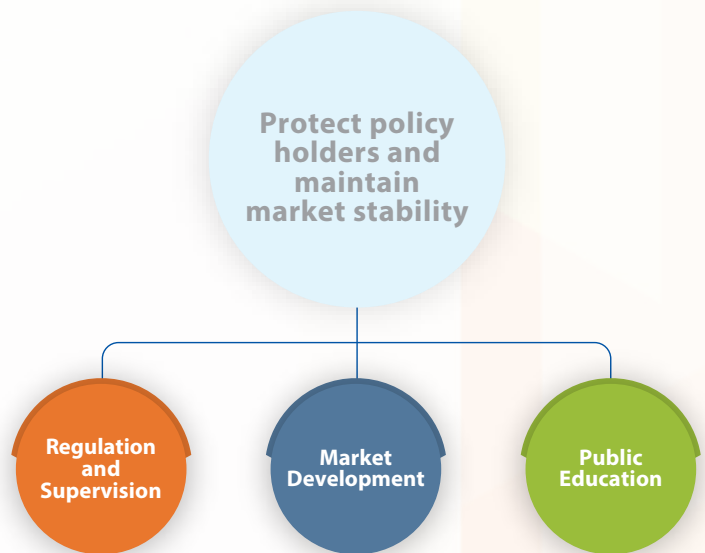


The Insurance Authority Annual Report 2022-23¹ (Synopsis)

The Insurance Authority (“IA”) is an insurance regulator independent of the Government and the insurance industry, regulating over 160 insurance companies and over 116,500 licensed insurance intermediaries.

The IA’s main statutory functions are to protect policy holders and maintain the general stability of the insurance market through effective regulation and supervision of the insurance industry, public education to enhance people’s understanding of insurance, promotion of sustainable market development initiatives to increase the competitiveness of Hong Kong as a global risk management centre and sophisticated insurance hub.



Regulation and Supervision

The IA continuously strives to safeguard the interests of policy holders and instil greater public confidence by regulating and supervising insurers and insurance intermediaries as well as introducing timely regulatory reforms.

Regulation of Insurers

Prudential Supervision

- To ensure the financial soundness and risk management capability of insurers, we have adopted a multi-faceted supervisory approach, consisting of comprehensive risk assessment, financial examinations, on-site inspections, and off-site monitoring.
- We strengthened compliance measures on premium financing after a joint inspection with the Hong Kong Monetary Authority (“HKMA”). Town hall meetings and training were arranged to provide guidance for insurers.

Conduct Supervision


- We sought to enhance the professional standards in carrying on regulated activities by insurers to reinforce trust in the market and protect the interests of policy holders.
- We delivered training for key persons of insurers in charge of intermediary management to strengthen procedures to reduce conduct risk associated with marketing and advisory activities.
- We published a list of top ten principals whose tied individual licensees have the worst compliance record with stipulated Continuing Professional Development (“CPD”) requirements.
- We issued a circular reminding insurers and insurance intermediaries of conduct issues related to long-term business with Mainland Chinese visitors.

¹ The annual report covers the IA’s major activities and initiatives between 1 April 2022 and 31 March 2023. Please visit the [IA website](#) for the full report.

Group-wide Supervision ("GWS")




-  The IA has successfully implemented the GWS framework. AIA Group, Prudential plc Group and FWD Group are Internationally Active Insurance Groups subject to our GWS framework.

Targeted Jurisdictional Assessment




-  In an assessment report released by the International Association of Insurance Supervisors ("IAIS") regarding implementation of the Holistic Framework for Systematic Risk in the Insurance Sector, Hong Kong was recognised for meeting most of the prescribed standards and for making robust progress on macroprudential surveillance.

Regulation of Insurance Intermediaries

Licensing

-  The IA performed a gatekeeping role through our licensing work to ensure that insurance intermediaries meet the "fit and proper" standards in an efficient and robust manner.
-  We approved 85,300 registrations to deemed licensees by the end of the three-year transitional period.
-  We processed some 90,000 applications for new licences, renewal of existing licences, updating of details, and termination of appointments.

