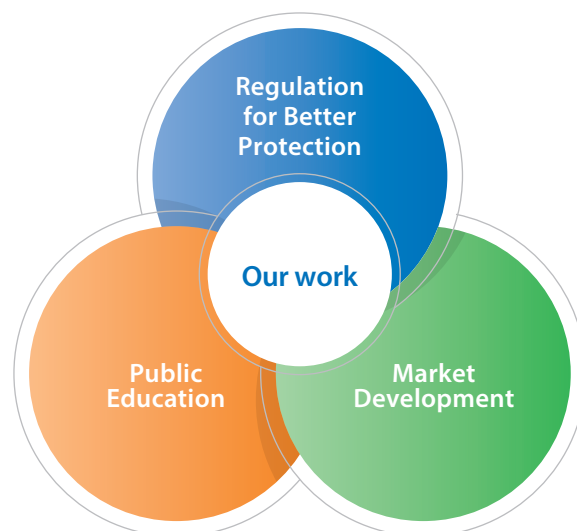


The Insurance Authority Annual Report 2021-22¹ (Synopsis)



The Insurance Authority ("IA") is an insurance regulator independent of the Government and the insurance industry, regulating over 160 insurance companies and over 124,000 licensed insurance intermediaries.

Our main statutory functions are to protect policy holders, promote the general stability of the market, encourage the adoption of proper standards of conduct by the industry and increase the global competitiveness of Hong Kong.



Regulation for Better Protection

The IA continuously strives to safeguard the interests of policy holders and instil greater public confidence by regulating and supervising insurance companies and intermediaries as well as introducing timely regulatory reforms.

Regulation of Insurance Companies

Financial Soundness and Risk Management

- To ensure that insurance companies can meet their obligations to policy holders, we have adopted a multi-faceted supervisory approach, consisting of comprehensive risk assessment, financial examinations, on-site inspections, and off-site monitoring.

Macroprudential Surveillance

- The IA took part in various exercises of the International Association of Insurance Supervisors ("IAIS") to assess systemic risk.

Financial Sector Assessment Program

- The International Monetary Fund recognised that the establishment of the IA has greatly strengthened insurance regulation in Hong Kong in its Financial System Stability Assessment report in June 2021.

¹ The annual report covers the IA's major activities and initiatives between 1 April 2021 and 31 March 2022. Please visit the [IA website](#) for the full report.

Regulation of Insurance Companies

Targeted Jurisdictional Assessment

- The IA underwent an in-depth examination by the IAIS on supervisory practice for assessment and mitigation of systemic risks in the insurance sector.

Group-wide Supervision (“GWS”)

- The enhanced group-wide supervision framework, which is in full alignment with international standards and best practices, was successfully implemented.
- Three insurance holding companies, namely AIA Group Limited, FWD Management Holdings Limited and Prudential Corporation Asia Limited, were designated under the GWS framework.

Regulatory Reforms

Risk-based Capital Regime

- The IA is developing a Risk-based Capital Regime (“RBC”) predicated on the business profile of individual insurers, enhancing asset-liability management, risk governance and enterprise risk management.
- Industry consultation on the legislative proposal was conducted with the goal of introducing an amendment bill into the Legislative Council (“LegCo”) in 2022.
- Key observations of the first Own Risk and Solvency Assessment reports were published to enhance a smooth transition to the RBC regime.
- Two applications for early adoption of the RBC regime were approved up to April 2022.

Policy Holders’ Protection Scheme (“PPS”)

- The IA received initial findings from a consultancy review, providing an updated assessment of the key parameters of the PPS, which focuses on insurance company insolvency.
- The Government planned to conduct a public consultation on the proposed PPS in 2022, after which enabling legislation will be prepared for introduction into LegCo.

Regulation of Selling Process

- Following a joint inspection exercise with the Hong Kong Monetary Authority (“HKMA”) on premium financing in late 2020, the IA issued two circulars in September 2021 and April 2022 respectively to share key findings of the joint inspection and to introduce various forthcoming measures to enhance policy holder protection in relation to premium financing. One measure is an “Important Facts Statement – Premium Financing”, which will be introduced from 1 January 2023 to ensure prospective policy holders understand all the risks involved.
- We worked with the HKMA and Mandatory Provident Fund Schemes Authority on a joint Mystery Shopping Programme targeted at selling practices for Qualifying Deferred Annuity Policies and Mandatory Provident Fund Tax Deductible Voluntary Contributions.

