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AUTORIDADE MONETÁRIA DE MACAU

Insurance Intermediaries Qualifying Examination

Principles and Practice of Insurance Examination

Study Notes

2025 Edition

“Principles and Practice of Insurance Examination – Study Notes”

Information Update

This "Information Update" aims to provide textual and relevant legal provisions updates to the " Principles and Practice of Insurance Examination – Study Notes (2022 Edition)" in response to the development of the insurance industry and local insurance laws and regulations.

Monetary Authority of Macao
August, 2025

PREFACE

These Study Notes have been designed to prepare candidates for the Insurance Intermediary Qualifying Examination in the subject of "Principles and Practices of Insurance". They are intended to give candidates a general introduction to the subject and reference materials, where identified in these Notes, serves to provide candidates with a wider coverage of the syllabus and can be used selectively by candidates who wish to investigate a topic in particular detail. The examination, however, will basically be formulated according to these Notes.

Some parts of these Study Notes are reproduced, with the kind consent of the Hong Kong's Insurance Authority, from the text prepared for the purpose of the Insurance Intermediaries Qualifying Examination. Appreciation is also due to the Macau Insurers' Association, Macau Insurance Agents and Brokers Association, and Federation of Macau Professional Insurance Intermediaries for their valuable advice and assistance in the preparation of these Notes.

We hope that the Study Notes can serve as reliable reference materials for candidates preparing for the Examination. While care has been taken in the preparation of the Study Notes, errors or omissions may still be inevitable. You may therefore wish to make reference to the relevant legislation or seek professional advice if necessary. As further editions will be published from time to time to update and improve the contents of these Study Notes, we would appreciate your feedback, which will be taken into consideration when we prepare the next edition of the Study Notes.

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1 RISK AND INSURANCE

1.1 CONCEPT OF RISK

The Chinese expression for "insurance" is of course literally translated as "*protect against risk*". It would be wrong, however, for us to assume:

(a) that **all** risks are insurable; or
(b) that insurance is the **only remedy** for risk.

Without necessarily offering a comprehensive survey, we shall consider both these matters further in this Chapter.

1.1.1 Meaning of Risk

There have been many attempts to define risk. To most of us, however, "risk" contains a suggestion of *loss* or *danger*. We may therefore define it as "**uncertainty concerning a potential loss**". It is this uncertainty and the *undesirable* element found with risk that underlies the wish and need for insurance.

The potential loss that risk presents may be:

(a) *financial* : i.e. measurable in monetary terms;
(b) physical : death or injury (often having financial consequences for the individual or his family);
(c) emotional : feelings of grief and sorrow.

Only the first two are likely to be **insurable risks**. Also, from a wider perspective, not every risk will be seen in the **negative** form we have just outlined (see **1.1.2** below).

Note: Without trying to complicate matters, we should also be aware that insurers or insurance intermediaries may use the word "risk" with other meanings, including:

1 to signify the *situation/premises/person at risk* they are insuring;
2 to indicate the *peril* or cause of loss insured (so, some policies may insure on an "**all risks**" basis, meaning that any loss due to any cause is covered, except where the cause is excluded from cover).

1.1.2 Classification of Risk

To simplify a complex subject we may classify risk under two broad headings, each having two categories:

(a) its potential *financial results*; and
(b) its potential *impact*, should it become a reality.

1.1.2 (a) **Financial Results**

Risks may be considered as being

(i) *Pure*, i.e. offering the potential of **loss** only (no gain). Such risks include fire, accident and other undesirable possible happenings;
(ii) *Speculative*, i.e. offering the potential of **gain** or loss. Such risks include gambling, business ventures and entrepreneurial activities.

The majority of the risks which are insured by commercial insurers are pure risks, and the speculative risks are not normally insurable. The reason of this is that speculative risks are engaged in voluntarily for gain, and if they were insured, the insured would have little incentive to strive to achieve that gain.

1.1.2 (b) **Impact**

Risks may be considered as being

(i) *Particular*, i.e. having relatively limited consequences, affecting an individual or a fairly small number of people. It may be serious, even fatal, for those involved, but the result is comparatively localized. Such risks include motor accidents, personal injuries and the like.

(ii) *Fundamental*, i.e. having very widespread consequences, affecting very large numbers of people, with an element of total catastrophe. Such risks include famine, war, widespread flood and other disasters which are problems for society or mankind rather than just the "particular" individuals involved.

The majority of the risks which are insured by commercial insurers are particular risks. Fundamental risks are not normally insurable because it is considered financially infeasible for insurers to handle them commercially. As a broad generalization, we may say that insurance is only going to be involved with **pure** and **particular** risks

1.1.3 Risk Management

Risk management is a term which is used with different meanings:

(a) in the world of banking and other financial services outside insurance, it is probably used with reference to investment and other *speculative* risks (see **1.1.2(a)** above);

(b) insurance companies will probably use the term only in relation to *pure* risks, but they may well restrict it even further to *insured* risks only. Thus, when insurers talk about "**risk management**" they could well be referring to ways and means of reducing or improving the *insured loss potential* of the "risks" they are insuring, or have been invited to insure;

(c) as a separate field of knowledge and research risk management may be said to be that branch of management which seeks to:

(i) *identify*;
(ii) *quantify*; and
(iii) *deal with risks* (whether pure or speculative) that threaten an organisation. Tools or measures of risk handling include:

- *risk avoidance*: elimination of the chance of loss of a certain kind by not exposing oneself to the peril (e.g. abandoning a nuclear power project so as to eliminate the risk of nuclear accidents);

- *loss prevention*: the lowering of the frequency of identified possible losses (e.g. activities promoting industrial safety);

- *loss reduction*: the lowering of the severity of identified possible losses (e.g. automatic sprinkler system);

- *risk transfer* : shifting a certain risk of loss from one party to another (e.g. purchase of insurance and contractual terms shifting the financial loss of pure risk).;

- *risk financing*: no matter how effective the loss control measures an organisation takes, there will remain some risk of the organisation being adversely affected by future loss occurrences. A risk financing programme is to minimise the impact of such losses on the organisation. It uses tools like: insurance, risk transfer other than insurance, self-insurance, etc. (Whilst insurance is closely connected with risk management, it is only one of the tools of risk management.)

To illustrate (i) - (iii) above, suppose a supermarket finds that it is losing goods from its shelves. It *identifies* its possible causes by observation, which could be theft by customers, theft by staff, etc. It *quantifies* the loss from frequent stocktaking compared with cash receipts (making allowance for staff errors). It may *deal with* the risk, for example, by installing closed circuit TV, or (if market conditions allow) by raising prices generally to offset such losses, or by setting up a self-insurance fund for them.

1.2 FUNCTIONS AND BENEFITS OF INSURANCE

Insurance has many functions and benefits, some of which we may describe as being **primary** and others which we may regard as **ancillary** or secondary, as follows:

(a) **Primary functions/benefits**: Insurance is essentially a *risk transfer mechanism*, removing, for a **premium**, the potential financial loss from the individual and placing it upon the insurer.

The primary benefit is seen in the *financial compensation* made available to insured of the various insured events. On the commercial side, this enables businesses to survive major fires, liabilities etc. From a personal point of view, the money is of great help in times of tragedy (life insurance) or other times of need.

(b) **Ancillary functions/benefits**: Insurance contributes to society directly or indirectly in many different ways. These will include:

(i) *employment*: the insurance industry is a significant factor in the local workforce;

(ii) *financial services*: since the relative decline in manufacturing in Macau, financial services have assumed a much greater role in the local economy. Insurance is a major element in this sector;

(iii) *loss control/prevention*: the practice of insurance includes various surveys and inspections related to **risk management** (see **1.1.3(b)** above). These are followed by recommendations and requirements to improve the "risk". As a consequence, we may say that there are fewer fires, accidents and other unwanted happenings;

(iv) *savings/investments*: life insurance, particularly, offers a convenient and effective way of providing for the future. With the introduction of several retirement schemes into the market, the value of insurance products in providing for the welfare of people in old age or family tragedy is very evident;

(v) *economic growth/development*: it will be obvious that few people would venture their capital on costly projects without the protection of insurance (in most cases, bank financing will just not be available without insurance cover). Thus, developments of every kind, from infrastructure to housing projects, are encouraged and made possible because insurance is available.

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2 PRINCIPLES OF INSURANCE

2.1 INSURABLE INTEREST

The word "interest" can have a number of meanings. In the present context it means a *financial relationship* to something or someone. There are a number of features to be considered with "insurable interest", as below.

2.1.1 Definition

Insurable interest is the *legally recognised relationship* to the subject matter that gives a person the right to effect an insurance on it. It is important to note that the relationship must be a **legal** one. A thief in possession of stolen goods, for example, does not have the right to insure them.

2.1.2 Its Essential Criteria

For insurable interest to exist, the following criteria must be satisfied:

(a) there must be some *person, property* (thing), *liability* or other legal *right* capable of being insured;
(b) that person, thing etc. must be the *subject matter* of the insurance;
(c) the person wishing to have insurance must have the *legally recognised relationship* to the subject matter, mentioned in **2.1.1.** above, so that financial loss may result to him if the insured event happens.

2.1.3 How It Arises

Insurable interest arises in different circumstances, which may be considered under the following headings:

(a) Insurance of **Persons**: everyone has an insurable interest in *himself*. One also has an insurable interest in one's *spouse*. Further, one may insure one's *child* or *ward* (in guardianship), if they are under 18 years of age, but they must comply with the provisions of the Commercial Code

(b) Insurance of **Property** (physical things): the most obvious example arises in *ownership*, but sometimes property belonging to other people may also be insured. For example, *legal personal representatives* (executors, trustees, etc.) may insure property under their care. Often insurances are arranged on behalf of owners, e.g. insurance on the belongings of *family members* living with the insured.

(c) Insurance of **Liability** (legal responsibility): everyone facing potential legal liability for their acts or omissions may effect insurance to cover this risk (sometimes insurance is *compulsory*). Covering oneself in this way may be said to relate to *direct liability*. Insurance against *vicarious liability* is also possible, where, for example, employers insure against their liability arising from negligence etc. of their employees.

(d) Insurance of other legal **Rights**: anyone legally in a position of potential loss due to infringement of rights or loss of future income has a right to insure such a risk. Examples would include landlords insuring *loss of rent* following a fire. (Note: the loss of rent, rather than the building is insured.)

2.1.4 When is It Needed?

There are two possible time requirements for the existence of insurable interest:

(a) *when the insurance is arranged* (at policy inception); and
(b) *when a claim arises*.

For practical purposes, the only time insurable interest needs to be considered, for every class of insurance except one, is at the time of a **claim**. In simple terms, at the time of a loss did the insured *sustain* a loss? The one exception is in **Life Insurance**.

Life insurance is quite different. The policy term is long with saving components, it is *long-term* business and considered as an asset, thus the policy cannot be cancelled by the insurer. As such, the policyholder is said to have a *reversionary interest* in such an insurance. This means the policy is his, although access to the policy money awaits some time or event in the future. With life insurance, insurable interest is **only** needed at **policy inception**.

2.1.5 Assignment

"Assignment" is a legal term that generally means **transfer of a right**. **Life** insurance policy can be assigned. **Marine cargo** insurances are also said to be *freely assignable*. Assignment is regulated by the "Commercial Code".

In insurance, there are broadly **two types of assignment**: *assignment of the insurance contract* (or *insurance policy*) and *assignment of the right to insurance money* (or *insurance proceeds*). They are different from each other in the following manner:

(a) **Effect of an assignment of the insurance contract**: With an effective assignment of a policy (or contract) from the assignor (original policyholder) to the assignee (new policyholder), the interest of the assignor in the contract passes wholly to the assignee to the effect that when an insured event occurs afterwards, the insurer is obliged to pay the assignee for his loss, not that suffered by the assignor, if any. In the case of life insurance, assignment will never substitute a new life insured.

(b) **Effect of an assignment of the right to insurance money** (sometimes simply referred to as an assignment of policy proceeds): Assignment of policy proceeds will have an effect on both losses that have arisen and those that may arise. An assigned policy remains to cover losses suffered by the assignor, not those by the assignee, although it is now the assignee (instead of the assignor) who has the right to sue the insurer to recover under the policy. In this sense all policies are "assignable". An example arises when repairs for a motor vehicle involve a payment to the garage rather than to the insured.

(c) **Necessity for insurable interest:** With assignment of the insurance contract,

both the assignor and the assignee need to have insurable interest in the subject matter of insurance at the time of assignment; otherwise the purported assignment will not be valid (Taking assignment of motor policy as an illustration, the requirement of insurable interest will be satisfied by having the motor policy assigned to the purchaser contemporaneously with the transfer of property in the insured car). However, with assignment of the right to insurance money, no insurable interest is needed on the part of the assignee, so that it may actually take effect as a gift to the assignee.

(d) **Necessity for insurer's consent:** An assignment of the right to insurance money requires no consent from the insurer, irrespective of the nature of the insurance contract concerned. But the position is not that simple with assignment of the insurance contract. Different types of insurance are subject to different legal rules as to whether a purported assignment of the insurance contract will have to be agreed to, by the insurer.

(e) **Assignment of benefits as opposed to obligations:** Assignment does not have the effect of transferring the assignor's obligations under the insurance contract to the assignee. Such a transfer requires the insurer's consent.

2.2 UTMOST GOOD FAITH

Still frequently referred to by its Latin name "*uberrima fides*", utmost good faith relates to the duty of disclosure upon the parties involved in an insurance contract. The important features of this principle are considered below.

2.2.1 Ordinary Good Faith

Most commercial contracts are not subject to "**utmost** good faith". Ordinary good faith means that the parties must behave with honesty and such information as they supply must be substantially true.

However, it is not their responsibility to ensure that the other person asks all relevant questions. They are allowed to remain silent on any matter not raised by the other party. It may thus be said that ordinary good faith is effectively the *negative duty* of not telling lies.

2.2.2 Utmost Good Faith

Insurance is subject to a more stringent duty of good faith, because of the *fiduciary* nature of such contracts (involving a high degree of trust). **Utmost** good faith means that each party is under the *positive duty* of revealing all vital information (called **material facts**), *whether* the other party asks for this information or not.