Supervision




-  We carried out on-site inspections and supervisory reviews of insurance agencies and broker companies, enabling us to vigorously assess their compliance with regulatory requirements.
-  We examined 817 statutory returns and conducted 11 on-site inspections on insurance broker companies in line with the risk-based approach, and shared common findings and IA expectations through a circular.
-  We carried out 15 supervisory reviews on insurance agencies to assess their compliance with conduct and corporate governance requirements.

Insurance Intermediaries Connect ("IIC")


-  We incorporated additional functionalities into the IIC to cater for licence renewal and CPD reporting.

Regulatory Reforms

Risk-based Capital ("RBC") Regime


-  The IA is developing a RBC regime predicted on the business profile of individual insurers to enhance asset-liability management, risk governance and enterprise risk management.
-  The enabling legislation was passed by the Legislative Council.
-  We approved five applications for early adoption of the RBC Regime.

Policy Holders' Protection Scheme


-  A three-month public consultation exercise was conducted to collect views for the formulation of detailed arrangements of the scheme by the Government.

Regulation of Selling Process




Joint Mystery Shopping Programme

-  The IA jointly promulgated a circular with the HKMA and the Mandatory Provident Fund Schemes Authority on selling practices in respect of Qualifying Deferred Annuity Policy and Mandatory Provident Fund Tax-Deductible Voluntary Contributions.





Enhanced Disclosure

-  We revised rules for calculating and disclosing of fulfilment ratios for participating products and historical crediting interest rates for universal life products, which will take effect on 1 January 2024.




Investigation and Enforcement

-  The IA takes proportionate disciplinary and other enforcement action in the event of misconduct of actions or omissions impugning fitness and properness.
-  We meted out 13 disciplinary actions on conduct breaches or lack of fitness and properness, and 534 disciplinary actions attracting fines of HK\$3.4 million for failure to comply with CPD requirements.
-  We incorporated a fast-track approach to streamline the handling of trivial disciplinary cases and additional functionalities into the IIC for handling enforcement matters.

Anti-Money Laundering and Counter-Financing of Terrorism (“AML/CFT”)

-  The IA continues to monitor the industry’s risk exposure to money laundering and terrorist financing through ongoing supervisory engagement and robust oversight of their internal control systems.
-  We maintained vigilance on trial projects involving virtual onboarding via the Insurtech Sandbox to ensure adherence to the prevailing legislative provisions governing AML/CFT.
-  We amended Guideline 3 to update the definitions of “politically exposed person” and “beneficial owner” in relation to a trust, and the use of digital identification systems for customer due diligence.
-  We organised a seminar and webinar to raise awareness of the latest AML/CFT provisions, evolving topographies, and the findings of on-site inspections.

Complaint Handling

-  The IA handles complaints related to the conduct of insurers and insurance intermediaries in a fair and objective manner.
-  We received 1,083 new cases and closed 1,164, with 61 referred to the Enforcement Team or Conduct Supervision Team.
-  We published some “lessons learnt” from complaints in the *Conduct in Focus*.

Stakeholder Engagement

The IA maintained constant dialogue with industry stakeholders through the Industry Advisory Committees and other channels and platforms like hosting international meetings and receiving mainland and overseas regulatory counterparts.



Future Task Force meeting is held on cybersecurity and operational resilience



Ms Victoria Saporta, Executive Chair of the International Association of Insurance Supervisors (IAIS), pays a visit to the IA office



The 17th Annual Meeting and Conference of the Asian Forum of Insurance Regulators (AFIR)



The IA hosts the 22nd Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen



IA management meets with Mr Li Yunze, the Minister of National Financial Regulatory Administration (NFRA) and secretary of NFRA CPC committee



IA management meets Mr Xiao Yuanqi, Vice Chairman of China Banking and Insurance Regulatory Commission (CBIRC)² and his team

² The CBIRC was reorganised to become the National Financial Regulatory Administration in May 2023.


