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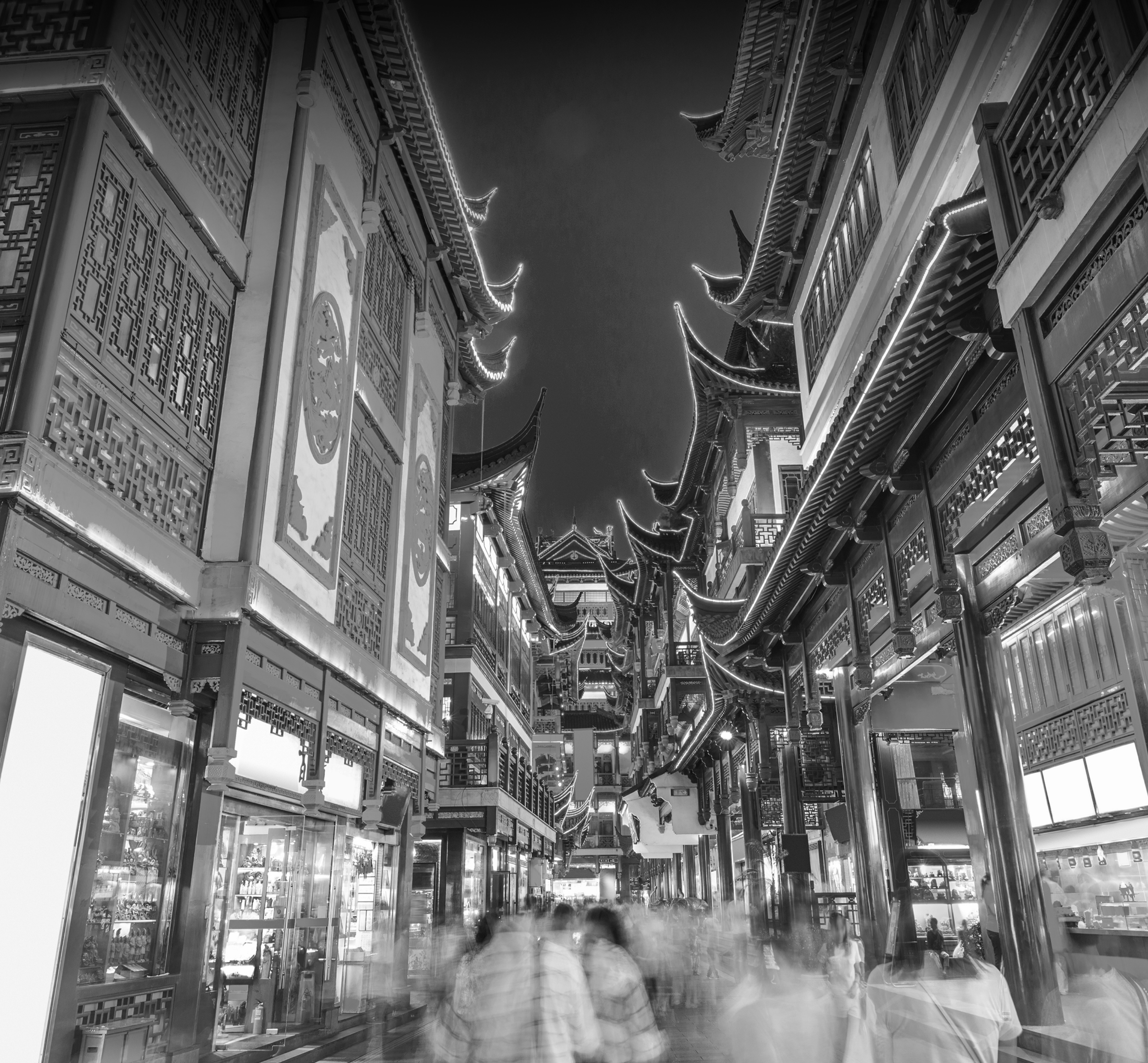
2019: Insurance regulation in Asia Pacific

Ten things to know about 20 countries



2019: Insurance regulation in Asia Pacific

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A Norton Rose Fulbright guide
as at January 1, 2019

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Macau

Contributed by: MdME

01 | The regulator

Macau is officially known as the Special Administrative Region of the People's Republic of China (Macau SAR). The Macau SAR insurance regulator is the Monetary Authority of Macau, known by its Portuguese acronym "AMCM", which operates under the authority of Macau SAR's Chief Executive. The Insurance Supervision Department is AMCM's dedicated insurance unit.

Insurers and Reinsurers that intend to provide services in Macau on a regular basis must be previously licensed to do so and will be either life or non-life. Composite licences are not granted.

A company carrying on business as an insurance broker or insurance agent must be approved by AMCM and at least one individual must be appropriately qualified.

