

FROM PROMOTION TO PROTECTION: RESPONSIBLE MARKETING PRACTICES

CONDUCT IN FOCUS

[COVER VIDEO](#)

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ISSUE 13

CONDUCT IN FOCUS

Welcome to this 13th edition of Conduct in Focus!

In this issue, we begin with an overview of the latest complaint statistics for the first half of 2026, highlighting key trends in policyholder complaints and areas that continue to warrant regulatory attention.

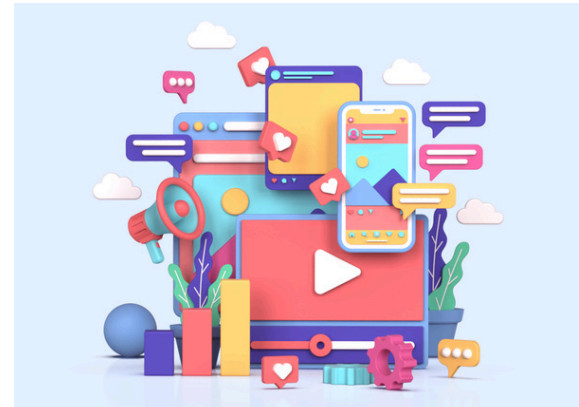
Our cover story examines responsible marketing practices and how insurers and intermediaries can strike the right balance between promoting insurance products and ensuring consumers receive clear, fair and appropriate information to make informed decisions. Furthermore, we examine how the insurance industry can turn misinformation into a learning opportunity and highlight the importance of maintaining public trust and promoting positive conduct.

We then look at the evolving role of Key Persons in Control Function for Intermediary Management and discuss the growing importance of effective oversight in supporting professional conduct and positive customer outcomes.

Next, we discuss emerging referral arrangements in the market and explain why unchecked rebate can undermine fair treatment of customers. We also explore fit and proper assessments and interview arrangement for Responsible Officers, highlighting their role in maintaining high standards of competence and integrity. Our statistics on tenure of Responsible Officers also provides useful insight into the effectiveness of operation oversight of a broker/agency company.

Finally, we examine ongoing efforts to combat insurance fraud and review recent enforcement cases that underscore the importance of accountability in intermediary management.

Hope you enjoy this edition!



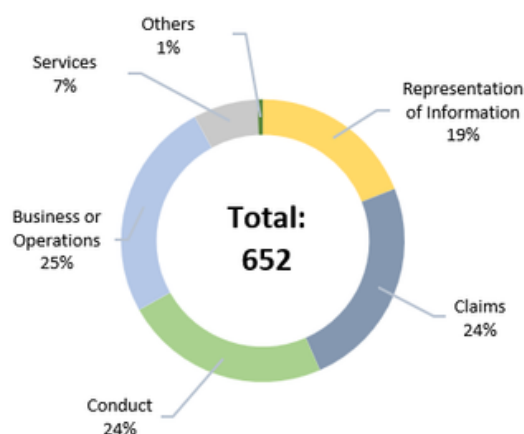
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COMPLAINT STATISTICS

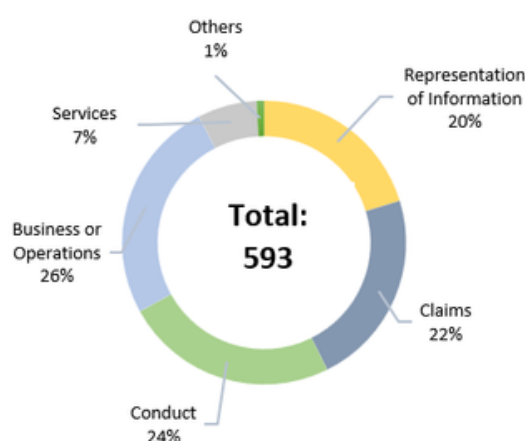
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In this edition we present the complaints statistics for the first half year of 2026.

From 1 January to 30 June 2026



From 1 January to 30 June 2025



Note: Figures may not add up to 100% due to rounding.

Explanation of Complaint Categories

Conduct - refers to complaints arising from the process in which insurance is sold, the handling of client's premiums or monies, cross-border selling, unlicensed selling, allegations of fraud, allegations of forgery of insurance related documents, commission rebates and "twisting" (i.e. insurance intermediaries inducing their clients to replace their existing policies with those issued by another insurer by misrepresentation, fraudulent or unethical means).

Representation of Information - refers to complaints relating to the presentation of an insurance product's features, policy terms and conditions, premium payment terms or returns on investment, dividend or bonus shown on benefit illustrations, etc.

Claims - refers to complaints in relation to insurance claims. The IA cannot adjudicate insurance claims or order payment of compensation. It can, however, handle complaints related to the process by which claims are handled (e.g. delays in processing, lack of controls or weaknesses in governance, areas of inefficiency in the claims handling process).

Business or Operations - refers to complaints related to business or operations of an insurer or insurance intermediary (e.g. cancellation or renewal of policy, adjustment of premium, underwriting decision, or matters related to the management of the insurer, etc.).

Services - refers to complaints regarding insurance related servicing by insurers or intermediaries, such as complaints related to the delivery of premium notice or annual statement, dissatisfaction with services standards etc. >>

Overall Complaint Trend

The IA received 652 complaints in the first half of 2026 representing a 10% increase over the same period from the previous year. The increase, however, is far lower than the surge in premium growth across the market (i.e. up 32%) in the first quarter of 2026, versus the same period in 2025, indicating that complaints from policyholders may be growing, but not as fast as overall market size growth.

In terms of category, the most significant number of complaints fell under the category of “Business or Operations”, followed by “Claims” and “Conduct”.

