
REGULATORY NEWSLETTER

2025 Vol.4



April, spring begins spreading around the globe despite the dynamics of the market. A perfect timing to act with determination and resistance as we believe the world will have prosperity in future. As always, we would endeavor to provide you our professional consultation and compliance services.

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

REGULATORY UPDATES

First Run of the RO-CPD Pilot Scheme for the Assessment Period 2024/2025

7 March 2025

Further to the circular issued by the Insurance Authority ("IA") on 28 June 2024 as regards the Pilot Scheme for Continuing Professional Development ("CPD") Training for Responsible Officers of Licensed Broker Companies during the Assessment Period 2024/2025, the IA issues this circular aiming to set out the details on the relevant pilot training scheme for the Responsible Officers ("ROs"). The Practice Note shall take effect from 1 July 2025. The requirements and expectations outlined in the Practice Note apply to all benefit illustrations to be provided by authorized insurers and licensed insurance intermediaries at the point of sale.

To recap, a RO of a Licensed Insurance Broker Company has an additional management responsibility of using best endeavors to ensure that the broker company of which he or she is RO, has established and maintains proper controls and procedures for securing compliance with the conduct requirements in the Insurance Ordinance (Cap. 41) by the broker company and its technical representatives (broker) ("TRBs"), and securing observance by the TRBs of the broker company with these controls and procedures. However, the current CPD requirement for insurance intermediaries primarily focuses on the carrying on of regulated activities at the individual intermediary (e.g. TRB) level, without introducing any extra CPD training for the ROs' additional management responsibilities.

To address this, the IA decided to roll out a pilot scheme for the Assessment Period 2024/2025, through the two broker industry bodies, the Professional Insurance Brokers Association ("PIBA") and the Hong Kong Confederation of Insurance Brokers ("CIB"), for ROs of broker companies to complete an RO specific CPD ("RO-CPD") course of 2 hours. Such RO-CPD course is not an additional 2 CPD hours, but part of the 15-hour CPD requirement that an RO has to do anyway, and completion of the 2-hour RO-CPD course will also count towards completion of 2 of the 3 CPD hours that need to be completed on "Ethics and Regulations".

If you have any questions concerning the information contained in this circular, please send your enquiries by email to cpd@ia.org.hk.

If you have any questions concerning the registration and any other administrative procedures of RO-CPD courses run by PIBA and CIB, please contact Ms Karen Sim of PIBA at 2139 1328 and CIB at info@hkcib.org.

[View Circular](#)

First Run of the KPIM-CPD Pilot Scheme for the Assessment Period 2024/2025

7 March 2025

Further to the circular issued by the Insurance Authority ("IA") on 28 June 2024 as regards the Pilot Scheme for Continuing Professional Development ("CPD") Hours for Key Persons in the Intermediary Management Control Function of Authorized Insurers for Assessment Period 2024/2025, the IA issues this circular aiming to set out the details on the relevant pilot training scheme for the Key Persons in the Intermediary Management Control Function ("KPIMs").

To recap, the intermediary management control function which came into force on 23 September 2019, is a function to establish and maintain internal control measures for administrating the licensed insurance agents and ensuring all licensed insurance intermediaries (including broker companies) from which the insurer accepts business, has in place arrangements to comply with the insurance regulatory framework. To assist newly appointed KPIMs understand the regulatory expectations on the parameters for their roles, the IA has carried out training for KPIMs through the Hong Kong Federation of Insurers ("HKFI") over the past few years. In view of the popularity of these training sessions, the IA therefore decided to regularize the arrangement and introduced a pilot scheme for KPIMs to perform CPD training by attending the designated course offered by the IA through the HKFI.

Under the pilot scheme, every KPIM is expected to attend at least one of the training sessions run by the HKFI during the 2024/2025 Assessment Period which runs from 1 August 2024 to 31 July 2025. If a KPIM is also a licensed individual insurance intermediary, the KPIM-CPD course is not an additional CPD hours but part of the 15-hour CPD requirement that an individual licensee has to do for every assessment period, and completion of the KPIM-CPD course will also count towards the completion of

qualified CPD activities on "Ethics and Regulations".

If you have any questions concerning the information contained in this circular, please send your enquiries by email to cpd@ia.org.hk.

