




Striding towards a **Sustainable Future**

ANNUAL REPORT 2023-24

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A man with grey hair and glasses, wearing a dark blue suit, white shirt, and red patterned tie, stands with his hands in his pockets. The background is a vibrant, abstract composition of colorful dots and splatters in shades of blue, red, yellow, and purple, with several butterflies scattered throughout. A dark, stylized tree trunk is visible at the bottom right of the background.

Persistently high interest rates, increasing wariness of debt sustainability, intensifying geopolitical tensions, ongoing armed conflicts and the aggravating impact of climate change could easily scupper the fragile revival. Nonetheless, we should feel proud that the insurance industry has lived up to expectations and demonstrated admirable resilience.

Stephen Yiu
Chairman

Chairman's Message

Taking a snapshot in the middle of 2024, global trade and economic activities have improved over the past year but the outlook is fraught with doubts and uncertainties. A persistently high interest rate environment, increasing wariness of debt sustainability, intensifying geopolitical tensions, ongoing armed conflicts and the aggravating impact of climate change could easily scupper the fragile revival. Nonetheless, we should feel proud that the insurance industry has lived up to expectations and demonstrated admirable resilience as a solid pillar underpinning the success of Hong Kong as an international financial centre.

Maintaining Market Stability

The last reporting period saw the enactment of legislative changes for the Risk-based Capital ("RBC") regime, and I am happy to report that it was implemented smoothly in July 2024. Despite being touted to be the most important reform engineered by the Insurance Authority ("IA") thus far to bolster market stability, the revamped solvency regime must not discourage players from placing a larger inward reinsurance and specialty insurance portfolio here. We are actively soliciting feedback and have pledged to conduct a review of the core parameters after one year.

In a related move, a mechanism is being drawn up to identify systemically important insurance companies whose failure would have significant repercussions on the financial system and broader economy in Hong Kong. Industry consultation has commenced, paving the way for the finalisation of a scoring and designation system as well as the protocol for formulating recovery and resolution plans in 2025. Law drafting for the proposed Policy Holders' Protection Scheme is also progressing at full steam to complete the jigsaw in terms of all-round assurance for the insuring public.

Breaking New Frontiers

Meanwhile, intensifying geopolitical tensions have created hostility between countries and regions and brought deliberate acts of deglobalisation that seriously disrupt cross-border trade and investment. Efforts to eliminate poverty and improve the livelihood of people in emerging economies will inevitably suffer. Given that diversification from a single manufacturing base and emphasis on intraregional trade is likely to gather pace, the IA sees this as an opportunity to double down on its campaign to advocate the use of captives domiciled in Hong Kong by overseas and Mainland corporations to scale up risk management capacity. Furthermore, we will be mindful of the expanding need for affordable trade credit insurance among entrepreneurs interested in building a wider network of business partners.

Hong Kong enjoys unparalleled advantages conferred by the "one country, two systems" principle that enable us to fulfil the meaningful roles of "super connector" and "super value-adder". Now that the group-wide supervision framework and RBC regime are firmly embedded in our regulatory system, in the coming year we will inject impetus into preparatory work to facilitate re-domiciliation of insurers with major local presence that promotes the development of "headquarters economy", and launch a determined drive to reinforce our position as a vibrant insurance hub through balanced growth of the long term and general sectors. The ultimate goal is to fully unleash the social value of insurance and bridge protection gaps.

Chairman's Message

In September 2024, the State Council announced the strategic vision of transforming the insurance industry into a sector that is globally competitive and effectively regulated, with rich product and service offerings. The IA will respond by stepping up collaboration with the Government and industry to tackle pressing problems such as climate change and demographic shifts via the enhanced connectivity of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA").

In relation to climate change, we will strive to forge an ecosystem that captures climate data harvesting, catastrophe risk modelling, parametric product design, education of institutional investors and issuance of insurance-linked securities by pooling together relevant risks borne by all 11 cities in the GBA. On demographic changes, we are exploring feasible means to relieve the mounting pressure on medical and social services posed by the ageing population by making options available for Hong Kong people to save early and retire in selected Mainland cities in the GBA.


Leadership Succession and Corporate Culture

I would like to conclude by welcoming Mr Marty Lui, Mr MM Lee and Mr Clement Lau to the senior leadership team. Taking charge of the Long Term Business Division, General Business Division, and Policy and Legislation Division respectively, they are responsible for both relentlessly pursuing key policy initiatives that are in the pipeline and shaping an enduring set of corporate culture at the IA.

As always, fellow members of the IA Board have given me their total trust, dedication and commitment. All IA staff also deserve recognition for delivering consistent and reliable support behind the scene, without which many of our achievements could not have been accomplished.

Stephen Yiu

Chairman

A man in a dark suit and glasses stands with his arms crossed in a modern office setting. The background features a curved, orange-toned ceiling with recessed lighting and large windows. The man is positioned on the left side of the frame, looking towards the camera with a slight smile.

Attention must be focused on maintaining a robust supervisory system and vigorous disciplinary mechanisms so that policy holders are adequately protected. Necessary refinement of the Risk-based Capital regime and calibration of enforcement actions will serve as a testament to our perseverance and dedication.

Clement Cheung
Chief Executive Officer

CEO's Message

Hong Kong has experienced both jubilation and disillusionment over the past year as commercial activities picked up at a steady pace but changing consumption patterns brought mixed fortunes to different sectors of the economy. The retail and catering trades, in particular, bore the brunt of local people choosing to visit nearby Asian countries for short excursions and throng Mainland cities in the Greater Bay Area ("GBA") for culinary experiences or to go shopping at weekends and on public holidays. We should strive to understand what corresponding changes have to be made, respond to circumstances calling for such changes and embrace the changes when they materialise.

Fortunately, the insurance sector has fared well after restrictions on cross-boundary passenger movement and social distancing measures were lifted, with pent-up demand attributable to Mainland Chinese visitors contributing HK\$59 billion of new business premiums in 2023. This unique source of growth creates the scale necessary for improved pricing and creative innovation, which in turn add traction for building customers across different economies. With a population of just over 7.4 million, Hong Kong takes pride in ranking first in terms of insurance penetration, second in terms of insurance density and 16th globally in terms of total gross premiums.

To reinforce such a coveted status, attention must be focused on maintaining a robust supervisory system and vigorous disciplinary mechanisms so that policy holders are adequately protected. In the coming year, necessary refinement of the Risk-based Capital regime and calibration of enforcement actions will serve as a testament to our perseverance and dedication.

Conduct Supervision and Disciplinary Mechanisms

The reporting period saw the first round of on-site inspections on conduct supervision and corporate culture launched by the Insurance Authority ("IA"). Since these are greenfield areas that lie at the heart of fair treatment of customers, there is much room for mutual learning and knowledge sharing. Accordingly, dialogue sessions were held with relevant industry personnel in charge of intermediary management, claims handling and product design to steer the work ahead. On disciplinary mechanisms, rationalisation and streamlining are driving efficiency gains and resource optimisation, while closer collaboration among financial regulators and with law enforcement agencies will help shape future priorities and strategies.

Technology Applications and Artificial Intelligence

Technology applications are essential in deepening financial inclusion and narrowing protection gaps by simplifying administrative procedures, broadening access, revamping product structures and improving customer experience. In the reporting period, we rolled out the Open API Framework and set up a central register of use cases to foster cross-sector partnerships. Other initiatives in the pipeline include publication of the White Paper on Federated Learning to spur machine learning without the exchange of proprietary data, and the introduction of the Cyber Resilience Assessment Framework under the Guideline on Cybersecurity. The former will facilitate the flow of climate data among cities within the GBA and the latter will fortify operational resilience of insurers against cyber-attacks, which are occurring with increasing frequency and ferocity.

CEO's Message

Artificial Intelligence ("AI") is a powerful tool capable of producing positive outcomes in client acquisition, policy underwriting, customer service, claims settlement and fraud detection. However, it should be complemented by human oversight to promote fair, transparent and ethical usage. Anecdotal evidence indicates that investment is pouring mainly into frontline distribution and assisted sales which is not ideal. Thus, the IA will conduct a survey on AI adoption in the insurance sector to gauge the delicate balance that has to be struck between regulatory control and developmental support. Unlike traditional domains, the answer might involve guardrails and advice instead of rules and directives.

Leadership and Manpower

On leadership succession, recruitment of suitable talents to fill vacancies at the level of Executive Director is progressing smoothly. Major projects under planning include regular staff rotation between different divisions for balanced exposure and continuous building of internal capacity to cope with evolving functional requirements. Here, I would also like to thank the Chairman and members of the IA Board for their unfailing support and guidance throughout the reporting period.

Clement Cheung

Chief Executive Officer

The Year Under Review

Highlights

Regulation of Insurers	
Joint inspection with the Hong Kong Monetary Authority ("HKMA")	<ul style="list-style-type: none"> Conducted a round of inspections on premium financing with the HKMA to examine the industry's compliance with new requirements, gauge latest market trends amid rising interest rates, and identify areas for regulatory attention.
Conduct Supervision	<ul style="list-style-type: none"> Inaugurated full conduct inspections on four authorized insurers. Delivered a training session for directors of authorized insurers on treating customers fairly and establishing an ethical corporate culture. On Continuing Professional Development ("CPD") compliance: <ul style="list-style-type: none"> Conducted thematic inspections on five authorized insurers. Offered e-CPD courses on ethical business practices and Anti-Money Laundering and Counter-Financing of Terrorism, attracting 6,000 enrolments. Saw the overall CPD compliance rate improve from 90% to 96.1%. Supported the Hong Kong Federation of Insurers ("HKFI") in introducing a reference checking scheme to address the "rolling bad apples" phenomenon.
Macroprudential Surveillance	<ul style="list-style-type: none"> Took part in various International Association of Insurance Supervisors ("IAIS") exercises, including the Global Monitoring Exercise, to assess systemic risks.
Group-wide Supervision	<ul style="list-style-type: none"> Organised supervisory colleges and crisis management group meetings in Hong Kong, attended by 38 overseas supervisors from ten jurisdictions.
Risk-based Capital ("RBC") Regime	<ul style="list-style-type: none"> Successfully implemented the RBC regime on 1 July 2024, following the enactment of subsidiary legislation. Issued 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).

The Year Under Review

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Regulation of Insurance Intermediaries	
Licensing	<ul style="list-style-type: none"> ➤ Processed some 115,000 applications for new licences, renewal of existing licences, updating of details, and termination of appointments. ➤ 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.
Insurance Broker Companies	<ul style="list-style-type: none"> ➤ Examined 808 statutory returns and conducted 13 on-site inspections of insurance broker companies in line with the risk-based approach.
Insurance Agencies	<ul style="list-style-type: none"> ➤ Aligned approach to supervision with the heightened focus on conduct supervision of insurers, paying particular regard to internal controls and procedures.
Investigation and Enforcement	
Joint Operation and Enforcement Collaborations	<ul style="list-style-type: none"> ➤ Conducted a joint operation with the Independent Commission Against Corruption ("ICAC"), centred on the suspected unlicensed sale of insurance policies to Mainland China visitors in April 2024. ➤ Entered into Memoranda of Understanding with the ICAC and Hong Kong Police Force respectively.
Investigations and Enforcement Actions	<ul style="list-style-type: none"> ➤ Commenced 66 formal investigations. ➤ Coordinated enforcement actions with the HKMA on two cases. ➤ Imposed 24 disciplinary actions for conduct breaches or lack of fitness and properness. ➤ Imposed 2,001 disciplinary actions for failure to comply with CPD requirements, attracting fines totalling around HK\$7 million.
Disciplinary Mechanisms	<ul style="list-style-type: none"> ➤ Re-appointed the 12 existing Disciplinary Panel Pool members and appointed 20 new members. ➤ Established the Disciplinary Executive Process to enhance efficiency.
Protection of Policy Holders	
Complaint Handling	<ul style="list-style-type: none"> ➤ Introduced and successfully met the benchmark of concluding at least 80% of complaints received by the IA within six months. ➤ Received 955 new cases and closed 1,014, with 44 cases referred to the Enforcement Team or Conduct Supervision Teams for further action.
Policy Holders' Protection Scheme ("PPS")	<ul style="list-style-type: none"> ➤ Initiated preparatory work and law drafting for the PPS with the Government.
Joint Mystery Shopping Programme	<ul style="list-style-type: none"> ➤ Conducted briefings for 17 authorized insurers and five licensed insurance broker companies suggesting improvements in marketing Qualifying Deferred Annuity Policy ("QDAP") products.
Enhanced Disclosure	<ul style="list-style-type: none"> ➤ Implemented disclosure enhancements for participating policies and universal life products. The enhanced content has been made available by mid-2024.

The Year Under Review

Highlights

Market Development	
Leveraging the “Dual Circulation” Strategy	
Unilateral Recognition Policy (“URP”) 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	➤ Continued preparatory work with fellow regulators in Guangdong, Shenzhen, and Macao, and engaged with the industry on detailed logistics.
Belt and Road Initiative	➤ 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 under complicated macro-economic conditions.
Consolidating Risk Management Capabilities	
Insurance-linked Securities (“ILS”)	➤ Facilitated the issuance of a HK\$1.17 billion catastrophe bond by the World Bank, offering protection against storm risks in Jamaica.
Captive	➤ Hosted Captive Forum 2024, featuring captive insurers, reinsurers, and professional service providers.
Unleashing Social Value of Insurance	
Claims Settlement after Severe Weather Events	➤ 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.
QDAP	➤ Facilitated the launch of 23 QDAP products by 19 long term insurers, contributing up to HK\$20 billion of annualised premiums.
Research on Common Mental Health Conditions	➤ Commenced thematic research on autism spectrum disorder and attention-deficit/hyperactivity disorder among children and adolescents, as well as anxiety and depression among adults.
Insurtech	
Open Application Programming Interface (“API”)	<ul style="list-style-type: none"> ➤ Rolled out the Open API Framework to foster cross-sector innovative collaboration. ➤ Established a central register with the Hong Kong Science and Technology Parks Corporation to showcase practical use cases.
Cyber Resilience Assessment Framework (“C-RAF”)	➤ Engaged the industry on enhancing the Guideline on Cybersecurity (GL20) and the introduction of C-RAF.
Green Finance	
Climate Risk Management	➤ Commissioned a survey on climate risk management and promulgated a circular to inform the nature of support and guidance required by the industry.
Asian Insurance Forum	
Asian Insurance Forum (“AIF”) 2023	➤ Successfully hosted the AIF, focused on “Striving for Enhanced Global Financial Stability and Resilience”. A record 1,700 participants from Hong Kong and beyond joined the Forum.
Strengthening Internal Capacity	
Market Development Section	➤ Set up a dedicated section to gather business intelligence, develop client relationships, identify emerging opportunities and boost Hong Kong’s image.

The Year Under Review

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

Supervision and Outreach Activities	<ul style="list-style-type: none"> ➤ Updated our FAQs to align with the amended Guideline on Anti-Money Laundering and Counter-Terrorist Financing (GL3) regarding the definitions of “politically exposed person” and “beneficial owner” in relation to a trust, and the use of digital identification systems for customer due diligence. ➤ Launched an e-CPD course on AML/CFT for licensed insurance intermediaries carrying on regulated activities in respect of long term business. ➤ Organised two seminars to raise awareness of the latest AML/CFT provisions, evolving topographies, and the findings of on-site inspections.
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Environmental, Social and Governance

Green and Sustainable Finance	<ul style="list-style-type: none"> ➤ As a member of the Green and Sustainable Finance Cross-Agency Steering Group (“CASG”), aspire to promote sustainability disclosure and enhance relevant tools for data collection. ➤ Took an active part in deliberations of the Climate Risk Steering Group of the IAIS. ➤ Maintained a collaborative dialogue with the HKFI’s Task Force on Green Insurance and welcomed HKFI’s launch of Climate Charter in February 2024.
Environmental Protection	<ul style="list-style-type: none"> ➤ Adopted measures on paperless operations, environmental monitoring, and energy conservation. ➤ Supported recycling in our offices.
Social Responsibility	<ul style="list-style-type: none"> ➤ Organised four events and fundraising activities to promote caring for the underprivileged.

The Year Under Review

Highlights

Engagement with Stakeholders	
Publicity and Public Education	<ul style="list-style-type: none"> ➤ Stepped up publicity efforts by engaging the media more frequently through briefings and interviews, and publishing blog articles on our website, to communicate the IA's work and priorities to the public. ➤ Launched public education campaigns on two popular insurance products (travel insurance; Investment-linked Assurance Scheme and Protection Linked Plans), adopting a mix of online and offline promotional strategies. ➤ Produced a video to further promote public use of the online tool, "QDAP Selection Made Easy". ➤ Published two issues of our periodical, Conduct in Focus, and a special supplement on claims handling and treating customers fairly. ➤ Organised a guest lecture given by the IA CEO to a class of international MBA students and held a career talk targeting Mainland undergraduates in Hong Kong on the insurance industry market landscape and career prospects. ➤ Completed a pilot project for secondary students, using a straightforward interactive approach to introduce the basics of lifetime risk management and protection.
Insurance Industry	<ul style="list-style-type: none"> ➤ Held four joint meetings with our Industry Advisory Committees, involving discussions on a wide range of issues. ➤ Convened three Future Task Force meetings to discuss tech-related subjects, such as Open API and Federated Learning, as well as insurance claims handling.
Government and LegCo	<ul style="list-style-type: none"> ➤ Submitted the IA's 2024-25 corporate plan and budget to the Financial Secretary, with the budget tabled in LegCo. ➤ Briefed the LegCo Panel on Financial Affairs on topics including the PPS, RBC Regime, insurance intermediary fees, and Fintech development in Hong Kong.
Regulatory Engagement	<p><i>IAIS</i></p> <ul style="list-style-type: none"> ➤ Hosted a Macroprudential Monitoring Working Group meeting in Hong Kong. ➤ The IA CEO served as a member of the IAIS Executive Committee and chaired the Audit and Risk Committee. ➤ Collectively participated in 18 IAIS parent committees and subcommittees. <p><i>Asian Forum of Insurance Regulators</i></p> <ul style="list-style-type: none"> ➤ Attended the 18th Annual Meeting and Conference in Malaysia. Fourteen member jurisdictions took part. <p><i>National Financial Regulatory Administration and Mainland Authorities</i></p> <ul style="list-style-type: none"> ➤ Took part in the 23rd Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen, exchanging views on topics such as market trends, proposals to enhance connectivity within the Greater Bay Area, and policy holder protection.

The Year Under Review

Highlights

Hong Kong Insurance Market



Key Figures

HK\$542.1 billion

total gross premiums¹

1st in the World

for insurance penetration²

2nd in the World

for insurance density³

6 of the top 10 insurers in the world

authorized to conduct business in Hong Kong⁴

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 details⁵

¹ 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.

² Swiss Re Institute sigma No 3/2024.

³ Swiss Re Institute sigma No 3/2024.

⁴ Fortune Global 500 list in 2024.

⁵ Including applications for new licences, renewal of existing licences, updating of details for existing licences, and termination of appointments.

The Year Under Review

Highlights



Enforcement and Disciplinary Actions⁶

Cases brought forward from the previous reporting year	213	Cases closed (disciplinary actions taken in 24 cases ⁷)	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 Concern⁸

76 Compliance Advice Letters and
414 Letters of Concern issued

Cases Inherited from the Former Self-Regulatory Organisations ("SROs")⁹

280 cases received and
277 cases closed

⁶ Cases involving non-compliance with CPD requirements are excluded.

