

Changes in insurance regulation: China / Hong Kong / Singapore

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Changes in insurance regulation: China

April - June 2016

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CIRC Strengthens its Supervision and Administration of Illegal Sales of Offshore Insurance Products	<p>On 11 May 2016, the CIRC issued the <i>Notification to Strengthen the Supervision and Administration of Illegal Sales of Offshore Insurance Products</i> (Baojian Shouxian [2016] No. 46, the "Notification"), requesting that its local arms closely scrutinize and prosecute illegal sales of offshore insurance products in China.</p> <p>The Notification requests that the local arms of the CIRC perform strict investigations, and prohibit and impose penalties on domestic institutional or individual consultants, investment managers or insurance brokers who solicit and receive benefits from foreign institutions through advertising or marketing insurance products of offshore insurance institutions in China. As already set out in other notices published by the CIRC in the past, the Notification reiterates that such advertisement or marketing of offshore insurance products may (i) take the form of a product introduction fair, investment management summit or investment management presentation, etc.; or (ii) be conducted through arrangement of overseas trips for persons who intend to insure relevant risks offshore.</p> <p>In the Notification, CIRC further requires its local arms to prosecute the illegal sale of offshore insurance products where insurance policies are executed and risks are underwritten in China, and at the same time closely scrutinize the indirect illegal sale of offshore insurance products in China where referrals are made domestically while insurance policies are executed and risks are written outside China.</p> <p>The OCI, the Hong Kong insurance regulator, has emphasised in past circular letters that Hong Kong authorised insurers must ensure that</p>	<p>The Notification dated 11 May 2016</p>	<p>http://insurance.hexun.com/2016-05-23/184009025.html</p> <p>(Media Reports in Chinese including full text of the Notification)</p>

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	<p>Mainland customers understand the potential risks arising from life insurance policies purchased in Hong Kong.</p> <p>The OCI has now specified an important facts statement that must be signed by Mainland customers who are seeking to buy such policies. This new requirement will be covered in our next regulatory tracker.</p>		
<p>CIRC Strengthens Management and Supervision of the Business of Portfolio-type Insurance Asset Management Products</p>	<p>Further to a notice (the "Pilot Notice") issued by the CIRC on 4 February 2013, on 22 June 2016, the CIRC issued the <i>Notice on Strengthening the Management and Supervision of the Business of Portfolio-type Insurance Asset Management Products</i> which applies to insurance asset management companies and endowment insurance companies, in order to further clarify the regulation and administration of the business of portfolio-type insurance asset management products (i.e. those insurance asset management products developed pursuant to the Pilot Notice) (the "Products").</p> <p>Key features include:</p> <ul style="list-style-type: none"> • Clarifying the additional qualification requirements for insurance asset management companies to conduct business in relation to the Products; • Clarifying the scope of underlying assets of the Products; • Clarifying the principles for the issuance and registration of the Products: the registration, issuance, purchase and redemption of the Products, as well as information disclosure, shall be conducted through the asset trading platform designated by the CIRC; and • Specifying certain supervision and management requirements, including the standards for classification of Products and 	<p>Effective 13 June 2016</p>	<p>http://www.circ.gov.cn/web/siteo/tab5225/info4033537.htm</p> <p>(CIRC's official notice in Chinese)</p>

