Consultation Paper on the Review of Annual Fees and Premium Levy

CONTENTS

Pages

FOREWORD.....3

PERSONAL INFORMATION COLLECTION STATEMENT.....4

CHAPTER 1 – EXECUTIVE SUMMARY.....6

CHAPTER 2 – BACKGROUND.....7

CHAPTER 3 – PROPOSED AMENDMENTS TO ANNUAL FEES.....9

CHAPTER 4 – PROPOSED AMENDMENTS TO PREMIUM LEVY CAP.....10

Appendix.....12

FOREWORD

1. This paper is published by the Insurance Authority ("IA") to consult the public on proposed amendments to the Insurance (Authorization and Annual Fees) Regulation (Cap. 41C) and the Insurance (Levy) Order (Cap. 41J) made under section 128 and section 134 of the Insurance Ordinance (Cap. 41) ("IO") respectively. These amendments involve adjusting upward the cap on variable component of annual fees collected from authorized long term insurers and increasing the related rate, and adjusting upward the cap on premium levy collected from holders of long term policies.

2. The IA welcomes written submissions on or before 3 December 2026 by any of the following means:

Mail: Corporate Services Division
Insurance Authority
19/F, 41 Heung Yip Road
Wong Chuk Hang
Hong Kong

Email: fees_review@ia.org.hk

3. A feedback template is attached at **the Appendix**.

4. Any person making a submission on behalf of an organization is requested to provide details of such organization.

5. If you would like to suggest alternative approaches, please ensure that adequate information is included in the submission.

6. Submissions will be received on the basis that the IA may choose to freely reproduce and publish them in whole or in part, in any form, and use, adapt or develop any proposals put forward without seeking permission or providing acknowledgement of the party making such proposals.

7. The name(s) of respondent(s), their affiliation(s) and contents of their submissions may be referred to in any forms of documentation the IA may publish or release. Please also read carefully the Personal Information Collection Statement provided in this document. If you do not wish your name, affiliation or submission to be disclosed, please expressly state so when making the submission.

PERSONAL INFORMATION COLLECTION STATEMENT

1. This Personal Information Collection Statement is made by the Insurance Authority ("IA") in compliance with the guidelines issued by the Privacy Commissioner for Personal Data. You should read it carefully since it sets out the purposes for which your personal data (as defined in section 2 of the Personal Data (Privacy) Ordinance (Cap. 486) ("PDPO") will be used following collection, what you are agreeing to with respect to the use of your personal data by the IA, and your rights under the PDPO.

Purpose of Collection

2. The personal data provided in your written submission to this paper will only be used by the IA for one or more of the following purposes -

   - consultation and its related purposes;
   - considering and proposing reforms of the law relating to insurance business;
   - administering provisions of the Insurance Ordinance (Cap. 41) ("IO") and any regulations, rules, codes, guidelines, circulars and regulatory instruments made or promulgated pursuant to powers vested in the IA;
   - performing statutory functions of the IA under the provisions of the IO;
   - statistics and research purposes; or
   - other purposes permitted by the laws of Hong Kong.

3. It is voluntary for you to respond to this consultation (including providing personal data in your submission).

Transfer of Personal Data

4. The personal data provided in your submission may be disclosed or transferred by the IA to third parties (e.g. relevant government departments) or to members of the public in Hong Kong and elsewhere as part of this consultation. The names of persons who submit feedback on this paper, together with the whole or any part of their submissions, may be disclosed or transferred. Disclosure of personal data to members of the public in Hong Kong and elsewhere will be done by publication on the IA website and in documents to be released by the IA during the consultation or upon its conclusion.

Access to Data

5. Under the PDPO, you have the right to request access to, and correction of, your personal data held by the IA. You may do so by filling in a "Data Access Request Form"[1] and sending it by post to the Personal Data Privacy Officer on 19/F, 41 Heung Yip Road, Wong Chuk Hang, Hong Kong. The IA has the right to charge a reasonable fee for processing any data access request.

