



Spearheading
Balanced Development
and Sustainable Growth

ANNUAL REPORT
2021-22





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Chairman's Message

Mandated by statute to facilitate sustainable development of the industry and promote its overall competitiveness, the IA strives to ensure that insurance fulfils first and foremost a social role of risk mitigation and functions concurrently to spur economic growth.

Mr Stephen Yiu
Chairman



Chairman's Message

First of all, please allow me to pay tribute to my predecessor, Dr Moses Cheng, and other Non-Executive Directors who retired recently from the Board for their valuable contribution in laying a firm foundation for the Insurance Authority ("IA") to become a visionary, progressive and caring regulator.

Tectonic Shifts

The world is at a precarious moment with the threat posed by climate change, geo-political conflicts, cyber vulnerabilities and wealth divide looming large on the horizon, while disruptions on private consumption and economic activities brought about by COVID-19 have yet to subside. The conflict in Ukraine that started in February 2022 curtailed the nascent recovery, created chokepoints along the supply chain and stoked fears of worldwide stagflation. Being an international financial centre, Hong Kong cannot escape from the repercussions of such tectonic shifts. I am confident that blessed with unique advantages conferred by the "one country, two systems" concept, we will rise from adversities stronger and wiser once again.

As a matter of fact, the way in which different trades and professions have reacted to the evolving situation thus far has adequately demonstrated the resourcefulness and resilience of this amazing city. Take for instance – a swift redirection of focus to indigenous demand for protective insurance coverage, coupled with investment on digitalisation and manpower training, has alleviated the damage done to business derived from restricted cross-boundary travel of Mainland Chinese visitors, enabling the insurance industry to stage a marked recovery in 2021 when new office premiums of long term business rose by 25%.¹

Sustainable Development

Impressive statistical indicators are masking certain structural imbalances. Mandated by statute to facilitate sustainable development of the industry and promote its overall competitiveness, the IA strives to ensure that insurance fulfils first and foremost a social role of risk mitigation and functions concurrently to spur economic growth. We aim to do so by leveraging on the dual circulation strategy and giving full play to the positive impact of enhanced connectivity between Hong Kong and the Mainland. Putting things in context, the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") and the Belt and Road Initiative will remain central themes of our bid to become a global risk management centre and regional insurance and reinsurance hub.

Domestically, preparations for establishment of after-sales service centres in Mainland cities of the GBA and application of the unilateral recognition policy for motor insurance of vehicles accessing Guangdong via the Hong Kong-Zhuhai-Macao Bridge are progressing well, no doubt accelerated by huge demand during the past two years of de facto segregation. Hopefully impetus could be generated for the design and marketing of innovative products that cater for the emerging needs of people interested in exploring the GBA. Closer to home, the IA will make relentless efforts to improve public empowerment and financial inclusion, partnering with the industry whenever appropriate to deliver an optimal outcome.

¹ Based on 2021 provisional statistics.

Chairman's Message

Internationally, the group-wide supervision framework rolled out in May 2021 has gained trust and traction following the designation of three insurance groups and after member jurisdictions accustomed to the collective scrutiny done through supervisory colleges. The bespoke regulatory regime for insurance-linked securities also paved way for issuance of two catastrophe bonds in October 2021 and June 2022 respectively, sparking off keen interest from a diverse spectrum of potential sponsors and adding an extra dimension to the sophistication of alternative investment instruments available locally. It goes without saying that we must double up the effort to accelerate formation of captives by state-owned enterprises and rev up the intensity of deal-matching pitches co-ordinated by the Hong Kong Specialty Risks Consortium.

Market Stability

Maintaining market stability is the overriding priority for insurance supervisors – it provides a conducive environment for ventures to flourish and inspires confidence among average citizens to stake their future on insurance products. Conscious that interaction between the tectonic shifts mentioned earlier will amplify this commitment, the IA is stepping up participation in multilateral stress testing and monitoring exercises while expediting key reforms including refinement of the annual company review mechanism, implementation of the Risk-based Capital Regime with optional early adoption and nurturing of macroprudential surveillance capabilities. Furthermore, work is in hand to legislate for setting up of the long-awaited Policy Holders' Protection Scheme to provide a safety net against insolvency of insurers. All these measures converge on one singular objective, which is to prevent systemic risks from jeopardising market stability. An observation made by the International Monetary Fund in its report on Financial System Stability Assessment published in June 2021 that "establishment of the IA has greatly strengthened insurance regulation and supervision of both insurers and intermediaries" is particularly encouraging.

Balancing Act

It has often been argued that striking a balance between supervision and facilitation is paradoxical and doomed to fail, but practical experience has proved otherwise. When the pandemic broke out in 2020 with widespread anxieties and disillusionment, we did not lose sight of the opportunity afforded by heightened awareness on safety and wellness to achieve sustainable development of the industry. Timely introduction of the Temporary Facilitative Measures and launching of virtual onboarding have produced desirable results in steering attention to health and longevity risks as well as convincing practitioners to embrace technology.

Building on the success, the IA is soldiering on with the Protection Linked Plan that seeks to combine mortality protection with exposure to investment funds and simple fee structure, which should appeal to the younger generation and could dovetail with the Qualifying Deferred Annuity Policy to construct a viable lifetime package. I am confident that we will see a lot of developments in these areas in the coming year.

Strong Foundation

Over the past six years, the IA has charted the course for operation of an independent regulatory body, picking up onerous new mandates and catching up ample lost grounds. I would therefore like to conclude by thanking industry stakeholders for their patience and forbearance, our excellent staff members and our fellow Board members for their integrity and diligence, without which we would not have accomplished so much in such little time.

Stephen Yiu

Chairman



Although Hong Kong may take pride in its high ranking on insurance density and penetration, there is definitely room to realise the intrinsic value of insurance, bringing it closer to the masses.

Mr Clement Cheung
Chief Executive Officer

CEO's Message

As many different countries and territories are gearing up for a paced recovery from COVID-19, the Insurance Authority ("IA") is seizing this unique opportunity to tackle some endemic issues. Rather than giving a panoramic overview, I will focus instead on the well-being of policy holders by dwelling into public empowerment and joint surveillance, handling of complaints and disputes, investigation and enforcement, financial inclusion and digital transformation.

Public Empowerment and Joint Surveillance

Transparent and fair practices induce confidence and loyalty. The negative impact caused by isolated cases of unethical behaviour often inflicts serious damage on reputation of the insurance industry which is hard to reverse. As a result, the IA is relying on preventive measures delivered through partnership with industry bodies on public empowerment and with other fellow regulators on joint surveillance. For the former, the Public Education Campaign on Lifetime Risk Profiling and related thematic campaigns on digital onboarding, fulfilment ratios and participating policies represent a modest and credible attempt; for the latter, the joint inspection on premium financing activities and the Mystery Shopping Programme on the sale of tax-deductible products have received positive feedback. Apart from uplifting the knowledge and vigilance of existing and prospective policy holders, such an approach confers the twin benefit of removing misconceptions that may impede talent from pursuing a career in the industry.

Handling of Complaints and Disputes

Notwithstanding our best efforts, there will inevitably be disputes that have to be carefully examined and amicably settled. To facilitate this process, the IA has revamped its complaint handling system for enhanced objectivity and responsiveness, while making sure that our supervisory expectations are cascaded down to the responsible personnel of individual insurers. Furthermore, we teamed up with the Insurance Complaints Bureau by activating a referral mechanism so that complainants could access free and impartial support in pursuing their claims, allowing the IA to fulfil its duty of upholding professional standards and sound etiquettes.

Investigation and Enforcement

When misdemeanors do surface, the IA is armed with a broad spectrum of statutory powers to investigate and impose disciplinary sanctions to uphold conduct probity. In the reporting year, we instituted 10 disciplinary actions on insurers and insurance intermediaries in various forms like bans from applying to be licensed and public or private reprimands for misconduct including improper selling tactics and use of false academic certificates, as well as fines for contraventions of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance. Taking things one step further, complaint statistics, commentaries and candid advice are widely propagated via *Conduct in Focus*, our periodical publication on topical regulatory issues.

CEO's Message

Financial Inclusion

Financial inclusion is defined by the World Bank as “individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way”. Although Hong Kong may take pride in its high ranking on insurance density and penetration, there is definitely room to realise the intrinsic value of insurance, bringing it closer to the masses. Without discounting the merits of catering for high-net-worth individuals on wealth management, balanced attention should be paid on financial management for the middle class and, most importantly, risk management for the folks. Mishaps never pick their victims, people do not get younger each day and ailments hit without any warnings. It makes perfect sense for the industry to respond to holistic needs of an ageing population both from a commercial angle and a social standpoint. In the end, everybody in Hong Kong cherishes living in a vibrant and harmonious society.

Digital Transformation

Digital transformation plays a key role in bridging protection gaps and deepening financial inclusion. Even in an orderly market environment, timing and enablers are crucial factors of success in driving a paradigm change. When COVID-19 first erupted, our mind is centered on coping with potential shocks to the solvency status and operational readiness of insurers without losing sight on catching the moment to expedite digital transformation. The virtual onboarding platforms, the application of electronic means for licensing, continuing professional training and remote-proctored examination for insurance intermediaries, coupled with rising popularity of virtual insurers, have helped to supercharge the adjustment process. This is the correct timing.

Riding on the conducive sentiments and information collected via a survey undertaken in 2020, the IA is spearheading in parallel the development of a regulatory framework for Open Application Programming Interface to forge data connectivity between insurers and encourage collaboration with data owners in other economic sectors. The goal is to spur greater innovation for the improvement of customer acquisition and experience, for the enrichment of product variety and features, and for better fulfilment of changing travel, work and consumption patterns in the new normal. A lot of efforts have been put into this project with use cases identified, and industry consultation is targeted for completion by the end of 2022. These are the effective enablers.

Conclusion

My gratitude goes to Mr Stephen Yiu, our Chairman, and other Non-Executive Directors for their motivation and guidance during a period marked with unexpected incidents, and to my colleagues in the IA for their diligence and resilience that enabled us to stay on course for major initiatives despite a high staff turnover rate and constant disruptions. Nothing will deviate us from the commitment of helping individuals and businesses to detect and mitigate risks in an increasingly polarised world.

Clement Cheung

Chief Executive Officer

The Year Under Review

Highlights

Prudential Regulation of Insurers

Group-wide Supervision ("GWS")

- Successfully implemented the enhanced GWS regime which is in full alignment with international standards and best practices.
- Designated three insurance holding companies under the GWS framework.

Risk-based Capital Regime ("RBC")

- Conducted industry consultation on the legislative proposal with an aim to introduce an amendment bill into the Legislative Council ("LegCo") in 2022.
- Published key observations of the first Own Risk and Solvency Assessment reports to enhance a smooth transition into the RBC regime.
- Approved two applications for early adoption of RBC up to April 2022.

Joint Inspection

- Completed a joint inspection exercise with the Hong Kong Monetary Authority ("HKMA") in late 2020 on the use of premium financing to take out long term insurance policies.
- Issued two circulars in September 2021 and April 2022 respectively, to share the key findings of the joint inspection and to introduce various upcoming measures to enhance policy holder protection in relation to premium financing.

Macroprudential Surveillance

- Took part in various exercises of the International Association of Insurance Supervisors ("IAIS") to assess systemic risks.

Financial Sector Assessment Program

- The International Monetary Fund recognised that the establishment of the Insurance Authority ("IA") has greatly strengthened insurance regulation in Hong Kong.

Targeted Jurisdictional Assessment

- Underwent an in-depth examination by the IAIS for the supervisory practice for assessment and mitigation of systemic risks in the insurance sector.

The Year Under Review

Highlights

Regulation of Insurance Intermediaries

Deemed Licensees

- Processed over 85% of the license applications from deemed licensees through the IA's e-portal.

Licensing

- Enhanced the e-portal to process licence renewal applications.
- Issued a wide-ranging explanatory note on regulated activities with several practical case studies.

Continuing Professional Development ("CPD")

- Launched the IA's first e-CPD courses to help intermediaries fulfil the requirements on "Ethics or Regulations" with 8,500 registrations.

Insurance Broker Companies

- Conducted 15 on-site inspections and reviewed statutory returns of 815 insurance broker companies.
- Rolled out the IA's first cultural assessment questionnaire to assess broker companies' corporate culture and governance.

Insurance Agencies

- Conducted three on-site inspections and 77 supervisory reviews of insurance agencies to assess compliance with conduct and corporate governance requirements.

Investigation and Enforcement

Disciplinary Process

- Implemented a new disciplinary process to bring rigour, fairness, objectivity and independence to the IA's disciplinary decision-making.

Enforcement

- Took 10 disciplinary actions for misconduct or lack of fitness and properness.
- 119 Compliance Advice Letters and 101 Letters of Concern were issued by the IA for non-compliance matters.
- Took 91 disciplinary actions for non-compliance with CPD requirements and launched a CPD Penalty Framework.



The Year Under Review

Highlights

COVID-19 Response

Facilitative Measures for the Industry

- Further refined the facilitative measures for non-face-to-face distribution to cover all long term insurance products, including Investment-linked Assurance Scheme ("ILAS") products, via Virtual Onboarding Sandbox.

Facilitative Measures for Insurance Intermediaries

- Combined the CPD assessment periods for 2019-20 and 2020-21 and rescheduled the fulfilment deadline to July 2021.
- The number of CPD hours was reduced from 15 to 12 hours for the 2021-22 CPD assessment period.
- Worked with the Vocational Training Council to enable remote delivery of three basic papers for Insurance Intermediaries Qualifying Examination.
- Permanently lifted the cap on the number of e-learning CPD hours to encourage greater use of online learning.

Insurance Talent Development Programme

- Created 32 temporary positions under the Government's Anti-epidemic Fund in 2021 with 31 new positions to be created in 2022 to promote sustainable development of the insurance industry.

Vaccination

- Implemented "Vaccine Pass" in the IA offices and encouraged staff to get inoculated by offering vaccination leave.

Protection of Policy Holders

Complaint Handling

- Several key changes were made to complaint handling.
- Entered into a Memorandum of Understanding with the Insurance Complaints Bureau ("ICB") to facilitate the referral of claims-related disputes to the ICB.
- Received 1,196 new complaint cases, concluded 1,473 cases, and referred 68 cases to the IA's Enforcement Team for further action.
- Engaged with major insurers on complaint handling best practices to ensure complaints are handled in line with fair customer treatment.

Joint Mystery Shopping Programme

- Initiated a joint Mystery Shopping Programme with the HKMA and the Mandatory Provident Fund Schemes Authority on the selling practices related to Qualifying Deferred Annuity Policies and Mandatory Provident Fund Tax Deductible Voluntary Contributions.

Policy Holders' Protection Scheme ("PPS")

- The Government plans to conduct public consultation on the proposed PPS in 2022, after which the enabling legislation will be prepared for introduction into the LegCo.

The Year Under Review

Highlights

Market Development

Global Risk Management Centre and Reinsurance and Insurance Hub

Insurance-linked Securities (“ILS”)

- The inaugural ILS in Hong Kong was issued in October 2021, securing protection against losses inflicted by typhoons in the Mainland.

Captive Domicile

- Made legislative amendments to expand the scope of insurable risks by captive insurers in Hong Kong.

Marine and Specialty Risks

- A tax concession to reduce the profits tax rate by 50% (i.e. 8.25%) for general insurers and insurance brokers for marine and specialty risk insurance was in place.

Reinsurance

- The China Banking and Insurance Regulatory Commission (“CBIRC”) regularised the preferential treatment for Hong Kong insurance industry, strengthening Hong Kong’s position as a global risk management centre and reinsurance and insurance hub.

Greater Bay Area

Unilateral Recognition Policy for Motor Vehicle Insurance

- Collaborated with the CBIRC on an arrangement that would recognise Hong Kong insurer-issued motor insurance policies that extend cover to third-party liability in the Mainland for private cars travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge.

After-sales Service Centres

- Continued to liaise closely with Mainland authorities and the industry on operational arrangements for Hong Kong insurers to establish after-sales service centres in the Guangdong-Hong Kong-Macao Greater Bay Area.



The Year Under Review

Highlights

Market Development

Insurtech

Insurtech Sandbox and Virtual Onboarding

- Ushered in a supervisory framework for the distribution of long term insurance policies via video conferencing under Insurtech Sandbox for 13 insurers to overcome the impediments brought about by non-face-to-face onboarding process.

Open Application Programming Interface ("Open API")

- Established a working group comprising more than 30 stakeholders from the industry and Insurtech communities to pave the way for the Open API framework development.

Insurtech Facilitation Team

- Handled more than 50 enquiries and held 35 meetings with various stakeholders, including local and overseas insurers, Fintech firms, regulators, and industry organisations.

Green and Sustainable Finance

- Participated actively in the Green and Sustainable Finance Cross-Agency Steering Group which launched the Centre for Green and Sustainable Finance.
- Hosted a thematic breakout session at the Asian Financial Forum 2022 on "Innovating Insurance to Combat Climate Change".

Protection Linked Plan and ILAS Revamp

- Ushered in Protection Linked Plan, a new category of ILAS with high mortality protection, to narrow the protection gap and facilitate financial inclusion.
- Formalised and streamlined the green light process for assessment of ILAS.

Asian Insurance Forum

- Hosted the IA's annual flagship forum, providing a high-level platform for the industry to share insights on development prospects and opportunities in the Asian insurance market.

Anti-Money Laundering and Counter-Terrorist Financing ("AML & CTF")

Supervision and Outreach Activities

- Reviewed details of AML/CTF controls for virtual onboarding trials under the Insurtech Sandbox.
- Spoke at two webinars on AML/CTF regulatory requirements for insurance broker companies.

The Year Under Review

Highlights

Engagement with Stakeholders

Public Education

- Launched a public education campaign on Lifetime Risk Profiling to raise the public's awareness of evolving protection needs in different life stages by publishing our first Mortality Protection Gap Study and introducing an online assessment tool, an informative sitelet and a host of publicities.
- Designed a dedicated fulfilment ratio webpage with links to insurers' fulfilment ratio webpages, followed by a publicity campaign on fulfilment ratio and participating policies.
- Rolled out a new animated video series on digital onboarding.
- Commissioned our first Insurance Literacy Tracking Survey to help us formulate public education strategies for enhancing financial inclusiveness in the long term.
- Published three issues of *Conduct in Focus*, providing tips for policy holders, updates on the IA's disciplinary approach, and an in-depth look at ethical business practices from lessons learnt from complaints.

Government and LegCo

- Took the lead to help the taxi trade to look into the issues in procuring motor insurance with the Government, lawmakers, insurers and the taxi industry.
- Actively participated in the LegCo's Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector, which held five meetings, leading to the issuance of a report on the recommendations in September 2021.

Future Task Force

- Discussed Fintech topics such as Open API and "Federated Learning" technology with Future Task Force members.
- Exchanged views on how to promote a positive image of the insurance industry through public education on the social role and value of insurance.

Regulatory Engagement

IAIS

- Contributed to a number of IAIS milestone projects, in addition to IA CEO being a member of the IAIS Executive Committee and Chair of the IAIS Audit and Risk Committee, bringing an Asian voice to international standard-setting for insurance supervision.

Asian Forum of Insurance Regulators ("AFIR")

- As AFIR Chairman, IA CEO hosted the 16th Annual Meeting with active participation from 17 member jurisdictions.

The Year Under Review

Highlights

Hong Kong Insurance Market

Key Figures

HK\$ 581.7 billion

of total gross premiums^a

0.06%

of annual growth rate^a

1st in Asia

for insurance penetration and density^b

12 of the world's top 20

insurers authorized to conduct business in Hong Kong^c

^a Based on market statistics between 1 January 2021 and 31 December 2021. Details of industry statistics ([long term business](#) and [general business](#)) can be found on the IA website.

^b Swiss Re Institute sigma No 4/2022

^c Fortune Global 500 list in 2022

IA Activities

Supervision and Regulation

163

authorized insurers

31

supervisory college meetings with overseas regulators

Over **124,000**

licensed insurance intermediaries

Over **101,000**

licensing related applications and updates processed^d

Over **85%**

of applications from deemed licensees for their first licences under the direct regulatory regime processed

^d The figure includes new intermediary licences, as well as updates of appointments and lines of business, and terminations of appointments.

The Year Under Review

Highlights

Enforcement and Disciplinary Actions

New cases

New cases received	92	Cases closed	92 ^e
Ongoing cases brought forward from the previous reporting year	186	Ongoing cases carried forward to the next reporting year	186
- Initial assessment	119	- Initial assessment	116
- Formal investigation	58	- Formal investigation	42
- Under disciplinary process	9	- Under disciplinary process	28
Total	278	Total	278

Alternatives to Disciplinary Actions

119	Compliance Advice Letters ^f and
101	Letters of Concern ^f issued for non-compliance matters

SRO^g cases

280	cases received and
262	cases concluded

Protection of Policy Holders

Complaint Statistics^h

Reporting Year	2020-21	2021-22
Ongoing cases brought forward from the previous reporting year	733	870
New cases received	1,401	1,196
Total	2,134	2,066
Cases closed	1,153	1,473
Cases referred to the IA's Enforcement Team	111	68
Ongoing cases carried forward to the next reporting year	870	525
Total	2,134	2,066

^e Including 32 SRO cases.

^f These figures include the total number of letters issued by various IA teams, including Supervision Teams, Complaint Team, Licensing Team and Enforcement Team.

^g Former Self-Regulatory Organisations ("SROs") are the Hong Kong Confederation of Insurance Brokers, the Professional Insurance Brokers Association, and the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers.

^h Complaint statistics exclude self-reported cases from insurers and intermediaries which arose from detection through operation of their governance and controls and complaints received by them.

