



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
C2/5C

2 April 2019

The Chief Executive  
All Authorized Institutions

Dear Sir / Madam,

**Guideline issued by the Insurance Authority on  
Qualifying Deferred Annuity Policy**

I am writing to draw your attention to the Guideline on Qualifying Deferred Annuity Policy (“GL19”) recently issued by the Insurance Authority (“IA”), which sets out, among others, requirements in respect of the promotion, advising and arranging of qualifying deferred annuity policies (“QDAPs”).

Annex A to GL19 covers information that should be disclosed to policy holders or potential policy holders of QDAPs, for instance:

- that the policy is certified by the IA as QDAP;
- the various internal rates of return in the product brochure and the benefit illustration, including the presentation that part of annuity payments is non-guaranteed (if applicable);
- the guaranteed annuity payment and the non-guaranteed annuity payment (if applicable) presented in the benefit illustration;
- that premiums for riders are not tax deductible;
- the policy features and risks (e.g. risk of significant financial loss upon early surrender, exchange rate risk (if applicable)) associated with the QDAP; and
- reminder to policy holders or potential policy holders that even though a deferred annuity policy is certified by the IA, premiums paid under that policy are not automatically subject to tax deduction given that whether tax deduction is allowable for all qualifying annuity premiums paid or any

portion therein is subject to the provisions in the Inland Revenue Ordinance and circumstances of the policy holder (as taxpayer), and that they should refer to the website of the Inland Revenue Department (“IRD”) or contact IRD for tax related enquiries.

Authorized institutions (“AIs”) selling QDAPs are reminded that they should adequately disclose and explain the nature, key features and risks of QDAPs, including but not limited to the above-mentioned information, to customers during the selling process<sup>1</sup>. AIs should also put in place adequate policies and procedures as well as controls and monitoring, and provide sufficient staff training to ensure the compliance with all applicable regulatory requirements in the selling of QDAPs.

If you have any question on this circular, please contact Mr Kevin Sham at 2878-1594 or Ms Candy Tam at 2878-1292.

Yours faithfully,

Alan Au  
Executive Director (Banking Conduct)

c.c. Insurance Authority  
(Attn: Ms Carol Hui, Executive Director (Long Term Business),  
Mr Stephen Po, Executive Director (Market Conduct))

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<sup>1</sup> Relevant regulatory requirements on sale of annuity insurance products remain applicable to AIs in selling QDAPs, e.g. the HKMA’s circulars “Selling of Annuity Insurance Products” of 6 June 2018, “Selling of Life Insurance Products” of 4 August 2015, “Selling of Non-Linked Long Term Insurance (“NLTF”) Products” of 8 December 2014, etc.