⁷ Including three cases pending review by the Insurance Appeals Tribunal during the reporting period.

⁸ 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.

⁹ The Hong Kong Confederation of Insurance Brokers, Professional Insurance Brokers Association, and Insurance Agents Registration Board established by the Hong Kong Federation of Insurers.

The Year Under Review

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Complaint Handling¹⁰

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

¹⁰ Self-reported cases from insurers and insurance intermediaries are excluded.

The Year Under Review

Financial Position

Income, including premium levies and fees, remained resilient throughout the year while expenditure was closely monitored. With income exceeding operating expenditure, another year of surplus is recorded for the Insurance Authority (“IA”). The IA took over from the former Office of the Commissioner of Insurance as an independent financial regulator in June 2017. It will continue to deliver its statutory functions and key activities effectively under prudent financial management, while striving for financial independence and efficiency.

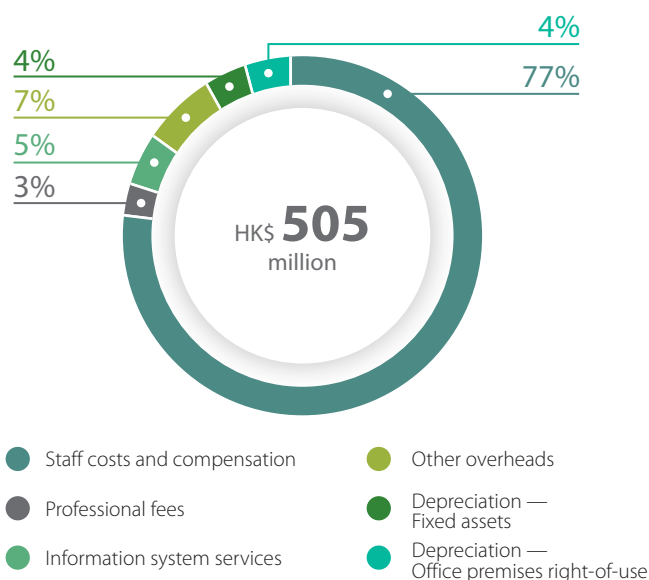
Funding

Premium levies receivable from policy holders are 0.1% of premium, capped at HK\$100 per annum and HK\$5,000 per annum for long term and general policies respectively. Authorization and annual fees receivable from insurers comprise a fixed fee of HK\$300,000 (HK\$15,000 for special purpose insurers; HK\$30,000 for captive insurers; and HK\$600,000 for composite insurers) and a variable fee at 0.0039% of insurance liabilities capped at HK\$7 million. Designation and annual fees are payable by the three insurance groups under the IA’s group-wide supervision at 0.0026% of insurance liabilities with a minimum and maximum of HK\$10 million and HK\$60 million per annum respectively. Fees are charged to users of specific services. Starting from September 2024, licence fees will be collected from insurance intermediaries.

Income and Expenditure

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 of HK\$320.4 million was met by the Government’s capital grants totalling HK\$953 million. Premium levies, authorization and annual fees, and designation and annual fees were HK\$265.2 million, HK\$134.2 million, and HK\$84.8 million respectively, while staff costs of HK\$389.9 million continue to account for the bulk of the operating expenditure.

Expenditure for 2023-24



The Year Under Review

Regulation of Insurers

In line with our statutory duty to maintain resilience and stability in the insurance market, the Insurance Authority (“IA”) closely monitors local market activities through comprehensive risk assessments, financial examinations, and on-site inspections. We also collaborate with other jurisdictions to supervise global insurance groups and adapt our regulatory framework to the latest developments.

Alongside prudential supervision, we attach equal importance to the conduct of insurers to ensure high standards of professionalism and integrity, and build trust in the insurance market. This has seen the IA strengthen our oversight of insurers’ intermediary management control functions to ascertain that necessary measures are in place to minimise conduct risks and promote an ethical corporate culture.

Prudential Supervision

Risk Assessment

The IA has established a risk-based supervisory framework comprising risk assessment, company review, and a supervisory response and feedback loop to determine the risk profile of individual insurers. Such assessment is conducted at least annually, adopting a forward-looking approach to insurers’ risk outlook.

We undertake quantitative and qualitative analyses of insurers’ solvency position, capital adequacy, liquidity, and asset quality, among others. We also perform stress testing on an insurer’s solvency position and analyse various aspects of its risk profile, including inherent risks, macroprudential assessment of outward risks, adequacy of corporate governance, effectiveness of internal controls, and risk management systems.

This proactive approach enables the IA to pre-empt uncertainties and rectify problems that may adversely affect an insurer’s capacity to meet its obligations to policy holders. Based on the risk evaluation for each insurer, we determine the level of fit-for-purpose supervisory responses and activities.

Financial Examinations

These examinations form a core element of our supervisory assessment, ensuring that insurers have sufficient assets in the right mix to meet their contractual liabilities and are in full compliance with solvency requirements and prevailing regulations. We perform scenario analysis and stress testing based on financial and qualitative data to identify possible vulnerabilities. Our findings and feedback are communicated to insurers on a regular basis.

The Year Under Review

Regulation of Insurers

On-site Inspections

On-site inspections complement off-site financial examinations by giving a clear view of how insurers steer, manage, and implement business strategy. A typical exercise covers corporate governance, monitoring and internal controls, benchmarking with industry best practices, and adherence to applicable regulatory instruments. The frequency, scope, and depth of such inspections are determined in accordance with the nature and level of risks involved.

Joint Inspection on Premium Financing

Following the commencement of enhanced requirements related to premium financing on 1 January 2023, the IA and Hong Kong Monetary Authority jointly conducted another round of inspections in late 2023 to examine the industry's compliance with the new measures, gauge market trends amid rising interest rates, and identify areas calling for regulatory attention. Key findings and observations were shared with the industry in June 2024.

Cessation of Temporary Facilitative Measures

With the Government's lifting of all mandatory mask-wearing requirements, the IA decided not to extend the temporary facilitative measures ("TFM") allowing non-face-to-face distribution of specific protective insurance products beyond 30 April 2023.

Conduct Supervision

With our commitment to integrity, trust, and compliance, the IA prioritises the ongoing development of our conduct supervision framework, tools, and experience through initiatives across multiple fronts.

Inspections

Conduct Supervision Teams ("CS Teams") utilise conduct indicators from licensing, supervisory, and complaint handling work to drive decisions on the deployment of supervision resources and identify inspection targets. Between March and May 2023, our CS Teams conducted thematic inspections on five authorized insurers to assess the adequacy of their controls for complying with Continuous Professional Development ("CPD") requirements. In August and September 2023, CS Teams kick-started two full conduct inspections of authorized insurers to examine their sales practices and corporate culture, followed by inspections of two insurers in the first quarter of 2024.

The Year Under Review

Regulation of Insurers

Training for Directors

The IA, with the support of the Hong Kong Federation of Insurers (“HKFI”), delivered a training session for insurance industry senior management in October 2023. Training was focused on the IA’s expectations of directors’ duties in relation to fair treatment of customers and the establishment of an ethical corporate culture within the insurance company. Going forward, the IA plans to develop this into a compulsory CPD requirement for key persons in intermediary management function.



The Market Conduct Division delivers a training session to insurance companies on treating customers fairly and establishing an ethical corporate culture

Assessing Insurers’ Corporate Culture

To obtain qualitative and quantitative information on conduct and best practices from insurers, the IA invited some insurers to carry out a self-assessment, covering areas such as corporate governance, conduct risk management, intermediary management, and other conduct-related matters. This provided the IA with a holistic view of the insurers, helping to inform future supervision and drive improvement.

Support for Reference Checks on Agents by HKFI

To address the “rolling bad apples” phenomenon in the insurance industry and reinforce market confidence, the IA supports the HKFI’s introduction of a reference-checking scheme for individual insurance agents, which enables insurers to obtain references from previous principals, thereby facilitating informed hiring decisions. Launched in July 2024, it initially covers individual insurance agents carrying on long term insurance, with the potential for extension to other segments. The collaborative effort demonstrates the sector’s commitment to maintaining public trust and confidence in insurance.

The Year Under Review

Regulation of Insurers

Eliminating CPD Non-compliance

The IA carried out a series of CPD thematic inspections in the first half of 2023, identifying areas for improvement and offering tailored recommendations for the companies involved. The overall compliance rate improved from 90% to 96.1%. If licences suspended or revoked before the reporting deadline (i.e. no longer eligible to carry on regulated activities) are excluded, the compliance rate across the insurance market reached 99.7% in the reporting year. A high CPD compliance rate assures the insurance-buying public that licensed individual insurance intermediaries are keeping their professional knowledge up to date.

e-CPD Courses

The IA offered two rounds of free enrolment for e-CPD courses related to ethical business practices and Anti-Money Laundering and Counter-Financing of Terrorism ("AML/CFT") in March and October 2023 respectively to enhance standards across the industry by conveying the IA's expectations through practical examples. The courses attracted 6,000 enrolments.

Macroprudential Surveillance

The IA's Technical Expert Team conducts macroprudential surveillance as an overlay to our routine supervision work. Within this context, the IA took part in various exercises launched by the International Association of Insurance Supervisors ("IAIS") to assess systemic risks. This included the Global Monitoring Exercise ("GME"), which involved data collection and analysis for sector-wide monitoring, individual insurer monitoring, and emerging themes such as climate risk and increased use of asset-intensive reinsurance. To strengthen macroprudential supervision capabilities, the IA is developing a methodology to identify Domestic Systemically Important Insurers in Hong Kong to assess the risks they pose to the stability and effective operation of the financial system.

The Year Under Review

Regulation of Insurers

Group-wide Supervision and Internationally Active Insurance Groups

Under the Insurance Ordinance (“IO”), the IA can designate an insurance holding company incorporated in Hong Kong over which direct regulatory powers can be exercised on the supervised group. AIA Group, Prudential plc Group, and FWD Group are Internationally Active Insurance Groups subject to our group-wide supervision (“GWS”) framework.

Following the lifting of pandemic restrictions, the IA organised supervisory colleges and crisis management group meetings in Hong Kong, with 38 overseas supervisors from ten jurisdictions joining in person over the reporting year. The resumption of face-to-face meetings facilitated interactive discussions and exchange of ideas on economic trends and key supervisory issues.

We will continue to enhance the GWS framework to align with international standards and best practices, with a focus on the setting up of crisis management groups to enhance the preparedness and facilitate the recovery and resolution planning of the supervised groups.



The IA organises supervisory colleges for the three Internationally Active Insurance Groups

Risk-based Capital Regime

The Risk-based Capital (“RBC”) regime seeks to align capital requirements with risk profiles and is made up of three pillars pertaining to quantitative, qualitative, and disclosure requirements. The passing of the Insurance (Amendment) Bill 2023 by the Legislative Council in July 2023 marked a milestone in this momentous project. The relevant subsidiary legislation was discussed at the Legislative Council (“LegCo”) Panel on Financial Affairs in March 2024, gaining general support. The consultation on rules made by the IA was concluded in April 2024 and the subsidiary legislation was passed by LegCo in June 2024. 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 the Participating Business (GL34), which are integral to the RBC regime, were also issued. The RBC regime became effective on 1 July 2024. Looking ahead, the IA will continue to engage with the industry on further enhancements to the RBC regime.

The Year Under Review

Regulation of Insurers

Transfer of Insurance Business

An insurer that seeks to transfer its long term business to another insurer is required under Section 24 of the IO to apply for a court order and the IA is entitled to be heard.

An insurer intending to transfer its general business to another insurer may do so by obtaining approval from the IA under Section 25D of the IO. Cases recorded in the reporting year are summarised below:

Under Section 24 of the IO

Date of Sanction by the Court	From	To
29 November 2023	Chubb Life Insurance Company Ltd	Chubb Life Insurance Hong Kong Limited

Under Section 25D of the IO

Date of Approval by the IA	From	To	Specific Portfolio/Insurance class(es) Involved or Whole Business
22 March 2024	Target Insurance Company, Limited (In Liquidation)	Swiss Re International SE	Certain general business, comprising employees' compensation and contractors' all risks policies
27 December 2023	Aetna Insurance (Hong Kong) Limited	Allianz Global Corporate & Specialty SE	Whole business

The Year Under Review

Regulation of Insurers

Mergers and Acquisitions

During the reporting year, one insurer was subject to a merger and acquisition. On 3 April 2023, FWD Management Holdings Limited acquired 70% of the issued

share capital of GBSN Holdings from The Prudential Insurance Company of America through incorporating FWD BSN Holdings, a special purpose vehicle ("SPV"), in compliance with Malaysian law and subscribed for a 20% stake of the SPV.

Stepped-up Supervisory Actions against Individual Insurers

Appointment of Advisors for Tahoe Life Insurance Company Limited

The IA invoked powers under Section 35(2)(a) of the IO on 16 August 2023 to appoint Advisors¹ to support Tahoe Life Insurance Company Limited ("Tahoe Life") on specific areas, including management of assets and properties, investment strategy, and declaration of benefits to policy holders. The step was taken to augment Tahoe Life's internal controls and corporate governance and better safeguard policy holders. It did not affect the company's daily operations or impact the terms and conditions of its in-force policies.²

Transfer of Policies by Target Insurance Company Limited (In Liquidation)

After a winding-up petition was filed on 15 July 2022, the Employees Compensation Insurer Insolvency Bureau's insolvency fund scheme ("EC Insolvency Fund Scheme") was activated to take over all liabilities under Employees'

Compensation ("EC") policies issued by Target Insurance Company, Limited (currently in Liquidation) ("Target"). This arrangement ceased on 1 January 2024. The liquidators of Target had arranged to transfer 31 in-force policies (comprising 27 EC and four contractor-all-risks policies) to the Hong Kong Branch of Swiss Re International SE ("SRI") under Section 25D of the IO ("Section 25D Transfer").

With the approval of the IA, the Section 25D Transfer took effect on 1 April 2024, with SRI becoming the insurer (in place of Target) of the relevant policies and all rights, obligations, and benefits of the policies remaining unchanged. The introduction of this transfer would not affect how claims or potential claims are processed under EC Insolvency Fund Scheme, while all third-party liability claims under motor policies issued by Target continue to be handled by the Motor Insurers' Bureau of Hong Kong.

¹ Mr Peter Whalley and Mr Peter Greaves of PricewaterhouseCoopers Limited were appointed Advisors.

² On 26 July 2024, the IA invoked powers under Section 35(2)(b) of the IO to appoint Managers to take full control of the affairs and property of Tahoe Life.

The Year Under Review

Regulation of Insurance Intermediaries

Since the three-year transitional period for deemed licensees ended in September 2022, the Insurance Authority (“IA”) has pivoted to focus on the conduct and culture of insurance practitioners, as well as the corporate governance and internal control systems that underpin their operations.

Licensing

Industry Consultation on Licence Fees

With the five-year waiver of licence and related fees payable by insurance intermediaries set to end on 22 September 2024, the IA kicked off an industry consultation on proposed amendments to the Insurance (Prescribed Fees) Regulation (Cap. 41B) for the resumption of these fees to recover costs. In light of the feedback received, some of the fees were adjusted downwards and a flexible licensing period provided. The subsidiary legislation has come into operation on 23 September 2024 and the IA has started charging of the licence fees.

New Licences and Renewals

During the reporting year, the IA processed around 19,500 applications for new licences and 220 applications for approval as responsible officers of licensed insurance broker companies or licensed insurance agencies. We handled around 34,800 updates of appointments, business lines and particulars, and 39,900 terminations of appointment. Around 20,600 applications for licence renewals were also processed via the Insurance Intermediaries Connect (“IIC”) portal.

IIC Additions

Enhanced or additional functionalities were introduced during the reporting year to facilitate notification of new appointments and termination of appointment for principals, reporting on fulfilment of Continuing Professional Development requirements, renewal of licence by insurance agencies and insurance broker companies, and voluntary revocation of individual licence. A gateway has also been made available to enable electronic payment of licence and related fees.

Demographic Analysis

The eighth issue of the IA’s *Conduct in Focus*, published in December 2023¹, revealed that the average age of licensed individual insurance intermediaries climbed from 39.9 years in December 2020 to 42 years in October 2023. Technical Representatives (Broker) and Technical Representatives (Agent) recorded the highest and lowest average age respectively.

¹ https://www.ia.org.hk/en/infocenter/files/Conduct_in_Focus_Issue8_eng.pdf

The Year Under Review

Regulation of Insurance Intermediaries

Licensed Insurance Intermediaries by Licence Type as of 31 March 2024

	Number of licensees with appointing principals	Number of licensees without appointing principals	Total number of licensees
Individuals			
Licensed Individual Insurance Agents	73,091	5,766	78,857
Licensed Technical Representatives (Agent)*	22,566	1,052	23,618
Licensed Technical Representatives (Broker)	9,888	511	10,399
Total Number of Licensees Being Individuals	105,545	7,329	112,874
Business Entities			
Licensed Insurance Agencies*	1,660	13	1,673
Licensed Insurance Broker Companies	Not applicable	Not applicable	808
Total Number of Licensed Insurance Intermediaries			115,355

* There were 40 authorized institutions licensed as insurance agencies, with around 18,438 individuals registered as their licensed technical representatives (agents).

The Year Under Review

Regulation of Insurance Intermediaries

Supervision of Insurance Broker Companies

On-site Inspections and Off-site Reviews

The IA identifies licensed insurance broker companies for on-site inspection by drawing reference from an assigned risk rating, reflecting quantitative and qualitative assessment of statutory returns and other regulatory input. We also seek to achieve a balanced mix that encompasses the diversity of business models deployed.

During the reporting year, on-site inspections were carried out at 13 licensed insurance broker companies, including one joint inspection with the Hong Kong Monetary Authority (“HKMA”) on premium financing. These inspections resulted in more than 120 oversights demanding remedial action or referral to the Enforcement Team. Off-site reviews of audited financial statements and auditors’ reports triggered 38 Compliance Advice Letters and five Letters of Concern. Efforts on this front led to the launch of a joint enforcement action with the Independent Commission Against Corruption in April 2024.

Circular on Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41L) Savings and Transitional Arrangements

In November 2023, the IA promulgated a circular reminding licensed insurance broker companies that the final stage of the phasing-in process for new requirements under the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41L) would soon be effective. They include an increase in the minimum amount of paid-up share capital and net assets, an increase in the maximum deductible amount under the professional indemnity insurance, and the reporting of specified items in audited financial statements.

Notification of Changes in Directors and Controllers

An article on “Licensed Insurance Broker Companies — Good Practices on Notifications in Relation to Changes in Directors and Controllers” in the eighth issue of *Conduct in Focus*² offered useful guidance on how to comply with section 64ZZD of the Insurance Ordinance (Cap. 41).



The IA hosts a forum with the Hong Kong Chamber of Insurance Intermediaries to share regulatory updates, including requirements for insurance brokers

Supervision of Insurance Agencies

On insurance agencies, our approach dovetails with the conduct supervision of insurers that pay particular regard to internal controls and procedures. During the reporting year, this resulted in the issuing of one Compliance Advice Letter and two Letters of Concern.

Regarding authorized institutions licensed as insurance agencies, we have delegated frontline inspection and investigation powers to the HKMA in accordance with the Memorandum of Understanding signed by the IA and HKMA. During the reporting year, exchanges of information on licensing matters and on-site inspection findings took place.