Retention

6. Personal data provided in response to this paper will be retained by the IA for such period as may be necessary for the proper discharge of its functions.

[1] The Form is available at https://www.pcpd.org.hk/english/resources_centre/publications/files/Dforme.pdf

Enquiries

7. Enquiries regarding the personal data collected, used or transferred by the IA, or requests for access to or correction of personal data, should be addressed in writing to the Personal Data Privacy Officer.

8. The Privacy Policy of the IA is available at- https://www.ia.org.hk/en/privacy/privacy_statement.html

CHAPTER 1 – EXECUTIVE SUMMARY

1. The Insurance Authority ("IA") is a body corporate established in December 2015 under the Insurance Ordinance (Cap. 41) ("IO") as an independent regulator of the insurance industry in Hong Kong. It took over the responsibility for regulation of authorized insurers from the former Office of the Commissioner of Insurance and regulation of insurance intermediaries from the three Self-Regulatory Organizations in June 2017 and September 2019 respectively. The IA became lead supervisor of three major international insurance groups designated under the group-wide supervisory regime in May 2021.

2. The IA derives income from two main sources: annual fees collected from authorized insurers that include a fixed component of $300,000 and a variable component pitched at 0.0039% of insurance liabilities subject to a cap of $7 million, and levy collected from policy holders pitched at 0.1% of premiums payable subject to a cap of $100 and $5,000 for long term and general policies respectively.

3. Although such a funding mechanism is simple to manage, provides certainty and preserves market competitiveness, it has been envisaged at the outset that regular reviews[2] should be conducted so that the IA can effectively discharge its statutory functions and meet the demand for improved services.

4. Accordingly, a review of the funding mechanism has been conducted that gives rise to two proposed changes -

   - **Annual Fees:** increase the variable component for long term business from 0.0039% to 0.0042% of insurance liabilities and adjust upward the related cap from $7 million to $28 million.

   - **Premium Levy:** adjust upward the cap of long term policies from $100 to $500 or to $1,000, with the levy rate maintaining at 0.1%.

5. Subject to approval given by the Legislative Council, those amendments concerning the annual fees are expected to come into operation in **July 2027**, and those concerning the premium levy in **January 2028**.

---

[2] As foreshadowed in two discussion papers for the Legislative Council Panel on Financial Affairs titled "Proposed Establishment of an Independent Insurance Authority Consultation Conclusions and Detailed Proposals" dated 4 July 2011 and titled "Collection of Levy on Insurance Premiums and Various Fees by the Independent Insurance Authority" dated 15 November 2016.

CHAPTER 2 – BACKGROUND

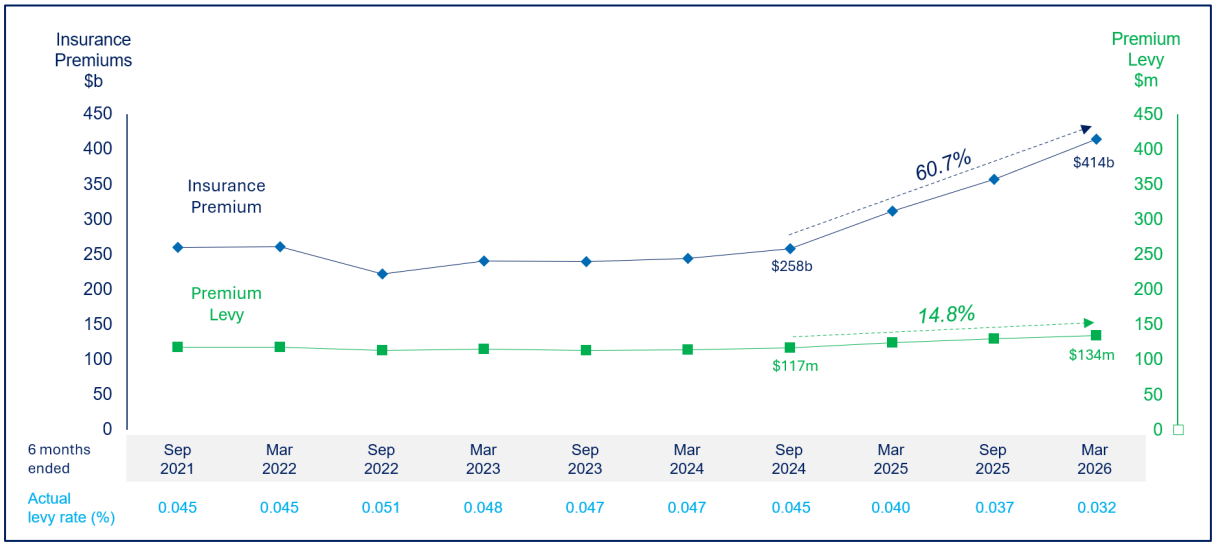
6. To ensure financial independence from the Government while keeping compliance burden at a reasonable level, the IA derives income from two main sources[3]:

