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INSURANCE REGULATORY LANDSCAPE AND KEY CONSIDERATIONS FOR M&A TRANSACTIONS

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1 Who is the main regulator with oversight of insurance companies?

CHINA	China Banking and Insurance Regulatory Commission (CBIRC)
HONG KONG	Insurance Authority (IA)
INDONESIA	Financial Services Authority or *Otoritas Jasa Keuangan* (OJK)
JAPAN	Financial Services Agency (FSA)
MALAYSIA	Bank Negara Malaysia (BNM)
PHILIPPINES	Insurance Commission (IC)
SINGAPORE	Monetary Authority of Singapore (MAS)
TAIWAN	Insurance Bureau of the Financial Supervisory Commission (IB)
THAILAND	Office of Insurance Commission (OIC)
VIETNAM	Insurance Supervisory Authority under the Ministry of Finance (MOF)

2 Are there foreign ownership limitations for insurance companies? Are there shareholding caps on individuals and/or corporate bodies for insurance companies? If in the affirmative, is this encapsulated within statute or a matter of policy?

CHINA	There is a maximum foreign ownership of 51% for life insurers (by law), and the restriction on foreign stakes will be canceled in 2021. There is no cap on foreign equity for general insurers. The law does not provide for individual shareholders in foreign-invested insurance companies.
HONG KONG	No.
INDONESIA	There is a maximum foreign ownership of 80%, calculated directly and indirectly. The maximum foreign ownership does not apply to listed insurance companies. Law No. 40 of 2014 on Insurance ("Insurance Law"), which was enacted on 17 October 2014, provides that foreign individuals can only have shares in listed insurance companies.
JAPAN	No.
MALAYSIA	There is a maximum foreign ownership of 70%. A higher foreign equity limit will be considered by BNM on a case-by-case basis. Individuals are subject to a shareholding cap of 10%. However, where such person had previously been approved by the Minister of Finance to hold such interest, then the relevant individuals have a five-year grace period from 30 June 2013 to comply with the cap. The maximum foreign shareholding cap is a policy observed by BNM. The individual shareholding cap is encapsulated within the Financial Services Act (FSA) for conventional insurers, and the Islamic Financial Services Act (IFSA) for *takaful* operators.
PHILIPPINES	No.
SINGAPORE	There are no foreign ownership limitations or shareholding caps for insurance companies.
TAIWAN	No. However, according to the Insurance Law of Taiwan, any shareholder that wishes to acquire more than 10%, 25% or 50% share in an insurance company must meet various qualifications and be specifically approved by the IB.

2 Are there foreign ownership limitations for insurance companies? Are there shareholding caps on individuals and/or corporate bodies for insurance companies? If in the affirmative, is this encapsulated within statute or a matter of policy?

THAILAND	There is a maximum foreign ownership of 25%. However, the OIC is empowered to permit foreign investor to hold up to 49%. With the approval of the Minister of Finance, a foreigner can own more than 49% if: · It would improve the insurance company's standing or operation, which exists in such a state that may cause damage to the insured or the public. · It would enhance the stability of the insurance company. · It would enhance the stability of the insurance industry as a whole in Thailand.
VIETNAM	No. However, a joint stock insurance company must have at least two corporate shareholders that together hold 20% of total shares of the insurance company, and those shareholders must satisfy the same financial requirements as those applying to corporate investors in an insurance joint venture or limited liability company (LLC).

3 Can an insurance company carry on a composite business (i.e., life and non-life)? Is this encapsulated in statute or a matter of policy?

CHINA	No (the law does not provide for composite licenses).
HONG KONG	No (a matter of policy).
INDONESIA	No (a matter of law). Further, the operation of *takaful* insurance activities must be undertaken by a separate entity/business unit (i.e., separate from the conventional insurance business). The Insurance Law provides a 10-year transitional period for conventional insurance companies to divest or spin off their existing *syariah* units (or otherwise once *syariah* funds exceed more than 50% of all insurance funds held). All insurance companies that have *syariah* business must submit in 2020 their respective action plans to comply with the 10-year transitional period — the spin off must be completed by October 2024.
JAPAN	No (a matter of law). The Insurance Business Act of Japan (IBA), however, allows either type of insurance company to operate other insurance business through a subsidiary, i.e., a life insurance company can have a non-life insurance company as its subsidiary and vice versa.
MALAYSIA	No (a matter of law).
PHILIPPINES	Yes (a matter of law), if the insurer has been specifically authorized to do so by the Insurance Commission.
SINGAPORE	Yes (based on precedents).
TAIWAN	No (a matter of law). However, this restriction does not apply where a non-life insurance company is approved by the IB to engage in personal injury insurance or health insurance.
THAILAND	No (a matter of law).
VIETNAM	No (a matter of law).

Are there other conditions imposed by the regulator in doing an M&A transaction?

