Changes in insurance regulation: Mainland China/Hong Kong/Singapore/Indonesia

January-June 2020

Hogan Lovells

Contents

Changes in insurance regulation: Mainland China

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CBIRC issued newly revised Health Insurance Measures	On 31 October 2019, the China Banking and Insurance Regulatory Commission (**CBIRC**) promulgated the newly revised *Administrative Measures for Health Insurance* (**Health Insurance Measures**). This is the first time that the CBIRC revised the regulations on health insurance since 2006. Major takeaways from the revised Health Insurance Measures include: 1. Expanding the definition of health insurance to include medical accident insurance. 2. Adding a new requirement that the insurance period of long-term care insurance products (i.e., insurance that is aimed at providing financial compensation to incapacitated persons for caregiving services, particularly for elders) cannot be less than five years. 3. Allowing Pension Insurance	Release date: 31 October 2019 Effective date: 1 December 2019	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=853579&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=858010&itemId=925&generaltype=0 (CBIRC's accompanying Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=853695 (CBIRC's Q&A in Chinese)

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	companies (i.e., companies that have obtained the approval of CBIRC to engage in Pension Insurance businesses) to conduct health insurance business. 4. Requiring insurance companies with business that covers health insurance (other than specialist health insurance companies) to establish a stand-alone health insurance division/ department. 5. Introducing regulations specifically for health management business. 6. Requiring the shared cost ratio of health management services not to exceed 20% of the net premium. Services that exceed the limit of 20% must be priced separately and not be included in the premium. The price of health management services must be specified in the contract. Following the issuance of the Health Insurance		

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	Measures, the CBIRC issued a circular providing that the sale of products failing to comply with the Health Insurance Measures must cease by 1 April 2020. While for insurance policies that have taken effect before 1 April 2020, they may continue to be executed as agreed in the insurance contracts.		
CBIRC strengthens regulation of corporate governance of banks and insurance institutions	On 25 November 2019, the CBIRC issued the *Measures for Regulatory Assessment of the Corporate Governance of Banking and Insurance Institutions (for Trial Implementation)* (**Regulatory Assessment Measures**), providing mechanisms for the evaluation, assessment, and classification of corporate governance level and risk status of banking and insurance institutions; and authorizing the CBIRC to conduct the supervision based on the classification in accordance with law. The features of the newly issued Regulatory Assessment Measures include: 1. Proposing	Release and effective date: 25 November 2019	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=857190&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=857110&itemId=915&generaltype=0 (CBIRC's Q&A in Chinese)

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	compliance evaluation and effectiveness evaluation indicators for the first time, meanwhile setting out that major events may trigger a downgrading. 2. The regulatory assessment mainly covers eight aspects, including leadership of the Communist Party of China, shareholder governance, board of directors governance, board of supervisors and senior management governance, internal risk controls, related-party transaction governance, market forces, and other stakeholder governance. 3. The regulatory assessment outcomes are Grade A (excellent), Grade B (good), Grade C (qualified), Grade D (weak), or Grade E (poor). Based on the Regulatory Assessment Measures, the CBIRC will take the results of the corporate governance regulatory assessment as an		

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	important basis for it to allocate regulatory resources and take regulatory measures and actions, and step up the application of assessment results in areas such as market entry, establishment of on-site inspection projects, regulatory rating, regulatory notification, and so forth.		
On-site Inspection Measures	The CBIRC issued the *Measures for On-site Inspection (for Trial Implementation)* (the **On-site Inspection Measures**) on 24 December 2019 to further improve the framework for the on-site inspection system and regulate on-site inspections. The On-site Inspection Measures mainly cover the following aspects: 1. Clarifying that on-site inspections include regular inspections, ad hoc inspections (i.e., inspections that are conducted outside of the annual on-site inspections plan, which are conducted for major work plans or ad hoc work tasks) and audit investigations.	Release date: 24 December 2019 Effective date: 28 January 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=862790&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese)

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	2. Establishing principles that "without approval procedures for project initiation, no on-site inspection will be carried out", "applying stratification-based project initiation and implementation", and adopting new measures such as online inspections and audits through issuing enquiry letters regarding major risks or issues for verification purposes. 3. Expressly stipulating that, during an inspection conducted by inspection officers in accordance with law, the organization and individuals being inspected must cooperate and provide relevant information truthfully – they cannot refuse or obstruct the inspection or conceal information. 4. The CBIRC and its local office may take the following measures: (1) Notify the		

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	superior department or major shareholders of the findings of the on-site inspection. (2) Interview the directors, supervisors, or senior managers, and ask them to make clarifications and give undertakings with respect to issues uncovered during the inspection. (3) Issue a warning criticizing and educating the responsible persons, or order them to write a piece of self-criticism. (4) Issue corrective orders. (5) Impose other lawful administrative punishments. 5. The On-site Inspection Measures also apply to foreign insurance companies' representative office in China.		
Open for business: China adopts new	The State Council of the People's Republic of	Release and effective date: 7 November 2019	http://www.gov.cn/zhengce/content/2019-

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legislation to further open up its insurance and banking sectors to foreign investors	China (**State Council**) issued the *Opinions on Furthering Effective Use of Foreign Capital* on 30 October 2019 and released it on 7 November 2019, which proposed the following principles in the insurance sector: 1. The quantitative-type market access conditions for foreign investors to set up insurance institutions and carry on relevant business will be canceled. 2. The number of years of business track record and total assets requirements for foreign insurance brokerage institutions to operate insurance brokerage business will be removed. 3. The scope of the shareholders that invest and hold shares in foreign-funded insurance institutions will be expanded. 4. Foreign insurance group companies will be allowed to establish insurance-type institutions. 5. Continuous support will be given in handling		11/07/content_544975 4.htm (State Council's official Notice in Chinese)

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	administrative licensing matters, such as establishment and changes to foreign-funded insurance companies and their branches, in accordance with the principle of treating Chinese domestic investment and foreign investment equally (i.e., national treatment).		
	On 29 November 2019, the CBIRC promulgated newly amended implementing regulations that paved the way for the removal of the long-standing cap of 50% on foreign shareholdings in PRC life insurance companies (**Foreign Shareholding Cap**) altogether.	Release and effective date: 29 November 2019	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=858245&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=858189 (CBIRC's Q&A in Chinese)
	On 6 December 2019, the CBIRC further issued the *Circular on clarifying the Effective Date for Removing the Restrictions on Foreign Shareholding in Joint-Venture Life Insurance Companies* (**Foreign Shareholding Cap Removal Notice**), which provided that from 1 January 2020, foreign shareholdings in PRC life insurance	Release date: 6 December 2019 Effective date: 1 January 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=858344&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese)

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	companies would no longer be subject to any cap and could go all the way up to 100%. Essentially, the Foreign Shareholding Cap Removal Notice accelerated the original timeline for removing the Foreign Shareholding Cap by one year from 2021 to 2020. Please see the full alert prepared by Hogan Lovells for above three rules here.		
	On 23 June 2020, the National Development and Reform Commission and the Ministry of Commerce issued the *Foreign Investment Negative List (2020 Version)* which removed the 50% Foreign Shareholding Cap in PRC life insurance companies. The *Foreign Investment Negative List (2020 Version)* took effect on 23 July 2020; foreign investment in the insurance sector is now no longer subject to any shareholding cap.	Release date: 23 June 2020 Effective date: 23 July 2020	http://www.gov.cn/zhengce/zhengceku/2020-06/24/content_5521520.htm (National Development and Reform Commission and Ministry of Commerce's official Notice in Chinese)

