

13 September 2019

Our Ref: INS/TEC/6/96
By Email only

To: Chief Executives of authorized insurers carrying on long term business

Dear Sirs,

Guidelines for the Sale of Long Term Insurance Policies (GL25 - GL30)

I enclose herewith a copy of the 6 sets of guidelines for the sale of long term insurance policies issued today, which can be downloaded from the website of the Insurance Authority (“IA”).

Upon commencement of the new regulatory regime for insurance intermediaries, the IA will take over the role hitherto performed by the three self-regulatory organizations (“SROs”)¹. To this end, the IA has reviewed the codes or guidance notes² governing the sale of long term insurance policies issued by the Hong Kong Federation of Insurers. The IA also took the opportunity to refine them following the principle of fair treatment of customers and consolidate them into 6 sets of guidelines as follows:

GL25: Guideline on Offering of Gifts

GL25 sets out the requirements on authorized insurers and licensed insurance intermediaries regarding offering of gifts or other similar gratuities when marketing, promoting or distributing life insurance policies, to ensure that those gifts or gratuities would not distract a customer from making an informed decision when purchasing insurance products.

GL26: Guideline on Sale of Investment-Linked Assurance Scheme (“ILAS”) Products

GL26 supplements the Guideline on Underwriting Class C Business (GL15) by specifying detailed requirements on the sale process for ILAS products. Authorized insurers and licensed insurance intermediaries are required to ensure that customers are fully apprised of the nature, key features and risks of ILAS products.

GL27: Guideline on Long Term Insurance Policy Replacement

GL27 sets out the requirements on authorized insurers and licensed insurance intermediaries to make sufficient enquiries to ascertain customer’s intentions to replace his/her existing policy during new policy application process, and provide potential policy holders with an Important Facts Statement to draw their attention on key risks and factors to be considered before replacing their policies.

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.

² The sets of codes and guidance notes cover Initiative on Financial Needs Analysis, Cooling-off Period, Guidance Note on Gifts, Promotions and Incentives for Class A and Class C Products, Code of Practice for Life Insurance Replacement, Updated Requirements Relating to the Sale of Investment Linked Assurance Scheme to Enhance Customer Protection, Guidance Note on Minimum Death Benefit Requirements for Class C – Linked Long Term Business and Standard Illustrations for Life Insurance Policies.

GL28: Guideline on Benefit Illustrations for Long Term Insurance Policies

GL28 sets out the standard requirements on authorized insurers regarding benefit illustration documents to be provided to potential or existing policy holders to allow them to have adequate and clear information on the benefits of a life insurance policy.

GL29: Guideline on Cooling-off Period

GL29 sets out the requirements on authorized insurers and licensed insurance intermediaries regarding the cooling-off period. The inclusion of a cooling-off period for certain types of life insurance policies can help to provide policy holders with the opportunity to reflect on their decisions and thereby protect policy holders' interests.

GL30: Guideline on Financial Needs Analysis

GL30 sets out the requirements for a financial needs analysis to be conducted for every application of new life insurance policy. This is to ensure that authorized insurers or licensed insurance intermediaries can properly assess the needs and circumstances of the customer before recommending any life insurance policies.

The above 6 sets of guidelines shall come into effect on 23 September 2019. Should you have any questions, please contact your case officers.

Yours faithfully,

Carol Hui
Executive Director
Long Term Business Division
Insurance Authority

Encls.

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

[LB(KL) INS/TEC/6/96_20190912_kc]