Note: 1 Utmost good faith is the legal principle for the management of insurance contracts

2 Insurers sometimes extend the duty of utmost good faith by requiring the proposer to declare (or warrant) that all information supplied, whether

relating to "material" matters or not, is totally (as opposed to substantially) true.

2.2.3 Material Facts

(a) **Definition**: If "material facts" must be revealed, whether asked for or not, what this term means becomes of vital significance. The classic definition of a material fact is "a fact that would influence the judgement of a prudent insurer in determining whether he will accept the risk, or on what terms he will accept it".

Lawyers argue long and hard about the precise meaning of this. A simple (perhaps legally less than perfect) description would be "a piece of information that influences the *existence* or the *terms* of the contract".

(b) **Non-material facts**: Clearly this refers primarily to matters which would not influence the existence or terms of the contract, but some facts which also do not have to be revealed include:

(i) matters of *common knowledge*;
(ii) facts already *known*, or deemed to be known, by the insurer;
(iii) facts which *improve* the risk.

2.2.4 Duty of Disclosure

It may be said that utmost good faith involves a duty of disclosure by the proposer/insured. Technically, the insurer is under the same duty, but we will concentrate on the proposer's duty. This duty has some features we should note:

(a) *Duration* (per Commercial Code): during the policy period, increase of the risk must be communicated to the insurer

(b) *Duration* (under policy terms): it is common for policies to require the disclosure of change of risk during the currency of the insurance contract, such as a change of occupation after purchase of personal accident insurance.

(c) *Renewal*: when the policy is being renewed, the duty of utmost good faith revives.

(d) *Contract alterations*: if these are requested during the currency of the policy, the duty of utmost good faith applies in relation to these changes.

2.2.5 Breach of Utmost Good Faith

A breach of utmost good faith can be in the form of either a **misrepresentation** (i.e. the giving of false information) or a **non-disclosure** (i.e. failure to give material information). Alternatively, it can be classified into a **fraudulent** breach and a **non-fraudulent** breach (i.e. a breach committed either innocently or negligently, rather than fraudulently). Both classifications combined produce a four-fold categorisation as follows:

(a) *Fraudulent Non-disclosure:* a fraudulent omission to give material facts to the

other party;

(b) *Non-fraudulent Non-disclosure:* an omission to give material facts to the other party done either innocently or negligently;

(c) *Fraudulent Misrepresentation*: an act of fraudulently giving false material facts to the other party; or

(d) *Non-fraudulent Misrepresentation*: an act of giving false material facts to the other party done either innocently or negligently.

2.2.6 Remedies for a Breach of Utmost Good Faith

If the duty of utmost good faith is breached, the aggrieved party (normally the insurer) may have available certain remedies against the guilty party. The aggrieved party (generally the insurer) may:

(a) in the case of fraudulent breach, *avoid* the contract, request for refund of claims paid and collect premiums that become due;
(b) in case of non-fraudulent breach, rescind the contract (may result in the refund of premiums and claims paid) or revise the underwriting terms. For incidents that have occurred, the insurance benefit shall be proportionally reduced to the difference between premium paid and the premium that should have been paid when the risk is correctly declared;(c) additionally *sue for damages* in the case of fraudulent or negligent misrepresentation;
(d) *waive* the breach, in which case the contract/claim is valid retrospectively.

2.3 PROXIMATE CAUSE

2.3.1 Definition

The proximate cause of a loss is its effective or dominant cause.

Why is it important to find out which of the causes involved in an accident is the proximate cause? A loss might be the combined effect of a number of causes. For the purposes of insurance claim, one dominant cause must be singled out in each case, because not every cause of loss will be covered.

2.3.2 Types of Peril

In search of the proximate cause of a loss, we often have to analyse how the causes involved have interacted with one another throughout the whole process leading to the loss. The conclusion of such an analysis depends very much on the identification of the perils (i.e. the causes of the loss) and of their nature. All perils are classified into the following **three** kinds for the purposes of such an analysis:

(a) *Insured peril*: which is covered by the policy and must occur with any claim, e.g. fire under a fire policy, collision with a motor policy etc.

(b) *Excepted (or excluded) peril*: this is a peril that is specifically removed from cover by a policy exclusion, e.g. fire caused by war, death from suicide etc.

(c) *Uninsured peril*: this is a peril that is neither insured nor excluded, it is *outside* the cover provided by the policy, e.g. accidental damage with a policy covering fire only.

2.3.3 Application of the Principle

The practical applications of proximate cause may be very complex and sometimes controversial. For our purposes, we should note the following somewhat simplified rules:

(a) There must always be an *insured peril* involved.

(b) If a *single cause* is present, the matter is straightforward: if the cause is an **insured peril** the loss is covered, if it is an **uninsured** or **excepted peril**, it is not.

(c) With more than one peril involved, either in a chain of events or concurrently, the position is complex. Specific cases should perhaps be a matter of consultation with the insurer and/or lawyers, but general rules are:

(i) **uninsured perils** arising directly from **insured perils**: the loss is covered, e.g. water damage (uninsured peril) proximately caused by an accidental fire (insured peril);

(ii) **insured perils** arising directly from **uninsured perils:** the loss from the insured peril is covered, e.g. fire (insured peril) damage proximately caused by a careless act of the insured himself or of a third party (uninsured peril) in the case of a fire policy; and

(iii) **excluded perils** are generally fatal to the claim.

Note: To conclude, **insured perils** are *positive* (in that they produce valid claims), **excluded perils** are *negative* (in that they defeat claims) and **uninsured perils** are *neutral* (in themselves they are not covered, but if proximately arising from an insured peril the resulting loss is **not excluded**).

(d) Other Features of the Principle

Neither the first nor the last cause necessarily constitutes the proximate cause.

(ii) More than one proximate cause may exist. For example, the dishonesty of an employee and the neglect on the part of his supervisor of a key to a company safe may both constitute proximate causes of a theft loss from the safe.

(iii) The proximate cause need not happen on the insured premises. Suppose a flat insured under a household policy is damaged by water as a result of a fire happening upstairs. The damage is recoverable under the policy, although the insured flat has never been on fire.

(iv) Where the proximate cause of a loss is found not to be an insured peril, it does not necessarily mean that the loss is irrecoverable under the policy.

2.3.4 Policy Modification of the Principle

Great care must be taken with this principle, as individual circumstances can be very important in determining whether the loss is recoverable or not. One complication can arise from policy wordings which modify proximate cause:

(a) *to reduce the normal application*: some fire policies might for instance have a wording that allows a claim for fire damage caused by, say, earthquake or explosion, when impact damage from such risks is in fact excluded;

(b) *to extend the normal application*: proximate cause is normal only concerned with the *direct* or *dominant* cause. For example, a policy exclusion may say that damage *"directly or indirectly"* arising from a particular peril is excluded. This will mean that the loss may not be recoverable even if the excluded peril is only a *remotely* contributory factor.

Note: It is worth repeating that the principle of proximate cause is sometimes very complicated. There have been many interesting and sometimes surprising court cases which have decided its application. Therefore, please do not assume that knowledge of the above brief notes will make you an expert.

2.4 INDEMNITY

This is a principle which will not apply to every kind of insurance, for reasons that will be explained. In very simple terms we may think of it as *compensation* for the loss sustained.

2.4.1 Definition

We mentioned above that we may think of indemnity as **compensation**. To be more accurate perhaps we should say that it is *an exact financial compensation* for a loss, no more no less.

2.4.2 Implications

If we accept the definition of "an exact financial compensation", we can see at once why indemnity cannot apply to all types of insurance. Some types of insurance deal with "losses" that cannot be measured precisely in *financial* terms. Specifically, we refer to **Life Insurance** and most **Personal Accident Insurances**. Both are dealing with death or injury to human beings, and there is no way that these things can be measured precisely. Thus, full compensation cannot be given, *indemnity* cannot normally apply to these classes of business.

Note: It is sometimes said that life and personal accident insurances involve *benefit policies* rather than policies of *indemnity*. Since indemnity cannot normally apply, the policy can only provide a specified **benefit**. There can be no attempt to make a total and accurate valuation of loss.

2.4.3 Link with Insurable Interest

We studied insurable interest in **2.1**. That principle represents the financial "interest" in the subject matter, which is exactly what should be payable in a total loss situation, if the policyholder is to be completely compensated. Life and personal accident insurances may generally be regarded as having an *unlimited insurable interest*, and therefore indemnity cannot apply to them.

2.4.4 How Indemnity is Provided

With policies undertaking to *indemnify* the insured, the extent of any loss must be measured as accurately as possible, but indemnity may be given in different ways, as follows:

(a) *Cash payment* (to the insured): this is always acceptable and in some cases may be the only practical option (e.g. reimbursement of medical bills - which incidentally is an *indemnity*, even though it may be covered under a personal accident policy).

(b) *Repair*: payment to a repairer is a perfectly acceptable way to provide indemnity, and is the norm, for example, with non-total loss motor claims.

(c) *Replacement*: with new items, or articles that suffer little or no depreciation, giving the insured a replacement item may be a very suitable method, especially if the insurer can obtain a discount from the supplier.

(d) *Reinstatement*: this is a word that has a number of meanings in insurance. As a method of providing an indemnity, it means the restoration of the insured property to the condition it was in immediately before its destruction or damage. (In some cases, e.g. with damaged machinery, the term is used when *replacement* is involved.)

2.4.5 Salvage

When measuring the exact amount of loss (which indemnity is), it has to be borne

in mind with certain property damage that there will sometimes be something left of the damaged *subject matter* (fire-damaged stock, the wreck of a vehicle etc.). These remains are termed **salvage.** If the remains have any financial value, this value has to be taken into account when providing an indemnity.

Dealing with salvage is not always an easy matter, but in principle either the value of the salvage is *deducted* from the amount otherwise payable to the insured (who then keeps the salvage) or the insurer pays in full and *disposes* of the salvage for his own account.

Note: The term "salvage" in maritime law has a very different meaning, where it usually refers to saving a vessel or other threatened property, for which an appropriate *fee* may be payable by the property owners.

2.4.6 Abandonment

This is a term mostly found in marine insurance, where it refers to the practice of *surrendering* the subject matter (insured property) to the insurers in return for a total loss payment. This is quite standard in marine practice, but in other classes of property insurance policies usually specifically exclude abandonment.

The important thing to be remembered with abandonment is that the subject matter (or what is left of it) is *completely* handed over to the insurer, who may therefore benefit from its residual value. (This will be important with **Subrogation,** see later).

2.4.7 Policy Provisions Preventing Indemnity

Although policies frequently promise to *indemnify* the insured, this is always within the terms of the policy. These terms may sometimes mean that something less than indemnity is payable. For example:

(a) *Average*: most non-marine property insurances are *subject to average*. This means that the insurer expects the insured property to be insured for its full value. If it is not, in the event of a loss the amount payable will be reduced in proportion to the *under-insurance*. For example, if the actual value of property at the time of a loss was $2 million and it was only insured for $1 million, we may say that the property is only *50% insured*. Therefore, by the application of **average** only 50% of any loss is payable.

This principle causes considerable problems in Macau. So, if the application of average due to under-insurance is to be avoided, it is very important for **insurance intermediaries** to do their best to ensure that insurances are arranged for a **full sum insured**.

Note: In marine insurance **average** has a totally different meaning. Here it means *partial loss*. Average in marine insurance is complex and beyond the needs of this present study.

(b) *Policy excess/deductible*: an excess or deductible is a policy provision whereby the insured is not covered for losses up to the specified amount, which is always deducted from each claim.

(c) *Policy franchise*: these are rarely seen today, but they are similar to an excess in that they eliminate small claims. However, if the claim reaches or exceeds the franchise figure, the loss is payable *in full*. Rather than saying this reduces an indemnity payment, it is more accurate to say that if a franchise applies nothing will be payable, but if the franchise amount is exceeded a normal indemnity is payable.

(d) *Policy limits*: the *sum insured* is always the limit of the insurer's liability, so any loss exceeding that limit will not be fully indemnified. There may, however, also be limits within the policy terms, so that the amount payable does not exceed a stipulated sum. Examples are a *single article limit*, and policy *section limit. Single article limit* is a limit commonly found in a household contents policy. In the event that an insured has not made such an article the subject of a separate sum insured, the insurer will have to restrict the amount payable for a loss of this item to a limit specified in the policy, called the 'single article limit'. *Section limit* refers that a policy may contain two or more sections, which take effect in relation to different subject matter of insurance (as in the case of a travel insurance policy, which normally covers property damage, legal liability and others), different insured perils, etc. Each of these sections is usually made subject to its own limit of liability, which operates similarly to a sum insured.

2.4.8 Policy Provisions Providing More Than Indemnity

Indemnity is very logical and technically easy to defend. However, in practice most policyholders are ignorant of this and are confused and offended when insurers "reduce" their claims, by deducting depreciation, wear and tear etc. As a marketing and public relations exercise, therefore, it has become the custom to offer property insurances which may be said to give a *commercial* (or contractual) rather than a *technical* indemnity. Some examples are as follows:

(a) *Reinstatement insurances* (or insurances on a reinstatement basis): this is another use of the term "reinstatement" (see **2.4.4(d)** above) and is often found with fire insurances. The meaning is that where reinstatement or replacement takes place, no deductions are made in respect of wear and tear, depreciation etc.

(b) *"New for Old" cover*: this is another term for **reinstatement**, as indicated above, but is more generally used with domestic rather than commercial risks.

(c) *Agreed value policies*: such policies may be used for articles of high value, where depreciation is unlikely to be a factor (e.g. works of art, jewelry etc.). The sum insured is made subject to an expert's valuation, and the policy undertakes to pay this sum in the event of total loss.

(d) *Marine policies*: Almost without exception, marine hull and marine cargo policies are written on a valued basis, and the agreed value will be taken as the actual value at the time of loss for the purposes of both partial and total loss claims.

2.4.9 The Practical Problems with Indemnity

Indemnity, as mentioned above, is extremely logical. What makes more sense than to say that person should only recover what they have lost? They should not *profit* from a loss! However, most people feel that they should receive the amount they insured for, with a total loss. Moreover, the fact or amount of *depreciation* is an area where you may confidently expect problems with the claimant. When claims are being made, most people will say that their property has not depreciated at all, or only marginally!