   - Annual fees collected from authorized insurers that include a fixed component of $300,000 and a variable component[4] pitched at 0.0039% of insurance liabilities subject to a cap of $7 million[5] , accounting for 23% of total income recorded by the IA in 2025-26.

   - Levy collected from policy holders pitched at 0.1% of premiums payable subject to a cap of $100 and $5,000 for long term and general policies respectively, accounting for 53% of total income recorded by the IA in 2025-26.

7. Although such a funding mechanism is simple to manage, provides certainty and preserves market competitiveness, the caps are detached from market dynamics and will hamper budgetary planning. This structural limitation has been amplified by the rising prominence of Hong Kong as a global wealth management centre, with long term policies hitting the cap jumping from 1.6% in terms of number and 25.7% in terms of total premiums in 2009 when the levy was first conceived, to 9% and 77% respectively in 2026.

8. The chart below illustrates how the trend of long term insurance premiums progressively detached from that of premium levy -



9. The long term insurance premiums and premium levy remained largely stable from September 2021 to September 2024 when Hong Kong was affected by the pandemic and

---

[3] The IA also collects group-wide supervision fee from designated insurance holding companies and licensing fee from insurance intermediaries on cost-recovery basis.

[4] The variable component is not applicable to special purpose insurers set up to effect and carry out contracts of insurance fully funded by insurance securitization.

[5] In respect of composite insurers, the fixed component is $600,000 and the variable component is subject to a cap of $14 million.

its aftermath. However, when insurance premiums ballooned by 60.7% from $258 billion to $414 billion between September 2024 and March 2026, premium levy edged up by only 14.8% from $117 million to $134 million during the same period. Measured at this level, the actual levy rate[6] of 0.032% is heavily divorced from the statutory levy rate of 0.1%.

10. Meanwhile, insurance liabilities of long term business expanded by 111% from 2017 when the IA was established to 2025, resulting in eight long term insurers hitting the cap on variable component of the annual fees. The present trajectory suggests that the annual fee is likely to become stagnant over time.

11. In a nutshell, the two main sources of income are regressive in nature and cannot keep pace with evolving market dynamics.

[6] Percentage of premium levy when set against insurance premiums.

CHAPTER 3 – PROPOSED AMENDMENTS TO ANNUAL FEES

12. **Annual Fees:** increase the variable component for long term business from 0.0039% to 0.0042% of insurance liabilities and adjust upward the related cap from $7 million to $28 million.

    - Rationale
      Ensure that the IA can effectively discharge its statutory functions and meet the demand for improved services without hampering the efforts dedicated to developing general business.

    - Impact on insurers
      Based on the insurance liabilities as at 31 December 2025, long term insurers not yet hitting the cap will face an increase of 7.7% (up to about $0.3 million) on their annual fees while those which already did so will face an increase ranging from 15% to 240% ($1.1 million to $16.9 million) on their annual fees.

    - Financial impact
      The annual fee will increase by about $70 million per annum.

