

The Insurance Authority Annual Report 2023-24¹ (Synopsis)

The Insurance Authority (“IA”) is an insurance regulator independent of the Government and the insurance industry, regulating 160 insurance companies and over 115,300 licensed insurance intermediaries.

The IA’s main statutory functions are to protect policy holders and maintain the general stability of the insurance market through effective regulation and supervision of the insurance industry, proactive and proportionate enforcement to curb misconduct, public education to enhance people’s understanding of insurance, and promotion of sustainable market development initiatives to increase the competitiveness of Hong Kong as a global risk management centre and insurance hub.



Regulation and Supervision

The IA continuously strives to safeguard the interests of policy holders and instil greater public confidence by regulating and supervising insurers and insurance intermediaries as well as introducing enhancements to our regulatory framework.

Regulation of Insurers

Prudential Supervision

- To ensure the financial soundness and risk management capability of insurers, we have adopted a multifaceted supervisory approach, consisting of comprehensive risk assessments, financial examinations, and on-site inspections.

Joint Inspection

- We conducted a round of inspections on premium financing with the Hong Kong Monetary Authority (“HKMA”) to examine the industry’s compliance with new requirements, gauge latest market trends amid rising interest rates, and identify areas for regulatory attention.

¹ The annual report covers the IA’s major activities and initiatives between 1 April 2023 and 31 March 2024. Please visit the [IA website](#) for the full report.

Conduct Supervision

- We inaugurated full conduct inspections on four authorized insurers.
- We delivered a training session for insurers' senior management on treating customers fairly and establishing an ethical corporate culture.
- On Continuing Professional Development ("CPD") compliance, we conducted thematic inspections on five authorized insurers to assess the adequacy of their controls. We also offered e-CPD courses on ethical business practices and Anti-Money Laundering and Counter-Financing of Terrorism, attracting 6,000 enrolments. The overall CPD compliance rate improved from 90% to 96.1%.
- We supported the Hong Kong Federation of Insurers ("HKFI") in introducing a reference checking scheme to address the "rolling bad apples" phenomenon.

Macroprudential Surveillance

- We took part in various International Association of Insurance Supervisors ("IAIS") exercises, including the Global Monitoring Exercise, to assess systemic risks.

Group-wide Supervision

- We organised supervisory colleges and crisis management group meetings in Hong Kong, attended by 38 overseas supervisors from ten jurisdictions.

Regulation of Insurance Intermediaries

Licensing

- We processed some 115,000 applications for new licences, renewal of existing licences, updating of details, and termination of appointments.
- We consulted the industry and Legislative Council ("LegCo") on the resumption of licence and related fees payable by insurance intermediaries from 23 September 2024, after the five-year waiver period ends.

Supervision

- We examined 808 statutory returns and conducted 13 on-site inspections of insurance broker companies in line with the risk-based approach.
- On insurance agencies, we aligned approach to supervision with the heightened focus on conduct supervision of insurers, paying particular regard to internal controls and procedures.

Regulatory Framework Enhancements

Risk-based Capital ("RBC") Regime

- The RBC regime was successfully implemented on 1 July 2024, following the enactment of subsidiary legislation.
- The revised Guideline on Actuarial Review of Insurance Liabilities in respect of General Business (GL9) and Guideline on Establishment and Maintenance of Fund(s) in respect of Participating Business (GL34) were issued.

Policy Holders' Protection Scheme ("PPS")

- We initiated preparatory work to assist the Government in law drafting for the PPS.

Joint Mystery Shopping Programme

- The IA conducted briefings for 17 authorized insurers and five licensed insurance broker companies suggesting improvements in marketing Qualifying Deferred Annuity Policy ("QDAP") products.

Enhanced Disclosure

- We implemented disclosure enhancements for participating policies and universal life products, with the enhanced content made available by mid-2024.