The Year Under Review

Highlights

Market Development

Insurance-linked Securities

Up to **HK\$ 12million**
subsidy per issuance under
two-year Pilot Grant Scheme

Marine and Specialty Risk Insurance

50%
reduction in profits tax rate

Insurtech

27

Sandbox pilots approved

16

Sandbox applications relating
to virtual onboarding

85

enquiries and meetings handled

Facilitative Measures for the Industry During COVID-19

52,000

policies sold through non-face-to-face means

HK\$ 736million

annualised premiums

The Year Under Review

Financial Position

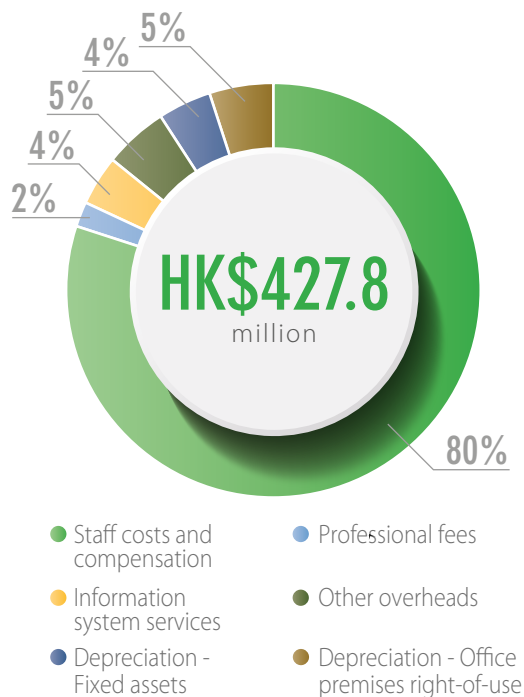
The Insurance Authority (“IA”)’s financial position improved from a deficit to a surplus in the reporting year amid slower expenditure growth with increased income derived mainly from premium levies and fees. As an independent financial regulator, the IA will continue to exercise prudent financial management to ensure that resources are deployed efficiently in carrying out its statutory functions and key activities, striving to achieve financial independence.

Funding

Premium levies have been collected from policy holders since January 2018. The underlying rate reached its target of 0.10% since April 2021, subject to a cap of HK\$100 and HK\$5,000 for long term and general policies respectively.

Authorization and annual fees have been payable by insurers to the IA since June 2017, comprising a fixed fee of HK\$300,000 (HK\$30,000 for captive insurers; and HK\$600,000 for composite insurers) and a variable fee at 0.0031% of insurance liabilities capped at HK\$7 million. This rate was adjusted to 0.0039% in June 2022.

Expenditure for 2021-22



With three insurance groups designated to come under the IA’s group-wide supervision, designation and annual fees at 0.0026% of insurance liabilities (subject to a minimum and maximum of HK\$10 million and HK\$60 million per annum respectively) have been payable by the insurance groups to the IA since May 2021. Apart from specific user fees, a licensing fee will also start to be receivable from insurance intermediaries in 2024.

Income and Expenditure

For 2021-22, income and operating expenditure were HK\$512.7 million (2020-21: HK\$339.4 million) and HK\$427.8 million (2020-21: HK\$416.3 million) respectively, resulting in a surplus of HK\$84.9 million (2020-21: deficit of HK\$76.9 million), as compared to a budgeted deficit of HK\$57.4 million. The accumulated deficit is HK\$413.6 million, which was met by the Government’s capital grants totaling HK\$953 million. Premium levies, authorization and annual fees, and designation and annual fees were HK\$269.5 million, HK\$117.3 million, and HK\$102.9 million respectively, while staff costs of HK\$342.4 million accounted for the bulk of operating expenditure.

The Year Under Review

Prudential Regulation of Insurers

The Insurance Authority (“IA”) is tasked with ensuring the general stability of the insurance industry through prudential regulation of insurers. We not only keep a close watch on local market activities, but also collaborate with regulators across jurisdictions to monitor global insurance groups. Throughout the reporting year, we persevered in adapting our regulatory framework in light of international developments.

As of March 2022, there were 163 authorized insurers in Hong Kong. To effectively supervise such a wide spectrum of long term and general insurers, the IA has adopted a multi-faceted approach consisting of comprehensive risk assessment, financial examinations, on-site inspections and off-site monitoring.

Supervisory Risk Assessment Framework

To monitor and assess the risk profile of each insurer, we have established a risk-based and dynamic framework that entails a supervisory risk assessment process, a company review, and a supervisory response and feedback loop. This assessment is conducted on an annual basis, or more frequently depending on the overall risk level of individual insurers. In this process, a forward-looking approach is adopted to assess the risk outlook of insurers. Quantitative and qualitative analyses are performed on insurers’ solvency position, capital adequacy, liquidity and asset quality, among others. We also analyse various aspects of insurers’ risk profile, including inherent risks, adequacy of corporate governance, internal controls and risk management systems. We further strengthened the framework by including macroprudential assessment of outward risks posed by insurers due to their size, complexity, and interconnectedness, among others, as part of the company review process.

This proactive approach enables the IA to pre-empt uncertainties, prevent disruptions and rectify problems that may adversely affect an insurer’s capacity to meet its obligations to policy holders. Based on the risk evaluation for each insurer, we will determine the magnitude of fit-for-purpose supervisory responses and activities. When specialist knowledge is required, our team of subject matter experts is consulted. High-risk insurers are subject to increased scrutiny and regulatory actions within the IA’s statutory powers.

Financial Examinations

Financial examinations play a crucial part in our supervisory assessment, ensuring that insurers have sufficient capital to meet their insurance obligations and comply with solvency requirements and other regulatory standards. We perform analysis and stress testing on insurers’ financial positions using their annual and quarterly financial statements and various returns. The assessment encompasses elements of underwriting risk, capital adequacy, market risk, insurance and reserving risk, and reinsurance arrangements. Our findings and feedback are communicated to insurers on a regular basis. These rigorous financial examinations help us identify possible areas of risk that could compromise their financial strength and sustainability.

The Year Under Review

Prudential Regulation of Insurers

On-site Inspections

Regular on-site inspections are an integral part of our supervisory process. They give us a better understanding of the business operations of individual insurers, including their compliance with regulatory requirements. Our inspections cover reviews of corporate governance practices, including risk management and internal control systems; business strategies and operations assessed against industry practices; and adherence to regulatory obligations in areas such as underwriting, claims handling, asset management, reinsurance arrangements and supervision of intermediaries. We determine the frequency, scope and depth of each inspection based on the nature and level of the risks involved. During the pandemic, we utilised video conferencing to ensure inspections were conducted as scheduled.

Joint Inspections

In September 2021, the IA and the Hong Kong Monetary Authority (“HKMA”) issued a joint circular to share key findings of an inspection exercise on premium financing conducted in late 2020. Based on subsequent consultations with industry stakeholders, the IA and HKMA each issued a second circular in April 2022 to clarify regulators’ expectations. The IA circular specified requirements such as affordability assessment, protection of policy holders from over-leveraging and key disclosures. An “Important Facts Statement – Premium Financing” will be introduced from 1 January 2023.

Industry communication sessions and public education initiatives will follow to ensure smooth implementation of the new requirements and to enhance public understanding of the potential risks and implications of premium financing.

Macroprudential Surveillance

In addition to the risk assessment of individual insurers, we adopt a proactive approach to identify and address sector-wide vulnerabilities to promote the general stability of the insurance sector and wider financial system in Hong Kong. An expert unit has been formed to work with the supervision teams to carry out macroprudential surveillance, as required by the International Association of Insurance Supervisors (“IAIS”). In line with this, the IA took part in various IAIS exercises to assess systemic risks, including the Global Monitoring Exercise involving data collection and analysis for sector-wide monitoring, individual insurer monitoring and emerging risk themes.

Financial Sector Assessment Program (“FSAP”)

The robustness of Hong Kong’s financial services sector was reaffirmed by the International Monetary Fund (“IMF”) in its Financial System Stability Assessment report released in June 2021. The IMF commented that the establishment of the IA had greatly strengthened insurance regulation in Hong Kong since its 2014 FSAP. Taking into account recommendations arising from the FSAP, the IA will continue its efforts to implement the group-wide supervision (“GWS”) framework and Risk-based Capital (“RBC”) Regime, and enhance cross-sector co-ordination on emerging risks including cybersecurity and climate change.

Targeted Jurisdictional Assessment

During the reporting year, the IA also underwent Targeted Jurisdictional Assessment by the IAIS, an in-depth examination on implementation of the Holistic Framework for supervisory practice for assessment and mitigation of systemic risks in the insurance sector.

The Year Under Review

Prudential Regulation of Insurers

New Authorizations

Any company intending to carry on insurance business in or from Hong Kong must obtain authorization from the IA. New authorizations recorded in the reporting year are summarised in the table below.

The IA also granted authorization to two authorized general insurers to carry on additional classes of business. Details can be found in the table below.

New Authorizations

Name of Insurer	Place of Incorporation	Type of Business
China Pacific Life Insurance (H.K.) Company Limited	Hong Kong	Long Term
FuSure Reinsurance Company Limited	Hong Kong	General
Greater Bay Re Limited	Hong Kong	Special Purpose ^a

^a Insurance business of carrying out contracts of insurance that are fully funded through insurance securitisation. More details are available at the IA website.

Additional Classes of Business for General Insurers

Name of Insurer	Additional Class of Business ^a	Date of Authorization
Dah Sing Insurance Company (1976) Limited	14,17	1 September 2021
SCOR Reinsurance Company (Asia) Limited	D,I	3 September 2021

^a Regarding the nature and definition of classes of business within the general insurance business, please refer to Part 3 of Schedule 1 to the Insurance Ordinance for details.

Mergers and Acquisitions

Under the Insurance Ordinance ("IO") and other requirements, authorized insurers should seek prior approval from or notify the IA regarding appointment of certain shareholder controllers. During the reporting year, there were appointments involving three authorized insurers connected with merger and acquisition activities:

1. On 30 July 2021, Realord Group Holdings Limited completed its acquisition of The Sincere Company, Limited, the holding company of The Sincere Life Assurance Company Limited and The Sincere Insurance & Investment Company, Limited.

2. On 1 September 2021, AIA Group Limited completed its acquisition of BEA Life Limited.
3. On 30 November 2021, Utmost Holdings Isle of Man Limited completed its acquisition of Quilter International Holdings Limited and Quilter International Ireland dac. Quilter International Holdings Limited was the holding company of Quilter International Isle of Man Limited.

The Year Under Review

Prudential Regulation of Insurers

Transfers of Insurance Business

Under section 24 of the IO, an insurer that seeks to transfer its long term insurance business to another insurer is required to apply to the court for an order sanctioning the scheme of transfer, and the IA is entitled to be heard at the court. An insurer intending to transfer its general insurance business portfolio

to another insurer may do so under section 25D of the IO by obtaining approval from the IA. During the reporting year, there was no transfer of general insurance business under section 25D of the IO. Approval in respect of application under section 24 is summarised in the table below.

Transfers of Insurance Business

Under Section 24 of the IO

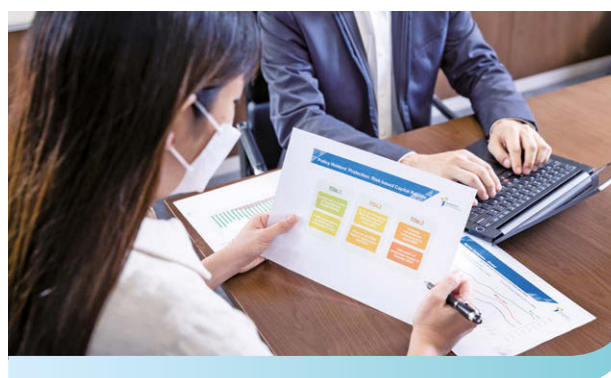
Date of Sanction by the Court	From	To
9 August 2021	Zürich Lebensversicherungs-Gesellschaft AG (Zurich Life Insurance Company Ltd)	Zurich Life Insurance (Hong Kong) Limited

Risk-based Capital Regime

The RBC Regime seeks to align capital requirements with risk profiles and is made up of three pillars pertaining to quantitative, qualitative and disclosure requirements.

Regarding Pillar 1, the technical aspects have been concluded and law drafting is currently underway. Feedback to the legislative proposals was solicited in October 2021 and responses provided to the industry in April 2022. An amendment bill will be introduced into the Legislative Council in 2022.

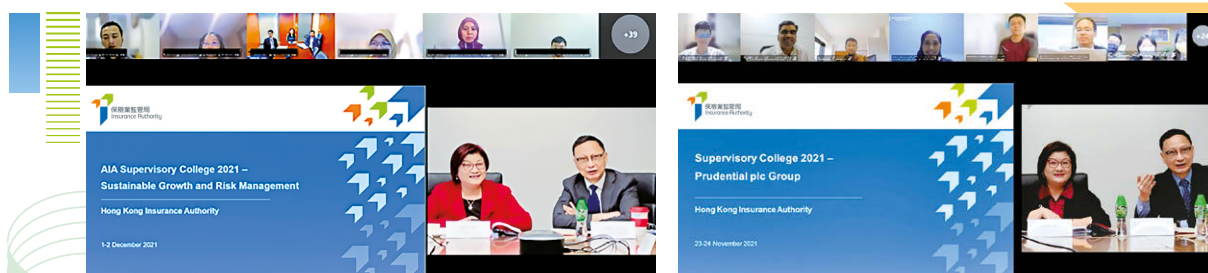
On Pillar 2, insurers submitted the Own Risk and Solvency Assessment ("ORSA") reports in mid-2021 for the first time in accordance with the Guideline on Enterprise Risk Management (GL21), shedding light on their risk profile and capital management. The IA shared some key observations on best practices and weaknesses to assist insurers in coping with the exercise in 2022. Finally, we consulted the industry to finalise the regulatory/public disclosures under Pillar 3.



Some long term insurers which are sufficiently advanced in their preparations have asked for permission to adopt the RBC regime before completion of the legislative process. The IA sees no objection to do so and has approved two applications up to April 2022.

The Year Under Review

Prudential Regulation of Insurers



The IA organises supervisory colleges for AIA Group and Prudential Group

Group-wide Supervision

The GWS framework is aimed at aligning our regulatory regime with the international standards and best practices, positioning Hong Kong as an attractive base for group headquarters and a fitting regional co-ordinator of relevant jurisdictions. As the group supervisor appointed to regulate and supervise an insurance group, the IA is empowered under the IO to designate an insurance holding company belonging to that insurance group as a designated insurance holding company (“DIHC”).

The GWS framework is anchored on three pillars: Pillar 1 establishes capital requirements; Pillar 2 sets out the risk management and governance requirements, including requirements to assess present and future financial and risk conditions; Pillar 3 promulgates disclosure requirements covering risk and corporate governance.

The Guideline on Group Supervision (GL 32) which came into effect on 14 May 2021 is integral to the GWS framework, spelling out principles and standards for DIHCs on areas concerning enterprise risk management, corporate governance, capital requirements and public disclosure. During the year, the IA designated AIA Group Limited, FWD Management Holdings Limited

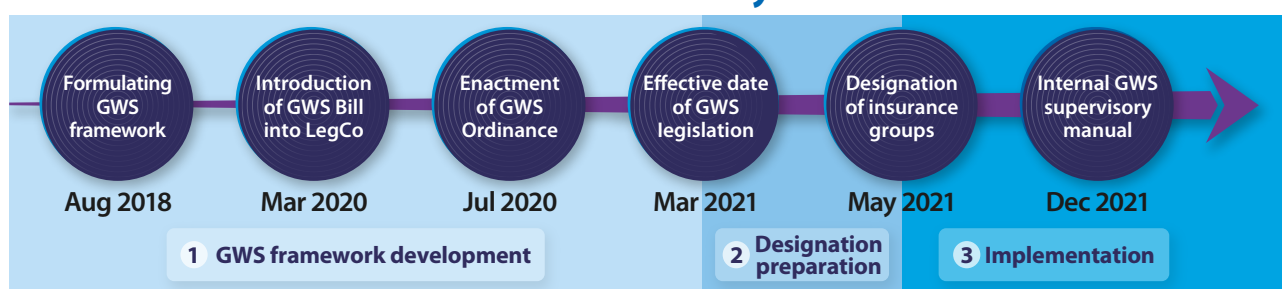
and Prudential Corporation Asia Limited as DIHCs. Meanwhile, a manual on the risk-based supervisory approach for DIHCs, circulars and interpretation notes were issued to underscore the regulatory expectations on specific aspects of the GWS framework.

To fulfil their respective statutory mandates upon inception of the GWS framework, the Monetary Authority and the IA entered into a supplemental Memorandum of Understanding on the supervision of entities and financial groups.

As lead supervisor, the IA convened six supervisory colleges or crisis management group meetings during the reporting year. Activities included supervisory roundtables, joint risk assessments, dialogue with group chairmen and thematic reviews. The IA also held over ten virtual bilateral meetings on GWS matters and launched the College Collaboration Portal to facilitate secure sharing of information among different jurisdictions.

DIHCs	Date of Designation
AIA Group Limited FWD Management Holdings Limited Prudential Corporation Asia Limited	14 May 2021

||||||| GWS Journey |||||



The Year Under Review

Prudential Regulation of Insurers

Internationally Active Insurance Groups

Internationally Active Insurance Groups ("IAIGs"), due to their size and complexity, carry unique risks and challenges. In November 2019, the IAIS released the Common Framework for the Supervision of IAIGs together with a set of transparent and consistent benchmarks. In this context, the Insurance Capital Standard ("ICS") has been developed to create a common language for supervisory dialogues on group solvency.

The ICS will undergo a five-year monitoring period before being adopted as group-wide Prescribed Capital Requirement. The monitoring period commenced in 2020, during which confidential data reports were reviewed by supervisory colleges and analysed by the IAIS. Overseeing two IAIGs,¹ the IA is actively involved in deliberations made by the Capital, Solvency and Field Testing Working Group as well as the ICS and Comparability Task Force of the IAIS.

Ensuring Market Stability and Sustainability

During the reporting period, the solvency status, investment activities and corporate governance of Target Insurance Company, Limited ("Target"), a major underwriter of coverage for taxis in Hong Kong, attracted considerable public attention.

While accounting for less than 2% of gross premiums in the direct general insurance market as at the end of 2021, its persistently unsatisfactory functioning has adversely affected the interests of policy holders, mainly taxi owners and drivers. A series of regulatory interventions, including the placement of a statutory deposit under the name of the IA and restricted usage and allocation of its assets, were imposed by the IA.

On 7 January 2022, the IA invoked powers under the IO^a to appoint Managers^b to take full control of the affairs and property of Target in order to maintain market stability and protect the interests of policy holders. The Managers subsequently announced its decision against renewing taxi policies from February 2022 onwards, and a central distribution system with a dedicated hotline was set up by the IA to facilitate migration of displaced policy holders to other insurers.

The IA actively liaised with relevant government departments, the insurance industry and legislators to come up with recommendations to tackle the problems in the long run.^c Our goal is to advocate a risk management approach in the underwriting and pricing of taxi insurance based on track record of taxi drivers, rate of traffic accidents and pattern of claims.

^a Section 35(2)(b) of the IO.

^b Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu were appointed as Joint and Several Managers.

^c See Engagement with Stakeholders on pages 63-71.

¹ AIA Group Limited and Prudential Plc.

The Year Under Review

Regulation of Insurance Intermediaries

Since the direct regulatory regime for insurance intermediaries commenced on 23 September 2019, the Insurance Authority (“IA”) has worked on multiple fronts to take the regime forward. Our initiatives have included processing the deemed licensee applications, streamlining the licensing process for new entrants, elevating conduct standards, and stepping up supervision of insurance broker companies and insurance agencies.

Deemed Licensees

As of March 2022, there were over 87,000 deemed licensees out of the 124,000 licensed insurance intermediaries in Hong Kong. Insurance intermediaries validly registered with one of the former Self-Regulatory Organisations¹ immediately before 23 September 2019 were granted a licence under the direct regulatory regime for a three-year transitional period until 22 September 2022. These intermediaries are referred to as deemed licensees.

In order to continue carrying on regulated activities after the transitional period, they need to apply for a formal licence. From January 2021 onwards, the IA began processing related applications after implementing refinements to the Insurance Intermediaries Connect, an on-line portal which allows deemed licensees to submit electronic applications.

As of March 2022, over 85% of the deemed licensee applications have been processed, thanks to the industry’s widespread adoption of the on-line portal, which greatly reduced the administration burden and enabled us to concentrate on making high quality licensing decisions.

New Licences and Licence Renewal

During the reporting period, the IA received around 15,000 new intermediary licence applications and 270 applications for approval of responsible officers from licensed insurance broker companies or licensed insurance agencies. The IA also processed around 29,000 updates of appointments and lines of business and 57,000 terminations of appointments. In addition, the IA handled around 35,000 enquiries via phone and email.

As the first batch of licences granted under the direct regulatory regime for insurance intermediaries will expire from 23 September 2022 onwards, the IA began to enhance the on-line portal so that it could handle licence renewal applications. Renewal forms, accompanying instructions and frequently asked questions are also being developed in parallel.

¹ The Hong Kong Confederation of Insurance Brokers, the Professional Insurance Brokers Association and the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers.

