



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
C2/5C

5 June 2026

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Remuneration Structures of Licensed Insurance Intermediaries which are Authorized Institutions for Participating Policies with Regular Payment Terms

The Insurance Authority (“IA”) issued on 30 July 2025 the Practice Note on Remuneration Structures of Authorized Insurers for Licensed Insurance Intermediaries for Participating Policies (“IA Practice Note”), which sets out the regulatory expectations on remuneration structures for licensed insurance intermediaries in relation to participating policies with regular payment terms. This circular sets out the expectations of the Hong Kong Monetary Authority (“HKMA”) for comparable commission spreading requirements applicable to authorized institutions (“AIs”) which are also licensed insurance intermediaries in the sale of participating policies with regular payment terms, taking into account the unique business model of the bancassurance channel and with reference to the IA Practice Note.

Policy considerations

It is specified in paragraph 4.4 of the IA Practice Note that an authorized insurer may depart from the spreading requirements in paragraph 3.2 of the IA Practice Note for commission payable to licensed insurance agencies that are also AIs, provided that the overriding principles governing appropriate remuneration structures as stated in the Guideline on Underwriting Long Term Insurance Business (other than Class C Business) (“GL16”) continue to be met. That said, the IA and the HKMA will work closely together to monitor the remuneration structures in the bancassurance channel and take appropriate action if necessary.

Properly prorated remuneration structures can help align the interest of the licensed insurance intermediaries and the policyholders, and offer incentives for licensed insurance intermediaries in providing pre-contract and ongoing services to the policyholders. For the bancassurance channel, the HKMA sets out in this circular the prorated remuneration structures applicable to AIs as licensed insurance intermediaries in respect of participating policies.

This circular should be read in conjunction with the IA Practice Note. Apart from the corresponding commission spreading requirements applicable to AIs as set out in this circular, the other relevant requirements and clarifications in the IA Practice Note also apply to AIs as licensed insurance intermediaries, including but not limited to the applicable product type of participating policies and premium payment terms (paragraphs 2.2 and 2.3), definition of commission (paragraph 2.4), volume-based bonus commission (paragraph 4.2) and policyholders who are professional investors (paragraph 4.5).

(I) Spreading of commission received by AIs from authorized insurers

In respect of any participating policy with regular payment terms entered into by an authorized insurer and a policyholder, the commission received by AIs as licensed insurance intermediaries from the insurer in respect of such policy should be prorated such that:

- (a) for policies issued on or after 1 July 2027, no more than 85% of the total commission is received by the AI upfront, i.e. the commission received upon the sale and arrangement of the policy and during the first policy year (i.e. the 12-month period commencing from the policy effective date) should not exceed 85% of the total commission receivable in respect of the policy;
- (b) for policies issued on or after 1 July 2028, no more than 70% of the total commission is received by the AI upfront; and
- (c) the remaining commission to be received after the first policy year should be received at least over a minimum of 5 years (i.e. 2nd to 6th policy year) or the premium payment term, whichever is shorter, and should be evenly spread over this period (i.e. the same amount should be received per year).

The HKMA recognises that the remuneration structures between AIs as licensed insurance intermediaries and their appointing authorized insurers vary due to different commercial and operational considerations. In addition to commission received arising from arranging and providing services for participating policies between policyholders and authorized insurers, some remuneration structures may

also include other components, such as volume-based bonus commission. AIs are reminded to make reference to paragraph 4 of the IA Practice Note regarding situations where authorized insurers may depart from the spreading requirements. Specifically, paragraph 4.2 of the IA Practice Note states that the bonus commission will not be subject to the spreading requirements, where determination of the bonus commission is not solely based on business volume, but also incorporates objective non-financial performance metrics that evaluate the AI's performance in complying with, and adherence to the "treating customers fairly" principle.

(II) Spreading of commission income of appointed technical representatives payable by AIs

In principle, appointed technical representatives of AIs that are licensed insurance intermediaries, and whose remuneration is in the form of commission income arising from arranging and providing services for participating policies between policyholders and authorized insurers, should be subject to the spreading requirements. For such appointed technical representatives, their total commission income arising from a participating policy with regular payment terms should be prorated such that:

- (a) for policies issued on or after 1 July 2028, no more than 70% of the total commission income is paid upfront; and
- (b) the remaining commission income after the first policy year should be paid at least over a minimum of 5 years (i.e. 2nd to 6th policy year) or the premium payment term, whichever is shorter, and should be evenly spread over this period (i.e. the same amount should be paid per year).

It is recognised that AIs provide a wide range of wealth management and banking services to their customers, and sometimes use a balanced scorecard or other comparable approaches to determine the remuneration of their frontline staff (including appointed technical representatives). These approaches usually take into account a mix of financial and non-financial factors, such as sales targets for different wealth management and banking products, customer feedback, the conduct records of individual staff, etc. to determine the remuneration of frontline staff, instead of paying commission income to frontline staff directly.

Appointed technical representatives whose remuneration is determined by the balanced scorecard or other comparable approaches can be exempted from the above spreading requirements, provided that the balanced scorecard or other

comparable approaches adopted by their employers, which are AIs, can satisfy the two criteria below:

- (i) there should be no separate commission income component. Any commission income component should be subject to the spreading requirements (a) and (b) outlined above. In determining which components are commission income, a “substance-over-form” approach should be taken, irrespective of the name given to such payment or the form which such payment takes; and
- (ii) there should be factors allowing for adequate evaluation of the performance of appointed technical representatives in accordance with the “treating customers fairly” principle.

For example, if an AI adopts a remuneration approach under which appointed technical representatives are entitled to a commission of HK\$0.x from the AI for every HK\$1 of premium generated from the sale of a particular insurance plan, the commission income component in this remuneration approach should be subject to the spreading requirements, regardless of whether other non-financial factors are considered in the overall approach.

AIs should review and refine, where appropriate, the scorecard or other comparable approaches for their appointed technical representatives to ensure that any commission income component due to arranging and providing services of participating policies can effectively reflect the spreading requirements. If any commission income component cannot follow the spreading requirements or if the “treating customers fairly” principle is not adequately evaluated, the scorecard is deemed non-compliant for exemption, and the remuneration of appointed technical representatives will have to be subject to the spreading requirements. AIs are encouraged to start the migration early.

AIs should put in place proper controls, procedures and adequate monitoring and supervision to ensure that the regulatory expectations and standards set out in this circular are met. AIs should also maintain proper records and be prepared to demonstrate their compliance with the requirements set out in this circular upon the HKMA’s request.

Should there be any questions on this circular, please contact Mr Banny Yu at 2878-8272 or Mr Ken Chan at 2878-1373.

Yours faithfully,

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c.c. Insurance Authority
(Attn: Mr Marty Lui, Executive Director, Long Term Business
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