



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our ref: B1/15C
C2/5C

6 June 2019

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Sale of Medical Insurance Products

In light of the recent implementation of the Voluntary Health Insurance Scheme (VHIS), public awareness of and interest in medical insurance products, in particular VHIS-compliant Plans certified by the Food and Health Bureau (FHB) (hereafter referred to as “VHIS Certified Plans”), have increased. Against this background, I am writing to remind authorized institutions (AIs) that in selling medical insurance products, including but not limited to VHIS Certified Plans, they should comply with the relevant regulatory requirements insofar as such requirements are applicable to the medical insurance products concerned. These include, among others, the following in particular.

Customer suitability

AIs are reminded to ensure the selling and marketing processes of medical insurance products are in compliance with applicable regulatory requirements on customer suitability.

Product disclosure

AIs are reminded to ensure their sales staff adequately disclose and explain to the customer the nature, features and risks of the medical insurance product (including key terms and conditions of the policy) during the selling process. In this connection, AIs are reminded to comply with the relevant regulatory requirements including but not limited to clauses 76(f), (g) and (i), and 77(b) (for products classified as general business under Part 3 of Schedule 1 to the Insurance Ordinance (IO)) and clauses 80(f), (g) and (i), 81(b), and 82 (for

products classified as long term business under Part 2 of Schedule 1 to the IO) of “The Code of Practice for the Administration of Insurance Agents” issued by The Hong Kong Federation of Insurers, which is currently applicable; the “Guideline on Underwriting Long Term Insurance Business (Other than Class C Business)” and other relevant requirements issued by the Insurance Authority; and relevant circulars issued by the Hong Kong Monetary Authority¹.

Additional requirements applicable to VHIS Certified Plans

If the medical insurance product is a VHIS Certified Plan, in addition to the above requirements, AIs are reminded to ensure that relevant information² specified in the “Code of Practice for Insurance Companies under the Ambit of the Voluntary Health Insurance Scheme” (CoP-VHIS) issued by the FHB is disclosed and explained to the customer during the selling process.

Cooling-off period

If the medical insurance product has a cooling-off period, regardless of whether it is a VHIS Certified Plan³ or not, AIs are reminded to also disclose and explain how the customer can exercise such right in addition to the right and the expiry date of the cooling-off period.

The above requirements are not meant to be exhaustive. Regardless of whether the medical insurance products being sold and marketed are classified as long term business or general business, AIs are reminded to have in place proper product due diligence processes to assess the nature, features and risks of the products concerned and to determine the target customers’ profile. AIs are reminded to also have in place proper policy and procedures, controls and monitoring to ensure sufficient trainings are provided to their sales staff to ensure that they are familiar with the products before engaging in the relevant sales and marketing activities. To this end and as far as VHIS Certified Plans are concerned, AIs should ensure the selling practices adopted by their sales staff will not give undue emphasis on the tax deduction feature of the product to avoid distracting customers’ attention from the suitability, features and risks of the product itself.

¹ For example, “Selling of Non-linked Long Term Insurance Products” of 8 December 2014 and “Selling of Life Insurance Products” of 4 August 2015.

² For example, Section 4 (sales and marketing) and Section 5.8 (due process for underwriting) of the CoP-VHIS.

³ For VHIS Certified Plans where customers are provided with a cooling-off right, the CoP-VHIS sets out the requirements, e.g. Sections 4.14, 4.15, 5.4 to 5.6, 5.14 to 5.16 and Annex A.

If you have any question on this circular, please contact Mr Kevin Sham at 2878-1594 or Mr Savio Chan at 2878-1431.

Yours sincerely,

Alan Au
Executive Director (Banking Conduct)

c.c. Insurance Authority
(Attn: Mr Raymond Tam, Executive Director (Policy and Development),
Mr Stephen Po, Executive Director (Market Conduct))