

6 December 2023

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HKMA/B1/15C

To: Chief Executives of all authorized insurers carrying on long term business, Responsible Officers of all licensed insurance broker companies and licensed insurance agencies carrying on long term business, and Chief Executives of all authorized institutions

Dear Sirs,

**IA-HKMA joint inspection exercise on premium financing**

The Insurance Authority (“IA”) and the Hong Kong Monetary Authority (“HKMA”) have commenced a new round of joint inspection exercise on premium financing (“PF”) activities of selected authorized insurers carrying on long term business and licensed insurance intermediaries (including banks) carrying on regulated activities in relation to long term business in Hong Kong.

Subsequent to the last joint inspection exercise conducted in late 2020, the two regulators each issued a circular on 1 April 2022 on the supervisory standards and requirements on PF (the “Standards”), which came into effect on 1 January 2023. The two regulators have been closely monitoring the market development and consider it timely to conduct a new round of joint inspection exercise, with a view to assessing the industry’s level of compliance with the Standards and identifying the latest industry practices.

The areas covered in the joint inspection exercise include:

- suitability and affordability assessment;
- additional measures for customers with risk of over-leveraging;
- disclosure of risks and other important matters;
- distribution, sales practice and training; and
- policy services such as assignment and cooling-off arrangement.

Depending on the findings, the IA and the HKMA will share the issues noted with the industry and consider the need for further guidance as appropriate.

If you have any questions on this circular, please contact Ms Julie Zhu at the Long Term Business Division of the IA on 3899 9902 or Ms Candy Tam at the Banking Conduct Department of the HKMA on 2878 1292.

Yours faithfully,

Marty Lui  
Head of Long Term Business (Acting)  
Insurance Authority

Alan Au  
Executive Director  
Banking Conduct Department  
Hong Kong Monetary Authority

c.c.    The Hong Kong Federation of Insurers  
          The Hong Kong Confederation of Insurance Brokers  
          Professional Insurance Brokers Association