Market Development

On 5 December 2022, the Government published the Development Roadmap for the Insurance Sector in Hong Kong which set out a set of visions and missions to consolidate the role of Hong Kong as a global risk management centre and sophisticated insurance hub, give full play to the social value of insurance and contribute to the development of the country.


Guangdong-Hong Kong-Macao Greater Bay Area Development

The Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) is an ideal entry point for Hong Kong to participate in the dual circulation strategy and to fulfil its role as a “promoter” of domestic circulation.

Unilateral Recognition Policy for Cross-boundary Motor Insurance

 The Policy was successfully rolled out with a total of 17 local insurers (about 79% of the motor insurance market) offering the related products.


After-sales Service Centres

 We established a quadripartite forum with counterparts in Guangdong, Macau, and Shenzhen to iron out common principles for standards and requirements for establishing after-sales service centres, and engaged with the Hong Kong Federation of Insurers to formulate logistical details.

Global Risk Management Centre


Internationally, Hong Kong bounced back on the world stage to rebrand and reconnect after the pandemic, striving to be a “facilitator” of international circulation.

Insurance-linked Securities


 Three catastrophe bonds were issued to provide coverage against typhoons in Japan as well as earthquakes in the Mainland and Chile.

 The catastrophe bond sponsored by the World Bank for Chile was listed on the Hong Kong Stock Exchange.


Preferential Treatment

 The CBIRC regularised the preferential treatment for the Hong Kong insurance industry by including it as an integral part of the Solvency Regulatory Rules II for Insurance Companies. Five local reinsurers are currently eligible to benefit from it. The IA will strive to expand the scope of this mutual arrangement.

Captive Domicile


 Hong Kong stands as an ideal captive domicile for Mainland enterprises given its geographical proximity and cultural affinity. We will continue to open up a pathway for this to happen.

Marine and Specialty Risks


 A 50% profits tax concession has been in effect for general reinsurance business of direct insurers, selected general insurance business of direct insurers and selected insurance brokerage business to increase Hong Kong’s competitiveness.

Social Value of Insurance

Qualifying Deferred Annuity Policy ("QDAP")



-  We launched the "QDAP Selection Made Easy" one-stop search tool so that prospective policy holders can compare and match different products with their personal circumstances.

Protection Linked Plan ("PLP") and Investment-linked Assurance Scheme ("ILAS") Products


-  We cleared 16 revamped PLP and ILAS products to proceed with authorization by the Securities and Futures Commission.

Insurtech




Open Application Programming Interface ("Open API")

-  The IA identified over 30 use cases.
-  We partnered with the Hong Kong Science and Technology Parks Corporation to construct a central register to facilitate information sharing and cross-sector collaboration.

Asian Insurance Forum ("AIF") 2022

-  The IA's annual flagship event, bearing the theme of "Reflect, Reset, Revive for a Resilient Future", drew a record number of 1,500 multidisciplinary experts and delegates to share experience and exchange insights.

Green Finance

-  The IA took an active part in deliberations of the Green and Sustainable Finance Cross-Agency Steering Group ("CASG") and the Climate Risk Steering Group of the IAIS.
-  We coordinated with the Centre for Green and Sustainable Finance established by the CASG to bridge data gaps.
-  We collaborated with the Hong Kong Academy of Finance to stage a panel discussion titled "Supporting Climate Actions — Collaboration, Innovation and Finance" at AIF 2022.

Public Education

Public education is at the heart of the IA's work to protect policy holders. We empower policy holders with relevant and up-to-date information via diverse channels, enabling them to make sound and informed decisions when taking out insurance policies.

- The IA conducted the Insurance Literacy Tracking Survey, which revealed knowledge gaps and shed light on how public education efforts should be directed.
- We disseminated information on popular insurance products and publicised our work on conduct supervision and enforcement through traditional and online media channels in a variety of formats. We also reached out to the community by hosting physical and online talks.