2.5 CONTRIBUTION

This is one of the two important *corollaries* (sub-principles) of **indemnity**. As such, it will only apply if indemnity applies. This is a claims-related doctrine of equity which applies as between insurers in the event of a double insurance, a situation where two or more policies have been effected by or on behalf of the insured on the same interest or any part thereof, and the aggregate of the sums insured exceeds the indemnity legally allowed.

Subject to any policy provisions, any one insurer is bound to pay to the insured the full amount for which he would be liable had other policies not existed. After making an indemnity in this manner, the insurer is entitled to call upon other insurers similarly (but not necessarily equally) liable to the same insured to share (or to contribute to) the cost of the payment.

2.5.1 Definition

In simple terms, **contribution** means that if *two* (or more) insurers are contracted to provide an **indemnity** to the same person (interest), the insurers should *share* ("**contribute**" towards) the indemnity payment. The net effect is that the insured does not recover **more** than he has lost. Where contribution applies, the ultimate proportion of the insured's loss that any one particular insurer is responsible for is called the 'rateable proportion' of that insurer. It is not difficult to understand that the sum of all the insurers' rateable proportions equals one, that is to say, 100% of the insured's loss.

2.5.2 How Arising

The criteria that need to be satisfied before contribution exists are:

(a) there exists more than one policy of *indemnity (rather than benefit)*;
(b) they must each cover the same *interest*;
(c) they must each cover the same *peril* giving rise to the loss;
(d) they must each cover the same *subject matter of insurance* that has been affected;
(e) each policy must be *liable to* the loss (i.e. not be subject to a policy exclusion or limitation preventing contribution).

2.5.3 How Applicable

As mentioned, contribution will only apply if **indemnity** applies. Thus, if a person dies whilst insured by two or more separate *life insurance* policies, each must pay in full, because the insurances are not subject to indemnity.

2.5.4 How Amended by Policy Conditions

The position between insurers as governed by the equitable doctrine of contribution is of little or no concern to the insured, unless that has been modified by one of the following policy provisions:

(a) ***Rateable Proportion Clause*** (or Contribution Condition), restricting the insurer's liability to its *rateable share* of the loss. The effect is that, where there is double insurance and each of the relevant policies contains such a clause, the insured could no longer claim all of his loss from one insurer alone.

(b) ***Non-contribution clauses***, to the effect that it is the other policies that will have to pay the loss.

(c) ***Partial Contribution Condition***, the so-called 'Marine Clause' in the standard fire policy provides that in the event of potential contribution between a marine policy and the fire policy, the fire policy will not share the loss, except for that part of the loss which is above the marine compensation..

2.5.5 How Calculated

As mentioned, policies usually stipulate that the insurer limits his contribution to his *rateable share*. But this is not absolutely clear. Look at the following simple example, for instance:

Policy A has a Sum Insured of	MOP 200,000
Policy B has a Sum Insured of	MOP 400,000
There is a loss in the amount of	MOP 60,000

For ease of illustration, we shall assume that **average** does not apply (see **2.4.7(a)**) and that the figures are correct. How much should **A** and **B** pay?

(a) "**Respective sums insured**" method. Liability is apportioned according to the sum insured of each insurer. The total sum insured under policies **A** and **B** is MOP600,000. The liability of each insurer is calculated based on the formula: Sum Insured of each insurer / Total Sum Insured x Loss amount

A should pay: MOP200,000 / MOP600,000 x MOP60,000 = **MOP20,000**

B should pay: MOP400,000 / MOP600,000 x MOP60,000 = **MOP40,000**

This would be logical, because **B** has twice the cover, and presumably has received twice the premium. **BUT**

(b) "**Independent liability**" method. The liability is apportioned by reference to the actual liability each insurer would have if it were the only liable insurer. **A** should pay MOP60,000, **B** should pay MOP60,000, the total amount **A** and **B** should pay is MOP120,000. The liability of each insurer is calculated based on the formula: Liability of each insurer / Total liability of all insurers x Loss amount.

A should pay: MOP60,000 / MOP120,000 x MOP60,000 = **MOP30,000**

B should pay: MOP60,000 / MOP120,000 x MOP60,000 = **MOP30,000**

This is also logical, if we say that both of them cover the loss in full and if premium is an issue, they both received the same for the MOP60,000 loss!

Either method may be met in Macau. Each method has its supporters.

2.6 SUBROGATION

This is the other important *corollary* of indemnity. Its meaning and features are considered below.

2.6.1 Definition

Subrogation is the exercise, for one's own benefit, of rights or remedies possessed by another against third parties. As a corollary (i.e. a natural consequence of an established principle) of indemnity, subrogation allows proceeds of claim against third party be passed to insurers, to the extent of their insurance payments.

Suppose, for example, that the insured is covered by a motor insurance and his car is damaged by the negligence of a building contractor when faulty scaffolding falls on to the car. The motor insurer must pay for any insured damage to the car, but the insured also has rights against the contractor. These rights become *subrogated* (transferred) to the motor insurer.

From this, it will easily be seen how subrogation seeks to protect the parent principle of **indemnity**, by ensuring that the insured does not get paid twice for the same loss.

2.6.2 How Arising

(a) In *tort*: this usually arises where a third party is negligent (the main "tort", or civil wrong) and causes loss or damage to be indemnified by the policy. This is undoubtedly the most common source of subrogation.

(b) In *contract*: a hirer or leaseholder may make certain contractual promises regarding damage to the owner's property. If the owner is insured for that damage, subrogation arises against the hirer/leaseholder in question.

(c) Under *statute*: this is not common here, but for example if a workman is injured at work by the actions of a third party, the employer will have to pay an *employee compensation* benefit to the injured man. The Employees' Compensation Insurance Ordinance, however, will grant subrogation rights to the employer, who must in turn pass these to the EC insurer, which will have recourse to the third party responsible for the employee's injury.

(d) In *salvage*: this we have already considered (see **2.4.5**). The insurer may be said to have subrogation rights in what is left of the subject-matter (salvage).

2.6.3 How Applicable

As with contribution, **subrogation** can only apply if **indemnity** applies. Thus, with our previous example, if an insured under a life policy is killed by the negligence of a motorist the life insurer must pay under his policy, but he is not entitled to subrogation rights for this payment, as it was not an indemnity.

2.6.4 Other Considerations

There are two other features to bear in mind:

(a) In Insurance Contract Law, subrogation rights are only acquired *after* an indemnity has been provided. Policy conditions usually say that the insurer is entitled to such rights *immediately*, so that recovery action can begin at once.

(b) Special considerations arise in respect of subrogation recoveries:

(i) The insurer cannot recover more under subrogation than he paid as an indemnity. By way of example, suppose there is an insured loss of a piece of valuable jewelry. The insurer pays, but some time later the jewelry is found and its value is much higher. The insurer can only keep the amount he paid and any balance belongs to the insured.

(ii) The above saying is not true in the event of subrogation arising after *abandonment* of the property to the insurer (see **2.4.6** above). There, **all rights** in the property belong to the insurer, who may thereby "make a profit"!

(ii) Sharing of Subrogation Proceeds

Where the insurer has only provided a less-than indemnity on the basis of certain policy limitations, the insured may possibly be entitled to part of sometimes even the whole of the subrogation proceeds, depending on what limitations have been applied in the process of claims adjustments. The following are illustrations of several manners in which the sharing of subrogation proceeds between the insured and the insurer can be done:

(1) *Excess*: Suppose the insured is responsible for a loss (excess) of $10,000 before his liability insurer pays $40,000, and $20,000 is subsequently recovered from a negligent third party. The whole of $20,000 will belong to the insurer. However, if the subrogation recovery is $45,000 instead, the insured will be entitled to $5,000 and the insurer $40,000.

(2) *Limit of Liability*: Suppose an insured contractor has incurred liability to a road user in the amount of $1.5 million, of which the insured has to pay $0.5 million out of his own pocket because his policy is subject to a limit of liability of $1 million. Any recovery

from a joint tortfeasor will belong to the insured, except where it amounts to more than $0.5 million in which case that part over and above the $0.5 million threshold will belong to the insurer up to the amount of insurance payment.

(3) *Average*: Suppose a fire insurer has paid 80% of a loss where there is a 20% underinsurance. The insured is entitled to 20% of subrogation proceeds as if he was a co-insurer for 20% of the risk.

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3 CORE FUNCTIONS OF AN INSURANCE COMPANY

Whilst an insurance intermediary is unlikely to have close contact with the internal organization of insurance companies, it is good to understand something of their infrastructure and to be aware of the various departments and personnel behind the marketing process. These, in outline, are considered below. Please remember, however, that there is no single system for insurance companies to follow, so the suggested structure must be seen as representative only.

3.1 PRODUCT DEVELOPMENT

Someone once said "Insurance is not something that is *bought*, it is something that has to be *sold*". We shall recall this when discussing marketing and promotion (**3.2** below), but to the extent that it is true the whole exercise depends upon having **something** to sell. That something may be described as an insurance *product*.

Some types of insurance, of course, are *compulsory* (insurances that are compulsory in Macau include motor vehicle third party insurance, employees' compensation insurance, public liability insurance in relation to the fixing of propaganda and public material, third-party liability insurance for pleasure boats, professional liability insurance for travel agencies, professional liability insurance for lawyers and professional liability insurance for healthcare providers) and with these classes the precise policy provisions are decreed by Government via Executive Order. With other classes of insurance business, Macau is an open and very *competitive* environment. Insurers must therefore be efficient and dynamic in preparing the products they "sell". As an abbreviated summary, the Product Development department/section of an insurer will be much occupied with:

(a) **Individual product development**: this is a never-ending process. With competitors eager to learn and copy, it has been said that the "lifespan" of a totally new product is very short, perhaps a matter of only a few weeks or months. After that time, the product has been copied, adapted and frequently undersold.

(b) **Product portfolio development**: increasingly, producing a "package" of covers, especially for larger clients, has become sensible, even vital, in order to retain a competitive edge.

(c) **Product research**: we may think of this in three areas:

  (i) **our own products**: nothing is perfect beyond improvement.

  (ii) **competitors' products**: we do not, and cannot, live in a vacuum. It is essential to know what is happening in our market and "what we are up against". Besides, they will have no hesitation in "borrowing" from us!

  (iii) **market trend**: the needs of the general public.

3.2 CUSTOMER SERVICING

Sometimes described as **Client Servicing**, this section has a number of functions, and with a particular insurer some of these may be carried out by other departments (such as Accounts, Claims etc.). The general scope of its responsibilities is indicated by its name. It is to provide a service to existing and potential customers/clients, and the duties are likely to include:

(a) **Correspondence**: enquiries of every imaginable kind are likely to be received, asking for guidance and information. Sometimes, the enquiries will be totally unrelated to the company's business, so a degree of perception and tact will be required. It is quite sure that the response a company gives to enquiries is very important.

(b) **Public relations**: the more formal aspects of this could be within the province of the marketing "people", but the way clients are dealt with profoundly influences a company's standing in the eyes of the public.

(c) **Documentation**: requests for duplicate policies, amendments to existing policies, copies of motor insurance certificates etc. will probably receive at least their initial attention in this department.

(d) **Complaints**: an area that must be seen to be handled fairly and promptly. This may require considerable liaison with other colleagues/departments. It must also be remembered that complaints may reach high levels of company management and receive media and even Government attention.

3.3 MARKETING AND PROMOTION

Remembering the quotation in **3.1**, this is a very important area for the insurer. The particular areas of responsibility include:

(a) **Public Relations**: as explained, this may overlap to some extent with Customer Services, but the image of the company and its perceived standing in the eyes of the public is of great significance. This wide-ranging activity will include:

(i) the co-ordination of all *external communications*;
(ii) co-ordination of *media enquiries and interviews*;
(iii) *press conferences*, both to announce or explain things, as necessary;
(iv) preparing *press releases* and *copy* for trade and other journals.

(b) **Promotions**: organizing and co-ordinating their preparation and conduct.

(c) **Advertising**: closely interconnected with the above, this enormously important area includes:

(i) selection of external agencies (if used);
(ii) the extent to which TV or other media are to be involved;
(iii) co-ordination of advertising campaigns;

(iv) expenditure analysis and control.

Note: Advertising is an area which could involve **massive** expenditure. Great care must therefore be taken in its management and control. As one famous businessman said "Half the money I spend on advertising is wasted. Unfortunately, I do not know *which* half!"

(d) **Sponsorship**: Insurers are frequently asked to sponsor industry or educational projects. Also, this is of course an important aspect of advertising, involving much time and probably a considerable budget.

(e) **Market research**: obviously, continuous monitoring of one's present and potential market is a vital element for a marketing department. This will seek to establish existing and perceived needs and demands in respect of insurance products.

3.4 INSURANCE SALES

Very closely connected with **marketing**, there may be considerable overlap of activities between insurance sales and marketing. The name, however, indicates the functions, which specifically will include:

(a) **Product liaison**: it is vital that the closest co-operation exists between Product Development, Marketing and Sales, for obvious reasons. Poor communication between colleagues in this area could have disastrous field results.

(b) **Sales enhancement programmes**: again requiring co-operation with other colleagues, e.g. Training and Marketing.

(c) **Monitoring**: it is important to keep abreast of results and trends. Again, much teamwork with colleagues is required.

3.5 UNDERWRITING

This may be defined as the *selection* of risks to be insured and the *terms* under which the insurance is given. With general insurance, it also involves a continuing process of monitoring results and individual risks, to see whether *renewals* should be offered, and on what terms. Special features to note are:

(a) **Life insurance**: for individual policies, underwriting is a *once only* exercise, since the policy cannot be cancelled by the insurer and changes are only possible with the insured's consent. Because of its crucial importance, life insurance underwriting is often centralized.

(b) **General insurance**: here the range of different covers is very wide and mistakes in underwriting are not permanent, in the sense that policies have to be renewed and can even be cancelled if necessary. Underwriting is therefore much less centralized.

(c) **Guidelines**: whilst underwriting is at a "one to one" level, there is obviously a need for the preparation of underwriting manuals, rating guides and similar guidelines for staff.