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	restrictions on business in relation to the Products.		
CIRC Strengthens the Disclosure of Information on Affiliated Transactions of Insurance Companies	<p>Following a brief public consultation period, the CIRC released on its official website on 8 July 2016 the final <i>Notice on Further Strengthening the Disclosure of Information on Insurance Companies' Related Party Transactions</i> (the "Related Party Transaction Disclosure Notice") which applies to Chinese insurance companies, insurance group (holding) companies and insurance asset management companies (the "Disclosing Insurance Companies").</p>	Effective 30 June 2016	http://www.circ.gov.cn/web/siteo/tab5168/info4035445.htm
	<p>The Related Party Transaction Disclosure Notice was drafted based on the CIRC's <i>Interim Measures for the Administration of Related Party Transactions of Insurance Companies</i> (effective 6 April 2007), the CIRC's <i>Measures for the Administration of Information Disclosure by Insurance Companies</i> (effective 12 June 2010) and other related legislation. Key features of the Related Party Transaction Disclosure Notice are as follows:</p> <ul style="list-style-type: none"> • Broader scope of disclosure: Disclosing Insurance Companies must report and disclose to the CIRC, on a case by case basis, the following transactions with related parties ("Affiliated Transactions"): <ul style="list-style-type: none"> (i) Affiliated Transactions involving utilization of insurance funds, including investment by and management of insurance funds; (ii) Asset-related Affiliated Transactions (including a transfer, lease or gift of fixed or intangible assets) with an affiliated individual if the amount is above RMB 300,000, or with an affiliated entity if the amount is above RMB 3 million; or 		<p>http://www.circ.gov.cn/web/siteo/tab5207/info4035447.htm</p> <p>(CIRC's Q&A issued on 8 July 2016)</p>

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	<p>(iii) Affiliated Transactions involving a transfer of interests to or from an affiliated individual if the amount is above RMB 300,000, or to or from an affiliated entity if the amount is above RMB 3 million.</p> <p>Affiliated Transactions other than those listed above, as well as those between insurance group (holding) companies and their respective affiliated insurance companies (including insurance assets management companies) and between affiliated insurance companies themselves, must be reported to the CIRC on a consolidated basis.</p> <ul style="list-style-type: none"> • Raising the disclosure threshold for "Material Affiliated Transaction": while broadening the scope of the definition of "Material Affiliated Transaction", the Related Party Transaction Disclosure Notice has raised the disclosure threshold to "a single transaction between a Disclosing Insurance Company and an affiliated party with the transaction amount exceeding <u>1%</u> of such Disclosing Insurance Company's net assets at the end of the previous year <u>or RMB 30 million</u>; or transactions between a Disclosing Insurance Company and an affiliated party with the aggregate transaction amount within one fiscal year exceeding <u>5%</u> of such Disclosing Insurance Company's net assets at the end of the previous year". • Reinforcing legal responsibility: The board of a Disclosing Insurance Company is ultimately responsible for compliance of its affiliated transactions. 		
Final Rules to Strengthen Compliance Management of	On 12 May 2016, the CIRC issued the <i>Notice on Strengthening the Compliance Management of Insurance Companies</i> (Baojianfa [2016] No. 38)	CIRC's notice dated 6 May 2016	http://www.circ.gov.cn/web/siteo/tab5168/info4029102.htm

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Insurance Companies issued by the CIRC	<p>(the "Compliance Management Notice") after public consultation on the draft of the Compliance Management Notice in December 2015 (the "Draft Compliance Management Notice") (as mentioned in our regulatory tracker for the last quarter of 2015). The Compliance Management Notice became effective from 1 June 2016, and CIRC's <i>Notice re Specific Implementation of the Compliance Management Guidelines for Insurance Companies</i> (Baojianfa [2008] No. 29) of 18 April 2008 ceased to be effective on the same date.</p> <p>The key features in relation to the Draft Compliance Management Notice which we have summarized in our regulatory tracker for the last quarter of 2015 remain the same in the final version. In addition to those key features, the following features (among others) were added to the Compliance Management Notice:</p> <ul style="list-style-type: none"> • Addition of a requirement that the proposed chief compliance officer shall not concurrently be responsible for the insurance company's business or finances; • Removal of the specific requirement to establish a compliance department in each branch of the insurance company at the provincial level; and • Removal of the specific requirement that each insurance company shall submit its annual report on compliance management for the preceding year to the CIRC by 30 April each year. 	Effective 1 June 2016	(CIRC's official notice in Chinese)

