



Report on Insurance Literacy Tracking Survey in Hong Kong 2021 (Synopsis)

- Insurance literacy is a combination of **knowledge and skills, attitude**, as well as **behaviour** that lead to the making of sound decisions by existing or prospective policyholders.




- Insurance literacy facilitates the general public in obtaining timely, appropriate and adequate safeguard, thus enhancing financial inclusion¹ and maximising the social value of insurance.

- The **Insurance Literacy Tracking Survey (“ILTS”)** and the **scoring mechanism**² represent an integral part of the Public Education Campaign on Lifetime Risk Profiling conceived by the Insurance Authority (“IA”) to monitor evolving trends and refine future strategies.

¹ In an inclusive market, all citizens should have access to appropriate and affordable insurance products.

² The scoring mechanism draws reference from a similar framework implemented by the Organisation for Economic Cooperation and Development in which scores above 70%, between 50% and 70% and below 50% are classified as “highly literate”, “moderately literate” and “less literate” respectively.

Part A — Key findings

Overall insurance literacy Score: 52% Moderately literate		
Knowledge & skills	Attitude	Behaviour
 Score: 55% Moderately literate <ul style="list-style-type: none"> Awareness on the rights and entitlements of a policyholder Understanding on the principles of insurance and key features of some common products Limited knowledge on the relationship between risk exposure and protection needs Inability to differentiate between insurance agents and brokers 	 Score: 54% Moderately literate <ul style="list-style-type: none"> Appreciation of the role played by insurance as a risk mitigation tool Fairly high perceived value of insurance Moderate level of trust in the insurance industry Abundance of choices and information overload 	 Score: 48% Less literate <ul style="list-style-type: none"> Heavy reliance on advice of family members or friends Indecisiveness on whether to acquire insurance protection Lack of research before purchasing or renewing an insurance policy Oblivious to the terms and conditions of an insurance policy Influence of marketing and promotional drives

Non-policyholders vs policyholders

Score: 30% vs 55%

Distrust of the insurance industry

Low perceived value of insurance

Procrastination in obtaining insurance protection despite exposure to known risks

Other findings — 1) lifetime risk profiling

Apart from insurance literacy, our analysis revealed knowledge gaps along the journey through life, and the importance of closing such gaps at a relatively younger age. **Youth**³ was the group returning the **lowest score**, with pre-retirees and retirees faring slightly better. **Married persons did best**, followed by mature working adults and career starters.

Youth Score: 40%	Career starters Score: 54%	Mature working adults Score: 60%	Married persons Score: 62%	Pre-retirees & retirees Score: 45%
A mere 7% learnt about insurance at school	43% accorded priority to insurance, way behind that placed on consumption	81% placed their faith mostly on recommendations made by insurance intermediaries	55% of respondents, who had no plan to acquire additional insurance protection, cited financial constraints as the key barrier	Only 36% believed that annuities were relevant to them

Other findings — 2) selected products

- **Long term insurance** — **undue weight** accorded to **savings** rather than protection.
- **Investment-linked Assurance Scheme** — **lowering or capping of fees and charges** is the most welcomed improvement.
- **Annuity** — **duration of the annuity period** and **internal rate of return** are crucial features.
- **Medical insurance** — recent surge in popularity is driven by **rising awareness of protection needs amidst the pandemic**.
- **Home insurance and fire insurance** — **failure to distinguish** between the **scopes of coverage**.

³ Respondents in this group cited on-line platforms as an important source to gain knowledge about insurance.

Part B — Three areas worth attention



Public education

- In tandem with commissioning of the ILTS, the **protection needs assessment tool** and the **thematic sitelet** were rolled out to facilitate existing or prospective policyholders in identifying, managing and mitigating risks.

Looking ahead, the IA will:

- **Incorporate insurance literacy into the academic courses** delivered by secondary schools and tertiary institutions.
- **Collaborate with like-minded organisations** to develop **public education campaigns** geared for uncertainties emerging in life.
- **Uplift insurance literacy** of the general public, especially **non-policyholders**.
- **Partner with industry bodies** to disseminate **key messages** to **insurance intermediaries**.



Market conduct and supervision

Duties performed by the IA to **uphold good market conduct** include:

- **Promulgate codes and guidelines** setting out standards which insurance intermediaries and insurers are required to follow under different situations.
- **Evaluate the quality of culture and ethics** established by insurers across their operations, distribution channels and business practices.
- **Leverage on the Own Risk and Solvency Assessment** process to appraise the corporate governance, internal controls and business practices of insurers.
- **Work with insurers on adherence to the principles for handling of complaints**, so as to inculcate knowledge among existing or prospective policyholders on pitfalls to avoid when acquiring insurance protection.
- Compel **each insurance intermediary** to undergo three **compulsory hours of Continual Professional Development** on “Ethics or Regulation” per year.
- **Take disciplinary action** against cases involving unethical conduct, serious harm done to policyholders or weaknesses in corporate governance, internal controls and business practices of insurers.

For more detailed information, please refer to the report on PP.50-52.



Market conduct and supervision

Trust between the insurance industry and existing or prospective policyholders is the cornerstone of a market with high integrity. The IA has put a lot of efforts into **strengthening observance of good conduct and ethical practices** such as acting in the best interests of clients and treating customers fairly. At the corporate level, there should be a culture of compliance that permeates those who work for or represent an insurer. Two projects in this respect are outlined below:

Mystery Shopping Programme (“MSP”)

- The IA, the Mandatory Provident Fund Schemes Authority (“MPFA”), and the Hong Kong Monetary Authority (“HKMA”) are mounting a joint MSP on selling practices of Qualifying Deferred Annuity Policies and Mandatory Provident Fund Tax-Deductible Voluntary Contributions, focusing on areas such as risk profiling, needs analysis, information disclosure, product documentation and suitability of recommendations.

Premium Financing

- The IA and the HKMA also carried out a joint inspection on premium financing activities in late-2020, the findings of which led to issuance of a circular on 1 April 2022 to clarify regulatory expectations under the existing codes and guidelines to improve customer awareness, protection and outcome.



Research

- Published the **Mortality Protection Gap Study 2021** to stimulate public discourse on evolving lifetime risk profiles.
- Conduct in-depth studies ranging from the **mindset or motivation of insurance intermediaries** to **confidence in the insurance industry** and **effective ways to shape consumer behaviour**.