These involve considerable research and development, again with much attention to trends and results.

(d) **Target risks**: curiously, this term could mean highly *desirable* types of business (in Life Insurance) or highly *undesirable* types of business (in General Insurance). In the former, of course, this is business the intermediaries should be encouraged to seek diligently. In the latter, quite the reverse. In either context, decisions must be made as to the appropriate designations.

(e) **Stop-lists**: sometimes given other names, the term indicates those types of business that should not be encouraged, or should be rejected if offered. Some examples may readily come to mind, with different types of insurance, although not every insurer will have the same opinions on this subject. Nevertheless, compiling such lists involves considerable underwriting expertise, especially bearing in mind the sensitivity over *discrimination* of any kind.

3.6 POLICY ADMINISTRATION

This is another departmental description that may involve overlap with other sections or departments mentioned above or below. The general areas of concern here may be:

(a) **General or Life insurance?** this is a most important question, since the policy document with each has a very different significance. With general insurance, technically there need not be a policy (although there almost invariably is) and it is seldom necessary to produce the original document when making a claim. With life insurance, however, the contract is non-cancellable by the insurer, and the policy document has a much greater technical importance.

(b) **Life insurance policies**: these must be produced when a claim is made. A mistake in a life policy is potentially much more serious than with General Business, especially since the policy may be *assigned* to another person and/or used as *collateral* with a loan and any assignees are expected to be relying on the veracity of the policy.

(c) **New business procedures**: especially with Life insurance business (as noted) the process of verification and checking, both for factual accuracy and errors in document preparation, is very important. With any class of business, it is important that the policy be prepared and issued as efficiently and as impressively as possible, for reasons that are obvious.

(d) **Other procedures**: this topic embraces such matters as error handling, policy correction, endorsement preparation and renewal procedures. With life insurance, once more, the great importance of the *actual payment* of the first premium must be considered. In other classes, the contract may commence without the receipt of a premium (often the policy says "has paid or agreed to pay the premium"). With life insurance, the existence of the contract usually depends upon the first premium being *received*.

3.7 CLAIMS

Once more, there are significant differences between Life and General insurance claims. Specifically, the implications include:

(a) **Life insurance claims**: obviously, there will only be one claim, and this will have great importance for the claimant. Also, it is quite essential for such claims to be checked with the utmost care, as all sorts of considerations are involved, such as :

(i) possible *disputes* or complications, e.g. relating to beneficiary;
(ii) possible outstanding *policy loans*;
(iii) possible *assignment*, so that the claimant is not the original policyholder;
(iv) *uncertainties* over actual death or the identity of the deceased;
(v) *dividend/bonus* considerations with *participating/with-profit* policies.

For similar reasons to those pertaining to underwriting (see **3.5**), life insurance claims handling is frequently centralized.

(b) **General insurance claims**: the range of different types of claims is much wider than with life insurance. Also, it is quite possible that the amounts involved (especially with some *liability* claims) are **enormous**. Therefore, equal care should be taken in verification, although most claims being relatively small, the work is much more likely to be decentralized to fairly junior staff for handling.

(c) **Common features**: there are two areas that must be the subject of attention in all insurance claims. These are:

(i) **Liability**: is the insurer liable under the policy? When dealing with some liability insurances, it must also be ascertained whether the insured is liable at law to the claimant.

(ii) **Quantum**: how much is payable with the claim? With life insurances the answer to that is usually pre-determined, but with other classes of business, this could involve complex and sometimes bitter discussion.

The department organization and activity to deal with these two aspects can be readily understood.

(d) **Significance**: it has been said that an insurer stands or falls on the way it deals with its claims. There is truth in the remark and the insurance intermediary will want to know and feel confidence in the support he looks for in this area.

3.8 REINSURANCE

This is not an area where the insurance intermediary is likely to have a close association, but he should be aware that reinsurance is very important to the insurer. Some features to note:

(a) **Definition**: insurance used to transfer all or part of the risk assumed by an insurer under one or more insurance contracts to another insurer, who may be referred to as a reinsurer in relation to such a transaction.

(b) **Reasons**: the major reason is security. It is likely, at least with larger insurers, that an individual claim is payable from the assets of the company, but it may be very inconvenient (and expensive) to produce large amounts of cash at short notice, since assets will mostly be in investments. A reinsurance contract may be so arranged as to entitle the reinsured to an immediate claim payment by the reinsurer in the event of a valid direct claim (i.e. a claim from the original insured) exceeding a pre-determined figure, even before the reinsured has actually paid the direct claim.

Another important reason for reinsurance is to increase an insurer's 'underwriting capacity', which means the ability to accept proposed business with in mind all risk management considerations. Having reinsurance means that some risks may be accepted which might otherwise have to be declined in part or total.

(c) **Methods**: this is not the direct concern of insurance intermediaries, unless they act on behalf of the insurer or reinsurer for handling reinsurance. It is sufficient to note that reinsurance may involve a degree of *sharing* a risk with the reinsurer(s), or of *protection* for the insurer, especially with potential *catastrophe* situations.

(d) **Effects**: reinsurance has no direct effect for the policyholder. He is not entitled to know, and probably has no need to know, that his insurance is being reinsured. That is a matter entirely between the insurer and the reinsurer(s). The insurer is always directly liable to the policyholder for the full amount payable under the contract. Reinsurance, however, does give an added security that the insurer will be *able* to pay!

3.9 ACTUARIAL SUPPORT

An actuary may be thought of as a highly skilled mathematician. His particular expertise is not only in the collation and presentation of numerical information, but also in projecting and predicting future trends, based on available data and assumptions. It will immediately be understood, therefore, that such an expert has a very important role to play in insurance. Some specific observations:

(a) The application of an actuary's skill is very obvious in such areas as *premium rating*, the calculation of *reserves* and the *valuation* of liabilities. All insurers and reinsurers must appoint a qualified actuary acceptable to AMCM. The Macau Insurance Ordinance requires insurers to carry out a valuation of all assets and liabilities on a regular basis, among the information required to be submitted to AMCM, the actuarial valuation report and technical reserve should be certified by an actuary.

(b) **Life insurance**: more than any other class of business, life insurance depends upon mathematical calculations (although they are very important to all classes). It is essential for the life insurer to know mathematical facts about *mortality* (death statistics) and projected *interest* earnings, for example.

Note: The appointed actuary for each closed private pension fund has to draw up the actuarial valuation of the liabilities to be guaranteed by the fund and the respective financing plan. Moreover, he is also required to determine the level of financing by the pension fund, to recommend the rate of contribution required, to assess the current rate of

total liabilities, and to draw up the annual actuarial report.

(b) **General insurance**: Actuaries' expertise, especially with *long-tail business* (insurance where claims arise and develop over a long period of time, e.g. liability classes), is extremely valuable. This is particularly true when having to calculate *outstanding claims* and *likely claims* liabilities.

3.10 ACCOUNTING AND INVESTMENT

The Accountant is another official with a vital role to play in the running of any business enterprise, and particularly that of an insurer. The functions of this department are fairly obvious, but for completeness we note:

(a) **Record keeping**: it would be insulting to refer to an accountant as a *bookkeeper*. Nevertheless, keeping accurate and reliable financial records is a vital function.

(b) **Collections**: ensuring that money receivable by the insurer is in fact paid clearly affects the very existence of the company. A satisfactory system for collecting, monitoring and reminding the company debtors is thus of high priority.

(c) **Payments**: ensuring that bills and debts are paid promptly and efficiently (and correctly) entails much routine but important work.

(d) **Investment**: if there is not a separate investment department, the care and placement of company assets may be the responsibility of the Accountant. It goes without saying that this is extremely important, from the perspectives of *security*, relative *return (or yield)* and *liquidity* (having sufficient cash-flow to meet known and anticipated monetary demands).

3.11 TRAINING AND DEVELOPMENT

Sometimes unappreciated or even slightly resented by line managers, ever conscious of targets and deadlines, the Training and Development department within a company is very important. Some observations to note:

(a) **Staff and Agents**: training is essential for both in-house personnel and field staff. The educational and training needs of both must not be overlooked.

(b) **Relevance**: training is not an *optional extra*, nor is it *independent*. It is part of the overall team that constitutes the insurer, and its activities must not be self-fulfilling, but relevant and effective to the continuance and enhancement of the company. Training content must cover topics such as product knowledge, compliance requirements, industry ethics, etc.

(c) **Training**: this may be seen as preparation for the actual job in hand, or the job in prospect. As such, it will involve courses, seminars and self-preparation arranged or

encouraged by staff training personnel.

(d) **Education**: this may be seen as involving the quest for wider learning and professional or related qualifications. Preparations etc. for this may be encouraged rather than provided, but having qualified staff (and agents) is of great importance.

(e) **In-house or external?**: whether instruction is provided by its own staff, or arranged on behalf of staff with outside providers, this will be an important concern of company trainers.

(f) **Resources and records**: facilities for training (library and other aids) as well as up to date records of individual training progress will clearly assist the efficient running of this section.

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4 STRUCTURE OF MACAU INSURANCE INDUSTRY

4.1 TYPES OF INSURANCE BUSINESS

There are a number of ways in which insurance business may be classified. The form used will depend upon the context in which the subject is being considered. Without trying to give an exhaustive review, we may consider the topic under three headings:

(a) *Statutory*: for the purposes of Government authorization and supervision.
(b) *Practical*: for the purposes of internal company organization.
(c) *Academic*: for the purposes of professional study and training.

4.1.1 Statutory Classification of Insurance

This is found in the Schedule of Classes of Insurance of the Macau Insurance Ordinance (MIO), which specifies the various classes of business, using essentially the format used in the U.K. and the European Community. The Ordinance divides insurance into *Life Insurance Business* and *General Insurance Business*, but with a number of sub-divisions, as follows:

(a) **Life Insurance Business**: this is divided into nine categories, with a designated letter per class, i.e.

A	*Life and annuity*	-	Conventional life insurance and annuity contracts
B	*Marriage and birth*	-	Insurance contracts providing benefits payable on marriage or on birth of a child
C	*Linked long term*	-	Unit-linked life insurance and annuity contracts
D	*Health*	-	Essentially benefit policies relating to incapacity from accident or ill-health (the policy is not normally cancellable by the insurer)
E	*Tontines*	-	an unusual contract on a group of persons, the benefit payable to the last survivor

F	*Capital redemption*	-	Policies not related to human life, with capital payable at a fixed future date
G	*Pension fund management (Type 1)*	-	Retirement plan contracts providing for a guaranteed capital or return
H	*Pension fund management (Type 2)*	-	Retirement plan contracts not providing for a guaranteed capital or return
I	*Pension fund management (Type 3)*	-	Contracts providing insurance benefits under retirement plan, but excluding class G or H above

Note: It will be appreciated that not all the above will have equal significance in the day to day business of the Macau insurance market.

(b) **General Insurance Business**: this is divided into 17 categories, with a designated number per class, i.e.

1	*Accident (personal and occupational)*	-	this is more usually referred to as **Personal and Occupational Accident**, providing benefits in the event of accident or sickness
2	*Sickness*	-	cancellable (usually annual) policies with benefits related to sickness or infirmity
3	*Land vehicles*	-	effecting and carrying out contracts of insurance against loss of or damage to vehicles used on land, including motor vehicles, but excluding railway rolling stock.
4	*Railway rolling stock*	-	effecting and carrying out contracts of insurance against loss of or damage to railway rolling stock.
5	*Aircraft*	-	insurance covers on aircrafts and respective machinery, tackle, furniture or equipment etc. (usually known as **aviation** insurance)
6	*Ships*	-	insurance covers on vessels, or the respective machinery, tackle, furniture or equipment of such vessels etc. (usually known as **marine** insurance)
7	*Goods in transit*	-	insurance against loss of or damage to

			merchandise, baggage and all other goods in transit, irrespective of the form of transport. (includes **marine cargo**)
8	*Fire and natural forces*	-	insurance against loss of or damage to property (other than property to which classes 3 to 7 above relate) due to fire, explosion, storm, natural forces other than storm, nuclear energy or land subsidence.
9	*Damage to property*	-	insurance against loss of or damage to property (other than property to which classes 3 to 7 above relate) due to hail or frost or to any event (such as theft) other than those mentioned in class 8 above.
10	*Motor vehicle liability*	-	insurance against damage arising out of or in connection with the use of motor vehicles on public roads, including risks in connection with the transportation of cargo. (third party Motor insurance)
11	*Aircraft liability*	-	insurance against damage arising out of or in connection with the use of aircraft, including risks in connection with the transportation of cargo.
12	*Liability for ships*	-	insurance against damage arising out of or in connection with the use of vessels on the sea or on inland water, including risks in connection with the transportation of cargo.
13	*General liability*	-	insurance against risks of the persons insured incurring liabilities to third parties, the risks in question not being risks to which class 10, 11 or 12 above relates.
14	*Credit (Commercial risks)*	-	loss to creditors from failure to pay debts
15	*Suretyship*	-	**Fidelity Guarantee** and **Bond** risks
16	*Miscellaneous (financial loss)*	-	**Pecuniary** insurances, including **Loss of Profits** (Consequential Loss)
17	*Legal expenses*	-	insurances to pay legal costs (either as defendant or plaintiff)

Note: 1 Few, if any, local insurers are likely to use the above classification in their internal organization, but authorization to transact business will be granted in respect of the classes indicated.

2 An important, and curious, thing to note is that the statutory classification as

shown has no separate class for **Employee Compensation**, a compulsory and very important class of insurance in Macau. It has to be considered under Class 1 - Accident.

4.1.2 Practical Classification of Insurance

For internal management purposes, each insurer is free to classify his business as he sees fit, but the following are typical examples of systems used by insurers in Macau:

(a) **Departmental (Class of Business)**

There is no single pattern under this form of classification, but there are two main approaches:

(i) **U.K. (European) Style**: where traditionally the major classes were *Life, Marine, Fire* and *Accident* (which effectively meant anything else, such as personal accident, liability, motor etc.).

(ii) **U.S. Style**: where there is a very clear distinction between *Life* and *General Insurance* business, the latter frequently being sub-divided into *Property* (insuring tangible objects) and *Casualty* (mostly liability, but with other classes such as personal accident, etc.).

