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I SUMMARY

Social Security

Eligibility	Central Provident Fund (CPF) for all employees. Work Injury Compensation for all employees in general. Public Assistance System (PAS) for those not covered under CPF.
Retirement Age	Minimum 62M/F
Contributions	Scale based on employee age. Total contributions to CPF range from 10% to 34.5% of wage.
Retirement Benefits	Retirement Capital: Sum total of all contributions to CPF with interest, less the amount to be invested in the minimum sum scheme. The CPF board is exploring a Longevity Insurance – CPF LIFE, a national scheme to enhance or replace the minimum sum scheme. This scheme would provide monthly income to CPF members for life.
Disability Benefits	Possibility of withdrawing the balance of the CPF account in the event of total and permanent disability.
Death Benefits	Balance of the CPF account with interest. Privatised Dependant's Protection Scheme (DPS): Benefit up to SGD 46,000.
Medical Benefits	Medisave scheme (basic hospitalisation and surgical charges at restructured hospitals or at approved hospitals/medical institutions). MediShield scheme (hospital and surgical claims and specific outpatient treatments). Medisave-Approved Private Integrated Plans (extensions of MediShield offered by private insurers that enable members to opt for better care by paying correspondingly higher premiums). Medifund (an endowment fund set up by the government as a safety net to help needy Singapore citizens who are not able to afford the subsidised charges at restructured hospitals, even with Medisave and MediShield).

Private Benefit Plans

Eligibility	A typical group benefit program in Singapore covers all regular, full-time, permanent employees up to age 70.
Retirement Age	Normally all regular full-time employees up to age 62.
Contributions	Death, accident, disability and medical insurance costs are usually borne by the employer. If dependants' benefits are offered, the employees are required to pay a portion of the premium.
Retirement Benefits	No such plans in view of the mandatory funds.
Disability Benefits	Usually 2 - 3 times annual salary. Critical Illness: Separate policy with a lump sum death benefit if employee is diagnosed with one of 30 illnesses.
Death Benefits	Lump sum death benefit of 2 - 3 times annual salary.
Medical Benefits	Hospitalisation, managed care and dental.
Vesting	Vesting based on a scale according to the length of service.

Taxation

Employee Contributions	All statutory CPF contributions are tax deductible.
Employer Contributions	Generally tax deductible.
Benefits	CPF: Max. level of tax-free retirement benefits limited to the accumulated value of total statutory employer and employee contributions to CPF. Lump sum death and disability benefits and incomes from annuities are tax-free. Others: Taxable if received by the employer. If, in the event of disability or death, the employer pays a "gratuity" out of the company's fund, such a payment is tax deductible.

II INTRODUCTION

Country Statistics

Population/ growth rate	4.99 million (September 2009 est.)/ 0.99% (2009 est.)	
Age structure		
0 - 14 years	14.4%	
15 - 64 years	76.7%	
65 years and over	8.9%	
GDP/ Real growth rate	234.5 billion (2009)/ -2.6% (2009 est.)	
Agriculture	0%	
Industries	26.8%	
Services	73.2% (2009 est.)	
Unemployment rate	2.2% (2008)	
Inflation rate	0.2% (2009)	
Annual gross salary*	in SGD	
Labourer	General: n.a.	Skilled: n.a.
Professionals	Junior: n.a.	Senior: n.a.
Management	Lower: n.a.	Upper: n.a.
Legal minimum wage	No laws or regulations	
Exchange rate on February 28, 2010	1 SGD = 0.7101 USD	
Currency: Singapore Dollar	1 SGD = 0.5230 EUR	

*Source: Mercer's International Geographic Salary Differentials, Edition 2008

Legislation and Insurance Market Update in Brief

Employers can Claim Early Reimbursement for Paid Maternity Leave

As of May 1, 2009, employers are able to make an interim claim for early reimbursement of maternity leave remuneration paid by the government. The purpose of this measure is to reduce the current cost pressures on employers, as well as to foster a more family-friendly work environment.

The main features of the reimbursement procedure are as follows:

- Employers and self-employed women will be allowed to make a claim for the portion of maternity leave that is paid for by the government, but only once the mother has taken at least eight weeks off.
- The remaining amount can only be claimed once all 16 weeks of maternity leave have been used within the 12-month flexibility period.
- Reimbursement claims from the government are capped at SGD 40,000 (USD 27,600), including Central Provident Fund contributions for the full 16 weeks, of which SGD 20,000 (USD 13,800) can be claimed after the first eight weeks of leave is taken.