Anti-Money Laundering and Counter-Financing of Terrorism ("AML/CFT")

- The IA continues to monitor the industry's risk exposure to money laundering and terrorist financing through ongoing supervisory engagement and robust oversight of insurance institutions' systems and their effectiveness.
- We updated our FAQs to align with the amended Guideline on Anti-Money Laundering and Counter-Terrorist Financing (GL3).
- We launched an e-CPD course on AML/CFT for licensed insurance intermediaries carrying on regulated activities in respect of long term business.
- We organised two seminars to raise awareness of the latest AML/CFT provisions, evolving topographies, and the findings of on-site inspections.

Complaint Handling

- We introduced and successfully met the benchmark of concluding at least 80% of complaints received by the IA within six months.
- We received 955 new cases and closed 1,014, with 44 cases referred to the Enforcement Team or Conduct Supervision Teams for further action.

Investigation and Enforcement

The IA takes proactive and proportionate enforcement to curb misconduct and strengthens our regulatory framework with sufficient deterrence.

Joint Operation and Enforcement Collaborations

- A joint operation was conducted with the Independent Commission Against Corruption (“ICAC”), centred on the suspected unlicensed sale of insurance policies to Mainland China visitors in April 2024.
- We entered into Memoranda of Understanding with the ICAC and Hong Kong Police Force respectively.

Investigations and Enforcement Actions

- We commenced 66 formal investigations and coordinated enforcement actions with the HKMA on two cases.
- Twenty-four disciplinary actions were imposed for conduct breaches or lack of fitness and properness; and 2,001 disciplinary actions were imposed for failure to comply with CPD requirements, attracting fines totalling around HK\$7 million.

Disciplinary Mechanisms

- We re-appointed the 12 existing Disciplinary Panel Pool members and appointed 20 new members, and established the Disciplinary Executive Process to enhance efficiency.

Market Development

The IA takes concrete measures to pursue its corporate vision to serve as both a “promotor” of domestic circulation and “facilitator” of international circulation. Notably, the Market Development Section has been set up to gather business intelligence, cultivate client relationships, identify emerging opportunities, and enhance the image of Hong Kong’s insurance market.

Leveraging the “Dual Circulation” Strategy

Unilateral Recognition Policy for Cross-boundary Motor Insurance

➤ A total of 20 local insurers accounting for 89% of the motor insurance market offered related products.

After-sales Service Centres

➤ We continued preparatory work with fellow regulators in Guangdong, Shenzhen, and Macao, as well as the local industry.

Belt and Road Initiative

➤ We hosted a thematic breakout session at the Belt and Road Summit on how Hong Kong could render assistance in overcoming challenges of risk management for Belt and Road projects.

Consolidating Risk Management Capabilities

Insurance-linked Securities

➤ The IA facilitated the issuance of a HK\$1.17 billion catastrophe bond by the World Bank, offering protection against storm risks in Jamaica.

Captive Domicile

➤ We hosted Captive Forum 2024, featuring captive insurers, reinsurers, and professional service providers.

Unleashing Social Value of Insurance

Claims Settlement after Severe Weather Events

➤ The IA called for prompt and transparent handling of claims, and empathy and understanding for policy holders, after two consecutive severe weather events hit Hong Kong in early September 2023.

Qualifying Deferred Annuity Policy (“QDAP”)

➤ Twenty-three QDAP products were launched by 19 long term insurers, contributing up to HK\$20 billion in annualised premiums.

Research on Mental Health and Insurance

➤ We commenced thematic research on mental health and insurance in Hong Kong, recognising that insurance can help narrow protection gaps by encouraging early intervention.

Insurtech

Open Application Programming Interface (“Open API”)

- The Open API Framework was rolled out to foster cross-sector innovative collaboration, and a central register was established with the Hong Kong Science and Technology Parks Corporation to showcase practical use cases.

Cyber Resilience Assessment Framework (“C-RAF”)

- We engaged the industry on enhancing the Guideline on Cybersecurity (GL20) and the introduction of C-RAF.

Green Finance

Climate Risk Management

- We commissioned a survey on climate risk management and promulgated a circular on survey outcome and good practices identified.

Asian Insurance Forum (“AIF”) 2023

- The AIF and its theme of “Striving for Enhanced Global Financial Stability and Resilience” attracted a record 1,700 participants from Hong Kong and beyond.

