

The collection of the levy on insurance premiums from policy owners by the Insurance Authority is effective 1 January 2018.

BACKGROUND

The Insurance Authority (IA), a statutory body established under the Insurance Companies (Amendment) Ordinance 2015 (“Amendment Ordinance”), is a new insurance regulator independent of the Government of the Hong Kong Special Administrative Region.

The IA replaced the Office of the Commissioner of Insurance (OCI) to regulate insurance companies with effect from June 26, 2017, while the OCI was disbanded on the same day.

From 1 January 2018, the Insurance Authority (IA) will start collecting a premium levy from policy owners in accordance with the Insurance Ordinance, the Insurance (Levy) Regulation and the Insurance (Levy) Order. The levy rate will start at 0.04% of the insurance premium per policy year and increase gradually to 0.1%.

THE STATUTORY REQUIREMENT ON LEVY

All in-force policies are subject to levy with policy anniversary date on or after 1 January 2018.

Levy payable is calculated as a percentage of premiums and shall be paid by policy owners along with premiums. Levy rates and the maximum levy are prescribed by the Order as below, which shall apply throughout the policy year.

Policy Date or Policy Anniversary Date	Levy Rate	Maximum Levy (HK\$) Long Term Business
From 1 January 2018 to 31 March 2019 (both dates inclusive)	0.04%	\$40
From 1 April 2019 to 31 March 2020 (both dates inclusive)	0.06%	\$60
From 1 April 2020 to 31 March 2021 (both dates inclusive)	0.085%	\$85
From 1 April 2021 onwards (inclusive of that date)	0.1%	\$100

FAQ

1. What is the Insurance Authority (“IA”)? What is the objective of setting up the IA?

The Insurance Authority (“IA”) is a new insurance regulator independent of the Government. The objectives of its establishment are to modernize the insurance industry regulatory infrastructure to facilitate the stable development of the industry. It also provides better protection for policy owners with centralized licensing and governing system for insurance intermediaries, as well as complying with the requirement of the International Association of Insurance Supervisors. The IA is financially and operationally independent of the government and industry.

2. What is the purpose of collecting levy? And what is its respective usage?

The costs for establishing and operating the IA in its initial years are being covered by government funding. In the long run, the IA has to be financially independent and recover its operating costs through a premium levy from policy owners, and fees payable by insurance companies, intermediaries and users for specific services. From 1 January 2018, the IA will start collecting levy from policy owners. The levy rate will start at 0.04% of the insurance premium per policy year and increase gradually to 0.1%. The amount of the levy imposed on each policy will be subject to a cap.

3. When is the effective date of the levy on insurance premiums by the Insurance Authority?

The collection of levy on insurance premiums will take effect on 1 January 2018.

4. What insurance policies and products is the levy applicable to?

Levy applies on both in-force and new policies issued in Hong Kong, including both long term business and general business.

5. What are the consequences if a policyholder failed to pay the IA Levy?

If a policyholder has not settled IA Levy payment as required, IA may impose on the policyholder a pecuniary penalty not exceeding HKD 5,000. It is the policy owner’s obligation to pay the levy. As stated in the law, if a policy owner does not pay the levy as required in a timely manner, the IA may impose on the policy owner a penalty of up to HK\$5,000, and may recover the outstanding levy as a civil debt due to the IA.

6. How will the levy apply?

Levy payment is to be made together with premium payment. Levy payable is calculated as a percentage of premium. If no premium is paid, the policyholder does not have to pay any levy.

7. Will Utmost Worldwide Limited settle the corresponding IA Levy on behalf of policyholders?

Policyholders are responsible for paying IA Levy in accordance with the law. However, to enhance operational efficiency and as an **interim measure**, Utmost Worldwide will settle the corresponding IA Levy on behalf of policyholders and remit in accordance with the arrangements prescribed by the IA, for a period as determined by Utmost Worldwide.

For further information on the Levy, please visit the website of the Insurance Authority at www.ia.org.hk or contact the Insurance Authority by telephone on +852 3899 9983 or via email at enquiry@ia.org.hk.

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Utmost Wealth Solutions is the trading name used by Utmost Worldwide Limited and a number of Utmost companies.

Utmost Worldwide Limited is incorporated in Guernsey under Company Registration No. 27151 and regulated in Guernsey as a Licensed Insurer by the Guernsey Financial Services Commission under the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended).

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