(b) **Source of Business**

Under this system, for control and management purposes, business is sub-divided according to how it was obtained, i.e.

(i) from **insurance salesmen**;
(ii) from **insurance agents**;
(iii) from **insurance brokers**;
(iv) **direct** from the public (no insurance intermediary involved).

(c) **Type of Client**

Under this system, for control and management purposes, business is sub-divided according to whether it covers:

(i) **individuals** (also known as **Personal Insurance**); or
(ii) **enterprise** (also known as **Business** or **Commercial Insurance**).

4.1.3 Academic Classification of Insurance

For academic and professional examination purposes (especially with U.K. or Commonwealth jurisdictions), insurance is frequently sub-divided on a *Subject Matter* or *Functional* basis, as follows:

(a) insurance of *the person*, i.e. covering human beings (life, health and personal accident insurances etc.);

(b) insurance of property, i.e. covering tangible objects against loss or damage (fire, motor damage, marine cargo etc.);

(c) insurance of *liability*, i.e. covering legal responsibility for death, injury or property damage to others (employee compensation, public liability, etc.);

(d) insurance of *pecuniary interests*: the word "pecuniary" comes from a Latin word meaning "money". Hence, pecuniary insurance relates to any financial interest to be insured not covered by (a) - (c) above, including consequential loss, credit and rent insurance.

Note: It must not be thought that the academic classification is only of use in studying for examinations. Thinking about insurance according to the function it performs (person, property, liability etc.) is a useful check-list when trying to help a client decide what insurances he should have.

4.1.4 Reinsurance

Reinsurers insure the insurers. This is absolutely normal, indeed essential to the well-being of the industry. Reinsurance is usually part of the normal activity of insurers, as:

(a) **Outwards reinsurance**: where the insurer seeks cover for his own insurances, insuring again with other insurers/reinsurers;

(b) **Inwards reinsurance**: where the insurer acts as a reinsurer, covering risks already insured by other insurers/reinsurers;

(**"Professional" reinsurance**: an insurer who only transacts reinsurance business is referred to as a *professional reinsurer*. These are usually very large international organizations offering a valuable world-wide service.)

4.2 SIZE OF INDUSTRY

Insurance is a dynamic element in the financial services industry of Macau, so statistics are always likely to be somewhat out of date. Nevertheless, we may usefully consider this topic under four headings:

(a) number of authorised *insurers*;
(b) number of registered or authorised *intermediaries*;
(c) number of staffs *employed* in the industry;
(d) premium volume.

4.2.1 Authorised Insurers

There were 27 insurance institutions operating in the Macau SAR as at 31 December 2024, of which 14 carried on general insurance business while 13 were life insurance companies. In addition, there were 2 private pension fund management companies solely engaging in such business and a representative office of reinsurance company with its head-office outside Macau. In terms of incorporation, some of the insurance institutions transacting business in the Macau SAR were branch offices of overseas insurers, representing the interests of 4 countries and Hong Kong SAR, while 11 insurers and 2 private pension fund management companies were incorporated locally.

4.2.2 Registered or Authorised Intermediaries

At end-2024, the total number of insurance intermediaries authorised to conduct insurance activities was 7,558, of which 74% were individual insurance agents, 25% were insurance salesmen and the remaining were corporate insurance agents (1%) and insurance brokers (0.15%). At end of 2024, there were 18,471 valid insurance intermediary permits, consisting of 7,177 permits for carrying on life insurance business, 3,388 permits for general insurance business, 4,751 permits for investment-linked insurance and 3,155 permits for pension fund business

4.2.3 Persons Employed

As for staffing, licensed insurers and private pension fund management companies had a total staff strength of 818 at the end of the year 2024.

4.2.4 Premium Volume

When discussing premiums, many technical considerations arise which are beyond the scope of the present study. We shall therefore confine ourselves to the broad picture. From the Annual Report of AMCM 2024, we learn that in 2024:

(a) gross premiums for *General Insurance Business* amounted to approximately **MOP 2.9 billion**;
(b) gross premiums for *Life Insurance Business* amounted to approximately **MOP 36 billion**.

4.3 INSURANCE COMPANIES

Some statistical information about insurance companies in Macau has already been considered (see **4.2.1** above), but other features should be noted, as follows:

(a) **The Major "Players"**

The Report of the Insurance Activity (2024) from the Monetary Authority of Macao gives interesting aggregate information, as follows:

(i) **General Insurance Business**: the top three insurers (by gross premiums) accounted for just over **65%** of the 2024 market share. (one company with over 32%)

(ii) **Life Insurance Business**: the top three insurers (by gross premiums) accounted for just over **73%** of 2024 market share. (one company with over **37%**).

With **14** companies authorised to write General Insurance Business and **13** authorised to write Life Insurance Business, we may reasonably conclude that General Insurance Business is more evenly distributed among authorized insurers than Life Insurance Business.

(b) **Market Co-operation**

More will be said on this topic later (see for example **4.5** below), but it is appropriate to mention at this stage that Macau insurers have a well-established body representing their interests, in the *Macau Insurers' Association (MIA)*. Since its formation in 1987 the MIA, which is recognised by the Government as the **insurer representative body** in Macau, has always had a membership of the *authorised insurers*. Without doubt it is a major factor in the structure of the Macau Insurance Industry.

4.4 INSURANCE INTERMEDIARIES

As noted above (**4.2.2**), insurance intermediaries consist of insurance salesmen, insurance agents and insurance brokers. More detailed comments on their respective roles and legal requirements appear elsewhere in these Notes (see especially **5.2**), but considering them under the topic of the structure of the Macau Insurance Industry, we should note the following:

(a) **Authorisation**: Insurance intermediaries in Macau must be duly authorised. This is a statutory requirement being empowered by specific provisions in the "Insurance Intermediary Business Ordinance".

(b) **Qualifications**: Before authorisation of insurance intermediary is granted, the applicants must fulfil certain criteria, which are considered in detail later (see **Chapter 5**).

(c) **Role**: it is true that an insurance may be arranged *direct* with the insurer, i.e. without using an insurance intermediary, but this is not the norm, especially in Life Insurance Business. It would be relatively rare, for instance, to find life insurances being arranged in Macau without an insurance agent being involved. Also, with more complex commercial risks it is quite normal for an insurance broker to be engaged, in view of his wide experience and independent expertise. It is therefore quite clear that insurance intermediaries have, an important role in the structure of the Macau insurance industry.

(d) **Market Co-operation**: more will be said on this topic in **4.5** below, but it would probably be fair to say that the roles of *insurance salesmen, insurance agents* and insurance *brokers* are perceived to be quite distinct. Also, there is not a conflict, but perhaps a slight divergence of interest between large international *insurance brokers* and their relatively much smaller local counterparts. All, however, through their market representations and individually, have a common interest in quality service and the

integrity of the market.

4.5 MARKET ASSOCIATIONS

Some of the major market associations/insurance related organizations in the Macau insurance market are:

4.5.1 The Macau Insurers' Association (MIA)

(a) This organization has already been mentioned (see **4.3(b)**), but it is difficult to over-state the importance of the MIA on the local insurance scene. The primary objective of the MIA is to promote and advance the common interests of **insurers** transacting business in Macau. As a major influence in the **self-regulatory** process, the MIA has numerous areas of activity.

(b) According to its Mission Statement, the MIA exists to promote insurance to the people of Macau and build **consumer confidence** in the industry, by encouraging the highest standards of **ethics** and **professionalism** amongst its members.

4.5.2 Insurance Intermediary Bodies

There are four self-established insurance intermediary bodies in Macau:

(a) *The Macau Insurance Agents & Brokers Association*;
(b) *The Federation of Macau Professional Insurance Intermediaries;*
(c) *The Macau Insurance Intermediaries Association;* and
(d) *The Association of Macau Financial Employees.*

4.5.3 Organisations to Assist Claimants or Victims

The Motor and Marine Guarantee Fund: funded by a surcharge on the premiums of compulsory motor vehicles insurance and compulsory pleasure craft insurance, the Fund seeks to provide compensation in respect of the death of or injury to innocent victims of motor vehicle and pleasure craft incidents, where the required compulsory insurance for such situations does not exist, is not effective, or the responsible person cannot be identified, or the insurer is in liquidation.

The Labour Creditor's Rights Protection Fund: established by Law No. 10/2015 "Labour Creditor's Rights Protection System", it aims to provide workers and family members of workers who died due to work accidents or occupational diseases the protection set out in the above law, and to ensure the payment of labour claims when debtors fail to fulfil their obligations. Coverage includes the family members of workers who died due to work accidents or occupational diseases are guaranteed the payment of the corresponding compensations when the employer did not purchase labour insurance, or when the employer purchased labour insurance but the insurance entity fails to fulfil the obligation due to bankruptcy.

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5 INSURANCE REGULATORY FRAMEWORK

In the Macau SAR, the authority for the supervision, co-ordination and inspection of insurance activity rests with the Chief Executive, while the actual execution of these functions is carried out by the Monetary Authority of Macao (AMCM) through its Insurance Supervision Department.

There are various reasons why the insurance activity should be subject to supervision.

First of all, an insurance policy takes the form of a contractual agreement between one party, the policyholder, who gives his consent to pay the premium and adhere to the terms and conditions drawn by the other party, the insurer. Due to the nature of the insurance contracts, the policyholder, in many cases, may fail to understand the technical aspects of the policy, its consequences, or the true interpretation of its terms and conditions. This could easily lead the policyholder to enter into an insurance agreement contrary to his interests or simply, inadequate for his needs.

It is therefore vital that an independent entity entrusted with the functions of co-ordination, supervision and inspection of insurance activity to regulate the design and sale of insurance products, so as to protect the interests of policyholders.

On the other hand, when insurance policy is issued, the insurer receives the premium from the policyholder, which, in economic terms, is the income of the insurer. Subsequently, as and when a valid claim is lodged, the insurer will have to indemnify the claimant according to the terms of the policy. The payment of indemnity can be termed as an outgo or cost.

It can thus be seen that the insurance companies first receive the income and then bear the respective costs. This, of course, is quite different from other economic activities wherein the costs are incurred before the relevant income is generated.

This peculiar characteristic of the insurance activity leads to the accumulation of large amounts of money. However, insurance companies cannot use these funds freely, because they still have to pay the claims as and when they fall due. Therefore, it is obvious that there is a genuine need for insurance funds to be managed prudently and utilised for the right purposes.

AMCM's policy, in terms of supervision, is to strike a balance between total liberalism and excessive controls so as to maintain the traditional free-market characteristics of the Macau SAR. However, to safeguard the legitimate interests of the policyholders, the efforts of the Supervisory Authority have been channelled particularly towards monitoring the financial guarantees of insurance companies on an ongoing basis.

5.1 REGULATION OF INSURANCE COMPANIES IN MACAU

The Macau Insurance Ordinance, Decree-Law No. 27/97/M of 30 June regulates the conditions of access to and carrying on of insurance and reinsurance activity in the Macau SAR. The Ordinance was introduced in 1997, amended by Law No. 21/2020, and

subsequently republished by the Chief Executive Order No. 229/2020, to keep pace with the development of international standards in the regulation of insurance business. This Ordinance regulates the following major areas:

5.1.1 Share Capital and Establishment Fund requirement

(a) Share capital

For constituting local insurance companies, the share capital requirement is MOP60 million for life insurance business and MOP30 million for general insurance business.

(b) Establishment fund

For setting up a branch of an overseas insurance company, the establishment fund requirement is MOP15 million for life insurance business and MOP10 million for general insurance business. In addition, the share capital of the respective head office should not be less than the share capital requirement for a local insurance company, life or general insurance, as the case may be.

5.1.2 Licensing requirement

The members of administrative and supervisory board of insurers or reinsurers, as well as of the persons who effectively manage the insurer or reinsurer must meet the suitability requirement in performing their functions. Also, insurers or reinsurers must have appropriate corporate governance structure, risk management and internal control system, business outline and sound financial plan. Insurer or reinsurer must have the ability to meet legal, accounting, technical and managerial requirements.

5.1.3 Solvency Margin Requirement

Authorised insurers are required to maintain a minimum solvency margin sufficient to meet the liabilities arising from its activities in the Macau SAR. The solvency margin shall be calculated on the state of affairs of the insurer on the last day of the financial year immediately preceding and shall correspond to:

(i) The company's equity, in the case of an insurer formed in the Macau SAR
(ii) The net assets of the branch in the Macau SAR, in the case of an insurer with head office overseas.

The company's equity and net assets shall be free of any charge or liability and shall not include intangible items and those specified by the AMCM.
The assets representing the solvency margin shall be situated in the Macau SAR, excluding, however, those assets that pertain to the activity carried on overseas by the insurer.

The required solvency margin for general insurance business is determined in terms of annual gross premium recorded during the preceding year, net of returns and cancellations, in accordance with the following table:

GROSS PREMIUM INCOME	AMOUNT OF SOLVENCY MARGIN
Less than or equal to MOP40 million	50% of the said income in that year, and shall be at least MOP10 million
More than MOP40 million	The aggregate of MOP20 million and 25% of the amount by which the said income in that year exceeds MOP40 million

The required solvency margin in respect of life insurance shall be determined on the basis of the amount of mathematical reserves or the amount of capital at risk and shall be equal to the aggregate of the results arrived at depending on the classes of life insurance transacted by the insurer.

5.1.4. Setting Up of Technical Reserves

The technical reserves to be set up by insurance companies include claims reserve, mathematical reserve, and unexpired risk reserve.

5.1.5 Composition and Type of Assets Admissible for Guaranteeing the Technical Reserves

The assets guaranteeing the technical reserves shall take into account the type of operation effected by the insurer, so as to guarantee the security, income and liquidity of investments of such insurer and also to assure an adequate diversification and dispersion of such investments. The nature, condition of acceptance of the guarantee assets and the percentile limits of the technical reserve permitted to be guaranteed by such assets are determined and published by AMCM by way of Notices. The guarantee assets are required to be pledged to AMCM and be free of any charge.

5.1.6 Disclosure Requirement on Changes in Qualified Shareholding

This requirement relates to the need to obtain the authorisation of the AMCM for any acquisition or change of shareholding of 5% or more of the capital or voting rights of insurers with head office in the Macau SAR.

