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

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Changes in insurance regulation: China

January – March 2017

Circular of China Insurance Regulatory Commission ("CIRC") on Matters relating to the Further Enhanced Regulation of Equity Investments of Insurance Funds ("Circular")	To further clarify policies on the regulation of equity investments of insurance institutions, regulate such investments and prevent risks in the use of insurance funds, the CIRC issued the Circular on 24 January 2017. There are three categories of equity investments with insurance funds under the Circular: (i) "general stock investment", where an insurance institution invests in, or an insurance institution and a non-insurance person acting in concert jointly invest in, stocks of a listed company which are less than 20% of the total equity of that listed company, and has or have no controlling rights over the listed company; (ii) "major stock investment", where an insurance institution holds, or an insurance institution and a non-insurance person acting in concert jointly hold, stocks of a company which represent 20% or more of the equity of a listed company, and has or have no controlling rights over the listed company; and (iii) "listed company acquisition", which includes three circumstances, i.e. becoming the controlling shareholder of a listed company by means of acquiring its stock, becoming the actual controller of a listed company via such channels as investment relationship, agreements or other arrangements, or having controlling rights over a listed company via both those means and channels.	The Circular was published on and is effective from 24 January 2017	The Circular: http://www.circ.gov.cn/web/site0/tab5168/info4058265.htm CIRC's accompanying notes: http://www.circ.gov.cn/web/site0/tab5207/info4058263.htm

	Note: (i) "insurance institution" is defined to cover institutions in the insurance industry such as insurance companies, insurance groups (including the holding company) and insurance asset management institutions; and (ii) "a non-insurance person acting in concert" means an investor (who is not an insurance institution) whose act constitutes a relationship of acting in concert with an insurance institution. The CIRC will apply different regulations to different circumstances: (i) different solvency and financial capability requirements will apply to different categories of stock investments; (ii) no further restrictive measures will be imposed on most "general stock investments" that do not cross the 5% reporting threshold, which is also subject to requirements under CIRC's *Information Disclosure Guidelines No. 3 on the Use of Insurance Funds by Insurance Companies: Acquiring Shares of a Listed Company* (mentioned in our regulatory tracker for the last quarter of 2015); (iii) in the course of engaging in "general stock investment" which crosses the 5% reporting threshold, the insurance institution must disclose all relevant information in accordance with the securities regulatory requirements and, within 5 days after the disclosure, report to the CIRC;		

	(iv) where an investment reaches the threshold for a "major stock investment", the insurance institution must, within 5 days after the public disclosure of such transaction, submit relevant materials to the CIRC for record filing; (v) an insurance institution proposing to acquire a listed company must apply to the CIRC for prior approval; and (vi) before the issuance of the CIRC's filing opinion for a "major stock investment" or its approval of a "listed company acquisition", an insurance institution must not continue to increase its shareholding in such listed company. The Circular also imposes some restrictions on the size of the investment. For example: (i) unless otherwise provided, in respect of the acquisition of a listed company and equity investments in listed commercial banks, the book balance of the investment by an insurance institution in a single stock may not exceed 5% of the insurance institution's total assets as at the end of the preceding quarter; and (ii) the book balance of an insurance institution's investment in equity assets may not, in total, exceed 30% of the insurance institution's total assets as at the end of the preceding quarter. Further, the Circular enhances the regulation of stock investment (which crosses the 5% reporting threshold) or acquisition behavior of insurance institutions and non-insurance persons		

	acting in concert: (i) it explicitly prohibits insurance institutions and non-insurance persons acting in concert to jointly acquire a listed company; (ii) if an insurance institution engages in a "major stock investment" with a non-insurance person acting in concert and, after record filing, proposes to acquire more stock of the listed company, it shall use its own funds for such additional investment; and (iii) if an insurance institution engages in general stock investment with a non-insurance person acting in concert and such investment crosses the 5% reporting threshold, the CIRC has the authority to take additional regulatory measures, for instance, suspending direct or indirect investment leading to the ultimate flow of the insurance institution's capital to the non-insurance person acting in concert.		
Final Requirements for Collateral in Cross-border Reinsurance Transactions	On 9 August 2016, the CIRC issued the Notice on Matters Relating to Collateral Provided by Offshore Reinsurers (Draft) ("**Draft Notice**") for public consultation. On 13 March 2017, the CIRC released on its official website the final version of the notice ("**Final Version**"), which has been effective since 23 February 2017. The Final Version sets out the requirements that collateral provided by offshore reinsurers must meet in order for a lower risk factor to be applied by the ceding company to the reinsurance under China's risk-based solvency regime, C-ROSS. The key features summarized in our previous	Final Version is dated and effective from 23 February 2017	The Final Versions is available at: http://www.circ.gov.cn/tabid/5171/InfoID/4062184/Default.aspx?type=Apply CIRC's accompanying notes are available at: http://www.circ.gov.cn/web/site0/tab5207/info4062186.htm Blog post prepared by Hogan Lovells in