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CBIRC and 13 authorities promote commercial insurance in social service sector	On 23 January 2020, the CBIRC, together with 13 other authorities, issued the *Opinions on Promoting the Development of Commercial Insurance in Social Service Sector*, which mainly provide, among others, the following guidance: 1. Health insurance products and services must be further refined and improved: (1) Insurance institutions are encouraged to provide comprehensive health insurance products and services covering medical treatment, sickness, nursing, childbirth, and so forth. (2) Encouraging commercial insurance institutions to participate in medical insurance services and to control the costs of medical insurance. (3) Expediting the development of	Release and effective date: 23 January 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=888146&itemId=928 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=888141&itemId=916&generaltype=0 (CBIRC's accompanying Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=881224&itemId=915&generaltype=0 (CBIRC's Q&A in Chinese)

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	long-term commercial care insurance. (4) Establishing a mechanism for when an insured becomes incapacitated, payment from the insured's life insurance claim can be made to such person in advance for caregiving expenses. (5) Enhancing integration between health insurance and health management. 2. The security function of commercial Pension Insurances must be intensified. Insurance institutions must actively develop diversified commercial Pension Insurance (i.e., pension plan) and individual-account commercial Pension Insurances. 3. Insurance funds are encouraged to flow into social service sector, e.g.,		

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	pushing forward insurance funds to invest in health and pension.		
CBIRC abolished and revised certain directives relating to the media and information disclosure	On 4 February 2020, the CBIRC released a *Circular on Abolishing and Revising Certain Directives*, pursuant to which, no communication methods or media would be designated for regulatory actions such as information disclosure and license publicity in the insurance industry. Insurance companies may select an influential nationwide medium or press on their own.	Release and effective date: 4 February 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=890981&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese)
CBIRC with other authorities issued Further Acceleration of Construction Notice to promote the construction of Shanghai International Financial Center and the integrated development of Yangtze River Delta	On 14 February 2020, the CBIRC, together with four other authorities, published the *Opinions on Further Accelerating the Construction of the Shanghai International Financial Center and Financial Support to the Integrated Development of the Yangtze River Delta* (the **Further**	Release and effective date: 14 February 2020	http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3971334/index.html (The People's Bank of China's official Notice in Chinese)

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	Acceleration of Construction Notice), aiming to support and enhance financial sector development in Shanghai Pilot Free Trade Zone Lin-Gang Special Area (**Lin-Gang Special Area**) and Yangtze River Delta. In particular, the Further Acceleration of Construction Notice focuses on the following aspects in relation to the insurance sector: 1. Encouraging insurance institutions to invest in the investment funds targeting scientific innovation enterprises or to directly invest in scientific innovation enterprises incorporated in the Lin-Gang Special Area. 2. Encouraging insurance asset management companies to establish specialized asset management subsidiaries in Shanghai. 3. Allowing insurance asset management companies, on a pilot basis, to invest in financial		

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	management companies established by offshore asset management companies. 4. Allowing insurance funds, on a pilot basis, to explore investments into gold, oil, and other bulk commodities through relevant exchanges in Shanghai.		
CBIRC to further reform the regulations over products of property insurance companies	On 19 February 2020, the CBIRC issued the *Notice on Further Strengthening the Product Supervision and Regulation over Property Insurance Companies* (**Property Insurance Products Notice**), to improve regulation and upgrade services, and improve product quality in the property insurance industry. Key features of the Property Insurance Products Notice are as follows: 1. Improving management modes and refining regulatory mechanisms: (1) Adjusting the product approval and record-filing	Release date: 19 February 2020 Effective date: 1 March 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=891917&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=891915&itemId=915&generaltype=0 (CBIRC's accompanying Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=891913&itemId=915&generaltype=0 (CBIRC's Q&A in Chinese)

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	scope: commercial motor vehicle insurance products, credit insurance products with a term of more than one year and guaranteed insurance products, which are designated as "model products", would be subject to record-filing administration rather than examination and approval. In addition, filing-based administration would still apply to products which were originally subject to filing-based regulation. (2) Applying classification-based and territorial product supervision and regulation. (3) Further clarifying official duties relating to product		

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	supervision and regulation. (4) Further developing the product exit mechanism. 2. Clarifying the filing procedures and standardizing product filing practices: for instance, parent companies of property insurance companies are the entities responsible for product filing. Products that are used in more than one province, other than two types of insurance products, must be filed by the property insurance company parent with the local CBIRC branches in the places where the parent company is located; products that are used within a province must be filed by the property insurance company parent with the local CBIRC branches in the places where the product is used. In addition, product materials to be filed must be submitted electronically. 3. Instructing various insurance stakeholders to improve in various		

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	areas of their works: (i) For property insurance companies, reviews in the legal, actuarial, compliance, and customer protection fields should be conducted, in order to improve product quality; (ii) for the Insurance Association of China, it should ensure that product registration work is done properly and that the product registration platform and system are running smoothly and securely in order to stimulate creativity in the insurance industry; and (iii) for CBIRC and its local branches, regulatory work should be better organized and executed, in order to improve regulatory standards.		
CBIRC issued measures to regulate insurance asset management products	On 18 March 2020, the CBIRC promulgated the *Interim Measures for Administration of Insurance Asset Management Products* (**Asset Management Product Interim Measures**), which came into effect on 1	Release date: 18 March 2020 Effective date: 1 May 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=895215&itemId=926 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/Item

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	May 2020. The Asset Management Product Interim Measures apply to the insurance asset management product business of insurance asset management institutions incorporated in China. The Asset Management Product Interim Measures set out general rules and requirements on insurance asset management products. Notable takeaways can be summarized as follows: 1. Clearly defining the positioning and forms of products: (1) Clarifying that insurance asset management products include debt investment schemes, equity investment schemes, portfolio insurance asset management products, and other products prescribed by the CBIRC. (2) Insurance asset management products must be issued in a nonprivate manner to qualified investors; the		Detail.html?docId=895088&itemId=915 (CBIRC's accompanying Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=895248&itemId=915 (CBIRC's Q&A in Chinese) http://news.cnstock.com/news,bwkx-202004-4513532.htm (Media reports in Chinese)

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	number of investors in a single insurance asset management product must conform to the statutory requirements. (3) Insurance asset management institutions cannot overstep the limit on the number of investors or breach other regulatory requirements in a disguised manner through maintaining several products for a single financing project in violation of relevant provisions. 2. Clarifying the product issuance mechanism: (1) The registration-based issuance of debt investment schemes, equity investment schemes, and portfolio insurance asset management products will be promoted. (2) The approval		