TV series to introduce QDAP and publicise "QDAP Selection Made Easy" one-stop search tool



E-leaflet on home insurance

Facebook talk co-hosted with the Investor and Financial Education Council to promote tax-deductible retirement planning products



Video clips and comic strips reminding policy holders of blind spots when taking out or managing insurance policies



Career talk with seasoned industry practitioners to convey to university students career prospects and job satisfaction offered by the insurance industry



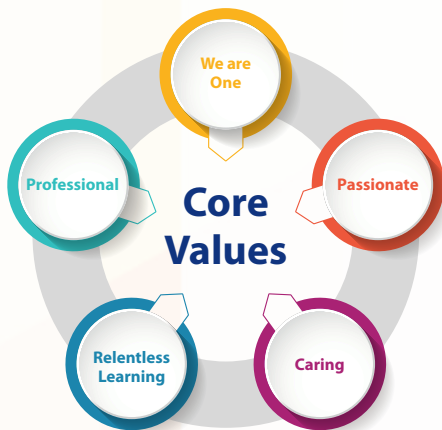
Conduct in Focus newsletter to help educate the public on "lessons learnt" from complaints handled

About the IA

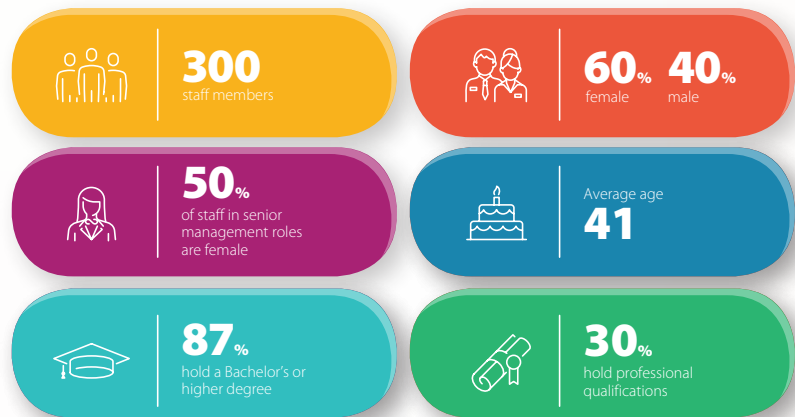
Our Organisation

The IA is governed by a Board consisting of a Chairman, Non-Executive Directors and Executive Directors, all appointed by the Chief Executive of the Hong Kong Special Administrative Region. With our multidisciplinary team of about 300 staff from the regulatory and insurance sectors, we strived to foster a corporate culture characterised by empathy and dynamism.

Corporate Culture



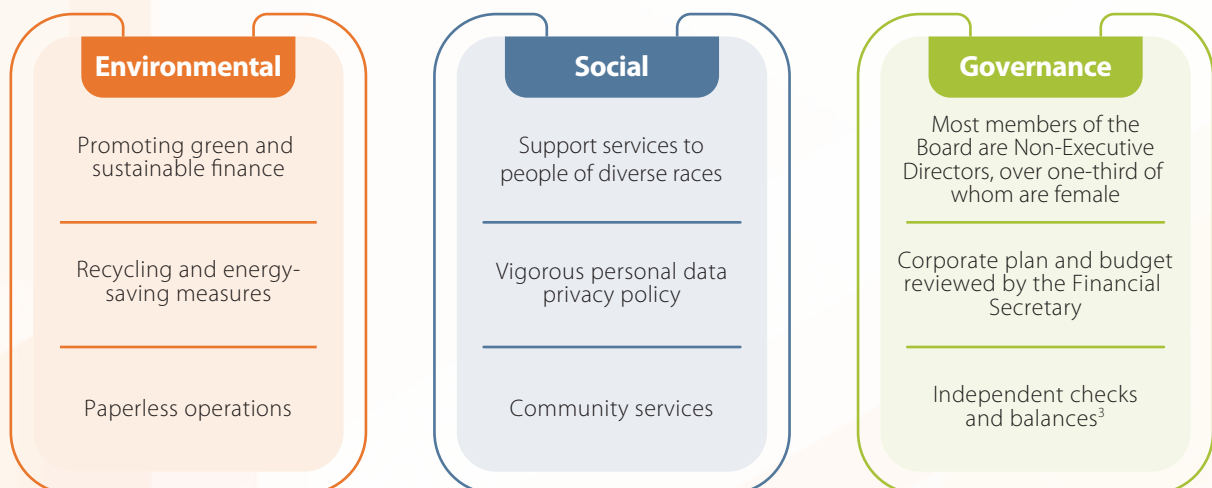
Our Staff (as at 31 March 2023)