Complaints related to “Business or Operations” registered a 9% year-on-year growth. Key drivers included dissatisfaction with policy administration and complaints against insurers’ management on business and operation matters. A concentration of cases was observed involving dissatisfaction with insurers’ handling of agent assignments and lack of service of the assigned agents (an issue that may be exacerbated by turnover of agents – a matter you can read more about in this edition, in our article focused on Key Persons in Control Function for Intermediary Management).

Claims-related complaints ranked second in the reporting period and medical-related claims accounted for the largest share of overall complaints in this category, followed by “Motor” and “Travel”. The complaints on claims focus on unexpected delays in claims settlement and instances where policyholders feel they are not receiving the compensation to which they are entitled.

The number of complaints concerning insurance intermediaries remained relatively stable overall. However, complaints related to misrepresentation, inappropriate advice, fraud and forgery of insurance related documents continue to account for a consistent proportion of the total. The IA maintains a vigilant watch over these developments and will deploy heightened regulatory oversight (including enforcement action) where warranted. ■



FROM PROMOTION TO PROTECTION: RESPONSIBLE MARKETING PRACTICES

[\(English Audio Version\)](#)

Clickbait – the existence of the word reflects the ever-increasing consumption of information through our screens. Look around you next time you are on the MTR: it's a forest of bowed heads and swiping fingers.

For marketers, that endless scrolling is pure opportunity to sell. But capturing that opportunity is not easy. You only have a few seconds to hook your scroller's attention. So you need that one eye-catching statistic or headline to make them pause and click.

We're sure you know what we mean: "Transform your body with military calisthenics or tai-chi walking!" "Learn any language in only 15 minutes a day!"

Marketers of insurance products are, alas, becoming familiar with this tactic of "baiting" you into "clicking" to "learn more" with that one statistic or promise that will hook your attention: a three-figure fulfilment ratio; a double-digit growth rate on non-guaranteed benefits and dividend payouts; a slashed break-even timeline.

"The statistic is true, so what's the problem?" is often the marketer's first line of defence when the regulator questions this manipulative strategy. "Our product may only be two years old, but so far it has a fulfilment ratio of 100%. And yes, we did have that growth rate during that one year, on that one particular dividend payout."

Maybe so, but it's still a misleading, manipulative and an unfair way of capturing a customer's attention. So misleading, in fact, as to amount to a clear misrepresentation.

Your company may have achieved a 100% fulfilment ratio in the first two years of the product's life. Big deal! Dividend/bonus benefit payouts for a new product are typically low in the early years, and any insurer failing to hit those numbers would be drastically underperforming (and not worthy of calling themselves >

PROMOTION

"insurer"). And as every insurer knows, when it comes to long-term participating policies, the early year dividend/bonus benefits are sometimes negligible – it's the later years that matter. The fulfilment ratio in the early years provides limited indication that performance will continue over the life of the policy, yet that is precisely what the marketer is trying to mislead the customer into thinking. **Stop it!**

And one year's growth for a dividend payout? Come on! This says nothing about growth over the long term, even though that is precisely what the marketer is inaccurately trying to hint at. **Again, stop it!**

"Oh, but it isn't misleading", the marketer will say, putting forward their second wave of defence. "We make the position perfectly clear... after the customer clicks 'learn more'. All we are doing with our eye-catching statement is initiating a conversation, and once the customer clicks, they will be given a full and fair presentation, so they have a complete understanding of the policy before making a purchase decision."

Unfortunately, this second line of defence doesn't wash either. >>



Hooking a customer's attention with a cherry-picked piece of clickbait does more than just initiate a conversation. It shapes the psychological lens through which customers will view every subsequent piece of information fed to them on the subject. By anchoring initial expectations to an exceptionally positive outlier, the marketer establishes an immediate optimism bias. Subsequent footnote qualifications or dense brochure disclaimers are rarely sufficient to dismantle this initial impression. The misrepresentation – and the distraction it brings – is complete the moment that one eye-catching, misleading fact is retained in the customer's mind, nudging them toward completion of the purchase based on distorted expectations.

Marketers know this behavioural psychology. That's why they do what they do.

Ban on Misleading Statements in Marketing

Look at General Principle 1 in the Codes of Conduct for Licensed Insurance Agents and Licensed Insurance Brokers: inaccurate, misleading, or deceptive statements aimed at inducing a client to enter into an insurance policy are strictly prohibited. Breach that, and you are breaching key provisions in Section 90 of the Insurance Ordinance (IO) – the core conduct requirements. Key Persons in Control Functions for Intermediary Management take note. It's your job to establish controls and processes to keep your intermediaries compliant in their regulated activities, which includes preventing attempts to induce customers into buying insurance policies through misleading marketing activities.

Guideline 10: Guideline on the Corporate Governance of Authorized Insurers ("GL 10") also imposes an obligation on authorized insurers to adopt fair treatment of customers as an integral part of their business culture, strategies, and internal controls (GL10, para 10.1). As part of this, adequate and clear information must be made available to customers before, during, and after the point of sale.

Attempting to hook a customer's attention to "learn more" with clickbait that instills a misleading impression from the outset is the very essence of unfair customer treatment. Any insurer that does this will very quickly "learn more" about how the Insurance Authority's regulatory procedures work! ➤

Best-Practice Governance Processes for Marketing

To keep the digital marketing of insurance products firmly on the right side of the regulatory line, here are five essential rules for an insurer to embed into its product approval and governance frameworks:

Mandate a "Customer Viewpoint" and "Overall Impression" Assessment

Most insurers subject proposed campaigns to multiple internal sign-offs. Business units look at conversion rates; Operations assess delivery and efficiency; Finance looks at cost; Compliance ticks off legal boxes; Risk checks exposure.

Yet, too often, one crucial perspective is missing in the governance sign-off process: the customer's view. Compliance, Risk, and Business may plead that their sign-off takes account of this, but does it really? Or are they merely evaluating it from the insurer's perspective to keep the campaign compliant, profitable and risk-managed?