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CIRC's Notice on Administrative Approval for Banking Institutions which Concurrently Provide Insurance Agency Services	<p>The CIRC issued the <i>Notice on Issues concerning Administrative Approval for Banking Institutions Concurrently Providing Insurance Agency Services</i> (Baojian Zhongjie [2016] No. 44) on 20 May 2016 on its official website, covering the following five main points:</p> <ul style="list-style-type: none"> • Simplifying the administrative approval procedures for obtaining a license to provide insurance agency services: under the previous requirement, branch offices were each required to apply for an insurance agency service provision license in order to provide insurance agency services. Pursuant to the amendments, a banking institution, as a legal person, shall be responsible for applying for and holding the qualification and license (the "Insurance Agency Service License") to provide insurance agency services (the "Agency Services"), and the Insurance Agency Service License allows the banking institution and all its branch offices to provide the Agency Services. • Adopting supervision by the CIRC and its local departments through an online system: application for and registration of Insurance Agency Service Licenses, as well as change of information on branch offices and data on insurance services shall be submitted through the online information system designated by the CIRC. • Specifying the responsibilities of banking institutions which provide Agency Services, such as (i) designating a separate responsible branch (the "Responsible Branch") to be responsible for Agency Services conducted in each jurisdiction other than the 	CIRC's notice dated 25 April 2016	http://www.circ.gov.cn/web/site/tab5225/info4029961.htm (CIRC's official notice in Chinese)

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	<p>jurisdiction in which such banking institution is registered, as well as the associated information submission and updates through the CIRC's online system; and (ii) appointing a chief officer, within the banking institution itself and in each of its Responsible Branches, to be responsible for the relevant Agency Services.</p> <ul style="list-style-type: none"> • Setting out the conditions and procedures for the application for newly issued Insurance Agency Service Licenses and replacement/return of the original licenses granted pursuant to the previous requirement to ensure a smooth transition from the old to the new administrative approval system. • Specifying that the provision of Agency Services between life insurance companies and property & casualty insurance companies shall be administered by reference to provisions applicable to banking institutions. In particular, a life insurance company can only provide Agency Services to one property & casualty insurance company per fiscal year, and vice versa, except for Agency Services provided amongst affiliated insurance companies. 		
CIRC Issues New Information Disclosure Rules on the Use of Insurance Funds by Insurance Companies	<p>The CIRC issued the <i>Information Disclosure Guidelines No. 4 on the Use of Insurance Funds by Insurance Companies: Large-scale Investment in Unlisted Equity and Real Property</i> (the "No. 4 Guidelines") on 5 May 2016, further to the Information Disclosure Guidelines No. 3 on Acquiring Shares of a Listed Company (issued on 23 December 2015, as mentioned in the regulatory tracker for the last quarter of</p>	<p>Effective 4 May 2016</p>	<p>http://www.circ.gov.cn/web/siteo/tab5168/info4028463.htm</p> <p>(CIRC's official notice in Chinese)</p> <p>http://www.circ.gov.cn/web/siteo/tab5207/info</p>

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	<p>2015).</p> <p>The No. 4 Guidelines were drafted by the CIRC with the intention to enhance ex-post regulatory measures on insurance companies. It contains 16 provisions, with key features as follows. Figures set out below refer to the amount in RMB or its equivalent in a foreign currency:</p> <ul style="list-style-type: none"> • Clarifying the scope and standard for information disclosure: <ul style="list-style-type: none"> (i) "Large-scale investment in unlisted equity" for which information disclosure is required refers to the direct domestic/outbound investment in a single unlisted company's equity in an aggregate amount exceeding RMB 3 billion; (ii) "Large-scale investment in real estate" for which information disclosure is required refers to the direct domestic investment in real property or the investment by way of property rights in a single overseas real property in an aggregate amount exceeding RMB 5 billion, or the investment by way of equity in a single overseas real property with the aggregate amount of equity investment exceeding RMB 1 billion; • Disclosure timeline: an insurance company shall make disclosure within 10 business days after execution of the relevant investment agreement and making the actual investment contribution. Disclosure on subsequent changes made to information previously disclosed shall be made within 10 business 		<p>4028467.htm</p> <p>(CIRC's Q&A issued on 5 May 2016)</p>

