

**INSURANCE ORDINANCE (CAP. 41)**  
**(the “Ordinance”)**

.....  
(Company name of proposed special purposed insurer (“SPI”))

Application for Authorization to carry on  
Special Purpose Business (“SPB”) in or from Hong Kong

1. We certify that we are empowered to make application on behalf of the above-named company for authorization to carry on SPB in or from Hong Kong.
2. We further certify that the information supplied in support of this application is true and correct and that all estimates given are reasonable interpretations of facts which have been carefully considered and assessed.
3. We undertake to notify the Insurance Authority (the “Authority”) forthwith of any matter which affects the validity of any information given in support of this application.

Dated this        day of                    , 20        .

	)	
	)	
Signed: .....	)	
	)	
Name: .....	)	
(Director / Administrator / Director and Administrator)	)	
	)	
Signed: .....	)	of the proposed SPI
	)	
Name: .....	)	
(Director / Administrator / Director and Administrator)	)	
	)	
Signed: .....	)	
	)	
Name: .....	)	
(Director / Administrator / Director and Administrator)	)	

The Applicant Company's Seal, if applicable:-

**INFORMATION REQUIRED**

**GENERAL NOTES**

1. This application form is to be used by company who desire to operate as an SPI in carrying on SPB, as defined in the Ordinance, to apply to the Authority for authorization.
2. All parts of this form are to be completed. Where any section or area is not applicable, please state "N.A."
3. All documents shall be produced either in the Chinese language or English language. Where documents are required to be translated, the applicant shall certify that to the best of his knowledge and belief the person making the translation is competent to translate the documents into the Chinese/English language.
4. If insufficient space is provided in this form, please give details on a separate sheet.
5. Unless otherwise indicated, all references to sections or schedules are sections of or schedules to the Ordinance.
6. Please specify, as applicable, the currency used.

**IMPORTANT:**

- a. An application should not be made until all the information required is available. In this connection, it is advisable to hold preliminary meetings with the Authority before submitting the formal application.
- b. The proposed SPI should not commence to carry on any SPB in or from Hong Kong, or make any press announcement, until its application has been approved. Any failure to observe this requirement will constitute an offence under the Ordinance and may prejudice the application.
- c. The Insurance Authority is a public body specified in Schedule 1 to the Prevention of Bribery Ordinance (Chapter 201, Laws of Hong Kong) ("POBO"). The offer of an advantage to any member, officer or staff of the Insurance Authority with a view to influencing the approval of any application submitted to the Insurance Authority (e.g. application for authorization to carry on insurance business in or from Hong Kong) is an offence under the POBO. Any act of offering of an advantage by a prospective applicant or an applicant to the Insurance Authority, or by any of its directors, officers, employees or agents, will result in the application being immediately terminated. Prospective applicants and applicants shall inform its directors, officers, employees and agents who are connected with the application that the offering of advantages, as defined in the POBO, is not permitted.

**PART I - THE BACKGROUND OF THE APPLICANT**

1. Details of the proposed SPI<sup>1</sup>

Date of incorporation : \_\_\_\_\_  
 Company registration number : \_\_\_\_\_  
 Registered office address : \_\_\_\_\_  
 \_\_\_\_\_  
 Date of financial year ended : \_\_\_\_\_

Note: Please provide a copy of Article of Association, Incorporation Form<sup>2</sup> and Certificate of Incorporation of the proposed SPI.

2. Details of the cedant

Name of representative : \_\_\_\_\_  
 Entity name : \_\_\_\_\_  
 Principal place of business : \_\_\_\_\_  
 Registered office address : \_\_\_\_\_  
 \_\_\_\_\_  
 Contact number : \_\_\_\_\_  
 E-mail : \_\_\_\_\_

3. Details of the administrator

Name of administrator : \_\_\_\_\_  
 Entity name: \_\_\_\_\_  
 Position : \_\_\_\_\_  
 Contact number : \_\_\_\_\_  
 E-mail : \_\_\_\_\_

Note: Please attach the appropriate Form A prescribed in Schedule 2 to the Ordinance which shall be completed for the individual listed above.