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	requirement for the initial portfolio insurance asset management products will be removed. 3. Strictly regulating product-related business, requiring that the investment scope of insurance funds must conform to relevant regulatory provisions on use of insurance funds. 4. Strengthening the responsibilities of product issuers. 5. Strengthening the responsibilities of product service institutions. 6. Improving the product risk management mechanism. 7. Identifying and adequately disclosing information about the actual investors and ultimate source of funding for insurance asset management products by going through multiple layers when supervising. Furthermore, Chinese media revealed that the CBIRC subsequently released a draft version		

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	of three accompanying rules for the Asset Management Product Interim Measures, including the *Circular on Regulating the Business of Mixing Insurance Asset Management Products*, the *Circular on Regulating the Bonds Investment Plan Business*, and the *Circular on Regulating Equity Investment Plan Business*, and is conducting an internal consultation on these rules.		
CBIRC issues new requirements for insurers providing credit and guarantee insurance	The CBIRC released the *Regulation of Credit Insurance and Guarantee Insurance Businesses Measures* (**Credit and Guarantee Insurance Measures**) on 8 May 2020. Key revisions include: 1. Further clarifying business requirements for finance-oriented credit insurance business, e.g., proposing business qualification requirements such as connection to the credit information system of the People's Bank of China, limiting the	Release and effective date: 8 May 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=904960&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=904923&itemId=915 (CBIRC's accompanying Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=904925&itemId=915 (CBIRC's Q&A in Chinese)

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	underwriting limit of overall and individual performers of contractual obligations, and expressly prohibiting outsourcing core business operations (such as risk review and risk monitoring that concerns financing credit insurance). 2. Further strengthening the protection of the rights and interests of insurance consumers, e.g., stipulating requirements for tracing the insurance underwriting process and requirements for the enhanced management of business partners, proposing a principle of affordable insurance to consumers to deal with the issue of high premium rates, and clearly specifying requirements such as strictly prohibiting any violations in the debt collection process, strengthening the		

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	management and control of the entrusted debt-collection agencies, and establishing an entry and exit mechanism for such agencies. 3. Guiding insurers to serve the real economy through institutional arrangements, e.g., granting more credit to qualified small-to-medium enterprises. The Credit and Guarantee Insurance Measures expressly prohibit insurers who are not qualified to provide legal financing services from conducting credit insurance business, and establish a six-month transition period for unqualified insurers to defuse the risks in their existing business.		
Change of rules in relation to the management of the use of insurance funds	The CBIRC issued the *Notice on Matters Regarding Insurance Funds Invested in Bank Capital Replenishment Bonds* on 20 May 2020, which touches upon four areas: 1. Relaxing qualification requirements imposed on issuers	Release and effective date: 20 May 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=906614&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=906349&itemId=915 (CBIRC's accompanying

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	of capital replenishment bonds, e.g., removing the requirement that the issuer's total assets must be not less than RMB 1 trillion and the net assets must be not less than RMB 50 billion, adjusting the solvency adequacy ratio requirement, and removing the credit rating requirement. 2. Removing the AAA credit rating requirement for second-tier capital bonds and AA+ rating requirement for capital bonds whose duration is not fixed. 3. Clarifying that the credit risk management capacity of an insurance institution must meet the required level of the CBIRC and its solvency adequacy ratio at the end of the previous quarter cannot be less than 120%. 4. Requiring insurance institutions to classify equity assets and fixed-income assets based on the categories of the		Notice in Chinese)

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	issuers on equity instruments and debt instruments, and place them under different applicable supervision ratios.		
	The CBIRC has issued three documents in relation to the investment of insurance funds, including the *Measures for Insurance Funds Engaged in Financial Derivatives Transactions (the* **Financial Derivatives Measures**), *Provisions on Insurance Funds Engaged in Treasury Bond Futures Transactions* and *Provisions on Insurance Funds Engaged in Stock Index Futures Transactions* (the **Stock Index Futures Provisions**) on 23 June 2020. This is the first time that the CBIRC has issued administrative measures allowing insurers to invest insurance funds in treasury bond futures, which can enhance their choice of risk hedging vehicles and asset and liability management to provide better risk protection. The other two	Release and effective date: 23 June 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=906614&itemId=928&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=912868&itemId=915 (CBIRC's accompanying Notice in Chinese)

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	provisions in relation to investments in financial derivatives and stock index futures are designed to further strengthen risk management, in particular, key revisions of the Financial Derivatives Measures include: 1. Clarifying the purpose of using insurance funds in derivatives and removing time limits, and emphasizing that the investment is not for speculation but for risk hedging only. 2. Strengthening asset-liability management and solvency orientation, and setting out requirements for different insurers' participation based on their risk profiles. 3. Adding overall leverage ratio requirements for insurance funds' participation in derivatives transactions. 4. Placing strict controls on insider trading, security manipulation, and transfers of benefits.		

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	Key revisions of the Stock Index Futures Provisions include: 1. Adjusting the hedging period, limits on contracts, and requirements for liquidity management. 2. Specifying requirements on transaction purpose, ratio restrictions, valuation methods, information disclosure, risk control, responsibilities, and other matters in the contract or Guidelines. 3. Providing that insurance institutions participating in stock index futures transactions must report deviations from the purchase plan every six months from the actual implementation date.		

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	The CBIRC issued the *Circular on Including Macao into the List of Overseas Regions Eligible for Investment Insurance Funds* on 16 December 2019, which brings Macao into the list of overseas regions eligible for investment using insurance funds (**List**). Prior to the issuance of this circular, there were already 45 countries/regions in the List.	Release and effective date: 16 December 2019	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=875942&itemId=861&generaltype=1 (CBIRC's official Notice in Chinese)
CBIRC extends preferential treatment to the Hong Kong reinsurance industry	On 12 June 2020, the CBIRC promulgated *the Circular on Revising the Insurance Company Solvency Regulatory Rules - Q&A No.1: the Counterparty Default Risk Factors for Hong Kong Reinsurance Business during the Transitional Period of the Equivalence Assessment Framework Agreement on the Solvency Regulatory Regime*, which extends the transitional period of the Equivalence Assessment Framework Agreement on the Solvency Regulatory Regime by one year to 30 June 2021. The Q&A, which was released in June 2019,	Release and effective date: 12 June 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=910839&itemId=925&generaltype=0 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/chinese/files/2019/4EA59F1FC50944FEB7CFF7BDC8A66A86.pdf (CBIRC's Q&A in Chinese)

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	sets out relevant features and requirements for the solvency assessment of credit risk factors in situations when a qualified Hong Kong reinsurer cedes its reinsurance business to a direct insurer from the Chinese mainland.		
CBIRC standardizes internet insurance sales activity traceability management	The CBIRC released the *Notice on Standardizing Internet Insurance Sales Activity Traceability Management* (**Online Insurance Notice**) on 22 June 2020, which will take effect from 1 October 2020. The Online Insurance Notice mainly covers the following: 1. Clarifying the definition and scope of traceable internet insurance sales activities, which are activities in which insurance institutions retain records of insurance sales transactions that were conducted on self-service online platforms. 2. Clarifying the definitions of sales webpage management and sales process recording. Sales webpages are	Release date: 22 June 2020 Effective date: 1 October 2020	http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=912732&itemId=926 (CBIRC's official Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=912726&itemId=915 (CBIRC's accompanying Notice in Chinese) http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=912723&itemId=915 (CBIRC's Q&A in Chinese)

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	webpages set up by insurance institutions on their self-operated, self-service online platforms that cover the entire insurance purchase and underwriting process. 3. Setting out the requirements on management of online sales of insurance institutions. 4. Elaborating on the safekeeping and security requirements for the setup of a comprehensive, systematic and standardized internal control system with respect to internet sales activity traceability management. 5. Laying out the management requirements on integrated business services and business services for self-service online platforms. Among other requirements on the online insurance sales practices, the Online Insurance Notice expressly provides that sales webpages can only be displayed on self-		

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	operated online platforms and must be separated from nonsales webpages.		