CHINA	The CBIRC requires the applicant to have the following: ▪ More than 30 years of established experience in the insurance industry ▪ A representative office in China for two years ▪ Total assets of USD 5 billion
HONG KONG	Conditions are on a case-by-case basis. For example, the IA may: ▪ Require the parent to give an undertaking on continuous financial support ▪ Require the insurance company to comply with the guidelines issued by the IA ▪ Require the insurance company to maintain a solvency margin as may be requested by the IA
INDONESIA	**Foreign investors' criteria** Foreign insurers must meet certain conditions, including: ▪ Be either an insurance/reinsurance company that engages in the same line of insurance/reinsurance business as the target company, or a holding company with at least one subsidiary engaging in the same line of insurance/reinsurance business as the target company ▪ Have a minimum of A rating or equivalent from an internationally recognized rating institution ▪ Have equity of a minimum of five times its capital participation in the local insurance company ▪ Must have had audited financial statements for the last two full years reflecting financial soundness ▪ Submit, among other items, a cooperation agreement between the Indonesian party and the foreign party in Indonesia A foreign shareholder (a), which holds shares in a listed insurance company, or (b), which holds shares in an Indonesian listed company that holds shares in a non-listed insurance company is not subject to the above requirements, provided that in scenario (a), the foreign shareholder is not the listed insurance company's controlling shareholder. **Controlling shareholder's fit and proper test** Shareholders that own 25% or more, or own less than 25% but control, (e.g., control being asserted through a strong shareholders' agreement) the insurance company ("Controlling Shareholder") must pass a controlling shareholder's fit and proper test by the OJK.

	Controller The Insurance Law defines a controller as a party that directly or indirectly has the ability to determine the management of an insurance company and/or to influence the action of the management of an insurance company. An insurance/reinsurance company is required to identify at least one controller. The OJK can designate another controller based on its own assessment. **Time period to complete a transaction** Once approval is given by the OJK, the transaction must be completed generally within 60 days (as approvals require).
JAPAN	There are no conditions imposed by the FSA that are peculiar to a foreign investor in connection with M&A of insurance companies. As a matter of general conditions (not peculiar to a foreign investor) for the approval for investment into an insurance company, the FSA requires the applicant to fulfill the following conditions: Approval for an "insurance major shareholder" · No risk of impairing sound and appropriate management of the insurance company in light of the funds for the acquisition, the purpose of the investment and the status of assets and income, and expenditure · Have sufficient understanding of the public nature of the insurance business · Have sufficient social credibility Approval for an "insurance holding company" · Have good prospects for income and expenditure · Have sufficient knowledge and experience to carry out the business management of the insurance company · Have sufficient social credibility
MALAYSIA	Approval must be obtained to commence negotiations and separately to execute the definitive agreement. In connection with the approval to commence negotiations, BNM generally imposes a time frame to conclude the negotiations. It may also require a local joint venture partner to be identified and the submission of a business plan by the incoming shareholder. The MOF or BNM (as the case may be) may impose further conditions when granting its approval to execute the definitive agreement. These conditions may include the provision of an undertaking in favor of the MOF by the incoming shareholder and/or other operational conditions.

PHILIPPINES	The acquisition of control of a domestic insurer requires the prior approval of the Insurance Commissioner. Moreover, the Insurance Commissioner may refuse to issue a Certificate of Authority to any insurance company if, in its judgment, such refusal will best promote the public interest. No Certificate of Authority is granted to any such company until the Insurance Commissioner has satisfied itself that the company is qualified by law to transact business, that the grant of such authority appears to be justified in light of economic requirements, and that the direction and administration, as well as integrity and responsibility of the organizers and administrators, the financial organization and the amount of capital reasonably assure the safety of the interests of the policyholders and the public.
SINGAPORE	From a regulatory perspective, MAS approval is required if the M&A transaction results in a person obtaining effective control or substantial shareholding of a licensed insurer incorporated in Singapore, if there is a change in the key executive person, chairman or director of a licensed insurer, or reduction in paid-up capital. ▪ **Control of take-overs of licensed insurers incorporated in Singapore**: No person shall obtain effective control of a licensed insurer incorporated in Singapore without the prior written approval of the MAS. "Effective control" is defined to include holding 20% or more of the total issued shares in the insurer, or being in a position to control 20% or more of the voting power in the insurer. ▪ **Control of substantial shareholdings of licensed insurers licensed in Singapore**: No person shall become a substantial shareholder of a licensed insurer incorporated in Singapore without the prior written approval of MAS. "Substantial shareholding" is defined as interest in one or more voting shares in the company, provided that the total votes attached to the share(s) is not less than 5% of the total votes attached to all the voting shares in the company (Section 81 Companies Act). ▪ **Change in key executive person, chairman or director of licensed insurer**: If the M&A transaction will result in a change or appointment of a new key executive person, chairman, or director of a licensed insurer, MAS approval is required. ▪ **Reduction in paid-up capital**: In the unlikely event that the M&A transaction results in a reduction in paid-up capital, a locally incorporated insurer will need to seek the approval of the MAS. The insurer should ensure that the M&A transaction will not breach any existing license conditions imposed by the MAS. There may also be broader considerations such as competition law and regulatory approvals that may be relevant depending on the facts.