The Year Under Review

Regulation of Insurance Intermediaries

Number of Licensed Insurance Intermediaries by Licence Type as at 31 March 2022

Licensed Insurance Intermediaries	Number of licensees with appointing principals	Number of licensees without appointing principals	Total number of licensees
Individual Licensees			
Licensed Individual Insurance Agents	78,001	6,915	84,916
Licensed Technical Representatives (Agent) ^a	23,361	1,824	25,185
Licensed Technical Representatives (Broker)	10,472	649	11,121
Total Number of Licensees Being Individuals	111,834	9,388	121,222
Business Entities			
Licensed Insurance Agencies ^a	2,021	63	2,084
Licensed Insurance Broker Companies	Not applicable	Not applicable	815
Total Number of Licensed Insurance Intermediaries			124,121

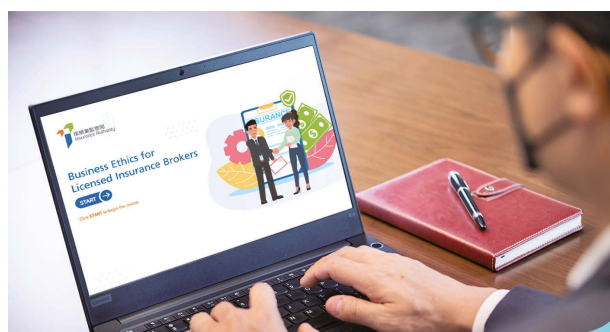
^a There were 38 authorized institutions (ie banks) registered as licensed insurance agencies, with around 18,184 individuals registered as their licensed technical representatives (agent).

e-CPD Courses of Business Ethics

Completing the requisite number of Continuing Professional Development ("CPD") hours is an important means by which individual licensees ensure their knowledge is kept up-to-date so they could carry on regulated activities and serve policy holders in a professional manner. The CPD requirement therefore serves as an important policy holder protection measure. Starting from the CPD assessment period 2021-22 onwards, insurance intermediaries are required to complete at least three CPD hours on a topic related to "Ethics or Regulations".

To broaden the variety of training, the IA launched two e-courses (one for licensed insurance agents and one for licensed insurance brokers) on ethical business practices during the reporting year, each worth three CPD hours and will satisfy the minimum requirement

for "Ethics or Regulations". These e-courses were launched in December 2021 using subsidies from the "Matching Grant Scheme for Skills Upgrading" under the Government's Anti-epidemic Fund, bringing to life principles, standards and practices in the Codes of Conduct for Insurance Intermediaries by demonstrating how they apply in everyday situations. A total of 8,500 available enrollments were fully subscribed.



The IA launches e-CPD courses on business ethics for insurance intermediaries

The Year Under Review

Regulation of Insurance Intermediaries

Explanatory Note on Regulated Activities

The IA received enquiries from time to time on the definition of regulated activities in the Insurance Ordinance, which serves as the trigger for licensing. Answering such enquiries has enabled us to refine our stand on the scope of regulated activities in the context of different business practices and distribution models, striking a balance between protecting policy holders and encouraging innovation.

In October 2021, the IA issued an explanatory note with case studies setting out the general approach in considering whether a person is required to be licensed and factors being taken into account when considering the scope of different regulated activities.

Supervision of Insurance Broker Companies

As at March 2022, there were 815 insurance broker companies and the IA conducted on-site inspections

on 15 of them during the reporting year, including the largest insurance broker group in Hong Kong, to assess their compliance with relevant financial and regulatory requirements, the Code of Conduct for Licensed Insurance Brokers, anti-money laundering and counter-terrorist financing requirements, and conduct requirements for Mandatory Provident Fund business.

A risk-based approach is adopted by taking a holistic view on each insurance broker company based on quantitative and qualitative measures drawn from statutory returns and other information collected by the IA. A risk level will be assigned to each company and supervisory resources allocated accordingly.

During the reporting year, the IA identified 144 internal control weaknesses from 15 on-site inspections and demanded remedial actions from the relevant insurance broker companies. The more serious and systemic non-compliances were referred to the Enforcement Team for investigation.

Outline

KPIC-IM training covers the following 9 Modules

- 1 Key Person in Control Function for Intermediary Management; internal control measures and how to design them
- 2 An insurer's values statement/code of conduct - the foundational internal control measure for setting the right culture for your agency force
- 3 Recruitment and onboarding of licensed individual insurance agents and licensed insurance agencies
- 4 Sales practices and ongoing servicing by licensed insurance agents
- 5 Conflicts of interests involving licensed insurance agents
- 6 Administrative reporting requirements under the Insurance Ordinance for agents
- 7 CPD compliance and training for licensed insurance agents
- 8 Complaints against licensed insurance agents, self-reporting and internal disciplinary process for licensed insurance agents
- 9 Control measures in relation to licensed insurance broker companies

Mr Peter Gregoire, Head of Market Conduct (Acting), conducts training for insurers' key persons in control function for intermediary management

The Year Under Review

Regulation of Insurance Intermediaries

Inspections also present an opportunity to engage directly with a licensed insurance broker company's management and staff, enabling the IA to assess the corporate culture and values across the company. During the reporting year, the IA rolled out its first cultural assessment on insurance broker companies to complement inspection findings. We also reviewed the audited financial statements as well as auditor's compliance reports of 815 licensed insurance broker companies, leading to issuance of 26 Compliance Advice Letters and six Letters of Concern.

To address potential non-compliance with the prohibition on directors and employees of a licensed insurance broker company managing or controlling regulated activities from doing the same for an insurance agency, the IA issued 84 letters demanding rectification during the reporting year.

Supervision of Insurance Agencies

As of March 2022, there were 2,084 insurance agencies in Hong Kong. The IA has adopted a risk-based approach in its supervision of these entities based on the business and financial information collected from our market survey. During the reporting year, three on-site inspections and 77 supervisory reviews were performed.

The focus of on-site inspections was placed upon adequacy of controls and processes in compliance with regulatory requirements on conduct and corporate governance as well as anti-money laundering and counter-terrorist financing. We also checked for compliance with prohibition of a proprietor, a partner, a director or an employee managing or controlling regulated activities from doing the same for more than one insurance agency or insurance broker company. During the reporting year, 656 letters were issued to insurance agencies on potential non-compliance.

With respect to regulation of banks as licensed insurance agencies, the IA has delegated its frontline inspection and investigation powers to the Monetary Authority and signed a Memorandum of Understanding. The Hong Kong Monetary Authority and the IA maintained close dialogue to exchange information on licensing issues, inspection findings and supervisory matters related to the 38 banks licensed as insurance agencies.

Regarding insurance agencies which are deemed licensees, the IA has engaged with eight major insurers to ascertain the controls in place to monitor the regulated activities carried out by these agencies and facilitate oversight on their renewal applications.

The Year Under Review

Investigation and Enforcement

The Insurance Authority (“IA”) strives to ensure that the local market is founded on a culture of trust and ethical business practices by promoting the adoption of proper conduct. To achieve a right level of deterrence, we will carry out thorough investigation and take enforcement actions in a timely and effective manner when misconduct occurs.

Disciplinary Actions

During the reporting year, the IA commenced exercising disciplinary powers under the Insurance Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (“AMLO”), following establishment of its architecture for disciplinary process.

To reinforce trust and confidence, the IA’s disciplinary approach focuses on penalising matters which involve unethical behaviour in order to deter such incidents, or which arise from weaknesses in corporate governance in order to encourage a healthy conduct culture and adoption of robust governance and controls. During the reporting year, the Enforcement Team received 92 new cases for investigation and concluded 92, including 32 from the former Self-Regulatory Organisations (“SROs”).¹ A total of 10 disciplinary actions for misconduct or lack of fitness and properness were taken.

Major disciplinary actions in 2021-22:

➤ Three broker companies were fined with two also having their licence suspended for failing to submit audited financial statements and auditor’s reports within six months following the end of financial year, indicating an inability to keep proper books and records;

➤ A ban of five months was imposed on an individual insurance agent for unethical sales solicitation through the use of social media involving cross-boundary activities;

➤ A fine of HK\$7 million was imposed on two authorized insurers for contraventions of customer due-diligence and record-keeping requirements under the AMLO, being the first disciplinary action of such nature taken by the IA;

➤ A ban was imposed on a former technical representative (broker) to run concurrently with the 40-month ban imposed by the Mandatory Provident Fund Schemes Authority for making transfers without authorization, forging signature on certain forms and impersonating the scheme member to obtain account information; and

➤ Bans of up to three years were imposed on three individual insurance agents who had used false academic certificates to demonstrate that they met the minimum academic requirements when applying for registration with a former SRO.

¹ The former SROs are the Hong Kong Confederation of Insurance Brokers, Professional Insurance Brokers Association and Insurance Agents Registration Board established under the Hong Kong Federation of Insurers.

The Year Under Review

Investigation and Enforcement

Save for private reprimands, the IA will announce disciplinary actions through press releases and cover them in public education campaigns.

Upon commencement of the direct regulatory regime for insurance intermediaries in September 2019, the IA received 280 cases from the former SROs and concluded 262.

New Disciplinary Process

The IA took extra care to ensure that its new disciplinary mechanism will bring rigour, fairness, objectivity and independence to the decision-making process.

Following thorough investigation, if the Enforcement Team considers that there is a case to answer, the subject person will be informed via a copy of Notice of Proposed Disciplinary Action ("NPDA") that includes an indication of the level of disciplinary actions which may be proposed after consultation with the [Expert Advisor Panel](#).

The subject person could respond by way of written or oral representations, after which each case is decided by a three-member panel drawn from the [Disciplinary Panel Pool](#) comprising members of the IA Board and external individuals including experienced professionals from the legal and financial service sectors. The subject person is given full opportunity to make their representations direct to the panel and will be notified of the panel's decision via a written notice which sets out the considerations involved.

Alternatives to Disciplinary Actions

Apart from disciplinary actions, the cases may be addressed by way of alternatives which serve as warnings, combined with demand and advice on how to correct and remediate the matter through, for example, strengthening governance controls, heightened awareness of particular regulatory requirements or training. During the reporting year, a total of 119 Compliance Advice Letters and 101 Letters of Concern were issued by the IA for this purpose.

New CPD Penalty Framework

During the reporting year, the IA took 91 disciplinary actions for failure by individual licensees to comply with Continuing Professional Development ("CPD") requirements under the self-regulatory regime.

Also, the CPD Penalty Framework was introduced (which applies to CPD non-compliances in assessment periods after the IA took on the regulation of licensed intermediaries). It represents a proportionate approach whereby penalties vary in accordance with the number of CPD hours unfulfilled and the duration for rectification to be taken, while penalties for failure to report CPD hours attained by the stipulated deadline are included as well. It highlights the responsibility of principals such as authorized insurers, licensed insurance broker companies and licensed insurance agencies to have adequate controls and procedures in place.

The Year Under Review

COVID-19 Response

The Insurance Authority (“IA”)’s responsibilities to maintain the general stability of the industry and protect policy holders took on fresh significance in the wake of market volatility and challenges arising from the COVID-19 pandemic, with a series of relief measures and guidance brought in to assist the sector during this difficult time.

Facilitative Measures for the Industry

To ensure the access to protection products during the fifth wave of COVID-19 in early 2022, the IA promptly responded with enhanced initiatives in March 2022 to further facilitate purchase of insurance policies via Virtual Onboarding. The IA allowed the distribution of all long term insurance products, including Investment-Linked Assurance Scheme products, via Virtual Onboarding Sandbox.

In addition, we expedited the processing of applications from insurers without Virtual Onboarding Sandbox to distribute long term insurance products via video conferencing. These insurers were encouraged to use the two IA pre-vetted platforms provided by the Hong Kong Federation of Insurers to shorten the turnaround time for the necessary approval.

Since COVID-19 first broke out in early 2020, the IA has introduced the Temporary Facilitative Measures (“TFM”) to reduce the risk of infection during the selling process. Through these measures, designated products, such as Qualifying Deferred Annuity Policy and Voluntary Health Insurance Scheme products, can be marketed via non-face-to-face channels like digital, telemarketing, postal or video conferencing. In light of

positive response, all in-scope TFM products could now be acquired via Virtual Onboarding Sandbox without recording, provided that the compensating measures of upfront disclosure of important information at the point of sale and an extended cooling-off period of no less than 30 days, among others, are put in place. As of March 2022, around 52,000 policies had been sold through these measures, generating total annualised premiums of about HK\$736 million.

Facilitative Measures for Insurance Intermediaries

Understanding intermediaries’ difficulties in meeting Continuing Professional Development (“CPD”) requirements during COVID-19, the IA merged the 2019-20 and 2020-21 CPD assessment periods, with fulfilment and reporting deadlines for the combined periods rescheduled to July 2021 and September 2021 respectively. For this merged assessment period, the cap on e-learning was raised to 14 hours, and there was no limit on CPD hours via virtual classroom platforms. In addition, a one-off relief from monetary penalty was embedded in the CPD Penalty Framework for the merged assessment period, allowing licensees to make good any shortfall of CPD hours within a certain period.

The Year Under Review

COVID-19 Response

In March 2022, the IA took steps to reduce the number of CPD hours from 15 to 12 for the 2021-22 CPD assessment period, to spare travel agents¹ from any CPD hours for the same period, and to permanently lift the cap imposed on the number of CPD hours obtained by e-learning.

Due to COVID-19, there was a substantial decrease in the on-campus seating capacity of Insurance Intermediaries Qualifying Examination ("IIQE"). The IA worked closely with the Vocational Training Council ("VTC") and rolled out the Remote Invigilation Mode Examination ("RIME") in December 2020 as a back-up for the IIQE. When daily activities were severely affected, the VTC promptly launched the RIME in March 2022 to conduct examination on three basic IIQE papers.² An individual who passes the examinations using this channel is eligible to be granted a licence for 18 months and further renewal subject to fulfilment of certain courses or examinations during that period.

In recent years, insurance intermediaries have substantially expanded their suite of digital insurance services in carrying on regulated activities. Seeing the merits for customers to access a range of simpler and protection-oriented insurance products through

digitalisation, especially during the pandemic, the IA opened up the Insurtech Sandbox to interested licensed insurance broker companies carrying on regulated activities in long term insurance business. To ensure fair treatment of customers, licensed insurance broker companies should have compensating measures for the non-face-to-face setting and comply with the relevant regulatory requirements.

Business Continuity Planning

It is crucial for the insurance industry to have comprehensive contingency plans in place to ensure minimal disruption of its operation and service to policy holders. During the reporting year, the IA issued a number of circulars reminding industry stakeholders to review their business continuity plans against various scenarios, including sudden depletion of manpower due to outbreak of infections and isolation requirement. They were also called upon to review manpower deployment plans, ensure robustness of IT systems and strengthen channels of communication, with a view to maintaining critical support for policy holders in particular those who are less digitally-enabled.

¹ Individual licensees with licences for restricted scope travel insurance business only.

² The IIQE papers on the Principles and Practice of Insurance, the General Insurance, and the Long Term Insurance.

The Year Under Review

COVID-19 Response

Insurance Talent Development Programme

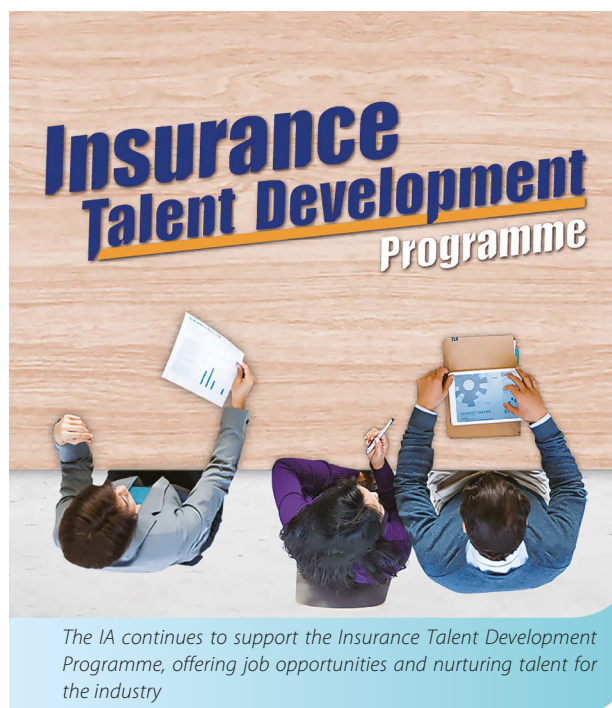
In 2020, the IA launched the Insurance Talent Development Programme with support from the Government's Anti-epidemic Fund, creating employment opportunities for sustainable development of the insurance industry. As of March 2022, 32 temporary positions have been created, with another 31 more to come. These positions spanned across the full spectrum of IA activities including supervision, licensing, complaint handling, enforcement and administrative support, building a talent pool for the insurance industry and the IA. Some participants have opted for job openings in the IA upon completion of the programme.

Vaccination

Since vaccination is of vital importance in safeguarding public health during the pandemic, the IA issued two circulars in June and October 2021 respectively to strongly encourage the insurance industry to arrange for their staff and intermediaries to get inoculated as a sound risk management practice and business continuity measure. In February 2022, the IA issued another circular urging the industry to implement "Vaccine Pass" in their office premises and took the lead by doing so as well as by granting time-off and paid leave for its staff to take the jab.

Maintaining Public Services

To lower the risk of infection, the IA offices were closed to the public when the pandemic became acute but normal operation was maintained by enabling our staff to work from home, backed up by technologies such as remote access to IT systems and video conferencing tools.



The IA continues to support the Insurance Talent Development Programme, offering job opportunities and nurturing talent for the industry

The Year Under Review

Protection of Policy Holders

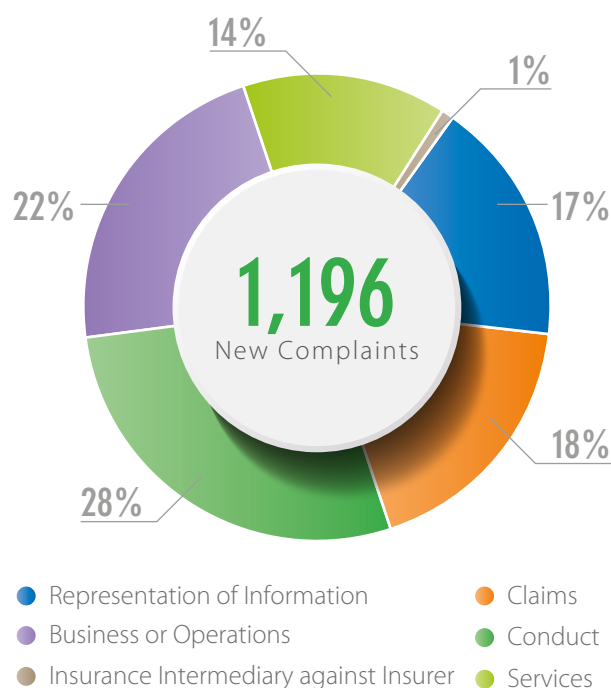
The Insurance Authority ("IA") makes continuous efforts to uphold the interests of policy holders. During the reporting year, our complaint handling process was revamped while a joint Mystery Shopping Programme with other financial regulators commenced. Meanwhile, preparatory work on the Policy Holders' Protection Scheme ("PPS") continued.

Complaint Handling

During the reporting year, the IA received a total of 1,196 new complaint cases. The main complaint categories¹ concerned conduct, insurers' business or operations, representation of information and claims. A total of 870 ongoing complaint cases were brought forward from the previous year.

The IA concluded the handling of 1,473 complaints and referred 68 cases to the IA's Enforcement Team for further action. A total of 525 ongoing cases will be carried forward to the next reporting year.

Complaint Categories 2021-22



Complaint Statistics^a

Reporting Year	2020-21	2021-22
Ongoing cases brought forward from the previous reporting year	733	870
New cases received	1,401	1,196
Total	2,134	2,066
Cases closed	1,153	1,473
Cases referred to the IA's Enforcement Team	111	68
Ongoing cases carried forward to the next reporting year	870	525
Total	2,134	2,066

^a Complaint statistics exclude self-reported cases from insurers and intermediaries which arose from detection through operation of their governance and controls and complaints received by them.

¹ Details of complaint categories are available on the IA website.

The Year Under Review

Protection of Policy Holders

During the reporting year, several key changes were made to the complaint handling process:

- To increase transparency and better manage policy holders' expectations, more detailed explanation on our role in handling complaints and the types of conduct complaints that fall within our remit was provided on the IA website;
- Our complaint form was redesigned to make it easier for complainants to identify their issues and enable the IA to better focus on those issues;
- Complaint report templates to be completed by insurers and other principals were standardised to help the IA more efficiently obtain required information on complaints;
- The IA entered into a Memorandum of Understanding ("MoU") with the Insurance Complaints Bureau ("ICB") to facilitate the referral of claims-related disputes to the ICB; and

- Best practices for insurers and other principals to handle complaints were discussed at regular meetings with insurers and promoted through *Conduct in Focus*, our newsletter to the industry and general public.

These improvements facilitate the IA's process for examining the merits of complaints in a fair, objective and timely manner, with the twin aims of ensuring protection of policy holders and reinforcing high standards of conduct across the insurance market. They also enable better engagement with insurers in the supervisory process, encouraging the adoption of best practice principles founded on fair customer treatment for their own complaint handling processes and in their dealings with the IA on complaint matters.

During the reporting year, the number of new complaint cases submitted to the IA reduced by 15% and the number of complaint cases concluded by the IA increased by 28%.

Going forward, assessing the manner in which insurers handle complaints will continue to form an important aspect of the IA's conduct supervisory approach.

Collaboration with the Insurance Complaints Bureau

In November 2021, the IA entered into an MoU with the ICB, so that where the IA receives a claims-related dispute that falls within the ICB's jurisdiction and where the policy holder's consent is provided, the IA can refer the case to the ICB for handling and resolution.

This MoU is a significant revamp of the IA's complaint handling process. While the IA is vested with extensive statutory powers to tackle misconduct, it does not have the legal remit to adjudicate claims. Under the new arrangement, complainants can access the free service

and impartial support offered by the ICB's trusted dispute resolution mechanism to address their claims-related disputes, whilst the IA can focus on upholding proper conduct standards and sound business practices across the insurance market. Through this co-operation, complaints are handled more efficiently and effectively by the appropriate body, thereby upholding the principle of fair treatment of policy holders and reinforcing their trust in the insurance industry.