4. Details of the directors

	<u>Director 1</u>	<u>Director 2</u>
Name of directors :	_____	_____
Occupation :	_____	_____
Years of experience:	_____	_____
Contact number :	_____	_____
E-mail :	_____	_____

Note: Please attach the appropriate Forms A and B prescribed in Schedule 2 to the Ordinance which shall be completed for each individual or body corporate listed above.

<sup>1</sup> Please initiate an early discussion with the IA if it is a branch of an insurance company.

<sup>2</sup> Form NNC1 of Companies Registry

5. Particulars of any business interests (beneficial or otherwise) in Hong Kong related to any of the administrator or directors of the proposed SPI which exists or which is proposed to exist.

6. Details of professional advisers (other than auditors) including service provider in insurance securitization, solicitors, investment consultants and loss adjusters, etc., if any.

Qualification : \_\_\_\_\_  
Name of representative : \_\_\_\_\_  
Entity name : \_\_\_\_\_  
Principal place of business : \_\_\_\_\_  
Registered office address : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Contact number : \_\_\_\_\_  
E-mail : \_\_\_\_\_  
.....

Note: Please provide the details for each professional adviser.

**PART II - EXISTING AUTHORIZATIONS**

7. Please provide a brief history and description of the cedant(s). The description should include the existing insurance business activities and risk undertaken, especially the experience with insurance securitization.

8. Please provide a brief description of the administrator and modelling company. The description should include their experience with insurance securitization.

9. In case the cedant is a non-Hong Kong company, please provide the title, address and contact information of the insurance supervisory authority in the applicant's place of incorporation and a full list of other countries in which the company carries on SPB.

Note: Please attach a copy of certificate from the supervisory authority evidencing the classes of insurance business for which the applicant is authorized in its country of incorporation.

10. Whether any application for authorization has been refused, any authorization revoked, any requirements imposed as a condition for being permitted to continue to carry on insurance business, any restriction imposed on the cedant(s) for originating an SPI or ceding risk to an SPI outside your country, or any foreign exchange controls on the movement of funds into and out of your country, by any insurance supervisory authority / regulatory authorities / government agencies in your country, and if so, give particulars.

**PART III - BUSINESS PLAN OF THE INSURANCE-LINKED SECURITIES (“ILS”)**

11. Please provide a description of the business plan of the proposed SPI, which should include the following:
- a. **Form and structure of the ILS** – details of the contractual arrangements or structures that the proposed SPI will take to form an orphan structure, and to cover the aggregate maximum liabilities, including the type and amount of assets being held for the cedant(s) under the reinsurance/risk transfer contract. Where applicable, this should also include the location of ILS to be issued, as well as the time of net proceeds to be received;
  - b. **Risk to be underwritten and transferred** – a description of the nature, scale and scope of the risks to be underwritten and transferred under the reinsurance/risk transfer contract<sup>3</sup> (e.g. location, type of cover, class of business, peril, risk period, etc.), and accordingly the contractual arrangements for debt issuance or financing mechanisms<sup>4</sup>. Where applicable, this should include an assessment of any residual risk retained by the cedant(s) or the proposed SPI, including basis risks and operational risks;
  - c. **Triggering events** – details of the mechanism that determines if an event qualifies for coverage stated in the contract of insurance;
  - d. **Aggregate maximum liabilities** – details of actual or potential risk exposures under the reinsurance/risk transfer contract;
  - e. **Expenses** – details of operating expenses expected to be incurred during the period under which the obligations of proposed SPI is in force and the reimbursement arrangement, if applicable;
  - f. **Risk period, and any early termination events** – details of the risk period, including any early termination event;
  - g. **Post-risk period** – details of redemption, termination and extension events and dates;
  - h. **Expected lifetime** – including the length of time for which the proposed SPI is intended to operate and plans (and circumstances) for winding down the proposed SPI, once the purpose for which it was established has been served;
  - i. **Fully funded** – detailed explanation on how the financing mechanism of the SPI are fully funded at all times, including consideration of the payment obligations to investor under the contractual documentation in respect of the ILS;
  - j. **Investment strategies** – a description of the investment guidelines governing the composition of assets to the applicant and its investor/debtholder(s). The associated documentation is expected to disclose the detail of investments, such as the types, issuers and target credit ratings of such investments, where applicable;