Are there other conditions imposed by the regulator in doing an M&A transaction?

TAIWAN	If any investor, along or acting in concert with others, plans to acquire more than 50% of the total issued shares of an insurance company, the IB will require the investor(s) to, among other things: · Issue a letter of long-term commitment for at least 10 years, which shall include at least the following: (i) an undertaking for long-term operation (i.e., holding the shares of the target insurance company for 10 years or more); (ii) the motives and purposes of acquiring the target insurance company shares; (iii) legally binding documents to show how to ensure the suitability and structural stability of shareholders; and (iv) if the investor has affiliates involved in the acquisition, the investment structure of the investor and its affiliates; and · Provide a description of how the investor has sufficient financial capability to meet the capital injection needs of the target insurance company in the next 10 years: based on our experience, the IB may request the investor to deposit a certain amount of fund or assets with an escrow agent to show the investor's commitment for capital injection into the target insurance company for the next 10 years.
THAILAND	No.
VIETNAM	A foreign investor of a 100% foreign-invested insurance company or an insurance joint venture company must meet a number of requirements: · Have permission from a competent authority in its home country to carry out an insurance business · Have at least seven years of experience of operation in the relevant areas of insurance to be conducted in Vietnam · Have a minimum total value of assets equivalent to USD 2 billion in the year immediately preceding the year the application for issuance of a license is submitted · Must not have committed any serious violation of regulations on insurance business activities of the country where its headquarters is located within three consecutive years immediately preceding the year the application for issuance of a license is submitted

5 Is dispensation given for fulfillment of these conditions and in what circumstances?

CHINA	Generally no.
HONG KONG	Generally no.
INDONESIA	Generally no, except for the A rating requirement where the OJK is willing to give a dispensation on a case-by-case basis. However, it is usually only in the case of a holding company that does not of itself have a rating, but other members of the foreign insurer group have an A rating or an equivalent from an internationally recognized rating institution (this is policy). The OJK is firm about each of the other requirements for the foreign shareholder, even if this will be disruptive to a regional organization, as two full years of accounts may not be available for the holding company.
JAPAN	Generally no.
MALAYSIA	On a case-by-case basis, applications can be submitted to BNM to seek a waiver from having to comply with the conditions. Cogent reasons have to be provided. By way of example, BNM may grant an extension of time to parties to negotiate the definitive agreement if it is supported by examples of the efforts made to drive the progress of the discussions. If an undertaking is issued in favor of the MOF, it can only be withdrawn or amended with the consent of MOF.
PHILIPPINES	Generally no.
SINGAPORE	No, MAS approval is required if the M&A transaction results in a person obtaining effective control or substantial shareholding of a licensed insurer incorporated in Singapore, if there is a change in key executive person, chairman or director of a licensed insurer, or reduction in paid-up capital.
TAIWAN	Generally no.
THAILAND	Not applicable.
VIETNAM	Generally, no or on a case-by-case basis.

Is there a single presence policy and is it imposed under statute or policy? Is dispensation given and what criteria will the regulator consider?

CHINA	Yes. Generally there is such a policy for both life and non-life businesses.
HONG KONG	No, although the regulator encourages consolidation of life businesses (and non-life businesses).
INDONESIA	Yes. The Insurance Law prohibits a party from being a controlling shareholder in more than one life insurance company; more than one general insurance company; more than one reinsurance company; more than one *syariah* life insurance company; more than one *syariah* general insurance company; and more than one *syariah* reinsurance company. The OJK may give a dispensation on a case-by-case basis on the basis in an acquisition scenario that there is a strong justification why a dispensation could be given (e.g., there is a robust compliance action plan to move to a single presence) and whether the transaction assists consolidation in the insurance sector.
JAPAN	No.
MALAYSIA	There is no express provision within the FSA in respect of the single presence policy. However, BNM continues to enforce a single presence policy as a matter of practice.
PHILIPPINES	Yes, under Philippine insurance law and regulation, a foreign insurance company may only invest in or establish a single insurance company, through one of the following modes of entry: · Ownership of the voting stock of an existing domestic insurance company · Investment in a new insurance company incorporated in the Philippines · Establishment of the branch
SINGAPORE	No, there is no express statutory requirement in relation to a single presence policy. However, the Insurance Act provides that MAS approval is required for a person to become a "substantial shareholder" or to obtain "effective control" of a licensed insurer incorporated in Singapore (see definitions in response to question 4). One of the conditions for approval is the "likely influence of the person in relation to whether the insurer will continue to conduct its business prudently." Therefore, MAS may take into consideration the person's existing substantial shareholding or effective control of a licensed insurer in determining whether to give approval for obtaining effective control or substantial shareholding in another licensed insurer.