Background

Paid maternity leave in Singapore to eligible employees was extended from 12 to 16 weeks as part of the 2008 Marriage and Parenthood package. The first eight weeks of leave are paid for by the employer, and the rest by the government. From the third pregnancy onwards, all 16 weeks are covered by the government.

Employee eligibility is based on the following criteria:

- The child must be a Singaporean citizen;
- The employee must be lawfully married to the child's father;
- The employee must have served her employer for at least 90 days prior to childbirth.

Under the previous plan, employers would provide the entire leave, and then seek reimbursement once all of it had been consumed. As the leave is flexible, in some cases this would mean a delay of up to 12 months for the employer – in order to minimise this delay, the state has instituted the current rule to allow for one interim claim.

Source: Watson Wyatt Global News Briefs

Medisave for Approved Overseas Hospitalisation

As of 1 March 2010, Singapore residents are able to use their Medisave to help pay for their hospitalisation overseas under certain conditions.

In the past, they could only do so for emergency hospitalisation. At a dialogue with NTUC union leaders, there was a request to extend such a scheme to elective hospitalisation overseas, to give patients a wider choice, besides allowing them to take advantage of the lower cost of hospitalisation overseas.

For the extension, the following additional conditions will apply, besides the existing conditions applicable for treatment in Singapore:

- Medisave usage will be limited to hospitalisations and day surgeries, i.e. it cannot be used for outpatient treatment;
- The overseas hospital must have an approved working arrangement with a Medisave-accredited institution/referral centre in Singapore;
- The patient must be referred through a Medisave-accredited institution/referral centre in Singapore;
- The local centre must provide pre-admission clinical assessment and financial counselling to the interested patient;
- The local centre will be accountable for patient satisfaction and the clinical outcome.

The scheme started off with two providers: Health Management International (HMI) and Parkway Holdings Pte Ltd.

Source: Ministry of Health, Singapore

III SOCIAL SECURITY

Background Information

Public benefit schemes in Singapore can be classified into the following groups:

Central Provident Fund (CPF)

The Central Provident Fund (CPF) is a comprehensive social security savings plan which has provided many working Singaporeans with a sense of security and confidence in their old age. The overall scope and benefits of the CPF encompass the following: retirement, healthcare, home ownership, family protection, asset enhancement.

Since its establishment, the range of permitted uses of CPF funds has been widened.

The use of CPF savings should ensure the following:

- Sufficient savings to provide a retirement income to meet pensioners' basic needs in old age. Members are encouraged to supplement their retirement income with their personal savings.
- A property that is fully paid-up when the member retires
- Sufficient savings to meet medical needs of pensioners: saving for future medical expenses is important since the need for medical care increases significantly as the pensioners grow older. Members can use their Medisave account when hospitalised; or they can buy additional medical insurance such as MediShield to help them meet the treatment expenses for prolonged or serious illnesses.

The Dependants' Protection Scheme (DPS) within the CPF was privatised on September 17, 2005. The Dependants' Protection Scheme (DPS) is an optional term insurance scheme that provides CPF insured members and their families with a maximum sum assured of SGD 46,000 up to age 60 should the insured members become permanently incapacitated or pass away. The coverage is worldwide.

Currently, DPS is administered by two insurers, Great Eastern Life and NTUC Income. The scheme is extended to CPF members who are Singapore citizens or permanent residents, between age 16 and 60, when they make their first CPF contribution.

Work Injury Compensation Act

Under the Work Injury Compensation Act, employers are required to insure all manual workers and other workers with a monthly salary of SGD 1,600 and below. For other employees, employers can choose not to insure them. However, employers have to provide compensation to all injured employees and dependants of deceased employees, regardless of whether they are manual workers or their level of earning. It is enforced by the Work Injury Compensation Department, Ministry of Manpower (MOM).

Public Assistance Scheme (PAS)

The Public Assistance Scheme (PAS) provides a monthly grant to financially distressed Singaporeans who, by reason of age, illness, disability or unfavourable family circumstances, are unable to work and have neither means of subsistence nor anyone to depend upon. These persons are not covered under the CPF scheme.

Eligibility

All Singapore citizens and permanent residents who are employees are covered.

Contributions

Key changes to the CPF contribution rates introduced on July 1, 2007 are as follows:

- Employer's CPF contribution rate is increased by 1.5% except for employees above age 35 and total monthly earnings of SGD 1,500. Employees who are 35 and below are eligible for the increase regardless of their income. Contribution to the Ordinary Account is 1% and to the Medisave Account it is 0.5%.
- Staggered rates of employer CPF contributions for employees above the age of 35 and earning total monthly wages of SGD 1,500 or less. The employer contribution rate starts at 0% at the wage of SGD 50 and gradually increases to the full rate of 14.5% at the wage of SGD 1,500.
- Reduction of employee CPF contribution rate for total monthly wages between SGD 500 and SGD 1,500. The employee CPF contribution rate starts at 0% at the wage of SGD 500 and gradually increases to the full rate of 20% at the wage of SGD 1,500.

