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Insurance Authority

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21 August 2026 By email and by post

10Life Financial Limited
16/F Greatmany Centre,
109 – 115 Queen's Road East, Wanchai,
Hong Kong

Attn: Ms Iris Lun – Director and Responsible Officer

Dear Sir/Madam,

Re: Open enquiry on the sale of premium-financed long-term insurance to vulnerable customers

Thank you for your letter dated 23 July 2026, setting out three questions regarding the sale of premium-financed long-term insurance policies. We respond to those questions below.

The Basis of this Response

Before setting out our response, it is important to state clearly the basis on which it is formulated, in the light of your stated intention to unilaterally publish our reply on your platform. As the regulator of the insurance market, the Insurance Authority ("IA") must ensure that our communications to market participants (and the wider public) are fair, transparent, consistent and independent. This duty applies equally to the substance of our communications and to the channels through which it is disseminated.

It would be inappropriate for the IA to issue supervisory guidance or regulatory clarifications to market participants (and to the insuring public whose interests we protect) through the commercial platform of a single regulated entity. Doing so would compromise the neutrality and transparency required of regulatory communications, and would also confer on your company a material informational advantage over the market participants who are not privy to, and have no opportunity to seek, the same clarification. Selective disclosure of this kind would be unfair to the wider broking community and to other insurers and intermediaries operating on what should be a level regulatory playing field, and would risk creating a false impression that the IA endorses, or accords special status to a particular entity, which is plainly not the case.

Should such guidance or clarification be deemed necessary, it will be issued through those established regulatory channels, such as in the IA's circulars[1] or our regular publication[2] – so that all market participants receive the same information, on the same terms, at the same time. Our responses below are accordingly framed at a high-level of generality, focusing on the broader considerations relevant to the questions you have raised, rather than providing any bespoke or definitive regulatory position.

In light of your stated intention to publish this response, we wish to place beyond doubt that it must not be construed, whether expressly or by implication, as an endorsement of your platform, nor does it confer any special status on your company beyond its status as a licensed insurance broker company regulated by the IA. Furthermore, nothing in this letter prejudges any specific cases or scenarios referred to in your letter (which we note come without any particulars, including the vulnerable customers quoted). With these caveats recorded, we turn to the substance of your enquiry.

The "Treating Customers Fairly" Principle and Premium Financing

As the regulator of the insurance market, the IA considers the use of premium financing to purchase long-term insurance policies to be an area of significant supervisory focus. Premium financing introduces distinct complexities and downside risks beyond standard insurance policy purchases. To uphold policyholder protection, premium financing should only be used where the arrangement is genuinely suitable for the customer and where the customer fully understands the associated risks.

This imperative is reflected in our regulatory framework, under which authorized insurers and licensed insurance intermediaries are required to maintain high ethical standards and rigorously uphold the "Treating Customers Fairly" (TCF) principle.

In the context of premium-financed transactions, TCF is underpinned by three mandatory regulatory processes:

1. **Suitability assessment** – the insurer/insurance intermediary must conduct a robust suitability assessment of the customer's circumstances, to ensure that both the insurance policy, and the acquisition of that policy through premium financing, are suitable in light of those circumstances (including the customer's affordability to repay the premium financing loan).

2. **Disclosure of information** – the insurer/insurance intermediary must provide adequate, clear and fair information to enable the customer to understand the insurance policy under consideration and the implications of acquiring it using premium financing.

3. **Informed decision** – the insurer/insurance intermediary must ensure the customer is positioned to make an informed decision, including by being fully apprised of the downside risks associated with both the insurance policy and the premium financing arrangement used to acquire it.

[1] For instance, IA's circular dated 1 April 2022 tilting "Circular on the supervisory standards and key requirements on the use of premium financing to take out long term insurance policies" and IA's circular dated 20 August 2026 titling "Observations on insurance business carried on with the use of premium financing facilities"
[2] For instance, IA's article dated 18 February 2024 titling "Beware of risks related to premium financing"

These processes are not only prescriptive, but also underpinned by the ethical principles expected of insurers and insurance intermediaries in their dealings with customers. Collectively, they aim to ensure that premium financing is limited to customers for whom it is appropriate.

With this overview of the regulatory framework in mind, we address the three specific matters raised in your letter.

Q1: How can an insurer detect an overstated declaration when the safeguard is disabled by the overstatement?

Our regulatory objective is to ensure that policyholders only use premium financing where they are not reliant on the insurance policy benefits to repay the loan – i.e. they do not over-leverage themselves in making the purchase. Insurers are therefore required to have processes in place to identify situations where the risk of over-leveraging might exist and, in such situations, to take additional verification steps to ascertain the policyholder's assets and income. Where risk of over-leveraging is identified, the policy should not be recommended unless there is sufficient justification. In any event, if there is any doubt about the customer's affordability, insurers are required to take a prudent approach – including, where appropriate, declining the application – to protect the interest of policyholders.

You suggest that since additional verification is only required where the risk of over-leveraging is identified, a customer who overstates their assets and income (thereby masking the risk of over-leveraging) may avoid triggering further checks altogether. On this basis, you ask whether such additional verification should be mandated on all purchases involving premium financing.

When evaluating this question, three matters warrant consideration: the underlying rationale; the incremental customer protection it would provide beyond existing regulatory requirements; and the potential operational friction, or disadvantages to customers, that such a requirement may result.

As regards the underlying rationale, we note that your question is premised on the possibility of customers overstating their assets and income when applying to purchase insurance using premium financing. A universal mandate based solely on this premise presents regulatory difficulties, as it would effectively rest on a general (yet odd) presumption that customers would provide dishonest or inaccurate information in the application process. As the insurance regulator, we see no proper basis for adopting such an extreme and extraordinary presumption about the insurance-buying public at large.