6 Is there a single presence policy and is it imposed under statute or policy? Is dispensation given and what criteria will the regulator consider?

TAIWAN	Yes, under policy. A dispensation is given on a case-by-case basis. Taiwan regulators normally grant a dispensation of between six and 12 months.
THAILAND	No. The OIC's current position is to encourage mergers and acquisitions among insurance companies. Under the Insurance Acts, the MOF may grant permission to an insurance company allowing foreigner(s) to hold more than 49% (up to 100%) of the total voting shares sold in the company if: · It would improve the insurance company's standing or operations, which exist in such a state that may cause damage to the insured or the public. · It would enhance the stability of the insurance company. · It would enhance the stability of the insurance industry as a whole in Thailand. According to the MOF's notification, foreigner(s) who had received approval from the MOF under conditions b and c to hold more than 49% of the total voting shares sold or entities under the same group of such foreigner(s) will not be permitted to operate an insurance business in Thailand, either through a branch of a foreign insurer or by holding shares in other licensed insurance companies in Thailand, unless it is an investment in a mutual fund or other forms of business similar to a mutual fund; provided that such investment is not for the purpose of circumventing the single presence rule.
VIETNAM	No.

7 What approvals are required for a foreign entity to take a stake in an insurer? Is there a distinction between a share deal and an asset deal?

CHINA	CBIRC approval is required for a share deal or an asset deal. There is otherwise no distinction from a regulatory perspective between a share deal and an asset deal.
HONG KONG	**Share deal** IA approval is required for the acquisition of 15% or more of a Hong Kong insurance company. In other cases, there is only a notification requirement. However, in practice, a submission to the IA for pre-vetting is highly recommended to ensure that the IA is satisfied with the new shareholder. **Asset deal** IA approval is required. For a life business, there is an additional requirement of court approval. Court approval is not required for the transfer of a non-life business.
INDONESIA	**Share deal** The approval of the OJK is required for a share deal, even if there is only one share transferred, and controlling shareholders must pass a fit and proper test as the insurance company's new controlling shareholder. This includes any acquisition involving a controlling stake in a listed insurance company. Approval for the share acquisition itself is not required if a non-controlling stake is taken in a listed insurance company. The process under the Company Law for a change in control of a company, including public announcements, waiting periods and settlement of creditor claims, and announcement to employees, would also apply. In addition, note that under the Labor Law, employees can demand to be terminated and paid out if there is "change in ownership." **Asset deal** The transfer of an insurance portfolio requires prior approval from OJK and announcements to the company's policyholders need to be made. The transferee/purchaser of an insurance business must, prior to completion of the acquisition, be duly licensed as an insurer and must have the same line of business as the transferor (life to life, or general to general). As it currently stands, the OJK is only issuing new licenses on a selective basis. In any event, the OJK will not issue an insurance license to an entity that is not incorporated in Indonesia.

7 What approvals are required for a foreign entity to take a stake in an insurer? Is there a distinction between a share deal and an asset deal?

JAPAN	**Share deal** If the foreign investor is to constitute an "insurance major shareholder" for the purpose of the IBA, it must obtain the FSA's approval prior to investing in a Japanese insurance company. Ownership of 20% (or 15% in certain circumstances) voting shareholding in an insurance company is the trigger threshold for an insurance major shareholder. If the foreign investor is to acquire the majority shares in the insurance company, and if the value of the acquired shares in the insurance company, together with any other Japanese subsidiaries, exceeds 50% of the total assets of the foreign investor, it must obtain FSA approval to become an "insurance holding company" for the purpose of the IBA prior to the change of control. **Asset deal** If the foreign investor is to acquire the business from an insurance company, it must obtain FSA approval in order to effect the acquisition of the business.
MALAYSIA	**Share deal** BNM approval is required if the foreign entity is acquiring 5% or more shareholding. Thereafter, approval must be sought if further acquisitions would result in the foreign entity holding more than any multiple of 5%, or if the acquisition would result in the foreign entity, triggering a mandatory general offer. MOF approval is required if the foreign entity is intending to acquire control of an insurer. **Asset deal** Generally, only a Malaysian company can acquire an insurance business. Approval will have to be sought from BNM (and BNM will in turn liaise with MOF for approval). The transfer scheme is also subject to the confirmation of the High Court.
PHILIPPINES	Prior written approval of the Insurance Commissioner is required for a share deal or an asset deal resulting in the acquisition of control of a domestic insurer. In a share deal, approval is required in order to acquire 40% or more of the voting stock of a domestic insurer.
SINGAPORE	**Share deal** MAS approval is required for a share deal if it will result in the acquirer having a substantial shareholding (i.e., an interest in 5% or more of voting shares) or obtaining effective control (i.e., holding 20% or more of the total issued shares, or being in a position to control 20% or more of the voting power) of a licensed insurer incorporated in Singapore.