Working Singaporeans and their employers make monthly contributions to the CPF and these contributions go into three accounts: Ordinary, Special and Medisave:

- Ordinary Account (OA): The contributions may be used to buy a home, pay for CPF-approved insurance covers and for investments (with certain restrictions) and education.
- Medisave Account: The contributions can be used for hospitalisation expenses and for approved medical insurance.
- Special Account: The contributions may be used for old age, contingency purposes and investment in retirement-related financial products.

Since January 1, 2008, savings in the Special Account, Medisave Account and Retirement Account (SMRA) are pegged to the 12-month average yield of the 10-year Singapore Government Securities (10YSGS) plus 1%. To help members adjust to the floating SMRA interest rate, a 4% floor for the SMRA rate is maintained for three years (2008 - 2010).

In addition, an extra 1% interest is paid on the first SGD 60,000 of a member's combined balances, with up to SGD 20,000 from the OA. The extra interest from the OA will go into the member's Special or Retirement Account to improve their retirement savings.

Under the CPF act, the board pays a minimum interest of 2.50% per annum. CPF interest is computed monthly as compound interest and credited annually.

CPF contribution and allocation rates (in % of wage, for private sector companies and employees):

Age of employee	Ordinary	Special	Medisave	Total	Contribution employer	Contribution employee
35 and below	23%	5%	6.5%	34.5%	14.5%	20%
Above 35-45	21%	6%	7.5%	34.5%	14.5%	20%
Above 45-50	19%	7%	8.5%	34.5%	14.5%	20%
Above 50-55	13%	7%	8.5%	28.5%	10.5%	18%
Above 55-60	11.5%	0%	8.5%	20%	7.5%	12.5%
Above 60-65	3.5%	0%	9%	12.5%	5%	7.5%
Above 65	1%	0%	9%	10%	5%	5%

*Source: Central Provident Fund Board (www.cpf.gov.sg)

Retirement Benefits

Retirement Age

In line with the government's long-term objective of raising the retirement age to 67, the statutory minimum retirement age was raised from 60 to 62M/F effective as of January 1, 1999. Further extensions of the retirement age will depend on the prevailing economic conditions and the experience gained from this extension.

Qualifying Conditions

CPF contributions with interest may be withdrawn in the following cases:

- At age 55, after setting aside a minimum sum in the retirement accounts for old age (see Minimum Sum Scheme below).
- Upon death or total and permanent disability.
- Upon permanently leaving Singapore and West Malaysia.

Benefits

Minimum Sum Scheme:

CPF members who reach 55 years of age will be required to set aside a portion of their CPF savings into the Minimum Sum Scheme. From July 1, 2009, the Minimum Sum Scheme amount is SGD 117,000 (and will be raised gradually until it reaches SGD 120,000 in 2013). Members can use the Minimum Sum Scheme to:

- Buy an annuity from an approved insurance company
- Place it in an approved bank and receive a monthly income, starting from age 62
- Leave it in the retirement account with the CPF Board and receive a monthly income, starting from age 62

Minimum Sum Plus Scheme: CPF members can use their CPF savings beyond the minimum sum to buy approved life annuities.

Disability Benefits

Qualifying Conditions

Disability benefits are paid to persons who are permanently unable to work.

Benefits

Home Protection Scheme:

This scheme protects members and their dependants against losing their homes should members become permanently disabled or die before their housing loans are paid up. It is compulsory for all members who are using their CPF savings to pay the housing loan instalments on their housing properties. Exceptions are those in poor health or those over age 55.

Dependants' Protection Scheme (DPS):

This scheme is aimed at providing members and their dependants with income support should members become permanently disabled or die. A member may opt out if desired. The coverage provided amounts up to SGD 46,000.

Yearly premium payments (using CPF savings) are as follows:

Age (Last Birthday)	Yearly Premium (SGD)
Below 35 years	36
35 - 39 years	48
40 - 44 years	84
45 - 49 years	144
50 - 54 years	228
55 - 59 years	260

Death Benefits

Qualifying Conditions

Death benefits are paid to the nominated beneficiary of an insured person.

Benefits

Upon death of an insured person, the nominated beneficiaries will be entitled to a lump sum equal to total employer and employee contributions to the CPF, plus compound interest.

Additional cover may also be provided by the Dependant's Protection Scheme (DPS). Details see above.