5.1.7 Powers of Intervention and Sanctions

The provisions of the Macau Insurance Ordinance provide the supervisory authority with sufficient powers to take adequate, effective and prompt measures to prevent insurance companies from defaulting, suspend the authorisation granted for the carrying on of particular class(es) of insurance or all insurance activity, arrange orderly running-off procedures and, where necessary, take over the effective management of the insurer or reinsurer. Provisions for the commencement of infringement proceedings in case of non-compliance and rules for application of the relevant sanctions are set out in the said Ordinance.

5.1.8 Winding Up Procedures

These procedures are designed primarily to safeguard the interests of the insureds and beneficiaries. The insurers in the process of liquidation shall not carry on new insurance activity, renew or extend existing insurance, reinsurance contracts nor increase the respective amounts. Assets guaranteeing the technical reserves are to be used solely to meet the liabilities in respect of insureds and beneficiaries. Additionally, insureds and beneficiaries have a preferential right over other creditors in respect of the remaining assets.

5.2. REGULATION OF INSURANCE INTERMEDIARIES IN THE MACAU SAR

5.2.1 Insurance Intermediary Business Ordinance

The Law establishes the legal framework for licensing and carrying on insurance intermediary business in the Macau SAR, which takes effect on August 1, 2025. The law covers the following content:

5.2.2. Categories of Insurance Intermediaries

According to the Law No. 15/2024 "Insurance Intermediary Business Ordinance", only individuals and corporate entities that are duly authorised by the AMCM may conduct insurance intermediary business in the Macau SAR. Insurance intermediary licenses are divided into the following categories:

(i) Individual insurance agent,
(ii) Corporate insurance agent,
(iii) Insurance broker, and
(iv) Insurance salesman

An individual insurance agent refers to an individual who engages in insurance intermediary business on behalf of one or more insurers.

A corporate insurance agent refers to a legal entity that engages in insurance intermediary business on behalf of one or more insurers, and is divided into the following two categories:

(i) Corporate insurance agent (constituted in the Macau SAR)
(ii) Corporate insurance agent (branch of company constituted outside Macau SAR)

An insurance broker is a legal entity that operates independently of insurers and engages in insurance intermediary business. Insurance brokers are responsible to clients, insured parties, and insurance beneficiaries for their own actions, as well as for any actions taken by their insurance salesmen that involve the conclusion or validity of insurance contracts or other insurance-related contracts in which they are involved. Additionally, insurance brokers must hold professional indemnity insurance or provide

a bank guarantee in accordance with the regulations of the AMCM. Insurance brokers can solely engage in insurance intermediary business and are classified into the following two categories:

(i) Insurance broker (constituted in the Macau SAR)
(ii) Insurance broker (branch of company constituted outside the Macau SAR)

An insurance salesman refers to an individual who is an employee of an insurer, a corporate insurance agent, or an insurance broker, and who engages in insurance intermediary business on behalf of that entity.

5.2.3 Licensing Procedures

Required documents for application of individual insurance agent license or insurance salesman license, include but not limited to the following items:

(i) Application Form for individual insurance agent / insurance salesman license (including suitability assessment);
(ii) Macao Resident Identity Card;
(iii) Academic proof of high school graduation or higher academic qualification;
(iv) Valid passing certificate for the Insurance Intermediary Qualification Examination, or documentary proof of professional qualification meeting the exemption requirements for the Insurance Intermediary Qualification Examination; and
(v) Certificate of Criminal Record, etc.

Only those who meet the licensing requirements pertaining to the type of license and other criteria would be granted insurance intermediary license by the AMCM.

The license specifies the scope of business the insurance intermediary may carry on, including the permitted or restricted categories of business and particular class(es) of insurance.

Insurance intermediary licenses are valid for two years and may be renewed for the same period. However, the AMCM may stipulate a shorter validity period for individual licenses. Renewal is contingent upon the intermediary's compliance with statutory requirements and CPD training. Therefore the intermediary must submit a declaration of compliance under oath to AMCM.

Renewal applications may be submitted from five business days prior to the renewal month until the last business day of that month.

5.2.4 Rights and Obligations of Insurance Intermediaries

Different categories of insurance intermediaries have different rights and obligations. The rights and obligations generally applicable to all categories of

insurance intermediaries are as follows:

Rights of insurance intermediaries:

(i) To engage in insurance intermediary business through written contracts;
(ii) To refuse providing services unrelated to insurance intermediary business within the scope of insurance contracts or insurance business;
(iii) To appropriately obtain information specified in the contract that is necessary for conducting their business;
(iv) To receive commissions in a timely manner as stipulated in the contract.

General obligations of insurance intermediaries include but are not limited to:

(i) To act with integrity, impartiality and fairness, with the client's best interests as the premise, and to avoid conflicts of interest;
(ii) To provide efficient services to clients, to correctly and comprehensively explain policy terms to clients, and to provide suitable, impartial and objective advice after comprehensively considering the client's interests;
(iii) Not to perform any act regarding the client's insurance contract, other insurance-related contracts or other relevant documents without the policyholder's consent;
(iv) To report in detail to the insurer on the risks it intends to underwrite, and to report in detail to the insurer upon becoming aware of any changes in the insured risks that may affect the terms of the insurance contract or other insurance-related contracts, or upon becoming aware of any facts that may affect claims settlement;
(v) To properly handle and submit to the insurer in a timely manner all premiums or other relevant funds collected from clients;
(vi) To comply with laws and regulations applicable to insurers and insurance intermediaries, and not to involve in the conclusion of insurance contracts or other insurance-related contracts that violate such provisions;
(vii) To negotiate or conclude insurance contracts or provide other insurance intermediary services for clients only with insurers licensed to operate in the Macau SAR, unless otherwise provided by law;
(viii) Not to engage in unfair competition practices, especially disseminating false information about insurers or other insurance intermediaries that damages their credibility, or providing incorrect information to clients for personal gain;
(ix) Not to underwrite risks in their own name; and
(x) To engage only in activities permitted by the AMCM, etc.

For further details on the obligations of insurance intermediaries, please refer to Law No. 15/2024, Insurance Intermediary Business Ordinance, particularly Article 26 (Duty of Confidentiality).

5.2.5 Continuing Professional Development Programme for Insurance Intermediaries

According to Paragraph 4 of Article 9 of Law No. 15/2024, Insurance Intermediary Business Ordinance, the renewal of a license is subject to the insurance intermediary meeting the licensing requirements and the requirements for continuing professional training. Therefore, individual insurance agents and insurance salesmen (hereinafter collectively referred to as "Individual Insurance Intermediaries") must satisfy respective requirements by participating in continuing professional development (hereinafter referred to as "CPD") activities. Furthermore, pursuant to Paragraph 3 of Article 17 of the same law, the AMCM, via Notice No. 008/2025-AMCM, has established the "Continuing Professional Development Programme for Insurance Intermediaries" (hereinafter referred to as the "CPD Programme"), which stipulates the required hours and relevant requirements for continuing professional training. All licensed individual insurance agents and insurance salesmen engaged in insurance intermediary business must comply with the provisions of the CPD Programme.

The purpose of the CPD Programme is to ensure that Individual Insurance Intermediaries in the Macau SAR possess up-to-date and appropriate professional knowledge and skills to fulfill their duties in conducting insurance intermediary business. When renewing their licenses, Individual Insurance Intermediaries must satisfy the accumulated CPD hour requirements corresponding to their license renewal and report this to the AMCM, pertaining to the number of business categories/specific insurance classes they are licensed to engage in. Individual Insurance Intermediaries licensed to engage in general insurance or life insurance intermediary business must satisfy five CPD hours per year for each licensed intermediary business category (General Insurance / Life Insurance). If licensed to engage in both business categories concurrently, they must complete ten CPD hours per year. Given that the license validity period is two years, each Individual Insurance Intermediary must complete a total of ten CPD hours during the assessment period[1] for each licensed intermediary business category (General Insurance / Life Insurance). If concurrently licensed for both business categories (General Insurance and Life Insurance), they must complete twenty CPD hours during the assessment period.

Additionally, if an Individual Insurance Intermediary is licensed for one business category (e.g., Life Insurance) and concurrently licensed for one or more specific insurance classes within that category (e.g., Investment-Linked Insurance or Pension Funds), they must complete ten CPD hours per year. Given the two-year license validity period, they must satisfy the requirement of at least twenty CPD hours during the assessment period.

If an Individual Insurance Intermediary fails to satisfy the CPD hour requirements during the assessment period, their licenses will not be renewed and will be revoked.

5.2.6 Conduct Rules for Insurance Intermediary Business

Ethics and professionalism of insurance intermediaries are essential to maintain the safety and stability of the insurance market, and to ensure that the policy

[1] Assessment Period: For assessing the compliance of Individual Insurance Intermediaries with continuing professional training requirements, the assessment period generally refers to the validity period of their license, or other periods specified by the AMCM.

holders and the public are of protection of their rights and interests.

(i) When carrying on insurance intermediary business, an insurance intermediary must:

(a) Act honestly, ethically and with integrity;
(b) Treat clients fairly and act in their best interests;
(c) Act with due care, skill and diligence;
(d) Possess appropriate levels of professional knowledge and experience and only carry on insurance intermediary business in respect of which the insurance intermediary has the required competence;
(e) Comply with personal data protection laws and regulations, and keep customer information confidential;
(f) Make the disclosure of information to the client that is necessary for the client to be sufficiently informed prior to the client makes any material decision related to a contract of insurance;
(g) Take into account the client's circumstances and provide suitable advice to the client; and
(h) Ensure the assets of the client are promptly and properly accounted for.

(ii) Corporate insurance agents should establish, maintain and effectively implement proper controls and procedures to ensure that the corporate insurance agent and its insurance salesmen comply with the fundamental conduct requirements listed above subparagraph (i). The insurance products sold by the corporate insurance agent and its insurance salesmen should be ensured to reasonably meet the relevant sales requirements prescribed by the AMCM.

(iii) Insurance brokers should establish, maintain and effectively implement proper controls and procedures to ensure that the insurance broker and its insurance salesmen comply with the fundamental conduct requirements listed in above subparagraph (i). The insurance products recommended and the insurance policies arranged on behalf of clients by the insurance broker and its insurance salesmen should be ensured to reasonably meet the relevant sales requirements prescribed by the AMCM.

(iv) The insurers that conduct business through insurance intermediary distribution channels should establish, maintain and effectively implement proper controls and procedures to ensure that their insurance agents and insurance salesmen comply with the fundamental conduct requirements listed in above subparagraph (i). The insurance intermediary business referred by the insurance agents, insurance salesmen and insurance brokers should be ensured to reasonably meet the relevant sales requirements prescribed by the AMCM.

In order to enable the market to understand the AMCM's expected standards for compliance with the principles in the Conduct Rules, the AMCM issued Circular No. 009/B/2021-DSG/AMCM "Guideline on Conduct Requirements for Insurance Agency Business" and Circular No. 010/B/2021-DSG/AMCM "Guidelines on Conduct Requirements for Insurance Brokerage Business". The Guidelines sets out the standards and practices related to each principles applicable to the relevant insurance

agents and insurance brokers, as well as the controls and procedures applicable to the insurers.

5.2.7 Powers of Intervention and Sanctions.

The Framework provides the supervisory authority with sufficient powers to impose penalties and exercise sanctions in cases of non-compliance with or violations of the provisions of the Framework.

Depending on the severity of the violation engaged by the insurance intermediary, penalties may include fines, closure of business premises, prohibition from engaging in insurance intermediary business, public reprimand, or public disclosure of administrative penalty decisions.

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6 OTHER RELATED ISSUES

6.1 PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

Macau is a member of the Asia Pacific Group ("APG") which is an associate member of the Financial Action Task Force ("FATF"), an international organization committed to combating money laundering and terrorist financing. As such, Macau has participated regularly in the meetings organised by a similar entity at the regional level, as it is a member of the Asia Pacific Group on Money Laundering. In this context, the Insurance Supervision Department of the AMCM has provided general guidance for the insurance industry to institute necessary measures for the prevention and combating of money laundering and terrorist financing in Macau. Based on the applicable legislation in force and in line with international practice, the AMCM issued the guidelines specifically for the insurance sector in 2006, and make necessary revision from time to time.

"Guidelines on Prevention and Combating of Money Laundering and Financing of Terrorism in Insurance" set out the principles and practices that should be adopted by insurers and insurance intermediaries. Some of the major aspects have been outlined below.

6.1.1 Money Laundering and Insurance

(i) Most common form:

1. Unit-linked or non unit-linked single premium contracts;
2. Purchased annuities;
3. Lump sum top-ups to an existing life contract; and
4. Lump sum contributions to personal pension contracts.

(ii) Stages of money laundering: there are three regularly used stages which should alert insurers to potential criminal activity:

1. Placement - the physical disposal of cash proceeds derived from illegal activity;
2. Layering - separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the source of money, subvert the audit trail and provide anonymity; and
3. Integration - creating the impression of apparent legitimacy to criminally derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be normal business funds.

6.1.2 Legislation on Preventing and Combating Money Laundering and Terrorist Financing in the Macau SAR

(i) The current legislative framework devoted to anti-money laundering and combating of terrorist financing came into force in April 2006. The "Law on Prevention and Suppression of Money Laundering Crime" (Law No. 2/2006, of 23 March) and "Law on Prevention and Suppression of Terrorism Crimes" (Law

No. 3/2006, of 30 March) defined respectively the types of money-laundering crimes and crimes associated with terrorism and terrorist activities (including the specific case of financing of terrorism) and by establishing a set of preventive measures that have to be followed for the prevention and combating of the said illicit activities. Decree Law No. 2/2006 and 3/2006 have been revised by Decree Law no. 3/2017. These preventive measures were subsequently concretised with regard to their specific content and scope of subjective application (that is, indicating which entities are required to comply with the said preventive measures) through Administrative Regulation No. 7/2006, of 7 April. Administrative Regulation No. 7/2006 has been revised by Administrative Regulation No. 17/2017.