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Prescribed scenarios for general insurance business in relation to the Guidelines on Enterprise Risk Management (GL21)	GL21 was published by the Insurance Authority (**IA**) on 5 July 2019 and took effect from 1 January 2020. Section 9 of GL21 sets out the minimum requirements for the Own Risk and Solvency Assessment (**ORSA**) report that each authorized insurer subject to GL21 is required to prepare. In particular, paragraph 9.5(k)(ii) of GL21 stipulates that authorized (re)insurers carrying on general insurance business to which GL21 applies must use the scenarios prescribed by the IA (**Prescribed Scenarios**) in their scenario and stress testing and include the results, with details of management actions and their impact and justification, in their ORSA reports.	The Prescribed Scenarios must be adopted in the first ORSA Report for the financial year ending on or after 31 December 2020, and for future ORSA reports until further Notice.	IA Circular (13 January 2020): https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/cir_20200113.pdf Prescribed Scenarios: https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/cir_20200113_appendix_1.pdf
Temporary facilitative measures (TFM) to tackle the recent outbreak of novel coronavirus	In view of the outbreak of COVID-19, the IA introduced TFM which allow licensed insurance intermediaries to sell certain policies without face-to-face (**F2F**) meetings. Phase 1 of the TFM	Phase 1 took effect on 21 February 2020 and remained effective until 31 March 2020.	IA Circular (21 February 2020): https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_21022020.pdf

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	covers Qualifying Deferred Annuity Policies (**QDAP**) and Voluntary Health Insurance Schemes (**VHIS**) which needed to be issued on or before 31 March 2020 for a tax reduction to be claimed. The TFM allowed for dispensing with the "financial needs analysis" for QDAP and VHIS products after implementing the compensating measures of upfront disclosure and an extended cooling-off period (no less than 30 calendar days for policies sold) to achieve fair treatment of customers. All non-F2F distribution methods (e.g., digital, telemarketing, postal, video-conference, and so forth) for the distribution of QDAP and VHIS products by long term insurers and their licensed insurance intermediaries are allowed.		
Submission of audited financial statements and auditor's report under section 73(1) of the Insurance Ordinance (Cap.41) (IO)	Pursuant to section 73(1) of the IO, a licensed insurance broker company must, within six months after the end of each financial year (the **6-month Statutory Submission Deadline**), provide the		IA Circular (24 February 2020): https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_24022020.pdf

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	IA with its audited financial statements, an auditor's report on its financial statements, and an auditor's report stating whether the auditor is of the opinion that the broker company has continued to comply with the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap.41L) (**Broker Rules**). In view of the impact of COVID-19 on business operations, if a broker company anticipates the need for an extension to submit the required documents, it may apply to the IA for an exemption under section 79 of the IO. Such application shall be made to the IA as soon as practicable and in any event before the 6-month Statutory Submission Deadline.		
Commencement date of clients account reconciliation	Section 6(11) of the Broker Rules provides that a licensed insurance broker company which has clients account(s) to hold or received client monies must perform a reconciliation on its client accounts at least once a calendar month.	The first calendar month after the transitional period is March 2020. The relevant insurance broker companies were reminded to perform the first reconciliation in March 2020.	PIBA Circular (28 February 2020): http://www.piba.org.hk/wp-content/uploads/2020/03/c194_filelink.pdf

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	Pursuant to the saving and transitional arrangements set out in the Broker Rules, the reconciliation requirement does not apply to specified insurance broker companies (i.e., broker companies registered with the Professional Insurance Brokers Association (**PIBA**) or the Hong Kong Confederation of Insurance Brokers immediately before the commencement date, which was 23 September 2019 for 6 months beginning on the commencement date.		
Introduction of the amendment bills to strengthen Hong Kong's position as a global risk management center and regional insurance hub	The Financial Services and the Treasury Bureau introduced two amendment bills into the Legislative Council, namely the *Insurance (Amendment) Bill 2020* and the *Insurance (Amendment) (No.2) Bill 2020*, which introduce new measures relating to, respectively, Insurance-Linked Securities (**ILS**) and group-wide supervision. The two bills seek to amend the IO with two major purposes – first, to provide for a streamlined regulatory framework for the issuance of ILS, an	The dates of resumption of second reading debate, committee stage, and third reading are to be notified.	IA Press Release (20 March 2020): https://www.ia.org.hk/en/infocenter/press_releases/20200320.html Hong Kong Federation of Insurers (**HKFI**) Media Release (20 March 2020): https://www.hkfi.org.hk/#!/media-release/488

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	alternative risk-management tool for transferring insurance risk to the capital markets, through the formation of special purpose insurers; and second, to consolidate the legal basis for the IA to exercise direct regulatory powers over the holding companies of multinational insurance groups.		
Notice for Appointed Actuaries: Insurance (Determination of Long Term Liabilities) Rules (Cap. 41E), Rule 8(7)(a)	In light of the volatile financial markets, the Actuarial Society of Hong Kong (**ASHK**) proposed that with respect to rule 8(7)(a) of the *Insurance (Determination of Long Term Liabilities) Rules (Cap. 41E)* (**Long Term Liability Rules**), the IA allows long term authorized insurers to value the yield assumed on investments to be made more than three years after the valuation date, when determining their liabilities for solvency purposes. The IA considered that the adoption of the proposal would not be contrary to the interests of policyholders or potential policyholders. Authorized insurers that wish to use the Proposed Formula shall submit their request in		ASHK Industry News & Press Release (23 March 2020): https://www.actuaries.org.hk/storage/download/Cirdd23032020.pdf

Subject	Update	Key date	Link
	writing to the IA. Each request will be determined on a case-by-case basis.		
IA extends the validity and coverage of the TFM	In view of the latest developments of the COVID-19 pandemic, the IA announced the widening of the types of life insurance products that can be distributed through non-F2F methods to minimize the risk of infection during the selling process. In addition to QDAP and VHIS products covered in Phase 1 of the TFM, Phase 2 also covers additional protection type products, including term policies and certain refundable or renewable policies that provide insurance protection (such as hospital cash, medical, critical illness, personal accident, disability, or long-term care cover).	Phase 2 of TFM was effective from 27 March 2020 to 30 June 2020.	IA Press Release (27 March 2020): https://www.ia.org.hk/en/infocenter/press_releases/20200327.html IA Circular (27 March 2020): https://ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_27032020.pdf
Submission of statutory, actuarial, and financial returns	The IA reminded authorized insurers to submit various statutory, actuarial, and financial returns to the IA annually in accordance with the IO. To facilitate submissions, the IA has developed a set of spreadsheet-based template for reference.		IA Circular (9 April 2020): https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_09042020.pdf

