



As October unfolds, the transition into autumn symbolizes a time of reflection and strategic recalibration amidst ongoing market fluctuations. This period presents a valuable opportunity to reaffirm our commitment to resilience and adaptability, guided by our belief in sustained global growth. ComplianceDirect continues to prioritize expert consultation and comprehensive compliance services to navigate the evolving landscape effectively.

Let's have a brief look with our Regulatory Updates from the IA!

REGULATORY UPDATES

Regulatory Expectations Regarding Referral Fees Paid by Licensed Insurance Broker Companies for Participating Policies

1 September 2025

Introduction

In a circular promulgated on 22 May 2024, the Insurance Authority ("IA") expressed concern about business models that could incentivize unlicensed selling of long term insurance policies, particularly those adopted by licensed insurance broker companies relying solely or heavily on referrers. The IA also reiterated that authorized insurers are responsible for ensuring that the licensed insurance broker companies with which they work comply fully with the Insurance Regulatory Framework when referring business to them as part of the intermediary management control function.

On the other hand, the Practice Note on Remuneration Structures of Authorized Insurers for Licensed Insurance Intermediaries for Participating Policies promulgated by the IA on 30 July 2025 sets out the minimum regulatory expectations on how authorized insurers should structure remuneration for insurance intermediaries to ensure

proper alignment with customers' interests. This circular dives deeper into the level of referral fees paid by licensed insurance broker companies to referrers.

Scope of Application

The regulatory expectations contained in this circular are applicable only to licensed insurance broker companies when dealing with participating policies (i.e. contracts of insurance that are "participating business" as defined in section 21B of the Insurance Ordinance (Cap. 41) ("Ordinance")). The IA will keep track of market developments to determine whether similar measures should be rolled out to other products or distribution channels.

Referral Fees

Commissions paid by authorized insurers to licensed insurance broker companies are meant to reward them for sourcing, advising and servicing policy holders. While business models predicated on referrers is not strictly prohibited, it is imperative to ensure full compliance with the regulatory requirements stipulated in the Ordinance as well as the rules, codes, guidelines and circulars promulgated by the IA, and their underlying spirits are not circumvented or diluted.

If a licensed insurance broker company consistently pays a substantial portion of the commissions it received from authorized insurers to referrers, one would fairly question what role the referrers have played that justify such hefty compensation and whether the referral fee is in fact a covert channel through which premium or commissions rebates are offered to selected customer groups and responsibility for carrying out regulated activities are shifted to unlicensed personnel. This problem is especially acute for participating policies given their front-loaded commissions and lengthy tenure.

Comprehensive Evaluation

Market feedback indicates that the current situation, if left unchecked, could breed misconducts, erode public confidence and impair market sustainability. The IA therefore finds it necessary to rationalize regulatory priorities by setting 50% as a benchmark of fees paid by licensed insurance broker companies to referrers ("Benchmark"), beyond which enhanced disclosure and further explanation should be made on specific aspects including how clients are sourced, how the level of referral fee is determined and what safeguards are available to prevent abuses.

Departure from the Benchmark

There are situations where a licensed insurance broker company forges partnership with entities licensed by other financial regulators in Hong Kong (i.e. Hong Kong Monetary Authority, Securities and Futures Commission and Mandatory Provident Fund Schemes Authority) to leverage their proprietary clientele and network of contacts. Since these entities are operating under supervisory regimes comparable to that of the IA and have a vested interest in ensuring that their clients are fairly treated, the Benchmark is not applicable to them.

Regulatory Actions

Licensed insurance broker companies paying referral fees above the Benchmark will be subject to on-site inspections and off-site reviews of their corporate governance and internal controls to inform the licence renewal process. Similarly, the IA will appraise the strength of intermediary management oversight exercised by the authorized insurers in working with licensed insurance broker companies to ensure that the Benchmark has been taken into account during their due diligence process. Any entities found to have engaged or connived in misconducts can expect to face proportionate regulatory and enforcement actions by the IA.

Effective Date

All licensed insurance broker companies and authorized insurers should comply with this circular by 1 October 2025.

Should you have any questions in relation to the above, please contact us at conductsupervision@ia.org.hk.