A more cogent rationale for universal verification might instead be to mitigate the risk of insurance intermediary misconduct – for example, where an intermediary advises a customer to provide inaccurate information. Any insurance intermediary who does so would be engaging in serious misconduct and in breach of several requirements under the existing insurance regulatory framework. In such circumstances, the IA would certainly not hesitate to take full enforcement action against the intermediary and, where appropriate, the insurer (particularly where the misconduct reflects deficiencies in the insurer's governance and controls).

In addition, insurance intermediaries are already required under the Codes of Conduct to advise customers of the importance of providing accurate material information to insurers, consistent with the customer's duty of disclosure – a requirement reinforced by the adverse legal consequences that come with providing false information.

Against that background, the key questions to consider are:
- would the proposed universal verification requirement provide substantive additional customer protection beyond what is already required under the existing regulatory framework?
- would the additional burden on customers create disproportionate barriers to obtaining necessary insurance coverage?

We highlight these considerations not to reach a definitive conclusion on your suggestion at this stage, but to illustrate the balanced factors that must be evaluated before any changes to the existing framework could properly be contemplated.

Q2: Does a loan-funded policy genuinely close a protection gap?

Your second question is whether the IA agrees that a loan-funded policy should not be presented to a customer as closing a protection gap. You raise this question in the context of the statement in your letter that "*These sales are justified on the basis that the policy closes a protection gap, yet where the policy is funded by a loan secured against it, it does not.*"

While the quoted statement is not entirely clear to us, our response is, of necessity, multifaceted.

The IA has never suggested or endorsed the view that premium financing is a mechanism for closing the protection gap.

In the context of life insurance, the "protection gap" generally refers to the gap between the insurance coverage needed to protect families against adverse events/risks, and the level of actual insurance coverage purchased. Premium financing, by contrast, is a financing mechanism typically utilized to purchase life insurance policies, with savings and investment elements, and often for wealth planning or yield enhancement. Given this distinction, we find it conceptually difficult to accept the suggestion that premium financing serves as a vehicle for closing a pure protection gap.

Each case would of course depend on its specific facts, but as a general proposition, if an insurance intermediary was to present a complex insurance policy funded by premium financing to a customer of modest means under the guise of meeting a basic protection need, that would – on its face – raise serious concerns about the properness of the advice and the appropriateness of the corresponding suitability assessment. This would likely breach multiple requirements under the existing regulatory framework and amount to misconduct.

Q3: Why is no one required to put the two halves together?

Your final question is why there is no requirement to mandate a computation of the net position between the benefits of the policy as illustrated and the liabilities for loan repayments, both of which are provided to the customer.

We fully agree that customers need to be made fully aware of the risks involved in purchasing a long-term insurance policy using premium financing. The risk of the benefits under the policy underperforming their illustration (and may be further reduced by surrender charges in the early years) must be understood. The risk of the borrowing cost rising through market interest rate volatilities must also be fully appreciated. In addition, the lender may have discretion to adjust the interest rate on the loan facility from time to time, or request repayment on demand. The consequential risk that the policy benefits may be insufficient to cover the cost of servicing the loan facility must likewise be fully comprehended.

The Important Facts Statement – Premium Financing (IFS-PF), introduced by the IA since 2022, is intended to bring exactly these (and other) risks explicitly to the customer's attention before their purchase, so that they have a full understanding of the downsides and can make a fully informed decision. The onus is further placed on the licensed insurance intermediary to explain these risks so that a customer understands them.

In evaluating whether to mandate the computation of the net position, therefore, the following considerations would need to be weighed:

- would such computation materially enhance customers' understanding of the risks already highlighted through the IFS-PF process?
- would combining two variable elements (a projected policy performance and a floating loan interest rate) into a single net figure or a series of this net figure, risk confusing customers or generating a false sense of certainty about future outcomes?

Again, we express no conclusion at this stage but merely point out critical factors that need to be weighed in the balance when considering whether your suggestion would deliver the intended protection (or create unintended adverse consequences).

Closing Comments

We appreciate that your letter was submitted with a view to contributing to market practice, and we welcome constructive engagement from all stakeholders in supporting a healthy insurance market and better protecting the insurance buying public.

We also reiterate the need for supervisory guidance or regulatory clarification to be communicated to the market through neutral, transparent and independent mechanisms. Should you choose to publish this response on your platform as indicated in your open letter, we must insist that it be **published in full** and without alteration. Partial, selective or edited publication would risk taking our comments out of context or misrepresenting the regulatory framework or creating a misleading impression among market participants and the public. We would further observe that any publication of this nature which selectively presents or otherwise misrepresents regulatory correspondence, in a manner likely to mislead the market, may itself engage considerations as to the honesty, integrity and general fitness and properness expected of a licensed insurance intermediary on a continuing basis. We trust this observation proves academic, but consider it prudent to record this reminder.

Finally, we wish to reiterate the importance the IA attaches to the subject of premium financing, and to the compliance obligations of insurers and frontline intermediaries when conducting premium financing business. The IA and the Hong Kong Monetary Authority continue to coordinate closely on this matter and deploy a range of supervisory approaches, including joint inspections, as part of our ongoing risk-based supervisory work. As usual, any further regulatory guidance arising from these inspections will be communicated to the market through the established regulatory channels[3].

Yours faithfully,

Marty Lui Executive Director Long Term Business Division Insurance Authority	Alan Wu Head of Conduct Supervision (Acting) Conduct Supervision Division Insurance Authority

[3] Similar to the approach adopted in our joint circulars dated 30 September 2021 titling "Joint inspection on the use of premium financing to take out long term insurance policies in Hong Kong" and dated 27 June 2024 titling "Findings from IA-HKMA joint inspection exercise on premium financing"