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	<p>days after such change;</p> <ul style="list-style-type: none"> Information that a listed insurance company has already disclosed can be exempt from repeated disclosure; and If joint investment by an insurance company and its affiliated entities or persons acting in concert has reached the above disclosure threshold, relevant disclosures shall be made in accordance with the No. 4 Guidelines. 		
<p>CIRC's Draft Notice on Further Strengthening the Disclosure of Insurance Companies' Share Related Information</p>	<p>On 5 May 2016, the CIRC sought public comment on the Draft <i>Notice on Further Strengthening the Disclosure of Insurance Companies' Share Related Information</i> (the "Draft Share Related Information Disclosure Notice").</p> <p>The Draft Share Related Information Disclosure Notice mainly focuses on the disclosure of three types of information of an insurance company:</p> <ul style="list-style-type: none"> (i) changes in its registered capital; (ii) changes in shareholder(s) who hold(s) more than 5% of its equity interest; or (iii) its investment in the establishment of other insurance companies. <p>Disclosure shall be made on the insurance company's official website and the website of the Insurance Association of China.</p>	<p>The Draft Share Related Information Disclosure Notice issued on 5 May 2016 for public consultation until 12 May 2016</p>	<p>http://www.circ.gov.cn/web/siteo/tab5208/info04028418.htm</p> <p>(CIRC's official notice in Chinese)</p>
<p>CIRC Amended Measures for Administration of Indirect Investment in Infrastructure Projects by Insurance Funds (the "Infrastructure Project</p>	<p>The CIRC has amended the previous <i>Pilot Measures for the Administration of Indirect Investment in Infrastructure Projects by Insurance Funds</i> issued on 14 March 2006 with the intention to further develop asset management in the insurance industry.</p> <p>Key amendments include:</p> <ul style="list-style-type: none"> Simplifying the procedure of regulatory administration: for instance, changing the requirements 	<p>CIRC's notice dated 14 June 2016</p> <p>Effective 1 August 2016</p>	<p>http://www.circ.gov.cn/web/siteo/tab5224/info04034637.htm</p> <p>(CIRC's official notice in Chinese)</p> <p>http://www.circ.gov.cn/web/siteo/tab5207/info</p>

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Measures")	<p>in relation to qualifications of trustees from an approval regime to an evaluation regime; changing the requirement of ex-ante filing for newly issued investment products to a requirement to register with the relevant industry association; replacing the requirement for insurance companies to seek approval on their investment plans with a requirement to file an ex-post report.</p> <ul style="list-style-type: none"> • The Infrastructure Project Measures no longer contain the requirement of administrative approval relating to investment in infrastructure projects by insurance funds; and • Broadening the investment scope: expanding the relevant industries and feasible models for investment in infrastructure projects by insurance funds. 		<p>4034639.htm (CIRC's Q&A issued on 3 July 2016)</p>
<p>CIRC Launches Insurance Companies' Self-Assessment of Internet Life Insurance and/or Internet P&C Insurance</p>	<p>With the intention to address, on a nationwide level, risks relating to internet insurance, the CIRC, following publication of a series of notices, launched self-assessment regimes for internet insurance business of life insurance companies and property & casualty ("P&C") insurance companies. The self-assessment is to be followed up with self-rectification of any shortcomings discovered. After that, the CIRC will, in the space of one or two months, conduct further spot-checks and give further instructions based on the results of the insurance companies' self-assessment and self-rectification.</p> <p>Self-Assessment of Internet Life Insurance Business:</p> <p>According to media reports, the self-assessment regime which applies to life insurance companies mainly focuses on three aspects: (i) the qualification and legitimacy of insurance companies which carry out internet life insurance business and those organizations that</p>	<p>Self-assessment regimes launched by the CIRC at the end of June and early July 2016</p>	<p>http://news.cntoock.com/news/sns_yw/201606/3827583.htm http://news.cntoock.com/news/sns_yw/201606/3828849.htm (Media Reports in Chinese)</p>

