

Strive for Success in the
New Chapter

Annual Report 2022-23

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Chairman's Message

The Development Roadmap for the Insurance Sector in Hong Kong by the Government outlines a set of comprehensive visions and missions aimed at reinforcing Hong Kong as a global risk management centre and sophisticated insurance hub, while bridging protection gaps and promoting financial inclusion. It fits well with the objectives of our corporate plan.

Stephen Yiu
Chairman



Chairman's Message

I am penning this message with pleasure and excitement as Hong Kong is poised to regain its allure as a city of hope and opportunities following the lifting of all pandemic-related mandatory social distancing measures and travel restrictions in March 2023. Although a conservative approach, it did confer greater certainty and allow sufficient leeway for different sectors of the economy to gear up their operations for the new normality. The Insurance Authority ("IA") was no exception, with this Annual Report serving as a valuable summary of our main activities and achievements in 2022-23.

Re-engaging with the World

The first step forward I would like to highlight is the IA's prompt attempt to catch the attention of key interlocutors interested in seeing for themselves the smooth and speedy recovery of Hong Kong. Such people included senior officials from the National Financial Regulatory Administration, the International Association of Insurance Supervisors ("IAIS") and other regulatory bodies, as well as senior executives of insurance groups with a strong regional presence.

This proactive approach, we believe, has been a positive way to reduce negativity caused by misinformation, and dispel lingering doubts on Hong Kong's capabilities to sustain its vitality as an international financial centre. No time was lost either in reaching out to counterparts in the Mainland to pursue initiatives concerning the Belt and Road Initiative, the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), captive domicile and alternative risk transfer solutions.

Roadmap for Development

The second highlight was the issuance of the Development Roadmap for the Insurance Sector in Hong Kong by the Government in December 2022. This concise document outlines a set of comprehensive visions and missions aimed at reinforcing Hong Kong as a global risk management centre and sophisticated insurance hub, while bridging protection gaps and promoting financial inclusion. It fits well with the objectives of our corporate plan and a few relevant projects as indicated in the ensuing paragraphs.

Connectivity within the GBA

On GBA connectivity, momentum continued to build up on the establishment of after-sales service centres with insurance regulators in Guangdong, Hong Kong, Macau and Shenzhen forming a quadripartite platform to work together on common principles for standards and requirements. While progress has been hampered by restrictions on cross-boundary movements during the pandemic, we will strive to ramp up the pace of deliberations in the coming year.

Meanwhile, the reporting year brought the final preparations for the Unilateral Recognition policy for cross-boundary motor insurance, with implementation arrangements being announced in May 2023. The policy serves as a trailblazer, opening up room for innovative products designed to meet the needs of people who live, work or study in the GBA.

Similarly, the GBA mortality table being developed by the actuarial profession could spur the growth of medical and critical illness policies that provide uniform coverage in the 11 cities of the GBA. Looking ahead, we are working with the insurance industry to assess the feasibility of collaborative business models that exploit the complementary advantage of extended care facilities in the Mainland to relieve the pressure brought about by an ageing population on the social service system in Hong Kong.

Chairman's Message

Alternative Risk Transfer

On alternative risk transfer, Hong Kong's profile as a global risk management centre has been significantly lifted by four issuances of catastrophe bonds — a common type of insurance-linked securities ("ILS") — amounting to HK\$4.4 billion in around two years. The diverse range of sponsors and underlying perils encapsulate the essence of a sophisticated insurance hub. In the year ahead, we will focus on enriching the mix of ILS product structures and nurturing an ecosystem by addressing data capture, risk modelling and talent recruitment.

Prudential Supervision

A further key area concerns prudential supervision. Hong Kong was selected as one of ten jurisdictions for vigorous assessment on the implementation of the Holistic Framework for Systemic Risk in the Insurance Sector by the IAIS. In the report that followed, the efficacy of our work on enterprise risk management and group-wide supervision were duly acknowledged. In the coming year, our Technical Expert Team will devise a macroprudential surveillance methodology and draw up a resolution mechanism for the insurance sector. In addition, we will chart a course for setting up of the Policy Holders' Protection Scheme based on the outcome of the public consultation exercise.

Power of Teamwork

Over the past five years or so, we have evolved the former Office of the Commissioner of Insurance into the IA, laying down an enlightened vision and pragmatic targets. Here, it is imperative that I recognise the outstanding resilience and staunch commitment of IA colleagues of all ranks who have continued to deliver solid outcomes across a diverse range of undertakings amid the challenging conditions posed by the pandemic and tight manpower constraints.

My gratitude also goes to our Non-executive Directors for spending so much time and effort to provide a steer on IA matters, sometimes being called upon to reach difficult decisions within demanding time frames. Finally, I would like to wish Executive Directors Ms Carol Hui and Mr Simon Lam, who leave us after completing tenures of six years, every success in their future endeavours.

Stephen Yiu

Chairman

CEO's Message

Since completion of the renewal of deemed licensees, resources have been mobilised to monitor how insurers manage their intermediaries as we realise that only through forward-looking approaches, timely communications and decisive interventions can fairness to customers be secured.

Clement Cheung
Chief Executive Officer



CEO's Message

The year 2022 has proved to be no less challenging, marred by the lingering effects of COVID-19 and the aggressive monetary policy rolled out by some central banks. Although confined mobility and remote working may soon fade into our collective memories, there is every reason not to overlook how the pandemic has exposed our vulnerabilities and reshaped social habits. Taking pride in being a source of support for companies and individuals amidst uncertainties, the insurance industry should make prompt adjustments to play a meaningful role in accelerating the full-scale recovery of Hong Kong.

Balanced Development

The Development Roadmap for the Insurance Sector in Hong Kong ("Roadmap") published by the Government in December 2022 is a powerful statement on our bid to become a global risk management centre and sophisticated insurance hub. The first priority is to ride on the resumption of cross-boundary travel to pursue policy initiatives that contribute towards balanced growth of the insurance market, deploying the unique strengths conferred by the "One Country, Two Systems" principle and leverage the dual circulation strategy.

Given that the market is currently dominated by long term business, the two most prominent initiatives involve elevating Hong Kong into an attractive captive domicile and a vibrant hub for insurance-linked securities ("ILS"). On captives, we will set the scene by visiting relevant authorities in Beijing to regain momentum and organise promotional activities targeted at state-owned and private enterprises interested in uplifting readiness to face an expanding footprint and increasingly complex environment. On ILS, we are identifying new sponsors, enriching product structures, engaging academia to nurture modelling expertise and exploring data exchange with the Mainland. Above all, we are conscious of the importance of tapping into pristine frontiers and forging vibrant ecosystems instead of relying on subsidies or concessions to draw business from other jurisdictions. Whenever possible, we will take the opportunity to showcase our commitment to advancing the national agenda.

Protection Gaps

The Roadmap also touches on unleashing the social value of insurance. This entails assiduous work in data analytics, application of technologies and product revamping. Bearing balanced development in mind, we will embark on a three-pronged approach to tackle the imminent threats posed by an ageing population and climate change. First, build on the value chain formed by Qualifying Deferred Annuity Policy ("QDAP") and Protection Linked Plan to enable policy holders to access extended care services. Second, capitalise on the Unilateral Recognition policy for cross-boundary motor insurance to design products spurring connectivity among the 11 cities in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"). Third, invest further into public education and empowerment so that prospective policy holders, especially the younger generation, are better equipped to evaluate and match available offerings with their circumstances. The "QDAP Selection Made Easy" one-stop search tool is a prime example of what can be done, and more will come.

Conduct Supervision

Prescribing sophisticated standards alone cannot always produce the outcomes desired. Since completion of the renewal of deemed licensees in September 2022, resources have been mobilised to monitor how insurers manage their intermediaries as we realise that only through forward-looking approaches, timely communications and decisive interventions can fairness to customers be secured. Notable endeavours in this direction include publication of information about the top ten principals whose tied individual licensees showed the poorest record of compliance with stipulated Continuing Professional Development requirements and the instigation of related disciplinary actions, both aiming at inducing a change of mindset. Our pivot from licence administration to conduct supervision will continue.

CEO's Message

Digital Transformation

Digital transformation has gained pace over the past few years due to social distancing and popularised many alternative distribution channels. Although rapid advances in artificial intelligence, machine learning, distributed ledger technology and application programming interface ("API") have helped to bridge protection gaps and enhance financial inclusion, supervisors must stay vigilant of the consequential need to bolster operational resilience and cybersecurity systems. Our coming Open API Framework will lay down the groundwork for an industry-wide cyber risk assessment exercise.

Team Effort

Finally, I would like to end by thanking my colleagues for performing their duties patiently and assiduously despite a high staff turnover rate. The past year has been testing as they strived to deliver on all major fronts without compromising quality or efficacy. It is often said that culture and ethos define the character of an organisation. The next few years will be a vital period to forge inter-divisional synergies and formulate a staff succession plan. We must draw on lessons learnt from the past, leverage opportunities created by the "new normal", and recognising the value of cross-border cooperation and coordination during times of crisis without losing sight of emerging trends.

My appreciation goes to all of our Non-executive Directors for their guidance and steer, and to key industry stakeholders for their friendship and trust. Our collaborative spirit is a defining factor that will separate Hong Kong from arch-rivals and drive forward our aspiration to be the international financial centre that provides a reliable conduit between China and the rest of the world.

Clement Cheung

Chief Executive Officer

The Year Under Review

Highlights

Supervision of Insurers

On-site Inspections with the Hong Kong Monetary Authority ("HKMA")	<ul style="list-style-type: none"> Compliance measures on premium financing were strengthened. Two sessions were held to provide guidance for insurers.
Conduct Supervision	<ul style="list-style-type: none"> A training course was delivered for key persons in charge of intermediary management control functions to imbue an ethical culture in them. A list of top ten principals whose tied individual licensees have the worst compliance record with stipulated Continuing Professional Development ("CPD") requirements was published. A circular was promulgated to remind insurers and insurance intermediaries of conduct issues related to long term business with Mainland Chinese visitors.
Risk-based Capital ("RBC") Regime	<ul style="list-style-type: none"> The enabling legislation was passed by the Legislative Council ("LegCo"). Five applications for early adoption of the RBC regime were approved.
Targeted Jurisdictional Assessment	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Approved 85,300 registrations to deemed licensees by the end of the three-year transitional period. Processed some 90,000 applications for new licence, renewal of existing licences, updating of details and termination of appointments.
Insurance Intermediaries Connect ("IIC")	<ul style="list-style-type: none"> Additional functionalities were incorporated into the IIC to cater for licence renewal and CPD reporting.
Insurance Broker Companies	<ul style="list-style-type: none"> Examined 817 statutory returns and conducted 11 on-site inspections in line with the risk-based approach. A circular on common findings of on-site inspections and off-site monitoring was promulgated to deepen the understanding among insurance broker companies of our expectations.
Insurance Agencies	<ul style="list-style-type: none"> Carried out 15 supervisory reviews on insurance agencies to assess their compliance with conduct and corporate governance requirements.

The Year Under Review

Highlights

Investigation and Enforcement


Disciplinary Mechanism	<ul style="list-style-type: none"> Introduced a fast-track approach to streamline the handling of trivial disciplinary cases. 13 disciplinary actions were meted out on conduct breaches or lack of fitness and propriety. 534 disciplinary actions attracting fines of HK\$3.4 million were meted out for failure to comply with CPD requirements. Additional functionalities were incorporated into the IIC on handling of enforcement matters.
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Protection of Policy Holders

Complaint Handling	<ul style="list-style-type: none"> 1,083 new cases were received and 1,164 closed, while 61 were referred to the Enforcement Team or Conduct Supervision Team. Some lessons learnt were published in the <i>Conduct in Focus</i>.
Joint Mystery Shopping Programme	<ul style="list-style-type: none"> A circular was promulgated jointly with the HKMA and the Mandatory Provident Fund Schemes Authority on selling practices in respect of Qualifying Deferred Annuity Policy ("QDAP") and Mandatory Provident Fund Tax-Deductible Voluntary Contributions.
Enhanced Disclosure	<ul style="list-style-type: none"> Revised rules for calculating and disclosing of fulfillment ratios for participating products and historical crediting interest rates for universal life products, which will take effect on 1 January 2024.
Policy Holders' Protection Scheme	<ul style="list-style-type: none"> Concluded a three-month public consultation exercise and collated the feedback by the Government.

The Year Under Review

Highlights

Market Development	
Greater Bay Area	
Unilateral Recognition Policy for Cross-boundary Motor Insurance	 The Unilateral Recognition policy for cross-boundary motor insurance was successfully rolled out.  A total of 17 local insurers accounting for 79% of the motor insurance market are offering the related products.
After-sales Service Centres	 Forged 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 the logistical details.
Global Risk Management Centre	
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 China Banking and Insurance Regulatory Commission (“CBIRC”) ^a 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. We will strive to expand the scope of this mutual arrangement.
Social Value of Insurance	
Qualifying Deferred Annuity Policy	 The “QDAP Selection Made Easy” one-stop search tool was launched so that prospective policy holders can compare different products and match against their personal circumstances.
Protection Linked Plan (“PLP”) and Investment-linked Assurance Scheme (“ILAS”) Products	 16 revamped ILAS products and PLP were cleared to proceed with authorization by the Securities and Futures Commission.
Insurtech	
Open Application Programming Interface (“Open API”)	 Over 30 use cases were identified.  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	
Asian Insurance Forum (“AIF”) 2022	 1,500 delegates attended AIF 2022, whose theme was “Reflect, Reset, Revive for a Resilient Future”.

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

The Year Under Review

Highlights

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

Supervisory Focus and Outreach Activities	<ul style="list-style-type: none"> Maintained vigilance on trial projects involving virtual onboarding via the Insurtech Sandbox to ensure adherence to the prevailing legislative provisions governing AML/CFT. 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. A seminar and a webinar were held to raise awareness of the latest AML/CFT provisions, evolving topographies and the findings of on-site inspections.
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Environmental, Social and Governance

Green Finance	<ul style="list-style-type: none"> 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. Coordinated with the Centre for Green and Sustainable Finance established by the CASG to bridge data gaps. Collaborated with the Hong Kong Academy of Finance to stage a panel discussion titled “Supporting Climate Actions — Collaboration, Innovation and Finance” at AIF 2022.
Environmental Protection and Corporate Social Responsibility	<ul style="list-style-type: none"> Measures for paperless operations, environmental monitoring and energy conservation were adopted. Six events and fundraising activities were held for our staff to play a part in supporting the under-privileged. Apart from various improvements on occupational safety and health, a work-from-home policy was implemented.

The Year Under Review

Highlights

Engagement with Stakeholders	
General Public	
Public Education	<ul style="list-style-type: none"> Conducted the Insurance Literacy Tracking Survey, which revealed knowledge gaps and shed light on how public education efforts should be directed. Disseminated information on popular insurance products through traditional and online media channels. Publicised our work on conduct supervision and enforcement, and used video clips and comic strips to remind policy holders of blind spots when taking out or managing insurance policies. Co-hosted a Facebook talk with the Investor and Financial Education Council to promote tax-deductible retirement planning products. Lined up practitioners to convey to university students career prospect and job satisfaction offered by the insurance industry.
Insurance Industry	
Industry Interface	<ul style="list-style-type: none"> Maintained constant dialogue with industry stakeholders through the Industry Advisory Committees and other platforms. Convened two meetings of the Future Task Force to discuss cybersecurity and operational resilience, as well as the root cause of insurance disputes.
Government and LegCo	
Corporate Plan and Reporting to LegCo	<ul style="list-style-type: none"> The corporate plan and budget for 2023-24 was submitted to the Financial Secretary and the latter was tabled in LegCo. Briefed the LegCo Panel on Financial Affairs on topics including the RBC regime, the Policy Holders' Protection Scheme, Fintech development and the financial position of the IA.
Regulatory Community	
International Association of Insurance Supervisors	<ul style="list-style-type: none"> As a member of the Executive Committee and the Policy and Development Committee as well as Chair of the Audit and Risk Committee, the IA CEO ensured that the Asian perspective was duly reflected in the deliberations of the IAIS. Ms Victoria Saporta, Chair of the Executive Committee, paid us a visit and delivered a talk on emerging risks and regulatory challenges.
Asian Forum of Insurance Regulators ("AFIR")	<ul style="list-style-type: none"> Organised the 17th Annual Meeting and Conference in the Maldives which was joined by 14 member jurisdictions. The IA CEO was re-elected Chairman of the AFIR for another year until October 2023.
Mainland Interface	<ul style="list-style-type: none"> Hosted the 22nd Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen. Exchanged views with Mr Xiao Yuanqi, Vice Chairman of the CBIRC, on the current state of market development and notable trends.

The Year Under Review

Highlights

Hong Kong Insurance Market



Key Figures

HK\$538 billion
total gross premium^b

1st in Asia
for insurance density^c

2nd in Asia
for insurance penetration^c

7 of the top 10 insurers in the world
authorized to conduct business in Hong Kong^d

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 details^e

Renewed the registration of
85,300
deemed licensees^f

^b 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.

^c Swiss Re Institute sigma No 3/2023.

^d Fortune Global 500 list in 2023.

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

^f 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.

The Year Under Review

Highlights



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 Organisations^h

280	cases received and
272	cases closed



Complaint Handlingⁱ

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.

^h 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.

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

The Year Under Review

Highlights

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

30

Over use cases
for Open API deployment received

The Year Under Review

Financial Position

The Insurance Authority (“IA”) recorded a surplus in the reporting year as a result of underspending in staff costs owing to unfilled vacancies and resilience of premium levies and fees income. As an independent financial regulator, we will continue to manage our finance prudently and deliver the IA’s statutory functions and key activities efficiently, striving to achieve financial independence.

Funding

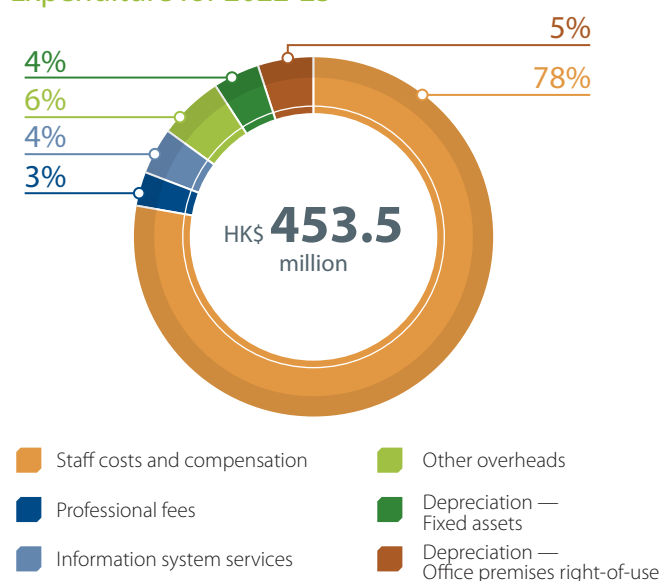
Premium levies have been collected from policy holders since January 2018. The underlying rate has reached its target of 0.10% since April 2021, subject to a cap of HK\$100 per annum and HK\$5,000 per annum for long term and general policies respectively.

