



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
C2/5C

25 September 2019

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Enhanced Measures on Selling of Annuity Insurance Products

In light of the long term nature, complexity and increasing popularity of annuity insurance products, the Hong Kong Monetary Authority (“HKMA”) sees a need to enhance the customer protection measures applicable to authorized institutions (“AIs”) in selling annuity insurance products as set out in the circular “Selling of Annuity Insurance Products” dated 6 June 2018 (“2018 Annuity Circular”). In this connection, the HKMA has consulted the Insurance Authority (“IA”) and the industry.

Under the 2018 Annuity Circular, AIs are required to provide a separate fact sheet to non-vulnerable customers (“non-VCs”) who opt out of the audio-recording arrangement. To enhance customer protection and to ensure that the customers understand the product, if the proposed annuity insurance policy has non-guaranteed annuity payments, AIs should work with the insurer to add in the fact sheet or in the benefit illustration (“BI”) an “Annuity Payment Table” illustrating the amounts of annuity payments to draw the customer’s attention to the fluctuation of annuity payments under different scenarios/bases. AIs should disclose and explain the information in the fact sheet to all customers; and require vulnerable customers (“VCs”), and non-VCs who opt out of the audio-recording arrangement to sign on the fact sheet and provide them with a copy of such for their record. AIs should also arrange vetting of the audio-records of the transactions conducted with VCs.

Meanwhile, having regard to observations in the supervisory process, the HKMA would like to take this opportunity to provide clarifications on certain existing requirements on sale of annuity insurance products to assist AIs in complying with the requirements.

Details of the enhanced measures and clarifications are set out in **Annex 1** and the requirements on the Annuity Payment Table are set out in **Annex 2**. AIs should implement the measures in this circular as soon as practicable, and in any case no later than 12 months from the date of issuance of this circular.

This circular and the 2018 Annuity Circular are only applicable to retail banking customers. Nonetheless, in selling annuity insurance products to customers other than retail banking customers, AIs should also adequately disclose and explain to the customers during the selling process the nature, key features and risks of the products, including but not limited to the information stipulated in these two circulars.

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)

Encl.

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