If you have any questions concerning the registration and any other administrative procedures of the KPIM-CPD course run by the HKFI, please contact Ms. Joey Cheng of HKFI at 2861 9399 or training@hkfi.org.hk.

[View Circular](#)

Statements issued by the Financial Action Task Force ("FATF") Frequently Asked Questions in relation to Anti-Money Laundering and Counter-Terrorist Financing

11 March 2025

Further to the letter of 8 November 2024 issued by the IA, the IA is writing to inform you of the following developments:

1) The FATF Statement

a) High-Risk Jurisdictions subject to a Call for Action

- i) Jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures – The Democratic People's Republic of Korea ("DPRK") and Iran
- ii) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction – Myanmar

b) Jurisdictions under Increased Monitoring

In addition, the FATF issued an updated statement on Jurisdictions under Increased Monitoring which can be found on the website of the FATF (<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitoredjurisdictions/increased-monitoring-february-2025.html>).

The statement sets out the list of jurisdictions that have committed to resolve swiftly strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing within agreed timeframes and are subject to increased monitoring. The FATF will closely monitor the progress made by these jurisdictions in addressing the identified strategic deficiencies and encourages its members to take into account the information presented in the statement in their risk analysis.

As the FATF will continue to assess the progress made by these jurisdictions in addressing the deficiencies in their AML/CFT systems and issue updated statements from time to time, IIs are reminded to browse the website of the FATF for the latest information.

c) Other Outcomes from the FATF Plenary, 19 – 21 February 2025

In addition to the statements in (a) and (b) above, the FATF also published various other outcomes of its recent Plenary which may be of interest to IIs

Further information on the FATF Plenary's outcomes can be found on the website of the FATF (<https://www.fatf-gafi.org/en/publications/Fatfgeneral/outcomesfatf-plenary-february-2025.html>).

2) Frequently Asked Questions

FAQs in relation to AML/CFT have been updated today. The FAQs published on 1 June 2023 are superseded with immediate effect. The updated set of FAQs is available on HKIA'S website (https://www.ia.org.hk/en/infocenter/faqs/faqs_9.html).

Should you have any enquiries regarding the above, please contact Mr Raven Chan at 3899 9754 or Mr Timothy Yim at 3899 9832.

[View News](#)

Indexed Universal Life Insurance Products for Professional Investors

13 March 2025

The Insurance Authority (IA) and the Hong Kong Monetary Authority (HKMA) have observed recent inquiries from the industry regarding indexed universal life (IUL) products, stemming from an increase in demand from high-net-worth clients.

In response to these inquiries, the IA and HKMA believe it is important to clarify how the insurance regulatory framework applies to IUL products, ensuring that policyholder protection and fair treatment of customers are prioritized.

Overview of IUL Products

IUL products, like traditional universal life insurance, provide life insurance coverage along with a cash value component and flexibility in premium payments. However, unlike standard universal life insurance, the cash value of IUL products is linked—either fully or partially—to the performance of financial indices (such as stock market indices).

Application of the Regulatory Framework

Because the cash value of IUL products is determined by these indices, they are classified as Class C (linked long-term) business under the Insurance Ordinance (Cap. 41). Therefore, IUL products must comply with all regulatory requirements applicable to Class C business, including GL15 (Guideline on Underwriting Class C Business) and GL26 (Guideline on Sale of Investment-Linked Assurance Scheme Products), which specifically relate to this category. Additionally, guidelines referenced in GL15 and GL26, such as GL28 (Guideline on Benefit Illustrations for Long Term Insurance Policies) and GL30 (Guideline on Financial Needs Analysis), also apply.

Considerations for IUL Insurance Business

The IA and HKMA recognize several important points:

While many provisions of the Class C regulatory framework are relevant to IUL business for ensuring policyholder protection, some may not be entirely applicable, or their application might need to be adjusted for practicality.

IUL products maintain features of traditional universal life insurance, which are generally not categorized as Class C and fall under GL16 (Guideline on Underwriting Long Term Insurance Business Other Than Class C Business). Therefore, certain provisions in GL16 should also be relevant to IUL insurance.

In cases where IUL products are sold exclusively to high-net-worth customers who meet the definition of professional investors (PIs) as defined in the Securities and Futures Ordinance (Cap. 571), there is potential to modify or adjust the application of certain requirements in GL15 and GL26 without compromising policyholder protection.