The Year Under Review

Protection of Policy Holders

Joint Mystery Shopping Programme

Mystery shopping is a common monitoring tool on industry compliance with prevailing standards and best practices. It involves undercover “shoppers” posing as normal customers seeking to perform regular transactions.

In December 2021, the IA, Mandatory Provident Fund Schemes Authority, and Hong Kong Monetary Authority issued a circular announcing a joint Mystery Shopping Programme (“MSP”) for understanding the selling practices of two tax-deductible products, namely Qualifying Deferred Annuity Policies and Mandatory Provident Fund Tax-Deductible Voluntary Contributions. This exercise is a breakthrough in cross-agency collaboration.

The MSP was designed to gain insights into how these products are being sold and proactively address potential risks. Focus areas include customer risk profiling, financial needs analysis, suitability of recommendations, and product and risk disclosure, where applicable. Aimed for completion in 2022, outcomes of the MSP will be used to complement policies and regulatory work of the three regulators and assess the extent to which relevant objectives are met. Through identifying good practices and areas

for improvement, the MSP will help promote a sound culture of fair customer treatment.

Policy Holders’ Protection Scheme

The Government has proposed to establish a PPS as a safety net for policy holders in the event of an insurer’s insolvency. This scheme covers most types of direct life and non-life policies, benefitting individual policy holders, small and medium-sized enterprises, and owners’ corporations.

During the reporting year, the IA received initial findings from a consultancy review which provide an updated assessment of the scheme’s key parameters including optimal fund size and levy rates. The current target is to conduct public consultation on the proposal in 2022, followed by preparation of a bill for introduction into the Legislative Council.



The Year Under Review

Market Development

The Insurance Authority (“IA”)’s market development roadmap seeks to drive forward sustainable growth in the insurance industry by catapulting Hong Kong into a global risk management centre and regional reinsurance and insurance hub.

To this end, the IA aims to leverage the Hong Kong insurance industry’s strengths to support national strategies such as the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) development and the Belt and Road Initiative. Our vision is to create an ecosystem anchored on a dual circulation that supports both international trade and domestic demand.

Policy initiatives to make Hong Kong a more attractive hub for international trade encompass four pillars: insurance-linked securities (“ILS”); captive insurance; marine and specialty risk insurance; and reinsurance. On the domestic front, we have worked closely with Mainland authorities to strengthen connectivity within the GBA and played an active part in invigorating the local market through Insurtech and product innovation.

Insurance-linked Securities

ILS, such as catastrophe bonds, are risk management tools that transfer insurance risks to capital markets through securitisation, enhancing the capacity of the insurance industry and providing investment options that are uncorrelated with the economic cycle. Given a rise in natural catastrophic events caused by climate change and urbanisation, global issuance of ILS has grown substantially in recent years while risk exposure remains mainly confined to the United States and Europe with Asia gradually gaining momentum.

As an international financial centre and a “super-connector” bridging Mainland and global markets,

Hong Kong has free flow of capital, a sophisticated capital market with ample liquidity, a sound legal system as well as a wealth of talent in insurance and financial services. The city is in a strong position to become a preferred ILS domicile for sponsors from the Mainland and the rest of the world, as well as multilateral organisations to capture potential business opportunities in particular from the Mainland and the rest of Asia.

On 29 March 2021, the IA launched a new regulatory regime for the issuance of ILS in Hong Kong through the authorization of special purpose insurers (“SPI”), with the sale of ILS restricted to eligible institutional investors to protect ordinary retail investors.

To facilitate the implementation of the new regulatory regime, the Guideline on Application for Authorization to Carry on Special Purpose Business (GL 33) became effective on 30 June 2021, setting out operational details by drawing reference from overseas experience, taking into account of local circumstances and engaging the industry through a working group with stakeholders along the ILS value chain.

Offering further encouragement, the Government announced the details of a two-year Pilot ILS Grant Scheme in the 2021-22 Budget, which subsidises upfront costs of up to HK\$12 million per eligible transaction for insurance companies and organisations to issue ILS in Hong Kong.

The Year Under Review

Market Development

Asian Insurance Forum 2021

In December 2021, the IA hosted the Asian Insurance Forum ("AIF") with the theme of "Opportunities and Challenges in the Post-pandemic New Normal". Taking place in a hybrid format, the event was joined by more than 1,000 guests at home and abroad.

With industry leaders and experts, financial regulators and government officials as our distinguished speakers, the AIF featured discussions of a wide spectrum of topics from Greater Bay Area development, green finance, Insurtech to regulatory issues.

The forum is the IA's annual flagship event which serves as a high-level platform for local and overseas delegates from various segments of the industry to exchange insights and explore emerging opportunities in the post-pandemic new normal, thus reinforcing Hong Kong's position as a global risk management centre and regional reinsurance and insurance hub.

Mrs Carrie Lam, former Chief Executive of the Hong Kong Special Administrative Region, delivers the opening address at the Asian Insurance Forum 2021



Financial Secretary Mr Paul Chan gives a speech at the forum



Dr Moses Cheng, Founding Chairman, gives his welcome remarks



Panellists gather to discuss the role of Fintech in the New Normal at the forum



Mr Jonathan Dixon, Secretary General of the International Association of Insurance Supervisors, provides a keynote speech online

The Year Under Review

Market Development

The Central Government has also indicated its support for Mainland insurers to issue catastrophe bonds in Hong Kong. In September 2021, China Banking and Insurance Regulatory Commission (“CBIRC”) announced the adoption of a “use-and-file” approach to facilitate and expedite ILS issuance in Hong Kong by Mainland insurers. In addition, CBIRC also introduced a dedicated capital charge for catastrophe bonds issued in Hong Kong under the China Risk Oriented Solvency System (“C-ROSS”).

In October 2021, the first ILS issuance in Hong Kong came into fruition in the form of a catastrophe bond sponsored by a leading state-owned reinsurer on Mainland typhoon losses. This was followed by a second one in June 2022 by a Hong Kong-based professional reinsurer, being the first catastrophe bond issued in Asia linked to an Asian industry loss. It was also the first ILS to qualify for the Pilot ILS Grant Scheme. The two issuances added credibility to Hong Kong as an ILS domicile, bringing in new players to our market and giving confidence to potential sponsors and other relevant stakeholders in the ILS market.

During the reporting year, the IA continued to nurture a vibrant ILS ecosystem through promotional events. This included being a keynote speaker at the Artemis ILS Asia 2021 conference, co-hosting a webinar with APEC¹ Business Advisory Council/Asia-Pacific Financial Forum and the World Bank to promote the understanding of the ILS as a risk management tool to governments in Asia Pacific, and speaking at the JP Morgan Asia Insurance Forum.

Going beyond, the IA will continue to ramp up efforts to cultivate greater awareness of ILS as a catastrophic risk management tool to governments and insurance organisations, and an alternative investment to institutional investors.

Captive Domicile

As risk management platforms for large enterprises, captive insurers can be a key source of demand for a wide range of sophisticated risk management and reinsurance and insurance solutions. Moreover, Hong Kong’s proximity to the Mainland and its role as an international financial centre make it an ideal captive domicile for Mainland enterprises with overseas projects.

To further reinforce the role of captive insurers as an intragroup risk management centre, and transforming Hong Kong into a preferred domicile for captives formed by state-owned enterprises from the Mainland, multinational conglomerates and local corporations, we have made legislative amendments to expand the scope of insurable risks by captive insurers in Hong Kong. The amendments came into effect in March 2021. Guidelines detailing the expanded scope of insurable risks of captive insurers will also be released. During the reporting year, a captive insurer in Hong Kong sought authorization for additional classes of business to seize these opportunities.

Marine and Specialty Risk Insurance

In a further spur to promote the development of the marine and specialty risk insurance businesses of Hong Kong, a Government-proposed amendment bill providing a tax concession on marine and specialty risk insurance for general insurers and insurance brokers became effective in March 2021. The concession reduces profits tax rate by 50% (i.e. 8.25%) for all general reinsurance business of direct insurers, selected general insurance business of direct insurers, and selected insurance brokerage business, aiming at promoting the development of specialty risks insurance and offshore reinsurance. It also acknowledges the important role of insurance brokers in developing Hong Kong as a reinsurance hub.

¹ Asia-Pacific Economic Cooperation.

The Year Under Review

Market Development

Reinsurance

In 2018, the IA reached a consensus with the CBIRC that under C-ROSS, the preferential factor can be applied on the capital requirement for Mainland insurers ceding business to eligible Hong Kong professional reinsurers. This enhances the competitiveness of Hong Kong reinsurers in obtaining reinsurance business ceded by the Mainland insurers for risk diversification. On 1 January 2022, the preferential treatment was integrated into CBIRC's Solvency Regulatory Rules II for Insurance Companies, reinforcing Hong Kong's position as a global risk management centre. As of March 2022, there were six Hong Kong professional reinsurers eligible for the arrangement.

Greater Bay Area

Unilateral Recognition Policy for Motor Vehicle Insurance

To increase convenience for those who will join the "Quota-free scheme for Hong Kong private cars travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge", the IA has been collaborating with the CBIRC on a unilateral recognition policy for motor vehicle insurance. When this policy is in place, Mainland authorities will recognise Hong Kong insurer-issued motor insurance policies that extend cover to third-party liability in the Mainland for private cars travelling to Guangdong via the bridge.

The IA has also been in close dialogue with the motor insurance industry to prepare for the launch of the policy. In November 2021, the IA co-hosted a webinar with the Hong Kong Federation of Insurers ("HKFI"), providing motor insurers with updates and encouraging them to partner with Mainland motor insurers to introduce relevant products.

As at March 2022, 18 Hong Kong motor insurers, accounting for around 70% of the city's motor insurance market, agreed to participate in the scheme and preparation was at the final stage. The implementation of the unilateral recognition policy will certainly pave the way for the development of more cross-boundary products, such as medical and personal accident insurance, thereby fostering the flow of people and capital within the GBA.

After-sales Service Centres

During the reporting year, the IA continued to closely liaise with regulatory counterparts in Guangdong, Shenzhen and Macao on the implementation proposals for Hong Kong insurers to set up after-sales service centres in the GBA. Meanwhile, we encouraged the industry to formulate plans and get prepared for a swift execution after obtaining policy approval. To inject new impetus to the GBA development, the National Development and Reform Commission and the Ministry of Commerce announced directives on the development of Shenzhen in January 2022,² which covers measures to further enhance connectivity among insurance markets in Shenzhen, Hong Kong and Macao.

Insurtech

Since 2017, the IA has launched Fast Track and Insurtech Sandbox to foster Insurtech development in Hong Kong.

Fast Track and Virtual Insurers

Under Fast Track, a dedicated queue is available to expedite new authorization sought by applicants proposing to rely only on digital distribution channels. There are two long term and two general virtual insurers in Hong Kong.

² "Opinions of the National Development and Reform Commission and the Ministry of Commerce on Various Special Measures to Relax Market Access in Developing Shenzhen into a Pilot Demonstration Zone of Socialism with Chinese Characteristics" 《國家發展改革委、商務部關於深圳建設中國特色社會主義先行示範區放寬市場准入若干特別措施的意見》。

The Year Under Review

Market Development

The COVID-19 pandemic has accelerated the digitalisation within the insurance sector and promoted more frequent use of online engagement platforms, hence benefiting the virtual insurers and supporting their growth. During the reporting year, virtual insurers continued to diversify their offerings to products such as medical insurance with critical illness, fire insurance, and pecuniary losses. Some of them also collaborated with overseas insurers and reinsurers to develop niche insurance products such as cyber insurance cover for digital assets.

Insurtech Sandbox and Virtual Onboarding

Insurtech Sandbox allows authorized insurers to test innovative applications of new technologies in a controlled environment and demonstrate broad compliance with prevailing supervisory requirements. As of March 2022, 27 pilots had been granted, including 16 virtual onboarding initiatives for 13 insurers. To support the increasing use of digital distribution channels, the IA has launched a supervisory framework for the distribution of long term insurance policies via video conferencing to overcome the impediments brought about by non-face-to-face onboarding process.

To facilitate the Virtual Onboarding Sandbox application, two IA pre-vetted platforms were provided by the HKFI for the distribution of long term insurance products via video conferencing tools to shorten the approval turnaround time with individual insurers to roll out their Insurtech Sandbox pilots. As of March 2022, three Insurtech Sandbox pilot trials on virtual onboarding made use of such platforms.

In view of the fifth wave of COVID-19 in early 2022, the IA introduced further facilitative measures to open up the distribution of all long term insurance products, including Investment-Linked Assurance Scheme products, via Virtual Onboarding Sandbox.³



Mr Clement Cheung, Chief Executive Officer, speaks at Hong Kong FinTech Week

The IA also extended the invitation of the Insurtech Sandbox on non-face-to-face distribution to interested licensed insurance broker companies carrying on regulated activities in long term insurance business. To ensure fair treatment of clients, licensed insurance broker companies should have compensating measures for the non-face-to-face setting and comply with the relevant regulatory requirements.

Open Application Programming Interface

Recognising the importance of an industry-wide implementation of the Open Application Programming Interface ("Open API") for enhancing data flow in the market and bringing about a vibrant Insurtech ecosystem, the IA has been working on a sector-specific Open API framework. The framework will foster greater collaboration and partnership among stakeholders to spur innovation and improve services, thereby adding value to policy holders.

In October 2021, the IA established a working group on the Open API to better deliberate on regulatory alignment and project scope, and solicit pilot use cases for the framework development. The group comprises more than 30 representatives from insurers, consulting companies, technology companies, third-party service providers, and the Fintech community.

³ See COVID-19 Response on pages 30 – 32.

The Year Under Review

Market Development

To promote the Open API development in Hong Kong, the IA hosted a number of meetings in the reporting year to share with industry participants the IA's Open API framework direction and implementation timeline, and call for submission of use cases from the industry. As of March 2022, the IA received more than 20 use cases involving different aspects along the insurance value chain.

Fintech Collaboration

The IA closely collaborates with financial regulators in other jurisdictions on various initiatives relating to Fintech facilitation and innovation.

In September 2021, the IA entered into Memorandums of Understanding ("MoUs") on Fintech Co-operation with CBIRC and the Monetary Authority of Macao respectively, in a bid to deepen co-operation on innovation and financial technology between Hong Kong, the Mainland and Macao. Under the MoUs, the IA will step up collaboration with the two regulators on innovative financial services and consider organising joint projects on the application of novel financial technologies.

Protection Linked Plan and Revamp of Investment-Linked Assurance Scheme

During the reporting year, the IA renewed market momentum by introducing a new insurance product and refining the Investment-Linked Assurance Scheme ("ILAS").

The Protection Linked Plan ("PLP") is a new category of ILAS providing high mortality protection with simple and transparent fee structure and confined fund choices, so as to narrow the protection gap whilst grasping investment opportunities at different life stages. The PLP also offers at least one investment choice linked to an Environmental, Social and Governance fund authorized by the Securities and Futures Commission ("SFC"). After rounds of consultation with stakeholders including the insurance industry, the SFC and the Hong Kong Monetary Authority, the IA ushered in the PLP in December 2021. The IA hopes that the PLP could encourage retirement planning of the younger generation at an early stage, and extend the product choices available in the market for satisfying the retirement planning needs throughout the life cycle.

Meanwhile, the IA also formalised the green light process for assessment on ILAS by providing further information on the requirements relating to product design and information disclosure, among others, with particular attention to ILAS with high level of insurance protection. We also streamlined the relevant regulatory application procedures through enhanced co-ordination with fellow regulators.

The Year Under Review

Anti-Money Laundering (“AML”) And Counter-Terrorist Financing (“CTF”)

All authorized insurers and reinsurers carrying on long term business, and licensed individual insurance agents, licensed insurance agencies and licensed insurance broker companies carrying on regulated activities in respect of long term business are required to comply with the requirements under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (“AMLO”) and with the Guideline on AML and CTF (GL3) published under the AMLO.

During the reporting year, the Insurance Authority (“IA”) continued to monitor the insurance sector’s risk exposure to money laundering and terrorist financing (“ML/TF”) through ongoing supervisory engagement and robust oversight of the effectiveness of insurance institutions’ AML/CTF systems. If any control deficiencies are identified, the IA will require that remedial actions be taken.

Risk-based Supervisory Regime

ML/TF risk assessment is an ongoing and dynamic process to monitor the ML/TF trends and effectiveness of risk mitigation measures in the market. During the reporting period, through collation and analysis of relevant market data by a survey as part of the Hong Kong Money Laundering and Terrorist Financing Risk Assessment, the ML/TF risks of the insurance sector were assessed. The IA also took the opportunity to update the ML/TF risk profiling of all the insurance institutions under its purview.

Risk Mitigation for Virtual Onboarding

During the reporting year, the IA has been encouraging insurers to expedite the adoption of Insurtech to combat challenges arising from the COVID-19 pandemic. More long term insurers applied the Insurtech Sandbox to launch trials of virtual onboarding of policy holders by various means, such as video conferencing tools or mobile applications, for a wide array of insurance products. To address the heightened ML/TF risks posed by policy holders not physically present in the virtual onboarding process, we reviewed details of the AML/CTF controls including

the ML/TF risk assessments and corresponding control measures required for Insurtech Sandbox applications before the launch of such trials.

Supervisory Outreach

During the reporting year, the IA continued its outreach efforts to promote insurance practitioners’ awareness of the AML/CTF regulatory requirements and the potential risks they may be exposed to in the sector. In November and December 2021, the IA spoke at two webinars which were attended by over 340 representatives from licensed insurance broker companies carrying on regulated activities in respect of long term business. These webinars focused on the practical knowhow in implementing an institutional ML/TF risk assessment, more in-depth discussion on the enhanced due diligence measures, and the requirements of targeted financial sanctions. In August 2021, the IA co-ordinated with the Commerce and Economic Development Bureau for the latter’s hosting of a webinar on proliferation financing risk assessment and mitigation so that it could be accessible by insurance institutions.



The IA speaks at a webinar to promote insurance practitioners’ awareness of the AML/CTF regulatory requirements

Environmental, Social and Governance

Corporate Governance

As a credible regulator, the Insurance Authority (“IA”) is committed to adopting environmental, social and governance criteria in its daily operations and practices, with our corporate governance framework built around well-defined management and accountability structures, comprehensive operational and financial control procedures, and high standards of conduct.

Governance Structure

Membership

Under the Insurance Ordinance (“IO”), membership of the IA consists of the Chairman who is a Non-Executive Director (“NED”), the Chief Executive Officer (“CEO”) who is an Executive Director (“ED”), and not less than six other NEDs or EDs, all appointed by the Chief Executive of the Hong Kong Special Administrative Region (“Chief Executive”).

As at March 2022, the IA Board consisted of 13 NEDs and three EDs. On 28 December 2021, Mr Stephen Yiu succeeded Dr Moses Cheng as the new Chairman of the IA. At the same time, Ms Ivy Cheung, Dr Evelyn Lam, Mr Lam Wai-kong, Dr Ares Leung, Mr Terry Lo, Mr Dr Derrick Pang, Mr Anson Wong, SC, and Mr Kenneth Wong were newly appointed as NEDs for a term of three years. Four incumbent NEDs, namely, Dr Clement Chen, Ms Agnes Choi, Ms Theresa Ng and Professor Anna Wong were reappointed for another term of three years.

Mr Samuel Chan, Professor Chan Wai-sum, Ms Chitty Cheung, Mr Kenneth Kwok, Mr Ma Ho-fai and Mr James Wong retired as NEDs after completing six years of service.

Responsibilities and Diversity of Directors

NEDs bring an independent perspective to the IA, providing a wealth of experience and expertise in diverse fields such as insurance, law, accountancy, finance, actuarial science and enterprise management.

Chairman and CEO

The Chairman provides leadership and strategic direction, while the CEO assumes responsibility for daily operations and implementation of strategies under the directions of the IA Board.

Executive Directors

EDs take charge of daily operations within their respective purviews, including long term business, general business, market conduct, and policy and development. They also support the CEO in fulfilling his duties.