² https://www.ia.org.hk/en/infocenter/files/Conduct_in_Focus_Issue8_eng.pdf

The Year Under Review

Investigation and Enforcement

The Insurance Authority (“IA”) carries out proactive and proportionate enforcement to curb misconduct and strengthens our insurance regulatory framework with sufficient deterrence to fortify the protection of policy holders.

Investigation and Enforcement Statistics

A total of 213 cases (93 under initial assessment, 49 under investigation, and 71 going through the disciplinary process) were brought forward from the previous reporting year. During the reporting year, 67 cases were received/opened and 71 cases concluded.

In addition, 66 formal investigations (59 in 2022-23) were initiated during the reporting year, up 12% on the previous year, and 24 disciplinary actions¹ (13 in 2022-23) imposed, excluding those related to Continuing Professional Development (“CPD”), representing an increase of 85%.

A total of 209 ongoing cases (63 under initial assessment, 85 under investigation, and 61 going through the disciplinary process) will be carried forward to the next reporting year.

Enforcement Collaboration

Joint Operation with the Independent Commission Against Corruption (“ICAC”) Against Unlicensed Selling to Mainland China Visitors

From 10 to 11 April 2024, the IA and ICAC launched a joint operation at four premises, including the offices of a licensed insurance broker company and a referral company where two individuals suspected of having engaged in, or conspired with others to carry on unlicensed regulated activities, were arrested.

The IA had been investigating the suspected engagement of referrers without a requisite licence by a licensed insurance broker company to carry on regulated activities (advising on and selling of insurance policies) targeting customers from Mainland China. The broker company allegedly offered to pay the referrers inordinately high referral fees, thus apparently incentivising them to wrongly induce customers to acquire long term insurance policies. Although documentation was completed in the offices of the broker company and submitted to relevant insurers by the broker company, regulated activities were apparently performed by the referrers prior to the arrival of the customers in Hong Kong.

Furthermore, the two individuals were suspected of conspiring to include false information, including annual income and assets held by the customers, in application forms submitted to the relevant insurers.

Enforcement Actions with the Hong Kong Monetary Authority (“HKMA”)

As the frontline regulator, the HKMA has investigative powers under the Insurance Ordinance (“IO”) in relation to regulated activities performed by an authorized institution (including its staff who are licensed insurance intermediaries). Based on the outcome of investigations carried out by the HKMA, the IA imposed a six-month ban on a technical representative who fabricated the direct debit authorization form for a client’s premium payment in August 2023, and imposed a two-month licence suspension and fined a technical representative HK\$2,900 for misappropriating gift vouchers in January 2024.

¹ Including three cases which are pending review before the Insurance Appeals Tribunal during the reporting period.

The Year Under Review

Investigation and Enforcement

Memoranda of Understanding

The IA entered into two Memoranda of Understanding with the ICAC and Hong Kong Police Force in October 2023 and March 2024 respectively, paving the way for stronger collaboration on case referrals, joint operations, mutual assistance, and exchange of information. In April 2024, the IA met with the Monetary Authority of Macao for an in-depth exchange on emerging trends of new business derived from Mainland China visitors and recent actions to eradicate illegal cross-boundary selling activities.

Disciplinary Panel Pool and Disciplinary Executive Process

The Disciplinary Panel Pool (“DPP”), established in October 2020, comprises experts drawn from legal, financial services, and other professions as well as IA Executive Directors and Non-Executive Directors. The IA appointed 20 new members and reappointed 12 existing members to the DPP in October 2023.

In January 2024, the Disciplinary Executive Process (“DEP”) was brought in to enhance efficiency. This will allow IA senior executives to determine disciplinary cases of a trivial and repetitive nature using the same criteria and process as the DPP, enabling the latter to concentrate on more complex and impactful cases.

Disciplinary Actions

During the reporting year, 24 disciplinary actions were imposed by the IA (excluding those related to CPD), with 14 handled by the DPP, seven by the DEP, and three through private reprimands. Three cases were pending review by the Insurance Appeals Tribunal (“IAT”) at the end of the reporting period. Notable cases included:

- A six-year ban imposed on a former insurance agent for mishandling and misappropriating premiums of two policy holders;
- An 18-month ban imposed on a former insurance agent for fabricating instructions and forging the signature of a client;
- A 54-month ban imposed on a former technical representative of a licensed insurance broker company for fabricating the certificate of insurance for a professional liability and employees’ compensation policy;



The IA enters Memoranda of Understanding with the Independent Commission Against Corruption and the Hong Kong Police Force to boost collaboration

The Year Under Review

Investigation and Enforcement

- A 15-month ban imposed on a former insurance agent for witnessing a false signature and fabricating a change of beneficiary form;
- Bans of up to three years imposed on three insurance agents for using false academic certificates when applying for registration with a former Self-Regulatory Organisation.

Ongoing cases span mishandling and/or misappropriation of premiums, contravention of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), forging the signature of clients, lack of proper internal procedures and training to ensure that intermediaries exercise due care and diligence in understanding and satisfying needs and requirements of clients, and the use of false academic certificates for licence applications.

Alternatives to Disciplinary Actions

To optimise deployment of resources, formal disciplinary actions may be replaced by alternatives. These include admonitions and demands for improvement/rectification, such as strengthening corporate governance, internal controls, and procedures. During the reporting year, the IA issued 76 Compliance Advice Letters and 414 Letters of Concern for these purposes.

Continuing Professional Development (“CPD”) Non-Compliance Cases

During the reporting year, 2,001 disciplinary actions involving total pecuniary fines of \$7,041,900 were imposed on individual licensees who failed to comply with CPD requirements, 61 of which were pending review by the IAT.

In November 2023, a mechanism was introduced to streamline the imposition of disciplinary actions against individual licensees in accordance with the CPD Penalty Framework set down by the IA in June 2021 via an agreement pursuant to Section 84 of the IO. During the reporting year, 296 cases were handled under this mechanism.

The IA has cleared up all CPD non-compliance cases for the combined assessment period from 23 September 2019 to 31 July 2021. However, 191 cases from the 2021/22 CPD assessment period and 89 cases from the 2022/23 CPD assessment period will be carried forward to the next reporting year.

The Year Under Review

Protection of Policy Holders

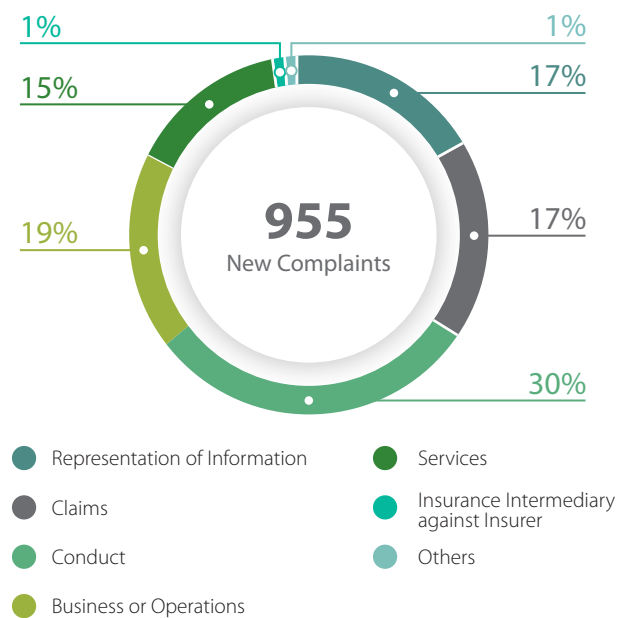
The Insurance Authority (“IA”) strives to uphold the interests of policy holders by handling public complaints fairly and efficiently, and driving improvements in conduct across the industry.

Complaint Statistics

The IA received 955 new cases during the reporting year. Most were related to conduct, business or operations, claims and representation of information, while another 383 ongoing cases were brought forward from the previous reporting year. A total of 1,014 cases were closed and 44 referred to the Enforcement Team and Conduct

Supervision Teams for follow-up action, with 280 ongoing cases carried forward to the next reporting year. During the reporting year, we met our pledge to conclude at least 80% of all cases within six months of receiving them¹, apart from those referred to related parties (such as other regulators, the Voluntary Health Insurance Scheme Office, or Insurance Complaints Bureau).

Breakdown of Complaints 2023-24



Complaint Statistics 2023-24²

Reporting year	2023-24	2022-23
Ongoing cases brought forward from the previous reporting year	383	525
New cases received	955	1,083
Total	1,338	1,608
Cases closed	1,014	1,164
Cases referred to the Enforcement Team or Conduct Supervision Teams for follow-up action	44	61
Ongoing cases carried forward to the next reporting year	280	383
Total	1,338	1,608

¹ This period begins from the date on which written consent and supporting documents are received from the complainant to the date on which referral was made to the Enforcement Team or Conduct Supervision Teams for follow-up action, or the date on which a letter of conclusion is issued.

² The summary table shows those cases made directly to the IA and insurance-related complaints referred to the IA by other regulators, but not cases reported to the IA by insurers or insurance intermediaries.

The Year Under Review

Protection of Policy Holders

Approach in addressing Complaints

In addition, the IA sought to enhance standards of conduct and culture across the industry by meeting regularly with major insurers and insurance intermediaries to discuss emerging trends, communicate expectations, and examine self-reported cases. This was reinforced by our periodical, *Conduct in Focus*, which provides complaint statistics and lessons learned from notable cases.

Policy Holders' Protection Scheme

In December 2023, the Government released a set of consultation conclusions indicating widespread support for the Policy Holders' Protection Scheme ("PPS"). The proposed PPS is envisaged to be funded by levies collected from insurers and will cater for most types of direct insurance policies held by individuals, facilitating the transfer of long term policies to another insurer and offering interim coverage of up to 60 days for general policies. The Government and the IA are initiating preparatory work and law drafting.

Joint Mystery Shopping Programme

Further to the joint circular promulgated on 23 December 2022, the IA briefed 17 authorized insurers and five licensed insurance broker companies on key findings of the Mystery Shopping Programme and improvement actions called for in marketing Qualifying Deferred Annuity Policy products.

Anti-scam Consumer Protection Charter 2.0

The Anti-scam Consumer Protection Charter 2.0 ("Charter") is a cross-sector initiative aimed at combatting digital fraud and scams. Financial institutions joining the Charter undertake to adopt measures to avoid customers being affected by illegal digital acts and remind the general public to safeguard their personal information. Over 70 authorized insurers and licensed insurance broker companies have indicated support for the Charter.

In April 2024, a joint circular was issued by the IA and three other financial regulators in Hong Kong to raise consumer awareness of the Charter and the importance of protecting themselves against illegal digital acts.



The IA supports the Anti-Scam Consumer Protection Charter 2.0 with fellow regulators to combat digital fraud and scams (IA CEO Mr Clement Cheung, fourth right)

Enhanced Disclosure

The Interpretation Notes, which supplement the Guideline on Underwriting Long Term Insurance Business (other than Class C Business) (GL16) in relation to the calculation and disclosure of fulfilment ratios for participating products and historical crediting interest rates for universal life products, took effect on 1 January 2024. The enhanced disclosure has been made available by 30 June 2024.

The Year Under Review

Market Development

The insurance sector is instrumental in fortifying the status of Hong Kong as a sophisticated risk management hub and premier international financial centre. During the reporting year, the Insurance Authority (“IA”) took concrete measures to pursue its corporate vision to serve as both a “promoter” of domestic circulation and “facilitator” of international circulation. Notably, the Market Development Section was set up to gather business intelligence, cultivate client relationships, identify emerging opportunities, and enhance the image of Hong Kong’s insurance market.

Dual Circulation Strategy — Domestic Circulation

Unilateral Recognition Policy for Cross-boundary Motor Insurance

In July 2023, the Unilateral Recognition policy (“URP”) for cross-boundary motor insurance was launched and 20 insurers in Hong Kong, accounting for 89% of the motor insurance market, had started to offer related products by the end of March 2024. Discussions with the National Financial Regulatory Administration (“NFRA”) in Beijing and counterparts in Guangdong are progressing on additional complementary features, including improved medical expenses reimbursement and roadside assistance.

After-sales Service Centres

The setting up of after-sales service centres is an initiative embedded in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area to provide greater convenience to holders of insurance policies issued in Hong Kong. During the reporting year, impetus was maintained on preparatory work with fellow regulators in Guangdong, Shenzhen, and Macao to finalise implementation principles and with industry associations to iron out logistics.

Dual Circulation Strategy — International Circulation

Headquarters of Multinational Insurance Groups

Over the past few years, the IA has brought an Asian perspective to the discourse on insurance standard setting by active participation in deliberations led by the International Association of Insurance Supervisors. The ability to do this will convince more insurance groups that Hong Kong is the ideal base for their regional operations.

Belt and Road Initiative

At the Belt and Road Summit 2023, the IA hosted a thematic breakout session on how Hong Kong could render assistance in overcoming challenges of risk management for Belt and Road projects under complicated macro-economic conditions. At the well-received event, speakers from a consulting firm, general insurer, and captive insurer shared knowledge on techniques to navigate safely through a complex risk landscape, the efficacy of bespoke insurance solutions, and the value of a captive insurer domiciled in Hong Kong.

The Year Under Review

Market Development



Professor Anna Wong (first left), IA Non-Executive Director, moderates a thematic breakout session at the Belt and Road Summit



The IA hosts the Insurance-linked Securities Conference, tailored for institutional investors and related professional service providers (IA Chairman Mr Stephen Yiu, first left; IA CEO Mr Clement Cheung, first right)

Consolidating Risk Management Capabilities

Insurance-linked Securities

The nurturing of an ecosystem for Insurance-linked Securities in Hong Kong was given a strong boost when the World Bank issued a second catastrophe bond worth about HK\$1.17 billion catering for Jamaica storm risks in May 2024 and became a partner of an IA-hosted conference tailored specifically for institutional investors and related professional service providers. The event attracted over 100 participants from the Asia Pacific region, the United Kingdom, and the United States.

Captive Domicile

Geopolitical tensions have seriously disrupted cross-border trade and investment. Sensing that diversification of locations for material sourcing and product manufacturing will gather pace, the IA has doubled down on efforts to advocate the use of captives formed in Hong Kong by overseas and Mainland corporations to scale up risk management capacity. Riding on the positive response to a forum held in March 2024 featuring captive insurers, reinsurers, and professional service providers, an attempt will be made in the coming year to reach out to local enterprises that may benefit from owning a captive.

Preferential Treatment for Reinsurance

The preferential treatment in effect since 2018, whereby Mainland insurers ceding risks to eligible local professional reinsurers can enjoy lower capital charges, has been enshrined in the updated China Risk Oriented Solvency System. We will continue to actively explore the feasibility of enabling more interested players to benefit from this valuable concession.

The Year Under Review

Market Development

Unleashing Social Value of Insurance

Prompt Claims Settlement Following Severe Weather Events

The extent to which insurance is relied upon as a safeguard against extreme climate events was clearly illustrated in September 2023 when Super Typhoon Saola and a record-breaking rainstorm caused widespread disruption and damage in Hong Kong. The IA responded by urging insurers to get ready for an influx of enquiries and claims, to process claims in a prompt and transparent manner, and to show empathy and understanding to policy holders. Provisional data by the end of September 2023 indicated that total gross claims reached HK\$1.9 billion, with Property Damage and Motor being the most affected lines of business.



Mr MM Lee (second right), Executive Director, General Business, explains how insurance can improve Hong Kong's resilience against extreme weather at an event hosted by HKUST

Qualifying Deferred Annuity Policy

As of March 2024, a total of 23 Qualifying Deferred Annuity Policy ("QDAP") products were being offered by 19 long term insurers and close to 287,000 policies, contributing annualised premiums amounting to almost HK\$20 billion, had been sold. To help ensure the lasting popularity of this product, the IA-developed "QDAP Selection Made Easy" provides a one-stop search tool to compare different products and match them against individual circumstances.

Thematic Research on Common Mental Health Conditions

Recognising that insurance can play a bigger role in narrowing protection gaps by encouraging early intervention in common mental health conditions, the IA conducted thematic research on autism spectrum disorder and attention deficit or hyperactivity disorder among children and adolescents as well as anxiety and depression among adults. The findings are being collated and will be released once they are ready.

Insurtech

Fast Track and Insurtech Sandbox

During the reporting year, the four virtual insurers continued to expand their presence and test the ground for breakthroughs in integrated online and offline services or indemnity coverage for digital currencies and virtual assets. As regards the Insurtech Sandbox, 39 pilot trials had been approved as of March 2024, with 25 involving virtual on-boarding and three originating from licensed broker companies.

Open Application Programming Interface

The Open Application Programming Interface Framework was rolled out in September 2023 to foster cross-sector innovation and collaboration that could enhance the value proposition for policy holders. The IA has also forged a partnership with Hong Kong Science and Technology Parks Corporation to build a Central Register to showcase practical use cases.

The Year Under Review

Market Development

Cybersecurity

In light of escalating cybersecurity threats and the accelerating pace of digitalisation, the IA has resolved to enhance the Guideline on Cybersecurity (GL20) and introduce the Cyber Resilience Assessment Framework after extensive industry engagement. In addition to laying down regulatory expectations, the revised GL20 will be designed to assist insurers in assessing their own cyber risk exposure and formulating remediation roadmaps to address weaknesses that are identified. The revised GL20 shall take effect from January 2025.

Federated Learning in Insurance Sector

The IA and Hong Kong Applied Science and Technology Research Institute launched a research project in March 2023 that explores Federated Learning and its potential benefits for the insurance sector by sharing proof-of-concept insights and examining topics such as handling of related risks, implications for regulation, and data protection. A white paper is scheduled for publication in 2025.



IA CEO Mr Clement Cheung illustrates the impact of Fintech in unleashing the social value of insurance at Insurtech Insights Asia 2023

Green Finance

Climate Risk Management

As influential institutional investors, prudent risk underwriters, and responsible corporate citizens, it is incumbent upon insurers to keep their business models in tune with risks and opportunities presented by climate change. A survey commissioned by the IA in June 2023 revealed that most insurers had either drawn up a concrete plan to manage or are in the process of managing the repercussions of climate change. The findings were conveyed in a circular promulgated in March 2024 to inform the industry of the nature of the support and guidance required.

The Year Under Review Market Development

Asian Insurance Forum 2023

The Asian Insurance Forum 2023, centred on the theme of “Striving for Enhanced Global Financial Stability and Resilience” and held in a hybrid format, attracted a record number of 1,700 participants locally and abroad. The gathering of multidisciplinary experts delved into hot topics, including advantages of Hong Kong as a

risk management centre, a heatmap of global financial markets, how environmental, social and governance (ESG) and diversity, equity and inclusion (DEI) generate business value, as well as synergies between insurance and Web3 development.



Mr Paul Chan, Financial Secretary of the Hong Kong Special Administrative Region, shares his insights at the Forum’s keynote luncheon

Mr John Lee, Chief Executive of the Hong Kong Special Administrative Region, delivers a speech at the Asian Insurance Forum 2023



IA Chairman Mr Stephen Yiu (left) and IA CEO Mr Clement Cheung (right) deliver concluding remarks



Around 1,700 participants from Hong Kong and beyond attend the Forum



Speakers discuss Hong Kong’s advantages as a risk management centre

The Year Under Review

Market Development

Supporting Talent Development

Green and Sustainable Finance Talents

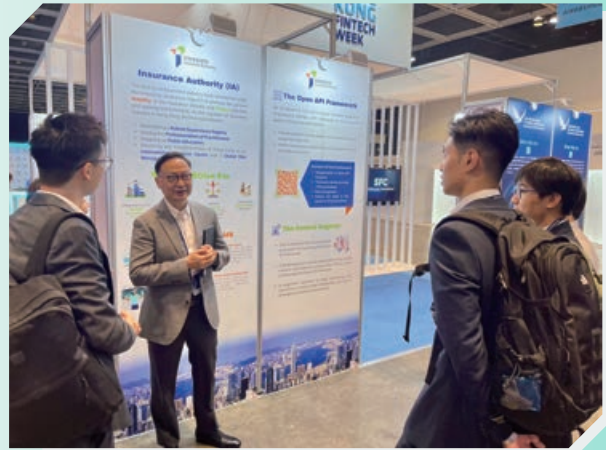
The IA remained steadfast in supporting the internship initiative organised by the Green and Sustainable Finance Cross-Agency Steering Group, and administering the Pilot Green and Sustainable Finance Capacity Building Support Scheme, launched in December 2022.