Guidelines for Designing and Selling IUL Products to PIs

To uphold policyholder protection while considering the specifics of selling IUL products to PIs, the IA has assessed the insurance regulatory framework. The Annex details how various guidelines will apply (or not apply) when IUL products are offered to PIs. Authorized insurers and licensed intermediaries involved in IUL insurance business are expected to adhere to these applicable provisions when designing, offering, and selling IUL products to PIs.

[View Circular](#)

"Conduct in Focus" – Spring 2025

28 March 2025

The Insurance Authority (IA) is excited to announce the release of the latest edition of "Conduct in Focus" today. You can access the publication on the IA's website, where it is available to read or listen to at the following link:

[IA Conduct in Focus - Spring 2025](#)

Have you ever thought about becoming a Managing General Agent (MGA)? Unlike traditional agents, MGAs are empowered to carry out key insurance functions, such as underwriting and claims processing, on behalf of insurers. The main article in this edition examines the increasing interest in the MGA model within Hong Kong's insurance market and discusses the IA's focus on this model within the regulatory framework and licensing process.

Why is it crucial for licensed insurance intermediaries to avoid and manage conflicts of interest? Do insurance agents and brokers encounter different conflicts during regulated activities? Is the commission structure—particularly the fact that most commissions are paid upfront in the first year of the policy—a primary source of these conflicts, and if so, how can it be addressed? This edition aims to provide insights into these important questions.

Additionally, we are pleased to report significant progress in the industry, achieving a 99.9% compliance rate with Continuing Professional Development (CPD) requirements for the 2023/24 Assessment Period. This achievement not only eliminates the need for a CPD Non-Compliance League Table but also demonstrates the industry's commitment to upholding high professional standards.

Other topics covered in this edition include the high turnover rate among newly licensed insurance intermediaries and its potential impact on servicing orphan policies in the life insurance sector, statistics on complaints received by the IA in 2024, and the latest updates on our enforcement cases.

Thank you for your interest. If you have any questions or comments, please feel free to email <mailto:conductsupervision@ia.org.hk>.

[View Circular](#)

ENFORCEMENT NEWS

Insurance Authority imposes a four-month suspension on the licence held by Chan Lok Wang who falsified the signature of his client on a policy surrender form

12 March 2025

The Insurance Authority (IA) has suspended Mr. Chan Lok Wang's license (License No: IM7603) for four months.

In December 2022, a client inherited by Mr. Chan from colleagues requested to surrender one of two long-term insurance policies and provided a partially completed form with his signature. Mr. Chan mistakenly assumed the client wanted to surrender both policies, so he photocopied the original form, filled in the necessary details, and submitted it without clarification. Consequently, both policies were canceled.

It is unacceptable for a licensed insurance intermediary to forge a client's signature, regardless of intentions, as it can expose the policyholder to unnecessary risk or financial loss. This incident underscores the importance of exercising due diligence when managing orphan policies, which is vital for maintaining public trust in the insurance industry.

In making this decision, we recognize that Mr. Chan acknowledged his mistake, has already faced internal disciplinary measures from the insurer, and cooperated fully throughout the disciplinary process.

For more information, please refer to the "Enforcement News" section or the "Register of Licensed Insurance Intermediaries" on the IA website.

[View News](#)

The first case of conviction instigated by the Insurance Authority against a licensed broker company for failure to submit its audited financial statements

19 March 2025

The Eastern Magistrates' Courts convicted Aurex Insurance Brokers Limited, a licensed brokerage, today (March 19, 2025), and imposed a fine of \$26,060 for not submitting its audited financial statements to the Insurance Authority within six months after the end of the financial year on two separate occasions, violating section 73(1) of the Insurance Ordinance (Cap. 41).

The audited financial statements, along with the auditor's report and compliance report, are crucial documents that provide essential information to evaluate whether a licensed broker can meet all regulatory requirements, allowing the public to trust them with their insurance business. Non-compliance with section 73(1) of the IO can result in a level 6 fine of \$100,000, plus an additional

\$500 for each day the violation persists.

[View News](#)



ComplianceDirect Consulting Limited

Address: Room 603, 6/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong

Phone: 2606 1800