Sickness Benefits

Sickness benefits are not provided under CPF insurance. However, employees who have been with a company for at least six months are entitled to up to 14 days of paid sick leave per year, or up to 60 days if hospitalised.

Medical/Health Benefits

Qualifying Conditions

Medical benefits are granted to all employed and self-employed persons covered by the CPF. The insured persons can revert to 3 different schemes to pay for their medical expenses:

1. Medisave, a compulsory savings plan
2. MediShield, an opt-out basic medical insurance scheme;
3. Medisave-Approved Private Integrated Plans.

Benefits

Medisave:

Medisave accounts can be used to pay hospital bills incurred by the member, spouse, children, parents or grandparents while hospitalised in restructured hospitals or other approved hospitals/medical institutions in Singapore. Medisave can also be used to cover certain out-patient charges such as Hepatitis B vaccination, assisted conception procedures, renal dialysis treatment, radiotherapy, chemotherapy, AZT treatment, and maternity expenses (subject to certain conditions and limits).

From October 1, 2006, the Ministry of Health allowed the use of Medisave to help pay part of the outpatient costs of disease management programmes. The Medisave for Chronic Disease Management Programme has been launched with Diabetes Mellitus as the first chronic disease covered under the scheme. The programme has since been further extended to other chronic diseases – hypertension, lipid disorders, stroke, asthma and chronic obstructive pulmonary disease (COPD).

Any member insured under a private hospital and surgical insurance scheme may initially pay hospitalisation costs using Medisave savings, but subsequently the reimbursement from the insurer must refund the amount utilised from the Medisave savings account.

The Medisave Required Amount is set at SGD 22,500 from January 1, 2010 and will increase by SGD 2,500 (adjusted for inflation) each year until it reaches SGD 25,000 (adjusted for inflation) on January 1, 2013. Upon death of the member, the Medisave balance will be paid in cash to the beneficiary/beneficiaries.

MediShield:

The MediShield scheme was introduced to help CPF members to meet the cost of major illnesses. The yearly premium (deducted from the Medisave balance) ranges from SGD 33 to SGD 1,123, depending on the member's age. Singaporeans and permanent residents are automatically covered under the MediShield scheme. However, they may opt out of the scheme by application. The insured may choose to include dependants (spouse, children, parents and grandparents) under the scheme. The premiums are deducted from the member's Medisave account. The scheme covers expenses including intensive care, surgical operations, implants, kidney dialysis as well as chemotherapy and radiotherapy for cancer treatment. CPF members and their dependants who are Singapore citizens or permanent residents can be covered under MediShield up to 85 years of age. Since December 1, 2007, all new born babies are covered by MediShield on an opt-out basis. In addition to this automatic cover, school children are also offered MediShield coverage on an opt-out basis effective as of May 2008. Early coverage will benefit youths and their parents, helping them to meet medical expenses in the event of major or prolonged illness.

There is a self-retention amount (deductible) before expenses are claimable under MediShield. In addition, for expenses in excess of the deductible amount, members pay a percentage of the admissible claims (co-insurance).

(in SGD)	Class C Ward	Class B2 Ward and above; and Day Surgery
Deductible per Policy Year (Members aged 80 years old and below)	1,000	1,500
Deductible per Policy Year (Members aged 81 – 85 years old)	2,000	3,000
Co-insurance	Claimable Amount	Claimable Amount
	1,001 – 3,000 : 20%	1,501 – 3,000 : 20%
	3,001 – 5,000 : 15%	3,001 – 5,000 : 15%
	Above 5,000 : 10%	Above 5,000 : 10%

The deductible and co-insurance amount may be paid in cash by the member or deducted from the Medisave savings account. No deductible is applicable for chemotherapy, radiotherapy and out-patient kidney dialysis, however co-insurance is applicable. Under MediShield the maximum limit is SGD 50,000 per policy year and SGD 200,000 per lifetime.

MediShield Plus:

The MediShield Plus insurance scheme was introduced by the CPF. The transfer to NTUC Income started in October 2005, and was renamed IncomeShield M Plans. It is similar to MediShield but costs more and pays higher limits for hospitalisation and surgical expenses. It also has higher deductible and maximum limits apart from the 10% co-insurance.

The 2 plans under IncomeShield M Plans are:

	Plan MA	Plan MB
Premiums	SGD 63 - 1,628	SGD 42 - 1,276
Deductibles	SGD 1,000 - 4,000	SGD 1,000 - 2,500
Co-insurance	10%	10%
Policy year limit	SGD 110,000	SGD 85,000
Lifetime limit	SGD 550,000	SGD 375,000

Medisave-Approved Private Integrated Plans:

These are extensions of the MediShield scheme. CPF members can use the Medisave savings to purchase these plans for themselves and their dependants. The use of Medisave is subject to a limit of SGD 800 per insured person per policy year. On December 1, 2008, the annual withdrawal limit was raised to SGD 1,150 for insured persons who are above 80 years old. Also, each insured person can use Medisave to purchase only one of the plans.