Fintech Career Accelerator Scheme

The IA and the HKMA jointly launched the Gap Year Placement Programme under the Fintech Career Accelerator Scheme (Insurance Track) for university students in 2022. The programme has attracted more than 900 applications thus far.

Pilot Programme to Enhance Talent Training for the Insurance Sector

The Financial Secretary announced in his 2023-24 Budget that the Pilot Programme to Enhance Talent Training for the Insurance Sector would be extended until 2025-26 to nurture the next generation of industry leaders and enhance professional competency of insurance practitioners.



Fintech Career Accelerator Scheme interns join Fintech Week 2023 to learn about the latest industry trends (IA CEO Mr Clement Cheung, second left)

The Year Under Review

Anti-Money Laundering and Counter-Financing of Terrorism

All authorized insurers and reinsurers carrying on long term business, and licensed individual insurance agents, licensed insurance agencies and licensed insurance broker companies carrying on regulated activities in respect of long term business, are required to comply with the requirements under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (“AMLO”) and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (GL3) published under the AMLO.

During the reporting year, the Insurance Authority (“IA”) continued to monitor the insurance sector’s risk exposure to money laundering and terrorist financing (“ML/TF”) through supervisory engagement and robust oversight of insurance institutions’ Anti-Money Laundering/Counter-Financing of Terrorism (“AML/CFT”) systems and their effectiveness. When any control deficiencies are identified, the IA will require remedial actions be taken.

Risk-based Supervisory Regime

The IA has adopted a risk-based approach to AML/CFT supervision, which can only be achieved through comprehensive understanding of the ML/TF risks in the insurance sector. In this regard, and as an essential component of a sectoral vulnerability analysis, the IA conducted a survey in January 2024 to collect data from all active long term insurers for detailed risk analysis. The survey formed part of a major government initiative under the Hong Kong Money Laundering and Terrorist Financing Risk Assessment, steered by the Financial Services and the Treasury Bureau, to assess Hong Kong’s ML/TF risks.

The Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022 was published in the Gazette in December 2022 and took effect on 1 June 2023. Amendments centred on definitions of “politically exposed person” and “beneficial owner” relating to a trust as well as engagement of digital identification systems in customer due diligence. The GL3 was revised accordingly to reflect these changes and came into effect on the same day. Frequently Asked Questions in relation to AML/CFT were also updated in tandem with the revised GL3.

The IA continued to use supervisory technology (“SupTech”) to aid its AML/CFT regulatory work and test the effectiveness and efficiency of long term insurers’ screening systems.

On-site Inspection and Off-site Reviews

Under a risk-based approach, the frequency and intensity of inspections and supervision of long term insurers depend on the AML/CFT risks involved. In general, insurers with high and medium AML/CFT risk ratings are subject to routine on-site inspections, including checks on their AML/CFT systems and controls as well as compliance with AML/CFT regulatory requirements. Insurers with a low risk profile are subject to off-site reviews focusing on policies and procedures for compliance.

The Year Under Review

Anti-Money Laundering and Counter-Financing of Terrorism

The IA also maintains ongoing supervisory engagement with insurers regardless of their risk levels. It does so by requiring self-assessments and institutional risk assessments (“IRA”) for desktop review in the interim period between on-site inspections and off-site reviews. In conjunction with on-site inspections of insurers, off-site reviews of policies and procedures of bank agencies appointed by relevant insurers are also conducted to assess their compliance with requirements under AMLO as licensed insurance agencies.

During the reporting year, the IA conducted on-site inspections on two insurers, off-site reviews on four insurance institutions (including insurers and bank agencies), self-assessment reviews on three insurers, and IRA reviews on 11 insurers.

e-CPD Courses and Seminars

The IA maintained and further enhanced its efforts to increase insurance practitioners’ awareness of the latest AML/CFT regulatory requirements, recent ML/TF trends and their statutory obligations through Continuing Professional Development (“CPD”) courses and seminars.

In October 2023, the IA launched an e-CPD course on AML/CFT for licensed insurance intermediaries carrying on regulated activities in respect of long term business. The course, which is worth 2.5 compulsory hours on “Ethics or Regulations”, sets out to provide a comprehensive understanding of the legal framework surrounding AML/CFT in Hong Kong. It highlights the crucial role played by insurance intermediaries in safeguarding the industry against the threats of ML/TF. Real-life case studies and practical guidance are also incorporated to demonstrate approaches that insurance intermediaries can adopt to address AML/CFT challenges in their day-to-day operations.

In November 2023, the IA hosted two AML/CFT seminars where speakers from the Commerce and Economic Development Bureau, Joint Financial Intelligence Unit, and the IA shared their perspectives on proliferation financing, ML typologies and statutory obligations of suspicious transaction reporting, along with major GL3 updates.



The IA launches an e-CPD course on AML/CFT for licensed insurance intermediaries carrying on regulated activities in respect of long term business

Risk Mitigation for Virtual Onboarding

During the reporting year, the IA continued to encourage insurance institutions to expedite the adoption of Insurtech for non-face-to-face distribution of insurance products. More long term insurers and licensed insurance broker companies used our Insurtech Sandbox to launch virtual onboarding pilot trials using diverse digital platforms, including video conferencing tools and mobile applications, for a wide array of insurance products.

To address the heightened ML/TF risks posed by policy holders not being physically present in the virtual onboarding process, the IA reviewed details of AML/CFT controls before the launch of Insurtech Sandbox trials, including ML/TF risk assessments and requisite control measures for Insurtech Sandbox applications.

Environmental, Social and Governance

Corporate Governance

As a socially responsible regulator, the Insurance Authority (“IA”) embraces best practices in environmental, social, and governance criteria in our daily operations, with our corporate governance framework built around high standards of conduct, well-defined management and accountability frameworks, and robust operational and financial control procedures.

Governance Structure

Membership

Under the Insurance Ordinance (“IO”), membership of the IA consists of the Chairman, who is also a Non-Executive Director (“NED”), the Chief Executive Officer (“CEO”), who is also an Executive Director (“ED”), and not less than six other NEDs or EDs, all appointed by the Chief Executive of the Hong Kong Special Administrative Region (“Chief Executive”). As at March 2024, the IA Board consisted of 13 NEDs and two EDs.

Responsibilities and Diversity of Directors

NEDs bring an independent perspective to the IA, providing a wealth of experience and expertise from diverse fields including insurance, law, accountancy, finance, actuarial science, and enterprise management.

Diversity of our NEDs

Gender	
Male	8 (62%)
Female	5 (38%)

Professional Expertise/Experience

Accountancy/Actuarial Science	3 (23%)
Banking/Business/Finance/Insurance	4 (30%)
Education and Management	1 (8%)
Engineering	1 (8%)
Healthcare	1 (8%)
Labour and Welfare	1 (8%)
Legal	2 (15%)

Chairman and CEO

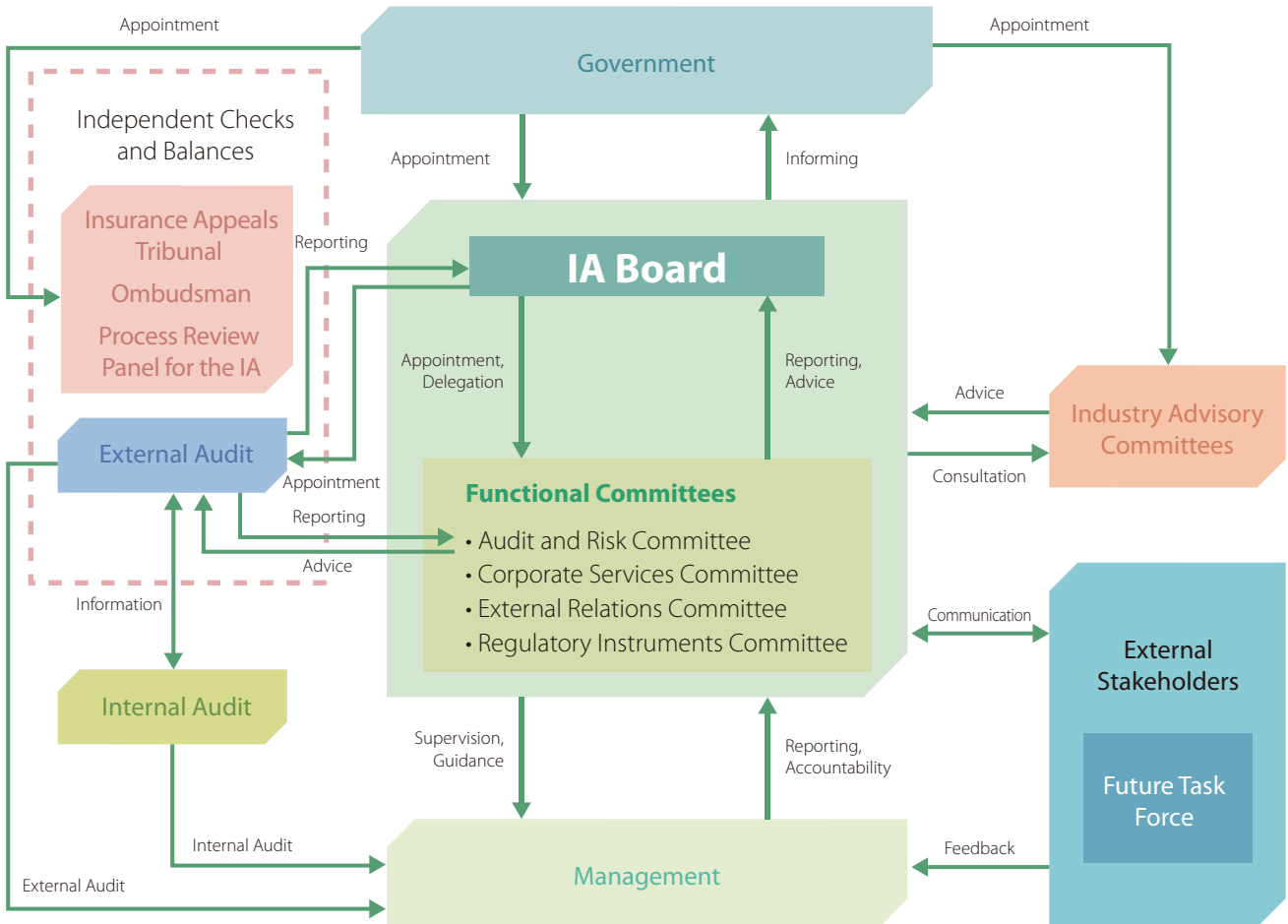
The Chairman provides leadership and strategic direction, while the CEO assumes responsibility for daily operations and implementation of strategies under the direction of the IA Board.

Executive Directors

EDs take charge of daily operations within their respective purviews, including long term business, general business, market conduct, and policy and legislation. They also support the CEO in fulfilling his duties.

Environmental, Social and Governance Corporate Governance

Governance Structure



Environmental, Social and Governance Corporate Governance



1 Mr Stephen Yiu Kin-wah, JP
Chairman

2 Mr Clement Cheung Wan-ching, GBS, JP
Chief Executive Officer

3 Dr Clement Chen Cheng-jen, GBS, JP
Non-Executive Director

4 Ms Ivy Cheung Wing-han
Non-Executive Director

5 Ms Agnes Choi Heung-kwan, MH
Non-Executive Director

6 Dr Evelyn Lam Ho-yi, JP
Non-Executive Director

7 Mr Lam Wai-kong, MH
Non-Executive Director

8 Dr Ares Leung Kwok-ling
Non-Executive Director

9 Mr Terry Lo Kin-wing
Non-Executive Director

10 Ms Theresa Ng Choi-yuk, JP
Non-Executive Director

11 Ir Dr Derrick Pang Yat-bond, JP
Non-Executive Director

12 Mr Anson Wong Man-kit, SC, JP
Non-Executive Director

13 Professor Anna Wong Wai-kwan
Non-Executive Director

14 Mr Kenneth Wong Wing-yan
Non-Executive Director

15 Mr Clement Lau Chung-kin
Executive Director, Policy and Legislation

16 Mr Lee Mung-mo
Executive Director, General Business

17 Mr Marty Lui Yu-kwok
Executive Director, Long Term Business

Environmental, Social and Governance

Corporate Governance

IA Members

Chairman



Mr Stephen Yiu Kin-wah, JP

Mr Yiu took up the Chairmanship of the Insurance Authority (IA) since December 2021. He has been a member of the IA Board since its inception in 2015. Mr Yiu was the Chairman and Chief Executive Officer for Mainland China and Hong Kong of KPMG, possessing in-depth knowledge on auditing large banking and financial corporations. He was also a government-appointed Director on the Board of Hong Kong Exchanges and Clearing Limited. Mr Yiu has been actively promoting the financial services sector of Hong Kong and is currently a member of the Exchange Fund Advisory Committee and a director of the Hong Kong Academy of Finance. He is also a government-appointed Board member of the Hong Kong Airport Authority.

Non-Executive Directors



Dr Clement Chen Cheng-jen, GBS, JP

Dr Chen is Managing Director of Tai Hing Cotton Mill Limited. He is currently Chairman of the Council and the Court of Hong Kong Baptist University, Chairman of the Standing Committee on Judicial Salaries and Conditions of Service, and Honorary President of the Federation of Hong Kong Industries. He is also a member of the Public Service Commission and member of the Board of Governors of Technological and Higher Education Institute of Hong Kong. Notable past appointments include Chairman of the Standing Committee on Youth Skills Competition, Chairman of the Vocational Training Council and Chairman of the Federation of Hong Kong Industries.

Ms Ivy Cheung Wing-han



Ms Cheung is the Vice Chairman of KPMG China and Senior Partner of KPMG Hong Kong. She was the President of the Hong Kong Institute of Certified Public Accountants in 2016. Ms Cheung is a board member of the Hong Kong Cyberport Management Company Limited and the Hong Kong Genome Institute. She currently serves as member of various public service committees, including the Standing Committee on Civil Service Salaries and Conditions of Service, the Standing Commission on Company Law Reform, the Consumer Council and the Transport Advisory Committee. She is also an Honorary Advisor, member of the Advisory Committee and the Inspection Committee of the Accounting and Financial Reporting Council.

Environmental, Social and Governance

Corporate Governance



Ms Agnes Choi Heung-kwan, MH

Ms Choi is a senior general insurance leader with over 35 years' experience. She was Chairman of the Hong Kong Federation of Insurers ("HKFI") from 2012 to 2013 and a member of the Executive Committee of the International Union of Marine Insurance ("IUMI") from 2015 to 2018. Currently, she is the IUMI's Asia Ambassador. She is also a lay member of the Council of the Hong Kong Institute of Certified Public Accountants and a member of the Travel Industry Authority. She was elected as one of the Top Ten Influential Persons in Marine Insurance 2017 by Lloyd's List and one of the Top Ten Outstanding Women in the Maritime Industry in China in 2019.



Dr Evelyn Lam Ho-yi, JP

Dr Lam currently serves as the Executive President of Lai Sun Group. Dr Lam is a Standing Committee member of the 13th Jiangsu Provincial Committee of The Chinese People's Political Consultative Conference of The People's Republic of China, Chairman of Hong Kong United Youth Association, Executive Vice-Chairman of Federation of HK Jiangsu Community Organisations, and Chairman of the Youth Committee of the Belt and Road General Chamber of Commerce. She also serves as a member of Hong Kong Tourism Board, Culture Commission, Action Committee Against Narcotics and Immigration Tribunal. Dr Lam is actively involved in public service. She is currently Chief Executive Officer of Por Yen Charitable Foundation Limited and Chairperson of Special Olympics Hong Kong.



Mr Lam Wai-kong, MH

Mr Lam is a senior trade union worker. He is currently a Member of the Wan Chai District Council, Vice Chairman of the Hong Kong Federation of Trade Unions, Chairman of the Motor Transport Workers General Union and has been elected by the trade union as a member of the Labor Advisory Board (employee representative). Representing the labour sector to participate in the Government and various social groups, Mr Lam helps to put forward the views of the labour grassroots. He was appointed as a member of the Employees' Compensation Assistance Fund Board and the Employees' Insurance Levy Board.

Environmental, Social and Governance

Corporate Governance



Dr Ares Leung Kwok-ling

Dr Leung is an obstetrician and gynaecologist in charge of several private medical groups. He was the President of the Hong Kong College of Obstetricians and Gynaecologists, and is currently a board member of the Haven of Hope Christian Service and the Chairman of its Service Governing Committee. Dr Leung has played a pivotal role in the introduction of professional indemnity insurance for the medical sector in Hong Kong and has made significant contribution in promoting clinical governance and improving health care affordability. During COVID-19, Dr Leung, as the Chief Operating Officer of a medical group, assisted in providing the much-needed anti-pandemic services to the community including vaccinations, diagnostic facilities and isolation facilities.



Mr Terry Lo Kin-wing

Mr Lo is an actuary and a veteran of the insurance industry, having been the chief executive of a few authorized insurers in the Hong Kong SAR and the Mainland China before his retirement. He had served the industry as a General Committee member of the Insurance Claims Complaints Bureau¹, Chairman of the Life Insurance Council and Deputy Chairman of the Governing Committee of the HKFI.



Ms Theresa Ng Choi-yuk, JP

Ms Ng is a veteran banker who held key frontline and management positions in retail, wealth management as well as private banking. She was a lay member of the Council of the Hong Kong Institute of Certified Public Accountants. Ms Ng has devoted much of her time in serving the community by taking part in charity work, public services and youth educational matters. She is currently the Chairman of Friends of Caritas and School Managers for a number of reputable secondary schools.

¹ Replaced by the Insurance Claims Complaints Bureau in 2018.

Environmental, Social and Governance

Corporate Governance



Ir Dr Derrick Pang Yat-bond, JP

Ir Dr Pang is the Chief Executive Officer of Asia Allied Infrastructure Holdings Limited. He has over 24 years of geotechnical design and construction experience in the United States and Hong Kong. Ir Dr Pang holds a number of important public offices, including a member of the Henan Provincial Committee of the Chinese People's Political Consultative Conference, a council member of the Hong Kong Polytechnic University, a director of the Hong Kong Cyberport Management Company Limited and a member of the Aviation Development and Three-runway System Advisory Committee.



Mr Anson Wong Man-kit, SC, JP

Mr Wong is a Senior Counsel with a broad range of civil and commercial practice. He has sat as Deputy High Court Judge on multiple occasions. He has also been appointed by the Government as Chairman or Deputy Chairman of various quasi-judicial tribunals. He is currently the Chairman of the Banking Review Tribunal, Deputy Chairman of Inland Revenue Board of Review, Deputy Chairman of the Town Planning Appeal Board Panel and was formerly the Chairman of the Resolvability Review Tribunal, Chairman of the Resolution Compensation Tribunal and Chairman of Municipal Services Appeal Board.



