

14 June 2024

Our Ref: INS/TEC/6/20/6 Sub-file 12

By Email Only

To: Chief Executives of all authorized insurers carrying on long term business

Dear Sir/Madam,

GL34: Guideline on Establishment and Maintenance of Fund(s) in respect of Participating Business

Pursuant to section 133 of the Insurance Ordinance (Cap. 41), the Insurance Authority (“IA”) has published a new Guideline on Establishment and Maintenance of Fund(s) in respect of Participating Business (“GL34”). Enclosed please find a copy of the GL34 which is also available on the website of the Insurance Authority (“IA”) (https://www.ia.org.hk/en/legislative_framework/guidelines.php).

The GL34 is promulgated in anticipation of the enactment of the Insurance (Amendment) Ordinance 2023¹ (“Amendment Ordinance”). Comments from insurers have been considered during the drafting process. The GL34 sets out the IA’s expectations for sound and prudent business practices to be implemented and followed by authorized insurers in establishing and maintaining funds in respect of participating business, pursuant to section 21B of the Insurance Ordinance (Cap. 41), which comprise participating business carried on in Hong Kong. Areas covered in the GL34 include the identification of assets and liabilities, determination of the opening balance, allocation of expenses and charges, allocation of distributable surplus/profits, capital support, physical segregation of assets, and independent report of the establishment of participating funds. The GL34 shall take effect from 1 July 2024, together with the commencement of Part 2 of the Amendment Ordinance.

Should you have any questions in relation to the above, please contact your case officer or email us at enquiry@ia.org.hk.

Yours faithfully,

Tony Chan
Associate Director
Policy and Legislation Division
Insurance Authority

Encl.

c.c. Chairman, The Hong Kong Federation of Insurers
President, The Actuarial Society of Hong Kong

¹ <https://www.gld.gov.hk/egazette/pdf/20232728/es12023272820.pdf>