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	If any authorized insurer anticipates difficulties in meeting the submission deadlines given the current COVID-19 situation, it should inform its case officer as soon as possible and obtain the extension required.		
Third virtual insurer granted new authorization under Fast Track	The IA granted authorization under its Fast Track Scheme to a third virtual insurer, OneDegree, a technology startup with proprietary systems that automate the entire production cycle from customer onboarding to claims settlement. OneDegree will start off with pet insurance, followed progressively by health insurance, and then cyber insurance for small and medium firms. Fast Track was launched by the IA in September 2017 to provide a dedicated queue for firms seeking to enter the insurance market using solely digital distribution channels. Applicants must possess an innovative and robust business model, while satisfying all the prevailing regulatory requirements on solvency, capital, and	The authorization was granted on 15 April 2020.	IA Press Release (15 April 2020): https://www.ia.org.hk/en/infocenter/press_releases/20200415.html *Fintechnews* article (16 April 2020): https://fintechnews.hk/11741/insurtech/onedegree-obtains-virtual-insurance-license-in-hong-kong/

Subject	Update	Key date	Link
	local asset requirements.		
Explanatory Note for Appointed Actuaries: Chapter 41E Supplemental Information on the Reinvestment Yield for Reserving	The ASHK published an explanatory note with regards to its earlier proposal to the IA concerning the "approach to be used by long term authorized insurers when valuing the yield assumed by long term insurers on investments to be made more than three years after the valuation date when determining their liabilities for solvency purposes." The ASHK explained that the lower weight applied to current yields in the proposal was justified in light of the COVID-19 circumstances and the resulting dislocation in the market. Appointed Actuaries are also reminded of the key points set out in the *Notice for Appointed Actuaries: Chapter 41E – Reinvestment Yield for Reserving* published by the Council of ASHK in 2008, including: • The Long Term Liability Rules set down the conditions for a minimum valuation basis and that Appointed Actuaries still need		ASHK Explanatory Note (17 April 2020): https://www.actuaries.org.hk/storage/download/ExplanatoryNoteon23March2020HKIACircularreReinvestmentYieldunderCap41E.pdf

Subject	Update	Key date	Link
	to consider whether or not the valuation basis is adequate and suitable. • Appointed Actuaries shall include adequate disclosure in the abstract of the actuary's report prescribed in section 18 of the IO regarding the appropriateness of the approach and the parameters chosen for the valuation.		
Fourth virtual insurer granted new authorization under Fast Track	The IA has on 4 May 2020 granted authorization under its Fast Track program to fourth virtual insurer, which is affiliated with a locally listed company with a strong track record of insurtech research and development. The fourth virtual insurer will focus on medical, term life and critical illness insurance products targeting youngsters and underserved market segments. It also has the capacity to provide instant quotations, perform remote customer due diligence, and settle claims with minimum turnaround time, using big data analysis and artificial	The authorization was granted on 4 May 2020.	IA Press Release (4 May 2020): https://www.ia.org.hk/en/infocenter/press_releases/20200504.html

Subject	Update	Key date	Link
	intelligence.		
HKFI issues Best Practice on the Use of Genetic Test Results	The HKFI announced the issuance of the *Best Practice on the Use of Genetic Test Results* (**Best Practice**). After consulting Member Insurers and engaging key stakeholders including the Food and Health Bureau and the Steering Committee on Genomic Medicine, expert clinical geneticists, IA, Equal Opportunities Commission, and the Office of the Privacy Commissioner, HKFI designed the Best Practice with the following key principles. Member Insurers of HKFI: • Will continue to not require applicants to undertake genetic testing for underwriting purposes. • Will not ask for results of (diagnostic or predictive) genetic tests which were performed in the context of scientific research, including that of Hong Kong Genome Project. • May ask for certain predictive genetic test results only	The Best Practice was announced on 14 May 2020.	HKFI Media Release (14 May 2020): https://www.hkfi.org.hk/#!/media-release/492

Subject	Update	Key date	Link
	when the applicant applies for life insurance or critical illness/dread disease policies over defined protection limits, i.e., HKD$5 million and HKD$1 million respectively. For medical indemnity insurance, no predictive genetic test results will be required regardless of the sum insured.		
Application of Guidelines issued by the IA	In light of the impact of COVID-19 on the insurance industry, the IA issued a circular, modifying the approach for bringing the following Guidelines into effect: • GL25: Guideline on Offering of Gifts. • GL27: Guideline on Long Term Insurance Policy Replacement. • GL28: Guideline on Benefit Illustrations for Long Term Insurance Policies. • GL29: Guideline on Cooling-off Period. • GL30: Guideline on Financial Needs Analysis.	In relation to these Guidelines, the IA will assess the degree of compliance by authorized insurers and licensed insurance intermediaries as if the transitional periods contained in those Guidelines (originally run until 22 September 2020) were extended until 31 March 2021. In relation to GL31 (Guideline on Medical Insurance Business), which has not yet come into effect, the commencement date of 23 September 2020 remains unchanged. However, the IA will exercise flexibility in determining if the requirements contained therein have been observed for a period up to 31 March 2021,	IA Circular (25 May 2020): https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_25052020.pdf

Subject	Update	Key date	Link
		with full compliance expected starting from 1 April 2021.	
Guideline on Actuarial Review of Insurance Liabilities in respect of Employees' Compensation and Motor Insurance Businesses (GL9)	Paragraph 6.1 of GL9 stipulates the qualification and work experience requirements of an actuary accepted by the IA for certifying and signing actuarial reserves certification in respect of an authorized insurer's employees' compensation and/or motor insurance business. With the introduction of a General Insurance (**GI**) qualification system by the Society of Actuaries (**SOA**), the IA has decided to accept, with immediate effect, a Fellow of the SOA GI track with module "Advanced Topics in GI Exam" as an actuarial qualification comparable to the qualifications listed in paragraph 6.1 of GL9.	The recognition took effect on 27 May 2020.	IA Circular (27 May 2020): https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_27052020.pdf
Practice Notes supplementing Standards and Practices 5.4 and 7.1 of the Code of Conduct for Licensed Insurance Brokers	The IA issued two Practice Notes which supplement Standards and Practices 5.4 and 7.1 of the Code of Conduct for Licensed Insurance Brokers (**Code of Conduct**). The first Practice Note, which supplements Standard and Practice 5.4 of the Code of		Practice Note supplementing Standard and Practice 5.4 of the Code of Conduct: https://www.ia.org.hk/en/legislative_framework/files/Practice_note_on_Client_Agreement_ILAS_Eng.pdf Practice Note supplementing