Professor Anna Wong Wai-kwan

Professor Wong is a Professor of Practice in Finance at the University of Hong Kong, delivering courses on financial regulation, compliance and risk management. She is currently an Independent Non-executive Director of The Hong Kong and China Gas Company Limited and the MTR Corporation Limited, and a member of the Competition Commission. She has held senior roles in several global financial institutions and is a former member of the Advisory Committee of the Securities and Futures Commission.

Environmental, Social and Governance

Corporate Governance



Executive Directors

Mr Kenneth Wong Wing-yan

Mr Wong is a Senior Partner and Solicitor Advocate (having higher rights of audience (civil)) of a law firm, specialising in civil litigation including commercial and real estate litigation and arbitration, judicial review and competition, town planning and regulatory related matters. He has been serving as a Deputy High Court Judge. He is currently Chairman of the Civil Litigation Committee of the Law Society of Hong Kong.



Mr Clement Cheung Wan-ching, GBS, JP **Chief Executive Officer**

Mr Cheung has been serving as the Chief Executive Officer of the Insurance Authority since August 2018 after retiring from the Administrative Service. Senior positions that he has held in the Government include Commissioner of Insurance (2006-2009), Postmaster General (2009-2011), Commissioner of Customs and Excise (2011-2015), and Secretary for the Civil Service (2015-2017).

At the global and regional levels, Mr Cheung is a member of the Executive Committee of the International Association of Insurance Supervisors and Chair of its Audit and Risk Committee, an incumbent member and former Chairman of the Asian Forum of Insurance Regulators (2018-2023), as well as a member of the Professional Advisory Board set up by the Asian Institute of International Financial Law at the University of Hong Kong.



Mr Clement Lau Chung-kin **Executive Director, Policy and Legislation**

Mr Lau has over 20 years of experience in public administration and financial regulation. Before joining the IA in January 2024, he had held senior positions in the Hong Kong Monetary Authority ("HKMA") and the HKSAR Government. Mr Lau took charge of various subject matters including monetary management, financial stability, retail payment regulation, offshore renminbi business as well as corporate development while he was with the HKMA. His service as an Administrative Officer in the HKSAR Government covered a wide range of policy areas including health and welfare, district administration, higher education, transport and tourism.

Mr Lau holds a bachelor's degree in finance and a master's degree in economics, both from The University of Hong Kong.

Environmental, Social and Governance

Corporate Governance



Mr Lee Mung-mo²

Executive Director, General Business

Mr Lee joined the IA as Associate Director of the General Business Division in May 2018. Prior to this, he worked in a credit rating agency for 17 years being responsible for the ratings assigned in Asia. While he was working in the credit rating agency, he was a frequent speaker and panellist to many insurance conferences and seminars. Mr Lee has deep knowledge of different financial markets in Asia and a strong passion for realising the social value of insurance. He received his bachelor's degree in economics from Chung Ang University and his master's in economics from Seoul National University.

Mr Lee is also heading up the Technical Expert Team in the IA.



Mr Marty Lui Yu-kwok³

Executive Director, Long Term Business

Mr Lui joined the IA in 2017. He has over 25 years of experience in the field of insurance and retirement fund supervision. He started his career as a regulator in 1995 with the then Office of the Commissioner of Insurance ("OCI") supervising property and casualty insurers. He subsequently joined the newly established Mandatory Provident Fund Schemes Authority ("MPFA") in 1999 and held various positions within the MPFA for nine years including supervision of retirement pooled funds, investment regulation, and policy development work. Before he rejoined the OCI in 2010 to take up international liaison duties, he held a compliance role with an international life insurer.

Mr Lui holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. He is a CFA Charterholder and a Fellow of the ACCA.

² Mr Lee was appointed in May 2024.

³ Mr Lui was appointed in May 2024.

Environmental, Social and Governance

Corporate Governance

Governance Practices

The IA strives to observe the best practices of corporate governance, including:

- Meeting regularly to transact matters of operational and strategic importance.
- Providing the IA Board with relevant materials in advance to enable thorough and informed deliberation at meetings.
- Furnishing the IA Board with relevant and timely management data to facilitate detailed scrutiny of outcomes and performance.
- Keeping records for the IA Board in the form of minutes of discussion, attendance and decisions made.
- Setting up policies for disclosure and handling conflict of interest.
- Meeting in sub-committees to gather preliminary feedback.



Environmental, Social and Governance

Corporate Governance

Meeting Attendance in 2023-24

Meetings attended/held	IA Board	Audit and Risk Committee ("ARC")	Corporate Services Committee ("CSC")	External Relations Committee ("ERC")	Regulatory Instruments Committee ("RIC")
Chairman					
Stephen Yiu	4/4	2/2	1/2	–	–
Non-Executive Directors					
Clement Chen	2/4	2/2	–	2/2	–
Ivy Cheung	4 ^a /4	2/2	1/2	–	–
Agnes Choi	2/4	–	2/2	2 ^a /2	5 ^b /5
Evelyn Lam	3 ^c /4	–	2 ^b /2	2 ^a /2	–
Lam Wai-kong	1/4	–	–	1/2	4 ^b /5
Ares Leung	4 ^a /4	–	2 ^a /2	2 ^a /2	–
Terry Lo	4 ^a /4	2/2	–	–	4 ^b /5
Theresa Ng	4/4	–	1/2	–	4 ^a /5
Derrick Pang	2 ^b /4	2 ^a /2	–	–	4 ^a /5
Anson Wong	3 ^a /4	–	–	2 ^a /2	3 ^a /5
Anna Wong	2/4	–	–	2/2	5/5
Kenneth Wong	3/4	–	2 ^a /2	–	4 ^a /5
Executive Directors					
Clement Cheung	4/4	–	–	1/2	5 ^a /5
Carol Hui ^e	0/1	–	–	–	–
Simon Lam ^f	0/0	–	–	–	–
Clement Lau ^g	1/1	–	–	0/0	1/1

^a Including one virtual attendance.

^b Including two virtual attendances.

^c Including three virtual attendances.

^d Including four virtual attendances.

^e Ms Hui's tenure ended in June 2023.

^f Mr Lam's tenure ended in June 2023.

^g Mr Lau was appointed as a member of the IA Board, ERC, and RIC on 25 January 2024.

















Environmental, Social and Governance

Corporate Governance

Functional Committees

The IA has four functional committees, namely the ARC, CSC, ERC and RIC, each chaired by an NED with relevant expertise. NEDs make up around 80% of the membership

and the entire membership of both the ARC and CSC. This provides checks and balances on the IA's decision-making process.

Committees	Composition	Summary of Work in 2023-24
Audit and Risk Committee ("ARC")	5 NEDs	<ul style="list-style-type: none">  Held two meetings.  Reviewed the audited financial statements.  Endorsed the appointment of external auditor for 2023-26.  Considered the annual internal audit plan.  Received Reports on Review of Complaint Handling Process and Talent Acquisition Process, and periodic procurement reports, ensuring compliance with internal policies and guidelines.
Corporate Services Committee ("CSC")	7 NEDs	<ul style="list-style-type: none">  Held two meetings.  Examined the Corporate Plan for 2024-25 and Six-Year Financial Forecast for 2024-25 to 2029-30, providing comments to the IA Board.  Received periodic reports on financial status, keeping a close watch on the IA's financial sustainability.  Considered and commented on proposed fitting-out works for the newly leased floor at the IA's main office.  Considered the appointment and terms of senior executives.
External Relations Committee ("ERC")	7 NEDs and 2 EDs	<ul style="list-style-type: none">  Held two meetings.  Considered the proposed framework for Annual Report 2022-23.  Considered the IA's initiatives for publicity, public education and talent development for the insurance industry.
Regulatory Instruments Committee ("RIC")	8 NEDs and 2 EDs	<ul style="list-style-type: none">  Held five meetings.  Scrutinised new draft subsidiary legislation and amendments to existing subsidiary legislation for Implementation of the Risk-based Capital regime, guidelines on Anti-Money Laundering and Counter-Terrorist Financing, and "Fit and Proper" Criteria under the Insurance Ordinance.  Endorsed the draft circular on the Open Application Programming Interface Framework and public consultation on six pieces of subsidiary legislation.

Environmental, Social and Governance

Corporate Governance

Industry Advisory Committees

The IA is required by the IO to set up two Industry Advisory Committees (“IACs”) on long term business and general business respectively. Each IAC includes the Chairman, the CEO, and not more than two other EDs of the IA, as well as eight to 12 other members appointed by the Financial Secretary (“FS”) in consultation with the IA.

The FS appointed/reappointed 11 non-official members to each of the two IACs for a term of two years between 1 June 2022 and 31 May 2024. These members were selected from different sectors within the insurance industry and related fields, such as accountancy, insurance law, academia, banking, medical, Fintech and Insurtech. Four joint IAC meetings took place during the reporting year. IAC members are listed in the Appendices on page 102.

Independent Checks and Balances

The Ombudsman

The IA is subject to indirect oversight by the Office of the Ombudsman, which has statutory powers to investigate alleged acts of maladministration.

Insurance Appeals Tribunal

The [Insurance Appeals Tribunal](#) (“IAT”) has been established under the IO to review, on application, specified decisions made by the IA.

The IAT’s statutory purpose is to determine a question or an issue arising out of or in connection with a review and to ensure that insurance regulatory decisions are reasonable and fair. The IAT is formed whenever there is a case to be reviewed. It consists of a chairperson and two ordinary members, recommended by the IAT chairperson and chosen from a panel of members appointed by the FS under the authority delegated by the Chief Executive. From June 2022, Ms Rachel Lam, SC, has served as IAT chairperson. IAT members are listed in the Appendices on page 103.

During the reporting year, 78 applications for review by the IAT were concluded, all relating to disciplinary actions taken against insurance intermediaries. In addition, an application for review of certain specified decisions made by the IA in relation to an authorized insurer was concluded.

Process Review Panel for the IA

The [Process Review Panel](#) (“PRP”) is an independent body established by the Government to review and advise the IA on the adequacy of internal procedures and operational guidelines governing actions and operational decisions by the IA and our staff in the performance of the IA’s regulatory functions. With the completion of the granting of licences for deemed licensees, the PRP shifted focus to consider the IA’s exercise of statutory powers, such as investigations and imposition of disciplinary sanctions. The PRP also recognised the dedication of staff members and constructive internal cooperation across various divisions of the IA. The PRP’s 2023 Annual Report provided a summary of its work and recommendations that seek to ensure the IA exercises its regulatory powers in a fair and consistent manner. Follow-up actions were taken accordingly. Membership of the PRP is listed in the Appendices on page 104.

Environmental, Social and Governance

Corporate Governance

Accountability and Transparency

Standards of Conduct

We attach great importance to the integrity and probity of our staff and expect them to uphold a high standard of conduct to fulfil the statutory functions conferred on the IA. To ensure that our staff understand and observe the relevant standards, we have issued guidelines and a code of conduct addressing areas such as conflict of interest, declaration of financial interests, and acceptance of gifts. It is mandatory for all newcomers to attend induction modules and training organised by the Independent Commission Against Corruption.

Corporate Planning

In each financial year, the IA is required by the IO to submit a corporate plan to the FS outlining key objectives, planned activities and budget for the following year. Furthermore, views on the budget are sought from the Legislative Council ("LegCo") Panel on Financial Affairs.

Financial Control and Reporting

Financial statements in accordance with prevailing accounting standards, reporting rules and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants are prepared and published together with our Annual Report. Deloitte Touche Tohmatsu was engaged to be the external auditor for our financial statements for the reporting year.

We have adopted the following to enhance the transparency of our financial status:

- Approval is sought from the IA Board on the annual financial statements published in the annual report.
- Key financial data is presented at IA Board meetings.
- Regular reports are provided to the Government.
- The annual budget and revised estimates are presented to the LegCo Panel on Financial Affairs.

- An external firm is appointed to conduct the annual audit.

- Annual financial statements are presented to the ARC.

Communication with Stakeholders

The IA interacts with a variety of stakeholders, including industry practitioners, policy holders, regulatory counterparts, government officials, LegCo members, media representatives, and the general public. Communication channels include the IA website, media briefings, press releases, circulars, and publicity events. In addition, feedback is collected through meetings, seminars and consultation sessions. Industry statistics are released on a regular basis. Five requests for access to information were also handled during the reporting year.

Complaint Handling and Whistleblowing Policy

The IA prioritises accountability, transparency and integrity as core values. Anyone who is dissatisfied with the way our staff carry out or fail to carry out our duties may file a complaint. All such complaints will be treated seriously and in strict confidence.

We have also put in place a comprehensive whistleblowing policy and encourage our staff and any parties who have dealings with us (e.g. regulated entities, contractors and suppliers) to report any fraud, misconduct, malpractice or irregularity within the IA. The IA will make every effort to keep the whistleblower's identity confidential.

Environmental, Social and Governance

Corporate Governance

Risk Management

A package of measures safeguards our operations against possible risks, including external risks arising from the insurance market, internal risks such as financial risks, and threats to our information and office security:

- External risks associated with the insurance market are assessed as part of the corporate planning process and appropriate measures are adopted to address the risks on an ongoing basis.
- The Internal Audit Section reports to the IA Board to evaluate and improve the effectiveness of the IA's risk management, control and governance process.
- Financial control policies and procedures are promulgated to delineate the authority and responsibility of our staff and the IA Board in the appointment of consultants, service providers, procurement of capital items, etc.
- The IA's risk management system and internal control procedures are subject to review by the ARC, which is composed exclusively of NEDs.
- Access controls are in place for the IA's computer and file systems as protection against unauthorized access, use or modification. There are also access controls for office premises to safeguard against unauthorized entry.
- A data privacy policy is promulgated and a Data Privacy Officer is appointed to facilitate compliance with the Personal Data (Privacy) Ordinance.

Environmental, Social and Governance

Green and Sustainable Finance

The Insurance Authority (“IA”) spearheads and supports initiatives to transform Hong Kong into a premier hub for sustainable finance in the insurance industry.

Cross-sectoral and Cross-border Co-operation

As a dynamic member of the Green and Sustainable Finance Cross-Agency Steering Group (“CASG”), the IA sought to accelerate Hong Kong’s advance as a green and sustainable regional finance centre.

One major step forward was the revamp and launch of the CASG’s website in February 2024. Equipped with enhanced features and tools, the website now serves as a one-stop green and sustainable finance information hub. Features include: the Sustainability Disclosure e-Portal, digitalising the Climate and Environmental Risk Questionnaire for Non-listed Companies; greenhouse gas emissions calculation and estimation tools and centralised sustainability data.

The IA has also played an active role in the CASG’s Working Group on Sustainability Disclosures (“WGSD”). As highlighted in the Government’s vision statement on the development of a comprehensive ecosystem for sustainability disclosure in Hong Kong, issued in March 2024, the WGSD has been developing a roadmap for the appropriate adoption of the International Financial Reporting Standards — Sustainability Disclosure Standards (“ISSB Standards”) to align with the global baseline. During the process, the IA has worked together with the Hong Kong Institute of Certified Public Accountants to gain industry input.

The IA participated in shaping global rules and advocating good practices as a member of the Climate Risk Steering Group, set up by the International Association of Insurance Supervisors. Topics included climate-related reporting and disclosures.

Industry-wide Green Efforts

In other forward moves, the IA staunchly supported the industry’s joint efforts to promote green and sustainable insurance. We maintained a regular dialogue with the Hong Kong Federation of Insurers (“HKFI”)’s Task Force on Green Insurance to exchange views and share updates on developments, such as the local adoption of ISSB standards. We also welcomed the launch of the HKFI’s Insurance Industry Climate Charter in February 2024. The charter included 33 inaugural signatories, demonstrating the commitment of the insurance industry to take concerted action on climate change. The IA will continue to partner with the industry to realise the full potential of insurance in helping to secure a better future for all.



The IA fully supports the initiatives of the Green and Sustainable Finance Cross-Agency Steering Group (IA CEO Mr Clement Cheung, first right)

Environmental, Social and Governance

Environmental Protection

The Insurance Authority (“IA”) proactively encourages staff to go green by adopting numerous eco-friendly measures in our offices and through diverse activities that help safeguard the environment.

A Green Workplace

Highlights of our environmentally friendly practices during the reporting year:

Going Paperless

- Sharing reports, guidelines and consultation papers, and exchanging information with stakeholders through the IA website to reduce printing.
- Accepting electronic returns from regulated entities.
- Adopting a data management system for electronic records.
- Using electronic platforms for digital transmission and storage of documents.
- Enabling paperless meetings by providing staff with laptops.
- Setting up a digital kiosk in the IA office to display corporate information.
- Sending festive greetings via e-cards.
- Monitoring and reducing paper consumption.

Saving Power

- Operating two green and energy-efficient data centres.
- Adopting server virtualisation technology and leveraging cloud-based IT services to reduce the use of physical server hardware.
- Procuring energy-efficient devices and equipment and setting them in power-saving mode.
- Installing a master timer and auto-scheduling control system for lighting and air conditioning.
- Deploying daylight sensors in office areas.

Recycling and Reusing

- Collecting metal mooncake boxes, Christmas trees, red packets, peach blossom trees and aluminium coffee capsules for recycling.
- Sorting paper, plastic, metal and glass for recycling.
- Donating used computers and communication products to charitable organisations.

Eco-friendly Environment

- Using eco-friendly cleaning products for regular carpet cleaning and pest control services in the office.
- Applying non-toxic nano-technology preventive disinfection treatments to minimise the risk of contracting and spreading viruses in our offices.
- Encouraging staff to use reusable dishware and biodegradable utensils.

Environmental, Social and Governance

Environmental Protection

Consumption and Recycling

	2023-24	2022-23	2021-22
Consumption			
Paper (piece/head)	2,262	1,965	2,550
Electricity (kWh/head)	1,757	1,749	1,825
Recycling			
Paper (kg)	3,799	2,767	5,667*

* Increase largely due to the disposal of historical records, now stored in the IA's data management system.

The IA was again awarded a Hong Kong Green Organisation certificate from the Environmental Campaign Committee in recognition of our ongoing efforts to save energy and reduce waste. Energywi\$e and Wastewi\$e certificates were also granted.

In addition, regular cleaning of air-conditioning filters helped maintain air quality in our Wong Chuk Hang and North Point offices. Both offices continued to be rated "Good Class" in the Indoor Air Quality Certification Scheme, organised by the Environmental Protection Department.

To raise awareness of environmental protection, we encouraged staff to join Earth Hour 2024 and other green initiatives. Support for donation and recycling programmes added to our efforts.



Environmental Campaign Committee certificates awarded to the IA for ongoing "Green Organisation" endeavours



Spurring staff participation in World Wide Fund's Earth Hour

Environmental, Social and Governance

Social Responsibility

The Insurance Authority (“IA”) places strong emphasis on corporate social responsibility (“CSR”), striving to nurture staff wellness, foster team spirit and spur community service activities to contribute to society.

Caring for Our Staff

We fully recognise that people are the IA’s greatest asset and our staff play a crucial role in the organisation’s future growth and success. Staff well-being is therefore a priority in building our corporate culture, inspiring high performance and nurturing a thriving workforce.

In answer to the need for more office space as the IA grows, another floor in our Wong Chuk Hang head office came into service during the reporting year. The additional space also incorporates a designated collaborative area where colleagues can exchange ideas, relax or enjoy activities such as board games. The new area seeks to encourage further collaboration between divisions and cross-functional teamwork to accelerate innovation and effectiveness.



