

15 August 2024

**By Email**

To: Responsible Officers of all Licensed Insurance Broker Companies

Dear Sir/Madam,

**Submission of Audited Financial Statements and Auditor's Report under Section 73(1) of the Insurance Ordinance (Cap.41) ("IO")**

We write to you regarding the above matter.

**The importance of submitting audited financial statements etc. on time**

Pursuant to section 73(1) of the IO, a licensed insurance broker company must, within 6 months after the end of each financial year ("**the 6-month submission deadline**"), submit to the Insurance Authority ("**IA**"):

- its audited financial statements;
- an auditor's report on its financial statements; and
- an auditor's report stating whether the auditor is of the opinion that the broker company has continued to comply with the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap.41L)

(collectively "**the Required Documents**").

Compliance with this submission requirement serves as a vital policy holder protection measure. By submitting the Required Documents within the 6-month submission deadline, a licensed insurance broker company demonstrates that it has subjected its financial statements, controls and processes to independent audit and review and is able to satisfy regulatory requirements and time-lines. This gives confidence to clients that deal with the broker company. By corollary, failure to submit the Required Documents in time is indicative poor controls and processes and undermines confidence with clients.

Accordingly, this important regulatory requirement is underpinned by section 73(2) of the IO, which makes failure to comply with the requirement an offence, rendering the broker company liable to a fine at level 6, and in the case of a continuing offence, to a further fine of \$500 for each day during which the offence continues.

**What if a broker company is unable to meet the deadline for reasons outside its control?**

There may, of course, be occasions when a broker company may experience difficulty in submitting the Required Documents within the 6-month submission deadline, due to matters outside of its control. In these circumstances, to seek to avoid committing an offence, the broker

company must apply to the IA (in advance of the deadline) for an exemption under section 79 of the IO to extend the deadline for submitting its Required Documents (“**Submission Extension**”).

In the Annex to this letter, we set out the documents (and application fee) that a broker company will need to submit (and the timing of submission) when making an application for a Submission Extension. In considering such applications, the IA takes account of all relevant considerations, including the underlying reasons for the inability to meet the deadline and whether or not this was due to circumstances outside the broker company’s control. We will also take account of our broad understanding of the operational difficulties that licensed insurance broker companies may face under exceptional circumstances, whilst at the same time balancing this against the need to be fair to those licensed insurance broker companies who have been able to meet the deadline. After all, it remains imperative that licensed insurance broker companies make it a priority to submit the Required Documents on time.

As indicated in the Annex, a fee is payable for applications for Submission Extensions that are submitted to the IA from 23 September 2024 onwards. In setting these fees, the IA has used its discretion under section 3 of the Insurance (Prescribed Fees) Regulation to adjust downwards the level of fee that would otherwise have been payable for a Section 79 exemption application, to better reflect the cost of processing applications for Submission Extensions.

Broker companies with a financial year end date of 31 March 2024 should pay particular attention, if they anticipate being unable (due to circumstances outside their control) to meet the 6-month submission deadline for submitting the Required Documents by 30 September 2024. If you make your application for a Submission Extension before 23 September 2024, you will not have to pay the application fee. If you make your application on or after 23 September 2024, however, you will need to pay the application fee.

To be clear, no application for Submission Extension will be entertained if it is made after the applicable 6-month submission deadline has passed.

Given the fundamental importance of the requirement to submit the Required Documents within the 6-month submission deadline, any licensed broker company that either fails to comply with this requirement, or fails to obtain the necessary Submission Extension, can expect to be the subject of enforcement action.

We trust the above is clear, but if you have any questions regarding the contents of this circular, please contact us via [brokers@ia.org.hk](mailto:brokers@ia.org.hk).

Yours faithfully,

Peter Gregoire  
Head of Conduct Supervision Division  
General Counsel  
Insurance Authority

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

## Guidance on Application for Submission Extension under S.79 of the Insurance Ordinance

### How to Apply

An applicant is required to submit the following to the IA:

- An application letter including the justification / reason for late submission and the intended date of submission, along with the complete set of supporting documents below:
  - i. Management accounts as at the financial year end (“FYE”) date (including profits and loss accounts, and balance sheet);
  - ii. Bank statement of client account(s) and bank reconciliation as at the FYE date, showing the client account balance as shown in the balance sheet;
  - iii. The broker company’s current in-force professional indemnity insurance (“**existing PII**”) policy; and
  - iv. The amount of the broker company’s insurance brokerage income in the 12 consecutive months immediately before the commencement date of the existing PII policy period.
- An application fee (with reference to the below fee table) is payable by cheque to ‘**Insurance Authority**’ (Note: please write the IA license number of the broker company and the contact telephone number on the reverse side of the cheque). Please note that the application fee is **non-refundable regardless of the result of the application**.

| <b>Extension period for which the broker company is applying</b> | <b>Application fee (in HKD)</b> |
|--|---------------------------------|
| For 1 month  | <b>\$2,500</b>                  |
| For 2 months   | <b>\$5,000</b>                  |
| For 3 months (maximum period the IA is willing to grant)         | <b>\$7,500</b>                  |

### Deadline of Application

- The application letter together with the complete set of supporting documents and application fee as mentioned above, must be lodged with the IA no later than 5 working days before the submission deadline (i.e. the 6-month statutory submission deadline) by post to the following address:

Insurance Authority  
 19th Floor, 41 Heung Yip Road  
 Wong Chuk Hang  
 Hong Kong

(Attention: Conduct Supervision Division)

**Points to note**

- Please ensure you have provided all the information and documents required in support of this application. Applications with incomplete information (e.g. required supporting documents are not provided) or late submission of application will NOT be considered.
- Enquiries about application for Submission Extension can be made to the IA via [brokers@ia.org.hk](mailto:brokers@ia.org.hk).