Regulation of Insurance Intermediaries

Licensing

- Through our licensing work, we performed a gatekeeping role to ensure that only those who could meet the criteria of being fit and proper would be allowed to become insurance intermediaries.
- During the reporting year, we processed over 101,000 applications for new intermediary licences, updates of appointments and lines of business, and termination of appointments.
- Our e-portal helped to empower efficient and high-quality licensing decision-making.
- As of March 2022, over 85% of deemed licensee applications had been processed through the e-portal, with the platform further enhanced to process licence renewal applications.
- We issued a wide-ranging explanatory note on regulated activities with several practical case studies.

Supervision

- On-site inspections and supervisory reviews of insurance agencies and broker companies enabled us to vigorously assess compliance with regulatory requirements.
- We conducted 15 on-site inspections and reviewed statutory returns of 815 insurance broker companies. We also rolled out the first cultural assessment questionnaire to assess broker companies' corporate culture and governance.
- With regard to insurance agencies, we conducted three on-site inspections and 77 supervisory reviews to assess compliance with conduct and corporate governance requirements.

Continuing Professional Development ("CPD")

- We launched the IA's first e-CPD courses to help intermediaries fulfil the requirements on "Ethics or Regulations", receiving 8,500 registrations.

Complaint Handling

- We handle complaints related to the conduct of insurance intermediaries and insurance companies in a fair and objective manner.
- During the reporting year, the IA received 1,196 new complaint cases, concluded 1,473 cases, and referred 68 cases to the IA's Enforcement Team for further action. The main complaint categories concerned conduct, insurers' business or operations, representation of information and claims.
- Several key changes were made to complaint handling.
- We entered into a Memorandum of Understanding with the Insurance Complaints Bureau ("ICB") to facilitate the referral of claims-related disputes to the ICB.
- We engaged with major insurers on complaint handling best practices to ensure complaints are handled in line with fair customer treatment.

Investigation and Enforcement

- A new disciplinary process was established to bring rigour, fairness, objectivity and independence to the IA's disciplinary decision-making.
- Ten disciplinary actions for misconduct or lack of fitness and properness were carried out.
- A total of 119 Compliance Advice Letters and 101 Letters of Concern were issued by the IA for non-compliance matters.
- We took 91 disciplinary actions for non-compliance with CPD requirements and launched a CPD Penalty Framework.

Anti-Money Laundering and Counter-Terrorist Financing ("AML/CTF")

- We reviewed details of AML/CTF controls for virtual onboarding trials under the Insurtech Sandbox.
- We spoke at two webinars on AML/CTF regulatory requirements for insurance broker companies.

COVID-19 Response

Facilitative Measures for Industry

- We further refined facilitative measures for non-face-to-face distribution to cover all long term insurance products via the Virtual Onboarding Sandbox, including Investment-Linked Assurance Scheme ("ILAS") products.

Facilitative Measures for Intermediaries

- The CPD assessment periods for 2019-20 and 2020-21 were combined and the fulfilment deadline rescheduled to July 2021.
- The number of CPD hours was reduced from 15 to 12 hours for the 2021-22 CPD assessment period.
- We worked with the Vocational Training Council to enable remote delivery of three basic papers for the Insurance Intermediaries Qualifying Examination.
- The cap on the number of e-learning CPD hours was permanently lifted to encourage greater use of online learning.

Insurance Talent Development Programme

- The IA created 32 temporary positions under the Government's Anti-epidemic Fund in 2021 with 31 new positions to be created in 2022 to promote sustainable development of the insurance industry.

Vaccination

- We implemented "Vaccine Pass" in the IA offices and encouraged staff to get inoculated by offering vaccination leave.