Authorization and annual fees are payable by insurers to the IA, comprising a fixed fee of HK\$300,000 (HK\$15,000 for special purpose insurers; HK\$30,000 for captive insurers; and HK\$600,000 for composite insurers) and a variable fee at 0.0039% of insurance liabilities capped at HK\$7 million. With three insurance groups designated to come under the IA’s group-wide supervision, designation and annual fees at 0.0026% of insurance liabilities (subject to a minimum and maximum of HK\$10 million and HK\$60 million per annum respectively) have been payable by these insurance groups to the IA since May 2021. User fees are payable to the IA on specific services provided. Licence fees will be payable by insurance intermediaries to the IA starting from September 2024.

Income and Expenditure

The IA took over all statutory functions from the former Office of the Commissioner of Insurance with effect from 26 June 2017. 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 is HK\$342.1 million, which was met by the Government’s capital grants totalling HK\$953 million. Premium levies, authorization and annual fees, and designation and annual fees were HK\$264.5 million, HK\$128.3 million, and HK\$93.5 million respectively, while staff costs of HK\$355.7 million accounted for the bulk of operating expenditure.

Expenditure for 2022-23



The Year Under Review

Regulation of Insurers

In order to discharge its responsibility of promoting market resilience and preserving stability, the Insurance Authority (“IA”) remains highly vigilant about the industry activities through a combination of risk assessment, financial examinations and on-site inspections. Other relevant jurisdictions will be roped in where appropriate to enable early detection of and a coordinated response to systemic risks, which will in turn benefit and protect policy holders.

Populated by 164 insurers, Hong Kong is a dynamic and intensely competitive market, making it necessary for the IA to be proactive but proportionate in fulfilling its statutory role. Given that some 80,000 licensed individual insurance agents and licensed insurance agencies operate in the sector, oversight of conduct supervision of insurers, their intermediary management control functions and the extent to which ethics and integrity are embedded in their corporate culture is therefore essential.

Prudential Supervision

Risk Assessment

We have established a risk-based and dynamic framework that entails a supervisory risk assessment process, company review, and supervisory response and feedback loop. Assessment is conducted at least on an annual basis, adopting a forward-looking approach to assess the risk outlook of insurers. We undertake quantitative and qualitative analyses on insurers’ solvency position, capital adequacy, liquidity and asset quality. The IA also analyses aspects of insurers’ risk profile, including inherent risks, adequacy of corporate governance, the effectiveness of internal controls and risk management systems.

We have further strengthened the framework by including macroprudential assessment of outward risks due to insurers’ size, complexity, and interconnectedness as part of the company review process.

This proactive approach enables the IA to pre-empt uncertainties and rectify problems that may adversely affect an insurer’s capacity to meet its obligations to policy holders. Based on the risk evaluation for each insurer, we will determine the level of fit-for-purpose supervisory responses and activities.

Financial Examination

Such examinations form a core element of our supervisory assessment, ensuring that insurers have the right mix of assets to meet their contractual liabilities and are in full compliance with prevailing regulatory requirements. We perform scenario analysis and stress testing based on financial and qualitative data to identify possible vulnerabilities arising from underwriting, capital adequacy, market risk, reserving and reinsurance.

On-site Inspections

On-site inspections complement financial examinations by giving a clear view of how insurers steer, manage and implement business strategy. A typical exercise covers corporate governance, monitoring and internal controls, benchmarking with industry best practices and adherence to regulatory instruments issued by the IA. The frequency, scope and depth of such inspections are determined in accordance with the nature and level of risks involved.

The Year Under Review

Regulation of Insurers

Joint Inspections

In addition to on-site inspections, the IA initiated a joint inspection on premium financing with the Hong Kong Monetary Authority and promulgated a circular in April 2022 specifying requirements on affordability assessment, impact of leveraging and key disclosures as well as introducing the “Important Facts Statement — Premium Financing”. Two town hall gatherings were held before the circular came into force on 1 January 2023, drawing over 400 practitioners. A training module for licensed insurance intermediaries was also developed, with support from the Hong Kong Federation of Insurers (“HKFI”).

Conduct Supervision

In relation to conduct supervision, the IA seeks to ensure that codes of practice are upheld to instill public trust and confidence. Following the expiry of the three-year transitional period on 22 September 2022 for deemed licensees, our priorities have gradually shifted from the licensing system to conduct of insurers in managing their distribution channels.

Intermediary Management Control Function

It is incumbent upon the key person in charge of intermediary management to implement and maintain internal controls on licensed insurance agents. In May 2022, the IA delivered a two-day training programme to assist insurers in strengthening related procedures and ethical behaviour to reduce conduct risk associated with marketing and advisory activities.

Continuing Professional Development Requirements

To encourage the adoption of robust conduct standards in relation to Continuing Professional Development (“CPD”) attainment, the IA published statistics for the most recently completed CPD Assessment Period from 1 August 2021 to 31 July 2022 (“Assessment Period 2021/2022”) in its sixth issue of *Conduct in Focus* in December 2022¹.

For the Assessment Period 2021/2022, the IA took into account the pandemic and reduced the number of CPD hours that an individual licensee² was expected to obtain from 15 hours to 12 hours. A total of 108,283 individual licensees were required to complete and report their CPD hours during the period. Despite the concessions, 1,661 (1.5%) individual licensees reported that they had failed to complete the required number of CPD hours and a further 8,469 (7.8%) failed to report their CPD attainment at all. The CPD non-compliance rate for the insurance market was therefore 9.3%, leaving significant room for improvement.

To drive such improvement, the IA published a CPD Non-Compliance League Table³ listing the top 10 principals with the highest percentage of CPD non-compliance rates across their individual licensees for the Assessment Period 2021/2022. The IA also articulated controls and processes which it expected principals to implement to boost CPD attainment.

A high percentage of CPD non-compliance is not only indicative of inadequate controls and procedures, but also a sign of weakness in an appointing principal’s broader governance and controls on conduct. Principals named in the league table were called upon to demonstrate significant improvement in CPD attainment. In addition, the IA also conducted inspections of selected principals from March 2023 to June 2023 to gauge the level of CPD compliance across their appointed intermediaries.

To encourage better compliance, the IA offered another batch of free enrollments for its two e-CPD courses on ethical business practices which included several practical case studies. Around 3,000 licensed insurance agents and licensed insurance brokers enrolled.

¹ See the sixth issue of *Conduct in Focus*, available at: https://www.ia.org.hk/en/infocenter/files/Conduct_in_Focus_Dec_2022_issue_EN.pdf

² An individual licensee means a licensed individual insurance agent, licensed technical representative (agent) or licensed technical representative (broker).

³ See the sixth issue of *Conduct in Focus*, available at: https://www.ia.org.hk/en/infocenter/files/Conduct_in_Focus_Dec_2022_issue_EN.pdf

The Year Under Review

Regulation of Insurers

Circulars on Conduct Supervision

In tandem with the resumption of normal travel between Hong Kong and the Mainland, the IA released a circular on conduct expected in dealing with Mainland China visitors, the prohibition of cross-border selling activities, restrictions and controls on the collection of premiums by licensed individual insurance agents and referral of business by third-parties. In February 2023, the IA also sent out a circular to stress that participation in the Insurance Fraud Prevention Claims Database, conceived by the HKFI, will be taken into account when assessing the adequacy of fraud prevention measures installed by an insurer.

Macroprudential Surveillance

As an overlay to the supervision teams, our Technical Expert Team conducts macroprudential surveillance riding on information captured in the Global Monitoring Exercise commissioned by the International Association of Insurance Supervisors ("IAIS") from sector-wide, individual insurer and emerging risk perspectives. A risk assessment methodology customised for Hong Kong is being mapped out.

Group-wide Supervision Framework

The Insurance Ordinance ("IO") provides for the IA as lead supervisor to designate an insurance holding company over which direct regulatory powers can be exercised in line with principles laid down by the IAIS. AIA Group, Prudential plc Group and FWD Group are Internationally Active Insurance Groups subject to the group-wide supervision ("GWS") framework.

During the reporting year, all supervisory college and crisis management group meetings were convened in virtual or hybrid format due to the pandemic. The supervisory roundtables and seminars on topical issues such as IFRS 17 and conduct risk received positive feedback. We will resume in-person meetings in Hong Kong and have launched a review of technology risk management at the group level as the foundation for our annual work plan.

Meanwhile, the GWS framework was refined through Interpretation Notes issued in April 2022 and amendments made to the Guideline on Group Supervision (GL 32) in December 2022.



The IA hosts supervisory colleges in hybrid format for Prudential plc Group and AIA Group



The Year Under Review

Regulation of Insurers

Risk-based Capital Regime

The Risk-based Capital ("RBC") regime seeks to align capital requirements with risk profiles and is made up of three pillars pertaining to quantitative, qualitative and disclosure requirements.

The passing of the Insurance (Amendment) Bill 2023 by the Legislative Council in July 2023 marked a major milestone in this momentous project. Drafting of subsidiary legislation and guidelines is underway, while industry engagement on regulatory disclosures under Pillar 3 is making good progress. Several insurers asked for permission to adopt the RBC regime before 2024, with the IA approving five cases up to April 2023.

New Authorizations

New authorizations recorded in the reporting year are summarised below:

Name of Insurer	Place of Incorporation	Type of Business
Great Wall Re Limited	Hong Kong	Special Purpose ⁴
Black Kite Re Limited	Hong Kong	Special Purpose

It is noteworthy that the Guideline on Application for Authorization to Carry on Insurance Business in or from Hong Kong (GL5) was refined in June 2022 to provide greater clarity on how the IA evaluates an application for authorization.

Targeted Jurisdictional Assessment

In 2021 and 2022, the IAIS rolled out a comprehensive Targeted Jurisdictional Assessment on implementation of the Holistic Framework supervisory materials in ten markets including Hong Kong. The report, released in April 2023, highlighted satisfactory outcomes that confirmed the presence of a robust macroprudential supervisory framework. Notable plaudits for the IA included enterprise risk management following the addition of new guidelines and a macroprudential risk assessment methodology, and the GWS framework was cited as an example of supervisory co-operation and co-ordination worth imitating.

Mergers and Acquisitions

During the reporting year, five insurers were subject to mergers and acquisitions. On 1 July 2022, Chubb Limited completed its acquisition of six portfolios in Asia Pacific from Cigna Corporation. On 26 August 2022, AIA Group Limited completed its acquisition of Blue Cross (Asia Pacific) Insurance Limited. On 23 January 2023, Cinven group completed its acquisition of International Financial Group Limited which is the holding company of Friends Provident International Limited, RL360 Insurance Company Limited and RL360 Life Insurance Company Limited.

⁴ Effecting and carrying out contracts of insurance that are fully funded by insurance securitisation. More details are available on the [IA website](#).

The Year Under Review

Regulation of Insurers

Transfer of Insurance Business

An insurer that seeks to transfer its long term business to another insurer is required under Section 24 of the IO to apply for a court order sanctioning the scheme of transfer and the IA is entitled to be heard, whereas an insurer intending to transfer its general business to another

insurer may do so by obtaining approval from the IA under Section 25D of the IO. Cases recorded in the reporting year are summarised below:

Under Section 24 of the IO

Date of Sanction by the Court	From	To
1 November 2022	Blue Cross (Asia-Pacific) Insurance Limited	AIA Everest Life Company Limited

Under Section 25D of the IO

Date of Approval by the IA	From	To
28 December 2022	China Merchants Insurance Company Limited	CMB Wing Lung Insurance Company Limited

Protecting Policy Holders

Target Insurance Company, Limited was wound up by the High Court on 26 September 2022 upon petition by the Managers appointed by the IA, as it was deemed insolvent under the IO and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

To cope with the fallout, the IA steered the migration of over 12,000 taxi and public light bus policies to other insurers via a central allocation mechanism. Other

policies were allowed to remain in force until they expired. Valid claims related to third-party motor damage and occupational mishaps were handled by the Motor Insurers' Bureau of Hong Kong and the Employees Compensation Insurer Insolvency Bureau respectively.

In light of these initiatives, the IA was able to contain and minimise the disruption and inconvenience to policy holders.

The Year Under Review

Regulation of Insurance Intermediaries

Since the direct regulatory regime for insurance intermediaries commenced on 23 September 2019, the Insurance Authority (“IA”) has worked on multiple fronts over the following three-year transitional period to establish and systemise licensing procedures. Initiatives have included enhancing the functionality of the IA’s online licensing system, processing the licence applications of deemed licensees grandfathered into the new regime, streamlining the licensing process for new entrants and implementing an efficient licence renewal process.

Deemed Licensees

Under the direct regulatory regime, all 106,300 insurance intermediaries validly registered with one of the former Self-Regulatory Organisations (“SROs”)¹ immediately before 23 September 2019 were automatically deemed to be licensed for a three-year transitional period from 23 September 2019 to 22 September 2022. All deemed licensees who wished to continue to carry on regulated activities after the transitional period needed to apply for a new licence. With careful planning, close engagement with the industry and a fully digitised application process through the Insurance Intermediaries Connect (“IIC”) electronic portal, the entire process was successfully completed by the end of the transitional period. A total of 85,300 deemed licensees were successfully granted new licences, with the remaining 21,000 either revoking or deciding to allow their licences to expire.

New Licences and Renewals

During the reporting period, the IA received and processed around 15,000 new intermediary licence applications and 290 applications for approval of responsible officers of licensed insurance broker companies or licensed insurance agencies. We processed around 43,000 updates of

appointments and lines of business and particulars, and 32,000 terminations of appointments. In addition, we handled around 31,000 enquiries via phone and email.

The new licences granted by the IA since September 2019 began coming up for renewal from 23 September 2022 onwards. In preparation for this, we enhanced the functionality of IIC to enable individual licensees to submit renewal applications electronically from May 2022. As at 31 March 2023, the IA had processed around 5,600 renewal applications.

Passing the Insurance Intermediaries Qualifying Examination (“IIQE”) is one of the prerequisites for meeting the fit and proper criteria for an individual intermediary licence. In March 2022, the IA supported the Vocational Training Council in launching the Remote Invigilation Mode Examination (“RIME”) for the IIQE as both a pilot and back-up during the pandemic. After assessment, RIME was considered to replicate the integrity of existing physical exam modes. As such, from 9 September 2022 onwards, RIME has been offered as a permanent option for taking IIQE’s main papers.

¹ The former SROs are the Hong Kong Confederation of Insurance Brokers, Professional Insurance Brokers Association and Insurance Agents Registration Board established under the Hong Kong Federation of Insurers.

The Year Under Review

Regulation of Insurance Intermediaries

Number of Licensed Insurance Intermediaries by Licence Type as of 31 March 2023

	Number of licensees with appointing principals	Number of licensees without appointing principals	Total number of licensees
Individuals			
Licensed Individual Insurance Agents	74,331	4,992	79,323
Licensed Technical Representatives (Agent) *	22,749	1,311	24,060
Licensed Technical Representatives (Broker)	9,901	723	10,624
Total Number of Licensees Being Individuals	106,981	7,026	114,007
Business Entities			
Licensed Insurance Agencies *	1,720	13	1,733
Licensed Insurance Broker Companies	Not applicable	Not applicable	817
Total Number of Licensed Insurance Intermediaries			116,557

* There were 40 authorized institutions registered as licensed insurance agencies, with around 18,345 individuals registered as their licensed technical representatives (agents).

Licensing Fees

With the waiver of licensing fee due to end on 22 September 2024, the IA has begun to evaluate the appropriate licence fee structure to apply from that date. Full consultation with the industry is planned to ensure proportionality and practicality of implementation.

Continuing Professional Development

To facilitate individual licensees in reporting their Continuing Professional Development ("CPD") attainments, the IA enhanced the functionality of IIC to enable CPD Declarations to be submitted in e-form. Around 69,000 individual licensees reported their CPD compliance status through the IIC for the Assessment Period 2021/2022. During this period, almost 100% of the CPD reporting was submitted through the IIC (around 70% by individuals and the remaining 30% by the individuals' appointing principals), with less than 1% of reporting submitted by other means.

The Year Under Review

Regulation of Insurance Intermediaries

Supervision of Insurance Broker Companies

On-site Inspections and Off-site Reviews

As of 31 March 2023, there were 817 insurance broker companies licensed by the IA. We adopt a risk-based approach to supervise broker companies, taking a holistic view of each company based on quantitative and qualitative measures drawn from statutory returns and other information². We also assign each company a risk level commensurate with its evaluated conduct risk and select broker companies for on-site inspection based on their assigned risk level.

During the reporting year, the IA conducted on-site inspections of ten insurance broker companies to assess their compliance with applicable financial and regulatory requirements, the Code of Conduct for Licensed Insurance Brokers, anti-money laundering and counter-terrorist financing requirements, and conduct requirements for Mandatory Provident Fund business.

In addition, we carried out a thematic inspection on a major insurance broker group in Hong Kong in March 2023 to assess its policies, controls and procedures for monitoring and ensuring its licensed individual insurance brokers' compliance with CPD requirements. In the on-site inspections, the IA identified 125 internal control matters requiring improvement and followed up with each company to ensure they undertook practical remedial actions. The more serious and systemic non-compliances identified were referred to the IA's Enforcement Team for investigation.

We conducted off-site review of the audited financial statements and auditors' compliance reports submitted by all the licensed insurance broker companies, resulting 15 Compliance Advice Letters and seven Letters of Concern being issued.

Circular on Common Findings from On-site Inspection and Off-site Monitoring

In November 2022, we issued a circular to all licensed insurance broker companies to share common findings from our on-site inspections and off-site monitoring. Adopting the approach of "prevention is better than cure", the circular sought to raise awareness of areas where stronger controls were needed and to share best practices to achieve this. The circular also reminded broker companies of the phasing in of certain new requirements under the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41L). The new requirements include reporting specified items in audited financial statements, an increase in the minimum amount of paid-up share capital and net assets and the maximum deductible amount under the required professional indemnity insurance.

Mr Peter Gregoire (centre), Head of Market Conduct and General Counsel, speaks at an industry seminar on IA regulatory requirements and expectations on market conduct



² Such as type of business being carried on (long-term business is deemed higher risk than general business, in terms of regulatory requirements that need to be complied with); business volume (e.g. revenue); number of technical representatives; turnover of responsible officers; consumer versus commercial business; and key ratios (such as the ratio of technical representatives to revenue and ratio of expenses to revenue).

The Year Under Review

Regulation of Insurance Intermediaries

Supervision of Insurance Agencies

The IA adopts a regulatory approach suitable for insurance agencies of different types of business, size and business volume. As of March 2023, there were 1,720 licensed insurance agencies in Hong Kong.

With respect to the regulation of authorized institutions as licensed insurance agencies, we have delegated our frontline inspection and investigation powers to the Hong Kong Monetary Authority ("HKMA"). The IA's Memorandum of Understanding with the HKMA provides a framework for co-operation in respect of the regulation and supervision of authorized institutions that carry on regulated activities. During the reporting year, we maintained a close dialogue with the HKMA, exchanging information on licensing matters, inspection findings and supervisory matters related to the 40 authorized institutions licensed as insurance agencies by the IA.

Similar to broker companies, the IA adopts a risk-based supervisory approach for licensed insurance agencies other than authorized institutions, evaluating the conduct risk level of each agency based on the business and financial information collected from market surveys and other sources. During the reporting year, the IA aligned the supervision of such agencies with the processing of the first licence applications submitted by agencies grandfathered into the new regulatory regime. In addition, we conducted 15 supervisory reviews of insurance agencies based on the level of conduct risk assigned to them.