	blog post (please see full text here) remain the same in the Final Version, except for the following points in relation to qualifying deposits: (i) the minimum time period for the deposit to be held in the bank account of the Chinese ceding company has been shortened from one year to one quarter; and (ii) the requirement under the Draft Notice that the aggregate amount of liabilities treated as collateralized for multiple reinsurance contracts entered into by a single Chinese ceding company must not exceed the total amount of the deposit ("**Aggregation Rule**") has been removed. For qualifying standby letters of credit, the requirement that PRC laws must prevail in the event of conflict with international model rules and the corresponding Aggregation Rule for multiple reinsurance contracts have been removed in the Final Version. In short, the Final Version, compared to the Draft Notice, has relaxed some of the requirements relating to collateral provided by offshore reinsurers. It is also worth noting that there is no requirement for reinsurance treaties with offshore reinsurers to be collateralized. However, non-collateralized treaties are subject to a punitive capital charge under C-ROSS.		relation to the Draft Notice: http://www.hlinsurancelaw.com/2016/08/china-proposes-requirements-for-collateral-in-cross-border-reinsurance-transactions/ Blog post prepared by Hogan Lovells in relation to the Final Version: http://www.hlinsurancelaw.com/2017/05/china-circ-publishes-final-requirements-for-collateral-in-cross-border-reinsurance-transactions/
Notice on Relevant Matters of Self-assessment and Remediation of Life Insurance Business ("Notice")	Further to CIRC's *Notice to Further Strengthen Supervision of Life Insurance Business* (mentioned in our regulatory tracker for the last quarter of 2016), on 10 January 2017, the CIRC issued the Notice to life insurance companies. According to media reports, some key	The deadline for self-assessment and remediation was 20 January 2017.	Media report on the Notice: http://news.cnstock.com/news,bwkx-201701-4002159.htm

	points of the Notice are: (i) life insurance companies must separately manage and independently account for participating life insurance, universal life insurance and investment-linked life insurance; and (ii) life insurance companies must establish information disclosure mechanisms in relation to their life insurance products.		
CIRC issues Notice on the Submission of Reports on Short-to-Medium Term Life Insurance Business ("Notice")	According to the Notice, life insurance companies are required to submit reports on their short-to-medium term life insurance business on a monthly and quarterly basis beginning in 2017. Life insurance companies must report relevant statistics for short-to-medium term products for the previous month within the first 5 business days of the following month. In addition, life insurance companies are also required to report quarterly to the CIRC within 20 days after the last day of the relevant quarter. Since 2016, the CIRC has issued various rules and notices to regulate life insurance products with medium and short duration and tightened the regulation of universal life insurance. According to media reports, the objective of CIRC's policies is to lengthen the term of universal life insurance products and apply stricter controls to life insurance products of medium and short duration.	Media report dated 6 February 2017	Media report on the Notice: http://www.chinairn.com/hyzx/20170207/092325694.shtml
CIRC issues Guidelines for the Premium Rate of P&C Insurance Products	On 10 January 2017, CIRC published on its official website the *Guidelines for Determining Premium Rates of P&C Insurance Products* (the "**Guidelines**"), which are effective from 1 February 2017 and apply to P&C insurance companies lawfully established within the territory of the People's Republic of China,	Guidelines dated 5 January and effective from 1 February 2017	The Guidelines: http://www.circ.gov.cn/web/site0/tab5168/info4056410.htm CIRC's Q&A for the Guidelines:

	including Chinese insurance companies, Sino-foreign insurance joint ventures, wholly foreign-owned insurance companies and branches of foreign insurance companies. The Guidelines apply to the determination of premium rates for insurance products subject to approval and record filing requirements. They: (i) provide for a standardized description of the composition of the premium rate and the principles of its determination. The Guidelines also set out principles for determining the premium rate (i.e. reasonableness, fairness and sufficiency); (ii) standardize the procedures for premium rate determination, including the stages of preparation, determination, supervision and adjustment; and (iii) set out supervisory measures regarding the determination of premium rates of P&C insurance products, including requirements for actuarial reports and working papers relating to the premium rates and their determination.		http://www.circ.gov.cn/web/site0/tab5207/info4056412.htm
CIRC Issues Circular on Improving the Public Inquiry System for Regulatory Supervision and Administration	The CIRC published the *Circular on Improving the Public Inquiry System for Regulatory Supervision and Administration* ("**Circular**") on 15 March 2017 to enhance public supervision of the insurance sector. The Circular focuses on the following points: • The scope of public inquiries includes matters which are high-profile, involve the public interest or may trigger major risks. These matters include, among others, corporate governance, business	Circular dated and effective from 9 March 2017	The Circular: http://www.circ.gov.cn/web/site0/tab5216/info4062336.htm