	Asset deal For an asset deal involving a transfer of the whole or part of an insurance business, MAS approval must be obtained and the transfer must be effected by way of a court-approved scheme. Both requirements do not apply to the transfer of the whole or part of any insurance business of a company established or incorporated outside Singapore, except insofar as it relates to Singapore policies and offshore policies. The requirement that the transfer must be effected by a court-approved scheme also does not apply to the transfer of any insurance business of a licensed insurer where it relates to the reinsurance business or a captive insurer.
TAIWAN	**Share deal** IB approval is required when an investor will acquire more than 10% shares in the target insurance company. The approval of the Investment Commission is required if: (i) the investor is a foreigner and the target insurance company is not a listed company; or (ii) if the target insurance company is a listed company and a foreign investor will acquire more 10% or more shares in this insurance company. **Asset deal** IB approval is required. The Investment Commission is required in case: (i) the asset deal will change the investment plan previously submitted by a foreign investor to the Investment Commission; or (ii) any foreign investor will inject capital to a local entity for completing the transaction.
THAILAND	**Share deal** If a foreigner's stake is not more than 25% of the insurance company, no approval is required. If the foreigner's shareholding is more than 25% or 49%, prior approval from the OIC or MOF is required (as the case may be). If the foreigner's shareholding is more than 49%, the foreigner will be subject to the single presence policy. **Asset deal** A transfer of business, either in whole or in part, must be approved by the OIC. The board of directors of the acquiring company and the transferring company must jointly prepare and submit the project plan to the OIC. When granting approval, the OIC may prescribe any conditions to protect the insured's interest and to ensure the stability of the company.
VIETNAM	**Share deal** The MOF's approval is required for a stake of 10% or more of a Vietnamese insurance company. **Asset deal** Asset deals are not common in Vietnam. MOF approval is required for the transfer.

8 How long will regulatory approvals typically take for a share deal versus an asset deal?

CHINA	Regulatory approvals vary on a case-by-case basis. These can take a few months to more than a year.
HONG KONG	**Share deal** These take around six to eight months or one year if the buyer is not already a controller of an authorized insurer in Hong Kong, from signing to IA's approval (assuming no complicated issues arise). **Asset deal** For a life business, approval could take nine to 10 months or more. For a non-life business, it could take up to six to eight months. This is based on the assumption that the buyer is already an authorized insurer in Hong Kong.
INDONESIA	Much will depend on circumstances and how the OJK is approached. In many transactions, the OJK is briefed prior to an application being submitted and the transaction is outlined. OJK's approval (whether for a share transfer or a transfer of an insurance portfolio) can take up around eight to 12 weeks (including the fit and proper test, which can be processed in parallel), depending on circumstances (longer if the target company is under OJK monitoring or if the foreign acquirer is not known to the OJK). No distinction is made between share and assets deals, but generally an asset deal takes longer as the OJK is concerned about how policy holders are dealt with and the OJK conducts an audit before it declares that an asset deal is complete to ensure that there are no outstanding liabilities/claims (particularly long-tail liabilities) left with the transferor.
JAPAN	**Share deal** This varies on a case-by-case basis. Under the IBA, the FSA should issue an approval for a share transfer, which results in the foreign investor being an "insurance major shareholder," within 30 days. **Asset deal** This varies on a case-by-case basis. The IBA and the enforcement ordinance do not stipulate any standard review period. Practically it could take several months from submission to the FSA to obtain approval.
MALAYSIA	**Share deal** Generally, a share deal takes between four and eight weeks for approval to negotiate, and between six to eight weeks for final approval. **Asset deal** Asset deals are typically more protracted (i.e., six to nine months), given the need to obtain regulatory and court approval. The court process takes between two and three months.

8 How long will regulatory approvals typically take for a share deal versus an asset deal?

PHILIPPINES	Regulatory approvals range from one to six months, depending on the availability of supporting documents. No distinction is made between share and asset deals.
SINGAPORE	**Share deal** In a share deal resulting in the acquirer having a substantial shareholding or obtaining effective control of a licensed insurer incorporated in Singapore, obtaining regulatory approval will take approximately three to four months. **Asset deal** In an asset deal resulting in a transfer of the whole or part of an insurance business, obtaining both MAS and court approvals will take approximately nine to 12 months.
TAIWAN	This will take two to six months (the estimated time frame does not differ between a share deal and an asset deal).
THAILAND	**Share deal** The approval to increase foreign shareholding limit up to 49% takes approximately three months, whereas the approval to increase foreign shareholding limit to 100% takes approximately six months. **Asset deal** Approval takes approximately three months.
VIETNAM	**Share deal** By law, the timelines combined are around three months, but in reality, from three to six months, depending on the size of the stake and negotiation of involved parties. For the establishment of a new insurance company, by law, the combined timelines are around three months, but in reality the entire process may take six to 12 months or more, depending on whether there are multiple investors/shareholders and the negotiation of involved parties. **Asset deal** For an asset deal, the transfer of insurance policies from the seller to the purchaser will be required. By law, the combined timelines are around four months for the transfer of insurance policies. In reality, the entire process may take longer, depending on the actual situation and the asset involved.