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	<p>cooperate with insurance companies to carry out internet life insurance business; (ii) review and assessment of medium-term and short-term internet life insurance products, mainly through inspecting the relevant product categories, marketing channels and structures, as well as premium income; and (iii) assessment of internet life insurance businesses conducted through cooperation with banks, mainly focusing on the cooperation model, premium scale and service structure.</p> <p>The self-assessment regime will be divided into two stages: (1) the self-assessment stage to be completed before 10 July 2016 and (2) the self-rectification stage from 11 July 2016 to 30 September 2016.</p> <p>Self-Assessment of Internet P&C Insurance Business:</p> <p>Based on news reports, the self-inspection regime which applies to P&C insurance companies mainly focuses on: (i) the qualification of third-party internet platforms and (ii) the risks associated with the cooperation between insurance companies and internet credit platforms for internet loan guarantee insurance business.</p>		
<p>CIRC Seeks Comments from Insurance Sector on Guidance for Insurance Companies' Articles of Association</p>	<p>According to media reports, the CIRC recently started drafting the <i>Guidance on the Articles of Association for Insurance Companies</i>, the draft of which (the "Draft Guidance") is currently under consultation within the insurance sector. The Draft Guidance, as reported, stipulates that articles of association of insurance companies (the "AOA") shall contain a sponsor list and a share structure chart which contain details to accurately reflect the insurance company's equity structure and shareholder information. Furthermore, the Draft Guidance requires that the AOA shall be</p>	<p>Media reports dated late June 2016</p>	<p>http://insurance.hexun.com/2016-06-21/184497068.html</p> <p>(Media Reports in Chinese)</p>

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	<p>more specific and detailed with respect to material matters of an insurance company, such as its major investments, acquisition and disposal of assets and its management team's authority.</p>		
<p>Shanghai Insurance Exchange Officially Inaugurated</p>	<p>Following the approval granted by the State Council back in November of 2015 for the Shanghai Insurance Exchange ("SIE") to be established, and final approval recently granted by the CIRC, the SIE was officially inaugurated on 12 June 2016, with an initial registered capital of RMB 2.235 billion. The former director of the CIRC's Supervision and Administration Department on Utilization of Insurance Funds is serving as its chairman.</p> <p>As previously planned, the SIE will primarily focus on establishing business platforms for, among other things, international reinsurance, international shipping insurance and special risks diversification. Further diversified trading models will also be explored.</p>	<p>SIE's official launch on 12 June 2016</p>	<p>http://news.xinhuanet.com/fortune/2016-06/12/c_129053986.htm</p> <p>(Media Report in Chinese)</p>
<p>CIRC Implements Measures on Information Disclosure for Administrative Approvals and Penalties</p>	<p>The CIRC issued the <i>Implementation Measures Relating to the Enhancement of Information Disclosure for Administrative Approvals and Administrative Penalties</i> (the "Disclosure Measures") on its official website on 7 July 2016.</p> <p>The Disclosure Measures provide that administrative approvals and administrative penalty decisions required to be disclosed under applicable laws should be published on the relevant authority's official website within 7 working days from the issuance of such approval or decision.</p>	<p>CIRC's notice dated 27 June 2016</p>	<p>http://www.circ.gov.cn/web/siteo/tab5216/info4030770.htm</p> <p>(CIRC's official notice in Chinese)</p>
<p>CIRC Implements Statistical System for Supervising and Managing Insurance Groups through</p>	<p>On 13 April 2016, the China Insurance Regulatory Commission (the "CIRC") published on its official website the <i>Notice on the Statistical System for Supervising and Managing Insurance</i></p>	<p>CIRC notice dated 7 April 2016</p> <p>Effective from</p>	<p>http://www.circ.gov.cn/web/siteo/tab5168/info4025974.htm</p> <p>(CIRC's official</p>