Supporting Talent Development

- We remained steadfast in supporting initiatives that promote the development of green and sustainable finance go-getters and Fintech talents.
- The Pilot Programme to Enhance Talent Training for the Insurance Sector has been extended until 2025-26.

Public Education

The IA strives to maintain a high level of transparency, promoting public understanding of the IA's work and functions through diverse communication channels.

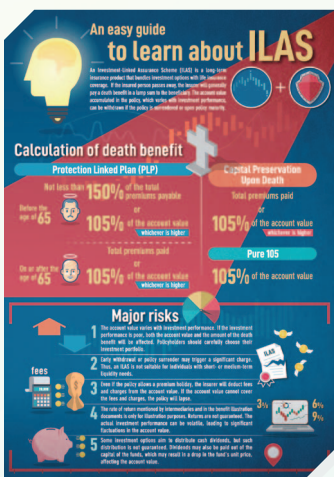
- We stepped up publicity efforts by engaging the media more frequently through briefings and interviews, and publishing blog articles on our website.
- Public education campaigns on two popular insurance products (travel insurance; Investment-linked Assurance Scheme and Protection Linked Plan) were launched, adopting a mix of online and offline promotional strategies. Further promotion of the online tool "QDAP Selection Made Easy" was rolled out.
- We reached out to the community by hosting in-person and online talks, and completed a pilot project for secondary students on basics of lifetime risk management and protection.
- We published two issues of our periodical, *Conduct in Focus*, and a special supplement on claims handling and treating customers fairly.



- A series of closing-window segments attached to a travel programme to share tips of travel insurance



- A radio segment series enables key messages to be communicated on Investment-linked Assurance Scheme and Protection Linked Plan



- E-leaflet highlighting the points to note for robust financial planning when using the Investment-linked Assurance Scheme



- IA CEO Mr Clement Cheung gives a guest lecture to a class of international MBA students



- Promotion of the one-stop "QDAP Selection Made Easy" search tool

Stakeholder Engagement

The IA proactively communicates strategic priorities and regulatory initiatives locally and beyond with stakeholders to drive policy development and legislative reforms.



The IA holds three Future Task Force meetings to discuss topics including the latest Fintech developments and fair treatment for customers when handling claims

The IA hosts an IAIS working group meeting



The 23rd Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen

Mr Clement Lau (middle), Executive Director, Policy and Legislation, meets with the Insurance Authority of the Kingdom of Saudi Arabia during a visit to the Middle East



Dr Kai-Uwe Schanz (right), Deputy Managing Director and Head of Research & Foresight of the Geneva Association, discusses the organisation's research priorities and the concept of sustainability in insurance

About the IA

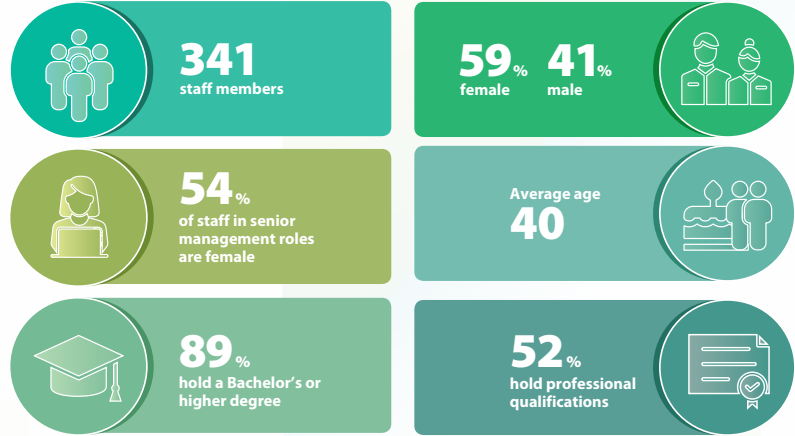
Our Organisation

The IA is governed by a Board consisting of a Chairman, Non-Executive Directors, and Executive Directors, all appointed by the Chief Executive of the Hong Kong Special Administrative Region. With our multidisciplinary team of about 340 staff from the regulatory and insurance sectors, we strived to foster a corporate culture characterised by empathy and dynamism.