The truth is that, often, nobody in the governance process is asking the most critical common-sense question: *What mental impression does a customer form within three seconds of seeing this ad?* ➤➤



At least one signing-off unit – ideally Compliance, Risk, or a dedicated Customer Champion team – must be formally mandated to perform a "Customer Viewpoint Assessment". This requires stepping outside of legal fine print and evaluating the campaign's overall impression in that split second when the ad appears on a user's feed:

- Won't a customer who is shown a 100% fulfilment ratio assumes that rate applies to the entire policy period, rather than just the first two years?
- Will they be misled into believing that the single exceptional dividend declaration shown to them is representative of annual growth across the whole policy period?
- Aren't those the exact inaccuracies that will "hook" customers into clicking "learn more" in the first place?

If the honest answer is "yes", the campaign should fail sign-off and be sent back to the drawing board – regardless of how many footnotes and disclaimers Compliance suggests adding.

Furthermore, a Customer Viewpoint Assessment may actually help the insurer discover what it is that its customers really want to know. This will provide a far better, and fairer, starting point for designing any campaign.

Enforce Equal Prominence ("Click-Through" Disclaimers Won't Save You)

If a statistic makes it into the headline, its corresponding limitations, key assumptions, and risks must sit right alongside it, with equal visual prominence. Marketers often push back on this by saying: *"Customers don't want to be bothered with all that information."*

Our job as the regulator is to protect customer interests – to stand on their side and often in their shoes. So our response to marketers is this: Don't treat customers like idiots! Treat them fairly! Give them the information they need to make a decision that directly impacts their budget and life, so that the decision is genuinely right for them.

- Never relegate core qualifications to microscopic footnotes.
- Never put shiny benefits on the main social post while hiding risks behind a "click to read more" link or a secondary slide.

In insurance marketing, if the customer has to search for the catch, the presentation is inherently misleading and unfair. **Don't do this.** ➤



Require Intermediaries to Spot, Correct, and Report Gaps

Social media ads open the door, but in Hong Kong, insurance intermediaries often close the deal. Insurance agents and insurance brokers must be trained not only on product technicalities, but on how to identify and immediately dismantle any distorted expectations a customer obtains from an ad.

Note: this does not give marketers free rein to publish whatever they want to hook attention, safe in the knowledge that an intermediary will fix it later. Rather, it ensures that unpredictable customer impressions are caught, managed, and corrected at the point of advice.

Furthermore, governance should include a feedback loop. If intermediaries report that clients are consistently misunderstanding a campaign's headline, the insurer must actively tweak or withdraw the promotion. The same principle applies to customer complaint trends. ➤➤

Provide Full Context Through Comprehensive Disclosure

Trustworthy marketing should not rely on an isolated headline statistic. Always provide direct, low-friction access – such as clear web links or QR codes – leading customers straight to comprehensive historical metric tables to give them the full picture (for example, complete fulfilment ratio histories).

Good insurers do not fear full, unselective disclosure. They show performance overall – warts and all – so customers can make genuinely informed decisions.

Align Marketing Incentives with Long-Term Customer Outcomes

“Show me the incentive and I’ll show you the outcome”, famously said the late Charlie Munger of Berkshire Hathaway fame.

We saw this play out with intermediary commissions for participating policies, where high upfront first-year commissions with minimal tail commission over-prioritized initial sales and de-prioritized ongoing servicing – ultimately prompting the Insurance Authority to introduce commission spreading requirement.

The same principle applies to how an insurer incentivizes its internal marketers. Measure their performance solely by click-through rates and lead generation, and you will get misleading clickbait. Reframe marketing success around fair presentation and long-term customer retention, and you align fair customer treatment, regulatory expectations and sustainable business growth.

Anyone who thinks this falls outside the insurance regulatory framework should review paragraph 9.2(c) of GL 10, which explicitly requires an insurer’s remuneration policy to motivate employees to pursue the long-term growth and success of the authorized insurer, demonstrating a clear relationship between performance and remuneration. ➤



Concluding Comments

Responsible marketing practices in insurance support informed customer financial decision-making and foster the long-term relationship that an insurance policy creates. While the policy itself establishes legal obligations, every marketer must understand that what a customer ultimately seeks is an insurer they can trust with their financial future.

Trust – or distrust – begins with the very first interaction. That is why it is imperative for marketers to get it right from the start: not by focusing on a short-term hook, but by laying the foundation for a long-term relationship built on transparency.

So leave the clickbait to the purveyors of military calisthenics and tai-chi walking. In insurance, there are no quick fixes on offer – only sustainable customer relationships based on fairness and trust. ■



TURNING FAKE NEWS INTO A LEARNING OPPORTUNITY

(English Audio Version)

How times have changed. Was it that long ago when we only consumed news through TV channels and newspapers? Those days are now long gone. Now, with today's digital tools, it seems easier than ever to set up a blog or social media channel and build an audience.

That's a good thing. Economics tells us that markets work best when information is widely and efficiently shared - because prices and products can adjust quickly to changes in demand, ultimately benefiting consumers. And we've never had such a wide choice of commentators and key opinion leaders to keep the insurance market instantly up to date on the latest information.

But when it comes to the dissemination of information, speed and availability aren't the only things that matter. Accuracy is also vital - and when the information shared turns out to be wrong, it can have a widespread and instantaneous detrimental impact on the market.

Recently, certain disturbing rumours have been shared on social media. It's said that multiple arrests had been made by the law enforcement agency at unnamed companies in the insurance market. The alleged crime? Deliberately falsifying information to classify customers as Professional Investors ("PIs"), in order to avoid the commission spreading requirements introduced by the Insurance Authority ("IA").

