

28 December 2021

Our Ref: INS/TEC/6/96
By Email Only

To: Chief Executives of authorized insurers carrying on long term business and responsible officers of licensed insurance broker companies and licensed insurance agencies carrying on regulated activities in relation to long term business

Dear Sirs,

Note on the Green Light Process for Assessment of Investment-Linked Assurance Scheme (“ILAS”) Products against Standards in Guideline on Underwriting Class C Business (GL15) and the consequential updates to the Interpretation Notes for the Guideline on Sale of Investment-Linked Assurance Scheme (“ILAS”) Products (“GL26 Interpretation Notes”)

The Insurance Authority (“IA”) has today issued its “Note on the Green Light Process for Assessment of Investment-Linked Assurance Scheme (“ILAS”) Products against Standards in Guideline on Underwriting Class C Business (GL15)” (“Note”).

The Note aims to formalize the process by which an ILAS product which is to be marketed to the public is assessed against certain requirements in GL15 by the IA, before the authorized insurer may apply for authorization for the ILAS product from the Securities and Futures Commission (“SFC”). This process is referred to in the Note as the “green light process”. In formalizing the green light process, the Note builds on and provides further information in respect of the requirements under paragraph 5 (Product Design), paragraph 6 (Provision of Adequate and Clear Information), paragraph 9 (Appropriate Remuneration Structure) and paragraph 11 (Clients’ Investments and Assets) of GL15.

The green light process set out in the Note has been formulated in collaboration with the SFC with the specific aim of ensuring the process for vetting ILAS products to be marketed to the public by both the IA and SFC is coordinated and streamlined.

In tandem with issuing the Note, the IA has also made several consequential updates to Appendices 1 and 2 to the GL26 Interpretation Notes (which provide further information on the standards and requirements in the Guideline on Sale of Investment-Linked Assurance Scheme (“ILAS”) Products (GL26)). The purpose of these updates is to provide additional information on the steps authorized insurers and licensed insurance intermediaries should take to comply with certain requirements under GL26 in respect of ILAS products. The updates to the GL26 Interpretation Notes cover -

- i. additional disclosure under the “Important Facts Statement” (new paragraphs 11, 12 and 13 added to Appendix 1 to the GL26 Interpretation Notes and supplementary Q&A 11A added) for ILAS products with an embedded high level of insurance protection¹; and

¹ An ILAS product with a high level of insurance protection generally refers to an ILAS product with a death benefit of at least 150% of the total premiums payable before the insured reaches age 65.

- ii. clarification for the calculation methodology and disclosure of remuneration provided to licensed insurance intermediaries (paragraphs 4.3, 4.7, 6.4(c), 6.5, 6.6, 6.8-6.11, 7.4, 7.5 and the Annex added to Appendix 2 to the GL26 Interpretation Notes).

The IA will take into account compliance with the matters stated in the Note, in reviewing an ILAS product as part of the green light process, against the relevant requirements in GL15 (and also GL26).

Authorized insurers (in relation to GL15 and GL26) and licensed insurance intermediaries (in relation to GL26) are reminded that whilst GL15 and GL26 do not have the force of law, in the sense that they are not subsidiary legislation and should not be interpreted in a way that would override any provision of law, a non-compliance with their requirements may reflect on the IA's view of the continued fitness and properness of (i) the directors, controllers and key persons in relevant control functions of authorized insurers to which GL15 and GL26 apply; and (ii) the licensed insurance intermediaries to which GL26 applies and (in the case of licensed insurance broker companies and licensed insurance agencies) their directors, controllers, and responsible officers. The IA may also take guidance from GL15 and GL26 in considering whether there has been an act or omission likely to be prejudicial to the interests of policyholders or potential policyholders (albeit the IA will always take account of the full context, facts and impact of any matter before it in this respect).

The Note together with the updated Appendices 1 (with supplementary Q&A 11A) and 2 to the GL26 Interpretation Notes are attached to this circular and may also be downloaded from the IA's website.

Should you have any questions to this circular, please contact your case officers.

Yours faithfully,

Carol Hui
Executive Director
Long Term Business Division
Insurance Authority

Encl.

- c.c. Securities and Futures Commission
Hong Kong Monetary Authority
The Hong Kong Federation of Insurers
The Hong Kong Confederation of Insurance Brokers
Professional Insurance Brokers Association
Insurance Industry Regulatory & Development Concern Group