Going forward, the IA's approach to supervising insurance agencies will align with the stepping-up of conduct supervision of insurers and the controls and procedures that an insurer uses in relation to its appointed insurance agencies, to ensure compliance with the insurance regulatory framework.

The Year Under Review

Investigation and Enforcement

The Insurance Authority (“IA”) takes proportionate disciplinary and other enforcement action in the event of misconduct of actions or omissions impugning fitness and properness, to underpin the insurance regulatory framework.



Disciplinary Panel Pool

Disciplinary action is mainly decided by panels comprising three members drawn from the IA’s Disciplinary Panel Pool (“DPP”). The DPP consists of outside experienced professionals from legal, financial services and other sectors appointed by the IA, and Executive Directors and Non-Executive Directors of the IA. Since the formation of the first disciplinary panel in May 2021 to the end of this reporting year, 11 disciplinary panels were formed and decided on the disciplinary actions for non-CPD related cases. During the reporting year, 13 disciplinary actions (non-CPD related) were taken by the IA under the Insurance Ordinance (Cap. 41). The DPP structure brings a high degree of experience, fairness and impartiality to the IA’s disciplinary process.

Enforcement Actions





A total of 186 ongoing enforcement cases (116 under initial assessment, 42 under investigation and 28 going through the disciplinary process) were brought forward from the previous reporting year.

During the reporting year, the Enforcement Team

-  received/opened 110 new cases (which together with the 186 cases brought forward, resulted in a total of 296 cases being handled); and
-  closed 83 cases (45 after initial assessment, 25 after investigation and 13 in which disciplinary actions was taken).

A total of 213 ongoing enforcement cases (93 under initial assessment, 49 under investigation and 71 going through the disciplinary process) will be carried forward to the next reporting year.

Major disciplinary actions imposed included:

-  A revocation of an individual licensed insurance agent’s licence and an 11-month ban for mishandling a client’s premium money;
-  A fine of HK\$190,000 on two broker companies for failing to keep separate client accounts or maintain proper books and records;
-  A five-month ban imposed on a former technical representative (broker) for failing to pay client monies into his broker company’s client account, lack of due care and diligence in putting the wrong policy details when he initially sought to renew his client’s insurance policy, and knowingly and deliberately submitting misleading and false information to the insurer; and
-  Bans of up to three years on three individual insurance agents for using false academic certificates to demonstrate that they met the minimum academic requirements when applying for registration with a former Self-Regulatory Organisation (“SRO”).

With the exception of private reprimands, the IA announces disciplinary actions through press releases and covers them in public education initiatives.

The Year Under Review

Investigation and Enforcement

Ongoing disciplinary cases include matters covering cross-border solicitation, mishandling and/or misappropriation of a client's premium, forging a client's signature, failure to keep a separate client account or maintain proper books and records, failure to give advice expected of a competent licensed insurance intermediary, making false declarations on a licence application, contravention of intervention requirements imposed by the IA and submission of false academic certificates to meet the minimum education requirements under the previous SRO regime.

Alternatives to Disciplinary Actions

To ensure a proportionate approach, enforcement cases may be addressed by alternatives to formal disciplinary actions. These alternatives admonish insurance intermediaries/insurers, demand improvement/rectification or provide guidance on remediation. Examples include strengthening of corporate governance, internal controls and procedures. During the reporting year, the IA issued a total of 84 Compliance Advice Letters and 259 Letters of Concern for these purposes.

Continuing Professional Development Non-Compliance Cases

During the reporting year, the IA assessed 1,809 cases of non-compliance with the Continuing Professional Development ("CPD") requirements for the Combined Assessment Period from 23 September 2019 to 31 July 2021. Of these, 879 involved alleged failure to attain the CPD hours required and 930 involved failure to submit (or late submission of) CPD Declaration Forms.

Of the 879 cases of alleged failure to attain the necessary CPD hours, the IA took 533 disciplinary actions and imposed total pecuniary fines of HK\$3,409,200 in accordance with the CPD Penalty Framework, issued by the IA on 23 June 2021.

The 930 cases of failure to submit (or late submission of) CPD Declaration Forms were all formally investigated. The IA issued 186 Notices of Proposed Disciplinary Actions ("NPDAs") of which it took one disciplinary action as of 31 March 2023. The remaining 744 cases are subject to the disciplinary process and will be brought forward to the next reporting year.

For the Assessment Period 2021/2022 (1 August 2021 to 31 July 2022), the IA issued 1,621 NPDAs against individual licensees during the reporting year and these will also be brought forward to the next reporting year.

Given the high volume and administrative nature of CPD non-compliance cases, the IA has now implemented a fast-track process whereby such cases are decided by the IA's Chief Executive Officer, the Head of Market Conduct or the Associate Director of Enforcement, subject to the opportunity for oral or written representations being provided. The fast-track mechanism introduces a high degree of efficiency while retaining the fairness and impartiality of the disciplinary process.

For greater efficiency, the IA has also launched the Enforcement Correspondence Platform ("Platform") on Insurance Intermediaries Connect. The Platform serves as an additional channel for the IA to communicate enforcement matters, such as CPD non-compliance cases, with licensed insurance intermediaries. Individual licensees can use the Platform to view and respond to NPDAs or investigation notices on CPD non-compliance and monitor the progress of disciplinary proceedings/investigations. Of the NPDAs and investigation notices issued so far in relation to the Assessment Period 2021/2022, 47% of responses have been made through the Platform.

The Year Under Review

Protection of Policy Holders

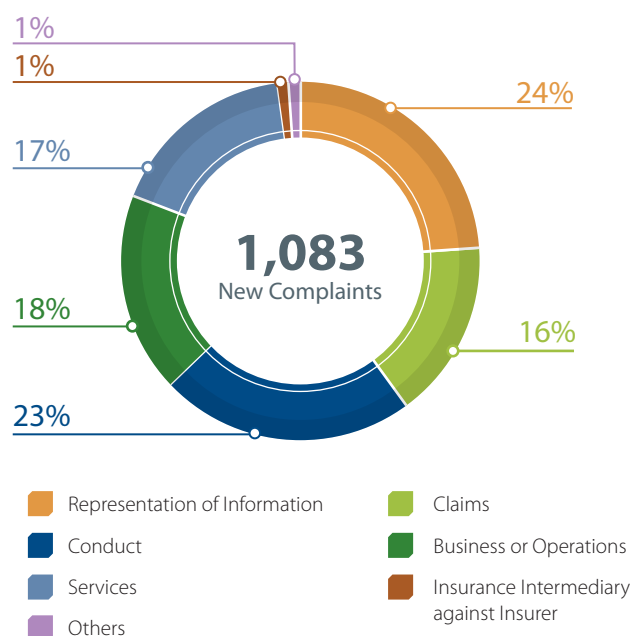
The Insurance Authority (“IA”) proactively strives to uphold the interests of policy holders. We have moved forward on initiatives to enhance standards of conduct across the insurance sector and raise policy holders’ awareness. A joint Mystery Shopping Programme with other financial regulators was conducted and preparatory work on the Policy Holders’ Protection Scheme (“PPS”) continued.

Complaint Statistics

During the reporting year, the IA received 1,083 new complaint cases. The main complaint categories were representation of information, conduct, business or operations and services. A total of 525 ongoing complaint cases were brought forward from the previous reporting year.

The IA closed 1,164 complaints and referred 61 cases to the IA’s Enforcement Team or Conduct Supervision Team for further action, resulting in a conclusion rate of 113%¹. A total of 383 ongoing complaint cases will be carried forward to the next reporting year (27% lower than the number of cases brought forward from the previous reporting year).

Complaint Categories 2022-23



Complaint Statistics 2022-23²

Reporting year	2022-23	2021-22
Ongoing cases brought forward from the previous reporting year	525	870
New cases received	1,083	1,196
Total	1,608	2,066
Cases closed	1,164	1,473
Cases referred to the IA's Enforcement Team or Conduct Supervision Team	61	68
Ongoing cases carried forward to the next reporting year	383	525
Total	1,608	2,066




¹ (1,164 complaints concluded + 61 cases referred to Enforcement or Conduct Supervision Team)/1,083 new complaints received x 100%

² The table shows the number of complaints made directly to the IA by complainants and insurance-related complaint cases referred to the IA by other regulators (e.g., the Hong Kong Monetary Authority, the Securities and Futures Commission of Hong Kong and the Mandatory Provident Fund Schemes Authority, etc.). The statistics do not include cases reported to the IA by insurers/intermediaries as part of their self-reporting governance.

The Year Under Review

Protection of Policy Holders

The IA also took the following strategic initiatives to protect policy holders, reinforce high standards of conduct across the insurance market and address insurance-related complaints:

-  **Engagement** – The IA met regularly with major insurers to discuss and provide feedback on insurers' complaint handling and complaint trends. The IA also received and engaged with insurers, broker companies and agencies on self-reported cases, which is an integral part of the corporate governance for these regulated entities.
-  **Communication** – A periodical newsletter, *Conduct in Focus*, communicated complaints statistics and gave feedback on regulatory expectations regarding standards and practices of governance as well as controls on matters arising from complaint trends.
-  **Education** – *Conduct in Focus* also served as an effective informational tool to help educate the public on “lessons learned” from complaints handled by the IA.



Joint Mystery Shopping Programme

Mystery shopping is a common monitoring tool for industry compliance on prevailing standards and best practices. It involves undercover “shoppers” who pose as normal customers seeking to perform regular transactions.

During the reporting year, the IA, Mandatory Provident Fund Schemes Authority, and Hong Kong Monetary Authority jointly conducted a Mystery Shopping Programme (“MSP”) to understand more about selling practices for two tax-deductible products: Qualifying Deferred Annuity Policy and Mandatory Provident Fund Tax-Deductible Voluntary Contributions. Aspects of selling practices covered in the MSP included know-your-customer procedures, financial needs analysis, suitability of recommendations, and explanations regarding product features and risk disclosure.

In December 2022, a joint circular was issued outlining the MSP’s key findings. The MSP concluded that intermediaries were generally in compliance with the relevant regulatory requirements, though some aspects and individual examples showed room for improvement.

Such findings provide valuable reference for the regulators in formulating supervisory plans and opportunities for the industry to proactively review their procedures and raise standards of conduct to better protect of policy holders. Regulators will continue to raise industry awareness on such matters and to promote a sound culture and the principle of treating customers fairly.

The Year Under Review

Protection of Policy Holders

Enhanced Disclosure

On 10 February 2023, the IA issued Interpretation Notes to supplement the Guideline on Underwriting Long Term Insurance Business (other than Class C Business) (GL16) in relation to the calculation and disclosure of fulfillment ratios for participating products and historical crediting interest rates for universal life products.

The Interpretation Notes, which will take effect on 1 January 2024, refine some of the current requirements to enhance the protection for policy holders, such as extending the scope of products to be covered in disclosure, aligning the publishing date, and standardising the terms in Chinese. Such refinements aim to enhance the transparency of products and the usefulness of fulfillment ratios and historical crediting interest rates, as well as facilitate better customer understanding.

Policy Holders' Protection Scheme

A three-month public consultation on the PPS proposal was launched by the Government in December 2022. During the consultation period, the IA engaged with key industry stakeholders through an interactive session hosted by the Hong Kong Federation of Insurers. In April 2023, the proposal was discussed at the Legislative Council's Panel on Financial Affairs.

The proposed PPS covers most types of direct long term and general policies held by individual policy holders in the event of insurer insolvency. Under the proposed framework, the PPS first makes arrangement to transfer long term policies to a replacement insurer whenever possible and offers interim coverage of up to 60 days for general policies. The PPS is expected to be financed through levies imposed on insurers.

The Year Under Review

Market Development

On 5 December 2022, the Government published the Development Roadmap for the Insurance Sector in Hong Kong (“Roadmap”) that sets out 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 our country.

The 14th Five-Year Plan underscores a firm commitment to implement the dual circulation concept for economic development which is driven by reform and innovation, led by quality supply and new demand, with domestic market as the mainstay while interacting positively with foreign markets. The role of Hong Kong as a “promoter” of domestic circulation and a “facilitator” of international circulation has been clearly spelt out therein.

The IA will take progressive steps anchored on connectivity with the Mainland and international markets, capturing opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) and the Belt and Road Initiative to support the real economy.

Dual Circulation Strategy — Domestic Circulation

The GBA is an ideal entry point for Hong Kong to illustrate that it can fulfil the role as a “promoter” of domestic circulation. Accordingly, the IA has attached priority to cooperating with the China Banking and Insurance Regulatory Commission (“CBIRC”)¹ on a few landmark projects.

Unilateral Recognition Policy for Motor Vehicle Insurance

To reduce the inconvenience for people who wish to take advantage of the “Northbound Travel for Hong Kong Vehicles” (“Northbound Travel Scheme”), the IA has facilitated the Unilateral Recognition policy (“URP”) for cross-boundary motor insurance.

From 1 July 2023 onwards, private car owners in Hong Kong entering Guangdong Province via the Northbound Travel Scheme can obtain a URP product with extended scope for statutory third-party liability motor insurance required by the Mainland, obviating the need to purchase two separate policies. As of 1 July 2023, 17 insurers in Hong Kong, accounting for 79% of the motor market, were offering such products. This is a breakthrough that should spur the growth of innovative cross-boundary insurance services.

After-sales Service Centres

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area conveyed full backing for the establishment of after-sales service centres in selected Mainland cities of the GBA, addressing practical constraints faced by holders of insurance policies issued in Hong Kong and promoting the flow of manpower and capital.

The IA has also vigorously pursued with fellow regulators in Guangdong, Shenzhen and Macao to draw up common principles for standards and requirements, working in parallel with the Hong Kong Federation of Insurers (“HKFI”) on relevant logistical details.

¹ The CBIRC was reorganised to become the National Financial Regulatory Administration in May 2023.

The Year Under Review

Market Development

Dual Circulation Strategy — International Circulation

Headquarters of Multinational Insurance Groups

Although the momentum of recovery is still picking up, the IA will cite the agility and resilience that we demonstrated to convince more insurance groups to choose Hong Kong as a regional base and for those which are already here to expand their footprints.

Belt and Road Initiative

In addition to upholding the IA's Belt and Road Insurance Exchange Facilitation as a platform to foster alliance and gather intelligence, we hosted a panel at the Belt and Road Summit in September 2022 to examine how Hong Kong could amass appeal as a global risk management centre. In the coming year, we will focus on injecting energy into the Hong Kong Specialty Risks Consortium.

Mr Tony Chan (first left), Associate Director, Policy and Development, moderates a thematic breakout session at the Belt and Road Summit



The IA welcomes the fourth issuance and the inaugural listing of ILS in Hong Kong by the World Bank (IA CEO Mr Clement Cheung, second right)



Consolidating Risk Management Capabilities

Insurance-linked Securities

Insurance-linked Securities ("ILS") is an alternative risk transfer tool that augments traditional underwriting capacity. In November 2019, the Central Government conveyed its support for Mainland insurers to issue catastrophe bonds in Hong Kong. After a bespoke regime on special purpose insurers and the Pilot ILS Grant Scheme went live in May 2021, Hong Kong facilitated four issuances involving HK\$4.4 billion underpinned by typhoon losses and earthquake perils in the Mainland, Japan and Chile within just two years. Resources are being directed at communication with sponsors and investors, enrichment of product structures, data harvesting and indigenous risk modelling capabilities.

The Year Under Review

Market Development

Captive Domicile

Captive insurers epitomise a conglomerate's astuteness regarding the identification, management and mitigation of risk. Geographical proximity and cultural affinity render Hong Kong to be an ideal captive domicile for Mainland enterprises. We will open up a pathway for this to happen.

Marine and Specialty Risk

On marine and specialty risks, a 50% profits tax concession has been in effect since March 2021 for the general reinsurance business of direct insurers, selected general insurance business of direct insurers and selected insurance brokerage business to elevate the competitiveness of Hong Kong.

Reinsurance

Based on the consensus reached in 2018 whereby a lower capital requirement will be applied on Mainland insurers that ceded risks to eligible professional reinsurers in Hong Kong, the CBIRC has enshrined this preferential arrangement in the revamped China Risk Oriented Solvency System, benefitting a total of five reinsurers as at the first quarter of 2023.

Unleashing Social Value of Insurance

Qualifying Deferred Annuity Policy

The Financial Secretary ("FS") announced a tax deduction for Qualifying Deferred Annuity Policy ("QDAP") in his 2018-19 Budget, subject to prescribed criteria. As of March 2023, 23 products were offered by 19 long term insurers and close to 252,000 policies have been issued, achieving annualised premiums of about HK\$17.9 billion. The "QDAP Selection Made Easy" one-stop search tool was rolled out for the public to compare key features of different products and match them against their personal circumstances.

Protection Linked Plan and Revamp of Investment-Linked Assurance Scheme

Targeted at the younger customers with a long planning horizon, the Protection Linked Plan ("PLP") is a variant of Investment-Linked Assurance Scheme ("ILAS") products that meets the desire for higher investment returns balanced by decent mortality protection, transparent fee structure and simple fund choices. The Hong Kong Monetary Authority ("HKMA") promulgated guidance to banks on selling of PLP, which requires, among others, a pre-implementation review by an independent party before the first PLP was authorized in July 2022. The IA has given the green light for 16 revamped ILAS products to proceed with an application for authorization by the Securities and Futures Commission.

The Year Under Review

Market Development

Hong Kong Bounces Back on the World Stage

With the pandemic largely behind us, Hong Kong is poised to regain its luster as an international financial centre and a dynamic economic powerhouse.

Regional and International Fora

The 17th Annual Meeting and Conference of the Asian Forum of Insurance Regulators held in the Maldives was chaired by the IA and joined by 14 member jurisdictions. We convened or took part in 32 supervisory college meetings and hosted the 22th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen.

Mainland and Overseas Visitors

As part of the Government's campaign to rebrand and reconnect, the IA lined up visits and meetings for the Chair of the IAIS Executive Committee, the Vice Chairman of the CBIRC and senior executives of several international insurance groups to enable them to gain first-hand knowledge of the current situation in Hong Kong.



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



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



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

The Year Under Review

Market Development

Asian Insurance Forum 2022

The Asian Insurance Forum continues to be the IA's annual flagship event for multidisciplinary experts to share experience and exchange insights. The 2022 edition held in hybrid format bearing the theme of "Reflect, Reset, Revive for a Resilient Future" attracted a record number of 1,500 participants from Hong Kong and beyond.