Stakeholder Engagement

- The IA contributed to a number of IAIS milestone projects. The IA CEO also participated in IAIS as a member of the IAIS Executive Committee and Chair of the IAIS Audit and Risk Committee, bringing an Asian voice to international standard-setting for insurance supervision.
- As Chairman of the Asian Forum of Insurance Regulators, the IA CEO hosted the 16th Annual Meeting with active participation from 17 member jurisdictions.
- We took the lead in helping the taxi trade look into the issues in procuring motor insurance, together with the Government, lawmakers, insurers and the taxi industry. To this end, we actively participated in LegCo's Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector, which held five meetings and led to a report on recommendations being issued in September 2021.
- At Future Task Force meetings, we discussed Fintech topics such as Open Application Programming Interface ("Open API") and "Federated Learning" technology, and exchanged views on how to promote a positive image of the insurance industry through public education on the social role and value of insurance.

Market Development

The IA's market development roadmap seeks to drive forward sustainable growth in the insurance industry by catapulting Hong Kong into a global risk management centre and regional reinsurance and insurance hub.

Insurance-linked Securities ("ILS")

- The inaugural ILS in Hong Kong was issued in October 2021, securing protection against losses inflicted by typhoons in the Mainland.

Captive Domicile

- We made legislative amendments to expand the scope of insurable risks by captive insurers in Hong Kong.

Marine and Specialty Risks

- A tax concession to reduce the profits tax rate by 50% (i.e. 8.25%) for general insurers and insurance brokers for marine and specialty risk insurance was put in place.

Reinsurance

- The China Banking and Insurance Regulatory Commission ("CBIRC") regularised the preferential treatment for Hong Kong insurance industry, strengthening Hong Kong's position as a global risk management centre and reinsurance and insurance hub.

Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) Development

Unilateral Recognition Policy for Motor Vehicle Insurance

- The IA collaborated with the CBIRC on an arrangement that would recognise Hong Kong insurer-issued motor insurance policies that extend cover to third-party liability in the Mainland for private cars travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge.

After-sales Service Centres

- The IA continued to liaise closely with Mainland authorities and the industry on operational arrangements for Hong Kong insurers to establish after-sales service centres in the GBA.

Insurtech

Insurtech Sandbox and Virtual Onboarding

- A supervisory framework was ushered in for the distribution of long term insurance policies via video conferencing under the Insurtech Sandbox for 13 insurers to overcome impediments brought about by the non-face-to-face onboarding process.

Open API

- We established a working group comprising more than 30 stakeholders from the industry and Insurtech communities to pave the way for the development of the Open API framework.

Insurtech Facilitation Team

- The team handled more than 50 enquiries and held 35 meetings with stakeholders, including local and overseas insurers, Fintech firms, regulators, and industry organisations.

Green and Sustainable Finance

- The IA participated actively in the Green and Sustainable Finance Cross-Agency Steering Group, which launched the Centre for Green and Sustainable Finance.
- We hosted a thematic breakout session at the Asian Financial Forum 2022 on “Innovating Insurance to Combat Climate Change”.

Protection Linked Plan and ILAS Revamp

- The Protection Linked Plan (“PLP”), a new category of ILAS with high mortality protection, was introduced to narrow the protection gap and facilitate financial inclusion.
- The green light process for assessment of ILAS was formalised and streamlined.

Asian Insurance Forum

- We hosted our annual flagship forum in December 2021, providing a high-level platform for the industry to share insights on development prospects and opportunities in the Asian insurance market.

Public Education

We empower policy holders with relevant and up-to-date information via diverse channels, enabling them to make sound and informed decisions when taking out insurance policies.

- The IA launched a public education campaign on Lifetime Risk Profiling to raise public awareness of evolving protection needs at different life stages by publishing our first Mortality Protection Gap Study and introducing an online assessment tool, an informative sitelet and a host of publicities.
- We designed a dedicated fulfilment ratio webpage with links to insurers' relevant webpages, followed by a publicity campaign on the fulfilment ratios and participating policies.
- We rolled out a new animated video series on digital onboarding.
- We commissioned our first Insurance Literacy Tracking Survey to help us formulate public education strategies and enhance financial inclusiveness over the long term.
- During the reporting year, we published three issues of *Conduct in Focus*, providing tips for policy holders, updates on the IA's disciplinary approach, and an in-depth look at ethical business practices from lessons learnt from complaints.