9 How open is the regulator to private equity participation in an insurer?

CHINA	There is no statutory prohibition. Foreign investors need to possess relevant insurance experience.
HONG KONG	There is no statutory prohibition, but private equity investors will be subject to more extensive review and additional conditions may be imposed.
INDONESIA	There is no statutory prohibition but generally, private equity players will not meet the foreign shareholder criteria set out above (unless they have made other insurance investments and use one of those entities).
JAPAN	There is no statutory restriction but it may attract additional scrutiny. Although the IBA does not stipulate any special rules for review of private equity participation, the FSA's supervisory guidelines for banks mention certain points they will carefully review on an acquisition of shares in a bank by a private equity fund, such as the impact on the soundness and sustainability of the bank's business operations. The FSA may take a similar approach to private equity participation in an insurance company.
MALAYSIA	There is no statutory restriction. As a matter of policy, BNM would generally favor a strategic investor over a private equity investor since strategic investors generally focus on long-term investments as opposed to private equity investors, who are perceived to have short investment horizons.
PHILIPPINES	Generally, it is open to private equity participation, given the government's thrust to attract foreign direct investment, and because of its policy not to impose limits on foreign equity ownership in a domestic insurance company.
SINGAPORE	There is no statutory prohibition. Empirically, we note that most insurance companies in Singapore are wholly owned subsidiaries of foreign parent companies or are branches of foreign head offices. However, there are also insurers that are held by multiple private investors. It is likely that private equity investors will be subject to more extensive review in the regulatory approval process of becoming a substantial shareholder of an insurer.
TAIWAN	There is no statutory restriction. The IB would generally favor a strategic investor over a private equity investor because the former may provide more resources and capital to the local insurance companies. In 2010, the IB (via the Investment Commission) rejected an application filed by a private equity investor.
THAILAND	There is no statutory prohibition. The OIC does not favor private equity participation unless it has a solid record of investing in the insurance markets.
VIETNAM	There is no clear statutory restriction. However, the MOF would generally favor a strategic investor over a private equity investor. Generally, private equity players will not meet the foreign shareholder criteria.

10 Is there a financial holding company concept (FHC) or other equivalent status? What are the implications?

CHINA	There is no FHC concept for insurance companies. A foreign insurer must satisfy the entry requirements before it can set up a JV or a wholly owned subsidiary in China. Such requirements include capital, insurance experience and having a representative office for two years in China.
HONG KONG	There is no FHC concept for insurance companies. The holding company must satisfy the "controller" requirements – being fit and proper, and being able to provide continuous financial support to the insurance company. Preferably, it should have insurance experience, and if not, it has to justify why the lack of experience would not affect the insurance company. If the holding company is simply an interposing holding company, the regulator will look at the ultimate parent.
INDONESIA	There is currently no FHC concept for insurance companies. The OJK has issued a draft regulation on FHC where it would formalize the concept of FHCs. Most of the draft provisions appear to follow an OJK regulation on Financial Conglomeration Good Corporate Governance Regulation, which regulates a financial services group and introduces the definition of Main Entity (being the parent financial services institution of a financial conglomerate or a financial services institution assigned as a main entity by the controlling shareholder of the financial conglomerate), which will be subject to OJK monitoring and a fit and proper test). It remains to be seen how the final regulation would regulate FHCs and its impact on any FHC's insurance subsidiary.
JAPAN	Yes, there is an "insurance holding company" concept under the IBA. A company that intends to become an insurance holding company must obtain approval from the FSA. Also, an insurance holding company is subject to various regulations under the IBA as well as supervision by and reporting to the FSA. Regulations applicable to an insurance holding company include, among others, limitation of scope of business (generally management of its subsidiaries) and submission of business report and other materials regarding status of the business and assets to FSA.
MALAYSIA	Yes, there is a concept of FHC. The following companies will have to apply for a FHC status or approval: · A company currently holding more than 50% of the interest in shares in an insurer · A company proposing to acquire more than 50% interest in shares in an insurer Prudential requirements (e.g., restriction on the payment of dividends, the business that is carried out) set out in the FSA or the IFSA (as the case may be) apply to the FHC and its subsidiaries.