(ii) Among the preventive measures in the fight against money laundering and financing of terrorism activities, the said laws lay down the obligations of various economic operators to report to the Financial Intelligence Office (GIF), an agency under the direct supervision of Secretary for Security, within two working days after detection of such operations involving conversion, transfer or dissimulation of illicit properties or proceeds.

(iii) An important innovation introduced by Article 5 of the Administrative Regulation No. 7/2006 relates to the obligation to refuse the carrying out of the transactions on the part of the operators (insurance institutions and insurance intermediaries) whenever it is not possible to obtain the necessary client identification and transaction details.

(iv) Failure to comply with the above obligation is punishable with a fine of from MOP10,000.00 to MOP500,000.00 for an individual, or a fine of from MOP100,000.00 to MOP5,000,000.00 for a corporate entity, pursuant to the terms of Article 7-B of the Decree Law no. 2/2006, for non-compliance of duties mentioned in Article 5-A, Article 5-B and Article 7, which constitutes administrative offence.

(v) Similarly, supervisory authorities are required to inform immediately the Public Prosecutor's Office all cases of money laundering or financing of terrorism which have come to their knowledge in the course of their supervisory duties. They are also empowered to investigate cases of non-compliance with the reporting requirement and commence appropriate administrative infringement proceedings against entities under their supervision.

(vi) Article 3 of Law No. 2/2006 and Article 4 of Law No. 3/2006 make it a criminal offence to knowingly process or assist in the processing of illicit proceeds in order to disguise their illegal origin, as well as promote, join or support terrorist group, organization or association.

(vii) The maximum penalty applicable is a prison term upto 8 years in the case of money laundering or up to a maximum of 20 years in the case of crimes associated with terrorism and fine of up to 1,000 days or judicial liquidation when the crime is committed by a corporate entity.

6.1.3 Measures on Prevention of Money Laundering

(i) Customer Identification: proof of customers' identity must be given and customer due diligence must be performed.

(ii) Record keeping: Insurance institutions should maintain, for at least five years after the business relationship has ended, all necessary records on transactions including name, address, the nature and date of the transaction, the type and amount of currency involved, the type and identifying number of any account involved in the transaction, the copies of official identification documents, the account files and business correspondence, and the results of any analysis undertaken.

(iii) Suspicious transactions: systems should be in place to identify and report suspicious transactions, once suspicious transactions identified, institutions must report to the Financial Intelligence Office.

(iv) Training: adequate measures should be taken to ensure that staff are fully aware of their responsibilities, meanwhile, ongoing training should be provided to employees and intermediaries to ensure that they are kept informed of information on current money laundering and financing of terrorism techniques, methods and trends.

(v) Compliance with Law: institutions should ensure that business is conducted in conformity with high ethical standards and that laws and regulations pertaining to financial transactions are adhered to.

(vi) Co-operation with Law Enforcement Authorities: insurance institutions should co-operate fully with law enforcement authorities to the extent permitted by law or contractual obligations relating to customer confidentiality.

The above Guidelines require that insurers, reinsurers, captives, pension fund managers, and insurance intermediaries have to keep proper remittance transaction records. When they send money to or receive money from their customers outside Macau of MOP20,000 or above, they should record the following particulars regarding the transaction:

(i) transaction serial number;
(ii) currency and amount involved;
(iii) date and time of receiving instructions from the customers;
(iv) instruction details;
(v) personal particulars of the customers;
(vi) bank accounts involved; and
(vii) date and time of delivery and receipt.

6.1.4 Asset Freezing Regime

In order to comply with the requirements of the United Nations Security Council

Resolutions regarding freezing of assets related to terrorism, terrorist financing and proliferation financing, the Legislative Assembly of Macau SAR passed on 12 August 2016 the Law no. 6/2016, named “Law on Asset Freezing Regime”. This law was published on 29 August 2016 and came into effect on 30 August 2016. According to Article 5 of the said law and the Chief Executive Order No. 64/2020, the Asset Freezing Coordinating Commission was established to provide technical assistance in the execution of asset freezing regime. The Commission then published Sector Guidelines for Implementation of Asset Freezing Regime. It was prescribed that the entities subject to the supervision of the AMCM, such as credit institutions, insurance companies, etc are subject to the duties of freezing, prohibition to make assets available and to provide financial services, and reporting. Non-compliance with the relevant provisions of the Law constitutes an administrative infraction.

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6.2 PREVENTION OF INSURANCE FRAUD

From a specific example of dishonesty (money laundering), we now consider the broader picture of insurance fraud. Fraud is of course "dishonesty" or "cheating" and since insurance is a process involving a high *fiduciary* (trust) element, there is ample scope for the dishonest person to take advantage.

Insurance fraud may take any of a large number of forms. Usually, we tend to associate the term with dishonest claims, from relatively "small" matters, such as having a cheap watch stolen and saying it was a Rolex, to elaborate swindles involving arson or faked death certificates. In our region there have even been examples of large life insurances being arranged and then having the person concerned murdered for the insurance money.

Fraud, however, may arise at other than the claims level. Obtaining insurance by the deliberate falsification of material information, or knowingly hiding bad features, is equally fraud. Of course, this is a breach of utmost good faith (see **2.2**), but often it is difficult to prove such things later.

Although fraud may be committed by anyone involved with insurance (policyholder, intermediary or even the insurer) we shall concentrate on the customary understanding of the proposer or insured seeking an illegal advantage against the insurer. The comments below refer specifically to the role of the intermediary in this subject area.

6.2.1 The Intermediary and the Fraudulent Policyholder

The law is quite clear in this matter. Anyone who knowingly assists in fraudulent activities effectively becomes a *"partner in crime"*. Therefore, whether the intermediary is an insurance agent or an insurance broker he becomes immediately associated with the fraudster if he knowingly assists or cooperates in the attempted fraud. If fraud is proved against an intermediary, in an attempt to cheat the insurer, the intermediary will always be considered to be the *agent of the proposer/insured* in such a situation. Additionally, he may face criminal and/or civil legal action.

6.2.2 The Intermediary and Examples of Insurance Fraud

As stated, fraud takes many forms. We do not talk about deliberate collusion and dishonesty on the part of insurance intermediaries. The illegality and unethical nature of that is self-evident. However, specific examples where the intermediary may be approached or tempted to assist in insurance fraud include:

(a) **Arranging the insurance**: it often happens that the intermediary knows or is supplied with information which could have an adverse effect upon an application or proposal for insurance. It could even mean that the insurance is declined by the insurer. Under no circumstances should that information be omitted or misrepresented. Doing this with the deliberate intention of misleading the insurer is **fraud**.

Remember, by law and ethics an intermediary is *bound* to exercise the utmost good faith in such matters, whatever the practical consequences for the proposed insurance.

(b) **Fraudulent claims**: it is not the responsibility of the insurance intermediary to become a "detective" or a law-enforcement officer, but there is a common duty not to assist fraud and to report evidence or suspicions of it. Concerning claims, this may mean suspicious circumstances, doubtful medical or other documentary evidence or even verbal communications which clearly indicate that all is not correct with a particular claim.

Note: A word of caution must be given. Fraud is a most serious matter and to allege it is something that must not be done lightly. It is the insurer's primary duty to investigate claims, and certainly only he can allege fraud. The intermediary's role is to assist the insurer, and indeed the law, in resisting attempted fraud, but this is a matter of the greatest sensitivity, as will be readily appreciated.

6.2.3 Practical Steps in Preventing Fraud

As with all matters involving illegal activities, perhaps the most important advice in preventing fraud is firstly to be **aware** that it *can happen*. Of course, we must not become paranoid about this, but the possibility that it can arise is always a good beginning in fraud prevention. Additionally:

(a) **Vigilance**: suspicious actions, like sudden increases in sums insured with no or inadequate explanation, apparently inordinate amounts of insurance, and so on, should put the intermediary on guard.

(b) **Diligence**: sometimes fraud can arise when records are inadequately kept or unnecessary delays occur. Keeping up to date with actions and record keeping is not only good business, it is an excellent fraud prevention exercise.

(c) **Communication**: whether representing the insured or the insurer, the intermediary should always keep in close touch with the insurer, especially where there may be suspicious circumstances.

(d) **Integrity**: by law, contract and all recognised ethical behaviour, insurance agents or brokers must maintain the highest moral standards. Remembering this at all

times will almost automatically supply all necessary guidance in this area. Salesman, agent, broker or insurer, we are all the enemy of fraud.

6.3 PERSONAL DATA PROTECTION

One of the consequences of the "computer revolution" has been the fear that the speed, efficiency and capabilities of information technology will severely affect personal privacy. This has been a worldwide concern and many jurisdictions, including Macao SAR, have passed laws to safeguard the individual in this respect. The particular statute for Macao is the Law no. 8/2005, the Personal Data Protection Act (the "Act"). Insurance Intermediaries should be familiar with the Act to avoid breaking law by mistake.

6.3.1 Features of the Act

(a) **Scope:** by international standards, this Act is thorough, relating to personal data without distinguishing between automatic and manual personal data, and binding all persons and the Government as well. A body has been established under the Ordinance to oversee its application, namely *the Personal Data Protection Bureau* ("PDPB" in Portuguese acronym).

(b) **Definitions:** the following terms are defined in the Act:

(i) "personal data" shall mean any information of any type, irrespective of the type of medium involved, including sound and image, relating to an identified or identifiable natural person ("data subject");

(ii) "data subject" shall mean the natural person whose data are processed;

(iii) "processing of personal data" ("processing") shall mean any operation or set of operations which is performed upon personal data, whether or not by automatic means, such as collection, recording, organisation, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, blocking, erasure or destruction;

(iv) "controller" shall mean the natural or legal person, public entity, agency or any other body which alone or jointly with others determines the purposes and means of the processing of personal data.

(c) **Data Protection Principles:** any person/entity who controls the collection, holding, processing or use of personal data (data user) has to follow the five data protection principles stipulated in the Act, as follows:

(i) processed lawfully and with respect for the principle of good faith, and transparently and in strict respect for privacy and for other fundamental rights, freedoms and guarantees set out in the Basic Law of the Macao Special Administrative Region, the instruments of international law and the legislation in force;

(ii) collected for specified, explicit, legitimate purposes and for purposes directly related to the activity of the controller and not further processed in a way incompatible with those purposes;

(iii) adequate, relevant and not excessive in relation to the purposes for which they are collected and/or further processed;

(iv) accurate and, where necessary, kept up to date; adequate measures must be taken to ensure that data which are inaccurate or incomplete, having

regard to the purposes for which they were collected or for which they are further processed, are erased or rectified;

(v) kept in a form which permits identification of their subjects for no longer than is necessary for the purposes for which they were collected or for which they are further processed.

(d) **Personal data may be processed** only if the data subject has unambiguously given his consent or if processing is necessary:

(i) for the performance of a contract or contracts to which the data subject is party or in order to take steps at the request of the data subject prior to entering into a contract or a declaration of his will to negotiate;

(ii) for compliance with a legal obligation to which the controller is subject;

(iii) in order to protect the vital interests of the data subject if the latter is physically or legally incapable of giving his consent;

(iv) for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller or in a third party to whom the data are disclosed;

(v) for pursuing the legitimate interests of the controller or the third party to whom the data are disclosed, except where such interests should be overridden by the interests for fundamental rights, freedoms and guarantees of the data subject.

(e) **Right of access:** the data subject has the right to obtain from the controller without constraint at reasonable intervals and without excessive delay or expense.

(f) **Combination of personal data:**

(i) be necessary for pursuing the legal or statutory purposes and legitimate interests of the controller;

(ii) not involve discrimination or a reduction in the fundamental rights and freedoms of the data subjects;

(iii) be covered by adequate security measures; and

(iv) take account of the type of data to be combined.

(g) **Obligation of notification:** the controller or his representative, if any, must notify the public authority in writing within eight days after the initiation of carrying out any wholly or partly automatic processing operation or set of such operations intended to serve a single purpose or several related purposes.

(h) **Right to compensation:** any person who has suffered damage as a result of an unlawful processing operation or of any other act incompatible with legal provisions or regulations in the area of personal data protection is entitled to receive compensation from the controller for the damage suffered.

(i) **Supervision and Enforcement:** compliance of the Act are supervised by PDPB. The same law provides that, when the data subject finds their personal data abused, they may lodge complaints with PDPB. If PDPB thinks that the reported case involves crime, the case will be referred to judiciary agencies for processing. Where the reported case involves issues of proportionality but no administrative offence, the Office will deliver an advisory to the institution concerned, urging it to handle personal data in appropriate ways.

(j) **Offences and penalties:** violation of the Act may constitute an administrative

offence and the offender may be subjected to a fine of MOP4,000 to MOP40,000 (see Article 33). If offender uses collected personal data for a purpose different from that of the surveillance, he or she may have committed a crime (see Article 37), and may be punishable with up to one-year imprisonment and a fine of 120 days.

6.4 CYBERSECURITY LAW

Law no. 13/2019 the "Cybersecurity Law", published in 24 June 2019, was effective in 22 December 2019. The Cybersecurity Law established a preventive administration management system belonging to the cyber security of Macau, ensuring proper protection for the network, system and data information of critical infrastructure. Thus, the preventive competence of cyber security in Macau will be strengthened, so as to mitigate the risk of cyber-attacks and protect the safety and benefits of Macau and even the country. 'Critical infrastructures' refers to the assets, networks and computer systems relevant to the normal functioning of society, and whose disruption, destruction, disclosure of data, suspension of operation or significant decrease in efficiency is likely to cause serious damage to the well-being public security, public order or other relevant public interest. The law applies to critical infrastructure operators, banking, finance, and insurance sectors belong to critical infrastructure private operators.

As the regulator of the insurance sector, the AMCM issued the "Guideline on Cyber Resilience for Insurance Sector" (Circular No. 015/B/2019-DSG/AMCM) in 22 December 2019, the Guideline provides a set of cybersecurity controls and measures for the Macau insurance sector regarding cyber risk management and to enhance the capability in defending cyber-attacks.