	operation and use of insurance funds. • An inquiry could be made into any person or legal entity which is under supervision of the regulator or is of interest to the public, including the controllers, shareholders, investors and their respective affiliates and persons acting in concert, directors, supervisors and senior managers, as well as other interested parties of an insurance company. • Inquiries will mainly be by way of inquiry letters sent to the insurance companies, which will also be published on the CIRC's official website. The insurance company which is the subject of the inquiry must respond to the inquiry in writing, and such response needs to be reported to the CIRC and published on the company's website as well as a website designated by the CIRC. • Responses to inquiries must be true, accurate and clear.		
CIRC launches Investigation of Bond Transactions of Insurance Institutions	Based on media reports on 21 and 22 March 2017, the CIRC has distributed to insurance institutions (including insurance groups, insurance companies and insurance asset management companies) the Notice on Submission of Summaries of Insurance Institutions' Bond Transactions ("**Notice**"). The CIRC aims to investigate bond transactions conducted by insurance institutions. The Circular requires that: (i) insurance group (holding) companies and insurance companies must report their current bond transactions respectively for each legal entity within the group to the CIRC no	Media reports dated 21 and 22 March 2017 respectively	Media reports on the Notice: http://news.cnstock.com/news,bwkx-201703-4052612.htm http://money.163.com/17/0322/18/CG5BU0KP0025816D.html

	later than 28 March 2017; and (ii) insurance asset management companies must report the overall performance of their insurance asset management products involving bond transactions no later than 28 March 2017 and report the bond transactions respectively for each of their insurance asset management products no later than 7 April 2017. All bond transactions entered into by the end of February 2017 must be reported. According to the report, the investigation covers bond positions and all repo and reverse repo positions. The report must also include the scale and proportion of bond related transactions. Insurance institutions must specify the trading platform as well as other dealing or trading parties (including banks, securities companies, insurance companies, trust companies or other institutions).		
Five Ministries Jointly Publish Guiding Opinions on the Financial Sector to Support Turning China into a 'Manufacturing Superpower' ("Guiding Opinions")	The People's Bank of China, the Ministry of Industry and Information Technology, the China Banking Regulatory Commission, the China Securities Regulatory Commission and the CIRC jointly issued the Guiding Opinions with a view to help improve the development of China's manufacturing sector. In terms of the insurance sector, the Guiding Opinions provide that the Chinese government aims to further enhance the role played by the insurance market, develop insurance products stimulating the development of manufacturing business, and increase insurance companies' investments in the manufacturing industry. The policy aims to encourage insurance companies to expand their insurance product portfolio,	Guiding Opinions published on 30 March 2017	The Guiding Opinions: http://www.gov.cn/xinwen/2017-03/30/content_5181983.htm

	in particular developing products such as corporate property insurance, science and technology insurance, patent insurance and manufacturing insurance. The policy also encourages the development of credit insurance for manufacturers and product liability insurance and further promotes a pilot insurance compensation mechanism for pioneering technical equipment. In terms of expanding the investment of insurance funds in the manufacturing sector, the Guiding Opinions encourage investment in debt, equity, funds, asset-based schemes and other forms of investment programs. Insurance companies are encouraged to invest in innovative investment schemes or products issued by manufacturers, such as preference shares and M&A bonds. Relevant insurance institutions are also encouraged to invest in and establish insurance asset management institutions for the manufacturing sector. Insurance funds will be allowed to be invested in venture capital funds mainly targeting the manufacturing sector and other similar private equity funds.		

Changes in insurance regulation: Hong Kong

January - March 2017

Subject	Update	Key date	Link
Update on the Implementation of the Insurance Companies (Amendment) Ordinance 2015	On 8 March 2017, the Financial Services and the Treasury Bureau ("**FSTB**") released updates on the Implementation of the Insurance Companies (Amendment) Ordinance 2015. The main points to note are: (i) The existing guidance notes promulgated by the OCI will continue to have effect after the transition as if they were issued by the independent insurance authority (the "**IIA**"). [Hogan Lovells note: They will be renamed "guidelines" and the abbreviation "GL" will be used. (ii) The existing Guidance Note 4 on "fit and proper" criteria will be amended to incorporate new requirements under (i) new section 14A of the amended Insurance Ordinance on a list of matters the IIA must have regard to when determining whether a person is " fit and proper"; and (ii) the revised Insurance Core Principle 5 on Suitability of Persons promulgated by the International Association of Insurance Supervisors. Please see our insurance tracker for the second quarter of 2016 for a draft of the new guidelines. (iii) The IIA will issue a new Guideline 18 setting out relevant considerations in exercising its power to impose pecuniary penalties. Please see our insurance tracker for the first quarter of 2016 for a draft of the guidelines. (iv) The IIA will only make technical amendments to the other existing guidance notes (for example, to		http://www.fstb.gov.hk/fsb/iia/eng/transition/doc/info_note_012017_e.pdf

