd' for review with the return data completed in duplicate in the Lloyd's provided spreadsheet to enable Lloyd's to carry out basic checks on accuracy as well, as for consolidation purposes.

Service companies are also required to complete a monthly compliance report to provide assurance to Lloyd's Asia that Lloyd's Asia regulations are being met by the service company.

Regulatory compliance

Financial institutions operating in Singapore are required to put in place robust controls to detect and deter the flow of illicit funds through Singapore's financial system. Such controls include the need for financial institutions to identify and know their customers (including beneficial owners), to conduct regular account reviews, and to monitor and report any suspicious transaction. The requirements on financial institutions are set out in MAS' [Notices on the Prevention of Money Laundering and Countering the Financing of Terrorism](#) (AML/CFT Notices).

Financial institutions should also refer to Guidance Papers for good practices for combating money laundering and terrorism financing, and AML/CFT Announcements for information on high-risk jurisdictions as well as other news.

Under the MAS Act, a financial institution that fails or refuses to comply with the requirements of its applicable AML/CFT Notice is guilty of an offence and will be liable on conviction to a fine not exceeding \$1 million.

Risk Location and regulatory considerations

Lloyd's Service Companies must adhere to Lloyd's trading rights in all territories where the risks they underwrite are located and must do so in accordance with local legal and regulatory requirements. Information about Lloyd's global trading rights and related regulatory requirements are available on Crystal: www.lloyds.com/crystal

For any further information on Lloyd's global trading rights or Crystal, Lloyd's Service Companies should contact LITA.

Lloyd's International Trading Advice

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e: LITA@lloyds.com

Tax

The tax reporting duties are split between those that fall on Lloyd's members, via their insurance activities in Singapore and those that fall on the service company itself. Tax requirements that fall on the service company itself i.e. GST and corporation tax are the sole responsibility of the managing agents to ensure their entities are registered and subsequent tax submissions made in accordance with the requirements.

Since the presence of Lloyd's Asia Service Companies creates a permanent establishment in Singapore for the underwriting members of the participating syndicates, they become subject to Singaporean corporation/income tax. The basis for the tax computations will be the audited MAS returns. Lloyd's Tax department coordinates and advise on the process. The service companies are responsible for applying the correct GST rates for the insurance business underwritten on behalf of the syndicate. Each service company must then complete a GST return to LA, for consolidation and onward submission to the Inland Revenue Authority of Singapore (IRAS) for all the Lloyd's Asia syndicate business.

GST is applicable on all services provided in Singapore; this includes insurance. The rate is 7%, though some supplies are zero-rated or exempt. The Singapore corporation tax rate is currently 17%. There are currently several MAS incentives for syndicates to set up in Singapore, which include tax concessions. For some classes of insurance, the concessionary tax is at 10% while some classes are exempted.

GST will be raised to 8% from 1 Jan 2023 and 9% from 1 Jan 2024.