Lifetime Risk Profiling media briefing



Public education campaigns on understanding a participating policy and digital onboarding

About the IA

Our Staff

With our multidisciplinary team of around 300 staff from the public and private sectors, we continued to foster a corporate culture characterised by empathy and dynamism. Eighty-nine percent of our staff hold a bachelor's or higher degree while 36% possess professional qualifications.

Financial Position

We sought to achieve financial independence by optimal deployment of resources derived from premium levies, authorization and annual fees, and specific user fees. For 2021-22, income and operating expenditure were HK\$512.7 million (2020-21: HK\$339.4 million) and HK\$427.8 million (2020-21: HK\$416.3 million) respectively, resulting in a surplus of HK\$84.9 million (2020-21: deficit of HK\$76.9 million), as compared to a budgeted deficit of HK\$57.4 million. The accumulated deficit is HK\$413.6 million, which was met by the Government's capital grants totalling HK\$953 million.

Major ESG Initiatives



Environmental

- Promoting green and sustainable finance
- Recycling and energy-saving measures
- Paperless operation



Social

- Support services to people of diverse races
- Vigorous personal data privacy policy
- Community services



Governance

- Most members of the Board are Non-Executive Directors, over one-third of whom are female
- Corporate plan and budget reviewed by Financial Secretary
- Independent checks and balances²

² The Ombudsman, Insurance Appeals Tribunal, Process Review Panel for the IA

Hong Kong Insurance Market

Key Figures

HK\$ **581.7** billion

of total gross premiums^a

0.06%

of annual growth rate^a

1st in Asia

for insurance penetration and density^b

12 of the world's top 20

insurers authorized to conduct business in Hong Kong^c

^a Based on market statistics between 1 January 2021 and 31 December 2021. Details of industry statistics ([long term business](#) and [general business](#)) can be found on the IA website.

^b Swiss Re Institute sigma No 4/2022

^c Fortune Global 500 list in 2022

IA Activities

Supervision and Regulation

163

authorized insurers

31

supervisory college meetings with overseas regulators

Over **124,000**

licensed insurance intermediaries

Over **101,000**

licensing related applications and updates processed^d

Over **85%**

of applications from deemed licensees for their first licences under the direct regulatory regime processed

^d The figure includes new intermediary licences, as well as updates of appointments and lines of business, and terminations of appointments.

Enforcement and Disciplinary Actions

New cases

New cases received	92	Cases closed	92^e
Ongoing cases brought forward from the previous reporting year	186	Ongoing cases carried forward to the next reporting year	186
- Initial assessment	119	- Initial assessment	116
- Formal investigation	58	- Formal investigation	42
- Under disciplinary process	9	- Under disciplinary process	28
Total	278	Total	278

Alternatives to Disciplinary Actions

119 Compliance Advice Letters^f and
101 Letters of Concern^f issued for non-compliance matters

SRO^g cases

280 cases received and
262 cases concluded

Protection of Policy Holders

Complaint Statistics^h

Reporting Year	2020-21	2021-22
Ongoing cases brought forward from the previous reporting year	733	870
New cases received	1,401	1,196
Total	2,134	2,066
Cases closed	1,153	1,473
Cases referred to the IA's Enforcement Team	111	68
Ongoing cases carried forward to the next reporting year	870	525
Total	2,134	2,066

^e Including 32 SRO cases.

^f These figures include the total number of letters issued by various IA teams, including Supervision Teams, Complaint Team, Licensing Team and Enforcement Team.

^g Former Self-Regulatory Organisations ("SROs") are the Hong Kong Confederation of Insurance Brokers, the Professional Insurance Brokers Association, and the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers.

^h Complaint statistics exclude self-reported cases from insurers and intermediaries which arose from detection through operation of their governance and controls and complaints received by them.

Market Development

Insurance-linked Securities

Up to **HK\$ 12million**
subsidy per issuance under
two-year Pilot Grant Scheme

Marine and Specialty Risk Insurance

50%
reduction in profits tax rate

Insurtech

27

Sandbox pilots approved

16

Sandbox applications relating
to virtual onboarding

85

enquiries and meetings handled

Facilitative Measures for the Industry During COVID-19

52,000

policies sold through non-face-to-face means

HK\$ 736million

annualised premiums