	reflect the new insurance authority and the provisions of the new Insurance Ordinance). (v) For the existing Minimum Requirements for Insurance Brokers promulgated by the OCI, only technical amendments will be proposed and the two broker bodies will be kept informed of the progress. (vi) The codes and guidelines promulgated by the Hong Kong Federation of Insurers ("**HKFI**") setting out the standards and conduct requirements for authorised insurers when carrying on insurance business will continue to have effect and be administered by the HKFI under the existing self-regulatory regime. The IIA will inform the industry of the technical amendments made to the existing guidance notes promulgated by the OCI when the amended guidelines have been finalised.		
The Financial Services and the Treasury Bureau ("FSTB") publishes a discussion draft in relation to parts of guidelines on statutory conduct requirements for licensed insurance intermediaries to be issued by the IIA under section 133 of the amended Insurance	The Discussion Draft sets out a draft of parts of the guidelines on statutory conduct requirements for licensed insurance intermediaries to be issued by the IIA under section 133 of the amended Insurance Ordinance ("**Ordinance**"). It only discusses the overarching principles and provides further detail in relation to three conduct requirements. Draft elaborations on the other statutory conduct requirements will be provided at a later stage. It is expected that the final guidelines will be issued by the IIA when the conduct requirements for insurance intermediaries stated in section 90 of the Ordinance come into force, i.e. within 2 years after 26 June 2017. The Discussion Draft is based on the		http://www.fstb.gov.hk/fsb/iia/eng/transition/doc/WG_Paper_No_2_2017_e.pdf

Ordinance ("Discussion Draft")	existing conduct standards published by the three self-regulatory organizations of insurance brokers and insurance agents and also refers to relevant guidelines applicable in Australia, Guernsey, Manitoba, Singapore and the UK. The overarching principles in connection with the statutory conduct requirements for licensed insurance intermediaries stipulated under section 90 of the Ordinance are: 1) Integrity; 2) Best interests of policyholders; 3) Care, skill and diligence; 4) Competence; 5) Fair treatment of policyholders; 6) Information disclosure; 7) Suitability; 8) Managing conflict of interests; and 9) Safeguarding policyholder assets. The Discussion Draft further elaborates on aspects (1), (2), (5) and (6). The summary below is limited to requirements which <u>go beyond</u> those stated in existing guidance issued by the OCI or the self-regulatory organizations <u>Acting honestly, fairly, in the best interests of the policyholder and with integrity</u> • An intermediary should not make untrue representations or conceal material facts from a policyholder, such as failing to advise a policyholder that the intermediary is unable to provide totally for the policyholder's required insurance needs. • Despite the differences between an insurance agent and an insurance broker (one acting for the insurer, the other normally for the insured) neither of them should exert undue influence on a policyholder since he		

	is an advisor, not a persuader or enforcer. • When assessing compliance with the conduct requirements, the IIA will take into account whether a reasonable intermediary would believe that the policyholder is likely to be in a better position if he follows the advice given by the intermediary, taking into account, among other matters, the insurance product offered and its complexity, the sophistication of the policyholder and the degree of his reliance. • An intermediary should not discourage policyholders from making legitimate insurance claims or delay them from being presented in a way which may prejudice the policyholder's best interest or serve the interests of the intermediary. • An intermediary must not advise policyholders to replace, convert, cancel, surrender or allow to lapse any long term policy unless the intermediary can demonstrate that such action is in the best interests of the policyholder. • An intermediary must afford the policyholder reasonable time to consider the intermediary's recommendation prior to the policyholder making a decision to accept the recommendation. Suitability • Depending on the nature of the transaction and based on information provided by customers, an intermediary should assess the financial capabilities, situation and needs of their customers before providing them with a product, advice or service.		