10 Is there a financial holding company concept (FHC) or other equivalent status? What are the implications?

PHILIPPINES	Yes, there is a "holding company system" concept under the Amended Insurance Code. An insurer controlled directly or indirectly by a holding company is subject to registration, reporting, and other requirements imposed by the Insurance Commission. "Control" means power to direct, or cause the direction of the management and policies of the domestic insurer, and is presumed to exist when one person/entity owns, controls or holds, directly or indirectly, 40% or more of the voting shares of the domestic insurer. The Insurance Commissioner will consider the following: · The financial condition of the acquiring person and the insurer · The trustworthiness of the acquiring person or any of its officers or directors · A plan for the proper and effective conduct of the insurer's operations · The source of the funds or assets for the acquisition · The fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received · Whether the acquisition will substantially lessen competition in any line of commerce in insurance or tend to create a monopoly therein · Whether the acquisition is likely to be hazardous or prejudicial to the insurer's policyholders or stockholders
SINGAPORE	FHCs are regulated under the Financial Holding Companies Act (FHCA), which has been gazetted but has not come into force yet. The FHCA, when in force, will empower MAS to regulate FHCs of financial groups. If the FHC is the ultimate parent of a financial group with a bank and/or insurance subsidiary in Singapore, MAS will be the home supervisor of the FHC and its financial group. If the FHC is an intermediate holding company, MAS will evaluate the significance of its bank and/or insurance subsidiary in Singapore to the Singapore financial system, or to the intermediate FHC group. Designated FHCs will have to comply with the FHCA requirements, including but not limited to, obtaining MAS approval for shareholders with substantial or controlling interests in the FHCs, complying with corporate governance regulations on the roles and responsibilities of directors, and appointing key persons such as the chief executive officer of the FHC.

10 Is there a financial holding company concept (FHC) or other equivalent status? What are the implications?

TAIWAN	Yes. The Financial Holding Company Act permits an FHC to concurrently own bank, securities and insurance subsidiaries (at least two of them). If the total assets of the target insurance company exceeds NTD 300 million (approximately USD 10 million), the acquirer must be an FHC established under the Financial Holding Company Law or recognized as a foreign financial holding company. More stringent requirements (such as related parties' transactions) set out in the Financial Holding Company Act apply to the FHC and its subsidiaries.
THAILAND	There is no FHC concept for insurance companies.
VIETNAM	There is no FHC concept for insurance companies.

11 What are the typical modes of distribution for insurance companies?

CHINA	Bancassurance, agency force and brokers
HONG KONG	Bancassurance, agency force, brokers, telemarketing, direct marketing and direct sales through the internet
INDONESIA	Agency force, bancassurance, brokers, non-bank distribution channels and telemarketing
JAPAN	Sales employees, agency force, direct sales through the Internet, bancassurance and brokers
MALAYSIA	Agency force, bancassurance and walk-in customers
PHILIPPINES	Agency force and brokers
SINGAPORE	Financial advisors, bancassurance, agency force, brokerage arrangements, and direct and indirect distribution through digital platforms.
TAIWAN	Agency force, brokers, telemarketing and bancassurance
THAILAND	Agency force, brokers, telemarketing and bancassurance
VIETNAM	Agencies, bancassurance (as a special form of agencies), brokers' direct sales and digital channels

12 Bancassurance: Is bancassurance a popular mode of distribution? What approvals are required? What are the main parameters in negotiating a bancassurance agreement?

CHINA	Yes, bancassurance is a popular mode of distribution. CBIRC approval is required. The salient terms are: · Exclusivity · Products · Remuneration · Risk allocation
HONG KONG	Yes, bancassurance is a popular mode of distribution. The bank should be registered as an insurance agency. The salient terms are: · Exclusivity · Products · Co-branding/white label products · Remuneration and risk allocation · Mining of the bank's customer data
INDONESIA	Yes, bancassurance is a popular mode of distribution. OJK insurance and OJK banking prior approvals are required before entering into a bancassurance arrangement. The salient terms are: · The scope of partnership (exclusive, strategic partnership, etc.) · Remuneration (upfront fees, commissions, marketing allowances, etc.) · Term and renewal · Products (including overlap products) · The bank's distribution channels' growth

	· Claw-back or penalty · Termination of partnership · Business plans and sales targets · Mining of the bank's customer data and use of common customer data
JAPAN	Yes, bancassurance is a popular mode of distribution. A bank serving as an insurance agent must be registered with the regional financial bureau. The salient terms are: · Remuneration · Products · Term and renewal · Risk allocation
MALAYSIA	Yes, bancassurance is a popular mode of distribution. No regulatory approval is required. However, insurers are required to notify BNM of the arrangement before the agreement comes into effect. The salient terms are: · Exclusivity · Term and renewal · Products to be distributed · Fees and timing for such payment · The mining of the bank's customer data
PHILIPPINES	Yes, bancassurance is a popular mode of distribution. Prior approval of the monetary board is required before banks may be used as outlets for the presentation and sale of insurance products. The insurance products to be cross-sold must have been previously approved by the Insurance Commissioner.