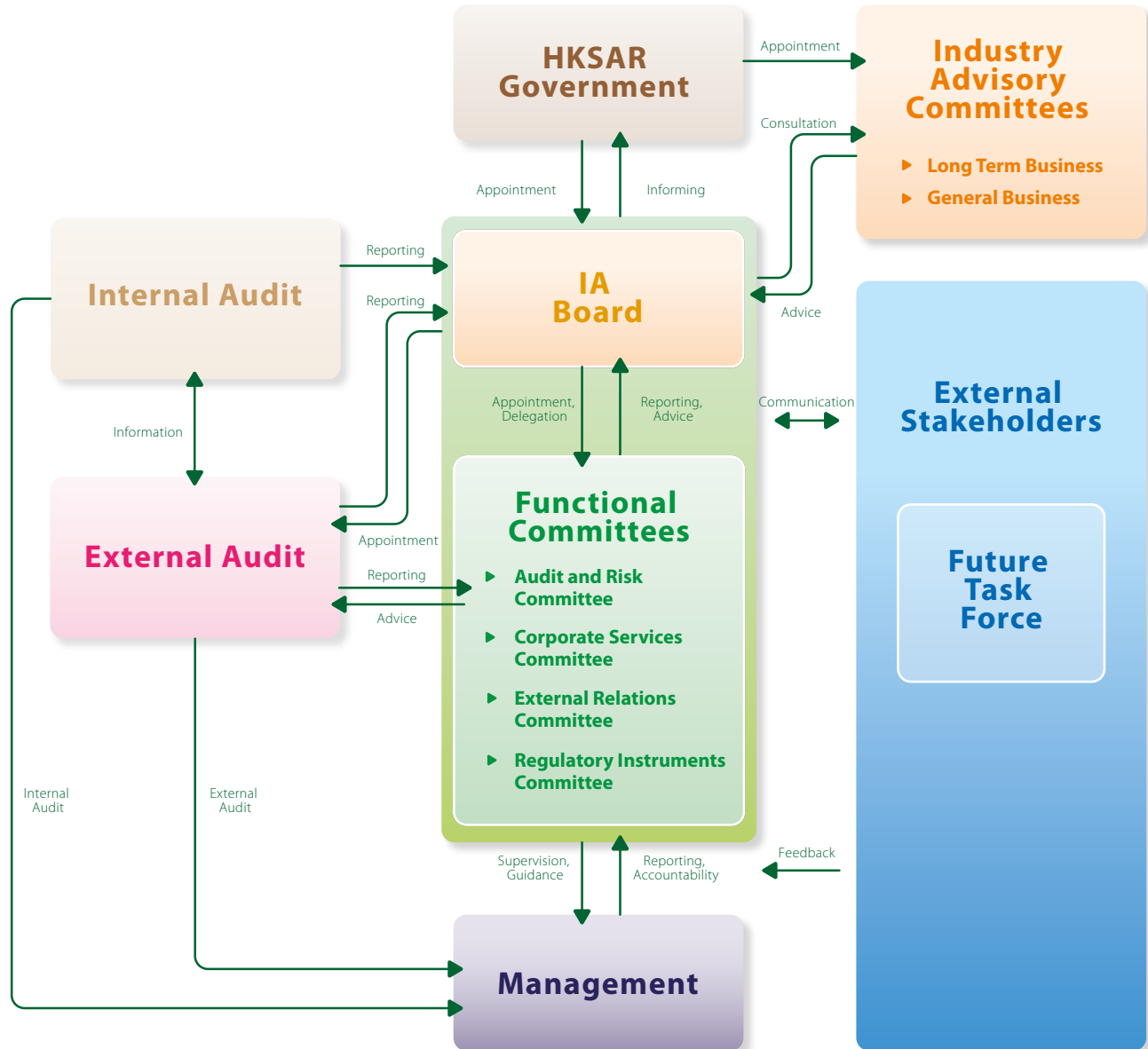
Diversity of Our NEDs

Gender	
Male	8 (62%)
Female	5 (38%)

Professional Expertise/Experience	
Accountancy/Actuarial Science	3 (23%)
Banking/Business/Finance/Insurance	4 (30%)
Education and Management	1 (8%)
Engineering	1 (8%)
Healthcare	1 (8%)
Labour and Welfare	1 (8%)
Legal	2 (15%)

Environmental, Social and Governance Corporate Governance

Governance Structure



Environmental, Social and Governance

Corporate Governance



- 
- 1 Mr Stephen Yiu Kin-wah, JP**
Chairman
 - 2 Mr Clement Cheung Wan-ching, GBS, JP**
Chief Executive Officer
 - 3 Dr Clement Chen Cheng-jen, GBS, JP**
Non-Executive Director
 - 4 Ms Ivy Cheung Wing-han**
Non-Executive Director
 - 5 Ms Agnes Choi Heung-kwan, MH**
Non-Executive Director
 - 6 Dr Evelyn Lam Ho-yi, JP**
Non-Executive Director
 - 7 Mr Lam Wai-kong, MH**
Non-Executive Director
 - 8 Dr Ares Leung Kwok-ling**
Non-Executive Director
 - 9 Mr Terry Lo Kin-wing**
Non-Executive Director
 - 10 Ms Theresa Ng Choi-yuk, JP**
Non-Executive Director
 - 11 Ir Dr Derrick Pang Yat-bond, JP**
Non-Executive Director
 - 12 Mr Anson Wong Man-kit, SC, JP**
Non-Executive Director
 - 13 Professor Anna Wong Wai-kwan**
Non-Executive Director
 - 14 Mr Kenneth Wong Wing-yan**
Non-Executive Director
 - 15 Ms Carol Hui Mei-ying**
Executive Director, Long Term Business
 - 16 Mr Simon Lam Sui-kong**
Executive Director, General Business

Environmental, Social and Governance

Corporate Governance

IA Members

Chairman



Mr Stephen Yiu Kin-wah, JP

Mr Yiu took up the Chairmanship of the IA since December 2021. He has been a member of the IA Board since its inception in 2015. Previously, he is a former Chairman and Chief Executive Officer for Mainland China and Hong Kong of KPMG, possessing in-depth knowledge on auditing large banking and financial corporations. He is a government-appointed Director on the Board of Hong Kong Exchanges and Clearing Limited and a member of the Exchange Fund Advisory Committee. Mr Yiu has been actively promoting the financial services sector of Hong Kong, and is currently a director of the Hong Kong Academy of Finance.

Non-Executive Directors



Dr Clement Chen Cheng-jen, GBS, JP

Dr Chen is the Executive Director of Tai Hing Cotton Mill Limited. He is currently Chairman of the Council and Court of Hong Kong Baptist University, Honorary President of the Federation of Hong Kong Industries and Chairman of the Standing Committee on Youth Skills Competition. He is also a member of the Public Service Commission and the Board of Governors of Technological and Higher Education Institute of Hong Kong. Notable past appointments include Chairman of the Vocational Training Council and Chairman of the Federation of Hong Kong Industries.



Ms Ivy Cheung Wing-han

Ms Cheung is the Managing Partner and Head of Audit with KPMG, Hong Kong. She was the President of the Hong Kong Institute of Certified Public Accountants in 2016. Ms Cheung is also a board member of the Hong Kong Cyberport Management Company Limited and the Hong Kong Genome Institute. She currently serves as a member of various public service committees, including the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Transport Advisory Committee. She is also an Honorary Advisor and a member of the Inspection Committee of the Financial Reporting Council.

Environmental, Social and Governance

Corporate Governance



Ms Agnes Choi Heung-kwan, MH

Ms Choi is a senior general insurance leader with over 35 years' experience. She was Chairman of the Hong Kong Federation of Insurers ("HKFI") from 2012 to 2013 and a member of the Executive Committee of the International Union of Marine Insurance ("IUMI") from 2015 to 2018. Currently, she is the IUMI's Asia Ambassador. She is also a lay member of the Council of the Hong Kong Institute of Certified Public Accountants and a member of the Travel Industry Authority. She was elected as one of the Top Ten Influential Persons in Marine Insurance 2017 by Lloyd's List and one of the Top Ten Outstanding Women in the Maritime Industry in China in 2019.



Dr Evelyn Lam Ho-yi, JP

Dr Lam is a Senior Vice President of Lai Sun Group. Taking an active role in public service, Dr Lam is currently Chief Executive Officer of Por Yen Charitable Foundation Limited, Chairperson of Special Olympics Hong Kong, Executive Vice President of Hong Kong United Youth Association; a member of All-China Youth Federation and Chinese People's Political Consultative Conference of the Jiangsu Province Committee. She also serves as a member of Advisory Committee on Recycling Fund, Action Committee Against Narcotics, Fishermen Claims Appeal Board (Trawl Ban), Housing Appeal Panel, Immigration Tribunal and as a Chairperson of Social Security Appeal Board.



Mr Lam Wai-kong, MH

Mr Lam is a senior trade union worker and is currently the Vice Chairman of the Hong Kong Federation of Trade Unions. He has successively served as the Secretary-General of the Hong Kong Wearing Apparel Industry Employees General Union, and the Secretary-General of the Motor Transport Workers General Union. Representing the labour sector to participate in the Government and various social groups, Mr Lam helped to put forward the views of the labour grassroots. He was appointed as a member of the Employees' Compensation Assistance Fund Board and the Employees' Insurance Levy Board.

Environmental, Social and Governance

Corporate Governance



Dr Ares Leung Kwok-ling

Dr Leung is an obstetrician and gynecologist and he leads several medical groups. He was President of the Hong Kong College of Obstetricians and Gynecologists. He is a board member of the Haven of Hope Christian Service and Chairman of its Subvented Service Governing Committee. He took positions of the Deputy Medical Director of Union Hospital and then Chief Operating Officer of Town Health International Medical Group.



Mr Terry Lo Kin-wing

Mr Lo is an actuary and a veteran of the insurance industry, having been the chief executive of a few authorized insurers in the Hong Kong SAR and the Mainland China before his retirement. He had served the industry as a General Committee member of the Insurance Claims Complaints Bureau,¹ Chairman of the Life Insurance Council and Deputy Chairman of the Governing Committee of the HKFI.



Ms Theresa Ng Choi-yuk, JP

Ms Ng is a veteran banker who held key frontline and management positions in retail, wealth management as well as private banking. She is a lay member of the Council of the Hong Kong Institute of Certified Public Accountants. Ms Ng has devoted much of her time in serving the community by taking part in charity work, public services and youth educational matters. She is currently the Vice Chairman of Friends of Caritas and School Managers for a number of reputable secondary schools.

¹ Replaced by the Insurance Complaints Bureau in 2018.

Environmental, Social and Governance

Corporate Governance



Ir Dr Derrick Pang Yat-bond, JP

Ir Dr Pang is the Chief Executive Officer of Asia Allied Infrastructure Holdings Limited. He has over 21 years of geotechnical design and construction experience in the U.S.A. and Hong Kong. Ir Dr Pang serves as a lay member of the Barristers Disciplinary Tribunal Panel. He is a member of the Licensing Appeals Board, the Duchess of Kent Children's Hospital - Hospital Governing Committee, and the Aviation Development and Three-runway System Advisory Committee. He also served as a non-official member of the Task Force on Land Supply from 2017 to 2019.



Mr Anson Wong Man-kit, SC, JP

Mr Wong is a Senior Counsel with a broad range of civil and commercial practice. He has sat as Deputy High Court Judge on multiple occasions. He has also been appointed by the Government as Chairman or Deputy Chairman of various quasi-judicial tribunals. He is currently the Chairman of the Banking Review Tribunal, the Chairman of the Resolvability Review Tribunal, the Chairman of the Resolution Compensation Tribunal, the Deputy Chairman of Inland Revenue Board of Review and formerly the Chairman of Municipal Services Appeal Board.



Professor Anna Wong Wai-kwan

Professor Wong is a Professor of Practice in Finance at the University of Hong Kong, delivering courses on financial regulation, compliance and risk management. She is currently a member of the Competition Commission. She has held senior roles in several global financial institutions and is a former member of the Advisory Committee of the Securities and Futures Commission.

Environmental, Social and Governance

Corporate Governance



Mr Kenneth Wong Wing-yan

Mr Wong is a Senior Partner and Solicitor Advocate (having higher rights of audience (civil)) of a law firm, specialising in civil litigation including commercial and real estate litigation and arbitration, judicial review and competition, town planning and regulatory related matters. He has been serving as a Deputy High Court Judge. He is currently Chairman of the Civil Litigation Committee of the Law Society of Hong Kong.

Executive Directors



Mr Clement Cheung Wan-ching, GBS, JP

Chief Executive Officer

Mr Cheung has been serving as the Chief Executive Officer of the Insurance Authority since August 2018 after retiring from the Administrative Service. Senior positions that he has held in the Government include Commissioner of Insurance (2006-2009), Postmaster General (2009-2011), Commissioner of Customs and Excise (2011-2015), and Secretary for the Civil Service (2015-2017).

At the global and regional levels, Mr Cheung is a member of the Executive Committee of the International Association of Insurance Supervisors and Chair of its Audit and Risk Committee, as well as Chairman of the Asian Forum of Insurance Regulators.



Ms Carol Hui Mei-ying

Executive Director, Long Term Business

Ms Hui joined the IA in June 2017. Prior to this, she worked in the then Office of the Commissioner of Insurance since 1990, covering areas including regulation of insurers and insurance intermediaries, policy development and strategy formulation. At the IA, she oversees the prudential supervision of long term insurers, together with the group-wide supervision framework, Qualifying Deferred Annuity Policies, facilitative measures in response to the COVID-19 pandemic, processing of trial projects on virtual onboarding and development of the Protection Linked Plan.

Environmental, Social and Governance

Corporate Governance



Mr Simon Lam Sui-kong

Executive Director, General Business

Mr Lam joined the IA in June 2017. He has extensive management, technical and commercial experience in property & casualty, life and reinsurance businesses accumulated over 30 years in the insurance industry. Previously, he was the Chief Executive Officer and Regional Chief Operating Officer of multinational insurers and a reinsurer located in Hong Kong, Mainland China (Beijing), Vietnam and Thailand. He brings strong leadership and stewardship on key market topics, on prudential supervision of insurers and the development of the general insurance market in Hong Kong.

Environmental, Social and Governance

Corporate Governance

Governance Practices

The IA strives to observe the best practices of corporate governance, including:

- Meeting regularly to transact matters of operational and strategic importance
- Providing the IA Board with relevant materials in advance to enable thorough and informed deliberation at meetings
- Furnishing the IA Board with relevant and timely management data to facilitate detailed scrutiny of outcomes and performance
- Keeping records for the IA Board in the form of minutes of discussion, attendance and decisions made
- Setting up policies for disclosure and handling conflict of interest
- Meeting in sub-committees to gather preliminary feedback



Environmental, Social and Governance

Corporate Governance

Meeting Attendance in 2021-22

Meetings attended/held	IA Board	Audit and Risk Committee ("ARC")	Corporate Services Committee ("CSC")	External Relations Committee ("ERC")	Regulatory Instruments Committee ("RIC")
Chairman					
Moses Cheng ^a	6/6	2/2	3/3	2/2	1/1
Stephen Yiu ^b	8/8	2/2	3/3	–	–
Non-Executive Directors					
Samuel Chan ^c	5/6	–	1/3	1/2	1/1
Chan Wai-sum ^c	6/6	1/2	3/3	–	–
Clement Chen	8/8	1/2	–	2/2	–
Chitty Cheung ^c	6/6	–	3/3	1/2	–
Ivy Cheung ^d	2/2	0/0	0/0	–	–
Agnes Choi	6/8	–	2/3	2/2	1/1
Kenneth Kwok ^c	5/6	1/2	2/3	–	1/1
Evelyn Lam ^e	2/2	–	0/0	0/0	–
Lam Wai-kong ^f	2/2	–	–	0/0	0/0
Ares Leung ^e	2/2	–	0/0	0/0	–
Terry Lo ^g	2/2	0/0	–	–	0/0
Ma Ho-fai ^c	6/6	–	1/3	2/2	1/1
Theresa Ng	8/8	–	3/3	–	1/1
Derrick Pang ^g	2/2	0/0	–	–	0/0
James Wong ^c	6/6	–	3/3	2/2	0/1
Anson Wong ^f	2/2	–	–	0/0	0/0
Anna Wong	8/8	–	–	2/2	1/1
Kenneth Wong ^h	2/2	–	0/0	–	0/0
Executive Directors					
Clement Cheung	8/8	–	–	2/2	1/1
Carol Hui	8/8	–	–	–	–
Simon Lam	8/8	–	–	–	–

^a Dr Cheng's Chairmanship expired on 27 December 2021.

^b Mr Yiu took up the Chairmanship since 28 December 2021. He has been a member of the IA Board since inception in 2015.

^c Appointment expired on 27 December 2021.

^d Appointed as a member of the IA Board, ARC and CSC on 28 December 2021.

^e Appointed as a member of the IA Board, CSC and ERC on 28 December 2021.

^f Appointed as a member of the IA Board, ERC and RIC on 28 December 2021.

^g Appointed as a member of the IA Board, ARC and RIC on 28 December 2021.

^h Appointed as a member of the IA Board, CSC and RIC on 28 December 2021.

Environmental, Social and Governance

Corporate Governance

Functional Committees

The IA has four functional committees, namely the ARC, CSC, ERC and RIC, each chaired by an NED with relevant expertise. NEDs make up over 80% of the

membership, with ARC and CSC comprised entirely of NEDs. This provides checks and balances on the IA's decision-making process.

Committees	Composition	Summary of Work in 2021-22
Audit and Risk Committee	5 NEDs	<ul style="list-style-type: none"> Held two meetings. Reviewed the audited financial statements. Endorsed the audit plan proposed by the external auditor. Considered the internal audit strategy, annual internal audit plan and whistleblowing policy. Received periodic procurement reports, ensuring compliance with internal policies and guidelines.
Corporate Services Committee	7 NEDs	<ul style="list-style-type: none"> Held three meetings. Examined the Corporate Plan for 2022-23 and Six-Year Financial Forecast for 2022-23 to 2027-28, providing comments to the IA Board. Received periodic reports on financial status, keeping a close watch on financial sustainability of the IA. Considered the appointment and terms of senior executives. Considered the information technology strategy for 2021-25.
External Relations Committee	7 NEDs and 1 ED	<ul style="list-style-type: none"> Held two meetings. Considered the proposed framework for Annual Report 2020-21. Considered the IA's initiatives for publicity, public education and talent development for the insurance industry.
Regulatory Instruments Committee	8 NEDs and 1 ED	<ul style="list-style-type: none"> Held one meeting. Scrutinised the guideline on application for authorization to carry on special purpose business.

Environmental, Social and Governance

Corporate Governance

Industry Advisory Committees

The IA is required by the IO to set up two Industry Advisory Committees (“IACs”) on long term business and general business respectively. Each IAC includes the Chairman, the CEO, and not more than two other EDs of the IA, as well as eight to 12 other members who are appointed by the Financial Secretary (“FS”) in consultation with the IA.

The FS appointed/reappointed 11 non-official members to the IAC on long term business and 10 non-official members to the IAC on general business for a term of two years between 1 June 2020 and 31 May 2022. These members were selected from different sectors within the insurance industry and related fields such as accountancy, insurance law, academia, banking, management and the healthcare profession. During the reporting year, four joint meetings of the IACs were held. Members of the IACs are listed in the Appendices on page 105.

Independent Checks and Balances

The Ombudsman

The IA is subject to indirect oversight by the Office of the Ombudsman which has statutory powers to investigate alleged acts of maladministration.

Insurance Appeals Tribunal

The [Insurance Appeals Tribunal \(“IAT”\)](#) has been established under the IO to review, on application, specified decisions made by the IA as well as disciplinary sanctions imposed by the three former Self-Regulatory Organisations (“SROs”)² prior to the IA taking over direct regulation of insurance intermediaries on 23 September 2019. The IAT’s statutory purpose is to determine a question or an issue arising out of or in

connection with a review and to ensure that insurance regulatory decisions are reasonable and fair. The IAT is formed whenever there is a case to be reviewed. It consists of the chairperson of the IAT and two ordinary members, recommended by the IAT chairperson and chosen from a panel of members appointed by the FS under the delegated authority by the Chief Executive. Members of the IAT are listed in the Appendices on page 106.

During the reporting year, the IAT made its first determination on an application for review. The application related to a disciplinary sanction imposed by an SRO prior to 23 September 2019. The case had been transferred to the IAT for review on 23 September 2019. It was heard before the IAT on 19 May 2020. The IAT issued its determination on 30 September 2021. Meanwhile, the IAT also received three applications for review in relation to the IA’s specified decisions.

Process Review Panel for the IA

The [Process Review Panel \(“PRP”\)](#) is an independent body established by the Government to review and advise the IA on the adequacy of the IA’s internal procedures and operational guidelines governing the actions taken and operational decisions made by the IA and its staff in the performance of the IA’s regulatory functions. In its inaugural term, the PRP conducted a comprehensive review of the internal procedures and operational guidelines of the IA through detailed examination of selected cases. Published in October 2021, the first Annual Report of the PRP summarised its work and recommendations, which is conducive to ensuring that the IA exercises its regulatory powers in a fair and consistent manner. Follow-up actions were taken accordingly. Members of the PRP are listed in the Appendices on page 107.

² The former SROs are the Hong Kong Confederation of Insurance Brokers, Professional Insurance Brokers Association and Insurance Agents Registration Board formed under the Hong Kong Federation of Insurers.

Environmental, Social and Governance

Corporate Governance

Accountability and Transparency

Standards of Conduct

We attach great importance to the integrity and probity of our staff and expect them to uphold a high standard of conduct to fulfil the statutory functions conferred on the IA. To ensure that our staff understand and observe the relevant standards, we have issued guidelines and a code of conduct addressing areas such as conflict of interest, declaration of financial interests, and acceptance of gifts. All newcomers are compelled to attend induction modules and training organised by the Independent Commission Against Corruption.

Corporate Planning

In each financial year, the IA is required by the IO to submit a corporate plan to the FS outlining key objectives, planned activities and budget for the following year. Before submission of the corporate plan, views on the budget are sought from the Legislative Council ("LegCo") Panel on Financial Affairs.

Financial Control and Reporting

Financial statements in accordance with prevailing accounting standards, reporting rules and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants are prepared and published together with the annual report. PricewaterhouseCoopers was engaged again to be the external auditor of our financial statements for the reporting year.

We have adopted the following to enhance the transparency of our financial status:

- An external firm is appointed to conduct the annual audit.
- Annual financial statements are presented to the ARC.
- Approval is sought from the IA Board on the annual financial statements published in the annual report.
- Key financial data is presented at meetings of the IA Board.
- Regular reports are provided to the Government.
- The annual budget and revised estimates are presented to the LegCo Panel on Financial Affairs.

Communication with Stakeholders

The IA interacts with a variety of stakeholders, including industry practitioners, policy holders, regulatory counterparts, government officials, LegCo members, media representatives and the general public. In addition to maintaining communication channels through the IA website, media briefings, press releases, circulars and publicity events, feedback is collected through meetings, seminars and consultation sessions. Industry statistics are released on a regular basis, and ten requests for access to information were handled during the reporting year.