After the story broke, the market was immediately ablaze with rumours as to which companies and personnel were involved in the scandal, leading those being speculated about to publicly assert their innocence within a short period of time in response to the unfounded rumours.

As it turned out, on this occasion, the juiciest part of the story from the news source was, in fact, WRONG. There were no such arrests or scandal. The story was - to use a phrase that has become commonly known to us all - FAKE news. ➤



Lessons learned

One obvious lesson learned from this episode is the importance of accuracy. Any platform that has spent time building up a trusted audience through delivering genuine news and valid opinion, accepts an implicit duty to continue that trust through the truth of its reporting. After all, the news it reports can have very real-life consequences for those impacted.

Aside from this, however, there is another important lesson to learn from this episode and that is the focus of this article.

The reason the story had such an impact was because, although certain elements of it turned out to be false, the underlying allegation on which it was based was very much the type of non-compliance that could have happened. In other words, it was like the plot of a fiction novel set in the Hong Kong insurance market. The type of novel that you read and say to yourself "wow, this could actually happen one day". And with the crime having been set out in fictional terms for us already, we now have a unique opportunity to prevent it from happening in reality. So let's do exactly that. ➤➤

Commission Spreading and the Professional Investor Exemption

First, let's set out the Professional Investor exemptions on which the story was based.

Professional Investors – PIs – are not a concept that originated in insurance regulation. Rather, as their name suggests, they come from Hong Kong's investment regulatory framework, under the Securities and Futures Ordinance (Cap. 571) ("SFO") and its Securities and Futures (Professional Investor) Rules (Cap. 571D) ("PI Rules"). This legislation introduced PIs as persons who qualify (through their investment knowledge, experience and/or net worth) as sophisticated market participants, as distinct from retail investors. Because of this special status, in dealing with PIs, SFC licensees are exempted from certain requirements aimed primarily at retail investor protection.

Many life insurance products also have savings and investment elements. In the past few years, therefore, as the IA has tightened up on policyholder protection requirements associated with those products, it has also adopted the concept of PIs to introduce exemptions from certain requirements, as they apply when insurers and insurance intermediaries deal with PIs (being sophisticated insurance buyers).

The two main examples of such exemptions introduced in recent years are as follows:

1. **IUL Products** - The exemption of Indexed Universal Life Insurance Products¹ from certain requirements that apply to Class C business, where such products are only offered to PIs (see the joint circular from the IA and HKMA of 13 March 2025).
2. **Commission spreading for Participating Policies** - The Practice Note on Remuneration Structures of Authorized Insurers for Licensed Insurance Intermediaries for Participating Policies ("Practice Note")², issued on 30 July 2025, set out the IA's minimum expectations on remuneration structures for insurance intermediaries arranging participating policies, such that no more than 70% of the total commission should be paid during the first policy year, with the remaining commission being spread evenly over a minimum period of five years, or the premium payment term if shorter. However, if the participating policy is being arranged for a policyholder who qualifies as a PI, the insurer can choose not to follow the commission spreading requirement. ➤



The second exemption mentioned - relating to commission spreading on participating policies - provided the plot-line for the fictional news story.

Allegedly, a broker company and insurer were conspiring to falsify information so that customers who were not, in fact, PIs would be classified as PIs. This allowed them to rely on the PI exemption to bypass the commission spreading requirement and front-load the broker company's commission in the first year.

Conditions for the PI Exemption to be Applied

In both examples where the PI exemption may be used, the insurer and insurance intermediary must have appropriate controls in place and must operate such controls in substance. For the PI exemption to apply in respect of the commission spreading requirements, for example, the Practice Note makes clear that the insurer: ➤➤

¹ See https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Circular_20250313_IUL.pdf

² See https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Cir_dd_30.7.2025_Practice_Note_for_Commission_Spreading_Eng.pdf

(a) must establish and implement adequate and effective controls and processes to ascertain whether a potential policyholder qualifies as a PI during the on-boarding and know-your-client process;

(b) be satisfied that the policyholder, in accordance with such controls and processes, has been identified as a PI; and

(c) in structuring its commission payable to the license insurance intermediary, be satisfied 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 satisfied.

In the case of (a) and (b), this means collecting objective evidence (e.g., bank/portfolio statements) to ascertain the customer qualifies as a PI. As regards (c), it requires the insurer to answer how it ensures that its remuneration structure for the intermediary concerned, does not create misaligned incentives (e.g. disproportionate over-prioritization of selling and de-prioritization of continued servicing) so that PI policyholders continue to be treated fairly, despite the departure from the spreading requirements.

Why the story was believable?

As the insurance regulator, we could immediately understand why the story (although fake) was believable. After all, it is not uncommon for us to see the following dynamic play out, whenever we bring in a new regulatory requirement.

- The vast majority of practitioners in the market will implement substantive controls and procedures to bring themselves into compliance with the new requirement.
- But some (a minority) of compliance personnel and practitioners will “play games” by searching for workarounds, so that on the surface, it looks like they are complying, when in reality they are not. Instead, they are simply trying to extract benefits from customers as quickly as possible, regardless of the consequences. This creates a dynamic at the margins of the market, where in order to compete for business, some companies compete by stretching regulatory exemptions well beyond their limit (and thereby act in blatant breach of the regulatory requirement), in the hope they will not get caught.

This dynamic explains why, when the fictitious story broke, the reaction was not “did this really happen?” but, “who was it this time?” ➤



Lesson 1: Implement controls that achieve the true objective of the PI exemption

The first lesson to take away from this episode, is to recognize that the PI exemption is a privilege that insurers and insurance intermediaries can rely on only if they have controls and processes in place to achieve the objective of the exemption (and not just tick a box).