New office floor at Wong Chuk Hang Office

To drive forward the “One IA” spirit, we launched a sponsorship scheme to support employee-initiated CSR or sports activities. Colleagues from different divisions teamed up to join the Oxfam Trailwalker fundraising event, successfully completing the 100km trail.



The IA’s first Trailwalker team successfully completes the 100km MacLehose Trail, raising over HK\$50,000 for those in need

The IA’s Social Committee, led by our Human Resources Section and supported by colleagues from various divisions, organised a series of vitalising events and wellness classes to advance work-life balance and boost staff morale. Activities included rock climbing, squid fishing, coffee latte art, de-stress art workshops, Christmas bauble workshops and basketball competitions. All received a positive response from colleagues.

We also continue to augment staff benefits and wellness to attract and retain talents. Our group medical insurance scheme is regularly reviewed and enhanced. We have implemented a work-from-home arrangement to create a caring and family-friendly working environment. In addition, an Employee Assistance Programme is available to promote staff members’ mental health.

Environmental, Social and Governance Social Responsibility

To show our appreciation of our staff's efforts and contributions throughout the year, we organised an Annual Dinner and a Christmas Party for colleagues to celebrate the IA's achievements in a relaxed setting.



The IA organises a wide range of activities to promote staff wellness

Caring for the Community

In a partnership with Tung Wah Group of Hospitals, IA staff visited an elderly centre and a hospital in September and December 2023 respectively to show their care and support for senior citizens. We also organised an activity in June 2023 with Fu Hong Society where staff made cookies together with people with disabilities.

In recognition of our continuous CSR efforts for the community and our staff, the IA was awarded a "5 Years Plus Caring Organisation Logo" (2019-24) by the Hong Kong Council of Social Service.



Engagement with Stakeholders

With the support of stakeholders playing a significant role in enabling the Insurance Authority (“IA”) to drive policy development and legislative reforms, we proactively communicate our strategic priorities and regulatory initiatives locally and beyond.

The Insurance Industry

The IA has set up two Industry Advisory Committees to provide views on long term and general sector-related matters respectively. These committees held four joint meetings during the reporting year at which a wide range of issues were discussed.

We also maintained a close dialogue with industry bodies, including the Hong Kong Federation of Insurers (“HKFI”), Hong Kong Confederation of Insurance Brokers (“CIB”) and Professional Insurance Brokers Association (“PIBA”) on major initiatives. Discussions included enhancement of the Unilateral Recognition policy (“URP”) for cross-boundary motor insurance and charging of intermediary fees.



The IA proactively engages with industry to share regulatory updates and gauge industry feedback



Engagement with Stakeholders

During the reporting year, the IA conducted a survey and industry consultation with the HKFI and authorized insurers, CIB and PIBA on specific services for Investment-Linked Assurance Scheme (“ILAS”) policies by licensed insurance brokers. The services involved executing, advising or managing the selection of investment fund options and premium allocations, thus requiring an additional level of governance, controls, investment knowledge and expertise. A Practice Note was issued in July 2024 setting out expectations on the minimum requirements for licensed insurance broker companies.

On specific themes, our Belt and Road Insurance Exchange Facilitation (“BRIEF”) platform continued to foster networking and intelligence exchange among stakeholders to devise risk management and insurance solutions. As of March 2024, BRIEF membership stood at 43, covering insurers, reinsurers, captive insurers, insurance brokers, industry associations, law firms, and loss adjusters.

The Insurtech Facilitation Team kept up relations with both the technology and insurance communities, handling over 70 enquiries and holding more than 70 meetings with diverse stakeholders, including local and overseas insurers, Fintech firms, regulators, and industry organisations.

On the research front, the Market Research Team engaged the industry on its thematic research on mental health and insurance in Hong Kong. The team will continue to liaise with the HKFI on progress and provide research support where necessary.

To build wider engagement, IA senior executives spoke at the Asian Financial Forum, Hong Kong Fintech Week, and other major locally held events. We also shared our views overseas. Gatherings ranged from a Croatian Financial Services Supervisory Agency conference discussing insured risks in uncertain times in August 2023 to the 6th Asia-Pacific High-Level Meeting on Insurance Supervision in Malaysia in October 2023 and the Organisation for Economic Co-operation and Development Otoritas Jasa Keuangan Roundtable in Indonesia in December 2023.



IA CEO Mr Clement Cheung gives a keynote presentation at Hong Kong Fintech Week

Engagement with Stakeholders



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

Future Task Force

The insurance industry's Future Task Force ("FTF") works together with the IA to explore industry development. The FTF leverages the expertise of stakeholders ranging from insurance professionals to academics to formulate strategies to reinforce Hong Kong's position as a global risk management centre and a regional reinsurance and insurance hub.

A meeting on Fintech was convened in April 2023, updating participants on the IA's development of an Open Application Programming Interface ("Open API") Framework and sharing cross-sector Open API use case applications. A second meeting was held in February 2024 where guest speakers shed light on federated learning (a privacy-preserving Artificial Intelligence ("AI") technique) and generative AI, and discussed the Standard Contract for Cross-boundary Flow of Personal Information. The IA also provided participants with updates on its recent Fintech initiatives.

With respect to image building, the FTF gathered in March 2024 to discuss the application of the "treating customers fairly" principle in claims handling. Speakers shared case studies and pain points in claims processing, possible ways to deliver positive outcomes, and the IA's regulatory expectations on claims handling, particularly for medical policies.

Engagement with Stakeholders

Regulatory Counterparts

The IA has made significant contributions to international insurance regulation over the years through active involvement in the International Association of Insurance Supervisors (“IAIS”), the global standard-setting body for insurance supervisors.

The IA Chief Executive Officer (“CEO”) is a member of the IAIS Executive Committee, Policy and Development Committee, and Chair of the Audit and Risk Committee. The IA also holds the position of Vice-Chair of the Implementation and Assessment Committee and is a member of the Macroeconomic Committee. Collectively, the IA is represented on 18 IAIS parent committees and subcommittees.

During the reporting year, the IA shared its regulatory perspectives at IAIS meetings worldwide, including the IAIS Global Seminar in the United States and IAIS Annual General Meeting and Annual Conference in Japan. In December 2023, the IA hosted a Macroeconomic Monitoring Working Group meeting in Hong Kong.

The IA’s active participation in the IAIS demonstrates our commitment to promoting global best practices in insurance supervision and shaping international regulatory standards.

Regionally, the IA CEO concluded his five-year tenure as Chairman of the Asian Forum of Insurance Regulators (“AFIR”) after its 18th Annual Meeting and Conference held in Malaysia in October 2023.



The IA hosts a working group meeting of the International Association of Insurance Supervisors



The 18th Annual Meeting and Conference of the Asian Forum of Insurance Regulators

Engagement with Stakeholders



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



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

Turning to Fintech collaboration, IA membership of the Global Financial Innovation Network Cross-Border Testing workstream continued. The platform enables eligible financial institutions and Fintech companies to carry out cross-border pilots of innovative products and services, and the IA regularly shares insights on financial innovation and Regtech engagement with other members to reinforce international collaboration in this area.

Meanwhile, oversight activities saw the IA organise and take part in 33 supervisory colleges to strengthen communication with overseas regulators on group-wide supervision of multinational insurance groups.

The IA has also been working closely with the National Financial Regulatory Administration (“NFRA”) and Mainland authorities on supervisory cooperation and initiatives related to the Mainland and Hong Kong insurance sectors. The IA met the NFRA in Beijing and Hong Kong in July 2023 and January 2024 respectively. Topics under discussion included recent developments in the Mainland and Hong Kong insurance markets, reinforcement of Hong Kong’s position as a global risk management centre, opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, and catastrophe risk management.

In April 2024, the IA took part in the 23rd Joint Meeting of Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen, hosted by the NFRA Shenzhen Office. Participants exchanged views on market trends, proposals to enhance connectivity within the Greater Bay Area and policy holder protection, among other issues.



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

Engagement with Stakeholders

Locally, the IA closely liaised with financial regulators, including the Hong Kong Monetary Authority (“HKMA”), Securities and Futures Commission (“SFC”) and Mandatory Provident Fund Schemes Authority (“MPFA”) on areas of mutual interest.

We signed Memoranda of Understanding with the Independent Commission Against Corruption and Hong Kong Police Force in October 2023 and March 2024 respectively to strengthen cooperation on case referrals, joint investigations, mutual investigative assistance, and exchange of information.

In addition, the IA participated in the Council of Financial Regulators and Financial Stability Committee. These platforms address cross-sectoral regulatory issues and matters with a potential impact on financial stability, facilitating discussions on the effect of the latest market trends and monitoring of systemic risks.

The HKMA, SFC, IA, and MPFA teamed up to establish the Hong Kong Academy of Finance to develop Hong Kong as a centre of excellence for financial leadership, promote monetary and financial research, and reinforce Hong Kong’s status as an international financial centre. The Academy invites talents from various sectors to join it to foster future financial leaders with global and interdisciplinary perspectives. In August 2023, the IA Chairman and CEO met the 2023 cohort of the Academy’s Financial Leaders Programme, sharing the IA’s strategic priorities and the opportunities and challenges facing the insurance industry in Hong Kong.



IA Chairman Mr Stephen Yiu and IA CEO Mr Clement Cheung share IA strategic priorities and the latest industry developments with the 2023 cohort of the Financial Leaders Programme

Government and Legislative Council

The IA proactively engages with the Government and the Legislative Council (“LegCo”) when formulating policy and legislative changes.

In December 2023, we submitted our corporate plan and budget for 2024-25 to the Financial Secretary. We submitted our annual report to the Financial Secretary for his perusal and tabling in LegCo in early 2024. Additionally, we consulted the LegCo Panel on Financial Affairs on our budget for 2024-25 in March 2024 and attended panel meetings on matters such as the Policy Holders’ Protection Scheme, Risk-based Capital regime, insurance intermediary fees, and Fintech development in Hong Kong.

Engagement with Stakeholders

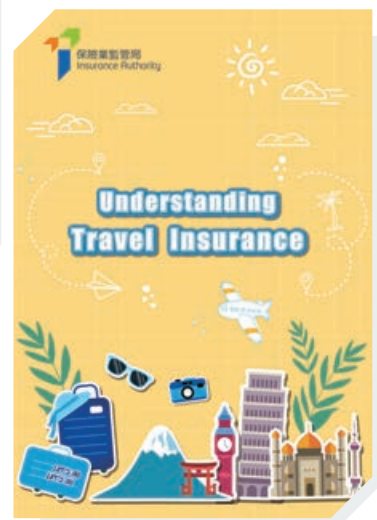
The Public

As a statutory body, the IA strives to maintain a high level of transparency, promoting public understanding of the IA’s work and functions through diverse communication channels.

During the reporting year, we stepped up publicity efforts by engaging the media more frequently through briefings and interviews. On top of press releases and LinkedIn posts, we started publishing blogs on our corporate website, creating an additional avenue for communicating the IA’s regulatory focuses and other work priorities to the public. A hotline is also available to handle daily public enquiries.

Public education is the linchpin of policy holder protection as insurance literacy constitutes the best first line of defence. To draw greater public attention, IA education campaigns adopt mixed publicity approaches to empower the public in making informed decisions when taking out insurance policies.

During the summer travel peak season, the IA launched a six-episode epilogue to a travel television programme, engaging Facebook videos, YouTube videos featuring travel key opinion leaders (“KOLs”), print and online advertorials, online banners, a thematic webpage, and an e-leaflet to share useful tips for buying travel insurance and filing claims. Educational messages were passed on through advertisements at the Hong Kong International Airport and High Speed Rail Station in Hong Kong, as well as inside the MTR’s Airport Express and buses going to Hong Kong International Airport, Shenzhen Bay Port and Hong Kong-Zhuhai-Macao Bridge Hong Kong Port. Other collaborations with organisations such as the Travel Industry Authority, Tourism Commission, and Travel Industry Council of Hong Kong enhanced the impact.



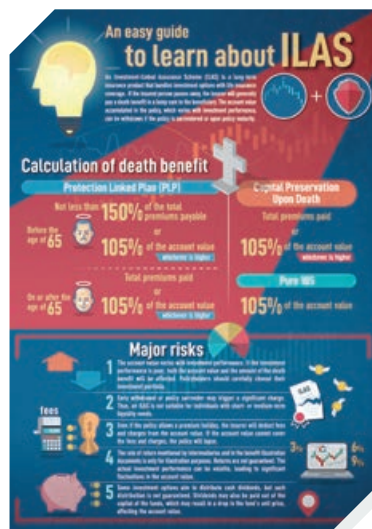
Engagement with Stakeholders

In the fourth quarter of 2023, our public education focus shifted to popular long term products, highlighting the points to note for robust financial planning through the ILAS and Protection Linked Plan. Initiatives included television and radio interviews, print and online advertorials, infographics and other curated content, published on online and social media platforms. A Facebook talk co-hosted with the Investor and Financial Education Council was held in March 2024 to facilitate public understanding of the different features of the ILAS and funds.

Since the launch of Qualifying Deferred Annuity Policy ("QDAP") in 2019, the IA has been promoting its value in retirement planning. During the reporting year, radio segments and a video clip were produced to publicise the IA-developed one-stop online tool, "QDAP Selection Made Easy", and provide tips in selecting QDAP products.

Messages in our public education programmes were also transformed into suitable formats for dissemination on the IA's Facebook page "蓋世保鑑 Insurpedia" and YouTube channel.

During the reporting year, we published two editions of *Conduct in Focus* and a special supplement. Issues highlighted included regulatory focuses on claims handling and the principle of treating customers fairly in the insurance regulatory framework.



Engagement with Stakeholders

Inspiring the Younger Generation

In two well-received events for university students, the IA sought to attract non-local talents to develop their career in Hong Kong after completing their studies. In February 2024, the IA CEO gave a guest lecture to MBA students from different countries and regions at the University of Hong Kong. We also reached out to Mainland undergraduates through a seminar organised in collaboration with the HKFI and Hong Kong Hubei Youth United Association in March 2024. Such endeavours are set to continue.

March 2024 also brought the completion of a pilot project to increase understanding of insurance among younger students. During the initiative, secondary school participants learnt about the importance of life planning based on risks and needs, and the role of insurance, through tailored e-learning materials, interactive class discussions, and an online quiz. The project received an overwhelming response, involving 1,800 students from 46 secondary schools.



Corporate Developments

An efficient workforce and future-ready information technology are crucial pillars on which the Insurance Authority (“IA”) builds a high-performance organisation to carry out our regulatory work. During the reporting year, staff at all levels benefited from career development opportunities while IT advances paved the way for enhanced effectiveness.

About the Insurance Authority

The IA is an insurance regulator independent of the Government and the insurance industry. Established in December 2015, the IA was set up to modernise the regulatory regime for the insurance industry in Hong Kong. Our regulatory regime seeks to facilitate the sustainable development of the industry, promote Hong Kong’s competitiveness in the global insurance market, and provide better protection for policy holders.

Statutory Functions

In accordance with the Insurance Ordinance (Cap. 41) (“IO”), the IA’s principal function is to regulate and supervise the insurance industry to promote the general stability of the insurance industry and protect existing and potential policy holders. The IO stipulates that the IA shall:

- (a) be responsible for supervising an authorized insurer’s and a licensed insurance intermediary’s compliance with the provisions of the IO;
- (b) consider and propose reforms of the law relating to insurance business;
- (c) promote and encourage the adoption of proper standards of conduct and sound and prudent business practices by authorized insurers;
- (d) promote and encourage the adoption of proper standards of conduct by licensed insurance intermediaries;
- (e) review and, if necessary, propose reforms of the systems for regulating authorized insurers and licensed insurance intermediaries;
- (f) regulate the conduct of insurance intermediaries through a licensing regime;
- (g) promote the understanding by policy holders and potential policy holders of insurance products and the insurance industry;
- (h) formulate effective regulatory strategies and facilitate the sustainable market development of the insurance industry, and promote the competitiveness of the insurance industry in the global insurance market;
- (i) conduct studies into matters affecting the insurance industry;
- (j) assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate measures in relation to the insurance industry;
- (k) co-operate with and assist financial services supervisory authorities of Hong Kong or of any place outside Hong Kong, whenever appropriate, to the extent permitted by the IO;
- (l) liaise and co-operate with any involved supervisor in any place outside Hong Kong in the determination of the group supervisors of insurance groups;

Corporate Developments

- (m) regulate and supervise insurance groups of which the IA is appointed as the group supervisor; and
- (n) perform functions imposed or conferred on the IA by the IO or any other Ordinance.

The 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. The Chief Executive Officer (“CEO”), who is also an Executive Director, leads the executive arm of the IA and is responsible for managing the IA’s day-to-day operations.

As at 31 March 2024, the IA had five divisions to carry out its duties and functions. These comprised the Long Term Business Division, General Business Division, Market Conduct Division, Policy and Legislation Division, and Corporate Services Division. Each division is headed by a directorial executive.

Along with the five divisions, the CEO’s Office includes the External Relations Section, Legal Section, Market Development Section, and Technical Expert Team. The IA also has an Internal Audit Section, which reports to the Board to improve risk management and governance.

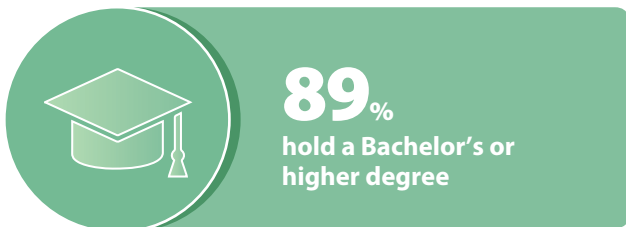
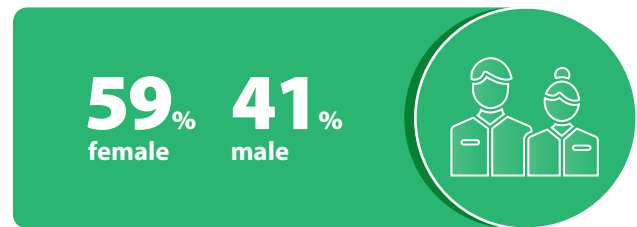
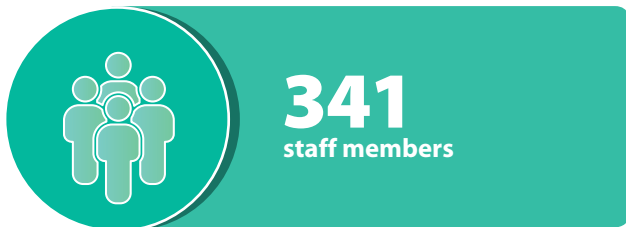
The IA’s organisational structure can be found in the Appendices on page 100.

Our People

As of March 2024, the IA had 341 staff, including many multi-disciplinary professionals from the regulatory and insurance sectors. Our plan is to build a full team of 377 staff members in 2024. We will continue to recruit high-calibre individuals with diverse backgrounds and experience from the insurance industry, professional firms and regulatory and public sectors.

IA Staff

(as at 31 March 2024)



Corporate Developments

Corporate Culture



We place great emphasis on fostering a culture that enables the IA to be an empathetic and dynamic regulator. In line with this goal, we conducted focus group discussions to obtain staff feedback and suggestions over the reporting year. During these sessions, staff shared their thoughts on improving management practices, communications, and staff benefits and development.