Environmental, Social and Governance

Corporate Governance

Handling Complaints

Our accountability and transparency are also embodied in complaint handling. Our role and policies in this respect are published on our website. Since taking over from the former SROs on 23 September 2019, the IA has assumed the sole responsibility for dealing with complaints against insurance intermediaries.

Risk Management

A package of measures has been adopted to safeguard against possible risks associated with our operations, including external risks arising from the insurance market, and internal risks such as financial risks, and threats to our information and office security:

- External risks associated with the insurance market are assessed as part of the corporate planning process and appropriate measures are adopted to address the risks on an ongoing basis.
- The Internal Audit Section reports to the IA Board to evaluate and improve the effectiveness of the IA's risk management, control and governance process.

- Financial control policies and procedures are promulgated to delineate the authority and responsibility of our staff and the IA Board in the appointment of consultants, service providers, procurement of capital items, etc.
- The IA's risk management system and internal control procedures are subject to review by the ARC which is composed exclusively of NEDs.
- Access controls are in place for the IA's computer and file systems to protect against unauthorised access, use or modification. There are also access controls for office premises to safeguard against unauthorised entry.
- A data privacy policy is promulgated and Data Privacy Officer appointed to facilitate compliance with the Personal Data (Privacy) Ordinance.

Environmental, Social and Governance

Green and Sustainable Finance

Climate change is widely recognised to be the biggest peril for humankind and one of the highest priorities of environmental, social, and governance (“ESG”) issues. As a socially responsible organisation, the Insurance Authority (“IA”) not only strives to minimise our environmental impact but also takes the initiative in charting the course for a greener and more sustainable future for Hong Kong together with the insurance industry.

Cross-sectoral Co-operation

To fully support the Hong Kong’s Climate Action Plan 2050 which was announced by the Government in October 2021 for a more proactive approach to reduce carbon emissions, the IA endeavors to advance green and sustainable finance by actively participating in the Green and Sustainable Finance Cross-Agency Steering Group (“CASG”). In July 2021, the CASG established the Centre for Green and Sustainable Finance (“Centre”), a cross-sector platform with participation of industry stakeholders and academia in capacity building and policy development. It serves as a repository for resources, data and analytics, which supports the transition to a more sustainable development pathway.

The Centre has established working groups to develop strategies and roadmaps to promote capacity building and develop data repository and analytics capability. During the reporting year, the Centre launched the Green and Sustainable Finance Data Source Repository, which was recommended and compiled by its Data Working Group with the Hong Kong Federation of

Insurers (“HKFI”) being one of the co-chairs. The IA issued a circular sharing the news with the industry as insurers could make use of these data sources for managing climate-related risks and facilitating setting of climate-related goals and strategies.

Industry-wide Green Efforts

The IA collaborates closely with the insurance industry to promote green initiatives. We have established regular dialogue with the HKFI’s Task Force on Green Insurance to exchange views and share updates on the subject matters as well as raising awareness of green finance and building capacity for the industry to better prepare for the ever-changing climate-related policies and market development.

In January 2022, the IA hosted a thematic breakout session titled “Innovating Insurance to Combat Climate Change” at the Asian Financial Forum, in which insurance professionals highlighted the industry’s participation in initiatives addressing climate change and the emerging opportunities ahead.



Mr Tony Chan, Associate Director, Policy and Development, hosts a breakout session on green finance at the Asian Financial Forum



Environmental, Social and Governance

Environmental Protection

To minimise its carbon footprint, the Insurance Authority (“IA”) put in place various green measures in its offices and engaged its staff to proactively preserve the environment.

A Green Workplace

Highlights of our green practices for an environmentally friendly workplace:

Recycling and Reusing

- Collecting metal mooncake boxes, Christmas trees, red packets, peach blossom trees and aluminum coffee capsules for recycling
- Sorting plastic and metal for recycling
- Recycling paper
- Donating used computers and communication products

Going Paperless

- Sharing reports, guidelines and consultation papers, and exchanging information with stakeholders through the IA website to reduce printing
- Accepting electronic returns from regulated entities
- Having a data management system in place for electronic records
- Using electronic platforms to enable digital transmission and preservation of documents
- Enabling paperless meetings by providing laptop computers to our staff
- Setting up a digital kiosk in the IA office to display corporate information
- Sending festive greetings via e-cards
- Monitoring and reducing paper consumption

Saving Power

- Switching off electrical appliances and systems when not in use
- Procuring energy-efficient devices and equipment and setting them in power-saving mode
- Installing timers to turn off lighting and air conditioning after office hours
- Displaying notices to remind staff to conserve energy

Environmental, Social and Governance

Environmental Protection

During the reporting year, the IA was once again granted the title of Hong Kong Green Organisation with an Energywise Certificate and a Wastewise Certificate by the Environmental Campaign Committee, in recognition of its efforts on energy saving and waste reduction.

To maintain good air quality in our offices, we conducted regular cleaning of air conditioning filters and attained the Good Class standard in the Indoor Air Quality Certification Scheme, organised by the Environmental Protection Department, for both of our offices in Wong Chuk Hang and North Point.

Consumption and Recycling

	2021-22	2020-21	2019-20
Consumption			
Paper (piece/head)	2,550	4,268	4,516
Electricity (kWh/head)	1,825	1,864	1,928
Recycling			
Paper (kg)	5,667^a	3,441	4,251

^a The increase was largely due to the disposal of historical records already stored in the data management system.



承諾支持世界自然基金會地球一小時
IS COMMITTED TO WWF'S EARTH HOUR

The IA joins "Earth Hour 2022", organised by the World Wide Fund

To raise our staff's awareness of environmental protection, we also encouraged them to participate in green initiatives such as Earth Hour 2022 and various donation and recycling programmes.



Energy Saving
Charter 2021

Hong Kong Green
Organisation

Hong Kong Green
Organisation Certification
– Wastewise Certificate

Environmental, Social and Governance

Social Responsibility

Corporate social responsibility (“CSR”) matters at the Insurance Authority (“IA”). We put in place a range of initiatives to promote staff wellness and contribute to the community.

Caring For Our Staff

People are the most valuable asset to the IA and their contribution is vital to the IA’s future growth and success. We attach great importance to enhancing the well-being of our staff and have formed the Social Committee, led by our Human Resources Team and supported by colleagues from various divisions, to organise a variety of staff activities to promote team cohesion and work-life balance.

Adhering to the social distancing requirements during the pandemic, we continued to show our care to our staff by giving festive gifts, organising stress management workshops and a webinar on how to boost resilience in the face of challenges. Furthermore, we offered one-on-one consultation sessions by partnering with healthcare professionals for colleagues in need. The benefits for staff medical insurance

scheme was also enhanced in June 2022 to provide better protection to staff.

To promote better work-life balance and reduce commute time for staff, a work-from-home arrangement was put in place in June 2022 on a pilot basis to allow eligible staff to work from home on certain days of their choice.



The IA organises stress management workshops for colleagues during the pandemic

Staff Newsletter – SuperVision

The IA issued its inaugural staff newsletter “SuperVision” in December 2021. This quarterly publication serves as an important channel to enhance internal

communication within the IA. The newsletter covers a wide array of topics including interviews with senior management, divisions’ updates and staff news.



Environmental, Social and Governance

Social Responsibility

Caring For The Community

The IA puts great emphasis in nurturing young talent. During the reporting year, the IA CEO shared life and work experiences with undergraduate students in the mentorship programme of a local university.

During the period when the pandemic situation was stable in 2021, the IA took the opportunities to participate in community activities. The Social Committee took part in voluntary services in partnership with Food Angel to help prepare food and show our care for the underprivileged.

In recognition of our CSR efforts for the community and our employees, the IA was awarded the Caring Organization Logo 2021-22 by the Hong Kong Council of Social Service.



The IA colleagues participate in voluntary services by preparing food for the underprivileged

Keeping Our Staff Safe During COVID-19

Since the outbreak of COVID-19 in early 2020, we have stepped up our office cleaning and disinfection to lower the infection risk in our offices. We have increased the frequency of cleaning of high-traffic areas and disinfected staff's workstations with antibacterial wipe. Whenever there are confirmed COVID-19 cases in the offices, one-off disinfection of ventilation

and air-conditioning settings would be carried out immediately. To provide a more long-lasting disinfection, an anti-bacterial coating was deployed in our offices to provide intensive disinfection. In addition, free Rapid Antigen Test kits were provided to staff and couriered to their homes during their self-quarantine on a need basis.



Engagement with Stakeholders

Since support of stakeholders is instrumental in helping the Insurance Authority (“IA”) to drive policy development and legislative reforms, we continued to reach out to interlocutors locally and abroad to communicate our strategic priorities and regulatory initiatives.

The Insurance Industry

Two Industry Advisory Committees were set up for the purpose of tendering views to the IA on matters pertinent to long term and general sectors respectively. During the reporting year, they held four joint meetings at which a wide range of issues were discussed.

On the other hand, we maintained a close dialogue with industry bodies such as the Hong Kong Federation of Insurers (“HKFI”), the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers

Association on major undertakings such as the renewal exercise of deemed licensees under the direct regulatory regime for insurance intermediaries.

On specific themes, the Belt and Road Insurance Exchange Facilitation fosters networking among stakeholders to devise risk management and insurance solutions. As of March 2022, its membership has climbed to 43, which spans across insurers, reinsurers, captive insurers, insurance brokers, industry associations, law firms and loss adjusters.



The IA actively engages with stakeholders in various events



Engagement with Stakeholders



Mr Simon Lam, Executive Director, General Business, moderates a panel discussion at the Belt and Road Summit



In close collaboration with the Hong Kong Trade Development Council ("HKTDCC"), the IA led a delegation of insurance practitioners to showcase core strengths of Hong Kong at a sharing session of the "Belt and Road: Hong Kong-IN" Mainland Enterprises Partnership Exchange and Interface Programme organised by the Commerce and Economic Development Bureau together with the State-owned Assets Supervision and Administration Commission of the State Council in May 2021. A number of one-on-one meetings were held to examine political and credit risks, performance guarantees and renewable energy.

At the Belt and Road Summit co-organised by the Government and HKTDCC in September 2021, the IA hosted a thematic breakout forum to discuss how Hong Kong can leverage its advantages as a captive domicile and reinsurance hub to consolidate its strategic position under the 14th Five-Year Plan. The forum brought together experts to shed light on how Hong Kong, sitting at the nexus of domestic-international dual circulation, can fulfil its role as a global risk management centre and support Mainland enterprises in "going global".

In order to nurture a vibrant insurance-linked securities ("ILS") ecosystem, the IA participated as a keynote speaker at the Artemis ILS Asia 2021 conference, co-hosted a webinar with the APEC¹ Business Advisory Council/Asia-Pacific Financial Forum and the World Bank to promote understanding of ILS as a risk management tool to governments in Asia Pacific, and spoke at the JP Morgan Asia Insurance Forum.

Complementing the captive initiatives as well as the goal to develop Hong Kong as a global risk management centre and regional reinsurance and insurance hub, the IA's Hong Kong Specialty Risks Consortium continues to facilitate the matching of demand and supply in the specialty risk area. During the reporting year, the IA arranged a number of matching meetings with risk owners and expanded our reach to industry associations whose members are with complex overseas risks.

¹ The Asia-Pacific Economic Cooperation.

Engagement with Stakeholders

The Insurtech Facilitation Team continues to maintain a close dialogue with both the technology and insurance communities. During the reporting year, the team handled over 50 enquiries and held 35 meetings with various stakeholders, including local and overseas insurers, Fintech firms, regulators, and industry organisations.

The team also facilitated various initiatives, including the launch of “Cybersec Infohub”, an insurance specific information group administered by the Government for insurers to exchange cybersecurity-related information and receive updates on trending cyber threats, and the issuance of a circular to set out the IA’s regulatory approach on virtual assets and relevant service providers.

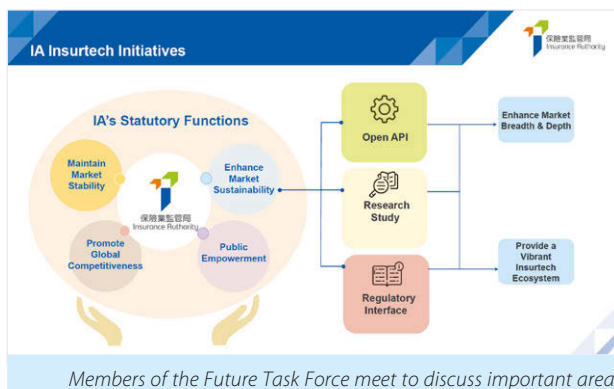
To engage with a wider audience, the IA senior executives spoke at large-scale events such as the Asian Financial Forum and Hong Kong FinTech Week.

Future Task Force

The Future Task Force of the Insurance Industry (“FTF”) has been set up to leverage the expertise and experience of a wide spectrum of stakeholders, from insurance professionals to academics. The role of the FTF is to formulate strategies to reinforce Hong Kong’s position as a global risk management centre and a regional reinsurance and insurance hub. It is underpinned by three working groups focusing on Fintech, financial regulation and policy, and image building.

On Fintech, a meeting was convened in November 2021 where guest presenters were invited to share use cases on the Open Application Programming Interface to enhance market connectivity and improve customer service, followed by another meeting in March 2022, to look into how “Federated Learning” could assist in glean insights without compromising data privacy.

On image building, a meeting was convened in November 2021 to exchange views on how to achieve this through public education on the social role and value of insurance.



Members of the Future Task Force meet to discuss important areas that are shaping the future of the insurance sector



Engagement with Stakeholders

An Asian Perspective to International Insurance Regulation

During the reporting year, the IA increased its participation in the International Association of Insurance Supervisors ("IAIS"), the standard-setting body for insurance supervisors worldwide.

The Chief Executive Officer of the IA is a member of the IAIS Executive Committee and elected as the Chair of the IAIS Audit and Risk Committee, which is responsible for reviewing IAIS internal controls and monitoring that its activities achieve their objectives through effective and efficient operations and are compliant with applicable procedures and resolutions.

The IA is also a member of a number of IAIS parent committees and working groups, contributing to key projects with a strategic focus on emerging risks and bringing an Asian perspective to setting international standards for insurance supervision and guidance. The IA has dedicated expertise to a few IAIS milestone projects, such as the Global Monitoring Exercise, Insurance Capital Standards Monitoring, Climate Risks, FinTech and Resolution of insurers.

At the regional level, the IA CEO has been the Chairman of the Asian Forum of Insurance Regulators ("AFIR") since 2018, and hosted the 16th AFIR Annual Meeting in September 2021 with 52 delegates from 17 member jurisdictions, the IAIS as well as the Organisation for Economic Co-operation and Development. He also delivered opening remarks in the Fourth Asia-Pacific High-level Virtual Meeting on Insurance Supervision co-organised by the Financial Stability Institute, the IAIS and AFIR in June 2021. In September 2021, the IA CEO gave a presentation at the 6th China-ASEAN Summit Forum on Insurance Cooperation and Development in Nanning.



IAIS Global Seminar 2022

Regulatory Counterparts

Throughout the years, the IA has stepped up its presence in the global arena. At the international level, the IA is a member of the Global Financial Innovation Network Cross-Border Testing workstream, which allows eligible financial institutions and Fintech companies to conduct cross-border pilot trials of innovative products and services. The IA shares insights on financial innovation and Regtech engagement with other members to reinforce international collaboration in this area.

During the reporting year, the IA organised and took part in 31 supervisory colleges to strengthen communication with overseas regulators on the group-wide supervision of multinational insurance groups.

We have been working closely with the China Banking and Insurance Regulatory Commission ("CBIRC") and Mainland authorities on supervision co-operation and initiatives related to development of the Guangdong-Hong Kong-Macao Greater Bay Area. Notably, the IA entered into Memorandums of Understanding on Fintech Co-operation with the CBIRC and the Monetary Authority of Macao in September 2021 and attended the 21st Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen hosted virtually by the Guangdong Bureau of CBIRC in February 2022.

Engagement with Stakeholders

Locally, the IA met regularly with the Hong Kong Monetary Authority (“HKMA”) on topics of common interest, such as prudential supervision of banking groups and their insurance subsidiaries, updates on regulatory developments in the banking and insurance sectors and market conduct issues concerning bank-related insurance intermediaries. We also met with the Securities and Futures Commission (“SFC”) to share information pertaining to products and relevant entities or key persons and refer cases for attention. Moreover, we held discussions with the Mandatory Provident Fund Schemes Authority (“MPFA”) for efficient mutual co-operation, elimination of regulatory gaps and effective protection of Mandatory Provident Fund scheme members.

To deliberate on latest market trends and monitor systemic risks, the IA attends platforms like the Council of Financial Regulators and Financial Stability Committee that address cross-sectoral regulatory issues and matters having a potential impact on financial stability. The IA also liaised with the Hong Kong Police Force and the Independent Commission Against Corruption to exchange information on combating financial crime.

To reinforce the status of Hong Kong as an international financial centre, the financial regulators HKMA, IA, SFC and MPFA have teamed up to establish the Hong Kong Academy of Finance (“AoF”) to develop Hong Kong as a centre of excellence for financial leadership and promote monetary and financial research. The AoF invites talent from various sectors to join in order to groom future financial leaders with global and inter-disciplinary perspectives.

Government and Legislative Council

The IA proactively engages the Government and the Legislative Council (“LegCo”) when formulating policy and legislative changes.

In December 2021, we submitted to the Financial Secretary (“FS”) a set of corporate plan and budget for 2022-23 as well as our annual report for tabling in LegCo in early 2022. Furthermore, we consulted the LegCo Panel on Financial Affairs on our budget for 2022-23 in March 2022 and attended the LegCo Panel on Financial Affairs for a session concerning Fintech development in Hong Kong.

In light of the long-standing problem for the taxi trade to procure motor insurance, the IA has taken the lead to sort out the issues together with the Government, lawmakers, insurers and the taxi industry. The IA has actively participated in the LegCo’s Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector with the relevant government bureaux and departments, and the HKFI. The joint subcommittee held five meetings from February to September 2021 and issued a report in September 2021, making recommendations to tackle the problem. Our goal is to achieve sustainability in the taxi insurance market through the adoption of a risk management approach in the underwriting and pricing of taxi insurance based on the driving safety of taxi drivers, traffic accidents rate and the resultant claims.

The Public

Since an ageing population and growing health consciousness have fueled demands for personal protection, the IA conceived several campaigns to help the general public in making informed decisions when taking out insurance coverage.

Engagement with Stakeholders

Public Education Campaign on Lifetime Risk Profiling

Changes are inevitable in life. These changes may incur unexpected losses and lower the standard of living for an individual, particularly when the breadwinner is involved. To heighten the awareness of individual protection needs at different life stages, the IA published the first Mortality Protection Gap Study in August 2021, facilitating public discussion of personal risks and ways to bridge their protection gap.

Anchored on the Mortality Protection Gap Study, the IA launched a campaign on Lifetime Risk Profiling in December 2021 with an online assessment tool and a thematic sitelet for people to better understand and manage their risk exposures. A video series was launched to disseminate key messages through broadcasting in various channels including TV, out-of-home platforms, online and social media. A media briefing was held in December 2021 to spread the messages more widely.



Lifetime Risk Profiling media briefing



An online assessment tool and a thematic sitelet



Thematic videos for broadcasting in various channels including TV and social media

Engagement with Stakeholders



Ms Carol Hui, Executive Director, Long Term Business (left), gives tips on selecting participating policies at a radio segment

During the reporting year, we reached out to stakeholders through different activities including a media briefing on the Protection Linked Plan (“PLP”) and revamp of Investment-Linked Assurance Scheme products, introducing Qualifying Deferred Annuity Policy (“QDAP”) as a retirement protection tool at a thematic event for members of the Mandatory Provident Fund Scheme, Facebook Live Talk in collaboration with the Investor and Financial Education Council on the importance of risk mitigation and the roles of long term insurance



Mr Marty Lui, Associate Director, Long Term Business, talks about Qualifying Deferred Annuity Policy at a thematic event

products, and speaking on QDAP and PLP at the 2021 APIC²-Regional Pension Funds and Social Security Systems Summit co-hosted by APIC and the Hong Kong Retirement Schemes Association.

During the reporting year, we published three issues of *Conduct in Focus*, providing tips for policy holders, updates on the IA’s disciplinary approach, and an in-depth look at ethical business practices from lessons learnt from complaints.



The IA’s *Conduct In Focus* newsletter examines topical regulatory issues and promotes best practices in the industry

² Asia Pacific Investors Cooperation.

Engagement with Stakeholders

In addition to thematic campaigns, we proactively engage stakeholders via our corporate website, Facebook page “蓋世保鑑Insurpedia”, YouTube channel and LinkedIn page to keep them informed of key messages

and developments. A hotline is available to handle daily enquiries, while important corporate news is promptly conveyed to the general public through press releases and articles, media interviews and press briefings.

Engaging with Young Talent

On nurturing and luring talent, the IA and HKFI co-organised two career talks on the topic of “Develop a Career in the Insurance Industry” at the Chinese University of Hong Kong and Hang Seng University of Hong Kong respectively, during which the speakers shared their

experience and thinking on prospects of the insurance market in Hong Kong with over 100 undergraduates, who were also provided with information on the Summer Internship Programme and Management Trainee Scheme.



Corporate Developments

Building an efficient organisation driven by an effective workforce and a reliable information technology system is crucial for the Insurance Authority (“IA”) to carry out its regulatory work. During the reporting year, we provided a host of development opportunities for our staff and increased our regulatory efficiency by leveraging technology.

About the Insurance Authority

The IA is an insurance regulator independent of the Government and the insurance industry. Established in December 2015, the IA was set up to modernise the regulatory regime for the insurance industry in Hong Kong. Our regulatory regime aims to facilitate the sustainable development of the industry, promote Hong Kong's competitiveness in the global insurance market, and provide better protection for policy holders.