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Consolidated Reports	<p><i>Groups through Consolidated Reports</i> (the "Statistical System") to all insurance groups. The Statistical System mainly covers the overall status of insurance companies, including the size of the corporation, its financial status, business nature, risk concentration and systemic risks. The Statistical System aims to strengthen CIRC's supervision and management of insurance groups through their consolidated reports.</p> <p>Key features of the Statistical System are as follows:</p> <ul style="list-style-type: none"> • Data to be submitted: financial and risk information relating to each insurance group; • Submission party: The headquarters of each insurance group; • Submission frequency: On a quarterly basis. Furthermore, each insurance group shall submit its audited consolidated financial statements by 31 May of each year; • Effective date: 1 July 2016. 	1 July 2016	notice in Chinese)
CIRC's Draft Notice on Matters Relating to Insurance Companies Being Listed on the National Equities Exchange and Quotations (NEEQ)	<p>On 14 April 2016, the CIRC consulted the public on the Draft <i>Notice on Matters Relating to Insurance Companies Being Listed on National Equities Exchange and Quotations</i> (the "Draft NEEQ Notice"), which encourages the transfer of shares of listed insurance companies through market making systems or bidding.</p> <p>The Draft NEEQ Notice applies to insurance group (holding) companies, insurance companies and insurance asset management companies. It sets out conditions for the aforementioned companies' initial public offering on the</p>	The Draft NEEQ Notice issued on 14 April 2016 for public consultation until 24 April 2016	http://www.circ.gov.cn/web/siteo/tab5168/info4026263.htm (CIRC's official notice in Chinese)

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	<p>National Equities Exchange and Quotations (the "NEEQ"), i.e. they need to satisfy CIRC's relevant prudential regulatory indicators without any significant violations in the previous three years. Furthermore, the Draft NEEQ Notices specifies, among other matters, procedures for initial and secondary public offerings on NEEQ, as well as requirements for approval/filing applications with the CIRC for subsequent ownership changes of the issued shares.</p>		

Changes in insurance regulation: Hong Kong

April – June 2016

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<p>Guideline on fit and proper criteria to be issued by the independent Insurance Authority ("IA") – Working Group Paper No. 2 of 2016</p>	<p>Under the Insurance Companies (Amendment) Ordinance 2015 (the "Ordinance"), persons applying for or granted with insurance intermediaries licenses, as well as their owners, directors and controllers, are required to satisfy the IA that they are fit and proper persons.</p> <p>Under the current regulatory regime fitness and propriety is largely determined by self-regulatory organisations ("SRO") based on competence and capability, honesty, integrity, reputation and financial soundness. The Ordinance sets out more detailed factors which the IA will be required to consider in determining whether a person is fit and proper, such as the person's qualifications and disciplinary history.</p> <p>The Financial Services and Treasury Bureau (the "FSTB") has issued a paper for the purpose of seeking suggestions on matters to be covered by the fit and proper criteria guidelines which the IA will issue in due course.</p> <p>It is proposed in the paper that certain new standards and conditions be implemented, for instance a requirement that individual insurance agents have obtained level 3 or above in both Chinese Language and English Language, and level 2 or above in Mathematics Compulsory Part and Liberal Studies in the Hong Kong Diploma of Secondary Education Examination.</p> <p>It is also proposed that responsible officers ("RO") of a licensed insurance agency will be subject to the same requirements as an RO of an insurance broker company in relation to minimum age and industry experience, i.e. minimum age of 21 and a</p>	<p>The draft guideline was issued on 21 April 2016</p> <p>Members are invited to comment on the draft guideline and their comments will be consolidated for the IA's future reference</p>	<p>http://www.fstb.gov.hk/fsb/ia/eng/transition/doc/WG_Paper_No_2_2016_e.pdf</p>