Portable Medical Benefits

From January 1, 2004, employers can choose to adopt either of the following options:

- Transferable Medical Insurance Scheme (TMIS): This offers an extension of in-patient coverage up to 12 months after an employee leaves employment for whatever reason, provided premiums are paid. It also allows the new employer to insure the employee without additional exclusions for pre-existing medical conditions.
- Portable Medical Benefits Scheme (PMBS): The employer makes an additional contribution to the employee's Medisave account under PMBS for the employee to purchase a personal medical insurance to cover in-patient needs selected from a list of CPF-approved insurance plans. Under this scheme, employers may contribute up to SGD 1,500 per employee each year.

Previously, medical expenses were tax deductible for employers up to a limit of 2% of total payroll. From January 1, 2004, the 2% tax deduction would continue to apply if employers implement TMIS and/or PMBS. Employers who choose not to offer either TMIS or PMBS will have their tax deductible for medical expenses reduced to 1% of the total payroll.

Work Injury Benefits

Qualifying Conditions

Under the Work Injury Compensation Act, it is mandatory for employers to buy insurance for employees who were already covered under the Workmen's Compensation Act prior to April 1, 2008, (i.e. manual workers regardless of their level of earnings and non-manual workers with monthly earnings of SGD 1,600 or less). For employees who are involved in non-manual work and have monthly earnings of above SGD 1,600, it is not compulsory for employers to purchase insurance for them. Nonetheless, employers will be required to pay compensation in the event of a valid claim, even if they do not buy insurance.

Benefits

An employee injured in a work-related accident is entitled to claim the following:

- Medical expenses
- Paid medical leave
- Paid hospitalisation leave
- Compensation for death and permanent incapacity

The maximum and minimum benefits for death and permanent incapacity are:

(In SGD)	Death	Permanent Incapacity
Maximum Benefits	140,000	180,000 x [% loss of earning capacity]
Minimum Benefits	47,000	60,000 x [% loss of earning capacity]

An additional 25% of the compensation amount is awarded if an injured employee suffered permanent total incapacity (i.e. 100% loss of earning capacity).

Temporary Incapacity Compensation (or Medical Leave Wages) - these include:

- Full pay for up to 14 days of out-patient medical leave; and
- Full pay for up to 60 days of hospitalisation leave
- Beyond the above-mentioned periods, 2/3 of salary is payable up to a maximum period of one year following the accident date (e.g. if the accident occurred on May 1, 2008, the one year period would end on April 30, 2009)
- Public holidays, rest days and non-working days should be excluded from the number of days of medical leave granted to the employee. For public holidays, while these are not granted as paid medical leave under the Work Injury Compensation Act, the employee may be paid for the public holidays as his entitlement under the Employment Act.

Medical Expenses/Fees

- Medical expenses incurred within one year of the date of the accident, or up to a cap of SGD 25,000, whichever is reached earlier.
- Within these limits, employers will be responsible for all the medical expenses incurred for treatment by any Singapore-registered medical practitioner or in any approved hospital. Employers are liable to pay such medical expenses directly to the hospital.
- Medical expenses include the cost of medical consultation fees, treatment and expenses, medical report fees (for the initial assessment of the extent of injury suffered by the employee), and the costs of medicines, artificial limbs and surgical appliances as certified by the medical practitioner.

Unemployment Benefits

Unemployment benefits are not provided in Singapore.

The employment act stipulates that an employer may terminate a contract of service by written notice or a payment instead of notice. Where it is not specified in the contract, the act lays down the notice period, ranging from one day for service under 26 weeks and up to four weeks' notice for over five years' service.

Under the act, an employee with more than three years' service is entitled to a tax-free retrenchment benefit. The act does not stipulate the amount of benefit as this is negotiable, unless provided for in the contract of service.

Other Benefits

Maternity Leave

Since October 31, 2008, all female employees who have worked for a minimum of 90 days with the employer are entitled to 16 weeks paid maternity leave. For the first 2 confinements, the first 8 weeks of maternity leave will be employer-paid. The last 8 weeks will be funded by the Government (capped at SGD 10,000 per 4 weeks i.e. SGD 20,000 per confinement including CPF contributions). For the third and subsequent confinements, the full 16 weeks will be funded by the Government (capped at SGD 10,000 per 4 weeks i.e. SGD 40,000 per confinement including CPF contributions). The last 8 weeks may be taken flexibly within a 12-month period from the birth of the child.