Subject	Update	Key date	Link
	Conduct, sets out the minimum information that the IA expects a licensed insurance broker company to include in the terms and conditions of its client agreements for linked long term business. They are namely: • Full name and address of the client. • Full name and address of the licensed insurance broker company. • Description of nature of business and services to be provided by the licensed insurance broker company. • Remuneration. • Client servicing representative. • Notification. • Amendment to and termination of client agreement. • Governing law. The second Practice Notice, which supplements Standard and Practice 7.1 of the Code of Conduct, sets out the minimum information that the IA expects a licensed insurance broker company to disclose to a		Standard and Practice 7.1 of the Code of Conduct: https://www.ia.org.hk/en/legislative_framework/files/Practice_note_on_Remuneration_Disclosure_Eng.pdf

Subject	Update	Key date	Link
	client with respect to remuneration received from an insurer for arranging an insurance policy with the insurer on behalf of the client.		
Compliance with CPD requirements under the new regulatory regime for insurance intermediaries – additional facilitative measures	The IA has decided to merge the CPD assessment period for 23 September 2019 to 31 July 2020 (the **First CPD Assessment Period**) with the CPD assessment period for 1 August 2020 to 31 July 2021 (the **Second CPD Assessment Period**). Principals are reminded of their obligations under the *Guidelines on Continuing Professional Development for Licensed Insurance Intermediaries* to ensure that each of their appointed individual licensees comply with their applicable CPD requirements. As part of their monitoring and controls, even though the First and Second CPD Assessment Periods are merged, principals are encouraged to take proactive steps to ensure that their appointed individual licensees attend CPD activities/courses evenly throughout the First and Second Assessment Periods to avoid a significant shortfall in	Deadline for compliance of CPD requirements for First and Second Assessment Period is 31 July 2021.	IA Circular (12 June 2020): https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_12062020.pdf

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	the weeks leading up to the deadline.		
IA extends the validity of TFM to 30 September 2020	In view of the latest developments of the COVID-19 pandemic, the IA announced on 15 June 2020 the extension of TFM for non-F2F distribution of specific insurance products for another three months to 30 September 2020. The scope of products covered and the implementation details of the measures remain unchanged. Please also refer to our March 2020 update for more details about the temporary facilitative measures.	Extension of TFM to 30 September 2020.	IA Press Release (15 June 2020): https://www.ia.org.hk/en/infocenter/press_releases/20200615.html

Changes in insurance regulation: Singapore

January – June 2020

Subject	Update	Key dates	Links
MAS Consultation Paper on Proposed Requirements on Insurers' Charging of Expenses to the Participating Fund	The Monetary Authority of Singapore (**MAS**) consulted in Q1 in respect of proposals to revise the requirements in the area of expense charging and allocation to the participating fund.	Consultation opened on 6 February 2020 and closed on 9 March 2020	https://www.mas.gov.sg/publications/consultations/2020/proposed-requirements-on-insurers-charging-of-expenses-to-the-participating-fund
Singapore Academy of Law Reform Committee Report on Reforming Insurance Law in Singapore	The Singapore Academy of Law (**SAL**) published a report from its Insurance Law Subcommittee (the **Subcommittee**) in February following its review of a number of areas of Singapore's insurance laws. The report focuses on seven key areas where reforms could be made: 1) The duty of utmost good faith. 2) The duty of disclosure and misrepresentation. 3) Warranties. 4) Remedies for fraudulent claims. 5) Insurable interest. 6) Brokers' responsibility for unpaid premiums. 7) Late payment of claims. The Subcommittee conducted a comparative review of the insurance law of a number of leading foreign insurance jurisdictions, including the United Kingdom, Australia, Germany, Norway, and the United States, in order to identify the areas of Singapore insurance law that could be adapted.	Report published on 28 February 2020	https://www.sal.org.sg/sites/default/files/SAL-LawReform-Pdf/2020-04/2020%20Report%20on%20Reforming%20Insurance%20Law%20in%20Singapore_0.pdf

Subject	Update	Key dates	Links
	The Subcommittee's key recommendations in respect of these areas are outlined below. **The duty of utmost good faith** The Subcommittee recommends that for the duty of utmost good faith and its related areas in the duty of disclosure and misrepresentation, warranties, and remedies for fraudulent claims, the framework and provisions of the bifurcated insurance contract law regime in the United Kingdom's *Insurance Act 2015* and *the Consumer Insurance (Disclosure and Representations) Act 2012* should be adopted. It is recommended that this be adopted as a single *Insurance Contract Act* in Singapore. It is also recommended that desirable features of the *Australian Insurance Contracts Act 1984* may be adopted to supplement the UK-based provisions. **Insurable interest** *Insurable interest in life-related policies* The Subcommittee recommends in relation to the insurable interest requirement in life-related policies, that: • Section 62 of the Singapore's *Insurance Act* (Cap. 142) should be repealed. • Section 57 of the *Insurance Act* (Cap. 142) should be retained, but with s.57(1)(b)(iv) substituted with clause 2(2) of the UK *Insurable Interest Bill 2018* and enacted as a standalone provision. This states that "an insured has an insurable interest [in the life of another person] if there is a reasonable prospect that the insured will suffer economic loss if the insured event occurs." *Insurable interest in non-life-related policies* The Subcommittee recommends that for the requirement of insurable interest in non-life-related or indemnity policies, ss. 16 and 17 of the *Australian Insurance Contracts Act 1984*		

Subject	Update	Key dates	Links
	are adopted. This would essentially remove the requirement for an insurable interest. **Brokers' responsibility for unpaid premiums** In respect of brokers' responsibility for unpaid premium under s. 53 of the Singapore *Marine Insurance Act* (Cap. 387), the Subcommittee recommends that: • Section 53(1) should be repealed and replaced with a provision stating that unless agreed otherwise, a broker is not personally liable to pay the premium to the insurer. • Section 53(2) should be reenacted with an amendment that makes clear that the lien provided therein should be extended to nonmarine insurance as well. **Late payment of claims** The Subcommittee recommends enacting a specific provision to require insurers to make payment within a "reasonable time." It is recommended that "reasonable time" can be defined by reference to ss. 13A(2) and (3) of the *UK Insurance Act* and the explanatory notes to the *UK Enterprise Bill*.		
MAS Notice 133 on Valuation and Capital Framework for Insurers	Notice 133 was issued on 28 February 2020 and sets out the requirements under the risk-based capital framework for all licensed insurers, including the way in which assets and liabilities are to be valued. This Notice was issued following the RBC 2 review and comprises both mandatory requirements and Guidelines on the supervisory intervention levels, valuation of policy liabilities in respect of life business and general business, and the calculation of the total risk requirements and financial resources. Existing technical details on valuation of assets and liabilities, as well as the computation of financial resources and risk requirements in the Insurance (Valuation and Capital)	Issue date: 28 February 2020 Effective date: 31 March 2020 (with the exception of s. 6.4 and para. 10 in Appendix 5E which takes effect on 1 January 2022)	https://www.mas.gov.sg/regulation/Notices/Notice-133