Performance-based System

To attract and retain quality staff, the IA has implemented mechanisms for making performance-linked pay adjustments and awarding variable pay. We also launched a new ranking structure after review to promote staff members' career progression.

Talent Development

The IA attaches great importance to staff development and is dedicated to nurturing their skills and capabilities as well as fostering a relentless learning culture. During the reporting year, we arranged an array of training programmes to enrich staff members' professional knowledge and keep them abreast of the latest market developments in areas such as cybersecurity, data protection and Risk-based Capital ("RBC") regime implementation.



IA Chairman Mr Stephen Yiu and IA CEO Mr Clement Cheung kick-start induction for new joiners, management trainees and summer interns

Corporate Developments

We nurtured young talent and staff at different career stages to help them develop their work capabilities, including career development programmes for management trainees and management programmes for newly promoted supervisors. We also organised a variety of seminars with experts, who shared their experiences and insights to broaden staff members' overall knowledge and awareness.

In addition, we sponsored staff to attend external professional training programmes and pursue relevant professional qualifications. Various overseas training sessions were arranged with renowned organisations to broaden exposure and the exchange of ideas and good practices in supervisory work. These included Lloyd's International Regulators' Programme in London and the Insurance School of Japan's Advanced Course in Tokyo.



IA staff attend the Insurance Foundation Programme, conducted by academics from Hang Seng University of Hong Kong



Ms Edwina Leung, Manager, General Business, attends the Insurance School of Japan's 33rd Advanced Course in Tokyo



A pilot Management Development Programme is set to equip our senior managers with the mindset and skills to connect with and engage talents for the IA

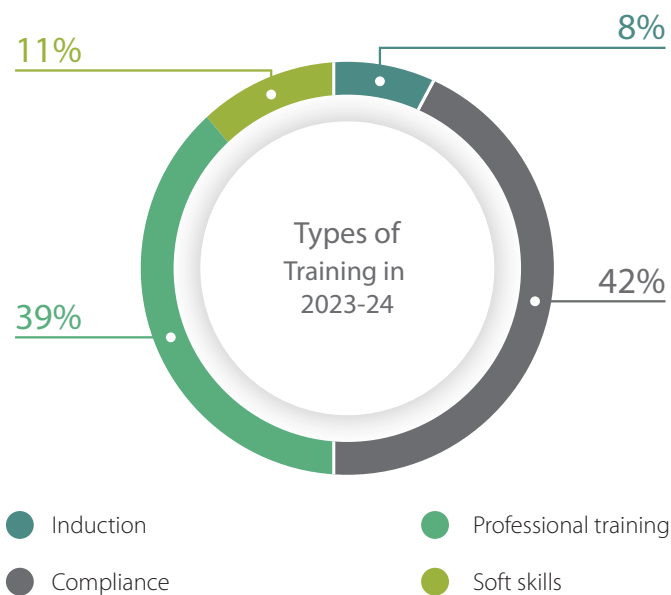


Corporate Developments

In recognition of our commitment to staff training and development, the IA's accreditation as a "Manpower Developer" under the Manpower Developer Award Scheme of the Employees Retraining Board was extended for another two years from 1 April 2023 to 31 March 2025.

Types of Training 2023-24

(as at 31 March 2024)



Corporate Developments

Empowering tomorrow's insurance pacesetters

The IA strives to enhance the pool of future talents who can undertake the IA's regulatory duties and expand the next generation of go-getters for the insurance sector overall. We achieve this through two ways: our three-year Management Trainee Scheme and a Summer Internship Programme for outstanding university graduates and undergraduates.

Management Trainee Scheme

During the reporting year, we recruited nine management trainees from local and overseas universities. Trainees on the scheme are deployed in different divisions, helping to support a range of regulatory responsibilities. They undertake a comprehensive and structured training programme, including an induction session, on-the-job training, job rotation, as well as professional, competency-

based, and soft skills training. Each trainee is also mentored by a senior manager throughout the scheme. Trainees who perform well and successfully complete the scheme are appointed to assistant manager positions.

Summer Internship Programme

From June to August 2023, we offered summer internships to 41 undergraduates. During the programme, interns gained hands-on experience and valuable insights into the work of the IA, acquiring a better understanding of the functions and work of the insurance regulator as well as the overall insurance industry.



The IA nurtures future talents through our Management Trainee Scheme

Corporate Developments

Information Technology

Cybersecurity

The IA recognises that constant vigilance is necessary to guard against established and evolving cyber threats to our operations and digital assets. In this regard, we have deployed a comprehensive suite of technology to strengthen our cyber resilience to prevent, withstand, and recover from cybersecurity incidents. Training helps staff understand the risks and threats associated with cyberattacks and provides them with appropriate ways to identify and respond to the risks. A dedicated cybersecurity unit, referencing widely accepted security standards, has also been set up to enhance our capacity to respond to cyber threats.

SupTech

Development of the Insurance Regulatory Information System ("IRIS") continued to progress over the reporting year to ensure the IA's data collection from regulated entities keeps up to date with new needs. IRIS seeks to support the enhanced supervisory requirements under the RBC regime. It features a data collection portal for centralised submission of data by insurers (Insurance Regulatory Information Connect) and straight-through processing of collected data; and a platform for data verification and extract-transform-load of data submitted by insurers to a data warehouse. IRIS is also equipped with data visualisation and reporting tools, and an automated workflow to facilitate supervisory functions. The system is set to be implemented in phases. The first phase, due to be launched in 2024, will cover preparation of return templates, returns submissions as well as dashboards and reporting functions. The entire system is targeted for completion in 2026.

Financial Statements

Deloitte.

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Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under Insurance Ordinance (Cap. 41))

Opinion

We have audited the financial statements of Insurance Authority (the "Authority") set out on pages 79 to 98, which comprise the statement of financial position as at 31 March 2024, and the income and expenditure account, statement of changes in capital and reserve and statement of cash flows for the year ended 31 March 2024, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 March 2024, and of the results of the operations and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Insurance Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Authority for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 29 August 2023.

Other Information

The members of the Authority are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under Insurance Ordinance (Cap. 41))

Responsibilities of Members and Those Charged with Governance for the Financial Statements

The members of the Authority are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Insurance Ordinance, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, in accordance with section 5F of the Insurance Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under Insurance Ordinance (Cap. 41))

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
27 August 2024

Financial Statements

Income and Expenditure Account

For the year ended 31 March 2024

	NOTE	Year ended 31 March 2024 HK\$	Year ended 31 March 2023 HK\$
INCOME			
Prescribed levies	5	265,205,988	264,478,321
Authorization and annual fees		134,233,013	128,307,835
Designation and annual fees		84,822,077	93,489,278
Insurers register's prescribed fees		7,538,700	11,862,300
Interest income		27,224,525	14,338,182
Other income	6	7,555,774	12,600,571
		526,580,077	525,076,487
EXPENDITURE			
Staff costs and key management personnel compensation	7, 8	389,946,595	355,726,486
Professional fees	9	15,923,857	11,213,599
Information system services		24,422,993	16,489,023
External relations expenses		13,161,142	9,801,282
Other operating expenses	10	18,523,572	16,804,557
Depreciation			
— Property, plant and equipment	11	18,354,933	18,825,632
— Right-of-use assets	12	21,208,580	24,639,532
Interest expense on lease liabilities	12	3,389,646	40,769
		504,931,318	453,540,880
SURPLUS FOR THE YEAR		21,648,759	71,535,607

The Insurance Authority (the "Authority") had no components of comprehensive income other than "surplus for the year" in either of the years presented. Accordingly, no separate statement of comprehensive income is presented as the Authority's "total comprehensive income" was the same as the "surplus for the year" in both years.

The notes on pages 83 to 98 are an integral part of these financial statements.

Financial Statements

Statement of Financial Position

At 31 March 2024

	NOTE	2024 HK\$	2023 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	51,110,446	40,329,707
Right-of-use assets	12	107,782,849	23,358,848
Deposits for leases		6,982,749	6,731,638
		165,876,044	70,420,193
CURRENT ASSETS			
Deposits and prepayments		18,559,155	10,790,997
Accounts receivable	13	151,349,973	153,245,518
Time deposits with maturity longer than 3 months		310,000,000	256,000,000
Cash held for Grant Scheme	14	7,797,054	6,052
Cash and cash equivalents		269,079,791	296,579,323
		756,785,973	716,621,890
NON-CURRENT LIABILITIES			
Other long term payables		1,597,746	–
Lease liabilities	12	88,490,300	13,394,483
		90,088,046	13,394,483
CURRENT LIABILITIES			
Other payables and accruals		108,253,908	82,086,987
Deferred authorization and annual fees income		69,608,213	70,786,977
Lease liabilities	12	22,135,497	9,846,042
		199,997,618	162,720,006
NET ASSETS		632,576,353	610,927,594
CAPITAL AND RESERVE			
Grants from the Government of Hong Kong Special Administrative Region (“HKSAR”)	16	953,000,000	953,000,000
Accumulated deficit		(320,423,647)	(342,072,406)
		632,576,353	610,927,594

The financial statements on pages 79 to 98 were approved and authorized for issue by the Authority on 27 August 2024 and are signed on its behalf by:

Mr Stephen Yiu
Chairman

Mr Clement Cheung
Chief Executive Officer

The notes on pages 83 to 98 are an integral part of these financial statements.

Financial Statements

Statement of Changes in Capital and Reserve

For the year ended 31 March 2024

	Grants from the Government of HKSAR HK\$	Accumulated deficit HK\$	Total HK\$
Balance at 1 April 2022	953,000,000	(413,608,013)	539,391,987
Surplus for the year	–	71,535,607	71,535,607
At 31 March 2023	953,000,000	(342,072,406)	610,927,594
Balance at 1 April 2023	953,000,000	(342,072,406)	610,927,594
Surplus for the year	–	21,648,759	21,648,759
At 31 March 2024	953,000,000	(320,423,647)	632,576,353

The notes on pages 83 to 98 are an integral part of these financial statements.

Financial Statements

Statement of Cash Flows

For the year ended 31 March 2024

	2024 HK\$	2023 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	21,648,759	71,535,607
Adjustment for:		
Depreciation		
— Property, plant and equipment	18,354,933	18,825,632
— Right-of-use assets	21,208,580	24,639,532
Interest expense on lease liabilities	3,389,646	40,769
Interest income on bank deposits	(27,224,525)	(14,338,182)
Operating cash flows before movements in working capital	37,377,393	100,703,358
Change in working capital:		
Increase in deposits and prepayments	(8,019,269)	(3,307,848)
Decrease in accounts receivable	7,320,485	1,824,224
(Increase)/decrease in cash held for Grant Scheme	(7,791,002)	11,994,009
Increase in other long term payables	1,597,746	–
Increase/(decrease) in other payables and accruals	26,166,921	(19,902,063)
(Decrease)/increase in deferred authorization and annual fees income	(1,178,764)	5,466,452
NET CASH GENERATED FROM OPERATING ACTIVITIES	55,473,510	96,778,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of time deposits with maturity longer than 3 months	(310,000,000)	(399,000,000)
Withdrawal of time deposits with maturity longer than 3 months	256,000,000	261,000,000
Property, plant and equipment purchased	(29,135,672)	(12,183,763)
Interest received from bank deposits	21,799,585	10,067,084
NET CASH USED IN INVESTING ACTIVITIES	(61,336,087)	(140,116,679)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal element of lease payment	(18,247,309)	(25,859,836)
Interest element of lease payment	(3,389,646)	(40,769)
NET CASH USED IN FINANCING ACTIVITIES	(21,636,955)	(25,900,605)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,499,532)	(69,239,152)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	296,579,323	365,818,475
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	269,079,791	296,579,323
Analysis of Cash and Cash Equivalents:		
Time deposits with maturity of 3 months or less	258,000,000	280,000,000
Other bank balances and cash	11,079,791	16,579,323
	269,079,791	296,579,323

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2024

1. GENERAL INFORMATION

The Authority was established on 7 December 2015 with the commencement of the relevant provisions added by the Insurance Companies (Amendment) Ordinance 2015 (“Amendment Ordinance”). The Authority is the insurance regulator independent of the Government.

The Authority took over the statutory functions of the Office of the Commissioner of Insurance (“OCI”) in regulating insurers on 26 June 2017. The OCI was disbanded on the same day.

On 23 September 2019, the Authority took over the regulation of insurance intermediaries from the three Self-Regulatory Organizations (“SROs”) through a statutory licensing regime.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Authority.

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of preparation

The financial statements have been prepared under the historical cost basis and in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the Insurance Ordinance (the “IO”).

(i) **New standards, amendments and interpretations to existing standards not yet adopted**

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Authority. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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Notes to the Financial Statements

For the year ended 31 March 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Change in accounting policies

New mandatory standards, amendments and interpretations to existing standards, which are related to the Authority have become mandatory for the first time for the financial year beginning on or after 1 April 2023, have been adopted by the Authority. These include the following new standards, amendments to standards and interpretations to existing standards:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Estimates
Amendments to HKAS 8	Definition of Accounting Estimates

The effect of amendments to these standards is not material to the Authority's financial statements.

(c) Recognition of income

(i) Prescribed Levies

Levies on insurance premiums are payable by policy holders and are recognised in the income and expenditure account as income in the period the respective insurance policies are written and as reported by the authorized insurers to the Authority. The amount of levies to be recognised in the Authority's reporting period is based on the levy remittance reported by the authorized insurers for that period, being adjusted for the best estimate of the portion of levies that the Authority is expected to return or refund for policies cancelled subsequent to the date of the statement of financial position or levies uncollected.

(ii) Fees

Authorization, designation and annual fees are recognised as income on a straight-line basis over the periods to which they relate. Insurers register's prescribed fees are recognised as income when relevant applications under the Insurance (Prescribed Fees) Regulation are completed.

(iii) Interest income

Interest income represents gross interest income from bank deposits and is recognised on a time apportionment basis using the effective interest method.

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Notes to the Financial Statements

For the year ended 31 March 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Financial assets

The Authority's financial assets include deposits, accounts receivable, time deposits with maturity longer than 3 months, cash held for Grant Scheme and cash and cash equivalents. These financial assets, other than cash, are held within a model whose objective is to hold assets in order to collect contractual cash flows. The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are initially measured at fair value plus direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest income from these financial assets is recognised by using effective interest rate method. Impairment losses are presented as a separate line item in the income and expenditure account. The Authority assesses on a forward looking basis the expected credit losses associated with these financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Authority has transferred substantially all the risks and rewards of ownership of the asset.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

Depreciation is provided to write-off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Property, plant and equipment are depreciated on a straight-line basis as follows:

Office equipment	5 years
Office furniture	5 years
Information Technology ("IT") equipment and software	3 years
Motor vehicles	5 years
Leasehold improvements	6 years or over the remaining terms of the leases, whichever is shorter

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Notes to the Financial Statements

For the year ended 31 March 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income and expenditure account in the year in which the item is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and short-term highly liquid investments with original maturities of three months or less.

(g) Other payables and accruals

Payables and accruals are obligations to pay that have been acquired in the ordinary course of business from suppliers. Payables and accruals are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Employee benefits

Annual leave and variable pay are recognised when they are accrued according to employees' entitlements. A provision is made for the estimated liability for untaken annual leave and variable pay as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave, maternity leave and paternity leave are not recognised until the time of leave.

Employee benefit expenses are charged as expenditure on an accrual basis in the period in which the associated services are rendered.

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Notes to the Financial Statements

For the year ended 31 March 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Retirement benefit costs

The Authority has joined a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. Contributions paid or payable to the MPF Scheme is charged as expenses when employees have rendered services entitling them to the benefits.

(j) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Authority expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Grants from the Government of HKSAR

Grants from the Government of HKSAR, which is provided without related conditions, is recognised as capital upon receipt in the statement of financial position.

(l) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the rate at which the leased asset is available for use by the Authority.

For leases of premises of which the Authority is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Authority under residual value guarantees;
- the exercise price of a purchase option if the Authority is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Authority exercising that option.

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Notes to the Financial Statements

For the year ended 31 March 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases held by the Authority, the lessee's notional incremental borrowing rate is used, being the rate that the Authority would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(m) Government subsidies

Government subsidies for operating expenditure are recognised as income in the period when the corresponding expenditure is incurred. Government subsidies in compensation for capital expenditure is deducted from the carrying amount of the asset and consequently recognised in the income and expenditure account over the useful life of the asset by way of reduced depreciation expense.

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Notes to the Financial Statements

For the year ended 31 March 2024

3. CRITICAL ESTIMATES AND JUDGEMENTS

3.1 Critical accounting estimates

In the process of applying the accounting policy of levies recognition, the Authority estimated that there will be no significant amount of levies to be returned or refunded for cancelled policies or uncollected levies as at 31 March 2024 and 31 March 2023. As a result, there is no adjustment or provision against the levies as per the remittance reports.

3.2 Critical accounting judgements

Note 17 contains information about the statutory deposits, placed by the authorized insurers in the name of the Authority in accordance with the respective sections of Insurance Ordinance. The Authority is of the opinion that such deposits are not the resources for the Authority's own purposes and no economic benefits have been transferred to the Authority.

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Authority is exempt from Hong Kong Profits Tax under the Inland Revenue Ordinance.

5. PRESCRIBED LEVIES

IO section 134 provides for the Authority to collect levies on insurance premiums from the policy holders through the authorized insurers if the insurance contract relates to a prescribed class of insurance business or a prescribed type of insurance contract. The levy rates are established by law.

6. OTHER INCOME

Other income mainly includes government subsidies in relation to the Anti-epidemic Fund of HK\$7,554,904 (31 March 2023: HK\$12,599,511).

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2024

7. STAFF COSTS

The staff costs include salaries, contributions to MPF Scheme, insurance, employee benefits and other staff related costs of the Authority.