Mr Stephen Yiu, Chairman of the IA, gives his opening remarks at the Forum



Mr John Lee, Chief Executive of the Hong Kong Special Administrative Region, delivers a speech at the Asian Insurance Forum 2022



Policy Dialogue: Roadmap for Development of the Hong Kong Insurance Industry

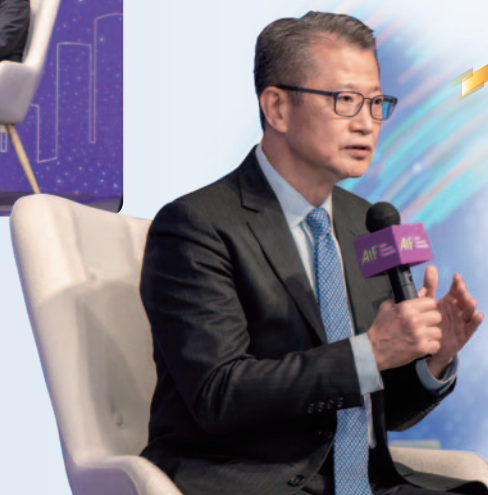


Mr Christopher Hui, Secretary for Financial Services and the Treasury, engages in a policy dialogue with Mr Clement Cheung, Chief Executive Officer of the IA, on the Development Roadmap for the Insurance Sector in Hong Kong

The Forum attracts a record number of 1,500 participants from Hong Kong and beyond in 2022



Mr Paul Chan, Financial Secretary, shares his views on the cornerstones for the Hong Kong insurance industry's success



The Year Under Review

Market Development

New Opportunities Ahead

Fast Track and Insurtech Sandbox

Since introduction in 2017, Fast Track and the Insurtech Sandbox have been going strong by providing a dedicated queue for virtual insurers relying solely on digital distribution channels without human intervention and for products or services to be tested in a realistic but controlled environment respectively.

The pandemic has accelerated the pace of digital transformation and boosted online transactions, prompting the four virtual insurers under Fast Track to make a foray into coverages for critical illness, fire, home, pecuniary losses, cyber and virtual assets. In the meantime, 36 pilots (24 related to virtual onboarding) had been approved for trial making use of the Insurtech Sandbox as of March 2023, including two submitted by licensed broker companies.

Open Application Programming Interface

To encourage cross-sector collaboration and derive better value for the insuring public, the IA was on track to launch a principle-based framework in September 2023 that would enable insurers to safely navigate through the journey of adopting Open Application Programming Interface ("Open API"). We partnered with the Hong Kong Science and Technology Parks Corporation to develop a central register showcasing insurance products or services that involve use of Open API and identified more than 30 use cases.

Mr Clement Cheung, Chief Executive Officer, gives a keynote presentation at Hong Kong FinTech Week



Cybersecurity

The Guideline on Cybersecurity (GL 20) lays down a baseline of the IA's regulatory expectations. Conscious of looming threats caused by increasing sophisticated hacking techniques, the IA undertook an industry survey as the foundation for a holistic review of GL 20 and have been contemplating development of the Cyber Resilience Assessment Framework.

Green Finance

Echoing calls made by the International Sustainability Standards Board, the IA marshalled the industry to submit feedback to the public consultation on the draft baseline reporting standards. We also engaged with the Task Force on Green Insurance formed by the HKFI to develop an effective approach in pursuing adoption of these standards. As a member of the Climate Risk Steering Group set up by the International Association of Insurance Supervisor ("IAIS"), we also took an active part in shaping global rules and disseminating good practices.

The Year Under Review

Market Development

Supporting Industry Talent Development

In the 2023-24 Budget, the FS announced an extension of the Pilot Programme to Enhance Talent Training for the Insurance Sector and Asset and Wealth Management Sector until 2025-26 to help equip the workforce with contemporary knowledge and skills to cope with a rapidly evolving market landscape.

Green and Sustainable Finance Talents

The IA reinforced efforts made by the Green and Sustainable Finance Cross-Agency Steering Group by offering two one-month internships as part of the Sustainable Finance Internship Initiative launched in October 2022 and by holding a seminar for university

students on career prospects available in the insurance sector. Moreover, the IA was instrumental in conceiving the Pilot Green and Sustainable Finance Capacity Building Support Scheme.

Fintech Career Accelerator Scheme

The IA and the HKMA jointly launched the Gap Year Placement Programme of the Fintech Career Accelerator Scheme. As of 31 July 2023, some 600 applications for the insurance sector had been received and the first batch of interns came on board in the summer of 2023.

The Year Under Review

Anti-Money Laundering and Counter-Financing of Terrorism

All authorized insurers and reinsurers carrying on long term business, and licensed individual insurance agents, licensed insurance agencies and licensed insurance broker companies carrying on regulated activities in respect of long term business, are required to comply with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (“AMLO”) and with the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (GL3) published under the AMLO.

During the reporting year, the Insurance Authority (“IA”) continued to monitor the insurance sector’s risk exposure to money laundering and terrorist financing (“ML/TF”) through supervisory engagement and robust oversight of the effectiveness of insurance institutions’ AML/CFT systems. If any control deficiencies are identified, the IA will require remedial action be taken.

Risk-Based Supervisory Regime

To fulfil Hong Kong’s obligations under the standards set up by the global Financial Action Task Force, the Government published the Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report (“HRA Report”) in July 2022. The HRA Report examined ML/TF threats facing the city and its business sectors and industries, and the enhanced ways that individual sectors can address these threats. ML/TF risks for the insurance sector were assessed for the HRA Report through collation and analysis of relevant market data by a survey as part of the risk assessment.

The Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance was published in the Gazette in December 2022, with the amended AMLO coming into operation in different phrases. This saw the amendments regarding the definitions of “politically exposed person” and “beneficial owner” relating to a trust, as well as the engagement of digital identification systems in customer due diligence, going into effect on 1 June 2023. The GL3 was also revised accordingly to reflect these changes.

The IA continued to use SupTech to aid its AML/CFT regulatory work, leveraging technology solutions to test the effectiveness and efficiency of long term insurers’ sanction screening systems.

The Year Under Review

Anti-Money Laundering and Counter-Financing of Terrorism

Risk Mitigation for Virtual Onboarding

During the reporting year, the IA continued to encourage insurance institutions to expedite the adoption of Insurtech for non-face-to-face distribution of insurance products. More long term insurers and licensed insurance broker companies used our Insurtech Sandbox to launch virtual onboarding pilot trials for policy holders using diverse digital media, including video conferencing tools and mobile applications, for a wide array of insurance products.

To address the heightened ML/TF risks posed by policy holders not being physically present in the virtual onboarding process, the IA reviewed details of AML/CFT controls before the launch of Insurtech Sandbox trials, including the ML/TF risk assessments and requisite control measures for Insurtech Sandbox applications.

Supervisory Outreach

The IA maintained its efforts to increase insurance practitioners' awareness of the latest AML/CFT regulatory requirements, recent ML/TF trends and their statutory obligations.

In November 2022, the IA hosted a webinar in which speakers from the Commerce and Economic Development Bureau, the Joint Financial Intelligence Unit and the IA shared their perspectives on proliferation financing, ML typologies and statutory obligations of suspicious transaction reporting and the HRA Report. Over 150 representatives from long term insurers attended. In the same month, the IA provided key findings from on-site inspections of licensed insurance broker companies including AML/CFT at a seminar. The event drew 220 representatives from licensed insurance broker companies carrying on regulated activities in respect of long term business.

Environmental, Social and Governance

Corporate Governance

As a socially responsible regulator, the Insurance Authority (“IA”) is committed to adopting environmental, social and governance criteria in our daily operations and practices, with our corporate governance framework built around well-defined management and accountability structures, comprehensive operational and financial control procedures, and high standards of conduct.

Governance Structure

Membership

Under the Insurance Ordinance (“IO”), membership of the IA consists of the Chairman who is a Non-Executive Director (“NED”), the Chief Executive Officer (“CEO”) who is an Executive Director (“ED”), and not less than six other NEDs or EDs, all appointed by the Chief Executive of the Hong Kong Special Administrative Region (“Chief Executive”). As at March 2023, the IA Board consisted of 13 NEDs and three EDs.

Responsibilities and Diversity of Directors

NEDs bring an independent perspective to the IA, providing a wealth of experience and expertise from diverse fields including insurance, law, accountancy, finance, actuarial science and enterprise management.

Diversity of our NEDs

Gender	
Male	8 (62%)
Female	5 (38%)

Professional Expertise/Experience

Accountancy/Actuarial Science	3 (23%)
Banking/Business/Finance/Insurance	4 (30%)
Education and Management	1 (8%)
Engineering	1 (8%)
Healthcare	1 (8%)
Labour and Welfare	1 (8%)
Legal	2 (15%)

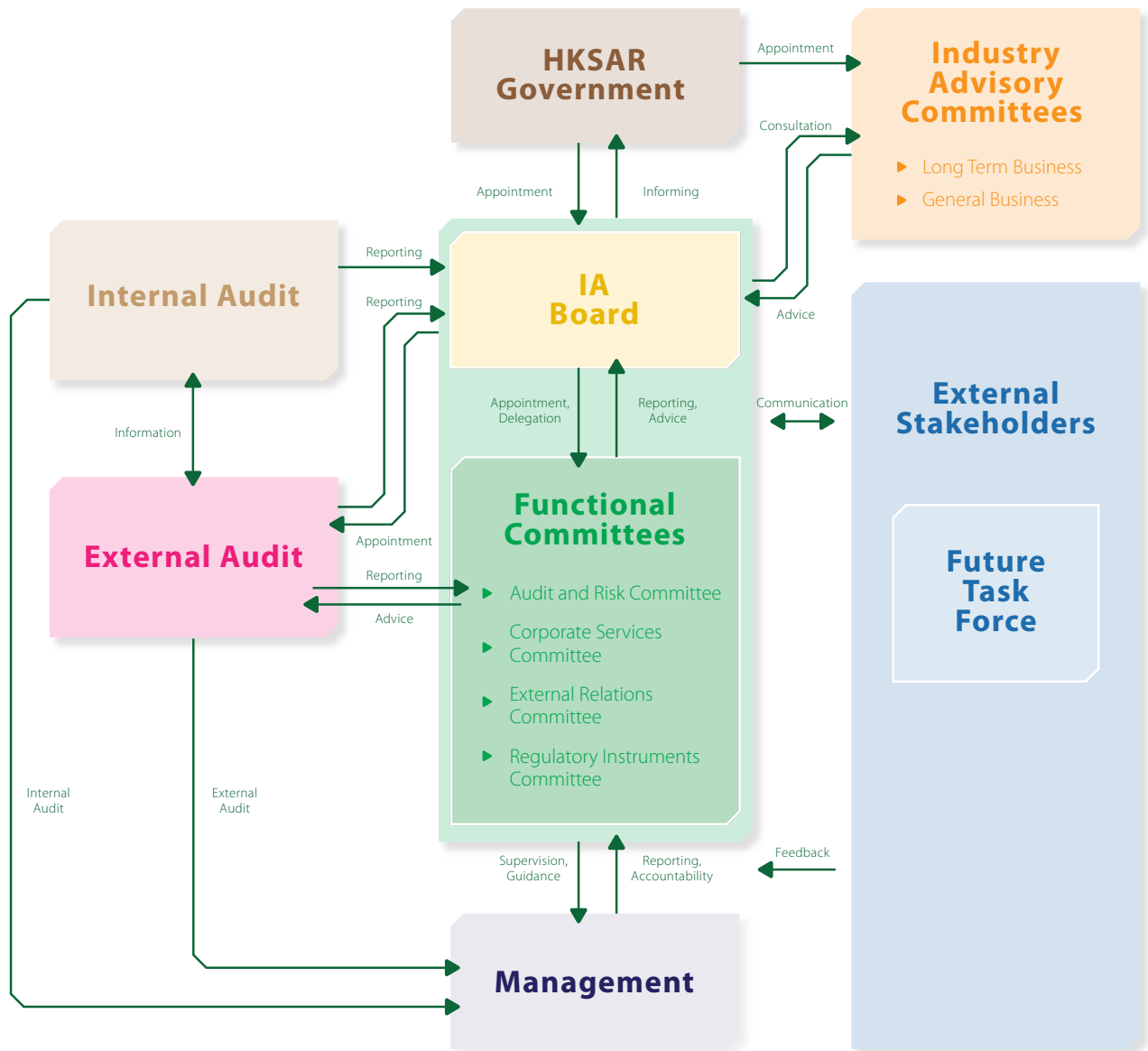
Chairman and CEO

The Chairman provides leadership and strategic direction, while the CEO assumes responsibility for daily operations and implementation of strategies under the direction of the IA Board.

Executive Directors

EDs take charge of daily operations within their respective purviews, including long term business, general business, market conduct, and policy and development. They also support the CEO in fulfilling his duties.

Governance Structure



Environmental, Social and Governance Corporate Governance



1 Mr Stephen Yiu Kin-wah, JP
Chairman

2 Mr Clement Cheung Wan-ching, GBS, JP
Chief Executive Officer

3 Dr Clement Chen Cheng-jen, GBS, JP
Non-Executive Director

4 Ms Ivy Cheung Wing-han
Non-Executive Director

5 Ms Agnes Choi Heung-kwan, MH
Non-Executive Director

6 Dr Evelyn Lam Ho Yi, JP
Non-Executive Director

7 Mr Lam Wai-kong, MH
Non-Executive Director

8 Dr Ares Leung Kwok-ling
Non-Executive Director

9 Mr Terry Lo Kin-wing
Non-Executive Director

10 Ms Theresa Ng Choi-yuk, JP
Non-Executive Director

11 Ir Dr Derrick Pang Yat-bond, JP
Non-Executive Director

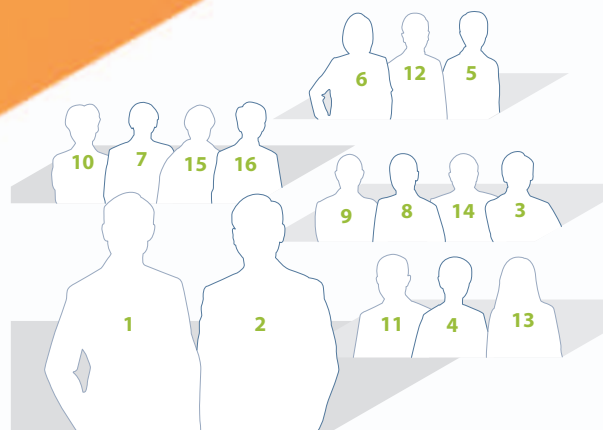
12 Mr Anson Wong Man-kit, SC, JP
Non-Executive Director

13 Professor Anna Wong Wai-kwan
Non-Executive Director

14 Mr Kenneth Wong Wing-yan
Non-Executive Director

15 Ms Carol Hui Mei-ying
Executive Director, Long Term Business

16 Mr Simon Lam Sui-kong
Executive Director, General Business



Environmental, Social and Governance

Corporate Governance

IA Members

Chairman



Mr Stephen Yiu Kin-wah, JP

Mr Yiu took up the Chairmanship of the Insurance Authority (IA) since December 2021. He has been a member of the IA Board since its inception in 2015. Mr Yiu was the Chairman and Chief Executive Officer for Mainland China and Hong Kong of KPMG, possessing in-depth knowledge on auditing large banking and financial corporations. He was also a government-appointed Director on the Board of Hong Kong Exchanges and Clearing Limited. Mr Yiu has been actively promoting the financial services sector of Hong Kong and is currently a member of the Exchange Fund Advisory Committee and a director of the Hong Kong Academy of Finance. He is also a government-appointed Board member of the Hong Kong Airport Authority.

Non-Executive Directors



Dr Clement Chen Cheng-jen, GBS, JP

Dr Chen is Managing Director of Tai Hing Cotton Mill Limited. He is currently Chairman of the Council and the Court of Hong Kong Baptist University, Chairman of the Standing Committee on Judicial Salaries and Conditions of Service, Honorary President of the Federation of Hong Kong Industries and Chairman of the Standing Committee on Youth Skills Competition. He is also a member of the Public Service Commission and the Board of Governors of Technological and Higher Education Institute of Hong Kong. Notable past appointments include Chairman of the Vocational Training Council and Chairman of the Federation of Hong Kong Industries.



Ms Ivy Cheung Wing-han

Ms Cheung is the Managing Partner and Head of Audit with KPMG, Hong Kong. She was the President of the Hong Kong Institute of Certified Public Accountants in 2016. Ms Cheung is a board member of the Hong Kong Cyberport Management Company Limited and the Hong Kong Genome Institute. She currently serves as member of various public service committees, including the Standing Committee on Civil Service Salaries and Conditions of Service, the Standing Commission on Company Law Reform, the Consumer Council Audit Committee and the Transport Advisory Committee. She is also an Honorary Advisor, member of the Advisory Committee and the Inspection Committee of the Accounting and Financial Reporting Council.

Environmental, Social and Governance

Corporate Governance



Ms Agnes Choi Heung-kwan, MH

Ms Choi is a senior general insurance leader with over 35 years' experience. She was Chairman of the Hong Kong Federation of Insurers ("HKFI") from 2012 to 2013 and a member of the Executive Committee of the International Union of Marine Insurance ("IUMI") from 2015 to 2018. Currently, she is the IUMI's Asia Ambassador. She is also a lay member of the Council of the Hong Kong Institute of Certified Public Accountants and a member of the Travel Industry Authority. She was elected as one of the Top Ten Influential Persons in Marine Insurance 2017 by Lloyd's List and one of the Top Ten Outstanding Women in the Maritime Industry in China in 2019.



Dr Evelyn Lam Ho Yi, JP

Dr Lam currently serves as the Executive President of Lai Sun Group. Dr Lam is a Standing Committee member of the 13th Jiangsu Provincial Committee of The Chinese People's Political Consultative Conference of The People's Republic of China, Executive Vice-Chairman of Federation of HK Jiangsu Community Organisations, Executive Vice Chairman of Hong Kong United Youth Association, and Chairman of the Youth Committee of the Belt and Road General Chamber of Commerce. She also serves as a member of Advisory Committee on Recycling Fund, Culture Commission, Action Committee Against Narcotics, Housing Appeal Panel, Immigration Tribunal and as a Chairperson of Social Security Appeal Board. Dr Lam is actively involved in public service. She is currently Chief Executive Officer of Por Yen Charitable Foundation Limited and Chairperson of Special Olympics Hong Kong.



Mr Lam Wai-kong, MH

Mr Lam is a senior trade union worker. He is currently the Vice Chairman of the Hong Kong Federation of Trade Unions and has been elected by the trade union as a member of the Labor Advisory Board (employee representative). He has successively served as the Secretary-General of the Hong Kong Wearing Apparel Industry Employees General Union, and the Secretary-General of the Motor Transport Workers General Union. Representing the labour sector to participate in the Government and various social groups, Mr Lam helped to put forward the views of the labour grassroots. He was appointed as a member of the Employees' Compensation Assistance Fund Board and the Employees' Insurance Levy Board.

Environmental, Social and Governance

Corporate Governance



Dr Ares Leung Kwok-ling

Dr Leung is an obstetrician and gynaecologist in charge of several private medical groups. He was the President of the Hong Kong College of Obstetricians and Gynaecologists, and is currently a board member of the Haven of Hope Christian Service and the Chairman of its Service Governing Committee. Dr Leung has played a pivotal role in the introduction of professional indemnity insurance for the medical sector in Hong Kong and has made significant contribution in promoting clinical governance and improving health care affordability. During COVID-19, Dr Leung, as the Chief Operating Officer of a medical group, assisted in providing the much-needed anti-pandemic services to the community including vaccinations, diagnostic facilities and isolation facilities.



Mr Terry Lo Kin-wing

Mr Lo is an actuary and a veteran of the insurance industry, having been the chief executive of a few authorized insurers in the Hong Kong SAR and the Mainland China before his retirement. He had served the industry as a General Committee member of the Insurance Claims Complaints Bureau¹, Chairman of the Life Insurance Council and Deputy Chairman of the Governing Committee of the HKFI.