Subject	Update	Key dates	Links
	Regulations 2004, MAS Notice 319, and Guidelines ID 1/04 have been moved to this Notice. Section 1 of this Notice applies to all licensed insurers. Sections 2 to 5 of this Notice apply to all licensed insurers except captive insurers, marine mutual insurers and special purpose reinsurance vehicles (**SPRVs**). Section 6 of this Notice applies to captive insurers, marine mutual insurers, and SPRVs only.		
MAS Notice 319 on Valuation of Policy Liabilities of Life Business canceled	The Cancellation Notice was issued pursuant to s.64(2) of the Insurance Act (Cap. 142). The MAS Notice 319 on Valuation of Policy Liabilities of Life Business dated 24 August 2004 (last revised 19 December 2018) was canceled with effect from 31 March 2020.	Issue date: 5 March 2020 Cancelation date: 31 March 2020	https://www.mas.gov.sg/regulation/Notices/Notice-319
MAS Notice 101 on maintenance of insurance funds	Notice 101 was issued pursuant to s.17 of the *Insurance Act* (Cap. 142) and revises MAS Notice 101 dated 21 October 2011, which replaces MAS Notice 101 dated 28 August 2004. Notice 101 applies to all licensed insurers and sets out requirements on the management of insurance funds, the policy owners' protection fund levy, and the switching of assets between insurance funds.	Revision date: 5 March 2020 Amendments effective from 31 March 2020	https://www.mas.gov.sg/regulation/Notices/Notice-101
Consequential amendments arising from amendments to Insurance (Valuation and Capital) Regulations 2004	MAS has made consequential amendments to relevant legislation to include references to MAS Notice 133 in the *Notice on Valuation and Capital Framework for Insurers* and to update references as a result of amendments to the *Insurance (Valuation and Capital) Regulations 2004*, where applicable. This circular outlines the regulations, Notices, Guidelines and forms that have consequentially been amended.	Circular date: 9 March 2020 Effective date: 31 March 2020	https://www.mas.gov.sg/regulation/circulars/id11_20-vnc-consequential-amendments
Frequently Asked Questions (FAQs) on Relief Measures	MAS has released FAQs to provide guidance on the relief measures for the General Insurance and Health ("**GI & Health**") examinations and Continuing Professional Development requirements under the *Insurance Act* (Cap.	Publish date: 16 April 2020	https://www.mas.gov.sg/regulation/faqs/faqs-on-relief-measures-relating-to-

Subject	Update	Key dates	Links
Relating to COVID-19 Situation – General Insurance and Health examinations and Continuing Professional Development requirements	142) relating to the COVID-19 situation. To minimize business disruption brought about as a result of the COVID-19 situation, MAS will allow relevant persons and individuals a grace period of six months from their date of employment or appointment (between 16 April 2020 and 30 September 2020) to carry out certain regulated activities, before fulfilling the relevant GI & Health exams requirements.		covid-19-situation-gi-health-cpd
FATF Paper on COVID-19-related Money Laundering and Terrorist Financing – Risks and Policy Responses	The Financial Action Task Force (**FATF**) has published a Paper on COVID-19-related Money Laundering and Terrorist Financing – Risks and Policy Responses. This Paper discusses good practices and challenges in the mitigation of new money laundering and terrorist financing threats and vulnerabilities arising from the COVID-19 crisis. It is aimed at financial institutions (**FIs**) generally. This Paper was developed in response to the unprecedented and rapidly evolving COVID-19 situation, and is informed by open-source research and information from FATF member countries, and FATF-style regional bodies and observer organizations. The Paper focuses on new threats and vulnerabilities stemming from COVID-19-related crime and impacts on ML and TF risks, the COVID-19 impact on AML/CFT efforts by governments and private sector, and recommends risk mitigation measures in response to COVID-19. In particular, FIs should consider the emerging threats and vulnerabilities set out in this Paper, to supplement the guidance and advisories provided by MAS and other government agencies.	Publish date: 8 May 2020	https://www.mas.gov.sg/regulation/external-publications/fatf-covid-19-amlcft-risks-and-policy-responses
Consultation on Proposed Guidelines on Environmental Risk Management for Insurers	MAS is consulting on its proposed *Guidelines on Environmental Risk Management* for all insurers. MAS is proposing to issue the Guidelines to enhance FIs' resilience to, and management of, environmental risks.	Consultation opened on 25 June 2020 and closes on 7 August 2020	https://www.mas.gov.sg/publications/consultations/2020/consultation-Paper-on-proposed-

Subject	Update	Key dates	Links
			Guidelines-on-environmental-risk-management-for-insurers

Changes in insurance regulation: Indonesia

January – June 2020

Subject	Update	Key Date	Link
Stimulus for non-bank financial service institutions during COVID-19 outbreak	The Indonesian Financial Services Authority (Otoritas Jasa Keuangan or **OJK**) has introduced a countercyclical policy under OJK regulation No. 14/POJK.05/2020 on *Countercyclical Policy in relation to the Impact of COVID-19 for Non-Bank Financial Institutions* (**POJK 14/2020**) that came into force on 17 April 2020. The stimulus is extended to non-bank financial service institutions (lembaga jasa keuangan non-bank or LJKNB), which includes insurance and reinsurance companies, pension funds, financing companies (e.g., leasing and multifinance companies) and other financial services institutions (such as pawnshop companies), and their debtors. The counter-cyclical policy set forth under POJK 14/2020 aims to maintain financial stability, prevent further economic deterioration, and encourage the optimization of LJKNB's performance amidst the COVID-19 outbreak. Specific to insurance and reinsurance companies, POJK 14/2020 allows for the calculation of solvency in the assessment of investment in admitted assets (aset yang diperkenankan) in the form of (a) corporate bonds listed on a stock exchange; (b) sukuk or sharia bonds listed on a stock exchange; (c) securities issued by the government of Indonesia; and (d) sharia securities issued by the government of Indonesia, can be valued based on amortized acquired value. For non-investment admitted assets in the form of premium or contribution receivables, POJK 14/2020 extends the	Effective date: 17 April 2020 Valid until: 31 December 2020	https://ojk.go.id/id/regulasi/Pages/Kebijakan-Countercyclical-Dampak-Penyebaran-Coronavirus-Disease-2019-bagi-Lembaga-Jasa-Keuangan-Non-Bank.aspx

Subject	Update	Key Date	Link
	receivables life (umur tagihan) that can be calculated for the determination of solvency from (previously) two months to four months – provided that the insurance and reinsurance companies have granted the policyholders, participants or insured the four months extension and it applies only to receivables that are due since February 2020. This stimulus is valid until 31 December 2020.		
Soundness level assessment for non-bank financial service institutions	OJK has issued *Regulation No. 28/POJK.05/2020 on the Assessment of Soundness Level for Non-Bank Financial Services Institutions* (**POJK 28/2020**) on 29 April 2020. Under POJK 28/2020, non-bank financial services institutions (lembaga jasa keuangan non-bank or LJKNB), which include insurance and reinsurance companies, pension funds, financing companies (e.g., leasing and multifinance companies) are required to: 1) Maintain and/or improve the soundness level. 2) Evaluate the soundness level by using an individual risk approach. 3) Evaluate the soundness level using a consolidated risk approach, in the case that LJKNB controls the subsidiary companies. 4) Self-assess the health of the LJKNB at least annually for the position at the end of December. 5) Update the LJKNB health level self-assessment if necessary. 6) Submit the results of the LJKNB health assessment to the OJK at the latest by: a. 15 February for the assessment of the health level of LJKNB. b. 30 working days from the date of any LJKNB health level self-	Effective date: 29 April 2020	https://ojk.go.id/id/regulasi/Pages/Penilaian-Tingkat-Kesehatan-Lembaga-Jasa-Keuangan-Nonbank.aspx