Statutory Functions

In accordance with the Insurance Ordinance (Cap. 41), the principal function of the IA is to regulate and supervise the insurance industry for the promotion of the general stability of the insurance industry and for the protection of existing and potential policy holders. The Insurance Ordinance stipulates that the IA shall:

- (a) be responsible for supervising an authorized insurer's and a licensed insurance intermediary's compliance with the provisions of the Insurance Ordinance;
- (b) consider and propose reforms of the law relating to insurance business;
- (c) promote and encourage the adoption of proper standards of conduct and sound and prudent business practices by authorized insurers;
- (d) promote and encourage the adoption of proper standards of conduct by licensed insurance intermediaries;
- (e) review and, if necessary, propose reforms of the systems for regulating authorized insurers and licensed insurance intermediaries;
- (f) regulate the conduct of insurance intermediaries through a licensing regime;
- (g) promote the understanding by policy holders and potential policy holders of insurance products and the insurance industry;
- (h) formulate effective regulatory strategies and facilitate the sustainable market development of the insurance industry, and promote the competitiveness of the insurance industry in the global insurance market;
- (i) conduct studies into matters affecting the insurance industry;
- (j) assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate measures in relation to the insurance industry;
- (k) co-operate with and assist financial services supervisory authorities of Hong Kong or of any place outside Hong Kong, whenever appropriate, to the extent permitted by the Insurance Ordinance;

Corporate Developments

- (l) liaise and co-operate with any involved supervisor in any place outside Hong Kong in the determination of the group supervisors of insurance groups;
- (m) regulate and supervise insurance groups of which the IA is appointed as the group supervisor; and
- (n) perform functions imposed or conferred on the IA by the Insurance Ordinance or any other Ordinance.

The Organisation

The IA is governed by a Board consisting of a Chairman, Non-Executive Directors and Executive Directors, all appointed by the Chief Executive of the Hong Kong Special Administrative Region. The Chief Executive Officer ("CEO"), who is an Executive Director, leads the executive arm of the IA and is responsible for managing the IA's day-to-day operations. The IA has five divisions to carry out its duties and functions: the Long Term Business Division, the General Business

Division, the Market Conduct Division, the Policy and Development Division, and the Corporate Services Division. Each division is headed by a directorial executive. Apart from the five divisions, the CEO's Office includes the External Relations Section, the Legal Section, the Technical Expert Team and the IA Secretariat. The IA also has the Internal Audit Section, which reports to the Board to improve risk management and governance.

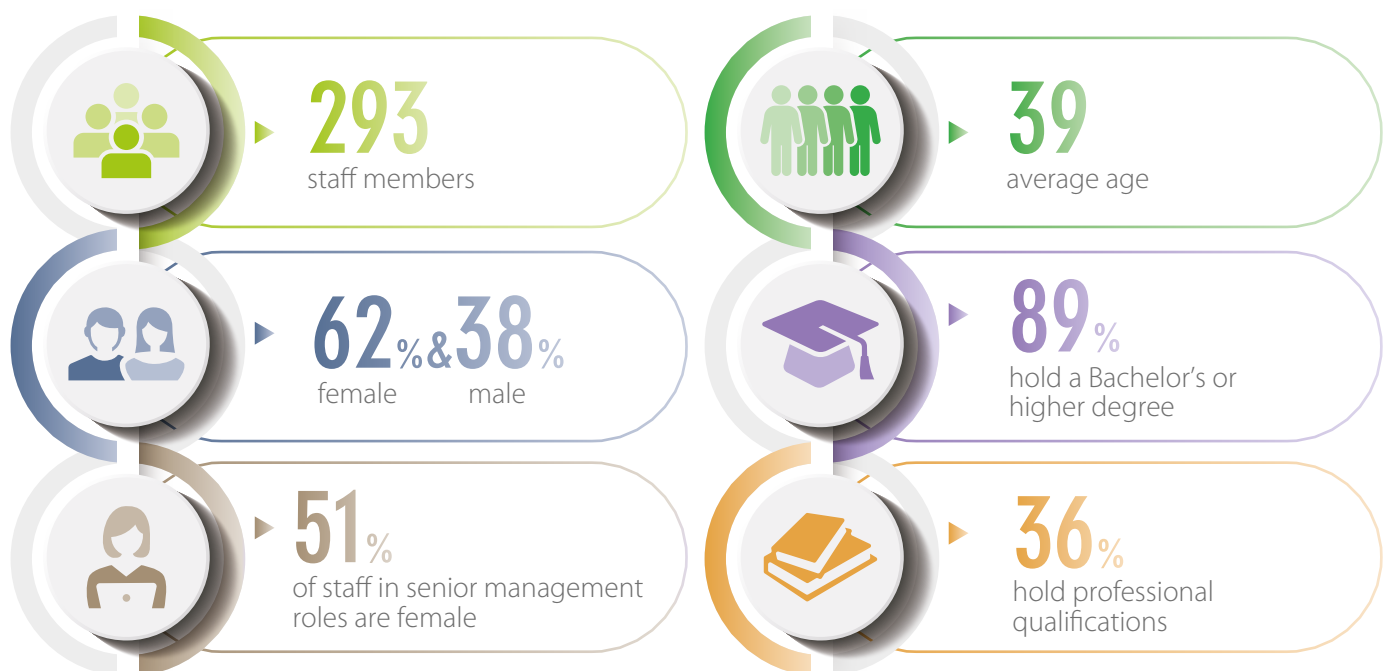
The IA's organisational structure can be found in the Appendices on page 103.

Our People

As of March 2022, the IA had nearly 300 staff, including many multi-disciplinary professionals from the regulatory and insurance sectors. Our plan is to build a full team of 352 staff members in 2022. We will continue to recruit high-calibre individuals with diverse backgrounds and experience, drawn from the insurance industry, professional firms, and the regulatory and public sectors.

IA Staff

(as at 31 March 2022)



Corporate Developments



Corporate Culture

We place great emphasis on fostering a culture that enables the IA to achieve its aspiration of being an empathetic and dynamic regulator. During the reporting year, we continued to organise the “IA Way in Action” workshops to communicate the IA’s core values with new joiners.



The “IA Way in Action” workshops are conducted regularly to communicate the IA’s core values with new joiners

To obtain staff feedback and suggestions on our journey to attain the IA core values, we conducted a Culture Pulse Survey during the year. Some staff shared their insights on improving our management practices, teamwork, communications and staff development.

Performance-based System

To attract and retain quality staff, we have implemented mechanisms for making performance-linked pay adjustments and awarding variable pay. We also engaged human resources consulting services to provide recommendations on various areas such as performance management system, salary and rank structure.

Corporate Developments

Talent Development

The IA attaches great importance to staff development and is dedicated to nurturing their skills and capabilities as well as fostering a relentless learning culture. During the reporting year, we arranged a wide array of training programmes to enrich our staff's professional knowledge and keep them abreast of the latest market developments in areas such as Fintech

and digitalisation, risk management, international regulatory developments, green finance, Belt and Road Initiative, global health, and the Mainland economy. Besides, we organised training to enhance staff's soft skills and sponsored staff to attend external professional courses and pursue relevant professional qualifications.

Mr Ryan Chiu, Director, Corporate Services (left), received the award on behalf of the IA for being an Equal Opportunity Employer for Family Status Equality by the Equal Opportunities Commission

Equal Opportunity Employer Recognition Scheme Awards Presentation Ceremony 「平等機會僱主嘉許計劃」頒獎禮



申訴專員嘉許獎 THE OMBUDSMAN'S AWARDS



Our colleagues Ms Connie Kwan, Manager, Market Conduct Division (second from left) and Ms Jessica Au Yeung, Manager, Market Conduct Division (right), received the Ombudsman's Awards 2021 for Officers of Public Organizations, for their exemplary performance in customer service and complaint handling

HONG KONG MONETARY AUTHORITY 香港金融管理局



Our staff Ms Zoe Wan, Manager, Market Conduct Division (left), and Mr Ryan Chow, Manager, Long Term Business Division, were among the first to take advantage of the secondment opportunities to the Hong Kong Monetary Authority as part of the IA's talent development initiatives

Corporate Developments

To broaden the exposure of our staff, the IA organised job rotation across divisions and arranged secondments to other regulatory bodies. Two of the IA's supervisory staff were seconded to the Hong Kong Monetary Authority from September to November 2021 to learn the best practices from another financial regulator. At the same time, one staff member from the Mandatory Provident Fund Schemes Authority was seconded to the IA from September to December 2021 to share knowledge and exchange ideas on supervisory matters.

The IA regards equal opportunities important to foster spirits of inclusion and diversity. During the reporting year, the IA was recognised as the Equal Opportunity Employer for Family Status Equality by the Equal Opportunities Commission. In addition, the IA has been accredited as a Manpower Developer under the Employees Retraining Board Manpower Developer Award Scheme in recognition of our remarkable commitment to staff training and development.

Types of Training 2021-22

(as at 31 March 2022)



Average annual training hours per employee:

18 hours

Nurturing Talent

The IA runs a three-year Management Trainee Scheme and a Summer Internship Programme in order to groom outstanding university graduates and undergraduates for undertaking IA's regulatory duties and nurture talent for the insurance sector.

Management Trainee Scheme

During the reporting year, we recruited seven management trainees from local universities, who were posted to different divisions to support a diverse range of regulatory duties. Under the mentorship of a senior manager throughout the scheme, each trainee undergoes a structured training programme that includes an induction session, on-the-job training, job

rotation, professional and competency-based training and soft skills training. Trainees completing the scheme with good performance will be appointed to assistant manager positions.

Summer Internship Programme

Between June and August 2021, we offered summer internships to 52 undergraduates, offering them an opportunity to gain practical work experience and insights into the work of an insurance regulator. With the hands-on experience, the interns had a better understanding of the functions and work of the IA as well as the landscape of the insurance industry.

Corporate Developments

Information Technology

Enhancing Systems

Further to the launch of the Central Dataset Collection Portal for insurers to submit electronic returns to the IA, certain enhancements were made during the reporting year to adjust the data requirements of the specific returns for different insurers and provide a better user interface for searching and sorting, among others. A separate set of functions for return submission from designated insurance holding companies was also developed.

The IA's Insurance System was upgraded with the addition of the enquiry and reporting functions. With the introduction of the insurance-linked securities regulatory framework and the establishment of the special purpose insurers, a new class of business "special purpose business" was created in the system while respective forms and reports were amended.

During the reporting year, the Insurance Intermediaries System was enhanced to encompass functions for Continuing Professional Development, disciplinary actions, among others.

Cybersecurity

The IA recognises the importance of cybersecurity and has taken measures such as introducing the web application firewall and intelligent threat hunting system to enhance the protection of the IA's information and IT assets. Tools are utilised to provide insights on the IA's cybersecurity posture to better manage the security risks.

With the various efforts to enhance cybersecurity, the IA was awarded the Cybersecurity Service Excellence Awards 2021, which was organised by the Hong Kong Police Force, the Government Computer Emergency Response Team Hong Kong and the Hong Kong Computer Emergency Response Team Coordination Centre, recognising our professionalism in implementing cybersecurity policy, managing the risk of cyber threat, identifying and responding respective incidents as well as promoting cyber security value in the organisation.

Strengthening Communication

To facilitate communication among IA staff, chat and video conferencing tools were installed on their laptop computers and mobile devices, which was especially important to maintaining productivity under the work-from-home arrangement during the fifth wave of the pandemic in early 2022.



Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Opinion

What we have audited

The financial statements of the Insurance Authority (the "Authority"), which are set out on pages 82 to 101, comprise:

- the income and expenditure account for the year ended 31 March 2022;
- the statement of financial position as at 31 March 2022;
- the statement of changes in capital and reserve for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 March 2022, and of its results of operations and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Insurance Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Authority in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Other Information

The Authority is responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Authority and Audit and Risk Committee for the Financial Statements

The Authority is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Insurance Ordinance, and for such internal control as the Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authority is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

The Audit and Risk Committee is responsible for overseeing the Authority's financial reporting process.



Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 5F of the Insurance Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority.
- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Financial Statements

Independent Auditor's Report To the Insurance Authority

(established in Hong Kong under the Insurance Ordinance (Cap. 41))

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2022

Financial Statements

Income and Expenditure Account

For the year ended 31 March 2022

	NOTE	Year ended 31 March 2022 HK\$	Year ended 31 March 2021 HK\$
INCOME			
Prescribed levies	5	269,501,773	232,209,243
Authorization and annual fees		117,316,475	91,679,344
Designation and annual fees		102,901,970	–
Insurers register's prescribed fees		10,480,700	13,569,900
Interest income		1,021,704	1,924,374
Other income	6	11,444,045	500
		512,666,667	339,383,361
EXPENDITURE			
Staff costs and key management personnel compensation	7, 8	342,350,748	328,168,275
Professional fees	9	8,232,550	13,905,120
Information system services		16,378,253	11,533,769
External relations expenses		8,107,414	5,371,616
Other operating expenses	10	12,341,502	12,150,083
Depreciation			
— Fixed assets	11	15,640,139	22,785,854
— Right-of-use assets	12	24,639,532	21,921,657
Interest expense on lease liabilities	12	92,600	426,696
		427,782,738	416,263,070
SURPLUS/(DEFICIT) FOR THE YEAR		84,883,929	(76,879,709)

The Insurance Authority (the "Authority") had no components of comprehensive income other than "surplus/deficit for the year" in either of the years presented. Accordingly, no separate statement of comprehensive income is presented as the Authority's "total comprehensive income/loss" which was the same as the "surplus/deficit for the year" in both years.

The notes on pages 86 to 101 are an integral part of these financial statements.

Financial Statements

Statement of Financial Position

As at 31 March 2022

	NOTE	2022 HK\$	2021 HK\$
NON-CURRENT ASSETS			
Fixed assets	11	46,971,576	49,334,542
Right-of-use assets	12	32,852,709	57,492,241
Deposits for leases		6,720,999	6,706,814
		86,545,284	113,533,597
CURRENT ASSETS			
Deposits and prepayments		7,493,788	7,977,820
Accounts receivable	13	150,798,644	123,741,749
Time deposits with maturity longer than 3 months		118,000,000	229,000,000
Cash held for Grant Scheme	14	12,000,061	–
Cash and cash equivalents		365,818,475	182,452,441
		654,110,968	543,172,010
CURRENT LIABILITIES			
Other payables and accruals		101,989,050	82,967,699
Deferred authorization and annual fees income		65,320,525	60,034,564
Lease liabilities	12	25,859,836	25,240,597
		193,169,411	168,242,860
NON-CURRENT LIABILITIES			
Lease liabilities	12	8,094,854	33,954,689
NET ASSETS		539,391,987	454,508,058
CAPITAL AND RESERVE			
Grants from the Government of HKSAR	16	953,000,000	953,000,000
Accumulated deficit for the year		(413,608,013)	(498,491,942)
		539,391,987	454,508,058

The financial statements on pages 82 to 101 were approved and authorized for issue by the Authority on 30 August 2022 and are signed on its behalf by:

Mr Stephen Yiu
Chairman

Mr Clement Cheung
Chief Executive Officer

The notes on pages 86 to 101 are an integral part of these financial statements.

Financial Statements

Statement of Changes in Capital and Reserve

For the year ended 31 March 2022

	NOTE	Grants from the Government of HKSAR HK\$	Accumulated deficit for the year HK\$	Total HK\$
Balance at 1 April 2020		653,000,000	(421,612,233)	231,387,767
Grants from the Government of HKSAR	16	300,000,000	–	300,000,000
Deficit for the year		–	(76,879,709)	(76,879,709)
At 31 March 2021		953,000,000	(498,491,942)	454,508,058
Balance at 1 April 2021		953,000,000	(498,491,942)	454,508,058
Surplus for the year		–	84,883,929	84,883,929
At 31 March 2022		953,000,000	(413,608,013)	539,391,987

The notes on pages 86 to 101 are an integral part of these financial statements.

Financial Statements

Statement of Cash Flows

For the year ended 31 March 2022

	2022 HK\$	2021 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit) for the year	84,883,929	(76,879,709)
Adjustment for:		
Depreciation		
— Fixed assets	15,640,139	22,785,854
— Right-of-use assets	24,639,532	21,921,657
Interest expense on lease liabilities	92,600	426,696
Gain on disposal of fixed assets	(147,542)	—
Interest income on bank deposits	(1,021,704)	(1,924,374)
Operating cash flows before movements in working capital	124,086,954	(33,669,876)
Change in working capital:		
Decrease/(increase) in deposits and prepayments	469,847	(3,850,624)
Increase in accounts receivable	(26,993,248)	(35,140,729)
Increase in cash held for Grant Scheme	(12,000,061)	—
Increase in other payables and accruals	19,021,351	27,052,076
Increase in deferred authorization and annual fees income	5,285,961	16,087,421
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	109,870,804	(29,521,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in time deposits with maturity longer than 3 months	111,000,000	(229,000,000)
Fixed assets purchased	(13,339,631)	(26,170,695)
Proceeds from fixed assets disposed	210,000	—
Interest received from bank deposits	958,057	2,283,839
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	98,828,426	(252,886,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant from the Government of HKSAR	—	300,000,000
Principal element of lease payment	(25,240,596)	(20,657,564)
Interest element of lease payment	(92,600)	(426,696)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(25,333,196)	278,915,740
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	183,366,034	(3,492,848)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	182,452,441	185,945,289
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	365,818,475	182,452,441
Analysis of Cash and Cash Equivalents:		
Time deposits with maturity of 3 months or less	346,000,000	175,000,000
Other bank balances and cash	19,818,475	7,452,441
	365,818,475	182,452,441

The notes on pages 86 to 101 are an integral part of these financial statements.



Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

1. BACKGROUND AND FUNCTIONS OF THE INSURANCE AUTHORITY

The Authority was established on 7 December 2015 with the commencement of the relevant provisions added by the Insurance Companies (Amendment) Ordinance 2015 ("Amendment Ordinance"). The Authority is the insurance regulator independent of the Government.

The Authority took over the statutory functions of the Office of the Commissioner of Insurance ("OCI") in regulating insurers on 26 June 2017. The OCI was disbanded on the same day.

On 23 September 2019, the Authority took over the regulation of insurance intermediaries from the three Self-Regulatory Organizations ("SROs")¹ through a statutory licensing regime.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Authority.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

In preparing the financial statements, the Authority has given careful consideration to the long-term financial sustainability of the Authority in light of the accumulated deficit of HK\$413,608,013 as at 31 March 2022. Under close financial monitoring the Authority considers that it will have sufficient working capital available to meet its liabilities as and when they fall due for twelve months from the end of the reporting period. The Authority will also explore different options to further enhance its income sources for meeting the financial requirement of its operation in the long run. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost basis and in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the Insurance Ordinance (the "IO").

(i) New standards, amendments and interpretations to existing standards not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for financial year beginning on 1 April 2021 and have not been early adopted by the Authority. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

¹ The three SROs are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies

New mandatory standards, amendments and interpretations to existing standards, which have become mandatory for the first time for the financial year beginning on or after 1 April 2021, have been adopted by the Authority. These include the following new standards, amendments to standards and interpretations to existing standards:

Amendment to Hong Kong Accounting Standards ("HKAS") 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 on Interest Rate Benchmark Reform – Phase 2, and

Amendment to HKFRS 16 on Covid-19-Related Rent Concessions.

These standards are either not relevant or the effect of amendments to these standards is not material to the Authority's financial statements.

(c) Recognition of income

(i) Prescribed Levies

Levies on insurance premiums are payable by policy holders and are recognised in the income and expenditure account as income in the period the respective insurance policies are written and as reported by the authorized insurers to the Authority. The amount of levies to be recognised in the Authority's reporting period is based on the levy remittance reported by the authorized insurers for that period, being adjusted for the best estimate of the portion of levies that the Authority is expected to return or refund for policies cancelled subsequent to the date of the statement of financial position or levies uncollected.

(ii) Fees

Authorization, designation and annual fees are recognised as income on a straight-line basis over the periods to which they relate. Insurers register's prescribed fees are recognised as income when relevant applications are completed.

(iii) Interest income

Interest income represents gross interest income from bank deposits and is recognised on a time apportionment basis using the effective interest method.



Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial assets

The Authority's financial assets include deposits, accounts receivable, time deposits with maturity longer than 3 months and cash and cash equivalents. These financial assets, other than cash, are held within a model whose objective is to hold assets in order to collect contractual cash flows. The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are initially measured at fair value plus direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest income from these financial assets is recognised by using effective interest rate method. Impairment losses are presented as a separate line item in the income and expenditure account. The Authority assesses on a forward looking basis the expected credit losses associated with these financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Authority has transferred substantially all the risks and rewards of ownership of the asset.

(e) Fixed assets

Fixed assets are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

Depreciation is provided to write-off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Fixed assets are depreciated on a straight-line basis, in the case of leasehold improvements, the shorter lease term as follows:

Office equipment	5 years
Office furniture	5 years
Information Technology ("IT") equipment and software	3 years
Motor vehicles	5 years
Leasehold improvements	3 years

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed assets (Continued)

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income and expenditure account in the year in which the item is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and short-term highly liquid investments with original maturities of three months or less.

(g) Other payables and accruals

Payables and accruals are obligations to pay that have been acquired in the ordinary course of business from suppliers. Payables and accruals are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Employee benefits

Annual leave and variable pay are recognised when they are accrued according to employees' entitlements. A provision is made for the estimated liability for untaken annual leave and variable pay as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave, maternity leave and paternity leave are not recognised until the time of leave.

Employee benefit expenses are charged as expenditure on an accrual basis in the period in which the associated services are rendered.



Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Retirement benefit costs

The Authority has joined a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. Contributions paid or payable to the MPF Scheme is charged as expenses when employees have rendered services entitling them to the benefits.