Financial Position

As an independent financial regulator, the IA continued to manage its finance prudently and deliver its statutory functions and key activities efficiently, striving to achieve financial independence. For 2022-23, income and operating expenditure were HK\$525 million (2021-22: HK\$512.7 million) and HK\$453.5 million (2021-22: HK\$427.8 million) respectively, resulting in a surplus of HK\$71.5 million (2021-22: HK\$84.9 million). The accumulated deficit was HK\$342.1 million, which was met by the Government's capital grants totalling HK\$953 million.

Major ESG Initiatives



³ The Ombudsman, Insurance Appeals Tribunal, Process Review Panel for the IA

Hong Kong Insurance Market



Key Figures

HK\$538 billion
total gross premiums⁴

1st in Asia
for insurance density⁵

2nd in Asia
for insurance penetration⁵

7 of the top 10 insurers in the world
authorized to conduct business in Hong Kong⁶

IA Activities



Supervision of Insurers

164
authorized insurers

Attended
32
supervisory college meetings

Over
116,500
licensed insurance intermediaries

Processed more than
90,000
applications for new licences and updating of details⁷

Renewed the registration of
85,300
deemed licensees⁸

⁴ Based on market statistics between 1 January 2022 and 31 December 2022. Details of industry statistics ([long term business](#) and [general business](#)) can be found on the IA website.

⁵ Swiss Re Institute sigma No 3/2023.

⁶ Fortune Global 500 list in 2023.

⁷ Includes applications for new licence, updating of details for existing licence and termination of appointments.

⁸ 85,300 out of the 106,300 deemed licensees were granted new registration while the licensing status of the rest was either revoked or allowed to expire.



Enforcement and Disciplinary Actions

Cases brought forward from the previous reporting year	186
New cases received ⁹	87
New cases generated from ongoing cases	23
Total	296

Cases closed (disciplinary actions taken in 13 cases)	83
Cases carried forward to the next reporting year	213
Total	296

Compliance Advice Letters and Letters of Concern

84 Compliance Advice Letters and
259 Letters of Concern issued

Cases Inherited from the Former Self-Regulatory Organisations¹⁰

280 cases received and
272 cases closed



Complaint Handling¹¹

Cases brought forward from the previous reporting year	525
New cases received	1,083
Total	1,608
Cases closed	1,164
Referrals to the Enforcement Team or the Conduct Supervision Team	61
Ongoing cases	383
Total	1,608

⁹ Cases involving non-compliance with CPD requirements are excluded, but relevant details can be found in the chapter on Investigation and Enforcement

¹⁰ The Hong Kong Confederation of Insurance Brokers, the Professional Insurance Brokers Association and the Insurance Agents Registration Board established by the Hong Kong Federation of Insurers.

¹¹ Excluding self-reported cases from insurers and insurance intermediaries.



Market Development

Insurance-linked Securities (“ILS”)

Total issuances involving

HK\$4.4 billion

since the launch of a bespoke regulatory regime of ILS business in 2021

Insurtech

36

Sandbox pilots approved

24

Sandbox applications
concerning virtual onboarding

Over

30

 use cases
for Open API deployment received