	• An intermediary must not take improper advantage of a policyholder's inexperience, lack of education, youth, lack of sophistication, unbusinesslike habits or ill health. • An intermediary must ensure that its recommendations are suitable for the policyholder, taking into account the information obtained from the policyholder. It should ensure that the recommendations are based on thorough analysis and take into account alternative insurance options. • An intermediary should explain to the policyholder the basis for its recommendation and why the insurance product recommended is suitable for the policyholder. • An intermediary must explain the risks involved in premium financing, if recommended. <u>Information disclosure</u> • Information should be provided at all stages of the relationship with the customer. • An intermediary must inform his policyholders at all times about all aspects of the insurance products they have purchased, including any changes affecting a policy which occur during the policy term. • An intermediary should provide to his policyholders information materials that would assist the policyholder in understanding the insurance products relevant to a material decision being made. • If an intermediary can offer only one company's quote to a prospective policyholder, he must make this limitation known before accepting		

	and placing any business on the policyholder's behalf.		
The Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2017 (the "Commencement Notice") was gazetted on 21 April 2017 (covered in this tracker due to its importance)	Under the Commencement Notice, the new independent Insurance Authority for Hong Kong ("**IIA**") will assume its functions on 26 June 2017 (the "**Commencement Date**"), replacing the Office of the Commissioner of Insurance. From the Commencement Date, the appointment of "key persons" (such as officers responsible for risk management, compliance, financial control, internal audit and the actuarial function of authorised insurers) will be subject to approval by the IIA on the basis of "fit and proper" criteria. The same requirement will apply to new directors of Hong Kong incorporated insurers. The existing approval regime only applies to certain controllers, chief executives and managing directors of authorised insurers. Under related secondary legislation gazetted on the same day as the Commencement Notice, new fees for various applications to the IIA (in particular approvals of new controllers, directors and key persons) will come into effect on the Commencement Date. The fees for new authorisations and subsequent annual fees are now partly based on insurance liabilities and can be very substantial (up to HK$7.3 million for the combined fixed and variable fee). The fees for approvals of new controllers are also substantial (for instance, HK$100,000 for new majority controllers of authorised insurers) and should be taken into account when restructurings or new appointments are being considered. The IIA will also have the power to impose substantial fines, and the new		The Commencement Notice Insurance Companies (Actuaries' Qualifications) (Amendment) Regulation 2017 Insurance Companies (Register of Insurers) (Prescribed Fee) (Amendment) Regulation 2017 Insurance Companies (Authorization and Annual Fees) (Amendment) Regulation 2017 Insurance Companies (Determination of Long Term Liabilities) Regulation (Amendment) Rules 2017 Insurance Companies (Margin of Solvency) Regulation (Amendment) Rules 2017 Insurance Companies (General Business) (Valuation)

	Insurance Appeals Tribunal will have power to review certain decisions of the IIA. The new regulatory regime in relation to insurance intermediaries (brokers and agents) will not come into effect on the Commencement Date. The IIA is scheduled to assume regulation of intermediaries within two years after the Commencement Date, replacing the current self-regulatory regime run by industry bodies.		Regulation (Amendment) Rules 2017 Insurance Companies (Actuaries' Standards) Regulation (Amendment) Rules 2017 Insurance Ordinance (Amendment of Schedules) Notice 2017

Changes in insurance regulation: Singapore

January - March 2017

Subject	Update	Key dates	Links
Online distribution of life policies with no advice	The Monetary Authority of Singapore (the "**MAS**") issued guidelines on 31 March 2017 concerning the online distribution of life policies with no advice (the "**Guidelines**"). Changes in insurance regulation: Singapore The Guidelines set out the MAS's expectations on the safeguards that direct life insurers, licensed under Section 8 of the Insurance Act (Cap. 142) (the "**Act**") to carry on life business, should implement for life policies distributed online without the provision of advice. The Guidelines should be read in conjunction with the provisions of the Act and written directions, notices, codes and other guidelines that the MAS may issue from time to time. Direct life insurers should be able to demonstrate to the MAS that they have observed the Guidelines. Where the MAS is not satisfied with a direct life insurer's observance of the Guidelines, the MAS can require that such direct life insurer take additional measures to address the deficiencies noted. The Guidelines focus on the following areas: **1. Offer of equivalent direct purchase insurance products (as defined in MAS Notice 321) ("DPIs")** The Guidelines provide that where a direct life insurer has an online platform to distribute life policies, it should also offer an equivalent DPI (if any) online to its clients. A DPI is a class of simple, broadly standardised term and whole life insurance products with total and permanent disability cover and an optional critical illness rider that one can	The Guidelines took effect on 31 March 2017.	**MAS Circular No. ID 02/17:** http://www.mas.gov.sg/~/media/resource/legislation_guidelines/insurance/circulars/ID02_17.pdf **The Guidelines:** http://www.mas.gov.sg/~/media/resource/legislation_guidelines/insurance/guidelines/Guidelines%20on%20the%20Online%20Distribution%20of%20Life%20Policies%20With%20No%20Advice%2031%20Mar%202017.pdf **MAS Notice 321 on DPIs:** http://www.mas.gov.sg/~/media/resource/legislation_guidelines/insurance/notices/MAS%20321_30%20Mar%202015.pdf