Ms Theresa Ng Choi-yuk, JP

Ms Ng is a veteran banker who held key frontline and management positions in retail, wealth management as well as private banking. She is a lay member of the Council of the Hong Kong Institute of Certified Public Accountants. Ms Ng has devoted much of her time in serving the community by taking part in charity work, public services and youth educational matters. She is currently the Chairman of Friends of Caritas and School Managers for a number of reputable secondary schools.

¹ Replaced by the Insurance Complaints Bureau in 2018.

Environmental, Social and Governance

Corporate Governance



Ir Dr Derrick Pang Yat-bond, JP

Ir Dr Pang is the Chief Executive Officer of Asia Allied Infrastructure Holdings Limited. He has over 23 years of geotechnical design and construction experience in the United States and Hong Kong. Ir Dr Pang holds a number of important public offices, including a member of the Henan Provincial Committee of the Chinese People's Political Consultative Conference, an executive member of the Construction Industry Council, a council member of the Hong Kong Polytechnic University, a director of the Hong Kong Cyberport Management Company Limited and a member of the Aviation Development and Three-runway System Advisory Committee.



Mr Anson Wong Man-kit, SC, JP

Mr Wong is a Senior Counsel with a broad range of civil and commercial practice. He has sat as Deputy High Court Judge on multiple occasions. He has also been appointed by the Government as Chairman or Deputy Chairman of various quasi-judicial tribunals. He is currently the Chairman of the Banking Review Tribunal, the Chairman of the Resolvability Review Tribunal, the Chairman of the Resolution Compensation Tribunal, the Deputy Chairman of Inland Revenue Board of Review and formerly the Chairman of Municipal Services Appeal Board.



Professor Anna Wong Wai-kwan

Professor Wong is a Professor of Practice in Finance at the University of Hong Kong, delivering courses on financial regulation, compliance and risk management. She is currently a member of the Competition Commission. She has held senior roles in several global financial institutions and is a former member of the Advisory Committee of the Securities and Futures Commission.

Environmental, Social and Governance

Corporate Governance



Executive Directors

Mr Kenneth Wong Wing-yan

Mr Wong is a Senior Partner and Solicitor Advocate (having higher rights of audience (civil)) of a law firm, specialising in civil litigation including commercial and real estate litigation and arbitration, judicial review and competition, town planning and regulatory related matters. He has been serving as a Deputy High Court Judge. He is currently Chairman of the Civil Litigation Committee of the Law Society of Hong Kong.



Mr Clement Cheung Wan-ching, GBS, JP **Chief Executive Officer**

Mr Cheung has been serving as the Chief Executive Officer of the Insurance Authority since August 2018 after retiring from the Administrative Service. Senior positions that he has held in the Government include Commissioner of Insurance (2006-2009), Postmaster General (2009-2011), Commissioner of Customs and Excise (2011-2015), and Secretary for the Civil Service (2015-2017).

At the global and regional levels, Mr Cheung is a member of the Executive Committee of the International Association of Insurance Supervisors and Chair of its Audit and Risk Committee, as well as Chairman of the Asian Forum of Insurance Regulators.



Ms Carol Hui Mei-ying² **Executive Director, Long Term Business**

Ms Hui joined the IA in June 2017. Prior to this, she worked in the then Office of the Commissioner of Insurance since 1990, covering areas including regulation of insurers and insurance intermediaries, policy development and strategy formulation. At the IA, she oversees the prudential supervision of long term insurers, together with the group-wide supervision framework, Qualifying Deferred Annuity Policies, facilitative measures in response to the COVID-19 pandemic, processing of trial projects on virtual onboarding and development of the Protection Linked Plan.

² Ms Carol Hui Mei-ying's tenure ended in June 2023.

Environmental, Social and Governance

Corporate Governance



Mr Simon Lam Sui-kong³

Executive Director, General Business

Mr Lam joined the IA in June 2017. He has extensive management, technical and commercial experience in property & casualty, life and reinsurance businesses accumulated over 30 years in the insurance industry. Previously, he was the Chief Executive Officer and Regional Chief Operating Officer of multinational insurers and a reinsurer located in Hong Kong, Mainland China (Beijing), Vietnam and Thailand. He brings strong leadership and stewardship on key market topics, on prudential supervision of insurers and the development of the general insurance market in Hong Kong.

³ Mr Simon Lam Sui-kong's tenure ended in June 2023.

Environmental, Social and Governance

Corporate Governance

Governance Practices

The IA strives to observe the best practices of corporate governance, including:

- Meeting regularly to transact matters of operational and strategic importance.
- Providing the IA Board with relevant materials in advance to enable thorough and informed deliberation at meetings.
- Furnishing the IA Board with relevant and timely management data to facilitate detailed scrutiny of outcomes and performance.
- Keeping records for the IA Board in the form of minutes of discussion, attendance and decisions made.
- Setting up policies for disclosure and handling conflict of interest.
- Meeting in sub-committees to gather preliminary feedback.



Environmental, Social and Governance

Corporate Governance

Meeting Attendance in 2022-23:

Meetings attended/held	IA Board	Audit and Risk Committee ("ARC")	Corporate Services Committee ("CSC")	External Relations Committee ("ERC")	Regulatory Instruments Committee ("RIC")
Chairman					
Stephen Yiu	7 ^a /7	2/2	5 ^a /5	–	–
Non-Executive Directors					
Clement Chen	5 ^a /7	2/2	–	2/2	–
Ivy Cheung	6 ^a /7	2/2	4 ^a /5	–	–
Agnes Choi	6/7	–	5/5	2/2	2/3
Evelyn Lam	5 ^b /7	–	3 ^c /5	2/2	–
Lam Wai-kong	6 ^a /7	–	–	2/2	3/3
Ares Leung	7 ^a /7	–	4 ^a /5	2 ^a /2	–
Terry Lo	6 ^a /7	2/2	–	–	3 ^a /3
Theresa Ng	7 ^a /7	–	5 ^a /5	–	3/3
Derrick Pang	6 ^b /7	1 ^a /2	–	–	3 ^a /3
Anson Wong	5/7	–	–	1/2	1/3
Anna Wong	7/7	–	–	2/2	3/3
Kenneth Wong	4 ^a /7	–	4 ^a /5	–	3/3
Executive Directors^d					
Clement Cheung	6 ^a /7	–	–	2/2	3/3
Carol Hui	6/7	–	–	–	–
Simon Lam	5/7	–	–	–	–

^a Including one virtual attendance.

^b Including four virtual attendance.

^c Including two virtual attendance.

^d One of the seven IA Board meetings in 2022-23 was exclusively for Non-Executive Directors.















Environmental, Social and Governance

Corporate Governance

Functional Committees

The IA has four functional committees, namely the ARC, CSC, ERC and RIC, each chaired by an NED with relevant expertise. NEDs make up over 80% of the membership and

the entire membership of both the ARC and CSC comprised. This provides checks and balances on the IA's decision-making process.

Committees	Composition	Summary of Work in 2022-23
Audit and Risk Committee	5 NEDs	 Held two meetings.  Reviewed the audited financial statements.  Endorsed the audit plan proposed by the external auditor.  Considered the Internal Audit Charter, annual internal audit plan, and Report on Review of Information Technology Governance and Security.  Received Report on Review of Licensing Process and periodic procurement reports, ensuring compliance with internal policies and guidelines.
Corporate Services Committee	7 NEDs	 Held five meetings.  Examined the Corporate Plan for 2023-24 and Six-Year Financial Forecast for 2023-24 to 2028-29, providing comments to the IA Board.  Received periodic reports on financial status, keeping a close watch on the IA's financial sustainability.  Endorsed the annual pay adjustment, revised the IA staff ranking structure and other HR-related issues.  Considered the tender specifications and award of tender for the Insurance Regulatory Information System.
External Relations Committee	7 NEDs and 1 ED	 Held two meetings.  Considered the proposed framework for Annual Report 2021-22.  Considered the IA's initiatives for publicity, public education and talent development for the insurance industry.
Regulatory Instruments Committee	8 NEDs and 1 ED	 Held three meetings.  Scrutinised the amendments to the Guideline on Application for Authorization to Carry On Insurance Business In or From Hong Kong and Module D of the Guideline on Group Supervision.  Endorsed the Interpretation Notes to the Guideline on Underwriting Long Term Insurance Business (other than Class C Business).

Environmental, Social and Governance

Corporate Governance

Industry Advisory Committees

The IA is required by the Insurance Ordinance ("IO") to set up two Industry Advisory Committees ("IACs") on long term business and general business respectively. Each IAC includes the Chairman, the CEO, and not more than two other EDs of the IA, as well as eight to 12 other members appointed by the Financial Secretary ("FS") in consultation with the IA.

The FS appointed/reappointed 11 non-official members to each of the two IACs for a term of two years between 1 June 2022 and 31 May 2024. These members were selected from different sectors within the insurance industry and related fields, such as accountancy, insurance law, academia, banking, medical, Fintech and Insurtech. Four joint IAC meetings took place during the reporting year. IAC members are listed in the Appendices on page 102.

Independent Checks and Balances

The Ombudsman

The IA is subject to indirect oversight by the Office of the Ombudsman, which has statutory powers to investigate alleged acts of maladministration.

Insurance Appeals Tribunal

The [Insurance Appeals Tribunal](#) ("IAT") has been established under the IO to review, on application, specified decisions made by the IA. In addition, it reviews disciplinary sanctions imposed by the three former Self-Regulatory Organisations ("SROs")⁴ prior to the IA taking over direct regulation of insurance intermediaries on 23 September 2019.

The IAT's statutory purpose is to determine a question or an issue arising out of or in connection with a review and to ensure that insurance regulatory decisions are reasonable and fair. The IAT is formed whenever there is a case to be reviewed. It consists of a chairperson and two ordinary members, recommended by the IAT chairperson and chosen from a panel of members appointed by the FS under the authority delegated by the Chief Executive. In June 2022, the Chief Executive appointed Ms Rachel Lam, SC, as the new IAT chairperson for a three-year term. IAT members are listed in the Appendices on page 103.

During the reporting year, there were 38 applications for review concluded before the IAT, all relating to disciplinary action taken against individual licensees for failing to comply with the Continuing Professional Development requirements. The IAT also handled an application for review of certain specified decisions made by the IA in relation to an authorized insurer.

Process Review Panel for the IA

The [Process Review Panel](#) ("PRP") is an independent body established by the Government to review and advise the IA on the adequacy of the IA's internal procedures and operational guidelines governing actions and operational decisions by the IA and its staff in carrying out the IA's regulatory functions. In its second term, the PRP continued to conduct a comprehensive review of the IA's internal procedures and operational guidelines through detailed examination of selected cases. The PRP's 2022 Annual Report provided a summary of its work and recommendations conducive to ensuring the IA exercises its regulatory powers in a fair and consistent manner. Follow-up actions were taken accordingly. PRP members are listed in the Appendices on page 104.

⁴ The former SROs are the Hong Kong Confederation of Insurance Brokers, Professional Insurance Brokers Association and Insurance Agents Registration Board formed under the Hong Kong Federation of Insurers.

Environmental, Social and Governance

Corporate Governance

Accountability and Transparency

Standards of Conduct

We attach great importance to the integrity and probity of our staff and expect them to uphold a high standard of conduct to fulfil the statutory functions conferred on the IA. To ensure that our staff understand and observe the relevant standards, we have issued guidelines and a code of conduct addressing areas such as conflict of interest, declaration of financial interests, and acceptance of gifts. It is mandatory for all newcomers to attend induction modules and training organised by the Independent Commission Against Corruption.







Corporate Planning

In each financial year, the IA is required by the IO to submit a corporate plan to the FS outlining key objectives, planned activities and budget for the following year. Furthermore, views on the budget are sought from the Legislative Council ("LegCo") Panel on Financial Affairs.

Financial Control and Reporting

Financial statements in accordance with prevailing accounting standards, reporting rules and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants are prepared and published together with our Annual Report. PricewaterhouseCoopers was engaged again to be the external auditor for our financial statements for the reporting year.

We have adopted the following to enhance the transparency of our financial status:

-  An external firm is appointed to conduct the annual audit.
-  Annual financial statements are presented to the ARC.
-  Approval is sought from the IA Board on the annual financial statements published in the annual report.
-  Key financial data is presented at IA Board meetings.
-  Regular reports are provided to the Government.
-  The annual budget and revised estimates are presented to the LegCo Panel on Financial Affairs.

Communication with Stakeholders

The IA interacts with a variety of stakeholders, including industry practitioners, policy holders, regulatory counterparts, government officials, LegCo members, media representatives, and the general public. Communication channels include the IA website, media briefings, press releases, circulars and publicity events. In addition, feedback is collected through meetings, seminars and consultation sessions. Industry statistics are released on a regular basis. Five requests for access to information were also handled during the reporting year.

Complaints Handling




Our accountability and transparency are further embodied through complaint handling. Our role and policies in this respect are published on our website. Since taking over from the former SROs on 23 September 2019, the IA has assumed the sole responsibility for dealing with complaints against insurance intermediaries.


Environmental, Social and Governance


Corporate Governance


Risk Management

A package of measures safeguards our operations against possible risks, including external risks arising from the insurance market, internal risks such as financial risks, and threats to our information and office security:

-  External risks associated with the insurance market are assessed as part of the corporate planning process and appropriate measures adopted to address the risks on an ongoing basis.
-  The Internal Audit Section reports to the IA Board to evaluate and improve the effectiveness of the IA's risk management, control and governance process.
-  Financial control policies and procedures are promulgated to delineate the authority and responsibility of our staff and the IA Board in the appointment of consultants, service providers, procurement of capital items, etc.

 The IA's risk management system and internal control procedures are subject to review by the ARC, which is composed exclusively of NEDs.

 Access controls are in place for the IA's computer and file systems as protection against unauthorized access, use or modification. There are also access controls for office premises to safeguard against unauthorized entry.

 A data privacy policy is promulgated and a Data Privacy Officer is appointed to facilitate compliance with the Personal Data (Privacy) Ordinance.

Environmental, Social and Governance

Green and Sustainable Finance

With climate change among the highest priorities of environmental, social, and governance (“ESG”) issues, the Insurance Authority (“IA”) actively engages in leading initiatives to steer a more sustainable future for Hong Kong together with the insurance industry.

Cross-sectoral Co-operation

To advance Hong Kong’s position as a green and sustainable regional finance hub, the IA continued to work with other agencies as a member of the Green and Sustainable Finance Cross-Agency Steering Group (“CASG”).

Since the CASG’s launch of the Centre for Green and Sustainable Finance (“Centre”) in July 2021, the Steering Group has focused on capacity building and data. The Centre provides a cross-sector platform involving industry stakeholders and academics and serving as a repository for resources, data and analytics that can support the transition to a more sustainable development pathway.

In June 2022, the IA issued a circular on the Centre’s repositories, noting that the Green and Sustainable Finance (“GSF”) Data Source Repository had been updated to include further Government data sources relevant to the assessment of physical risks in Hong Kong. The IA circular also drew attention to the launch of the GSF Internship Opportunities Repository and GSF Training Information Repository.

In other endeavours, the CASG collaborated with CDP (previously known as the Carbon Disclosure Project) in December 2022 to develop a Climate and Environmental Risk Questionnaire for non-listed companies or small and medium-sized enterprises (“SME Questionnaire”). The project was supplemented by a joint seminar in March 2023 to discuss the benefits of sustainability reporting and climate data availability. The insurance industry was encouraged to make use of the SME Questionnaire to collect climate risk information from clients, such as transition plans and greenhouse gas emission data, which would be useful for risk management, disclosures, and business decision-making.

Industry-wide Green Efforts

The IA has shown staunch support for the industry’s joint efforts in promoting green and sustainable insurance. In December 2022, we hosted a thematic panel discussion titled “Supporting Climate Actions — Collaboration, Innovation and Finance” at our annual flagship event Asian Insurance Forum. The event highlighted how the insurance industry could contribute to combating climate change and supporting low-carbon transition.

In addition, we maintained a regular dialogue with the HKFI’s Task Force on Green Insurance to exchange views and share updates on developments in green and sustainable finance, such as the International Sustainability Standards Board’s consultation on draft disclosure requirements. The IA also supported the HKFI’s proposal for an industry climate charter and encouraged the participation in the initiative.

Environmental, Social and Governance





Environmental Protection

The Insurance Authority (“IA”) strives to minimise our carbon footprint, bringing in a wide range of green measures in our offices and encouraging staff to proactively care for the environment.






A Green Workplace




Highlights of our green practices for an environmentally friendly workplace:

Recycling and Reusing





-  Collecting metal mooncake boxes, Christmas trees, red packets, peach blossom trees and aluminium coffee capsules for recycling.
-  Sorting plastic and metal for recycling.
-  Recycling paper.
-  Donating used computers and communication products.

Going Paperless




-  Sharing reports, guidelines and consultation papers, and exchanging information with stakeholders through the IA website to reduce printing.
-  Accepting electronic returns from regulated entities.
-  Having a data management system in place for electronic records.
-  Using electronic platforms to enable digital transmission and preservation of documents.
-  Enabling paperless meetings by providing staff with laptop computers.

-  Setting up a digital kiosk in the IA office to display corporate information.
-  Sending festive greetings via e-cards.
-  Monitoring and reducing paper consumption.

Saving Power

-  Switching off electrical appliances and systems when not in use.
-  Procuring energy-efficient devices and equipment and setting them in power-saving mode.
-  Installing timers to turn off lighting and air conditioning after office hours.
-  Displaying notices to remind staff to conserve energy.

Eco-friendly Environment

-  Encouraging staff to use reusable dishware and biodegradable utensils in the offices.
-  Using eco-friendly cleaning products for regular carpet cleaning and pest control services in the office.
-  Applying non-toxic preventive disinfection treatments to minimise the risk of contracting and spreading COVID in the offices.

Environmental, Social and Governance

Environmental Protection

Consumption and Recycling

	2022-23	2021-22	2020-21
Consumption			
Paper (piece/head)	1,965	2,550	4,268
Electricity (kWh/head)	1,749	1,825	1,864
Recycling			
Paper (kg)	2,767	*5,667	3,441

* The increase was largely due to the disposal of historical records now stored in the data management system.



The IA is recognised as a Hong Kong Green Organisation, holding an Energywise Certificate and a Wastewise Certificate

During the reporting year, the IA was once again granted the title of "Hong Kong Green Organisation" with an Energywise Certificate and a Wastewise Certificate by the Environmental Campaign Committee, in recognition of our efforts on energy-saving and waste reduction efforts.

We conducted regular cleaning of air conditioning filters, helping to maintain the air quality in our two offices in Wong Chuk Hang and North Point respectively. Both offices also continued to attain the "Good Class" in the Indoor Air Quality Certification Scheme, organised by the Environmental Protection Department.

To raise awareness of environmental protection, we encouraged our staff to participate in Earth Hour 2023 and other green initiatives, along with various donation and recycling programmes.

The IA encourages staff to support the Earth Hour 2023, organised by the World Wide Fund



承諾支持世界自然基金會地球一小時
IS COMMITTED TO WWF'S EARTH HOUR

Environmental, Social and Governance

Social Responsibility

The Insurance Authority (“IA”) is fully committed to corporate social responsibility, fostering initiatives ranging from staff wellness and work-from-home flexibility to contributions to the community.