The reason why these PI exemptions exist is to recognize that in dealing with sophisticated consumers, certain regulatory requirements that are designated primarily to protect retail consumers may not be necessary. This makes it imperative, however, that the exemption is only applied where the customer genuinely qualifies a PI, and the insurers' and intermediaries' processes actually achieve that outcome. If they do not, then vital regulatory protection is being removed from customers who are actually retail insurance buyers and that is not only unfair, it undermines the entire foundation of trust in the insurance market. ➤➤

But that is not the only objective of the PI exemption. As a secondary objective, the insurer still has to justify that, despite not applying the commission spreading requirement to the remuneration it pays the insurance intermediary, its remuneration structure still ensures there are no misalignment of incentives and that the customer – the PI – is still being treated fairly. When the IA asks for this justification, it is not enough for the insurer to inform the IA *“we established the customer was a PI”* – that does not answer the question of how the PI continues to be treated fairly, even though the commission spreading requirement is not applied. If this justification does not exist, then the exemption should not have been used.

Lesson 2: If you are doing what was alleged, then get out of the insurance market. We don't want you!

The second lesson is simpler and more devastating. In the fictional news story, it was being alleged that a licensed insurance broker company and an insurer were working together, to rely on fake documentation to make customers look like PIs, when they were not, in order to by-pass the commission spreading requirement, front-load the commission to the insurance broker company.

If this had happened, then we can reasonably speculate that the consequences would have been as follows:

- There would suggest mass mis-selling going on in the life insurance market through the falsification of PI status. The more people involved, the more likely it would be to surface in the market, and the more likely their business patterns would appear disproportionate compared with other well-behaved market practitioners. All of this would make the misconduct easy to detect through the IA's routine collection of regulatory financial and operational data, as well as through other intelligence-gathering and supervisory activities.
- Falsifying PI status is not difficult for customers to detect on their own. They are likely to make follow-up enquiries and then turn those enquiries into complaints to the IA. Again, this makes the misconduct likely to be detected at an early stage.
- The insurance intermediary responsible for this would lose its licence, face a significant regulatory penalty and public disgrace through the publication of an enforcement action naming them. In addition, the intermediary and those involved would also have the law enforcement agency to deal with for deliberately faking documents, and a long time to think about their actions when serving their prison sentence. They would certainly be kicked out of the insurance market. ➤



- The personnel in the insurer who conspired with the insurance intermediary would face similar disciplinary and/or criminal consequences. Further, if they were serving in any regulatory approved capacity as a Key Person, controller or director, they would also face the humiliation of having their approval removed and being publicly named and shamed in the IA's enforcement news. Again, the offending personnel would (rightly) be kicked out of the insurance market.
- Trust in the Hong Kong insurance market would be fundamentally undermined...and in all likelihood policyholders would look to insurance markets in other jurisdictions (or other kinds of financial services) to satisfy their demand.

So don't even think about it! ➤➤

Concluding Remarks

Key opinion leaders do wield significant influence in today's digital landscape. They serve an important role in promoting transparency and sharing informed commentary, rather than chasing clicks at the expense of accuracy. Yet when they get things wrong, the consequences can be very real, promoting readers second-guess every single post they publish thereafter.

That said, consider the erroneous story in question from another angle: It would have been far worse for the reputation of the insurance market if it had been true.

So let this episode serve as an advanced lesson. The PI exemption is a privilege. It is not there to be stretched beyond its limits to allow regulatory protections for retail insurance buyers, to be bypassed.

PI exemptions depend on insurers and insurance intermediaries having proper controls in place to identify genuine PIs when seeking to rely on the exemption, and being able to explain how PIs continue to be treated fairly despite certain protections not being applied. Do this properly, and it will build trust in the market.

If this is not done properly – thanks to the fictitious news story – the market should now know what the consequences will be by reading this article. ■



KEY PERSONS IN CONTROL FUNCTION FOR INTERMEDIARY MANAGEMENT – A ROLE GROWING IN SOPHISTICATION

[\(English Audio Version\)](#)

In April 2026, the Insurance Authority (“IA”) was hosted by the Hong Kong Federation of Insurers (“HKFI”) to deliver another training session for Key Persons in Control Functions for Intermediary Management (“KPIM”) and those who support them. This year’s training session also marked a milestone, with the launch of the IA’s KPIM Handbook, which was provided to all attendees.

The KPIM role in an authorized insurer – like the other key person roles that authorized insurers must appoint in finance, risk management, compliance, actuarial and internal audit – oversees an important “control function”. Control functions provide check and balance on business activities, helping to ensure that growth and commercial success are not pursued at the expense of fair customer treatment. In doing so, they support insurers’ long-term focus on sustainable profitability and consistent service quality for customers.

The KPIM, in this respect, is tasked with implementing and establishing controls and processes for the licensed insurance intermediaries – both insurance agents and insurance brokers – through which the insurer offers, enters into, and arranges insurance policies with the insurance-buying public. Unlike the other key person roles, the KPIM is unique to Hong Kong. While the control functions of finance, risk management, compliance, actuarial, and internal audit originate from the International Association of Insurance Supervisors’ Insurance Core Principles, the KPIM role is a pure creation of Hong Kong insurance regulation. It was introduced in September 2019 along with the then-new direct regulation of insurance intermediaries. ➤



The creation of the KPIM role reflects the importance of around 120,000 licensed insurance intermediaries to the market. Insurance intermediaries are the industry’s outward-facing representatives and the primary point of contact for insurance customers. How insurance intermediaries discharge their role sets the reputation for the market as a whole.

Given that the Hong Kong insurance market serves policyholders not only from Hong Kong, but also from around the world, insurance intermediaries play a vital role in maintaining Hong Kong’s position as an international financial centre. The dominance of long term insurance products with savings and investment elements in the market – that come with their own complexities and ensure Hong Kong is consistently at or near the top of international lists for insurance density and penetration – also means that maintaining high professional standards of regulated advice and activities is crucial.

