

Insurance Authority and Hong Kong Monetary Authority introduce measures to enhance protection of policy holders in use of premium financing when taking out life insurance policies

The following is issued on behalf of the Hong Kong Monetary Authority:

The following press release is issued jointly by the Insurance Authority and the Hong Kong Monetary Authority:

The Insurance Authority (IA) and the Hong Kong Monetary Authority (HKMA) each issued a circular ([IA circular](#) and [HKMA circular](#) respectively) today (April 1) clarifying the supervisory standards and requirements related to the use of premium financing in taking out life insurance policies. The IA circular was addressed to all authorized life insurers and licensed insurance intermediaries carrying on regulated activities in relation to long term business, and the HKMA circular was addressed to all authorized institutions.

Among others, the Important Facts Statement – Premium Financing (IFS-PF) will be introduced to promote disclosure and facilitate potential policy holders' making of informed decisions when they intend to use premium financing. The IFS-PF sets out the factors to be considered and the risks involved in relation to premium financing. Insurance intermediaries are required to fully explain to their customers the contents of the IFS-PF as soon as they become aware of the customers' interest in the use of premium financing after making sufficient enquiries. The customers concerned are required to complete and sign the IFS-PF for every new insurance policy application involving premium financing.

The Executive Director of Long Term Business of the IA, Ms Carol Hui, said, "While there has been growing popularity amongst policy holders in using premium financing for wealth and liquidity management, the relevant risks must not be overlooked. Following the release of key findings of our [joint inspection](#) with the HKMA last year, the IA aims, through the issuance of this IA circular, to specify our expectations on insurers and insurance intermediaries when they conduct businesses involving premium financing for better protection of potential policy holders."

The Executive Director (Banking Conduct) of the HKMA, Mr Alan Au, said, "The HKMA and the IA have been collaborating closely with an aim to enhancing protection to customers on the use of premium financing. The HKMA circular complements the IA circular to provide guidance to banks, which play the role as an insurance intermediary and as a premium financing facility provider in

their premium financing activities, to accord protection to potential policy holders and bank customers."

The two circulars also touched upon areas including affordability assessment, additional measures for customers with risk of over-leveraging, sales practice and training. All the supervisory standards and requirements covered in the two circulars will come into effect on January 1, 2023.