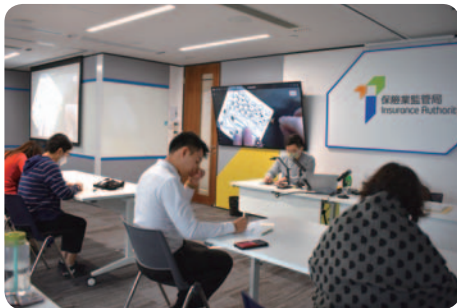
Caring for Our Staff

The IA attaches great importance to the well-being of staff as we know that people are our most valuable asset and their contribution vital to the IA’s future growth and success.

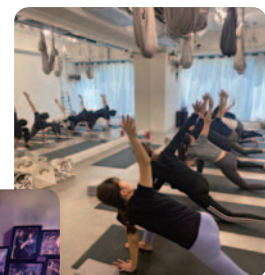
Post pandemic, the IA’s Social Committee swung back into action, organising a number of staff activities to promote team spirit and work-life balance after social distancing requirements were relaxed. Events such as DIY mooncake-making workshop, cocktail workshop, and virtual reality experience were all well received by colleagues. The Committee is led by our Human Resources team and supported by colleagues from various divisions.

We continued offering Employee Assistance Program, organising wellness classes like de-stress drawing and yoga classes. The wellness benefits, including medical checkups and vaccination, were also enhanced.

To promote better work-life balance and reduce commute time for staff, a more flexible working arrangement was put in place in June 2022. The scheme allows eligible staff to work from home on certain days of their choice. We also introduced birthday leave to enable staff to celebrate with family and friends.



The IA organises a wide variety of activities to enhance staff well-being



Environmental, Social and Governance

Social Responsibility

IA colleagues visit the Society for the Protection of Cruelty to Animals (SPCA) to prepare hand-made pet toys for the animals



Caring for The Community

IA staff and their family members participated in the annual Flag Day of the Society for the Prevention of Cruelty to Animals ("SPCA") to raise funds for abandoned animals in August 2022. Participants also spent an afternoon at the SPCA headquarters, where they visited the adoption centre and helped prepare pet toys for the animals.

In recognition of our CSR efforts for the community and our employees, the IA was awarded the Caring Organisation Logo 2019-23 by the Hong Kong Council of Social Service.



Engagement with Stakeholders

With stakeholders' support instrumental in helping the Insurance Authority ("IA") drive policy development and legislative reforms, we proactively reach out to interlocutors locally and abroad to communicate our strategic priorities and regulatory initiatives.

The Insurance Industry

The IA has set up two Industry Advisory Committees to provide views on long term and general sector-related matters respectively. These committees held four joint meetings during the reporting year at which a wide range of issues were discussed.

In addition, we maintained a close dialogue with industry bodies such as the Hong Kong Federation of Insurers ("HKFI"), the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association on major undertakings, such as the implementation of the Unilateral Recognition policy with the HKFI.



The IA actively engages with industry stakeholders



Engagement with Stakeholders

On specific themes, our Belt and Road Insurance Exchange Facilitation ("BRIEF") platform continued to foster networking and intelligence exchange among stakeholders to devise risk management and insurance solutions. As of March 2023, BRIEF membership stood at 43, covering insurers, reinsurers, captive insurers, insurance brokers, industry associations, law firms and loss adjusters.

At the Belt and Road Summit 2022, co-organised by the Government and Hong Kong Trade Development Council, the IA hosted a panel to discuss Hong Kong's role as a risk management centre in support of the national strategy of Belt and Road Initiative. The panel, comprising executives from leading Mainland and global insurers and reinsurers, shared insights on the challenges for Hong Kong in becoming the preeminent risk management centre for the Mainland and a regional insurance and reinsurance hub, and how to address them. It also looked at how to capitalise on the opportunities brought about by the national strategy of Belt and Road Initiative.

The re-opening of the border between the Mainland and Hong Kong presented a renewed opportunity for the IA to engage with Mainland stakeholders. Meanwhile, the IA's Hong Kong Specialty Risks Consortium continued to encourage matching between Mainland enterprises and consortium members, including insurers, professional services firms and brokers, as well as to facilitate discussion on managing and insuring complex risks overseas.

During the reporting year, the Insurtech Facilitation Team maintained close communication with both the technology and insurance communities, handling over 40 enquiries and holding more than 90 meetings with various stakeholders, including local and overseas insurers, Fintech firms, regulators, and industry organisations.

Building wider engagement, IA senior executives spoke at major events such as the Asian Financial Forum and Hong Kong Fintech Week. We also shared our views on various topics together with international regulators at the Global Insurance Forum.

Future Task Force

The Future Task Force of the Insurance Industry leverages the expertise and experience of a wide spectrum of stakeholders ranging from insurance professionals to academics to formulate strategies to reinforce Hong Kong's position as a global risk management centre and a regional reinsurance and insurance hub.

In relation to Fintech, a meeting on cybersecurity in the digital age was convened in October 2022 at which the IA shared findings from our cybersecurity survey and proposed regulatory guidance to strengthen cybersecurity resilience. Guest speakers were invited to shed light on the cybersecurity landscape in the insurance sector and a live demo for presented on cybersecurity-related crimes, such as location spoofing and deepfakes. Later, a meeting in April 2023 provided participants with updates on the development of the Open Application Programming Interface ("Open API") Framework and shared on Open API use case applications in cross-industry collaborations.

On image building, a November 2022 meeting discussed the root causes of controversies over insurance policies and their impact on the image of the insurance industry. Attendees explored how enhancing insurance literacy and fostering professional ethics and integrity through conduct supervision could help resolve these controversies.

Engagement with Stakeholders

The IA convenes two Future Task Force meetings to discuss cybersecurity and the root cause of insurance disputes



Regulatory Counterparts

Over the years, the IA has been bringing an Asian perspective to international insurance regulation by active participation in the International Association of Insurance Supervisors ("IAIS"), the standard-setting body for insurance supervisors worldwide.

The IA Chief Executive Officer ("CEO") is a member of the Executive Committee, Policy and Development Committee and Chair of the Audit and Risk Committee. In addition, the IA is vice-chair of the Implementation and Assessment Committee and a member of the Macroprudential Committee.

During the reporting year, the IA participated in in-person IAIS meetings around the globe to share our regulatory perspectives. The gatherings included the IAIS Global Seminar and the IAIS Annual General Meeting and Annual Conference. In March 2023, the IA hosted Ms Victoria Saporta, Chair of the IAIS Executive Committee and Executive Director of the Bank of England. Discussions during the visit encompassed emerging risks and regulatory challenges and explored opportunities for collaboration.

The IA's active participation in IAIS demonstrates our commitment to promoting global best practices in insurance supervision and shaping international regulatory standards.

Engagement with Stakeholders

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



Regionally, the IA CEO continued to chair the Asian Forum of Insurance Regulators. The IA CEO has helmed the organisation for two consecutive terms starting from 2018. In September 2022, it was resolved at the General Meeting of Members that his tenure be extended for a further year. At the international level, the IA is a member of the Global Financial Innovation Network Cross-Border Testing workstream, which allows eligible financial institutions and Fintech companies to conduct cross-border pilots of innovative products and services. The IA regularly shares insights on financial innovation and Regtech engagement with other members to reinforce international collaboration in this area.

During the reporting year, the IA organised and took part in 32 supervisory colleges to strengthen communication with overseas regulators on the group-wide supervision of multinational insurance groups.

The IA has also been working closely with the China Banking and Insurance Regulatory Commission ("CBIRC")¹ and Mainland authorities on supervision co-operation and initiatives related to the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA").

Following the full resumption of travel between Hong Kong and the Mainland in early 2023, we stepped up face-to-face communication with our Mainland regulatory counterparts

to enhance connectivity within the GBA. In addition to meeting various CBIRC departments in Beijing in February 2023 and receiving its senior officials in Hong Kong in March 2023, the IA successfully hosted the 22nd Joint Meeting of Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen in Hong Kong. At the joint meeting, regulators exchanged views on market development trends and proposals to enhance connectivity within the GBA. In July 2023, the IA met with Mr Li Yunze, the Minister of the National Financial Regulatory Administration ("NFRA") and secretary of NFRA CPC committee in Beijing after its reorganisation from CBIRC.

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



Locally, the IA met regularly with the Hong Kong Monetary Authority ("HKMA") to discuss areas of mutual interest, including prudential supervision of banking groups and their insurance subsidiaries, updates on regulatory developments in the banking and insurance sectors and market conduct issues concerning bank-related insurance intermediaries. We met with the Securities and Futures Commission ("SFC") on topics of common interest. We also held discussions with the Mandatory Provident Fund Schemes Authority ("MPFA") on the handling of investigations into subsidiary intermediaries who fail to comply with the performance requirement under the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

¹ The CBIRC was reorganised to become the National Financial Regulatory Administration in May 2023.

Engagement with Stakeholders

In addition, the IA participated in the Council of Financial Regulators and Financial Stability Committee, platforms that address cross-sectoral regulatory issues and matters with a potential impact on financial stability, enabling deliberations on the impact of the latest market trends and monitoring of systemic risks.

To help combat financial crime, we continued to liaise with the Hong Kong Police Force and the Independent Commission Against Corruption ("ICAC"), with the ICAC conducting a study of the IA's licensing process for insurance intermediaries in 2022 to assist us in enhancing the relevant procedures and practices.

The HKMA, SFC, IA and MPFA have also teamed up to establish the Hong Kong Academy of Finance ("AoF") to develop Hong Kong as a centre of excellence for financial leadership, promote monetary and financial research, and reinforce Hong Kong's status as an international financial centre. The AoF invites talents from various sectors to join it to foster future financial leaders with global and interdisciplinary perspectives. In August 2022, the IA Chairman and CEO met with the inaugural cohort of the AoF's Financial Leaders Programme sharing the strategic priorities of the IA and the opportunities and challenges facing the insurance industry in Hong Kong.

Government and Legislative Council

The IA proactively engages with the Government and the Legislative Council ("LegCo") when formulating policy and legislative changes.

In December 2022, we submitted a set of corporate plan and budget for 2023-24 to the Financial Secretary ("FS"). We also submitted our annual report to the FS for his perusal and tabling in LegCo in early 2023. Furthermore, we consulted the LegCo Panel on Financial Affairs on our budget for 2023-24 in March 2023 and attended meetings of the LegCo Panel on Financial Affairs on matters including the Risk-based Capital Regime, Qualifying Deferred Annuity Policy ("QDAP"), Policy Holders' Protection Scheme and Fintech development in Hong Kong.

The Public

International experience has demonstrated a strong correlation between financial inclusiveness and literacy. To set up an objective benchmark, the IA conducted our first Insurance Literacy Tracking Survey, with findings released in August 2022². These findings suggested that: policy holders are moderately literate (52%); general understanding of insurance is high, with about two-thirds of the respondents acknowledging its value in mitigating the risk; and close to 90% hold one or more insurance policies. Contrarily, 43% of non-policy holders did not trust insurance intermediaries and did not believe that insurers address their needs.

The IA believes that improved literacy can facilitate the public in obtaining adequate appropriate protection, reinforcing the social value of insurance.

The findings of the IA's first Insurance Literacy Tracking Survey are released



² The Survey focused on personal insurance products such as life, medical, critical illness, accident, travel, home, fire, motor and pet insurance, as well as annuities. A total of 50 to 70 questions were put to the respondents, covering basic demographics and insurance literacy in relation to knowledge and skills, attitude and behaviour. There were 1,009 respondents, aged between 18 and 79.

Engagement with Stakeholders

As such, public education lies at the heart of the IA's work to protect policy holders. During the reporting year, we developed a number of public education campaigns utilising a mix of media channels to help the public make informed decisions when taking out insurance policies.

To deepen public knowledge about insurance and promote broader awareness of the IA's statutory role regarding conduct supervision and enforcement, the IA launched a four-episode video series spotlighting areas that potential and existing policy holders may overlook when taking out or managing insurance policies. Boosting understanding further, the videos explained how the IA

regulates industry practitioners under the relevant laws, codes and guidelines. Meanwhile, a comic series giving people smart tips on insurance in an easily accessible format added another avenue for information-sharing.

As our continual effort in sharing knowledge about participating policy, we launched another round of campaign with a different mix of media platforms to reach out to a wider spectrum of audience. Video series and radio segment series were rolled out to introduce the features of participating policies and share useful tips for choosing such policies.



A comic series is launched to raise public awareness of the IA's conduct supervision and enforcement work



Engagement with Stakeholders

With an ageing population fuelling demands for retirement protection, the IA spared no effort in promoting QDAP in retirement planning and providing tips for selecting QDAP since its launch in 2019. To enhance market transparency and facilitate product diversification, the IA launched our one-stop platform “QDAP Selection Made Easy” in February 2023, listing the key features of QDAP in the market. A five-episode television series,

including interviews with the IA Chairman and senior executives, was produced to provide audience an overview of QDAP and key considerations when selecting QDAP. In another related activity, a Facebook talk on QDAP and Mandatory Provident Fund Tax-Deductible Voluntary Contributions was co-hosted with the Investor and Financial Education Council in March 2023.

A five-episode television series including interviews with the IA Chairman and senior executives, promotes Qualifying Deferred Annuity Policy (QDAP)



One-stop platform “QDAP Selection Made Easy”



A Facebook talk is held on QDAP and Mandatory Provident Fund Tax-Deductible Voluntary Contributions, co-hosted with the Investor and Financial Education Council

Engagement with Stakeholders

As for general insurance products, we launched a series of initiatives to raise the public awareness of home insurance and its function. A five-episode television series introduced the product features and points to note when selecting

home insurance policies and making claims, together with a comic series communicating the key messages in a light-hearted manner. Information was additionally made available via a thematic webpage and e-leaflet.

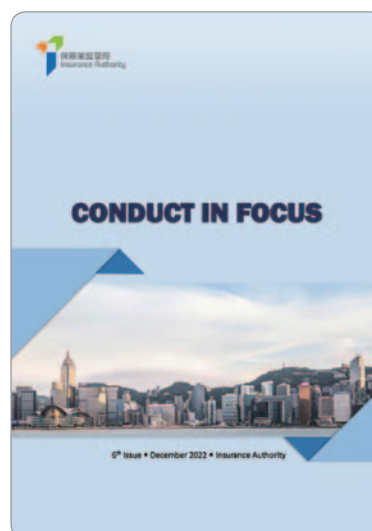


A comic series and e-leaflet are launched to increase understanding of home insurance



During the reporting year, we published two issues of *Conduct in Focus*, enabling the IA to communicate its expectations and share best practices for governance and controls on self-reporting by insurers to the IA and on Continuing Professional Development attainment. The IA

also published articles to enhance policy holders' knowledge of risks associated with purchasing policies through premium financing, lessons arising from the IA's Insurance Literacy Tracking Survey, and tips to avoid falling victim to fraudulent websites.



Engagement with Stakeholders

Deepening connectivity further, the IA website, Facebook page “蓋世保鑑 Insurpedia”, YouTube channel and LinkedIn page keep our stakeholders up to date with our key messages and development. A hotline is available to

handle daily public enquiries while important IA news is promptly disseminated to the public through press releases and articles, media interviews and press briefings.

Inspiring New Talents

The IA's collaboration with local tertiary institutions and the HKFI on career talks continued to be warmly received. The collaboration got underway at the end of 2021, with talks involving sharing by seasoned industry practitioners as well as young managers from the IA. During the reporting year, around 200 students from

Lingnan University and the University of Hong Kong attended three career talks held together with the HKFI and the MPFA. The undergraduates were also briefed on the IA's Management Trainee Scheme and Summer Internship Programme.



Corporate Developments

Building an efficient organisation driven by an effective workforce and a reliable information technology system is crucial for the Insurance Authority (“IA”) to carry out its regulatory work. During the reporting year, we provided a host of development opportunities for our staff and increased our regulatory efficiency by leveraging technology.

About the Insurance Authority

The IA is an insurance regulator independent of the Government and the insurance industry. Established in December 2015, the IA was set up to modernise the regulatory regime for the insurance industry in Hong Kong. Our regulatory regime seeks to facilitate the sustainable development of the industry, promote Hong Kong’s competitiveness in the global insurance market, and provide better protection for policy holders.

Statutory Functions

In accordance with the Insurance Ordinance (Cap. 41), the IA’s principal function is to regulate and supervise the insurance industry to promote the general stability of the insurance industry and protect existing and potential policy holders. The Insurance Ordinance stipulates that the IA shall:

- (a) be responsible for supervising an authorized insurer’s and a licensed insurance intermediary’s compliance with the provisions of the Insurance Ordinance;
- (b) consider and propose reforms of the law relating to insurance business;
- (c) promote and encourage the adoption of proper standards of conduct and sound and prudent business practices by authorized insurers;
- (d) promote and encourage the adoption of proper standards of conduct by licensed insurance intermediaries;
- (e) review and, if necessary, propose reforms of the systems for regulating authorized insurers and licensed insurance intermediaries;
- (f) regulate the conduct of insurance intermediaries through a licensing regime;
- (g) promote the understanding by policy holders and potential policy holders of insurance products and the insurance industry;
- (h) formulate effective regulatory strategies and facilitate the sustainable market development of the insurance industry, and promote the competitiveness of the insurance industry in the global insurance market;
- (i) conduct studies into matters affecting the insurance industry;
- (j) assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate measures in relation to the insurance industry;
- (k) co-operate with and assist financial services supervisory authorities of Hong Kong or of any place outside Hong Kong, whenever appropriate, to the extent permitted by the Insurance Ordinance;
- (l) liaise and co-operate with any involved supervisor in any place outside Hong Kong in the determination of the group supervisors of insurance groups;

Corporate Developments

- (m) regulate and supervise insurance groups of which the IA is appointed as the group supervisor; and
- (n) perform functions imposed or conferred on the IA by the Insurance Ordinance or any other Ordinance.

The 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. The Chief Executive Officer ("CEO"), who is an Executive Director, leads the executive arm of the IA and is responsible for managing the IA's day-to-day operations.

The IA has five divisions to carry out its duties and functions. These comprise the Long Term Business Division, the General Business Division, the Market Conduct Division, the Policy and Development Division, and the Corporate Services Division. Each division is headed by a directorial executive.

Along with the five divisions, the CEO's Office includes the External Relations Section, the Legal Section, the Technical Expert Team and the IA Secretariat. The IA also has an Internal Audit Section, which reports to the Board to improve risk management and governance.

The IA's organisational structure can be found in the Appendices on page 100.

Our People

As of March 2023, the IA had 300 staff, including many multi-disciplinary professionals from the regulatory and insurance sectors. Our plan is to build a full team of 368 staff members in 2023. We will continue to recruit high-calibre individuals with diverse backgrounds and experience from the insurance industry, professional firms, and the regulatory and public sectors.