(j) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Authority expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Grants from the Government of Hong Kong Special Administrative Region ("HKSAR")

Grants from the Government of HKSAR, which is provided without related conditions, is recognised as capital upon receipt in the statement of financial position.

(l) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the rate at which the leased asset is available for use by the Authority.

Contracts may contain both lease and non-lease components. The Authority allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of premises of which the Authority is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Authority under residual value guarantees
- the exercise price of a purchase option if the Authority is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Authority exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Authority, the lessee's notional incremental borrowing rate is used, being the rate that the Authority would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.



Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(m) Government subsidies

Government subsidies for operating expenditure are recognised as income in the period when the corresponding expenditure is incurred. Government subsidies in compensation for capital expenditure is deducted from the carrying amount of the asset and consequently recognised in the income and expenditure account over the useful life of the asset by way of reduced depreciation expense.

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

3. CRITICAL ESTIMATES AND JUDGEMENTS

3.1 Critical accounting estimates

In the process of applying the accounting policy of levies recognition, the Authority estimated that there will be no significant amount of levies to be returned or refunded for cancelled policies or uncollected levies as at 31 March 2022. As a result, there is no adjustment or provision against the levies as per the remittance reports.

3.2 Critical accounting judgements

Note 17 contains information about the statutory deposits, placed by the authorized insurers in the name of the Authority in accordance with the respective sections of Insurance Ordinance. The Authority is of the opinion that such deposits are not the resources for the Authority's own purposes and no economic benefits have been transferred to the Authority.

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Authority is exempt from Hong Kong Profits Tax under the Inland Revenue Ordinance.

5. PRESCRIBED LEVIES

IO section 134 provides for the Authority to collect levies on insurance premiums from the policy holders through the authorized insurers if the insurance contract relates to a prescribed class of insurance business or a prescribed type of insurance contract. The levy rates are established by law.

6. OTHER INCOME

Other income mainly includes government subsidies in relation to the Anti-epidemic Fund of HK\$11,295,737 (31 March 2021: Nil) and net gain on disposal of fixed assets of HK\$147,542 (31 March 2021: Nil).

Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2022

7. STAFF COSTS

The staff costs include salaries, contributions to MPF Scheme, insurance, employee benefits and other staff related costs of the Authority.

	2022 HK\$	2021 HK\$
Salaries	325,402,292	310,281,032
Contributions to MPF Scheme	10,644,922	11,938,286
Insurance	5,309,604	5,275,529
Employee benefits and other staff related costs	993,930	673,428
	342,350,748	328,168,275

8. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel are the Authority members as defined in the IO section 4AA. They consist of a chairperson (a non-executive director of the Authority), a chief executive officer (an executive director of the Authority), 2 other executive directors, and 12 other non-executive directors (31 March 2021: a chairperson, a chief executive officer, 2 other executive directors, and 11 other non-executive directors). Authority members' remuneration and benefits included in Note 7 are set out below:

	2022 HK\$	2021 HK\$
Non-executive Directors		
Remuneration	3,725,710	3,660,000
Chief Executive Officer		
Salary and other short term employee benefits	5,838,682	5,633,079
Post-employment benefits	239,261	230,769
Other Executive Directors		
Salaries and other short term employee benefits	8,559,920	10,236,993
Post-employment benefits	350,747	400,330
	14,988,610	16,501,171

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Notes to the Financial Statements

For the year ended 31 March 2022

9. PROFESSIONAL FEES

	2022 HK\$	2021 HK\$
Consultancy and agency fees	6,807,494	11,117,228
Legal fees	796,000	2,082,155
Auditor's remuneration	220,000	220,000
Other fees	409,056	485,737
	8,232,550	13,905,120

10. OTHER OPERATING EXPENSES

	2022 HK\$	2021 HK\$
Journals, periodicals, and corporate membership	3,868,445	3,683,799
Staff training and welfare	1,744,767	3,100,584
Other office premises expenses	3,709,557	2,970,845
Other expenses	3,018,733	2,394,855
	12,341,502	12,150,083

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For the year ended 31 March 2022

11. FIXED ASSETS

	Office equipment HK\$	Office furniture HK\$	IT equipment and software HK\$	Motor vehicles HK\$	Leasehold improvements HK\$	Total HK\$
COST						
At 1 April 2021	12,304,106	6,181,016	71,242,419	1,068,435	32,834,303	123,630,279
Additions during the year	196,154	423,948	12,073,128	361,214	285,187	13,339,631
Disposal during the year	–	–	–	(468,435)	–	(468,435)
At 31 March 2022	12,500,260	6,604,964	83,315,547	961,214	33,119,490	136,501,475
ACCUMULATED DEPRECIATION						
At 1 April 2021	6,456,857	3,403,392	37,079,892	399,133	26,956,463	74,295,737
Charge for the year	2,459,443	1,238,446	9,383,267	202,965	2,356,018	15,640,139
Disposal during the year	–	–	–	(405,977)	–	(405,977)
At 31 March 2022	8,916,300	4,641,838	46,463,159	196,121	29,312,481	89,529,899
CARRYING AMOUNT						
At 31 March 2022	3,583,960	1,963,126	36,852,388	765,093	3,807,009	46,971,576
COST						
At 1 April 2020	9,946,005	5,070,414	55,493,224	468,435	26,481,506	97,459,584
Additions during the year	2,358,101	1,110,602	15,749,195	600,000	6,352,797	26,170,695
At 31 March 2021	12,304,106	6,181,016	71,242,419	1,068,435	32,834,303	123,630,279
ACCUMULATED DEPRECIATION						
At 1 April 2020	4,301,590	2,300,225	24,489,007	265,446	20,153,615	51,509,883
Charge for the year	2,155,267	1,103,167	12,590,885	133,687	6,802,848	22,785,854
At 31 March 2021	6,456,857	3,403,392	37,079,892	399,133	26,956,463	74,295,737
CARRYING AMOUNT						
At 31 March 2021	5,847,249	2,777,624	34,162,527	669,302	5,877,840	49,334,542

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For the year ended 31 March 2022

12. LEASES

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2022 HK\$	2021 HK\$
Right-of-use assets		
Premises	32,852,709	57,492,241
Lease liabilities		
Current	25,859,836	25,240,597
Non-current	8,094,854	33,954,689
	33,954,690	59,195,286

There were no additions to the right-of-use assets in the financial year ended 31 March 2022 (31 March 2021: HK\$16,533,035).

(ii) Amounts recognised in the income and expenditure account

The income and expenditure account shows the following amounts relating to leases:

	2022 HK\$	2021 HK\$
Depreciation charge of right-of-use assets		
Premises	24,639,532	21,921,657
Interest expense on lease liabilities	92,600	426,696

The total cash outflow for leases in the financial year ended 31 March 2022 was HK\$25,333,196 (31 March 2021: HK\$21,084,260).

The Authority leases premises for its operation. The leases run for initial periods of 2–3 years and include an option to renew the lease at prevailing market rate for another 3 years after the end of the contract term. Lease payment changes upon lease renewal to reflect the prevailing new rent.

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Notes to the Financial Statements

For the year ended 31 March 2022

13. ACCOUNTS RECEIVABLE

	2022 HK\$	2021 HK\$
Levies receivable	134,704,906	120,392,088
Interest receivable	237,928	174,281
Government subsidies receivable	11,770,727	–
Others	4,085,083	3,175,380
	150,798,644	123,741,749

The authorized insurers collect levies from policy holders in 2 half-yearly periods ended 31 March and 30 September each year and remit them to the Authority within 2 months after the end of each period.

There are no impairment losses recognised for the year ended 31 March 2022 (31 March 2021: Nil).

14. CASH HELD FOR GRANT SCHEME

To attract insurance companies and organisations to issue insurance-linked securities in Hong Kong, the Government of HKSAR launched a two-year Pilot Insurance-linked Securities Grant Scheme in May 2021. The Grant Scheme is administered by the Authority and funded by the Government of HKSAR to provide subsidies for eligible issuers. The cash held for the Grant Scheme are solely restricted for the use of such subsidies and are therefore not available for general use by the Authority. The unused balance, as well as bank interest generated, will be returned to the Government of HKSAR upon the completion of the Grant Scheme. The corresponding amount due to the Government of HKSAR is included in other payables and accruals.

15. FINANCIAL RISK MANAGEMENT

The Authority's financial instruments include deposits, accounts receivable, time deposits with maturity longer than 3 months, cash and cash equivalents and other payables and accruals.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Authority to mitigate these risks are set out below.

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Notes to the Financial Statements

For the year ended 31 March 2022

15. FINANCIAL RISK MANAGEMENT (Continued)

a) Market risk

(i) Foreign currency risk

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The Authority is not exposed to significant foreign exchange risk.

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Authority is mainly exposed to interest rate risk in relation to the interest bearing bank deposits.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Authority takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks and closely monitors the interest rate risk exposure within an acceptable level.

The following table lists the details of the interest rate profile of the Authority's interest bearing financial assets as at 31 March 2022 and 31 March 2021. All other financial assets and liabilities are non-interest bearing. The Authority is of the opinion that it is not exposed to significant interest rate risk and therefore no sensitivity analysis is presented.

	2022		2021	
	Interest rate per annum	HK\$	Interest rate per annum	HK\$
Cash and cash equivalents	0.00%–0.45%	365,818,475	0.01%–0.27%	182,452,441
Cash held for grant scheme	0.001%	12,000,061	–	–
Time deposits with maturity longer than 3 months	0.35%	118,000,000	0.23%–0.28%	229,000,000

(iii) Price risk

The Authority does not hold any investments which are exposed to significant price risk as at 31 March 2022 (31 March 2021: Nil).



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Notes to the Financial Statements

For the year ended 31 March 2022

15. FINANCIAL RISK MANAGEMENT (Continued)

b) Fair value estimation

The Authority is of the opinion that the carrying amount of all financial assets and liabilities are approximate to their fair values.

c) Credit risk

The Authority takes on exposure to credit risk, which is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment in full when due, that it has entered into with the Authority.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Credit risk arises from cash and cash equivalent and time deposits with maturity longer than 3 months, accounts receivable and deposits. The Authority's bank balances are deposited with reputable authorized financial institutions.

d) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Authority manages liquidity risk by holding adequate cash and unencumbered assets which can be readily realised for cash to meet expected cash outflow.

As at 31 March 2022, the Authority held sufficient cash and cash equivalents to meet all of the cash outflow arising from other payables and accruals.

e) Capital risk management

The Authority manages its capital to ensure its ability to continue as a going concern so that the Authority can be financially independent and recover its operating costs through levies, authorization and annual fees and other income. The capital structure of the Authority comprises the grants from the Government of HKSAR net of accumulated losses as disclosed in the statement of changes in capital and reserve on page 84.

16. GRANTS FROM THE GOVERNMENT OF HKSAR

The Authority received a grant of HK\$300 million from the Government of HKSAR in June 2020 (HK\$200 million in June 2018; HK\$450 million in June 2016; HK\$3 million in March 2016) as funding to cover the establishment and operating costs of the Authority in its initial years. The grants are recognised as capital in the statement of financial position and are provided by the Government of HKSAR without related conditions.

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Notes to the Financial Statements

For the year ended 31 March 2022

17. STATUTORY DEPOSITS FROM AUTHORIZED INSURERS

Under Part V (section 35A) of the IO, the Authority may exercise its rights to require an authorized insurer to place a deposit in the name of the Authority as trustee for the authorized insurer's funds when this is considered desirable in the general interests of persons who are or may become policy holders of the authorized insurer. Deposits placed by the particular authorized insurer is to be used by the Authority as a source of payment to policyholders in case of insolvency of that authorized insurer. Any interest accrued on the statutory deposits belongs to the authorized insurer. The Authority has therefore determined that those deposits are not its own financial assets and should not be recognised in its statement of financial position. As at 31 March 2022, such statutory deposits amounted to HK\$896,866,430 (31 March 2021: HK\$638,517,805).

18. LETTERS OF CREDIT FROM AUTHORIZED INSURERS

Under Part IVA (section 25C) of the IO, an authorized insurer may, instead of maintaining assets in Hong Kong as required by this part, substitute, in whole or in part, a letter of credit or other commitment from a bank, in favour of the Authority. As at 31 March 2022, such letters of credit or other commitments held by the Authority amounted to HK\$8,493,377,266 (31 March 2021: HK\$8,216,791,649).

19. CAPITAL COMMITMENTS

At the date of statement of financial position, the Authority had commitments for capital expenditure in respect of the acquisition of fixed assets as follows:

	2022 HK\$	2021 HK\$
Contracted but not yet incurred	80,515	59,400

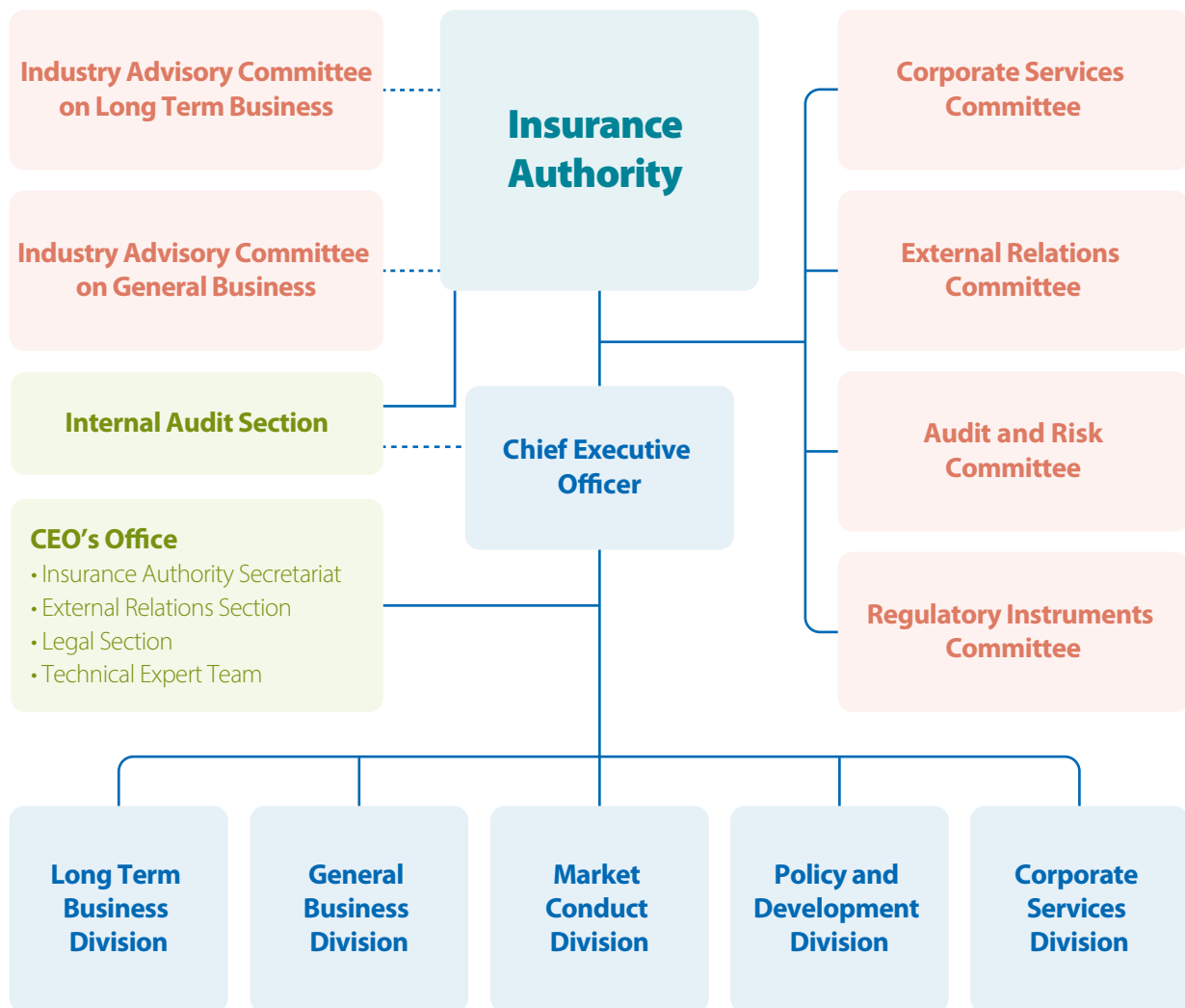


Appendices

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The Organisational Structure

(as at 31 March 2022)



Changes of Authorized Insurers

(From 1 April 2021 to 31 March 2022)

Name of Insurer	Place of Incorporation	Type of Business Authorized
New Authorizations		
China Pacific Life Insurance (H.K.) Company Limited	Hong Kong	Long Term
FuSure Reinsurance Company Limited	Hong Kong	General
Greater Bay Re Limited	Hong Kong	Special Purpose ^a
Withdrawal of Authorizations^b		
Zürich Lebensversicherungs-Gesellschaft AG (Zurich Life Insurance Company Ltd)	Switzerland	Long Term
Hang Seng Life Limited	Hong Kong	Composite to Long Term
Sompo Japan Insurance Inc.	Japan	General
Sompo Japan Nipponkoa Reinsurance Company Limited	Hong Kong	General
Britannia Steam Ship Insurance Association Limited – The	United Kingdom	General
Change of Names of Insurers		
BEA Life Limited To AIA Everest Life Company Limited	Hong Kong	Long Term
FuSure Reinsurance Company Limited To FuSure Reinsurance Company Limited 賦誠再保險有限公司	Hong Kong	General

^a Insurance business of carrying out contracts of insurance that are fully funded through insurance securitisation. More details are available at the [IA website](#).

^b Excluding partial withdrawal during the period.

Industry Advisory Committees¹

Industry Advisory Committee on Long Term Business

Chairman

Mr Stephen Yiu Kin-wah, JP²

Ex-officio Members

Mr Clement Cheung Wan-ching, GBS, JP

Ms Carol Hui Mei-ying

Non-official Members

Mr Chan Yim-kwong

Mrs Estella Chiu Sheun-fun

Mr Gilbert Ho Chi-hang

Mr Garth Brian Jones

Mr Mike Lee Siu-chuen

Ms Orchis Li Tzy-lan

Mr Jeremy Robert Porter

Mr Martin Tam Chi-wai

Mr Wilson Tang Chee-ping

Mr Harold Wong Tsu-hing, JP

Mr Jonathan Zhao Xiaojing

Industry Advisory Committee on General Business

Chairman

Mr Stephen Yiu Kin-wah, JP²

Ex-officio Members

Mr Clement Cheung Wan-ching, GBS, JP

Mr Simon Lam Sui-kong

Non-official Members

Mr Cheong Heng-loong³

Dr Kevin Lau Chung-hang

Ms Angela Leung Wai-tuen

Mr Andrew Mak Kin-ting

Ms Rebecca Poon Chui-ngor

Mr Jimmy Poon Wing-fai, MH

Ms Sally Wan Yuen-wai

Mr Peter Anthony Whalley

Mr Harry Wong Kwok-tim

Professor Jason Yeh Jia-hsing

¹ The lists represent membership of the Industry Advisory Committees ("IACs") from 1 June 2020 to 31 May 2022. Please refer to the [IA website](#) for the latest membership lists.

² Mr Stephen Yiu Kin-wah succeeded the Founding Chairman, Dr Moses Cheng Mo-chi, as the Chairman of the IACs with effect from 28 December 2021.

³ Mr Cheong Heng-loong was appointed in July 2021.

Insurance Appeals Tribunal⁴

Chairman

Mr Douglas Lam Tak-yip, SC

Panel Members

Mr Frederick Chan Hing-fai

Ms Karen Chan Ka-yin, JP

Professor Chan Koon-hung

Ms Kerry Ching Kim-wai

Professor Stella Cho Lung Pui-lan

Mr Ian Chu Pak-ning⁵

Mr Alex Chu Wing-yiu⁶

Professor Goo Say-hak

Mr Marvin Hsu Tsun-fai

Mr Eric Hui Kam-kwai

Professor Michael Hui King-man, MH

Ms Julianne Jen

Mr Adrian King

Miss Anna-Mae Koo Mei-jong

Ms Nixie Lam Lam⁵

Ms Juan Leung Chung-yan, MH

Mr Peter Li Po-ting⁵

Dr Miranda Lou Lai-wah

Dr Gladie Lui Man-ching

Mr Philip Mak Shun-pong, MH

Mr Andrew Mak Yip-shing, BBS, JP

Professor Phyllis Mo Lai-lan

Professor Joshua Mok Ka-ho

Dr Patrick Poon Sun-cheong, SBS

Mr Bhabani Sankar Rath

Mr Gary Soo Kwok-leung

Mr Simon Tang Shu-pui

Mr Kevin Wong Ho⁵

Mr Harry Wong Wing-tai⁵

Mr James Wong Yuk-loi⁵

Mr Charles Yang Chuen-liang, BBS, JP

Dr Samuel Yung Wing-ki, SBS, MH, JP

⁴ Please refer to the [Insurance Appeals Tribunal's website](#) for the latest membership list.

⁵ Appointment period from 26 July 2021 to 25 July 2023.

⁶ Appointment period from 26 July 2019 to 25 July 2021.

Process Review Panel for Insurance Authority⁷

Chairman

Mr Eugene Fung Ting-sek, SC

Members

Miss Grace Chan Man-yee

Mr Paul Cheung Lap

Mr Chow Wai-shun

Mrs Agnes Koon Woo Kam-oi

Mr Patrick Law Fu-yuen

Mr James Lin

Mr Jeff Wong Kwan-kit

Ex-officio Members

Chairman of the Insurance Authority

Secretary for Justice (or his representative)

⁷ The appointment period of the membership lasts from 1 November 2021 to 31 October 2023.