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Circular on the Naming Requirements for Insurance Products

19 Sep 2025

Circular on the Naming Requirements for Insurance Products

The Insurance Authority (“IA”) and the Hong Kong Monetary Authority (“HKMA”) have observed that certain insurance products currently marketed in Hong Kong may create confusion among prospective policy holders regarding their nature. In particular, insurance products with savings features may be misunderstood as bank deposits due to the lack of clear indications that these products are insurance policies. This could result in complaints from policy holders.

To address this issue and ensure that insurance products with savings features are presented clearly and accurately, the IA and the HKMA consider it necessary to set out supervisory expectations regarding the naming of these products. Insurance products that meet one or more of the following criteria (referred to as “in-scope products”) are required to include the word “insurance” in their English product names and the word “保險” in their Chinese product names –

- (i) being designed to meet customers’ savings needs; or
- (ii) being marketed or promoted as having a “savings” feature in product brochures or any marketing materials, regardless of whether the term “savings” or similar descriptions are used.

The requirement aims to ensure that the nature of the product is clearly and unambiguously communicated to the prospective policy holders at the point of sale and throughout the entire policy lifecycle. For clarity, this requirement applies solely to the basic plan and not to riders. Furthermore, Investment-Linked Assurance Scheme (“ILAS”) products and Qualifying Deferred Annuity Policy (“QDAP”), which are widely recognized as insurance products, are exempt from this requirement.

In recognition of the operational and system changes necessary for implementation, the supervisory requirement outlined in this circular will be introduced in two phases -

- (i) Phase 1 shall take effect from 1 January 2026 (“Effective Date”), for all new inscope products launched on or after this date; and
- (ii) Phase 2 shall take effect from 1 January 2027, for all existing in-scope products (i.e. products that are available before the Effective Date) that will continue to be sold on or after 1 January 2027. Insurers are expected to take appropriate measures to ensure that all relevant policy documents, including but not limited to marketing materials and subsequent communications with policy holders, are revised accordingly². For clarity, existing insurance products that will cease to be sold before 1 January 2027 will not be required to comply with this requirement.

The IA and the HKMA expect all insurers and insurance intermediaries to ensure that their staff, particularly those involved in product development, marketing, distribution and compliance, are fully informed about this requirement. Furthermore, insurers and insurance intermediaries should take measures to ensure that their internal controls and governance frameworks are sufficiently robust to support compliance with this circular, in order to uphold the principles of treating customers fairly and acting in their best interests.

Should you have any questions in relation to the above, please contact your case officers at the IA. For banking conduct matters, please contact Mr Banny Yu at 2878-8272 or Mr Ken Chan at 2878-1373 of the HKMA.

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Guideline on Governance and Management of Fund(s) of Participating Business

19 Sep 2025

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

The GL34 is revised to enhance the governance of participating business. We have taken into account comments from insurers as well as industry and professional bodies during the consultation process.

The revised GL34 provides, among other things, requirements on the establishment and role of Participating Business Committees and enhancement to corporate policy on participating business. The revised GL34 will take effect on 31 March 2026 (except for section 4 on corporate policy which will take effect on 30 June 2026).

To streamline those requirements which may be applicable to both GL34 and the Guideline on Underwriting Long Term Insurance Business (Other Than Class C Business) (GL16), we are revising GL16 which is expected to be available for consultation with the industry later this year.

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

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"Conduct in Focus" - September 2025

19 Sep 2025

The Insurance Authority ("IA") is pleased to publish the latest edition of "Conduct in Focus" today. The publication is now available on the IA's website at the following link:

Main Issue:

https://www.ia.org.hk/en/legislative_framework/files/Eng_Conduct_in_Focus_Issue_11_September_2025.pdf

Special Supplement:

https://www.ia.org.hk/en/legislative_framework/files/Eng_Conduct_in_Focus_Issue_11_September_2025_Special_Supplement.pdf

This edition presents a number of regulatory observations and insights. Notably, while the number of complaint cases received by the IA in the first half of 2025 has increased compared to the same period in 2024, it remains below pre-pandemic levels. Nevertheless, this upward trend is worth monitoring, and a deeper analysis is provided in our article.