The maternity leave benefits will be payable even if the pregnant employee is:

- Retrenched within the last 3 months of pregnancy; or
- Dismissed without sufficient cause within the last 6 months of pregnancy (includes termination of employment with or without notice).

Public Housing and Residential Properties Schemes

The Public Housing and Residential Properties Schemes allow individuals to use their CPF savings to buy an apartment or house, but only in Singapore.

Education Scheme

The Education Scheme is a loan scheme to pay for tertiary education in Singapore. It is available both for members and their children.

Public Assistance Scheme (PAS)

The Public Assistance Scheme (PAS) provides financial assistance to citizens who are unable to earn an income due to old age, illness, disability or unfavourable family circumstances.

ElderShield

ElderShield was first launched by the Ministry of Health in September 2002 as an affordable insurance scheme for severe disability to provide basic financial protection to those who need long-term care. It provides a monthly cash payout for a limited period to help pay out-of-pocket expenses for the care of severely disabled persons. The degree of disability is measured by the 6 activities of daily living (ADLs) (the 6 ADLs are mobility, feeding, transferring, dressing, bathing and toileting), a standard which is widely used by private insurers offering severe disability insurance products. Under ElderShield, members who are not able to perform 3 or more ADLs will be eligible for insurance payouts.

All Singaporeans and permanent residents (PRs) who are CPF members and who have reached the age of 40 are automatically covered under ElderShield unless they opt out of the scheme. Premiums for ElderShield can be made from CPF members' Medisave accounts. CPF members can also use their Medisave monies to pay the ElderShield premiums for their parents, spouse, grandparents and children. Under ElderShield benefits are claimable for life at any age once all premiums are fully paid.

In 2007, the Ministry of Health made the following changes to the ElderShield scheme:

- The monthly payout is increased from SGD 300 to SGD 400 and the maximum payout period has been extended from 60 to 72 months.
- Introduction of ElderShield supplements, allowing ElderShield policyholders who wish to obtain higher severe disability insurance coverage to purchase ElderShield supplements.

The Ministry of Health has appointed 3 insurers to offer ElderShield and ElderShield supplements. The insurers are: Aviva Ltd, Great Eastern Life Assurance Co Ltd and NTUC Income Insurance Cooperative Ltd.

The premiums for the ElderShield supplements can also be made from Medisave, subject to a cap of SGD 600 per insured person per calendar year. ElderShield policyholders must first have a basic ElderShield before they can use their Medisave to purchase any ElderShield supplements. Applications for ElderShield supplements can be made directly with any of the appointed ElderShield insurers.

Interim Disability Assistance Programme for the Elderly (IDAPE)

The Ministry of Health has introduced IDAPE to provide Singaporeans, who are not eligible to join ElderShield due to pre-existing disabilities or age limit, with basic financial coverage against severe disabilities.

The Ministry of Health has awarded NTUC Income the contract to administer IDAPE.

Unlike ElderShield, IDAPE is not an actuarial scheme. Persons who are eligible for IDAPE need not pay any premiums.

Similar to ElderShield, the extent of disability is measured by the 6 ADLs. Members who are not able to perform 3 or more ADLs are eligible for disability payouts. The IDAPE disability payouts have been set at

- SGD 150 per month up to 72 months for those whose per capita household income is below SGD 700 per month and
- SGD 100 per month up to 72 months for those whose per capita household income is between SGD 700 and SGD 1,000 per month.

Taxation

Contributions

All statutory CPF contributions are tax deductible. Voluntary contributions made by the employer to the worker's CPF account are taxed as income to the employee and are not tax deductible to the employer.

The limit for tax relief on life insurance premiums and CPF contributions combined is SGD 5,000 per tax year.

Contributions to supplementary retirement schemes are fully tax-deductible, and investment gains, apart from accumulated Singapore dividends, are tax-free. On retirement 50% of the amount withdrawn from a supplementary retirement scheme is taxable, and withdrawals may be spread over 10 years.

Benefits

Lump sum death and disability benefits and incomes from annuities are tax-free.

The maximum level of tax-free retirement benefits is limited to the accumulated value of the total statutory employer and employee contributions to the CPF. All supplementary retirement benefits received from employers, both lump sums and pensions, will be taxed as income, except for the portion of retirement benefits corresponding to contributions made to an approved pension or provident fund (other than CPF) prior to January 1, 1993.

Other Information

Reciprocal Social Security Agreements

None.