	purchase directly from direct life insurers without financial advice and hence without a commission being charged (please see also MAS Notice 321 on DPIs in the "Links" column). **2. Provision of key information** To assist clients in making an informed decision, the Guidelines state that a direct life insurer should provide clients with an online copy of, or access to, the following documents, amongst others, before they complete their purchase of a life policy via the online direct channel: (a) (where available) the Product Summary, Benefit Illustration and Product Highlights Sheet in respect of the relevant life policy; and (b) the full wording of the relevant life policy. The Guidelines further provide that the direct life insurer should also obtain certain acknowledgements from clients, including: (a) that they have read and understood the Benefit Illustration and Product Summary, including any coverage exclusion; and (b) that they have completed and disclosed fully and truthfully all the information requested in the Proposal Form and any supplementary questionnaire(s). In addition, the Guidelines state that a direct life insurer should highlight to a client any conditions, including special exclusions or additional premium loadings imposed by the direct life insurer as a result of underwriting the policy application. A direct life insurer should require a client to acknowledge		

	that he has read and understood the conditions before he purchases a life policy with a conditional acceptance. The Guidelines further prescribe that before a client completes the purchase of a life policy via the online direct channel, the website should alert the client (such as via a pop-up prompt) with, amongst others, the following prominent statements that should be worded in a simple and concise manner: (a) a life policy is not a savings account or deposit; (b) the client may not get back the premiums paid (partially or in full) if the client terminates or surrenders the policy early; and (c) there is a 14-day free-look period. **3. Provision of tools and calculators and consideration of other types of life policies** The Guidelines also provide that direct life insurers should encourage clients to go through various tools, calculators and specific information sources before buying a life policy via the online direct channel, so as to enable clients to: (a) calculate the amount of life insurance coverage they would need, so that they may determine if a life policy meets their protection needs; (b) check if the premium payable for the life policy is affordable based on their income and expenditure; and (c) consider the different types of DPI and other types of life policies available, and whether the life policy is suitable for their financial circumstances		

	and needs. **4. Handling of queries, complaints and claims** The Guidelines provide that direct life insurers should set up appropriate avenues, including but not limited to telephone or email helplines, to address general client queries relating to life policies offered on their online direct channels. Direct life insurers should also provide information on their online direct channels such as information on how to make a claim and how the complaints process works. **5. Implementation of internal controls, policies and procedures** The Guidelines reiterate that it is an existing obligation of direct life insurers to ensure that they have adequate policies, procedures, processes and/or controls in respect of money laundering and terrorism financing risks and technological risks. Direct life insurers providing life policies online should also put in place appropriate business continuity plans to ensure the functionality and continued operation of online direct channels, and consider and implement other safeguards to manage any additional risks arising from the distribution of life policies on online direct channels.		

Changes in insurance regulation: Indonesia

January – March 2017

Subject	Update	Key Date	Link
Premium and Contribution Tariffs	The Indonesian Financial Services Authority (**OJK**) Circular Letter No. 6/SEOJK.05/2017 on Premium or Contribution Tariffs for Vehicles and Assets Insurance sets ranges and percentages for insurance premiums and contribution tariffs for general and sharia insurance. This Circular includes insurance which covers, among others, the following risks: • floods impacting assets and vehicles; • loss limits for assets; and • business interruption for assets. For instance, premiums or contributions for flood insurance are grouped based upon area, frequency of flooding and the severity of the flood; vehicle insurance would be grouped by the type of vehicle and area located. Premium or contribution tariffs under this OJK Circular Letter are not applicable to micro insurance.	Issued on 26 January 2017 and will be effective on 1 April 2017	http://www.ojk.go.id/id/kanal/iknb/regulasi/asuransi/surat-edaran-ojk/Pages/Surat-Edaran-Otoritas-Jasa-Keuangan-Nomor-6-SEOJK.05-2017.aspx
Marketing Channels for Micro Insurance	OJK issued Circular Letter No. 9/SEOJK.05/2017 on Micro Insurance and Marketing Channels for Micro Insurance. Pursuant to said Circular, marketing of micro insurance products can only be conducted through direct marketing, insurance agents, *bancassurance*, non-bank institutions and/or marketing staff. The marketer may also perform administrative functions with respect to policy issuances and/or claim settlement processes where the ultimate responsibility is within the control of the insurance company.	Issued on 23 February 2017 and effective on the issuance date	http://www.ojk.go.id/id/kanal/iknb/regulasi/asuransi/surat-edaran-ojk/Documents/SAL%20-%20SEOJK%209%20-%20Asuransi%20Mikro.pdf
Public Accountant Services in Finance Services Sector	In order to increase financial transparency and quality of financial infomation, OJK issued OJK Regulation No. 13/POJK.03/2017 applicable to all businesses in the financial services	Issued on 27 March 2017 and effective on the issuance date	http://www.ojk.go.id/id/kanal/perbankan/regulasi/peraturan-ojk/Documents/Pa

