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## LEGAL UPDATE

*Macau Insurance Intermediary  
Activities Ordinance (Draft Bill)*

### Introduction

The Macau Monetary Authority (AMCM) has proposed a new Insurance Intermediary Activities Ordinance (Draft Bill) to replace the Macau Agents and Brokers Ordinance. The Draft Bill, which is currently undergoing detailed discussions in the 2<sup>nd</sup> Standing Committee of the Legislative Assembly, aims to modernize the regulatory framework for insurance intermediaries in line with international standards and best practices. Below are some of its key amendments:

#### 1. Clearer Licensing Structure:

The Draft Bill introduces a three-tier licensing system for insurance intermediaries:

- Tier 1: Insurance intermediary license, which includes individual agents, insurance salesmen, corporate agents, and insurance brokers.
- Tier 2: Types of activities, such as life insurance and general insurance.

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- Tier 3: Specific classes of insurance under each type of activities, whereby AMCM may impose additional conditions and/or qualifying examinations.

The validity period of the license has been extended from one year to two years, aiming to reduce administrative procedures. The registration fees will be determined based on factors like the type of intermediary, scale of business, and complexity of supervision.

The documents necessary for issuance or renewal application, its procedures, as well as the templates of insurance intermediary license shall be specified by AMCM by way of Notice. This shall allow the regulator to adapt respective requirements based on the real needs and development of the industry.

## 2. Principal Responsible Approach

The Draft Bill introduces the concept of a "principal", i.e., insurer, responsible for appointing or employing intermediaries. The principal's duties include ensuring completeness and accuracy of application documents, verifying compliance with relevant requirements, and ongoing supervision of appointed intermediaries.

Principals are jointly liable with intermediaries for acts related to insurance contracts or other insurance activities.

## 3. Prior Approval and Post-Notification to AMCM

Article 8 of the Draft Bill outlines circumstances requiring prior approval or post-notification to the AMCM. Prior approval is necessary for events like changes in qualified shareholding of brokers and in controlling shareholding of corporate agents or changes to the appointed Responsible Officer, Designated Representative or Risk Analyst. Post-notification is required for events like change of principal and termination of relationship with a principal, changes to the directors or any other change to the information that AMCM requires for supervisions purposes. Article 8 brings clarity and crystallizes some procedures that were already being followed by AMCM.

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AMCM has the power to suspend or cancel licenses, change the authorized types of activities, or impose additional conditions based on the analysis of post-notified circumstances.

## **4. Fit and Proper Assessment**

The Draft Bill introduces a fit and proper assessment for various entities, including insurance agents, brokers, salesmen, Responsible Officers, Designated Representatives, qualified shareholders, directors, senior management personnel, and risk analysts. The assessment evaluates initial and ongoing compliance with applicable laws, regulations, and codes. AMCM may also extend the fit and proper to other related entities, such as minority shareholder and/or its directors and staff etc.

For example, insurers are due to immediately notify AMCM of any circumstances, brought to their knowledge, that may lead to the lack of suitability of any of the entities referred above.

## **5. Responsible Officer for Insurance Intermediary Activities**

The Responsible Officer for Insurance Intermediary Activities (RO) is now officially introduced, being defined as an individual responsible for managing and supervising insurance intermediary business to ensure compliance with relevant laws and regulations. Currently the role and responsibility of the RO can be found in Notice No. 008/2021-AMCM and Circulars no. 009 and 010/B/2021-DSG/AMCM).

## **6. Number of Principals for Insurance Agents**

The Draft Bill removes the fixed number of principals an insurance agent can act for, leaving it to be governed by guidelines to be issued by the AMCM.

## **7. Delegation of Sanctioning Power and Classification of Administrative Offenses**

The Draft Bill proposes delegating the power to impose sanctions on insurance intermediaries and insurers (for violations of Draft Bill provisions) from the Chief Executive to the AMCM. Administrative

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offenses are classified into minor, serious, and very serious based on the seriousness of the act. Fines range from MOP5,000 to MOP300,000 for minor offenses, MOP30,000 to MOP500,000 for serious offenses and MOP300,000 to MOP1,000,000 for very serious offenses.

Insurers' conduct in breach of the Draft Bill provisions are specifically sanctioned. As an example:

(i) Serious breach: a fine of MOP30,000 to MOP 3,000,000 for failing to conduct due diligence on the appointed intermediary; failing to enter into a written contract with the intermediary; and failing to appoint at least one person in charge of the insurance intermediary's business.

(ii) Very Serious breach: A fine of MOP100,000 to MOP5,000,000, for failing to change the person in charge of the insurance intermediary business without prior authorization; engaging in insurance business through an entity that does not hold a valid insurance intermediary license or permit for the corresponding class of business or specific line of business; for failing to establish and maintain proper internal controls and procedure or for failing to ensure their effective implementation.

A fine of MOP 1,000,000 to MOP 10,000,000 shall be applicable if the illegal acts significantly harm insurers or insurance intermediaries, destabilize the insurance system, disrupt the insurance market, or hinder AMCM's understanding of the entity's financial or operating conditions.

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## Conclusion

The Draft Bill introduces significant amendments to the regulatory framework for insurance intermediaries. The proposed changes aim to enhance licensing structure, strengthen supervision, establish clearer responsibilities for principals, and ensure compliance with international standards. Relevant stakeholders in Macau should closely monitor the progress of the Draft Bill and prepare for its implementation.

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