For all of these reasons, the KPIM in an insurer performs both an onerous and important task in establishing controls and processes on insurance intermediaries in order to ensure that conduct standards are upheld across the market. ➤➤

Treating Customers Fairly Culture – the Most Important Control to Establish

The conduct insurance regulatory framework in Hong Kong is a mix of prescribed requirements that apply in specific situations, and broad principles of ethical conduct that apply to every situation. The KPIM training delivered by the IA reflects both aspects of the framework.

A common trap in compliance is to focus only on the prescribed requirements – ensuring those particular boxes are ticked – while assuming that this is sufficient to address the broader ethical principles. It is not and, indeed, such a limited approach is dangerous. It serves to separate ethical conduct from the prescribed requirements, and thereby ignores the fact that each prescribed requirement has an ethical objective.

Take the financial needs analysis (“FNA”) process for long term products as an example. This is a prescribed regulatory process. But a KPIM who thinks just completing the FNA is enough (because it ticks a regulatory compliance box), is misguided. Unless the ethical purpose of the FNA is recognized – to ensure insurance recommendations are suitable to meet a customer’s circumstances – a black-letter compliance mindset may find it acceptable for figures in the FNA to be stretched and exaggerated to fit a recommendation the intermediary wants to make, rather than identifying the real circumstances of the customer, and allowing a suitable recommendation to emerge from them.

Every control or process established by a KPIM must be designed not only with the requirement in mind, but with the ethical objective underpinning the requirement. The effectiveness of the control must be measured against achieving that ethical objective.

In the IA’s training – and in the KPIM Handbook – we set out a control design process which KPIMs can follow to achieve this.

Another core emphasis of the training over the years, has been on the importance of the KPIM role in establishing, demanding, and serving as a role model for a “treating customers fairly” culture across the agency (and wider intermediary) force of an insurer. To achieve this, a KPIM must work through the agency management hierarchy. KPIMs must continually emphasize the importance of strong conduct ethics and treating customers fairly to agency managers, so that this is cascaded down through the ranks to front-line agents. KPIMs must also call out poor ethical leadership by agency managers. Similarly, KPIMs should reward and recognize strong ethical management by agency leaders, where positive customer outcomes are achieved by the teams and units they lead. ➤

While the KPIM normally sits in the first line of defence (another element that separates the role from the other key person roles), he or she still performs a control function. Any agent or agency manager who is performing well against top-line metrics, but failing to perform against key “treating customers fairly” metrics such as policy persistency, agent turnover, poor disciplinary records, and complaint levels, must be viewed as failing to perform overall. Indeed, the KPIM must ensure that intermediary remuneration and performance measurement, incentivizes ethical conduct and treating customers fairly as much as (or indeed more than) the achievement of top-line numbers.

In this regard, establishing and continually reinforcing a treating customers fairly culture serves as the KPIM’s most important control. That is a core message from the training and the reason a key part of any conduct inspection involves an assessment of the insurer’s culture, specifically across its intermediary force. ➤➤



Agent Recruitment Case-study - Putting KPIM's Brain-storming to the Test

In this year's training we did something different. We gave the KPIMs in the audience (and those supporting them) a case study to brainstorm. The case study highlighted the issue of agent turnover in the market. On a market level, our licensing statistics show continued growth with a constant stream of new recruits seeking to become insurance agents. But more than half of the individuals granted a new licence do not even make it to the end of their first three-year licence period.

This feeds through into the IA's complaints statistics. A meaningful portion of sales-side complaints involve misleading representations about non-guaranteed benefits, typically from inexperienced intermediaries under pressure to meet targets. Another major complaint category is poor after-sales service from intermediaries who are too focused on new sales to service existing policies, or who have already left the industry early in their careers.

So we presented the audience of KPIMs with the following case study to brainstorm:



EXERCISE

As a KPIM, you look at your statistics and see that over 50% of the new insurance agents recruited every year are not even lasting the full term of their first licence. Your complaints data shows a link between the agents that leave and complaints about policies not being sold or serviced properly. What controls or strategies can you put in place to address these problems? (3 minutes to discuss) >

The 52 solutions given by the audience in just three minutes are summarized under the following five categories (the bullet points being a selection of the unedited solutions put forward):

Recruitment Strategy & Selection



A number of solutions focused on getting the recruitment strategy and processes right, to ensure the right people are recruited to be agents through tighter vetting, quality-first selection, and setting long-term career expectations.

- **Quality over Quantity:** Focus on the quality of new recruits rather than quantity; Quality-based selection.
- **Vetting & Due Diligence:** Tight screening of recruits; High threshold of qualification of agents (beyond the minimum fit and proper requirements); Detailed due diligence and strong onboarding processes; Vetting of agents during onboarding interview.
- **Recruitment Strategy & Targeting:** Re-craft the recruitment strategy to hire real enthusiasts; Clear recruitment proposition for long-term career; Elevate the recruitment process; Select those with high service attitudes.
- **Long-term Expectation Setting:** Have potential new agents submit a 3-5 year career plan as part of the recruitment process. >>

Remuneration and Incentives



It was also recognized that aligning remuneration and incentive structures with long-term performance, policy persistency, and retention, rather than purely short-term upfront sales, must be part of the solution.

- **Commission Structure:** Commission spread and appropriate commission levels; Enhance ongoing renewal commission instead of massive upfront commission; Focus more on building career income.
- **Incentive Alignment and Clawbacks:** Reasonable and delayed incentives; Set claw-back commission rules for the initial years.
- **Performance and Persistency Links:** Introduce a remuneration structure linked to policy persistency ratios and agent turnover ratios; Link retention rates of agents to the remuneration structure or performance evaluations of agent managers.