	sector. The regulation requires public accountants that provide services to financial services providers be registered with OJK. OJK will then publish a list of OJK approved public accountants on its website. Financial services providers are required to use public accountants/public accountant offices which are registered with OJK and have competencies compatible with the relevant financial services provider. On reporting, besides the obligation to submit annual reports (due on 15th April of each year), public accountants/public accountant offices must also submit incidental reports to OJK concerning certain findings, i.e. significant violations which may impair a company's business activities and significant weaknesses in internal controls and processes used to prepare financial reports. Independency of public accountants/public accountant offices is mandatory within the audit period and has to be stated, in writing, prior to commencement of the relevant audit period. OJK has authority to replace public accountants/public accountant offices used by a financial services provider and/or re-assess/re-audit a financial report. Violation of the above mentioned OJK Regulation is subject to administrative sanctions in the form of written warnings, fines and/or inclusion of shareholder(s), members of the board of directors, members of the board of commissioners or executives of the relevant financial services provider in a list where they are prohibited from becoming a controlling shareholder, member of a board of directors, member of a board of commissioners and/or executives of financial services providers. Public accountants/public accountant		ges/POJK-Penggunaan-Jasa-Akuntan-Publik-dan-Kantor-Akuntan-Publik-dalam-Kegiatan-Jasa-Keuangan/SAL%20POJK%20PENGGUNAAN%20JASA%20AP%20DAN%20KAP%20final%281%29.pdf

	offices are also subject to administrative sanctions in the form of written warnings, fines, suspension and/or cancellation of registration.		

Upcoming changes: insurance in Indonesia

Subject	Update	Key Date	Link
Valuation of Assets in the Form of Investment and Non-Investment	OJK has issued a draft circular letter on permitted valuation bases for different forms of investment assets and non-investment assets. Investment assets for which valuation bases are prescribed include time deposits, shares registered on the stock exchange, medium term notes, and securities issued by the Indonesian Government. Non-investment assets for which valuation bases are prescribed include cash, premium claims, investment claims, buildings, and deferred acquisition costs.	Draft circulated on 13 January 2017	http://www.ojk.go.id/id/regulasi/otoritas-jasa-keuangan/rancangan-regulasi/Documents/RSE%20Dasar%20Penilaian%20Investasi%20PA%20PR%20new.pdf
Periodic Reports	OJK has issued a draft regulation under which insurance and insurance supporting companies must submit periodic reports to OJK. The type of report and deadline vary for each company type. Insurance/insurance supporting companies must appoint members of the board of directors or officer(s) at the same level as responsible for these reports. A company's failure to comply with this regulation may subject it to written warnings, limitations to business activities and/or revocation of its business license. Periodic reports should be submitted online through a system provided by OJK using standard report forms (as attached in the circular letters). For insurance businesses, the reports consist of semi-annual (due one month after the end of the relevant half year)	Draft circulated on 14 March 2017 and the circular letters are to be effective on 1 July 2017	OJK Regulation:http://www.ojk.go.id/id/regulasi/otoritas-jasa-keuangan/rancangan-regulasi/Pages/Permintaan-Tanggapan-Masyarakat-atas-Rancangan-POJK-tentang-Laporan-Periodik-Perusahaan-Perasuransian.aspx OJK Circular Letter 1:http://www.ojk.go.id/id/regulasi/otoritas-jasa-keuangan/rancangan-

Subject	Update	Key Date	Link
	and annual reports (due every 30th April of the following year). For sharia insurance businesess, reports consist of: (i) monthly reports (due every 10th of the following month), (ii) quarterly reports (due one month after the end of the relevant quarter), (iii) annual reports (due every 30th April of the following year), and (iv) miscellaneous reports.		regulasi/Pages/Permintaan-Tanggapan-Masyarakat-atas-RSEOJK-tentang-Bentuk-dan-Susunan-Laporan-Periodik-Perusahaan-Asuransi.aspx OJK Circular Letter 2:http://www.ojk.go.id/id/regulasi/otoritas-jasa-keuangan/rancangan-regulasi/Pages/Permintaan-Tanggapan-Masyarakat-atas-Rancangan-Surat-Edaran-OJK-tentang-Bentuk-dan-Susunan-Laporan-Periodik-Perusahaan.aspx
Technical Reserve Guidance	OJK issued a draft circular letter as guidance for insurance and reinsurance companies to maintain and calculate technical reserves. There are 5 types of reserves under this draft circular letter, namely: • **premium reserve**: for non-renewable and renewable products with a term of more than one year; • **unearned premium reserve and unexpired risk reserve**: to be calculated for earnings for products with terms of a maximum of one year, or more than one year with renewable insurance policies, e.g. annual health insurance; • **reserve for insurance products linked to investment**: an	This Circular is to be effective for financial statements ending December 2017.	http://www.ojk.go.id/id/regulasi/otoritas-jasa-keuangan/rancangan-regulasi/Pages/Permintaan-Tanggapan-Masyarakat-atas-Rancangan-SEOJK-tentang-Pedoman-Pembentukan-Cadangan-Teknis-bagi-Perusahaan-Asuransi-d.aspx