02 | Subsidiary/branch

Both Macau incorporated entities (including subsidiaries of foreign insurers) and branches of foreign insurers are permitted.

A foreign insurer must be licensed and have been in operation for more than five years in its country or territory of origin, must have sound business and financial ability and have no record of material violation of laws and regulations in order to be permitted to establish a branch.

A foreign insurer will only be permitted to carry on in Macau, through its authorised branch, the class of insurance for which it is licensed and which it effectively operates in its jurisdiction.

03 | FDI restrictions

Nil.

04 | Control approvals

Prior approval from AMCM is required to directly or indirectly acquire more than 10 per cent of the share capital or of the voting rights in a Macau incorporated insurance company. Any subsequent and cumulative increase of more than 5 per cent must similarly be approved by AMCM. Voting rights held by nominees and related parties are aggregated for the purpose of assessing whether the limits have been reached.

05 | Minimum capital

Minimum paid-up capital requirement

Insurance companies (life)	MOP30 million
Insurance companies (non-life)	MOP15 million
Reinsurance companies (life)	MOP150 million
Reinsurance companies (non-life)	MOP100 million
50 per cent to be paid in at the time of application, the remaining to be paid in within 180 days from the date of incorporation of the company	
Insurance broker companies	MOP25,000
Insurance agent companies	MOP25,000
MOP 8.06 = US$1.00 as at January 1, 2019	

In order to be permitted to establish a branch, a foreign insurer/reinsurer must have a paid up capital at least equal to the minimum capital requirement of a Macau incorporated insurance/reinsurance company and allocate to the branch funds in the amount of MOP7.5 million (life) and MOP5million (non-life).

06 | Risk based capital

Non-life insurance companies must maintain a solvency ratio determined in accordance with the total amount of gross written premiums of the previous year, as follows –

Gross written premiums	Solvency ratio
< MOP10 million	MOP5 million
= or > MOP10 million and < MOP20 million	50 per cent of the gross premium amount
= or > MOP20 million	MOP10 million plus 25 of the amount in excess of MOP20 million of gross premiums

Life insurance companies must maintain a solvency ratio determined by a set of formulas that take into account the mathematical reserves of the main technical provisions and the risk based capital.

An insurance company solvency ratio must be composed by tangible unencumbered assets. AMCM publishes a yearly list of assets which are excluded from incorporating the solvency ratio of authorised insurers.

Currently the control measures for failure to maintain the requisite solvency ratios are determined by AMCM as follows –

Solvency Ratio	Regulatory control measures
More than 150%	Life insurance companies must proceed with periodic stress-tests related to their solvency capacity, to identify potential risks and respective consequences.
Between 100% and 150%	Life insurance companies are required to submit a financial recovery plan to AMCM and report the performance periodically.
Between 70% and 100%	AMCM will take necessary supervisory measures to guarantee the rights of the policy holders.
Less than 70%	AMCM will take necessary measures to interfere the operation of the life insurance companies.

07 | Group supervision

No.

08 | Policyholder protection

Two public funds have been set up to protect policyholders' rights: the Automobile and Recreational Boats Guarantee Fund (FGAM) and the Employment Credits Guarantee Fund (FGCL).

FGAM is a public organisation, financed by insurance companies, established to safeguard the interests of insured parties and beneficiaries of the mandatory motor vehicle and recreational boats insurances. FGAM may advance claims payments to beneficiaries in case an insurance company is declared bankrupted or in case the responsible party does not hold a valid policy at the time damage is caused.

FGCL is a public organisation mainly financed by the Macau Social Security Fund. FGCL guarantees employee's credits arising from employment related accidents in the event an employer has not purchased the relevant mandatory insurance. FGCL also guarantees several other credits arising from an employment relationship.

AMCM has also established the Arbitration Center for Insurance and Private Pension Funds Disputes, with the purpose of setting up an alternative dispute resolution forum for insurance related matters. The resolution of disputes under the Center is voluntary and free of charge.

09 | Portfolio transfers

Yes. An insurance company and/or a branch of a foreign insurer may apply to AMCM for approval to transfer all or part of its insurance business to another Macau insurer or Macau branch of a foreign insurer. In practice, prior notice is often given to policyholders to give them the opportunity to object. The transfer of life insurance policies will not be authorised if 20 per cent or more of the policyholders object to such transfer.

10 | Outsourcing

The outsourcing of business operations by an insurer is currently not expressly regulated. The existing regulatory practice is that AMCM reviews outsourcing requests on a case-by-case basis. The insurer is required to provide details of the types of activities to be outsourced, the party to whom the activities are to be outsourced, the control measures in place and the contingency plans and monitoring procedures to be set out.

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