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<sup>3</sup> Means a contractual agreement entered into between the proposed SPI and the cedant(s).

<sup>4</sup> Means a contractual arrangement entered into by the proposed SPI with an investor(s).

- k. **Issuance size and minimum subscription of the ILS** – proposed issuance size and consideration for which the ILS to be acquired and subscribed for<sup>5</sup>;
- l. **Commutation approach** – where applicable, the proposed SPI’s approach to commutation of the risk transfer; and
- m. **Eligible ILS investors**<sup>6</sup> – a written and binding undertaking from the applicant and/or written representation from the placement agent(s)/arranger(s) of such proposed ILS transaction for the compliance of the SPB Rules, and a description of the procedures prescribed in paragraph 10.7 of the Guideline on Application for Authorization to Carry on Special Purpose Business (“GL33”).

12. Please provide a description of how the reinsurance/risk transfer contract and contractual arrangements for debt issuance or other financing mechanisms shall ensure that (where applicable, provide references to the relevant clauses in the applicable agreements which give the legal effect of any of the details included below):
- a. the rights of the investor/debtholder(s) are at all times subordinated to the claims of the cedant(s) under the subjected reinsurance/risk transfer contract;
  - b. no payments are made to the investor/debtholder(s), if following those payments the proposed SPI would no longer be fully funded;
  - c. the investor/debtholder(s) to the proposed SPI have no rights to apply for the winding-up of the proposed SPI; and
  - d. the reinsurance recoverable from the proposed SPI to the cedant(s) is limited to the available assets of the proposed SPI.

Note: Please provide written legal advice to confirm bankruptcy remoteness of the proposed SPI in the above respects. The legal advice should consider, without limitation, the laws at the place of incorporation of the SPI, the cedant and its ultimate holding company.

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<sup>5</sup> In accordance to section 129A of the Ordinance, the consideration for which the insurance-linked securities are to be acquired, subscribed for, underwritten, or disposed of under the agreement is not less than US\$250,000 or the equivalent of such amount in other currencies.

<sup>6</sup> As defined under Rule 3 of Insurance (Special Purpose Business) Rules (“SPB Rules”).

13. Please provide the details of the clearing and settlement systems (e.g. Central Moneymarkets Unit) to be used. If the ILS will be listed for quotation on any securities exchange, please also provide the name of the securities exchange.

14. Please provide copies of draft reinsurance/risk transfer contract to be securitized, draft indenture, draft term sheet and draft offering document (prospectus or offering circular or private placement memorandum thereof), including the contractual documentation, for the issuance of ILS. The documents should include the items described in paragraphs 11 to 13 above.

15. Please provide an illustration<sup>7</sup> of the form of ILS and the risks transfer under the reinsurance/risk transfer contract and, accordingly, the contractual arrangements for debt issuance or financing mechanisms, with the applicant, proposed SPI (including the administrator and directors), potential eligible ILS investors and professional advisers.

16. In the case of a non-Hong Kong company, please provide a description of the arrangements that would be made with regard to the keeping of accounting records and other records in respect of the Hong Kong operations. To what extent, the proposed SPI considers that it is able to meet the accounting requirements under the Ordinance.

17. Please indicate, with details, if the proposed SPI is intended to be reused for more than one ILS transaction.

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<sup>7</sup> An example is prescribed in the Annex A of GL33.