IA Staff

(as at 31 March 2023)



300
staff members



60% **40%**
female male



50%
of staff in senior
management roles
are female



Average age
41



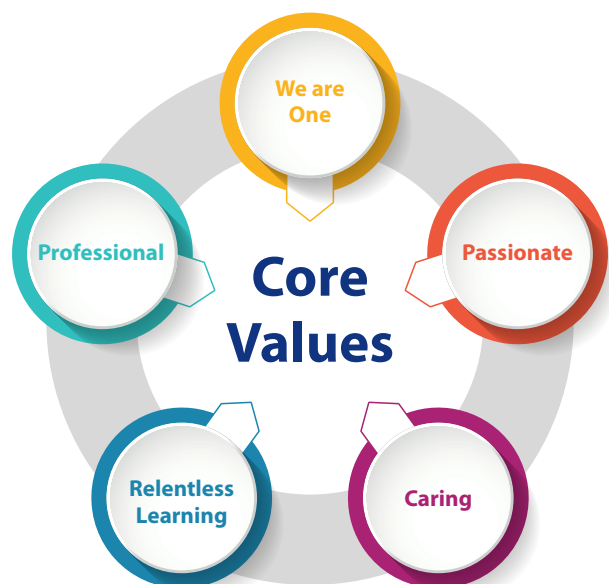
87%
hold a Bachelor's or
higher degree



30%
hold professional
qualifications

Corporate Developments

Corporate Culture



We place great emphasis on fostering a culture that enables the IA to achieve our aspiration to be an empathetic and dynamic regulator.

We also conducted focus group discussions to obtain staff feedback and suggestions. During these sessions, our staff shared their thoughts on improving our management practices, communications and staff benefits and development.

Performance-based System

To attract and retain quality staff, the IA has implemented mechanisms for making performance-linked pay adjustments and awarding variable pay. We also engaged human resources consulting service provider to give recommendations on areas such as the performance management system, salary and staff ranking structure. During the year, a review of our ranking structure was completed, with the new structure tentatively due to be launched in the second half of 2023.

Talent Development

The IA attaches great importance to staff development and is dedicated to nurturing their skills and capabilities as well as fostering a relentless learning culture. During the reporting year, we arranged a wide array of training programmes to enrich staff members' professional knowledge and keep them abreast of the latest market developments in areas such as Fintech and digitalisation, cybersecurity and data protection, and new accounting standards.

We organised leadership programme and executive coaching to enhance staff members' people management skills and sponsored our staff to attend external professional courses and pursue relevant professional qualifications.

Corporate Developments

To broaden exposure and promote the exchange of ideas and good practices in supervisory work, the IA arranged two-way secondments with other regulatory bodies. During the reporting year, one IA staff member was seconded to the Mandatory Provident Fund Schemes Authority and one member of the Hong Kong Monetary

Authority was seconded to the IA. In 2023, another staff member was seconded to the Bank for International Settlements in Basel, Switzerland, marking the first time that the IA had arranged a secondment with an international regulatory body.



Ms Victoria Saporta, Executive Committee Chair of the International Association of Insurance Supervisors (IAIS), shares her experiences with our staff (right photo); and meets IA management (left photo)



Ms Julie Zhu, Senior Manager, Long Term Business, is seconded to the Bank for International Settlements in Basel, Switzerland, marking the IA's first secondment arranged with an international regulatory body

Corporate Developments

In recognition of our commitment to staff training and development, the IA's accreditation as a "Manpower Developer" under the Employees Retraining Board

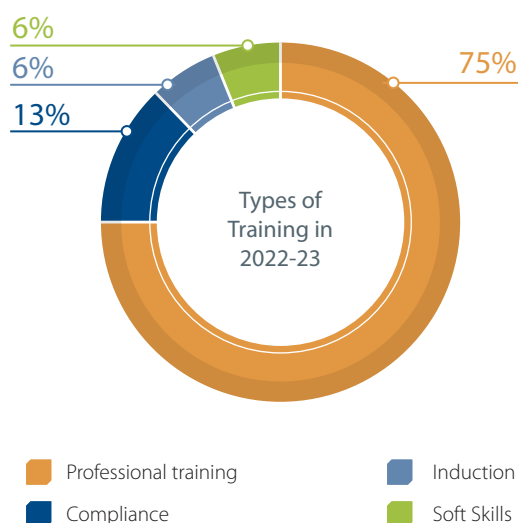
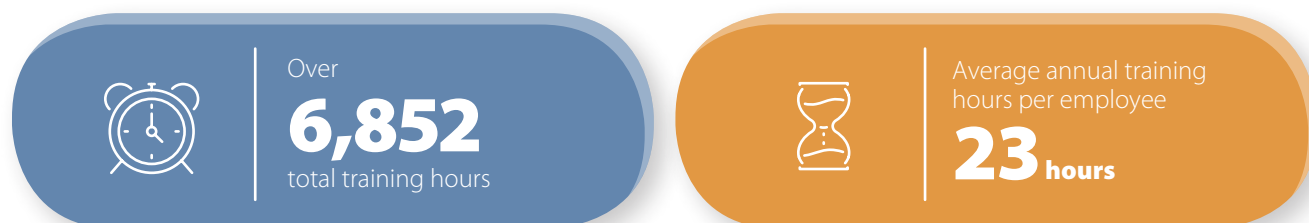
Manpower Developer Award Scheme was extended for another two years from 1 April 2023 to 31 March 2025.



Ms Lesary Chong, Manager, Market Conduct (left photo), and Ms Swank Chan, Assistant Manager, Market Conduct (right photo), receive the 2022 Ombudsman's Awards for Officers of Public Organisations in recognition of their exemplary performance in customer service and complaint handling

Types of Training 2022-23

(as at 31 March 2023)



Corporate Developments

Nurturing Next-Generation Talent

The IA runs a three-year Management Trainee Scheme and a Summer Internship Programme to prepare outstanding university graduates and undergraduates to undertake the IA's regulatory duties and to nurture talent for the insurance sector.

Management Trainee Scheme

During the reporting year, we continued to recruit management trainees from local universities, and to post them to different divisions to support a diverse range of regulatory duties. Each trainee participates in a structured training programme, including an induction session, on-the-job training, job rotation, professional and competency-based training and soft skills training,

and is mentored by a senior manager through the Scheme. Trainees who complete the Scheme and perform well are appointed to assistant manager positions.

Summer Internship Programme

Between June and August 2022, we offered summer internships to 38 undergraduates, providing the students with an opportunity to gain practical work experience and insights into the work of an insurance regulator. The hands-on experience enabled the interns to gain a better understanding of the functions and work of the IA as well as the overall insurance industry.



The IA nurtures future young leaders through our Management Trainee Scheme



Corporate Developments

Information Technology

Cybersecurity

The IA recognises the need for constant vigilance with regard to evolving cyber-threats to its operations and digital assets. We have implemented a comprehensive suite of technology to strengthen our cyber resilience to prevent, withstand and recover from cybersecurity incidents. A cybersecurity team is also being formed to provide dedicated support, referencing widely accepted security standards, to enhance the IA's capacity to respond to cyber threats.

SupTech

To cope with changes in the scope and nature of data to be submitted by the insurers for supervisory purpose after the implementation of Risk-based Capital Regime, the IA has embarked on a revamp of our Insurance System ("IS"), a core system to collect data from regulated entities to generate management reports and market statistics for supervision. The move also enables us to take full advantage of the latest IT technologies. The upgraded IS will feature, inter alia, straight through submission of data via a data collection portal, extract-transform-load tools and data analysis tools, data repositories of vital information and data visualisation/reporting tools.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Opinion

What we have audited

The financial statements of Insurance Authority (the "Authority"), which are set out on pages 80 to 98, comprise:

- the statement of financial position as at 31 March 2023;
- the income and expenditure account for the year then ended;
- the statement of changes in capital and reserve for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 March 2023, and of its results of operations and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Insurance Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Authority in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Other Information

The members of the Authority ("Members") are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Members and Audit and Risk Committee for the Financial Statements

The Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Insurance Ordinance, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

The Audit and Risk Committee is responsible for overseeing the Authority's financial reporting process.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 5F of the Insurance Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority.
- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2023

Financial Statements

Income and Expenditure Account

For the year ended 31 March 2023

	NOTE	Year ended 31 March 2023 HK\$	Year ended 31 March 2022 HK\$
INCOME			
Prescribed levies	5	264,478,321	269,501,773
Authorization and annual fees		128,307,835	117,316,475
Designation and annual fees		93,489,278	102,901,970
Insurers register's prescribed fees		11,862,300	10,480,700
Interest income		14,338,182	1,021,704
Other income	6	12,600,571	11,444,045
		525,076,487	512,666,667
EXPENDITURE			
Staff costs and key management personnel compensation	7, 8	355,726,486	342,350,748
Professional fees	9	11,213,599	8,232,550
Information system services		16,489,023	16,378,253
External relations expenses		9,801,282	8,107,414
Other operating expenses	10	16,804,557	12,341,502
Depreciation			
— Fixed assets	11	18,825,632	15,640,139
— Right-of-use assets	12	24,639,532	24,639,532
Interest expense on lease liabilities	12	40,769	92,600
		453,540,880	427,782,738
SURPLUS FOR THE YEAR		71,535,607	84,883,929

The Insurance Authority (the "Authority") had no components of comprehensive income other than "surplus for the year" in either of the years presented. Accordingly, no separate statement of comprehensive income is presented as the Authority's "total comprehensive income" was the same as the "surplus for the year" in both years.

The notes on pages 84 to 98 are an integral part of these financial statements.

Financial Statements

Statement of Financial Position

As at 31 March 2023

	NOTE	2023 HK\$	2022 HK\$
NON-CURRENT ASSETS			
Fixed assets	11	40,329,707	46,971,576
Right-of-use assets	12	23,358,848	32,852,709
Deposits for leases		6,731,638	6,720,999
		70,420,193	86,545,284
CURRENT ASSETS			
Deposits and prepayments		10,790,997	7,493,788
Accounts receivable	13	153,245,518	150,798,644
Time deposits with maturity longer than 3 months		256,000,000	118,000,000
Cash held for Grant Scheme	14	6,052	12,000,061
Cash and cash equivalents		296,579,323	365,818,475
		716,621,890	654,110,968
NON-CURRENT LIABILITIES			
Lease liabilities	12	13,394,483	8,094,854
CURRENT LIABILITIES			
Other payables and accruals		82,086,987	101,989,050
Deferred authorization and annual fees income		70,786,977	65,320,525
Lease liabilities	12	9,846,042	25,859,836
		162,720,006	193,169,411
NET ASSETS		610,927,594	539,391,987
CAPITAL AND RESERVE			
Grants from the Government of Hong Kong Special Administrative Region ("HKSAR")	16	953,000,000	953,000,000
Accumulated deficit		(342,072,406)	(413,608,013)
		610,927,594	539,391,987

The financial statements on pages 80 to 98 were approved and authorized for issue by the Authority on 29 August 2023 and are signed on its behalf by:

Mr Stephen Yiu
Chairman

Mr Clement Cheung
Chief Executive Officer

The notes on pages 84 to 98 are an integral part of these financial statements.

Financial Statements

Statement of Changes in Capital and Reserve

For the year ended 31 March 2023

		Grants from the Government of HKSAR HK\$	Accumulated deficit HK\$	Total HK\$
	NOTE			
Balance at 1 April 2021		953,000,000	(498,491,942)	454,508,058
Surplus for the year		–	84,883,929	84,883,929
At 31 March 2022		953,000,000	(413,608,013)	539,391,987
Balance at 1 April 2022		953,000,000	(413,608,013)	539,391,987
Surplus for the year		–	71,535,607	71,535,607
At 31 March 2023		953,000,000	(342,072,406)	610,927,594

The notes on pages 84 to 98 are an integral part of these financial statements.

Financial Statements

Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$	2022 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	71,535,607	84,883,929
Adjustment for:		
Depreciation		
— Fixed assets	18,825,632	15,640,139
— Right-of-use assets	24,639,532	24,639,532
Interest expense on lease liabilities	40,769	92,600
Gain on disposal of fixed assets	—	(147,542)
Interest income on bank deposits	(14,338,182)	(1,021,704)
Operating cash flows before movements in working capital	100,703,358	124,086,954
Change in working capital:		
(Increase)/decrease in deposits and prepayments	(3,307,848)	469,847
Decrease/(increase) in accounts receivable	1,824,224	(26,993,248)
Decrease/(increase) in cash held for Grant Scheme	11,994,009	(12,000,061)
(Decrease)/increase in other payables and accruals	(19,902,063)	19,021,351
Increase in deferred authorization and annual fees income	5,466,452	5,285,961
NET CASH GENERATED FROM OPERATING ACTIVITIES	96,778,132	109,870,804
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in time deposits with maturity longer than 3 months	(138,000,000)	111,000,000
Fixed assets purchased	(12,183,763)	(13,339,631)
Proceeds from fixed assets disposed	—	210,000
Interest received from bank deposits	10,067,084	958,057
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(140,116,679)	98,828,426
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal element of lease payment	(25,859,836)	(25,240,596)
Interest element of lease payment	(40,769)	(92,600)
NET CASH USED IN FINANCING ACTIVITIES	(25,900,605)	(25,333,196)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(69,239,152)	183,366,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	365,818,475	182,452,441
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	296,579,323	365,818,475
Analysis of Cash and Cash Equivalents:		
Time deposits with maturity of 3 months or less	280,000,000	346,000,000
Other bank balances and cash	16,579,323	19,818,475
	296,579,323	365,818,475

The notes on pages 84 to 98 are an integral part of these financial statements.

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2023

1. BACKGROUND AND FUNCTIONS OF THE INSURANCE AUTHORITY

The Authority was established on 7 December 2015 with the commencement of the relevant provisions added by the Insurance Companies (Amendment) Ordinance 2015 ("Amendment Ordinance"). The Authority is the insurance regulator independent of the Government.

The Authority took over the statutory functions of the Office of the Commissioner of Insurance ("OCI") in regulating insurers on 26 June 2017. The OCI was disbanded on the same day.

On 23 September 2019, the Authority took over the regulation of insurance intermediaries from the three Self-Regulatory Organizations ("SROs")¹ through a statutory licensing regime.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Authority.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost basis and in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the Insurance Ordinance (the "IO").

(i) New standards, amendments and interpretations to existing standards not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Authority. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

¹ The three SROs are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

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Notes to the Financial Statements

For the year ended 31 March 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies

New mandatory standards, amendments and interpretations to existing standards, which have become mandatory for the first time for the financial year beginning on or after 1 April 2022, have been adopted by the Authority. These include the following new standards, amendments to standards and interpretations to existing standards:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

These standards are either not relevant or the effect of amendments to these standards is not material to the Authority's financial statements.

(c) Recognition of income

(i) Prescribed Levies

Levies on insurance premiums are payable by policy holders and are recognised in the income and expenditure account as income in the period the respective insurance policies are written and as reported by the authorized insurers to the Authority. The amount of levies to be recognised in the Authority's reporting period is based on the levy remittance reported by the authorized insurers for that period, being adjusted for the best estimate of the portion of levies that the Authority is expected to return or refund for policies cancelled subsequent to the date of the statement of financial position or levies uncollected.

(ii) Fees

Authorization, designation and annual fees are recognised as income on a straight-line basis over the periods to which they relate. Insurers register's prescribed fees are recognised as income when relevant applications under the Insurance (Prescribed Fees) Regulation are completed.

(iii) Interest income

Interest income represents gross interest income from bank deposits and is recognised on a time apportionment basis using the effective interest method.

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial assets

The Authority's financial assets include deposits, interest receivables, other receivables, time deposits with maturity longer than 3 months, cash held for Grant Scheme and cash and cash equivalents. These financial assets, other than cash, are held within a model whose objective is to hold assets in order to collect contractual cash flows. The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are initially measured at fair value plus direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest income from these financial assets is recognised by using effective interest rate method. Impairment losses are presented as a separate line item in the income and expenditure account. The Authority assesses on a forward looking basis the expected credit losses associated with these financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Authority has transferred substantially all the risks and rewards of ownership of the asset.

(e) Fixed assets

Fixed assets are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

Depreciation is provided to write-off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Fixed assets are depreciated on a straight-line basis, and in the case of leasehold improvements, the shorter lease term as follows:

Office equipment	5 years
Office furniture	5 years
Information Technology ("IT") equipment and software	3 years
Motor vehicles	5 years
Leasehold improvements	3 years

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Notes to the Financial Statements

For the year ended 31 March 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed assets (Continued)

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income and expenditure account in the year in which the item is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and short-term highly liquid investments with original maturities of three months or less.

(g) Other payables and accruals

Payables and accruals are obligations to pay that have been acquired in the ordinary course of business from suppliers. Payables and accruals are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Employee benefits

Annual leave and variable pay are recognised when they are accrued according to employees' entitlements. A provision is made for the estimated liability for untaken annual leave and variable pay as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave, maternity leave and paternity leave are not recognised until the time of leave.

Employee benefit expenses are charged as expenditure on an accrual basis in the period in which the associated services are rendered.

(i) Retirement benefit costs

The Authority has joined a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. Contributions paid or payable to the MPF Scheme is charged as expenses when employees have rendered services entitling them to the benefits.

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Notes to the Financial Statements

For the year ended 31 March 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Authority expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Grants from the Government of HKSAR

Grants from the Government of HKSAR, which is provided without related conditions, is recognised as capital upon receipt in the statement of financial position.

(l) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the rate at which the leased asset is available for use by the Authority.

For leases of premises of which the Authority is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Authority under residual value guarantees;
- the exercise price of a purchase option if the Authority is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Authority exercising that option.

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Notes to the Financial Statements

For the year ended 31 March 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases held by the Authority, the lessee's notional incremental borrowing rate is used, being the rate that the Authority would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(m) Government subsidies

Government subsidies for operating expenditure are recognised as income in the period when the corresponding expenditure is incurred. Government subsidies in compensation for capital expenditure is deducted from the carrying amount of the asset and consequently recognised in the income and expenditure account over the useful life of the asset by way of reduced depreciation expense.

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Notes to the Financial Statements

For the year ended 31 March 2023

3. CRITICAL ESTIMATES AND JUDGEMENTS

3.1 Critical accounting estimates

In the process of applying the accounting policy of levies recognition, the Authority estimated that there will be no significant amount of levies to be returned or refunded for cancelled policies or uncollected levies as at 31 March 2023 and 31 March 2022. As a result, there is no adjustment or provision against the levies as per the remittance reports.

3.2 Critical accounting judgements

Note 17 contains information about the statutory deposits, placed by the authorized insurers in the name of the Authority in accordance with the respective sections of Insurance Ordinance. The Authority is of the opinion that such deposits are not the resources for the Authority's own purposes and no economic benefits have been transferred to the Authority.

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Authority is exempt from Hong Kong Profits Tax under the Inland Revenue Ordinance.

5. PRESCRIBED LEVIES

IO section 134 provides for the Authority to collect levies on insurance premiums from the policy holders through the authorized insurers if the insurance contract relates to a prescribed class of insurance business or a prescribed type of insurance contract. The levy rates are established by law.

6. OTHER INCOME

Other income mainly includes government subsidies in relation to the Anti-epidemic Fund of HK\$12,599,511 (31 March 2022: HK\$11,295,737). There was nil net gain on disposal of fixed assets (31 March 2022: HK\$147,542).

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Notes to the Financial Statements

For the year ended 31 March 2023

7. STAFF COSTS

The staff costs include salaries, contributions to MPF Scheme, insurance, employee benefits and other staff related costs of the Authority.

