21 August 2026

By email and by post

Ms Iris Lun
Director and Responsible Officer
10Life Financial Limited
16/F, Greatmany Centre,
109-115 Queen's Road East,
Wan Chai, Hong Kong

Dear Ms Lun,

Re: Open enquiry on bank premium-financing lending to vulnerable customers

Thank you for your letter dated 23 July 2026, enquiring about banks' premium-financing lending for long term insurance policies.

In light of market developments and supervisory activities relating to premium financing, various circulars have been issued to set out supervisory standards and introduce measures to enhance policyholder protection. Among other measures, the Important Facts Statement – Premium Financing ("IFS-PF") was introduced in 2022 to promote disclosure and facilitate informed decision-making by potential policyholders, by highlighting risks such as significant financial loss due to interest rate fluctuations, alongside other risks and factors to be considered in premium financing. In 2023, the Hong Kong Monetary Authority ("HKMA") issued a circular to clarify the interest rate disclosure requirements for banks at the point of premium financing application, including the need to draw customers' attention to all building blocks for determining the applicable interest rate, as well as to highlight the changes in basis for calculating interest rates and the possible exercise of the banks' discretionary rights under the cost of fund arrangements. In 2025, the HKMA conducted a review on banks' handling of customers who entered into premium financing facilities and expressed financial distress, and issued a circular to share key observations and expected standards.

In premium financing transactions, banks may perform dual roles – as licensed insurance intermediaries and as premium financing facility providers – and are subject to distinct supervisory requirements for each.

As licensed insurance intermediaries, banks should conduct robust suitability and affordability assessments, including evaluating customers' risk of over-leveraging for every new insurance policy application involving premium financing. Banks should also fully explain the contents of the IFS-PF and ensure that customers complete and sign the IFS-PF. If the customer's self-declared information is inconsistent with the information held in the bank's records, the bank should seek clarification and follow up with the customer.

As premium financing facility providers, banks should adopt robust credit risk management processes and have prudent procedures for approving credit. There should be dedicated credit teams to evaluate loan applicants' affordability and seek sufficient information to make credit decisions. In addition, under the Code of Banking Practice, banks should provide a consistent and succinct summary of major terms and conditions, including applicable interest rates, in the form of a Key Facts Statement to customers, and should make available a loan calculator for the respective loans and overdrafts on their websites and principal Internet banking platforms.

The HKMA conducts regular onsite inspections and offsite reviews, as well as joint inspections with the Insurance Authority ("IA") on premium financing activities from time to time. Where deficiencies are identified, the HKMA may take various supervisory actions, including requirements for corrective measures, investigations into potential misconduct, and, where appropriate, referral to the IA for consideration of disciplinary actions under the Insurance Ordinance. While the HKMA does not comment on supervisory matters concerning individual banks, we remain vigilant in ensuring that all banks uphold these high regulatory standards. Customers with grievances regarding premium financing are welcome to contact the relevant banks directly or approach the HKMA for assistance.

Yours sincerely,

Kenneth Hui
Executive Director
Banking Conduct Department
Hong Kong Monetary Authority