Subject	Update	Key Date	Link
	accumulated reserve fund on products linked to investment; • **claims reserve**: calculated by adding (i) claim estimates for claims under settlement, (ii) claim estimates for claims incurred but not reported, and (iii) claim reserves on approved benefit and payment installments; and • **reserve for catastrophe risks**: calculated by reference to catastrophe risks affecting the relevant policies.		

Changes in insurance regulation: Vietnam

January – March 2017

No material updates for this quarter.

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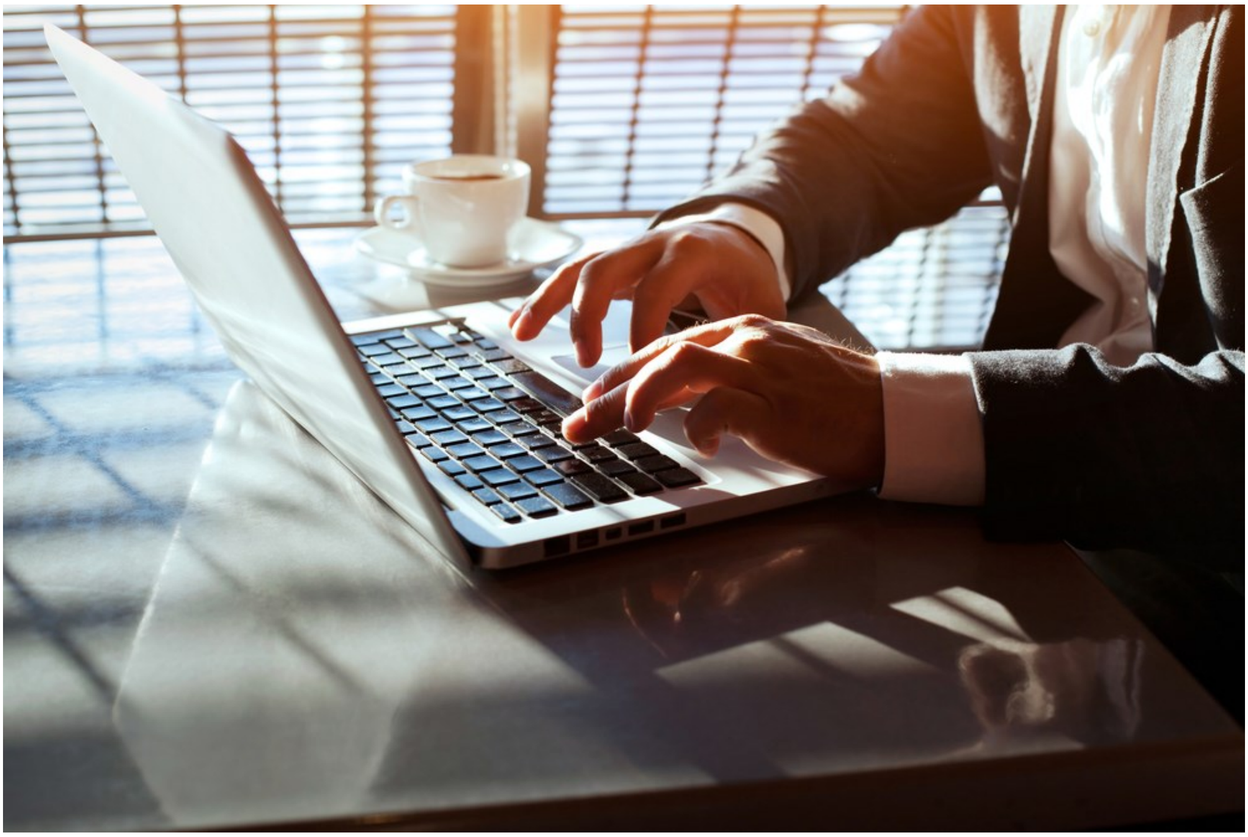

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