HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
C2/5C

28 February 2025

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Practice Note issued by the Insurance Authority ("IA") on Illustration Rate Caps in Benefit Illustration for Participating Policies

I am writing to draw your attention to the "Practice Note on Illustration Rate Caps in Benefit Illustration for Participating Policies" issued by the IA today ("Practice Note").

The Practice Note articulates a set of aligned minimum expectations regarding the illustration rate caps that authorized insurers should use in benefit illustrations for participating policies at the point of sale, aiming to prevent the use of overly aggressive investment assumptions and ensure that policyholders' reasonable expectations on the performance of their policies can be met.

Without undermining the generality of the Practice Note, authorized institutions acting as licensed insurance intermediaries are required to present adequate, accurate, complete, and non-misleading benefit illustration information. Additionally, they must not use any re-illustrations (to which the illustration rate caps do not apply) to engage in aggressive or unethical selling practices (Paragraph 3.7 of the Practice Note). AIs are also reminded that the requirements and expectations outlined in the Practice Note apply to all benefit illustrations to be provided by licensed insurance intermediaries at the point of sale to customers (Paragraph 6 of the Practice Note).

If you have any questions on this circular, please contact Mr Banny Yu at 2878-8272 or Mr Ken Chan at 2878-1373.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. Insurance Authority
(Attn: Mr Marty Lui, Executive Director, Long Term Business)