Subject	Update	Key Date	Link
	assessment update.		
Data center and disaster recovery center now allowed to be placed offshore	OJK has issued *Regulation No. 38/POJK.05/2020 on Amendment of OJK Regulation No. 69/POJK.05/2016 regarding Management of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies* (**POJK 28/2020**) on 18 June 2020. POJK 38/2020 allows insurance and sharia insurance companies to store their data in a data center and place their disaster recovery centers offshore, subject to OJK approval and strictly for the following purposes: 1) To support integrated analysis for regulatory compliance in the company's country of origin. 2) Integrate risk management with parent company located outside Indonesia. 3) Integrate anti-money laundering and preventing terrorism financing efforts with parent companies located outside Indonesia. 4) Communication management with a parent company. 5) Internal management within one company group. The OJK is authorized to request the company that has obtained OJK approval as mentioned above to relocate the data center and disaster recovery center in Indonesia, if based on OJK's evaluation, it is known that (a) the placement has not been done in accordance with the approved proposal; (b) it may potentially decrease the effectiveness of supervision by the OJK; (c) it may have potentially negative implications on the company's performance; and (d) such storage is not in accordance with the prevailing laws and regulations.	Effective date: 18 June 2020	https://ojk.go.id/id/regulasi/Pages/Perubahan-Atas-Peraturan-Otoritas-Jasa-Keuangan-Nomor-69-tentang-Penyelenggaraan-Usaha-Perusahaan-Asuransi.aspx

<table>
<tr><th>Subject</th><th>Update</th><th>Key Date</th><th>Link</th></tr>
<tr><td>Foreign reinsurance support is now allowed with certain conditions</td><td>OJK has issued Regulation No. 39/POJK.05/2020 on Second Amendment of OJK Regulation No. 14/POJK.05/2015 regarding Own Retention and Domestic Reinsurance Support (POJK 39/2020) on 18 June 2020.

POJK 39/2020 allows insurance and sharia insurance companies to partner with foreign reinsurance companies, albeit under extremely stringent conditions. By default, companies are required to prioritize local reinsurance companies' services for products with simple risks. POJK 39/2020 allows for products with simple risks to obtain up to 50% reinsurance support from a foreign reinsurer. This provision applies starting 1 July 2020 up to 31 December 2020.

Exceptions for insurance and sharia insurance companies to comply with the above are only given to:
a) Worldwide insurance products.
b) Insurance products designed especially for multinational companies.
c) New insurance products that are jointly developed with a foreign reinsurance company (applicable only for life insurance/sharia life insurance companies) – this will only be valid for four years from the time the insurance product is reported to the OJK.

Insurance and sharia insurance companies are also required to prioritize local automatic and facultative reinsurance support for products with simple and non-simple risks up to 31 December 2022. Companies are allowed to partner with foreign reinsurance companies if and only if they cannot obtain support from local reinsurance and general insurance</td><td>Effective date: 18 June 2020</td><td>https://ojk.go.id/id/regulasi/Pages/Perubahan-Kedua-Atas-Peraturan-Otoritas-Jasa-Keuangan-Nomor-14-tentang-Retensi-Sendiri-dan-Dukungan-Reasuransi.aspx</td></tr>
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Subject	Update	Key Date	Link
	companies.		
Written order for merger, consolidation, acquisition, and integration	As part of its effort to stabilize the nation's financial system amidst the COVID-19 outbreak, the OJK has issued *Regulation No. 40/POJK.05/2020 on Written Order for Management of Issues of Non-Bank Financial Services Institutions* (**POJK 40/2020**) on 18 June 2020. Effective as of 18 June 2020, POJK 40/2020 gives the OJK the power to force non-bank financial services institutions (lembaga jasa keuangan non-bank or LJKNB), which include insurance and reinsurance companies and financing companies (both conventional and sharia) to merge, consolidate, acquire, and/or integrate by issuing a written order. In respect of a financially distressed insurance company, the written order to conduct a merger, consolidation, acquisition, and/or integration can be issued by the OJK to LJKNB that meet the following criteria: 1) Having one of the following: a) Soundness level at composite rating of one, two, or three. b) Minimum solvency level or own capital ratio against issued capital not in accordance with prevailing laws and regulations, but for which based on an OJK assessment, the relevant LJKNB cannot overcome the issues or potential issues. 2) Having one of the following: a) Soundness level at composite rating of four or five. b) Minimum solvency level or own capital ratio against issued capital not in accordance with prevailing laws and regulations.	Effective date: 18 June 2020	https://ojk.go.id/id/regulasi/Pages/Perintah-Tertulis-untuk-Penanganan-Permasalahan-Lembaga-Jasa-Keuangan-Nonbank.aspx

Subject	Update	Key Date	Link
	And/or: 3) the LJKNB's controlling shareholder is unable to inject capital to resolve the LJKNB's condition. In respect of a financially strong insurance company, the written order to accept a merger, consolidation, acquisition, and/or integration can be issued by OJK to LJKNB that meet the following criteria: Having one of the following: a) Soundness level at composite rating of one, two, or three. b) Minimum solvency level or own capital ratio against issued capital in accordance with prevailing laws and regulations. And based on OJK assessment, LJKNB is able to overcome the issues or potential issues. LJKNBs that are given written orders by OJK must prepare a follow-up plan to be submitted to OJK. The follow-up plan must at least set out a series of steps and timetable on the proposed merger, consolidation, acquisition, and/or integration until it becomes effective in accordance with the relevant OJK regulation. Failure to submit the follow-up plan will result in the imposition of administrative sanctions by limiting the LJKNB's business activities or revocation of business license.		

Key Contacts

Mainland China and Hong Kong

Mark Parsons

Partner, Hong Kong
T +852 2840 5033
mark.parsons@hoganlovells.com

Andrew McGinty

Head of FIS Asia, Partner, Hong Kong
T +852 2840 5004
andrew.mcginty@hoganlovells.com

Mark Lin

Partner, Hong Kong
T +852 2840 5091
mark.lin@hoganlovells.com

Singapore

Stephanie Keen

Partner, Singapore
T +65 6302 2553
stephanie.keen@hoganlovells.com

Samantha Campbell

Partner, Singapore, Hanoi, Ho Chi Minh City
T +852 2840 5004
samantha.campbell@hoganlovells.com

Jakarta

Anthony Woolley

Administrative Counsel, Jakarta
T +62 21 2788 7921
anthony.woolley@hoganlovells.com

Alicante
Amsterdam
Baltimore
Beijing
Birmingham
Boston
Brussels
Budapest*
Colorado Springs
Denver
Dubai
Dusseldorf
Frankfurt
Hamburg
Hanoi
Ho Chi Minh City
Hong Kong
Houston
Jakarta*
Johannesburg
London
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Madrid
Mexico City
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