

The Insurance Authority Annual Report 2019-20 (Synopsis)

The reporting year was an eventful one for the Insurance Authority (“IA”), fraught with unprecedented challenges, yet emerging opportunities abound. We continued to implement different reforms to strengthen the supervisory regime in Hong Kong.

DIRECT REGULATORY REGIME FOR INSURANCE INTERMEDIARIES

On 23 September 2019, the IA became the sole regulator responsible for licensing, inspection, investigation and disciplinary sanctions of over 120,000 insurance intermediaries.

To uplift professionalism and induce ethical behaviours, seven sets of rules, codes of conduct and guidelines were produced to support implementation of the direct regulatory regime, including two codes of conduct applicable to agents and broker companies.

As at 31 March 2020, the IA had received about 10,000 applications for new licences and completed processing 96% of them.



PRUDENTIAL SUPERVISION

In order to benchmark with prevailing international standards, the IA is seeking to forge a consensus among insurers on key parameters of the Risk-based Capital Regime.

A group-wide supervision framework is being molded to consolidate the status of Hong Kong as a premier base for regional headquarters of multinational insurance groups.

Partnering with industry stakeholders and fellow financial regulators, the IA rendered contribution in the Mutual Evaluation by the Financial Action Task Force and the Asia/Pacific Group on Money Laundering, which resulted in Hong Kong being granted the rating of full compliance.

The IA stepped up its presence in the International Association of Insurance Supervisors by joining more committees and working groups, and successfully gaining a seat on the Executive Committee.



RESPONSE TO COVID-19

The IA effected a host of timely initiatives to mitigate the impact of COVID-19 and reduce the risk of infection:

- Rolled out temporary facilitative measures in phases to enable a selected range of insurance products to be sold via non-face-to-face channels.
- Sped up the scrutiny of applications for pilot trials using the Insurtech Sandbox that involve virtual on-boarding using video conferencing tools.
- Encouraged remote fulfilment of Continuing Professional Development (“CPD”) by accepting virtual lectures without limit and increasing the admissible CPD hours for internet self-learning modules in each assessment period from five to seven, resulting in a maximum of 14 hours during the merged periods for 2019-20 and 2020-21.



MARKET DEVELOPMENT

The following have been set in motion to enhance competitiveness of Hong Kong in the global insurance market:

- Renewed the existing preferential treatment for qualified Hong Kong reinsurers accepting risks ceded by insurers in the Mainland.
- Put in place a profits tax concession of 50% for non-life insurers and broker companies writing marine and specialty risk insurance.
- Expanded the scope of insurable risks for captives and drew up a conceptual model for the issuance of insurance-linked securities in Hong Kong.
- Pursued the setting up of post-sale service centres by local insurers and the development of innovative cross-boundary insurance products in the Greater Bay Area.
- Launched the Qualifying Deferred Annuity Policy to stimulate early retirement planning.
- Expedited the authorization of virtual insurers under the Fast Track and approval of pilot trials using the Insurtech Sandbox.
- Reinforced the position of Hong Kong as a leading green and sustainable finance centre by taking an active part in work streams of the cross-agency steering group, co-chaired by the Hong Kong Monetary Authority and the Securities and Futures Commission.



CONSUMER PROTECTION

Progress is on track for the Policy Holders’ Protection Scheme to be introduced into the Legislative Council¹, heralding a safety net to cope with insolvency of insurers.

On fair treatment of customers, the IA promulgated six guidelines in relation to long term insurance policies, covering offering of gifts, selling of Investment-Linked Assurance Scheme products, policy replacement, benefit illustrations, a cooling-off period and financial needs analysis.

The Guideline on Medical Insurance Business, on the other hand, lays down some minimum expectations to be met by insurers and insurance intermediaries.



¹ The enabling legislation is expected to be introduced into the Legislative Council in the 2022-23 session.

STAKEHOLDER ENGAGEMENT

We engaged a wide spectrum of stakeholders through the IA website, social media, speaking engagements, press releases, media briefings, circulars and publicity events.

Feedback on specific topics is gathered at town hall meetings, industry focus groups, thematic seminars and consultation exercises.

Public education campaigns are also orchestrated to empower policy holders and generate awareness of the IA's achievements.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our corporate governance framework is built around well-defined management structures, clear lines of accountability, comprehensive internal controls and stringent conduct requirements.

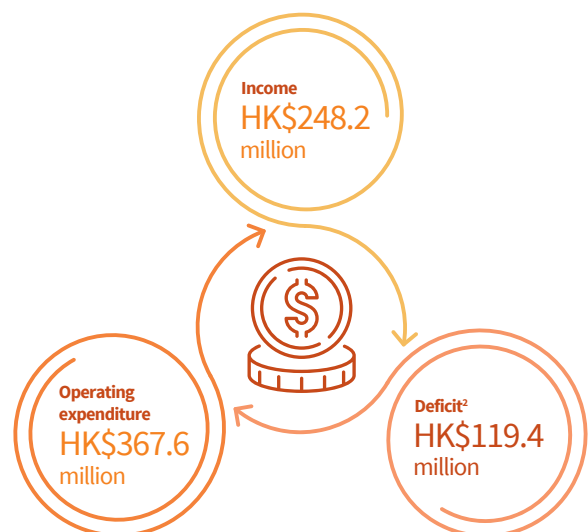
As a socially responsible organisation, the IA provides ample room for staff self-development, promotes a good work-life-balance and lines up volunteer community activities for staff.

Environmental friendly practices are embedded in the operational procedures and procurement systems of the IA.



FINANCIAL ARRANGEMENTS

The IA is a financial regulator deriving its income from premium levies, authorization and annual fees, and specific user fees. We strive to achieve financial independence and are committed to deploying our resources optimally in performing our statutory functions.



² The deficit was met by a capital grant of HK\$653 million from the Government.

Hong Kong Insurance Market in 2019

HK\$ 566.8 billion
total gross premiums

1st in Asia
for insurance density³

14 of the world's top 20
insurers operating from
and in Hong Kong⁵

10.2%
annual growth rate

2nd in the world
for insurance penetration⁴

IA Activities 2019–20

Prudential regulation

163
authorized insurers

126,006
licensed insurance
intermediaries

13
sets of rules, codes and
guidelines issued in relation
to the direct regulatory
regime for insurance
intermediaries⁶

Market development

24
QDAPs⁷ certified

133,000
QDAPs issued by insurers

HK\$ 9.4 billion
QDAP annualised
premiums

110
Insurtech-related enquiries
and meetings

Consumer protection

1,292
complaints received

222
unresolved complaints
from former Self-Regulatory
Organisations⁸

994
complaints closed

^{3,4} Swiss Re Institute sigma No 3/2019

⁵ Fortune Global 500, July 2019

⁶ Including six guidelines on the sale of long term insurance products

⁷ Qualifying Deferred Annuity Policy

⁸ The former Self-Regulatory Organisations are The Hong Kong Confederation of Insurance Brokers, The Professional Insurance Brokers Association and the Insurance Agents Registration Board formed under The Hong Kong Federation of Insurers.