

Our Ref: CDD/CIR

29 May 2026

By email only

To: Chief Executives and Key Persons in the Intermediary Management Control Function of all authorized insurers

Dear Sir/Madam,

Common Findings from Onsite Conduct Inspections on Insurers and Recommended Best Practices

As part of its ongoing supervisory functions, the Insurance Authority (the “IA”) conducts routine onsite inspections. These inspections are conducted under section 41B(1) of the Insurance Ordinance (Cap. 41) (the “**Ordinance**”) which expressly identifies the purpose of inspection as “*ascertaining whether an authorized insurer is complying with, has complied with, or is likely to be able to comply with*” its regulatory obligations.

Inspection is therefore more than just a backward-looking exercise to verify past compliance. It is also a “look-forward” assessment of an authorized insurer’s current controls and processes to ascertain whether they are sufficiently resilient to ensure that the insurer is likely to be able to continue to comply with the Ordinance, as well as the Guidelines and Codes of Conduct issued thereunder, on an ongoing basis. During an inspection, the IA will evaluate the adequacy and resilience of the insurer’s controls and processes to achieve ongoing compliance, bring any vulnerabilities identified to the insurer’s attention and, where applicable, suggest improvements and offer guidance to address them.

Onsite inspection is particularly important where the regulatory standards in the Ordinance, Guidelines and Codes of Conduct consist of a mix of prescriptive requirements applying to specific conduct activities and broader principle-based requirements that are applicable across the spectrum of conduct activities. While expectations regarding the application of these principle-based requirements may occasionally be elaborated in circulars or FAQs accompanying the IA’s Guidelines and Codes of Conduct, their underlying nature ensures that these requirements remain inherently dynamic and applicable no matter how business practices in the market evolve. Consequently, controls and processes that are adequate to satisfy these requirements at present may require adaptation to remain effective and proficient over time. The forward-looking aspect of the inspection process is designed to encourage and support this adaptive approach.

For the most part (and much depends on the individual insurer's attitude), inspections are carried out in a collaborative and open manner. Best practices of controls and processes in place are taken note of and highlighted by the IA, areas for improvement are identified, and practical follow-up actions are discussed and agreed upon with the aim of helping drive continual improvement. All of this makes our conduct inspections akin to a regular medical check-up. Not the most pleasant experience, but a good practice for staying healthy and addressing issues before they manifest into problems. Put simply, prevention is always better than cure.

We are pleased to share, in the Annex, a comprehensive report on the IA's key observations from recent inspections. This report highlights the positive best practices we have observed, as well as common areas that may warrant closer attention which can be addressed by the recommendations included.

We would like to express our appreciation to all insurers selected so far for the onsite conduct inspections we have completed, and to their personnel for their cooperation and engagement throughout the process, which has helped us better understand their operations. Our thanks also extend to the insurance intermediaries we met, who helped give us a full understanding of conduct in practice and how this is evolving. As stated, broadly, it was a collaborative and practical process with the shared goal of driving improvements for those we all serve – the insurance buying public.

We look forward to continued collaboration in promoting sound practices and strengthening industry standards through our inspections going forward.

Should you have any questions regarding the above or require further clarification, please contact us via conductsupervision@ia.org.hk.

Yours faithfully,

Alan Wu
Acting Head of Conduct Supervision
Insurance Authority

Encl.

c.c. The Hong Kong Federation of Insurers