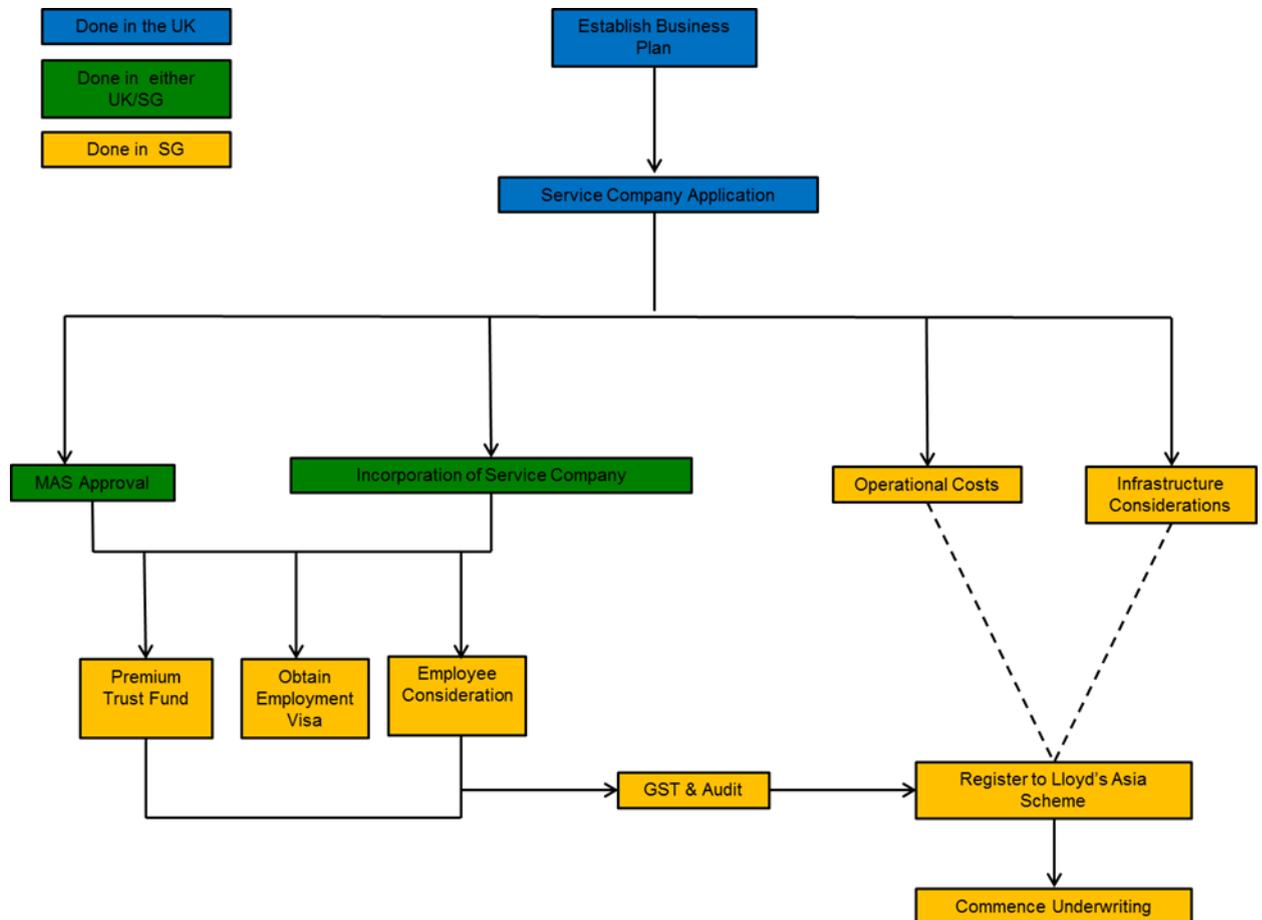
For further information on any of the above tax matters, please contact the Lloyd's Tax Department.

Capital requirements

There are no capital requirements for the service company itself or trust funding requirements on the insurance business being written, although each service must establish their own premium Trust Funds. There is a deposit requirement on Singapore business written (based on the greater of SGD 500,000 or 30% of the net premium income of Singapore business), but this is less than if the same business were to be written from London under the Lloyd's Scheme (based on the greater of SGD 500,000 or 55% of the net premium income of Singapore business). The deposits are collected by Lloyd's from the syndicates direct via ASL as part of the usual overseas regulatory deposit collection process.

Service company process

It should be noted that the process can take up to five months from establishing a business plan to the commencement of underwriting.



Appendix of Documents

Appendix 1	Lloyd's Service Company Application	 Lloyd's Asia SC Application.doc
Appendix 2	Director/CEO Application	 New Director and CEO Notification.xls  MAS 106 Form.pdf
Appendix 3	Key Regulatory and Lloyd's expectations and responsibility matrix	 LAS Regulations and Responsibility M