Training, Mentorship and Support



Early-stage career and skill development and support post-recruitment was also a theme emphasized in the solutions.

- **Early-Stage and Onboarding Support:** Training and engagement programs for new hires; Revamp the new agent training program; Provide more training and financial support in the early stage of their career; Effective training and support in the first 12 months.
- **Mentorship and Coaching:** Provide training and mentorship so new joiners are well equipped; Setting good coaching standards to guide and monitor new recruits; Enhance mentoring (and monitoring).
- **Skills & Practical Development:** Skills training; Better training and development strategy for long-term career development; Understand agent issues and provide relevant support (e.g., product training, skills, prospecting techniques); Make use of digital channels to generate leads for new business (NB) opportunities.
- **Achievable Goals:** Make targets achievable.

Agency Management and Operational Controls



There was full recognition that managing (working through and holding accountable) the agency hierarchy and implementing appropriate controls and processes to do this was a vital part of the solution. ➤

- **Managerial Oversight and Accountability:** Monitor senior agent / agent leader retaining ratios of new recruits; Stable management.
- **Business & Strategy Alignment:** Review reasons for turnover with business teams; Adjust internal controls or business strategy as needed; Review communications.
- **Orphan Policy Management:** Timely Notifications to policyholders and proper servicing agent assignment mechanisms for orphan policies; Insurer directly assigning or handling policy servicing for orphan policies.

Culture, Reputation & Professional Standards



Finally, there was universal recognition of building the right "treating customers fairly" culture. This was linked to targeting and training candidates to be professional insurance agents, who were prepared, motivated, trained, and remunerated to serve customers over the long term.

- **Corporate Culture:** Corporation's culture; Better reputation for the insurance industry; Culture Recruitment Company objectives.
- **Professionalism and Customer Centricity:** Ensure the career is professional and creates positive outcomes for customers. ➤➤

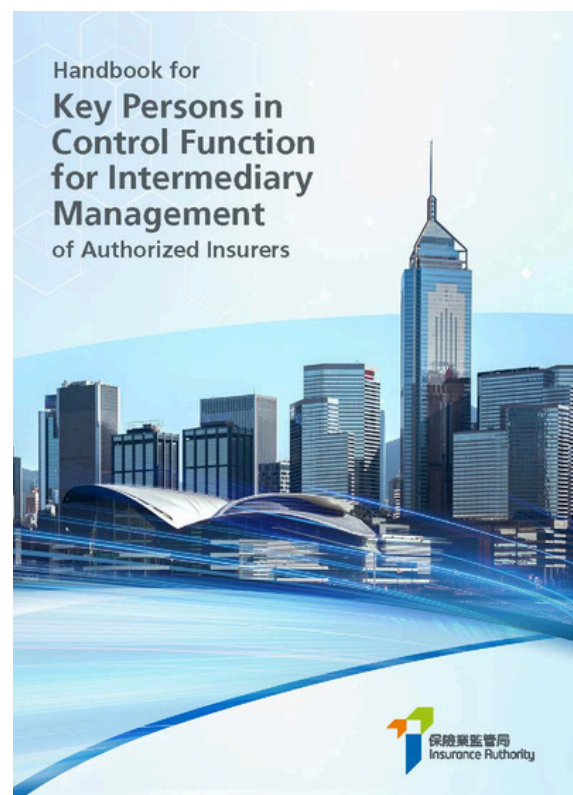
The IA's Reaction to the Solutions Put Forward

The IA has been delivering the KPIM training since 2020. We have also been publishing *Conduct in Focus* since around that time. We have now issued the KPIM Handbook.

Our primary objective in doing all of this has been to support the development of the KPIM role, one which is vital to upholding ethical conduct across the insurance market, by equipping KPIMs to implement practical compliance solutions which aim to achieve fair customer treatment.

So, yes, when we saw the ideas put forward by the audience of KPIMs we did feel a small element of pride. It was gratifying to witness the KPIMs – and those supporting them – coming up with 52 solutions in just 3 minutes, demonstrating their engagement with the training, and their professional commitment to the role they perform. The quality of some of the solutions suggested was also impressive – e.g. asking recruits to produce a 3 to 5 year plan for their careers at the recruitment stage as a means of reinforcing the long-term commitment expected of them – that's just genius! It was also great to see, in the solutions put forward, support for the work the IA has done in implementing commission spreading requirement on participating policies.

Furthermore, we were delighted by the complete absence of the standard answer we often receive when we consult the market: "It's the regulator's job to do something about this – not ours". Back in 2019, if we had run the same case study, that would probably have been suggestion number one. But in 2026, not one member of the audience jumped to this conclusion. Instead, they embraced their responsibility and accountability as KPIMs. This in itself is a demonstration of how the role has evolved in sophistication over the past 7 years. ➤



Concluding Remarks

We will, of course, take on board the solutions suggested and factor them into our discussions, in our inspections, and in our continued close engagement with KPIMs going forward.

In the meantime, to those who were not able to attend the training: you missed out.

But to those who did attend (and also to the HKFI): we say thank you. For your engagement, your commitment, and for continuing to do the vital work that you do. ■



SELF-REFERRAL ARRANGEMENTS? THEY DON'T PASS “THE DUCK TEST”

[\(English Audio Version\)](#)

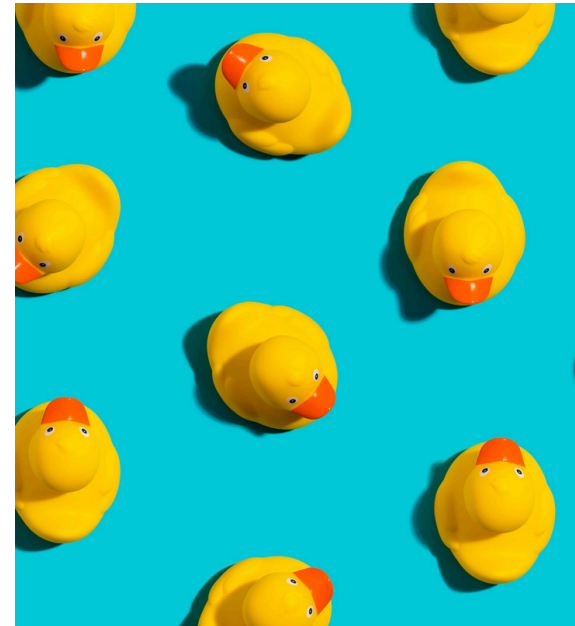
Let's talk about referrals...again!