IV PRIVATE BENEFIT PLANS

Background Information

There are no mandatory employee benefits in Singapore except for work injury compensation. However, most employers provide hospital and surgical, term life and personal accident benefit for employees.

The government has introduced a Supplementary Retirement Scheme (SRS), a tax privileged retirement savings scheme in the private sector, as a complement to the CPF. Participation in SRS is voluntary and done by employees only. Participants must open an SRS account at one of the 3 SRS Operators (Development Bank of Singapore (DBS) Ltd, Overseas-Chinese Banking Corporation (OCBC) Ltd or United Overseas Bank (UOB) Ltd). They can decide their amount of contribution (subject to a cap). The contributions can be used to purchase various investment instruments including certain insurance products. 50% of the withdrawal from an SRS fund at retirement age is subject to tax.

Eligibility

A typical group benefit programme in Singapore covers all regular, full-time, permanent employees up to age 65.

Under SRS

All Singaporeans, Singapore permanent residents (SPRs) and foreigners who are:

- at least 21 years old;
- not undischarged bankrupts; and
- not of unsound mind

Contributions

Death, disability, hospital and surgical premiums are usually paid by the employer. For managed health care benefits, co-payment of SGD 5 for clinical, SGD 15 for specialist, and 10% of hospital bills is paid by the employee.

Under SRS

- Employees may contribute any amount to their SRS account up to their SRS contribution ceiling.
- The SRS contribution ceiling is determined by multiplying the appropriate SRS contribution rate by an absolute income base.
- The SRS contribution rate for Singaporeans and Singapore permanent residents (SPRs) is 15% while the SRS contribution rate for foreigners is 35% in view of the fact that they do not enjoy tax relief on their CPF contributions.
- The absolute income base is SGD 76,500 per annum.

Retirement Benefits

Retirement Age

Normal retirement: 62 M/F; 62M/F for SRS

Benefits

Under SRS: Accumulated savings plus interest.

Vesting

The few occupational retirement plans that exist usually provide for a leaving service benefit based on a vesting scale according to the length of service and applied to the accrued benefits.

Withdrawals from SRS can be done at any time. However if employees make withdrawals before the statutory retirement age prevailing at the time of their first contribution, 100% of the sum withdrawn will be subject to tax. A 5% penalty for premature withdrawal will also be imposed.

Disability Benefits

Disability

Total and permanent disability is equal to lump sum death benefit (see below).

Personal Accident (Accidental Death & Dismemberment)

From 2 to 3 times annual salary.

Death Benefits

Group term life plans, usually non-contributory, with an average lump sum benefit of 2 to 3 times annual salary are popular. The maximum level of death benefit would normally be four times the annual salary. There is no minimum or maximum salary.

Medical/Health Benefits

Despite the good coverage available through Medisave and MediShield, private medical schemes are common. They might also include dependants, and are usually applied on a scale to reimburse both hospital and surgical benefits. It is common to differentiate levels of benefits by rank.

For dental benefits, a fixed amount of SGD 190 - 300 is provided to employees on a reimbursement basis.

Critical illness insurance policy pays a lump sum to an employee diagnosed with one of 30 specified dread diseases.

Taxation

General

If the policy is taken out by the employer to cover loss of profits due to death or total and permanent disability of the employee, the premiums are tax-deductible, but the amount of claim received by the employer becomes taxable. However, if the employer decides to pay a gratuity out of the company's own funds to the family of a deceased employee, this gratuity amount becomes tax-deductible.

Group life premiums are exempt from the government's goods and service tax (GST), but premiums for accidental death and disability and hospital and surgical riders are subject to GST, which in some cases discourages employers from providing a full range of benefits for their employees.

Benefits under group life arrangements are part of the deceased employee's estate and are subject to estate duty in the normal way.

Contributions to SRS accounts are tax-deductible. Withdrawals from SRS accounts: 50% of the sum withdrawn will be taxed for the following types of withdrawal:

- Withdrawal on or after the statutory retirement age prevailing at the time of the first contribution (prescribed retirement age);
- Withdrawal on medical grounds;
- Withdrawal on death; and
- Withdrawal by foreigners who have maintained their SRS account for at least 10 years from the date of their first contribution.

100% of the sum withdrawn will be taxed in all other situations.

Double Taxation Agreements

Australia, Bahrain, Bangladesh, Belgium, Bulgaria, Canada, China, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hong Kong, Hungary, India, Indonesia, Israel, Italy, Japan, Kazakhstan, Korea (Republic), Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mauritius, Mexico, Mongolia, Myanmar, the Netherlands, New Zealand, Norway, Oman, Pakistan, Papua New Guinea, the Philippines, Poland, Portugal, Qatar, Saudi Arabia, Slovakia, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, the United States of America, Uzbekistan and Vietnam.