	2023 HK\$	2022 HK\$
Salaries	335,505,562	325,402,292
Contributions to MPF Scheme	11,649,778	10,644,922
Insurance	7,103,467	5,309,604
Employee benefits and other staff related costs	1,467,679	993,930
	355,726,486	342,350,748

8. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel are the Authority members as defined in the IO section 4AA. They consist of a chairperson (a non-executive director of the Authority), a chief executive officer (an executive director of the Authority), 2 other executive directors, and 12 other non-executive directors (31 March 2022: a chairperson, a chief executive officer, 2 other executive directors, and 12 other non-executive directors). Authority members' remuneration and benefits included in Note 7 are set out below:

	2023 HK\$	2022 HK\$
Non-executive Directors Remuneration	3,912,000	3,725,710
Chief Executive Officer Salary and other short term employee benefits	6,179,893	5,838,682
Post-employment benefits	253,258	239,261
Other Executive Directors Salaries and other short term employee benefits	8,914,891	8,559,920
Post-employment benefits	365,295	350,747
	15,713,337	14,988,610

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Notes to the Financial Statements

For the year ended 31 March 2023

9. PROFESSIONAL FEES

	2023 HK\$	2022 HK\$
Consultancy and agency fees	9,157,149	6,807,494
Legal fees	1,320,100	796,000
Auditor's remuneration	221,125	220,000
Other fees	515,225	409,056
	11,213,599	8,232,550

10. OTHER OPERATING EXPENSES

	2023 HK\$	2022 HK\$
Journals, periodicals, and association membership	3,796,442	3,868,445
Staff training and welfare	2,799,210	1,744,767
Business travel and accommodation	2,207,038	—
Office premises expenses	4,122,055	3,709,557
Office supplies and miscellaneous expenses	2,874,232	2,175,647
Other expenses	1,005,580	843,086
	16,804,557	12,341,502

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Notes to the Financial Statements

For the year ended 31 March 2023

11. FIXED ASSETS

	Office equipment HK\$	Office furniture HK\$	IT equipment and software HK\$	Motor vehicles HK\$	Leasehold improvements HK\$	Total HK\$
COST						
At 1 April 2022	12,500,260	6,604,964	83,315,547	961,214	33,119,490	136,501,475
Additions during the year	38,184	119,229	11,946,871	–	79,479	12,183,763
At 31 March 2023	12,538,444	6,724,193	95,262,418	961,214	33,198,969	148,685,238
ACCUMULATED DEPRECIATION						
At 1 April 2022	8,916,300	4,641,838	46,463,159	196,121	29,312,481	89,529,899
Charge for the year	1,900,926	1,001,225	13,382,430	192,243	2,348,808	18,825,632
At 31 March 2023	10,817,226	5,643,063	59,845,589	388,364	31,661,289	108,355,531
CARRYING AMOUNT						
At 31 March 2023	1,721,218	1,081,130	35,416,829	572,850	1,537,680	40,329,707
COST						
At 1 April 2021	12,304,106	6,181,016	71,242,419	1,068,435	32,834,303	123,630,279
Additions during the year	196,154	423,948	12,073,128	361,214	285,187	13,339,631
Disposal during the year	–	–	–	(468,435)	–	(468,435)
At 31 March 2022	12,500,260	6,604,964	83,315,547	961,214	33,119,490	136,501,475
ACCUMULATED DEPRECIATION						
At 1 April 2021	6,456,857	3,403,392	37,079,892	399,133	26,956,463	74,295,737
Charge for the year	2,459,443	1,238,446	9,383,267	202,965	2,356,018	15,640,139
Disposal during the year	–	–	–	(405,977)	–	(405,977)
At 31 March 2022	8,916,300	4,641,838	46,463,159	196,121	29,312,481	89,529,899
CARRYING AMOUNT						
At 31 March 2022	3,583,960	1,963,126	36,852,388	765,093	3,807,009	46,971,576

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2023

12. LEASES

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2023 HK\$	2022 HK\$
Right-of-use assets		
Premises	23,358,848	32,852,709
Lease liabilities		
Current	9,846,042	25,859,836
Non-current	13,394,483	8,094,854
	23,240,525	33,954,690

Additions to the right-of-use assets in the financial year ended 31 March 2023 were HK\$15,145,671 (31 March 2022: Nil), which is related to the renewal of a lease contract.

(ii) Amounts recognised in the income and expenditure account

The income and expenditure account shows the following amounts relating to leases:

	2023 HK\$	2022 HK\$
Depreciation charge of right-of-use assets		
Premises	24,639,532	24,639,532
Interest expense on lease liabilities	40,769	92,600

The total cash outflow for leases in the financial year ended 31 March 2023 was HK\$25,900,605 (31 March 2022: HK\$25,333,196).

The Authority leases premises for its operation. The leases run for initial periods of 2–3 years and include an option to renew the lease at prevailing market rate for another 3 years after the end of the contract term. Lease payment changes upon lease renewal to reflect the prevailing new rent.

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Notes to the Financial Statements

For the year ended 31 March 2023

13. ACCOUNTS RECEIVABLE

	2023 HK\$	2022 HK\$
Levies receivable	132,902,559	134,704,906
Interest receivable	4,509,026	237,928
Government subsidies receivable	12,599,511	11,770,727
Others	3,234,422	4,085,083
	153,245,518	150,798,644

The authorized insurers collect levies from policy holders in 2 half-yearly periods ended 31 March and 30 September each year and remit them to the Authority within 2 months after the end of each period.

There are no impairment losses recognised for the year ended 31 March 2023 (31 March 2022: Nil).

14. CASH HELD FOR GRANT SCHEME

To attract insurance companies and organisations to issue insurance-linked securities in Hong Kong, the Government of HKSAR launched a Pilot Insurance-linked Securities Grant Scheme in May 2021. The Grant Scheme is administered by the Authority and funded by the Government of HKSAR to provide subsidies for eligible issuers. The cash held for the Grant Scheme are solely restricted for the use of such subsidies and are therefore not available for general use by the Authority. The unused balance, as well as bank interest generated, will be returned to the Government of HKSAR upon the completion of the Grant Scheme. The corresponding amount due to the Government of HKSAR is included in other payables and accruals.

15. FINANCIAL RISK MANAGEMENT

The Authority's financial instruments include deposits, accounts receivable, time deposits with maturity longer than 3 months, cash held for Grant Scheme, cash and cash equivalents and other payables and accruals.

The risks associated with these financial instruments and the policies applied by the Authority to mitigate these risks are set out below.

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Notes to the Financial Statements

For the year ended 31 March 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk

(i) Foreign currency risk

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The Authority is not exposed to significant foreign exchange risk.

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Authority is mainly exposed to interest rate risk in relation to the interest bearing bank deposits.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Authority takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks and closely monitors the interest rate risk exposure within an acceptable level.

The following table lists the details of the interest rate profile of the Authority's interest bearing financial assets as at 31 March 2023 and 31 March 2022. All other financial assets and liabilities are non-interest bearing.

	2023		2022	
	Interest rate per annum	HK\$	Interest rate per annum	HK\$
Cash and cash equivalents	0.00% – 3.83%	296,579,323	0.00% – 0.45%	365,818,475
Cash held for grant scheme	0.625%	6,052	0.001%	12,000,061
Time deposits with maturity longer than 3 months	4.45% – 5.12%	256,000,000	0.35%	118,000,000

As at 31 March 2023, it is estimated that a general increase/decrease of 100 basis points (31 March 2022: 10 basis points) in interest rates, with all other variables held constant, would increase/decrease the Authority's interest income by approximately HK\$5,360,000 (31 March 2022: HK\$464,000). This sensitivity analysis is estimated as an annualised impact on interest income assuming the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis as at 31 March 2022.

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Authority does not hold any investments which are exposed to significant price risk as at 31 March 2023 (31 March 2022: Nil).

(b) Fair value estimation

The Authority is of the opinion that the carrying amount of all financial assets and liabilities are approximate to their fair values.

(c) Credit risk

The Authority takes on exposure to credit risk, which is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment in full when due, that it has entered into with the Authority.

Credit risk arises from cash and cash equivalent and time deposits with maturity longer than 3 months, interest receivables, other receivables and deposits. The Authority's bank balances are deposited with note-issuing banks in Hong Kong and is not exposed to significant credit risk. As at 31 March 2023 and 31 March 2022, the Authority's bank balances are placed with licensed banks in Hong Kong rated P-1 by Moody's or A-1 or above by Standard and Poor's. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Authority performed impairment assessment using 12-month expected credit loss as there is no financial assets with significant increase in credit risk.

(d) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Authority manages liquidity risk by holding adequate cash and unencumbered assets which can be readily realised for cash to meet expected cash outflow.

As at 31 March 2023 and 31 March 2022, the Authority held sufficient cash and cash equivalents to meet all of the cash outflow arising from other payables and accruals.

(e) Capital risk management

The Authority manages its capital to ensure its ability to continue as a going concern so that the Authority can be financially independent and recover its operating costs through levies, authorization and annual fees and other income. The capital structure of the Authority comprises the grants from the Government of HKSAR net of accumulated losses as disclosed in the statement of changes in capital and reserve on page 82.

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2023

16. GRANTS FROM THE GOVERNMENT OF HKSAR

The Authority received a grant of HK\$300 million from the Government of HKSAR in June 2020; HK\$200 million in June 2018; HK\$450 million in June 2016; and HK\$3 million in March 2016 as funding to cover the establishment and operating costs of the Authority in its initial years. The grants are recognised as capital in the statement of financial position and are provided by the Government of HKSAR without related conditions.

17. STATUTORY DEPOSITS FROM AUTHORIZED INSURERS

Under Part V (section 35A) of the IO, the Authority may exercise its rights to require an authorized insurer to place a deposit in the name of the Authority as trustee for the authorized insurer's funds when this is considered desirable in the general interests of persons who are or may become policy holders of the authorized insurer. Deposits placed by the particular authorized insurer is to be used by the Authority as a source of payment to policyholders in case of insolvency of that authorized insurer. Any interest accrued on the statutory deposits belongs to the authorized insurer. The Authority has therefore determined that those deposits are not its own financial assets and should not be recognised in its statement of financial position. As at 31 March 2023, such statutory deposits amounted to HK\$897,533,058 (31 March 2022: HK\$896,866,430).

18. LETTERS OF CREDIT FROM AUTHORIZED INSURERS

Under Part IVA (section 25C) of the IO, an authorized insurer may, instead of maintaining assets in Hong Kong as required by this part, substitute, in whole or in part, a letter of credit or other commitment from a bank, in favour of the Authority. As at 31 March 2023, such letters of credit or other commitments held by the Authority amounted to HK\$9,560,102,222 (31 March 2022: HK\$8,493,377,266).

19. CAPITAL COMMITMENTS

At the date of statement of financial position, the Authority had commitments for capital expenditure in respect of the acquisition of fixed assets as follows:

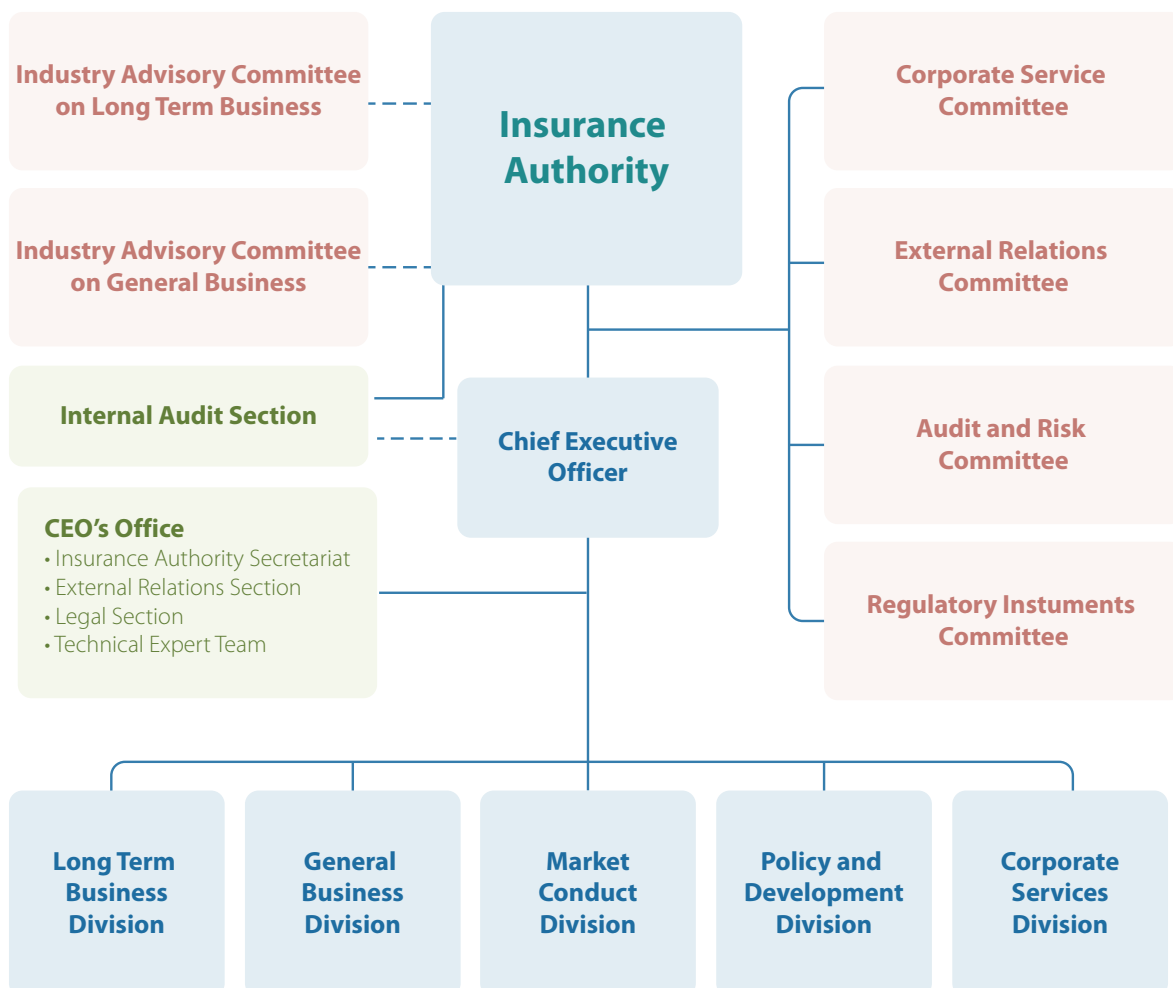
	2023 HK\$	2022 HK\$
Contracted but not yet incurred	1,681,690	80,515

Appendices

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Organisational Structure¹

(as at 31 March 2023)



¹ Please refer to the [IA website](#) for the latest Organisational Structure.

Changes of Authorized Insurers

(From 1 April 2022 to 31 March 2023)

Name of Insurers	Place of Incorporation	Type of Business Authorized
New Authorizations		
Great Wall Re Limited	Hong Kong	Special Purpose ²
Black Kite Re Limited	Hong Kong	Special Purpose
Withdrawal of Authorizations³		
GAN Assurances	France	General
Change of Names of Insurers		
Quilter International Isle of Man Limited To Utmost International Isle of Man Limited	Isle of Man	Long Term
CIGNA Worldwide Life Insurance Company Limited To Chubb Life Insurance Hong Kong Limited	Hong Kong	Long Term

² Insurance business of effecting and carrying out contracts of insurance that are fully funded through insurance securitisation. More details are available at the [IA website](#).

³ Excluding partial withdrawal during the period.

Industry Advisory Committees⁴

Industry Advisory Committee on Long Term Business

Chairman

Mr Stephen Yiu Kin-wah, JP

Ex-officio Members

Mr Clement Cheung Wan-ching, GBS, JP

Ms Carol Hui Mei-ying⁵

Non-official Members⁶

Mr Alex Chu Wing-yiu

Mr Peter James Crewe

Mr Dick Fong Ho-cheung

Ms Lisa Lau Man-man, BBS, MH, JP

Ms Selina Lau Pui-ling

Ms Orchis Li Tzy-lan

Mr Bill Song Xuanbi

Mr Wilson Tang Chee-ping

Mr Harold Wong Tsu-hing, JP

Mr Jonathan Zhao Xiaojing

Industry Advisory Committee on General Business

Chairman

Mr Stephen Yiu Kin-wah, JP

Ex-officio Members

Mr Clement Cheung Wan-ching, GBS, JP

Mr Simon Lam Sui-kong⁷

Non-official Members

Mr Rohan Bhappu

Mr Jonathan Chen Zhaonan

Mr Cheong Heng-loong

Dr Fung Hong, JP

Ms Polly Ho Kin-wing

Dr Kevin Lau Chung-hang

Mr Alan Lau Ka-ming

Ms Angela Leung Wai-tuen

Mr Jimmy Poon Wing-fai, MH

Professor Tang Heiwai

Ms Sally Wan Yuen-wai

⁴ The lists represent membership of the Industry Advisory Committees ("IACs") from 1 June 2022 to 31 May 2024. Please refer to the [IA website](#) for the latest membership lists.

⁵ Ms Carol Hui Mei-ying's tenure ended in June 2023.

⁶ Mrs Estella Chiu Sheun-fun resigned in February 2023.

⁷ Mr Simon Lam Sui-kong's tenure ended in June 2023.

Insurance Appeals Tribunal⁸

Chairperson

Ms Rachel Lam Yan-kay, SC

Panel Members

Mr Frederick Chan Hing-fai
 Ms Karen Chan Ka-yin, JP⁹
 Professor Chan Koon-hung
 Ms Kerry Ching Kim-wai
 Professor Stella Cho Lung Pui-lan
 Mr Ian Chu Pak-ning
 Professor Goo Say-hak
 Mr Marvin Hsu Tsun-fai
 Mr Eric Hui Kam-kwai
 Professor Michael Hui King-man, MH
 Ms Julianne Jen
 Mr Adrian King
 Miss Anna-Mae Koo Mei-jong
 Ms Nixie Lam Lam
 Ms Juan Leung Chung-yan, MH
 Mr Peter Li Po-ting
 Dr Miranda Lou Lai-wah
 Dr Gladie Lui Man-ching
 Mr Philip Mak Shun-pong, MH
 Mr Andrew Mak Yip-shing, BBS, JP
 Professor Phyllis Mo Lai-lan
 Professor Joshua Mok Ka-ho
 Dr Patrick Poon Sun-cheong, SBS
 Mr Bhabani Sankar Rath
 Mr Gary Soo Kwok-leung
 Mr Simon Tang Shu-pui
 Mr Kevin Wong Ho
 Mr Harry Wong Wing-tai
 Mr James Wong Yuk-loi
 Mr Charles Yang Chuen-liang, BBS, JP
 Dr Samuel Yung Wing-ki, SBS, MH, JP

⁸ Please refer to the [Insurance Appeals Tribunal's website](#) for the latest membership list.

⁹ Appointment period from 26 July 2021 to 22 September 2022.

Process Review Panel for Insurance Authority¹⁰

Chairman

Mr Eugene Fung Ting-sek, SC

Members

Miss Grace Chan Man-yee

Mr Paul Cheung Lap

Mr Chow Wai-shun

Mrs Agnes Koon Woo Kam-oi

Mr Patrick Law Fu-yuen

Mr James Lin

Mr Jeff Wong Kwan-kit

Ex-officio Members

Chairman of the Insurance Authority

Secretary for Justice (or his representative)

¹⁰ The appointment period of the membership lasts from 1 November 2021 to 31 October 2023.