**PART IV - OTHER INFORMATION**

- 18. Please provide details of all outsourcing or sub-contracting arrangements in accordance with Guideline on Outsourcing (“GL14”). Please contact us for the checklist.
- 19. Please provide a description of the internal controls proposed to be implemented to secure the proper functioning of the company, including policies, procedures and controls in relation to anti-money laundering (“AML”) and counter-financing of terrorism (“CFT”).
- 20. Please provide copies of the audited financial statements of the cedant(s) for the latest three years preceding the application, where appropriate.
- 21. (a) State, whether in any jurisdiction within the past five years –
  - (i) a petition has been presented to the Courts for the winding up of the cedant(s), its group company or a company which left its group shortly before getting into difficulty,
  - (ii) a receiver has been appointed in respect of any of the assets of the cedant(s), its group company or a company which left its group shortly before getting into difficulty, or
  - (iii) the cedant(s), its group company or a company which left its group shortly before getting into difficulty has made any composition or arrangement with its creditors or any class of its creditors, and(b) if the answer to any of the above is "yes", give details of the present position regarding any such petition/receivership/composition/arrangement.

- 22. Financial projections of the proposed SPI for a period of three years or up to the maturity date of the ILS, whichever is longer.
- 23. Organizational chart of the proposed SPI showing all the functions and additional services (including those outsourced to service providers).
- 24. Information on the risk control systems of the proposed SPI, if applicable, including the descriptions on the:
  - a. claims arrangements;
  - b. information technology arrangements;
  - c. business continuity arrangements; and
  - d. administrative and accounting arrangements, internal audit arrangements.

- END -

**FORM IA-6S**  
**APPENDIX**

Documents submitted to the Insurance Authority

<b>Para.</b>	<b>Documents required</b>
1	A copy of Articles of Association, Incorporation Form (Form NNC1 of Companies Registry) and Certificate of Incorporation of the proposed SPI.
3 & 4	Forms A and/or B prescribed in Schedule 2 to the Ordinance for the application of administrator and directors of the proposed SPI.
9	In case the cedant(s) is a non-Hong Kong company: i) a copy of certificate from the supervisory authority evidencing the classes of insurance business for which the applicant is authorized in its country of incorporation; and ii) a copy of the letter from the insurance supervisory authority in your country granting your company approval to establish insurance operations in Hong Kong, if such approval is required. If approval is not required, a statement to this effect should be provided.
11	A written and binding undertaking from the applicant and/or written representation from the placement agent(s)/arranger(s) of such proposed ILS transaction, committing to comply with the SPB Rules.
12	A written legal advice to confirm bankruptcy remoteness of the SPI in accordance with paragraph 4.14 of GL33.
14	A copy of draft reinsurance/risk transfer contract to be entered into by the proposed SPI and the cedant(s).
	A copy of draft term sheet and draft offering document.
	A copy of draft collateral arrangement/structure with the draft custody agreement, draft trust deed, draft deed of charge and/or draft indenture.
	A copy of rating report with rating assessment or credit rating agency's report in relation to the issue of the funding instruments by the SPI, if any.
	A copy of draft contractual documentation (such as note purchase agreement) to be entered into by the proposed SPI with investor(s).
	A copy of draft claims reviewer agreement and loss reserve specialist agreement, if any.
	A copy of draft management agreement to be entered between the proposed SPI and the administrator.
15	Illustrative chart for the proposed SPB operation.
18	Checklist on the outsourcing or sub-contracting arrangements in accordance with GL14.
19	Details on proposed implementation to secure proper functioning of the proposed SPI in relation to AML and CFT.
20	Copies of audited financial statements of the cedant(s) for the latest three years preceding the application, where appropriate.
22	Financial projections of the proposed SPI for a period of three years or up to the maturity date of the ILS, whichever is longer.
23	Organizational chart of the proposed SPI showing all functions and additional services, including functions outsourced to service providers.