Source: United Nations Conference on Trade and Development (UNCTAD)

V FUTURE OUTLOOK

Trends in the Insurance Industry

The life insurance industry achieved SGD 426 million of total weighted new business premiums during the third quarter of 2009, representing a 40% increase over the preceding quarter (Q2 2009) and an increase of 94% over Q1 2009. The positive showing was due to single premium sales earned in the third quarter of 2009 amounting to SGD 1.85 billion.

Almost 90% of the single premium policies were bought using cash. Following the investment restrictions imposed on CPFIS-OA and CPFIS-SA balances from April 2008 onwards, CPFIS-inclusive single premium business dropped to the current level, which is anticipated to form the benchmark going forward. This sector accounted for SGD 201 million (10%) of total single premium sales in the third quarter, registering a 22% increase over the preceding quarter.

Annual premium sales also fared reasonably well, increasing by 15% to SGD 274 million in the third quarter, and up from SGD 238 million in the second quarter, indicating that consumers appreciate the particular role and unique value of long term life insurance.

Strong quarter-to-quarter recovery has effectively brought the industry back to the levels before the global recession.

The weighted new business premiums for the first nine months of 2009 totalled SGD 0.95 billion, representing a drop of 33% compared to the corresponding period in 2008. This reflects the impact of the 2008 fall in global financial markets. Non-linked products were popular with consumers, constituting 80% of all life insurance sales up to the third quarter of 2009.

The third quarter sales suggest that consumer confidence is returning and that there is a readiness to invest in the broad range of life insurance products as part of protection, savings and investment portfolios, and the following trends are observed

- The average payout for death benefits is moving upwards, reaching its highest of SGD 47,027 per policy this quarter. While this is by no means adequate for the average family in Singapore, it shows a positive trend in terms of narrowing the protection gap.
- Clients are starting to move money from cash into single premium ILPs. All these trends augur well for the industry, indicating that there is much more widespread awareness of the role of life insurance in financial planning.

Singapore Regulator Revives Insurance Compensation Fund Proposal

Singapore's banking and insurance regulator, the Monetary Authority of Singapore (MAS), is planning to revive a proposal to set up a fund to better protect insurance policyholders in the unlikely event of a default by an insurer operating in the Republic.

Known as the Policy owners' Protection Fund (PPF), the scheme would be similar to deposit insurance which compensates depositors when a bank collapses. Insurers are expected to contribute a small sum every year to fund the scheme which will provide compensation to policyholders when an insurer defaults.

MAS says that the proposed fund will limit the potential disruption to society as well as the economy, and enhance public confidence in the insurance sector.

Under the proposal, the PPF will provide 100% coverage of protected liabilities for all life as well as accident and health policies. The fund will be administered by the Singapore Deposit Insurance Corporation. Member institutions will be assessed once a year for the PPF levies and the minimum levy is SGD 2,500 (USD 1,780) per annum.

The idea for such a fund was first broached in 2005 when MAS issued a consultation paper which covered issues relating to membership, scope and funding. The revived proposal, raised last month, revisits some of the issues covered in 2005 and takes into account developments since then.

Source: eDaily Asia

Sharper Subsidy Distinction between Citizens and Permanent Residents

Citizens, Permanent Residents (PRs) and foreigners are charged differently for healthcare services.

Citizens enjoy heavy subsidy in Class B2 and C wards. PRs receive significant subsidy while foreigners are not subsidised at all. The subsidy distinction reflects the privileges of citizenship, but there is scope for refinement.

To further sharpen the distinction between citizens and PRs, MOH will reduce the current healthcare subsidy for PRs by 10%. For example in Class C wards, citizens are subsidised at 80% of cost, while PRs, 70%. MOH plans to reduce the subsidy for PRs in Class C wards to 60% of cost.

The reduction will be implemented in stages, to ease the adjustments for the PRs affected by this policy:

- From January 1, 2011, the subsidy for PRs in the public hospitals (Class B2 and C wards) and specialist outpatient clinics will be reduced by 5%.
- From July 1, 2011, another 5% reduction will apply in the public hospitals and specialist outpatient clinics.
- From July 1, 2011, the subsidy for PRs in the intermediate and long term care sector (i.e. community hospitals, nursing homes etc) will be reduced by 5%.
- From January 1, 2012, another 5% reduction will apply in the intermediate and long term care sector.

By 2012, there will be a 20% differential in healthcare subsidies between citizens and PRs.

Source: Ministry of Health, Singapore