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<p>Draft guideline on continuing professional development to be issued by IIA – Working Group Paper No. 3 of 2016</p>	<p>minimum of 2 years' management experience in the insurance industry.</p> <p>Insurance intermediaries are required to comply with Continuing Professional Development ("CPD") requirements in order to ensure they remain fit and proper, and continue to possess professional competence.</p> <p>Currently, the SROs adopt different arrangements in respect of CPD requirements. The FSTB has prepared a paper setting out some draft common requirements which are proposed to be included in the Guideline on CPD to be issued by the IIA, seeking comments from Members.</p> <p>The draft comments cover areas such as CPD cut-off dates, calculation of CPD hours, CPD reporting and consequences of non-compliance.</p>	<p>The draft guideline was issued on 21 April 2016</p> <p>Members are invited to comment on the draft guideline and their comments will be consolidated for the IIA's future reference</p>	<p>http://www.fstb.gov.hk/fsb/iaa/eng/transition/doc/WG_Paper_No_3_2016_e.pdf</p>
<p>Statutory Conduct Requirements for Licensed Insurance Intermediaries to be prescribed by the IIA – Working Group Paper No. 4 of 2016</p>	<p>The Ordinance contains a new section which sets out the conduct requirements of licensed insurance intermediaries and empowers the IIA to publish codes of conduct in relation to such requirements.</p> <p>In light of this new section, the FSTB has prepared a paper (the "First Conduct Paper") to seek Members' comments on proposed elaborations on certain statutory conduct requirements for licensed insurance intermediaries for consideration by the IIA.</p> <p>Comments will be sought in phases. The First Conduct Paper covers the first phase which includes the following aspects:</p> <ul style="list-style-type: none"> • <u>Statutory conduct requirements on "best interests"</u>: The paper includes draft factors which the IIA should consider when assessing whether a licensee has complied with the best interest requirements and 	<p>Members are invited to give comments, which will be taken into account in developing the draft code / guideline</p>	<p>http://www.fstb.gov.hk/fsb/iaa/eng/transition/doc/WG_Paper_No_4_2016_e.pdf</p>

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	<p>certain specific examples.</p> <p>In relation to the statutory conduct requirements applicable to insurance agents, which have been a contentious point in the development of the Ordinance, the First Conduct Paper states, among other matters, that in order to assess whether the "best interest" requirement has been complied with, the IIA would take into account whether a reasonable insurance agent or broker reasonably would believe that the policyholder would be likely to be in a better position if he followed his advice. It also states that an intermediary (whether broker or agent) should give advice based on objective judgments and not allow his other business interests to jeopardise his independence.</p> <p>It can be expected that the conduct requirements will continue to be contentious in relation to insurance agents since they are required by law to act in the best interest of insurers.</p> <ul style="list-style-type: none"> • <u>Information disclosure and suitability:</u> The paper sets out the types of information which are required to be provided, such as information about the intermediary and its appointing principals, and information about insurers and products recommended. 		
Updates on the implementation of the Ordinance – Information Note No. 3 of 2016	<p>On 23 June 2016, the FSTB published an update on the implementation of the Ordinance. According to the update, selection interviews for the first group of in-house staff of the IIA has been completed and in the next phase, recruitment of the top two-tier executives,</p>	<p>Update published on 23 June 2016</p>	<p>http://www.fstb.gov.hk/fsb/iaa/eng/transition/doc/info_note_230616_e.pdf</p>