Question 1
Do you agree that variable component of the annual fee collected from long term insurers should be increased from 0.0039% to 0.0042% of insurance liabilities and the related cap be adjusted upward from $7 million to $28 million, thus ensuring that the IA can effectively discharge its statutory functions and meet the demand for improved services?

CHAPTER 4 – PROPOSED AMENDMENTS TO PREMIUM LEVY CAP

13. **Premium Levy:** adjust upward the cap of long term policies from $100 to $500 or to $1,000, with the levy rate maintaining at 0.1%.

- Rationale
  Better capturing market dynamics and spreading the burden equitably across policy holders without reducing the attractiveness of our insurance products.

- Impact on policy holders
  The relevant policy holders will have to pay additional levy of up to $400 or up to $900, but only 9% of them will be affected, as illustrated in the table below-

<table>
<tr><th>Annual Premiums</th><th>Levy Payable At Present</th><th>Levy Payable Capped at $500</th><th>Levy Payable Capped at $1,000</th></tr>
<tr><td>$50,000</td><td colspan="3">$50</td></tr>
<tr><td>$100,000</td><td colspan="3">$100</td></tr>
<tr><td>$200,000</td><td rowspan="4">$100</td><td colspan="2">$200 (+$100)</td></tr>
<tr><td>$300,000 to $500,000</td><td colspan="2">$300 to $500 (+$200 to $400)</td></tr>
<tr><td>$600,000 to $900,000</td><td rowspan="2">$500 (i.e. +$400)</td><td>$600 to $900 (+$500 to +$800)</td></tr>
<tr><td>$1,000,000</td><td>$1,000 (+$900)</td></tr>
</table>

Diagram 1 shows that by adjusting upward the cap of long term policies from $100 to $500, total premiums subject to the cap will drop from 77% to 58%, and the actual levy rate will be lifted from 0.0034% to 0.056%.