	Moreover, the bank and the insurer must belong to the same financial conglomerate (i.e., a group of interrelated entities promotingsignificant services in at least two of the following financial services: banking, securities, and insurance). The salient terms are: · Exclusivity · Term and renewal · Presentation and sale of products · Remuneration · Grievance mechanism · Consumer protection requirements · Limited role of bank employees · Risk allocation
SINGAPORE	Yes, bancassurance is a popular mode of distribution. There are no specific approvals from the MAS, although the bank may need to notify the MAS depending on the scope of the bancassurance arrangements (i.e., banking representatives will need to be appropriately licensed/approved). The salient terms are: · Exclusivity (and any exclusions to exclusivity) · Products · Co-branding/white label products · Remuneration and risk allocation · Mining of the bank's customer data · Termination provisions

TAIWAN	Yes, bancassurance is a popular mode of distribution. Banks conducting a bancassurance business must obtain an insurance agency or brokerage license from the IB or approval from the Banking Bureau. In addition, a person who sells must be a bank employee who holds an individual insurance solicitor license. The salient terms are: · Fees and commissions · Products · Term and renewal · Risk allocation
THAILAND	Yes, bancassurance is a popular mode of distribution. Banks conducting bancassurance business must obtain an insurance brokerage license from the OIC. In addition, the person who sells must be a bank officer who holds an individual insurance brokerage license. The salient terms are: · Fees and commissions · Products · Term and renewal · Risk allocation · Exclusivity
VIETNAM	Yes, bancassurance is a popular mode of distribution. The bank must obtain the approval from the State Bank of Vietnam for its insurance agency business. The bank's employees who directly conduct insurance agent activities must be trained and issued insurance agent certificates. The salient terms are: · Exclusivity · Term and termination of the agreement · Products to be distributed · Commissions and other payments · Confidentiality · Data privacy and data provision between the parties for the bank's customer data · The insurer's training for the bank's sales staff

13 What are the top challenges in closing an insurance M&A transaction (share deal versus asset deal)?

CHINA	**Share and asset deals** · Regulatory approval · Price · MAC clause **Asset deal** · Transfer of all other business undertakings · Transfer of employees
HONG KONG	**Share and asset deals** · Regulatory approval · Price · MAC clause **Asset deal** · Transfer of all other business undertakings · Transfer of employees
INDONESIA	**Share and asset deals** · Availability of quality target companies and valuation gap on pricing of deals · Quality of offered distribution channels (if the deal involves a strategic distribution partnership with the selling shareholder's group) · Approval from OJK · If the seller is a bank, regulatory approval · The 80% cap on foreign shareholding and identifying a local joint venture partner **Asset deal** · Approval from OJK · Transfer of insurance portfolios · Transfer of employees

13 What are the top challenges in closing an insurance M&A transaction (share deal versus asset deal)?

JAPAN	**Share and asset deals** · Approval from the FSA · Compliance review of the target company · Change of control clause in material agreements (e.g., reinsurance) **Asset deal** · Approval from the FSA · Transfer of all other business undertakings · Transfer of employees
MALAYSIA	**Share and asset deals** · The two-stage approval process, which gives rise to the issues of securing exclusivity and preserving the value of the target's business in the interim · The 70% cap on foreign shareholding and identifying a local joint venture partner (a foreign entity making its maiden entry into Malaysian insurance sector would not have any contacts with local investors) · Transfer of all other business undertakings · Transfer of employees
PHILIPPINES	**Share and asset deals** · Compliance with documentary and other submissions may be required by the Insurance Commission · Obtaining a tax clearance in order for the share or asset deal to be consummated · Valuation of the assets in an asset deal could be time-consuming and needs to be vetted by the Securities and Exchange Commission
SINGAPORE	**Share and asset deals** · Obtaining the requisite court and MAS approvals · Legal issues relating to the sharing of customer information, especially for foreign insurers considering integration strategies that involve cross-border transfer of information **Asset deal** · Issuing notices of assignment to all policy holders · Transfer of contracts, policies and other business undertakings

13 What are the top challenges in closing an insurance M&A transaction (share deal versus asset deal)?

TAIWAN	**Share deal** · Compliance with documentary and other submissions that may be required **Asset deal** · Obtaining an insurance license
THAILAND	**Share deal** · Approval from the OIC or MOF if acquiring more than 25% or 49% (as the case may be) · Stringent shareholding requirements · Price **Asset deal** · Approval from the OIC · Practical obstacle in obtaining consent of insured for the transfer of insurance policies
VIETNAM	**Share and asset deals** · Identifying the right target, which can be difficult or time-consuming given that publicly available and reliable sources of information are limited · Obtaining regulatory approvals by the MOF as the insurance regulator for completion of deals can be time-consuming, especially when acquiring a 10% stake or more · Conditions and requirements applicable to acquirers can be cumbersome

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