Corporate Culture



Our Staff (as at 31 March 2024)



Financial Position

As an independent financial regulator, the IA continues to deliver its statutory functions and key activities effectively under prudent financial management, while striving to achieve financial independence. For 2023-24, income and operating expenditure were HK\$526.6 million (2022-23: HK\$525 million) and HK\$505 million (2022-23: HK\$453.5 million) respectively, resulting in a surplus of HK\$21.6 million (2022-23: HK\$71.5 million). The accumulated deficit was HK\$320.4 million, which was met by the Government's capital grants totalling HK\$953 million.

Major ESG Initiatives

Environmental	Social	Governance
Promoting green and sustainable finance	Organising events to promote caring for the underprivileged	Most members of the Board are Non-Executive Directors, around one-third of whom are female
Recycling and energy-saving measures	Prioritising staff well-being in building corporate culture	Corporate plan and budget reviewed by the Financial Secretary
Paperless operations		Independent checks and balances ²

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

Hong Kong Insurance Market



Key Figures

HK\$542.1 billion

total gross premiums³

1st in the World

for insurance penetration⁴

2nd in the World

for insurance density⁵

6 of the top 10 insurers in the world

authorized to conduct business in Hong Kong⁶

IA Activities (as of 31 March 2024)



Supervision of Insurers and Intermediaries

160

authorized insurers

115,355

licensed insurance intermediaries

Attended

33

supervisory college meetings

Processed more than

115,000

applications for new licences, renewal of existing licences, and updating of details⁷

³ Based on market statistics between 1 January 2023 and 31 December 2023. Details of industry statistics ([long term business](#) and [general business](#)) can be found on the IA website.

⁴ Swiss Re Institute sigma No 3/2024.

⁵ Swiss Re Institute sigma No 3/2024.

⁶ Fortune Global 500 list in 2024.

⁷ Including applications for new licences, renewal of existing licences, updating of details for existing licences, and termination of appointments.



Enforcement and Disciplinary Actions⁸

Cases brought forward from the previous reporting year	213	Cases closed (disciplinary actions taken in 24 cases ⁹)	71
New cases received	63	Ongoing cases	209
New cases generated from ongoing cases	4	Total number of cases	280
Total number of cases	280		

Disciplinary Actions concerning Continuing Professional Development (“CPD”) non-compliance

Total disciplinary actions taken	2,001
Disciplinary actions taken via an agreement with the IA pursuant to Section 84 of the Insurance Ordinance	296
Pecuniary fines imposed	HK\$7,041,900

Compliance Advice Letters and Letters of Concern¹⁰

76 Compliance Advice Letters and
414 Letters of Concern issued

Cases Inherited from the Former Self-Regulatory Organisations (“SROs”)¹¹

280 cases received and
277 cases closed

⁸ Cases involving non-compliance with CPD requirements are excluded.

⁹ Including three cases pending review by the Insurance Appeals Tribunal during the reporting period.

¹⁰ The figures include the total number of letters issued by teams including the Conduct Supervision Teams, Complaint Handling Team, Licensing Team, AML Team, and Enforcement Team.

¹¹ The Hong Kong Confederation of Insurance Brokers, Professional Insurance Brokers Association, and Insurance Agents Registration Board established by the Hong Kong Federation of Insurers.



Complaint Handling¹²

Cases brought forward from the previous reporting year	383
New cases received	955
Total	1,338
Cases closed	1,014
Referrals to the Enforcement Team or Conduct Supervision Teams	44
Ongoing cases	280
Total	1,338



Market Development

Insurance-Linked Securities (“ILS”)

Total issuances involving

HK\$5.59 billion

since the launch of a bespoke regulatory regime for ILS business in 2021

Insurtech

Sandbox pilots approved

39

Sandbox applications concerning virtual onboarding

25

Unilateral Recognition policy (“URP”) for cross-boundary motor insurance

20

insurers in Hong Kong are providing URP products, accounting for

89%

of the motor insurance market

¹² Self-reported cases from insurers and insurance intermediaries are excluded.