Diagram 1

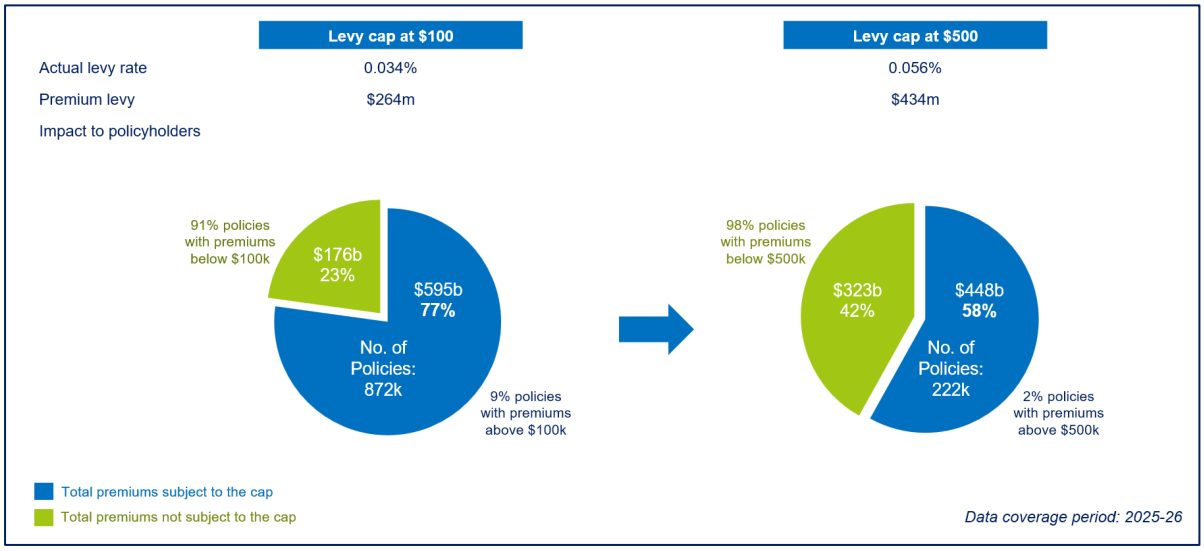
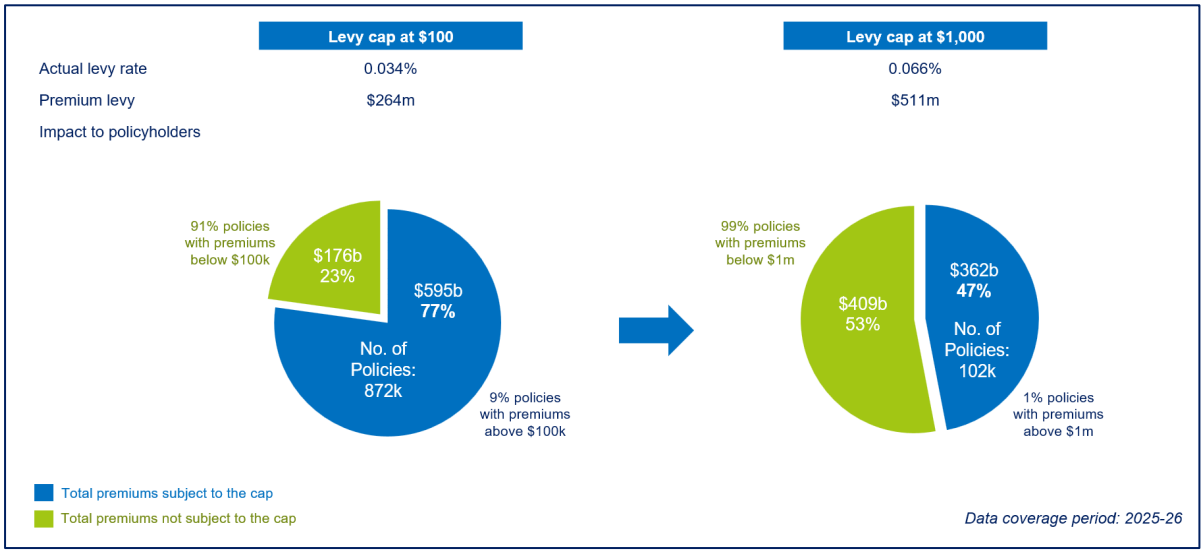


Diagram 2 shows that by adjusting upward the cap of long term policies from $100 to $1,000, total premiums subject to the cap will drop from 77% to 47%, and the actual levy rate will be lifted from 0.0034% to 0.066%.

Diagram 2



Question 2

Which of the following options do you prefer -

(a) adjust upward the cap on premium levy of long term policies to $500, thereby better capturing market dynamics and spreading the burden equitably across policy holders without reducing the attractiveness of our insurance products;

(b) adjust upward the cap on premium levy of long term policies to $1,000 so that the IA can accumulate reserves to smooth out undulations of income; or

(c) other changes such as adjusting the cap on premium levy of long term policies from $100 to levels between $500 and $1,000.

Appendix

Feedback to Consultation Paper on

the Review of Annual Fees and Premium Levy

*(Comments should be sent to the Insurance Authority on or before **3 December 2026**)*

To: Insurance Authority
(email: fees_review@ia.org.hk)

Name of Respondent:

Contact Person (if Respondent is an organization):

Contact Details:

Question 1 Do you agree that variable component of the annual fee collected from long term insurers should be increased from 0.0039% to 0.0042% of insurance liabilities and the related cap be adjusted upward from $7 million to $28 million, thus ensuring that the IA can effectively discharge its statutory functions and meet the demand for improved services?
Question 2 Which of the following options do you prefer - (a) adjust upward the cap on premium levy of long term policies to $500, thereby better capturing market dynamics and spreading the burden equitably across policy holders without reducing the attractiveness of our insurance products; (b) adjust upward the cap on premium levy of long term policies to $1,000 so that the IA can accumulate reserves to smooth out undulations of income; or (c) other changes such as adjusting the cap on premium levy of long term policies from $100 to levels between $500 and $1,000.