	2024 HK\$	2023 HK\$
Salaries	362,329,912	335,505,562
Contributions to MPF Scheme	13,644,879	11,649,778
Insurance	10,005,446	7,103,467
Employee benefits and other staff related costs	3,966,358	1,467,679
	389,946,595	355,726,486

8. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel are the Authority members as defined in the IO section 4AA. They consist of a chairperson (a non-executive director of the Authority), a chief executive officer (an executive director of the Authority), 1 other executive director, and 12 other non-executive directors (31 March 2023: a chairperson, a chief executive officer, 2 other executive directors, and 12 other non-executive directors). Authority members' remuneration and benefits included in Note 7 are set out below:

	2024 HK\$	2023 HK\$
Non-executive Directors Remuneration	3,912,000	3,912,000
Chief Executive Officer Salary and other short term employee benefits Post-employment benefits	6,718,829 266,691	6,179,893 253,258
Other Executive Directors Salaries and other short term employee benefits Post-employment benefits	1,813,080 206,132	8,914,891 365,295
	9,004,732	15,713,337

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Notes to the Financial Statements

For the year ended 31 March 2024

9. PROFESSIONAL FEES

	2024 HK\$	2023 HK\$
Consultancy and agency fees	12,680,863	9,157,149
Legal fees	2,661,615	1,320,100
Auditor's remuneration	200,000	221,125
Other fees	381,379	515,225
	15,923,857	11,213,599

10. OTHER OPERATING EXPENSES

	2024 HK\$	2023 HK\$
Journals, periodicals, and association membership	4,032,029	3,796,442
Staff training and welfare	3,220,482	2,799,210
Business travel and accommodation	2,506,279	2,207,038
Office premises expenses	4,293,323	4,122,055
Office supplies and miscellaneous expenses	3,345,004	2,874,232
Other expenses	1,126,455	1,005,580
	18,523,572	16,804,557

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Notes to the Financial Statements

For the year ended 31 March 2024

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$	Office furniture HK\$	IT equipment and software HK\$	Motor vehicles HK\$	Leasehold improvements HK\$	Total HK\$
COST						
At 1 April 2023	12,538,444	6,724,193	95,262,418	961,214	33,198,969	148,685,238
Additions during the year	307,481	97,131	14,528,199	–	14,202,861	29,135,672
At 31 March 2024	12,845,925	6,821,324	109,790,617	961,214	47,401,830	177,820,910
ACCUMULATED DEPRECIATION						
At 1 April 2023	10,817,226	5,643,063	59,845,589	388,364	31,661,289	108,355,531
Charge for the year	726,137	373,282	15,042,581	192,243	2,020,690	18,354,933
At 31 March 2024	11,543,363	6,016,345	74,888,170	580,607	33,681,979	126,710,464
CARRYING AMOUNT						
At 31 March 2024	1,302,562	804,979	34,902,447	380,607	13,719,851	51,110,446
COST						
At 1 April 2022	12,500,260	6,604,964	83,315,547	961,214	33,119,490	136,501,475
Additions during the year	38,184	119,229	11,946,871	–	79,479	12,183,763
At 31 March 2023	12,538,444	6,724,193	95,262,418	961,214	33,198,969	148,685,238
ACCUMULATED DEPRECIATION						
At 1 April 2022	8,916,300	4,641,838	46,463,159	196,121	29,312,481	89,529,899
Charge for the year	1,900,926	1,001,225	13,382,430	192,243	2,348,808	18,825,632
At 31 March 2023	10,817,226	5,643,063	59,845,589	388,364	31,661,289	108,355,531
CARRYING AMOUNT						
At 31 March 2023	1,721,218	1,081,130	35,416,829	572,850	1,537,680	40,329,707

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2024

12. LEASES

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2024 HK\$	2023 HK\$
Right-of-use assets		
Premises	107,782,849	23,358,848
Lease liabilities		
Current	22,135,497	9,846,042
Non-current	88,490,300	13,394,483
	110,625,797	23,240,525

Additions to the right-of-use assets in the financial year ended 31 March 2024 were HK\$105,632,581 (31 March 2023: HK\$15,145,671), which are related to lease contracts for offices premises with a fixed term of 6 years (31 March 2023: 3 years).

The notional incremental borrowing rates applied to lease liabilities range from 3.09% to 4.05% (31 March 2023: 0.23% to 3.21%).

Changes in the lease liabilities and the reconciliation of the liabilities arising from financing activities:

	2024 HK\$	2023 HK\$
Lease liabilities		
At beginning of the year	23,240,525	33,954,690
Cash outflow from financing activities	(21,636,955)	(25,900,605)
New leases	105,632,581	15,145,671
Interest expense on lease liabilities	3,389,646	40,769
At end of the year	110,625,797	23,240,525

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Notes to the Financial Statements

For the year ended 31 March 2024

12. LEASES (Continued)

(ii) Amounts recognised in the income and expenditure account

The income and expenditure account shows the following amounts relating to leases:

	2024 HK\$	2023 HK\$
Depreciation charge of right-of-use assets		
Premises	21,208,580	24,639,532
Interest expense on lease liabilities	3,389,646	40,769

The total cash outflow for leases in the financial year ended 31 March 2024 was HK\$21,636,955 (31 March 2023: HK\$25,900,605).

The Authority leases premises for its operation. The leases run for periods of 3 to 6 years and include options to renew the leases at prevailing market rate for another 3 to 6 years. Lease payment changes upon lease renewal to reflect the prevailing new rent.

The Authority assesses at lease commencement whether it is reasonably certain to exercise the renewal options. If the Authority is not reasonably certain to exercise the renewal options, the future lease payments during the renewal periods are not included in the measurement of lease liabilities.

13. ACCOUNTS RECEIVABLE

	2024 HK\$	2023 HK\$
Levies receivable	132,921,732	132,902,559
Interest receivable	9,933,966	4,509,026
Government subsidies receivable	7,554,904	12,599,511
Others	939,371	3,234,422
	151,349,973	153,245,518

The authorized insurers collect levies from policy holders in 2 half-yearly periods ended 31 March and 30 September each year and remit them to the Authority within 2 months after the end of each period.

There are no impairment losses recognised for the year ended 31 March 2024 (31 March 2023: Nil).

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Notes to the Financial Statements

For the year ended 31 March 2024

14. CASH HELD FOR GRANT SCHEME

To attract insurance companies and organisations to issue insurance-linked securities in Hong Kong, the Government of HKSAR launched a Pilot Insurance-linked Securities Grant Scheme in May 2021. The Grant Scheme is administered by the Authority and funded by the Government of HKSAR to provide subsidies for eligible issuers. The cash held for the Grant Scheme is solely restricted for the use of such subsidies and is therefore not available for general use by the Authority. The unused balance, as well as bank interest generated, will be returned to the Government of HKSAR upon the completion of the Grant Scheme. The corresponding amount due to the Government of HKSAR is included in other payables and accruals.

15. FINANCIAL RISK MANAGEMENT

The Authority's financial instruments include deposits, accounts receivable, time deposits with maturity longer than 3 months, cash held for Grant Scheme, cash and cash equivalents and other payables and accruals.

The risks associated with these financial instruments and the policies applied by the Authority to mitigate these risks are set out below.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The Authority is not exposed to significant foreign exchange risk.

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Authority is mainly exposed to interest rate risk in relation to the interest bearing bank deposits.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Authority takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks and closely monitors the interest rate risk exposure within an acceptable level.

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Notes to the Financial Statements

For the year ended 31 March 2024

15. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The interest rate profile of the Authority's interest bearing financial assets as at 31 March 2024 are ranged from 0.44% – 4.70% (31 March 2023: 0.31% – 5.12%).

As at 31 March 2024, it is estimated that a general increase/decrease of 100 basis points (31 March 2023: 100 basis points) in interest rates, with all other variables held constant, would increase/decrease the Authority's interest income by approximately HK\$5,680,000 (31 March 2023: HK\$5,360,000). This sensitivity analysis is estimated as an annualised impact on interest income assuming the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis as at 31 March 2023.

(iii) Price risk

The Authority does not hold any investments which are exposed to significant price risk as at 31 March 2024 (31 March 2023: Nil).

(b) Fair value estimation

The Authority is of the opinion that the carrying amount of all financial assets and liabilities are approximate to their fair values.

(c) Credit risk

The Authority takes on exposure to credit risk, which is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment in full when due, that it has entered into with the Authority.

Credit risk arises from cash and cash equivalent and time deposits with maturity longer than 3 months, interest receivables, account receivables, other receivables, and deposits. The Authority's bank balances are deposited with note-issuing banks in Hong Kong and is not exposed to significant credit risk. As at 31 March 2024 and 31 March 2023, the Authority's bank balances are placed with licensed banks in Hong Kong rated P-1 by Moody's or A-1 or above by Standard and Poor's. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Authority performed impairment assessment using 12-month expected credit loss as there is no financial assets with significant increase in credit risk.

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Notes to the Financial Statements

For the year ended 31 March 2024

15. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Authority manages liquidity risk by holding adequate cash and unencumbered assets which can be readily realised for cash to meet expected cash outflow.

As at 31 March 2024 and 31 March 2023, the Authority held sufficient cash and cash equivalents to meet all of the cash outflow arising from other payables and accruals.

(e) Capital risk management

The Authority manages its capital to ensure its ability to continue as a going concern so that the Authority can be financially independent and recover its operating costs through levies, authorization and annual fees and other income. The capital structure of the Authority comprises the grants from the Government of HKSAR net of accumulated deficit as disclosed in the statement of changes in capital and reserve on page 81.

16. GRANTS FROM THE GOVERNMENT OF HKSAR

The Authority received a grant of HK\$300 million from the Government of HKSAR in June 2020; HK\$200 million in June 2018; HK\$450 million in June 2016; and HK\$3 million in March 2016 as funding to cover the establishment and operating costs of the Authority in its initial years. The grants are recognised as capital in the statement of financial position and are provided by the Government of HKSAR without related conditions.

17. STATUTORY DEPOSITS FROM AUTHORIZED INSURERS

Under Part V (section 35A) of the IO, the Authority may exercise its rights to require an authorized insurer to place a deposit in the name of the Authority as trustee for the authorized insurer's funds when this is considered desirable in the general interests of persons who are or may become policy holders of the authorized insurer. Deposits placed by the particular authorized insurer is to be used by the Authority as a source of payment to policyholders in case of insolvency of that authorized insurer. Any interest accrued on the statutory deposits belongs to the authorized insurer. The Authority has therefore determined that those deposits are not its own financial assets and should not be recognised in its statement of financial position. As at 31 March 2024, such statutory deposits amounted to HK\$653,916,439 (31 March 2023: HK\$897,533,058).

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Notes to the Financial Statements

For the year ended 31 March 2024

18. LETTERS OF CREDIT FROM AUTHORIZED INSURERS

Under Part IVA (section 25C) of the IO, an authorized insurer may, instead of maintaining assets in Hong Kong as required by this part, substitute, in whole or in part, a letter of credit or other commitment from a bank, in favour of the Authority. As at 31 March 2024, such letters of credit or other commitments held by the Authority amounted to HK\$7,712,716,661 (31 March 2023: HK\$9,560,102,222).

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Authority had commitments for capital expenditure in respect of the acquisition of property, plant and equipment as follows:

	2024 HK\$	2023 HK\$
Contracted but not yet incurred	45,633,115	1,681,690

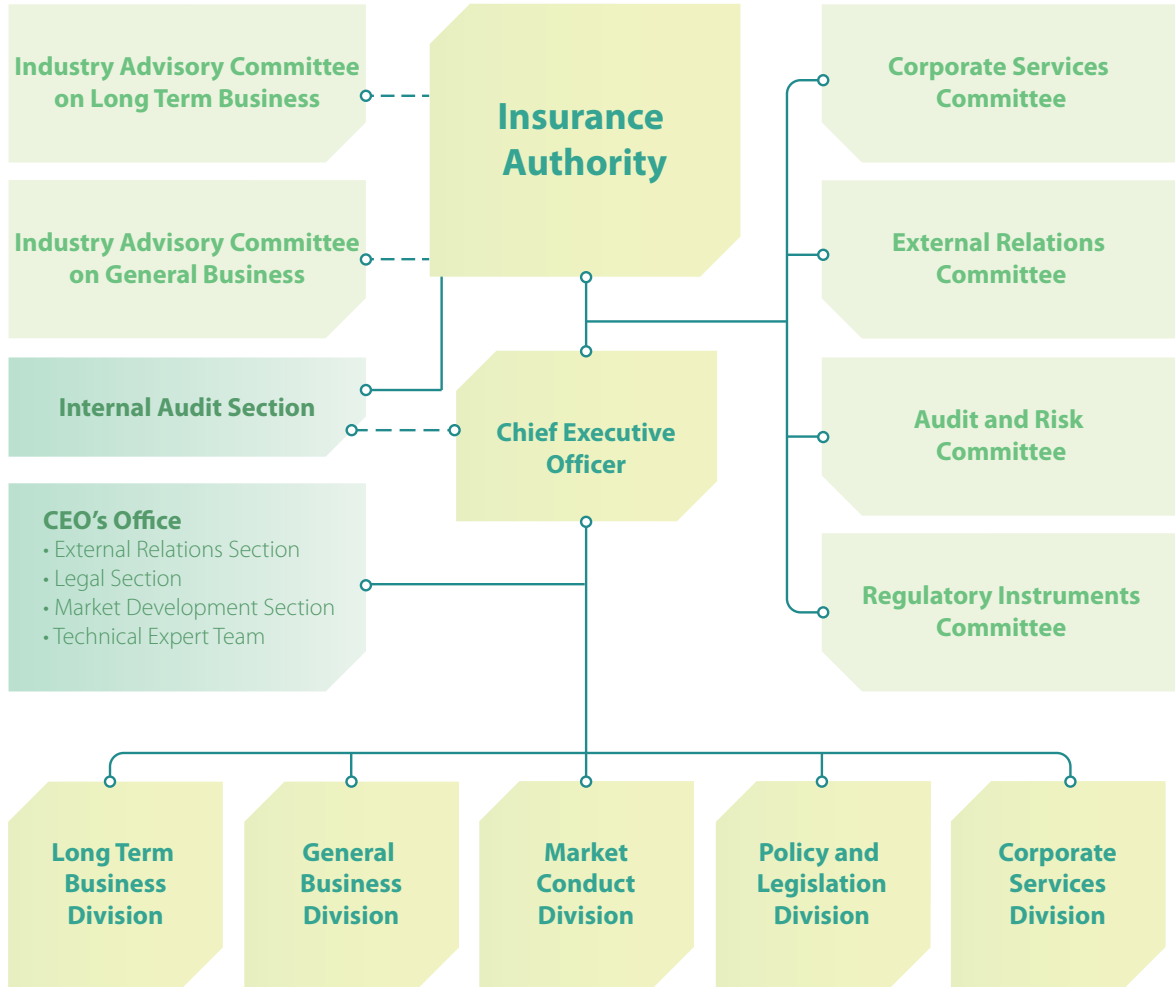
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Organisational Structure¹

(as at 31 March 2024)



¹ On 1 June 2024, the Market Conduct Division was reorganised into the Conduct Supervision Division and Enforcement Division. Please refer to the [IA website](#) for the latest Organisational Structure.

Changes of Authorized Insurers

(From 1 April 2023 to 31 March 2024)

Name of Insurers	Place of Incorporation	Type of Business Authorized
Withdrawal of Authorizations²		
China Merchants Insurance Company Limited	Hong Kong	General
Asia Capital Reinsurance Group Pte. Ltd.	Singapore	General
HIH Insurance (Asia) Limited	Hong Kong	General
Change of Names of Insurers		
FWD General Insurance Company Limited to Bolttech Insurance (Hong Kong) Company Limited	Hong Kong	General

² Excluding partial withdrawal during the period.

Industry Advisory Committees³

Industry Advisory Committee on Long Term Business

Chairman

Mr Stephen Yiu Kin-wah, JP

Ex-officio Members

Mr Clement Cheung Wan-ching, GBS, JP

Mr Marty Lui Yu-kwok⁴

Mr Clement Lau Chung-kin⁵

Non-official Members

Mr Alex Chu Wing-yiu

Mr Peter James Crewe

Mr Dick Fong Ho-cheung

Ms Lisa Lau Man-man, BBS, MH, JP

Ms Selina Lau Pui-ling

Ms Orchis Li Tzy-lan

Mr Bill Song Xuanbi

Mr Wilson Tang Chee-ping

Mr Harold Wong Tsu-hing, JP

Mr Jonathan Zhao Xiaojing

Industry Advisory Committee on General Business

Chairman

Mr Stephen Yiu Kin-wah, JP

Ex-officio Members

Mr Clement Cheung Wan-ching, GBS, JP

Mr Lee Moung-mo⁶

Mr Clement Lau Chung-kin⁵

Non-official Members

Mr Rohan Bhappu

Mr Jonathan Chen Zhaonan

Mr Cheong Heng-loong

Dr Fung Hong, JP

Ms Polly Ho Kin-wing

Dr Kevin Lau Chung-hang, MH

Mr Alan Lau Ka-ming

Ms Angela Leung Wai-tuen

Mr Jimmy Poon Wing-fai, MH

Professor Tang Heiwai

Ms Sally Wan Yuen-wai

³ The lists represent membership of the Industry Advisory Committees ("IACs") as at 31 May 2024. Please refer to the [IA website](#) for the latest membership lists.

⁴ Mr Marty Lui Yu-kwok was appointed an ex-officio member of the IAC on Long Term Business with effect from 27 May 2024.

⁵ Mr Clement Lau Chung-kin was appointed an ex-officio member of the two IACs with effect from 25 January 2024.

⁶ Mr Lee Moung-mo was appointed an ex-officio member of the IAC on General Business with effect from 27 May 2024.

Insurance Appeals Tribunal⁷

Chairperson

Ms Rachel Lam Yan-kay, SC

Panel Members

Mr Au Lut-chi[#]

Mr Frederick Chan Hing-fai^{*}

Mr Kenneth Chan Kin-nin[#]

Professor Chan Koon-hung

Mr Anthony Chan Kwok-tung[#]

Mr Chan Pui-leung[#]

Mr Arthur Chan Sung-lai[#]

Mr Brian Chau[#]

Professor Chen Nan[#]

Ms Kerry Ching Kim-wai

Professor Stella Cho Lung Pui-lan^{*}

Mr Ian Chu Pak-ning

Professor Goo Say-hak^{*}

Mr Marvin Hsu Tsun-fai^{*}

Mr Eric Hui Kam-kwai^{*}

Professor Michael Hui King-man, MH^{*}

Ms Cindi Hui Ming-ming[#]

Mr Benson Hung Kin-ho[#]

Ms Julienne Jen^{*}

Mr Jiang Tao[#]

Mr Mark Norman Reginald Johnson[#]

Mr Adrian King^{*}

Ms Anna-Mae Koo Mei-jong^{*}

Ms Nixie Lam Lam

Mr Lee Pak-kee[#]

Ms Juan Leung Chung-yan, MH^{*}

Mr Peter Li Po-ting

Mr Ken Lin[#]

Dr Miranda Lou Lai-wah^{*}

Dr Gladie Lui Man-ching

Mr Philip Mak Shun-pong, MH^{*}

Mr Andrew Mak Yip-shing, BBS, JP^{*}

Professor Phyllis Mo Lai-lan

Professor Joshua Mok Ka-ho^{*}

Dr Patrick Poon Sun-cheong, SBS^{*}

Mr Bhabani Sankar Rath^{*}

Mr Tommy So Chung[#]

Mr Gary Soo Kwok-leung^{*}

Professor Tam Kar-yan, MH, JP[#]

Mr Simon Tang Shu-pui

Mr Kevin Wong Ho

Mr Harry Wong Wing-tai

Mr James Wong Yuk-loi

Mr Charles Yang Chuen-liang, BBS, JP^{*}

Ms Wendy Yuen Miu-ling[#]

Dr Samuel Yung Wing-ki, GBS, MH, JP^{*}

* Appointment period from 26 July 2021 to 25 July 2023.

Appointment period from 26 July 2023 to 25 July 2025.

⁷ Please refer to the [Insurance Appeals Tribunal's website](#) for the latest membership list.

Process Review Panel for the Insurance Authority⁸

Chairman

Mr Eugene Fung Ting-sek, SC, JP

Members

Miss Grace Chan Man-yee

Mr Paul Cheung Lap

Mr Wilson Chow Wai-shun

Mrs Agnes Koon Woo Kam-oi, MH

Mr Mike Lee Siu-chuen*

Dr James C Lin

Mr Martin Tam Chi-wai*

Mr Jeff Wong Kwan-kit

Dr Raymond Wong Man-kong*

Ms Alice Yip Ka-ming*

Ms Fion Yip Yan-ting*

Ex-officio Members

Chairman of the Insurance Authority

Secretary for Justice (or his representative)

* New members appointed with effect from 1 November 2023.

⁸ The appointment period of the membership lasts from 1 November 2023 to 31 October 2025.

Insurance Authority

19/F, 41 Heung Yip Road, Wong Chuk Hang, Hong Kong

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Fax : (852) 3899 9993
Website : www.ia.org.hk

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