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	<p>i.e. Chief Executive Officer and other directorate officers, will take place starting from June 2016.</p> <p>Meanwhile, appointments to the new Industry Advisory Committees ("IACs") on general and long term business were announced on 1 June 2016. Meetings of the IACs will commence in the second half of 2016, to advise the IIA on various matters relating to the development of the insurance industry.</p>		
<p>The Office of the Commissioner of Insurance ("OCI") issues Guidance Note 17 on reinsurance ("GN17")</p>	<p>The OCI has published GN17 setting out prudent practices pertinent to reinsurance management and general guiding principles in assessing the adequacy of reinsurance arrangements of an insurer.</p> <p>The guidance note states that an insurer should adopt a comprehensive written reinsurance management strategy and appropriate systems and controls. It also sets out criteria to be taken into account with regard to the adequacy of reinsurance arrangements.</p> <p><u>Alternative risk transfer</u>: GN17 discusses alternative risk transfer arrangements ("ART") under which a special purpose vehicle ("SPV") is created which is specifically constituted to carry out the transfer of risk. Such arrangements are required to be approved by the Insurance Authority in advance (except for a professional reinsurer). Insurers who use such arrangements must ensure there are robust frameworks to manage and monitor the risks and arrangement. SPVs are expected to be "fully-funded" and bankruptcy remote, and the Insurance Authority will take into account factors such as the ownership structure of the SPV, ranking and priority of payments, stress testing of cashflows in the SPV structure, the use of derivatives,</p>	<p>GN17 was published by the OCI on 1 June 2016</p> <p>Applies to reinsurance and other relevant risk transfers made in respect of the financial years of an insurer commencing on or after 1 January 2017</p>	<p>http://www.oci.gov.hk/download/gn17.pdf</p>

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	<p>investment strategies etc.</p> <p><u>Arrangements with Insignificant Risk Transfer</u>: Except for a professional reinsurer, an insurer must seek approval from the Insurance Authority before entering into new arrangements with insignificant risk transfers ("IRT") or varying such arrangements to a material extent. The insurer will be required to disclose detailed information in relation to such IRT to the Insurance Authority for assessment.</p> <p>Financial reinsurance arrangements are likely to be required to be assessed under the new IRT regime. This will be relevant to a number of Hong Kong insurers/reinsurers who regularly enter into such arrangements and represents an important regulatory development as the Hong Kong regulator will have to analyse those potentially complex transactions.</p> <p>Insurers with existing ART or IRT arrangements should, within 30 days from 1 January 2017, notify the Insurance Authority of such arrangements.</p>		

Changes in insurance regulation: Singapore

April – June 2016

Subject	Update	Key date	Link
RBC2: MAS proposes further revisions to Risk-Based Capital Framework for insurers	<p>The Monetary Authority of Singapore ("MAS") published its third consultation paper on 15 July 2016 with proposed revisions to the Risk-Based Capital ("RBC") Framework for insurers, taking into account feedback from the industry. The MAS will conduct a second quantitative study to assess the impact of the revised proposals. It is anticipated that any new requirements will be formally implemented from 1 January 2017.</p> <p>The key proposed revisions are as follows:</p> <ul style="list-style-type: none"> • <u>Moderation of risk requirements:</u> Capital requirements for equity investment, credit spread, counterparty default and operational risk have been re-calibrated in favour of insurers. • <u>Widening of the eligibility criteria for matching adjustment ("MA")</u> • <u>Introduction of an illiquidity premium adjustment</u> For products that do not qualify for the MA, the MAS proposes to introduce a more generic illiquidity premium for life insurers, which works in a similar way as the MA but will accord a smaller adjustment to the rate for discounting insurance liabilities. • <u>Study of Infrastructure Asset Class</u> Given the long-term nature of life insurers' liabilities, the infrastructure asset class may be suitable for long-term investments. The MAS is therefore seeking feedback on insurers' interest in this asset class, and the specific types and 	<p>Comments to be submitted to MAS by 20 October 2016.</p> <p>New requirements are expected to take effect from 1 January 2017.</p>	<p>http://www.mas.gov.sg/News-and-Publications/Media-Releases/2016/MAS-Proposes-Further-Revisions-to-Risk-Based-Capital-Framework-for-Insurers.aspx</p>

characteristics of infrastructure financing that are appropriate for insurers. It is proposed that the feedback will allow MAS to formulate specific capital requirements for this asset class.

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