We also explore the growing interest in establishing insurance agencies that specialize in operating run-off portfolios in Hong Kong. In this context, we outline the key factors the IA will consider when assessing licensing applications in this area.

Another important topic we visit is the duty of insurance brokers when sourcing offshore insurance products for clients. While such arrangements should generally be infrequent, they may arise when suitable local products are limited. In these situations, insurance brokers must clearly explain the limitations and risks involved to ensure clients can make an informed decision.

This edition also reviews the recent cessation of unsolicited MPF-related telemarketing and discusses whether similar regulatory measures may be introduced for the broader insurance industry. Additionally, we share findings from a recent IA's mystery shopping exercise and provide some good practices for roadshow activities.

Finally, as the insurance processes become increasingly digitized, our conduct inspections have identified common pitfalls in system design and implementation, some of which may lead to non-compliant sales practices. To address this, we have prepared a special supplement that outlines these issues and offers practical suggestions for system reviews to help prevent similar problems in future development.

Thank you for your interest and if you have any questions or comments, please e-mail to conductsupervision@ia.org.hk.

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ENFORCEMENT NEWS

Insurance Authority issues a public reprimand and imposes a fine on Tahoe Life Insurance Company Limited

2 Sep 2025

The Insurance Authority (IA) has issued a public reprimand on Tahoe Life Insurance Company Limited (Tahoe Life) and imposed a fine of \$10 million to be borne by its shareholders' fund.

The disciplinary actions are connected with related party transactions performed by Tahoe Life between July 2019 and April 2020 without prior consent of the IA that involved Tahoe Group Global (Co.) Limited. Both Mr Huang Qisen and Mr Ge Yong were directors of the insurer at the material time and no longer considered to be fit and proper persons. They have already relinquished these key management roles.

A series of supervisory measures including asset ring-fencing, tightened internal controls and investment restrictions have since been instigated by the IA to safeguard the interest of policy holders, culminating in the appointment of Joint and Several Managers to take control of the affairs, business and property of Tahoe Life on 26 July 2024.

All policy holders of Tahoe Life will not be affected by these disciplinary actions.

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Insurance Authority secures conviction against Yan Zhiyu for failure to attend an investigation interview

3 Sep 2025

The Eastern Magistrates' Courts today (3 September 2025) convicted and imposed a fine of \$10,000 on Mr. Yan Zhiyu for failing to attend without reasonable excuse an interview concerning the investigation into suspected misappropriation of premium payment belonging to two policy holders, thereby contravening section 64ZZL(1) of the Insurance Ordinance (Cap. 41) ("IO").

To facilitate the Insurance Authority in discharging its statutory responsibility of regulating the conduct of insurance intermediaries, a person may be requested to attend interviews or render assistance in the related investigations. Failure to comply with section 64ZZL(1) of the IO could result in a fine of \$200,000 and imprisonment for 1 year upon conviction on indictment, or a fine at level 5 that amounts to \$50,000 and imprisonment for 6 months on summary conviction.

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Insurance Authority bans So Yuen Wa from being an insurance intermediary for 50 months

25 Sep 2025

The Insurance Authority (IA) has banned Ms So Yuen Wa (Licence number: IG3140) from being an insurance intermediary for 50 months.

Ms So provided misleading advice to two clients that her appointing insurer would acquire the policies they were holding for the purpose of inducing them into giving up their policies and obtaining replacements. As a result, they surrendered three critical illness and long term saving policies and bought eight new ones from her. Ms So made no disclosure that de facto policy replacement was involved, impersonated one of the clients to enquire about her policies and pocketed the surrender value instead of paying it into the new policies. Nonetheless, almost all the funds involved were subsequently repaid by Ms So.

Policy replacement is a serious decision that carries far-reaching implications on the interest of policy holders. In this specific case, the clients were deprived of protection offered by their original policies and lost the opportunity to reinstate them. We urge members of the public to take extreme care when being asked to surrender their policies. Insurance intermediaries should also take heed of the fact that deceptive or unethical practices concerning policy replacement will attract severe penalties imposed by the IA.

Further details are available at the section titled “Enforcement News” and the Register of Licensed Insurance Intermediaries on the IA website.

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