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Principles and Practice of Insurance Glossary
(Based on the Study Notes)

Abandonment	委付
Academic Classification	學術類別
Accident	意外
Actuarial Support	精算
Agency	代理
Agent	代理人
Agreed Value Policy	約定價值保單
Agreement	協議
Aircraft	飛機
Aircraft liability	飛機方面的法律責任
“All Risks”	全險
Ancillary Functions (of Insurance)	(保險的)輔助功能
Apparent Authority	表面權限
Assignment	權益轉讓
Assignment of the Proceeds of the Policy	保單收益的轉讓
Association of Macau Financial Employees	澳門金融從業員協會
Average (Marine)	部份損失(水險)
Average (Non-Marine)	比例分攤(非水險)
Bonus	分利
Capital at Risk	風險資本
Capital Redemption	資金償還
Cash Payment	支付現金
Catastrophe Situations	災難性情況
Centralized (for Life Insurance Underwriting)	集中的(人壽保險核保)
Claims	賠償
Collateral	抵押
Compensation	補償
Complaints	投訴
Concealment	隱瞞
Condition	條件
Consequential loss	後果損失
Consideration	代價
Contract	合同
Contract Alterations	合同更改
Contribution	賠償分擔
Credit	信貸
Cybersecurity	網絡安全
Damage to property	對保險標的物造成之損害
Deductible	自負額
Defective Contracts	有問題合同
Dividend	分紅
Double Insurance	重複保險
Duty of Disclosure	披露責任

Emotional (Risk)	情緒上的風險
Employees' Compensation Insurance	工作意外及職業病保險法例
Establishment Fund	開設基金
Excepted (Excluded) Peril	除外危險
Excess	超額
Federation of Macau Professional Insurance Intermediaries	澳門保險專業中介人聯會
Financial (Risk)	財務上的(風險)
Fire and Natural Forces	火災及自然現象
Franchise	起賠額
Fraud (Insurance)	(保險)詐騙
Fraudulent Misrepresentation	欺詐性失實陳述
Freely Assignable	可自由轉讓
Fundamental Risk	基本風險
General Business	一般業務
General Insurance	一般保險
General Liability	一般民事責任
Goods in Transit	貨運
"Guidelines on Prevention and Combating of Money Laundering and Financing of Terrorism in Insurance"	《預防及打擊透過保險活動清洗黑錢及資助恐怖主義的操作指引》
Indemnity	損害賠償
Indemnity (How Provided)	(如何提供)損害賠償
Independent Liability	獨立責任
Individual Product Development	個別產品開發
Innocent Misrepresentation	無意的失實陳述
Insurable Interest	可保利益
Insurable Interest (When Needed)	(何時需要)可保利益
Insurable Risk	可保風險
Insurance Agent	保險代理人
Insurance Intermediary Business Ordinance	保險中介業務法
Insurance Broker	保險經紀
Insurance Intermediaries	保險中介人
Insurance Salesman	保險推銷員
Insurance of Liability	責任(法律責任)保險
Insurance of Other Legal Rights	其他合法權利保險
Insurance of Persons	個人保險
Insurance of Property	財產保險
Insured	被保險人(或受保人)
Insured Peril	受保危險
Insurer	保險人(或保險公司、承保人、承保商)
Inwards Reinsurance	分入再保險
Land Vehicles	車輛
"Law on Prevention and Suppression of Money Laundering Crime"	《預防及遏止清洗黑錢犯罪》
"Law on Prevention and Suppression of Terrorism Crimes"	《預防及遏止恐怖主義犯罪》

Legal Expenses	法律保護
Legal Personal Representative	合法的個人代表
Legally Recognised	法律認可
Liability for Ships	船舶民事責任
Life and Annuity	人壽及定期金
Life Insurance	人壽保險
Linked Long Term	連掛長期保險
Long-Term Business	長期業務
Long-Tail Business	長期責任業務
Macau Insurance Agents and Brokers Association	澳門保險業中介人協會
Macau Insurance Ordinance	保險業務法律制度
Macau Insurers' Association	澳門保險公會
Macau Insurance Intermediaries Association	澳門保險中介行業協會
Marine Clause	海上條款
Marine Policies	水險保單
Marriage and Birth	結婚及出生
Material Fact	重要事實
Miscellaneous (Financial Loss)	各種財務損失
Monetary Authority of Macao (AMCM)	澳門金融管理局
Money Laundering	洗黑錢
More Specifically Insured	更具體受保
Mortality	死亡率
Motor and Marine Guarantee Fund	澳門汽車及航海保障基金
Motor Vehicle Liability	汽車民事責任
Negligence	疏忽
"New for Old" Cover	「以新代舊」保障
Non-Contribution Clause	免分攤條款
Non-Disclosure	隱報情況
Non-Material Fact	非重要事實
Offer	要約
Ordinary Good Faith	一般誠信
Outwards Reinsurance	分出再保險
Particular Risk	特定風險
Pecuniary Insurance	經濟權益保險
Pension Fund Management	退休基金管理
Peril	危險
Physical (Loss)	身體上的(損失)
Policy	保單
Policy Inception	保單開始的時候
Policy Limits	保單限額
Policy Loans	保單貸款
Policy Provisions	保單條款
Policyholder	保單持有人
Powers of Intervention and Sanctions	干預及制裁之權利
Practical Classification	實務類別

Premium	保險費(或保費)
Primary Functions (of Insurance)	(保險的)基本功能
Professional Liability Insurance	專業責任保險
Professional Reinsurer	專業再保險人
Proposer	投保人
Proximate Cause	近因
Pure Risk	純風險
Quantum	數額
Qualified Shareholding	資本持有權
Railway Rolling Stock	鐵路車輛
Rateable Share	分擔比例
Registered/Authorized Intermediaries	登記/獲授權中介人
Reinstatement	恢復原狀
Reinstatement Insurance	重置價值保險
Reinsurance	再保險
Renewal	續保
Repair	維修
Replacement	重置
Respective Sums Insured Method	保險金額比例制
Reversionary Interest	期末利益
Risk	風險
Risk Management	風險管理
Risk Transfer Mechanism	風險轉移機制
Salvage	損餘
“Salvage” in Marine Insurance	在水險中「救助」
Same Interest	相同權益
Same Perils	相同危險
Section Limit	部份限額
Ships	船舶
Sickness	疾病
Single Article Limit	單一物件限額
Solvency Margin	償付準備金
Speculative Risk	投機風險
Statutory Classification	法定類別
Stop-lists	拒絕名單
Subject matter	標的物
Subrogation	代位求償權
Subrogation (How Arising)	代位求償權(如何出現)
Subrogation (Rights Limited)	代位求償權(的上限為)
Sum Insured	保額
Suretyship	擔保(一般保險分類)
Target Risks	目標風險
Technical Reserve	技術準備金
Third Party	第三者
Tontines	綜合養老保險
Under Statute	在法規下

Underwriting	核保
Tort	侵權法
“Unfair” Discrimination in Insurance	保險中的「不公平」歧視
Uninsured Peril	不保危險
Utmost Good Faith	最高誠信
Vicarious Liability	轉承責任
Waive (a breach)	放棄(權利)
Warrant	保證

保險原理及實務字彙

（根據研習資料手冊）

一般民事責任	General Liability
一般保險	General Insurance
一般業務	General Business
一般誠信	Ordinary Good Faith
人壽及定期金	Life and Annuity
人壽保險	Life Insurance
工作意外及職業病保險法例	Employees' Compensation Insurance
干預及制裁之權利	Powers of Intervention and sanctions
不保危險	Uninsured Peril
分入再保險	Inwards Reinsurance
分出再保險	Outwards Reinsurance
分利	Bonus
分紅	Dividend
賠償分擔	Contribution
分擔比例	Rateable Share
支付現金	Cash Payment
比例分攤(非水險)	Average (Non-Marine)
水險保單	Marine Policies
火災及自然現象	Fire and Natural Forces
資本持有權	Qualified Shareholding
集中的(人壽保險核保)	Centralized (for Life Insurance Underwriting)
「以新代舊」保障	"New for Old" Cover
代位求償權	Subrogation
代位求償權(如何出現)	Subrogation (How Arising)
代位求償權 (的上限為)	Subrogation (Rights Limited)
代理	Agency
代理人	Agent
代價	Consideration
可自由轉讓	Freely Assignable
可保利益	Insurable Interest
(何時需要)可保利益	Insurable Interest (When Needed)
可保風險	Insurable Risk
目標風險	Target Risks
全險	"All Risks"
再保險	Reinsurance
危險	Peril
合法的個人代表	Legal Personal Representative
合同	Contract
合同更改	Contract Alterations
在水險中「救助」	"Salvage" in Marine Insurance
在法規下	Under Statute

法律認可	Legally recognised
有問題合同	Defective Contracts
《預防及打擊透過保險活動清洗黑錢和恐怖主義融資活動的操作指引》	"Guidelines on Prevention and Combating of Money Laundering and Financing of Terrorism in Insurance"
《預防及遏止清洗黑錢犯罪》	"Law on Prevention and Suppression of Money Laundering Crime"
《預防及遏止恐怖主義犯罪》	"Law on Prevention and Suppression of Terrorism Crimes"
死亡率	Mortality
自負額	Deductible
免分攤條款	Non-Contribution Clause
技術準備金	Technical Reserve
投保人	Proposer
投訴	Complaints
投機風險	Speculative Risk
更具體受保	More Specifically Insured
汽車民事責任	Motor Vehicle Liability
災難性情況	Catastrophe Situations
身體上的(損失)	Physical (Loss)
其他合法權利保險	Insurance of Other Legal Rights
協議	Agreement
受保危險	Insured Peril
委付	Abandonment
拒絕名單	Stop-lists
披露責任	Duty of Disclosure
抵押	Collateral
放棄(權利)	Waive (a breach)
法定類別	Statutory Classification
法律保險	Legal Expenses
表面權限	Apparent Authority
近因	Proximate Cause
長期責任業務	Long-Tail Business
長期業務	Long-Term Business
非重要事實	Non-Material Fact
信貸	Credit
侵權法	Tort
保單	Policy
保單收益的轉讓	Assignment of the Proceeds of the Policy
保單持有人	Policyholder
保單限額	Policy Limits
保單條款	Policy Provisions
保單貸款	Policy Loans
保單開始的時候	Policy Inception
保險人(或保險公司、承保人、承保商)	Insurer
保險中介人	Insurance Intermediaries
保險中的「不公平」歧視	"Unfair" Discrimination in Insurance

保險代理人	Insurance Agent
保險中介業務法	Insurance Intermediary Business Ordinance
保險業務法律制度	Macau Insurance Ordinance
保險推銷員	Insurance Salesman
保險費(或保費)	Premium
保險經紀	Insurance Broker
保額	Sum Insured
保證	Warrant
後果損失	Consequential loss
恢復原狀	Reinstatement
洗黑錢	Money Laundering
相同危險	Same Perils
相同權益	Same Interest
連掛長期保險	Linked Long Term
約定價值保單	Agreed Value Policy
要約	Offer
重要事實	Material Fact
重置	Replacement
重置價值保險	Reinstatement Insurance
風險	Risk
風險資本	Capital at Risk
風險管理	Risk Management
風險轉移機制	Risk Transfer Mechanism
飛機	Aircraft
飛機方面的法律責任	Aircraft liability
個人保險	Insurance of Persons
保險金額比例制	Respective Sums Insured Method
個別產品開發	Individual Product Development
核保	Underwriting
海上條款	Marine Clause
特定風險	Particular Risk
疾病	Sickness
純風險	Pure Risk
財務上的(風險)	Financial (Risk)
財產保險	Insurance of Property
對(各種)保險標的物造成之損害	Damage to property
起賠額	Franchise
退休基金管理	Pension Fund Management
(保險的)基本功能	Primary Functions (of Insurance)
除外危險	Excepted (Excluded) Peril
基本風險	Fundamental Risk
結婚及出生	Marriage and Birth
專業再保險人	Professional Reinsurer
疏忽	Negligence
專業責任保險	Professional Liability Insurance
情緒上的(風險)	Emotional (Risk)

條件	Condition
第三者	Third Party
船舶	Ships
船舶民事責任	Liability for Ships
被保險人(或受保人)	Insured
責任(法律責任)保險	Insurance of Liability
貨運	Goods in Transit
部份限額	Section Limit
部份損失(水險)	Average (Marine)
車輛	Land Vehicles
最高誠信	Utmost Good Faith
單一物件限額	Single Article Limit
期末利益	Reversionary Interest
欺詐性失實陳述	Fraudulent Misrepresentation
無意的失實陳述	Innocent Misrepresentation
登記/獲授權中介人	Registered/Authorized Intermediaries
(保險)詐騙	Fraud (Insurance)
超額	Excess
開設基金	Establishment Fund
意外	Accident
損害賠償	Indemnity
(如何提供)損害賠償	Indemnity (How Provided)
損餘	Salvage
經濟權益保險	Pecuniary Insurance
補償	Compensation
資金償還	Capital Redemption
實務類別	Practical Classification
精算	Actuarial Support
綜合養老保險	Tontines
維修	Repair
(保險的)輔助功能	Ancillary Functions (of Insurance)
數額	Quantum
標的物	Subject Matter
賠償	Claims
學術類別	Academic Classification
擔保(一般保險分類)	Suretyship
澳門汽車及航海保障基金	Motor and Marine Guarantee Fund
澳門金融管理局	Monetary Authority of Macao (AMCM)
澳門保險公會	Macau Insurers' Association
澳門保險業中介人協會	Macau Insurance Agents and Brokers Association
澳門保險業專業中介人聯會	Federation of Macau Professional Insurance Intermediaries
澳門保險中介行業協會	Macau Insurance Intermediaries Association
澳門金融從業員協會	Association of Macau Financial Employees
獨立責任	Independent Liability
償付準備金	Solvency Margin

隱報情況	Non-Disclosure
隱瞞	Concealment
轉承責任	Vicarious Liability
各種財務損失	Miscellaneous (Financial Loss)
重複保險	Double Insurance
續保	Renewal
鐵路車輛	Railway Rolling Stock
權益轉讓	Assignment
網絡安全	Cybersecurity

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General Agents & Managers Association of Hong Kong Limited

LOMA Society of Hong Kong

The Chartered Insurance Institute Hong Kong Limited

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The Macau Insurance Agents & Brokers Association

The Federation of Macau Professional Insurance Intermediaries