Regular readers of *Conduct in Focus* and the IA's circulars will know that “referral business” has been at the centre of the regulatory radar screen for some time now.

What is “Referral Business” and How It Should be Conducted?

By “referral business”, we normally mean an arrangement where a licensed insurance intermediary – usually a broker company – relies on unlicensed third parties to introduce potential customers to the intermediary. In return the intermediary pays the third party a referral fee from the commission earned, if the customer introduced by the third party subsequently buys an insurance policy via the intermediary.

There's nothing inherently wrong with referral business, if it is carried on compliantly. That means (a) the unlicensed third party referrer must only introduce the customer to intermediary (and perform **no** regulated activities in doing this); (b) the intermediary must carry on all the necessary regulated activities with the customer to the regulatory standards demanded; and (c) the referral payment must not incentivize the unlicensed referrer to carry on any regulated activities. ➤



Non-compliant Referral Business and Unlicensed and Illegal Cross-boundary Selling

This was not, however, how the referral arrangement was operating in practice for some broker companies. Rather, unlicensed referrers were blatantly carrying on virtually all the substantive regulated activities – dealing with the customer, recommending a specific insurance product and explaining its benefits to entice them to buy. The referrers were incentivized by certain broker companies to do exactly this, through the payment of inordinately high referral fees. At the same time, the offending brokers were not carrying on any substantive regulated activities themselves, thereby leaving customers exposed to adverse consequences of **unlicensed selling**. ➤➤

Non-compliant Referral Business and Undocumented Rebating

Another adverse consequence of such type of non-compliant referral business, was the way it drove **undocumented rebating**, which is prohibited under the insurance regulatory framework. This occurs where - in order to hook a customer into buying - a "rebate" payment is offered to the customer. This by-passes the purpose of proper regulated activities (a process designed to ensure that a customer buys an insurance policy that is appropriate for their circumstances) by essentially incentivizing the customer into buying whatever policy is being offered, regardless of suitability.

Such undocumented rebating is prohibited. Instead, if an insurer or intermediary wishes to convey such a benefit to a customer, it should be properly documented in the terms and conditions of the insurance contract, reflecting the rebate in the premium amount. This transforms the rebate into a transparent discount of premium, and will not distract from the substance of the regulated activities, thereby helping the policyholder in considering whether the insurance policy meets their particular circumstances.

Unfortunately, unlicensed referrers ignored the prohibition on unchecked rebates and, as part of their sales pitch, used rebates to distract and incentivize customers to enter into insurance policies, irrespective of whether the policies met their needs.

The IA's Crackdown and Regulatory Enhancements

The IA has taken decisive steps to address this dark episode in the life insurance industry's history. We have set clear regulatory expectations on the controls and governance required on referral business for life insurance in our circular of 22 May 2024, with a view to eliminating the illegal referral business model described above. To give further clarity, we have publicized our acceptable benchmark for referral fees for participating policies in our circular of 1 September 2025, aimed at preventing over-incentivization that could encourage unlicensed referrers to carry out sales activities. We have also introduced a commission spreading mechanism on participating policies for insurance intermediaries effective from 1 January 2026, to ensure selling of insurance policies is not overprioritized as the expense of ongoing servicing of policies (and as a secondary effect, to restrain the amount of upfront commission available to pay referral fees to tempt unlicensed referrers into carrying on regulated activities). ➤



Through our ongoing supervisory work, the IA continues to ensure these expectations are satisfied and that there is no regression to the unacceptable practices previously witnessed.

As with every new set of regulatory requirements, there are those (the vast majority) in the market who embrace them and implement them in a way that results in substantial improvement, thereby serving customer interests. And then there are, however, those (a small minority) who seek to find a business model that circumvents the regulatory requirements, not caring if they drag the reputation of the industry back down into the mud again - provided they can extract money from customers. Where we see such attempts, we take action. In fact, in the past few months we imposed licence renewal conditions on three insurance broker companies for failing to effectively control their referral activities, including requirements to prohibit them from accepting any referral business. These actions are not isolated moves and if similar irregularities are identified elsewhere in the market, we will respond promptly with proportionate and decisive regulatory action to restore market order. ➤➤

“Self-referral Arrangements” – the Latest Attempt at Circumvention

Another attempted circumvention we have seen in the market recently is an arrangement termed **“self-referral”**, or **“self-purchase from website / Guānwǎng zì gòu / 「官網自購」** which – for the sake of this article – we shall call “self-referral arrangements”.

Here’s how it might work:

Intermediary, “So what do you think of that participating insurance policy?”

Customer, “I’m not sure if it’s for me, as i didn’t really understand such product entirely. And that referrer just kept telling me how wonderful it was without pointing out any risks. It just didn’t sound right, nothing is that good. I see the benefits aren’t guaranteed. Can I ask you about...”

Intermediary, “I’ll tell you what, let’s seize this opportunity. If you buy the policy now, I can arrange for you to enjoy a rebate on your premium...that way, it becomes such a good deal for you, you don’t even have to think about it.”

Customer, “What? Is that even legal?”

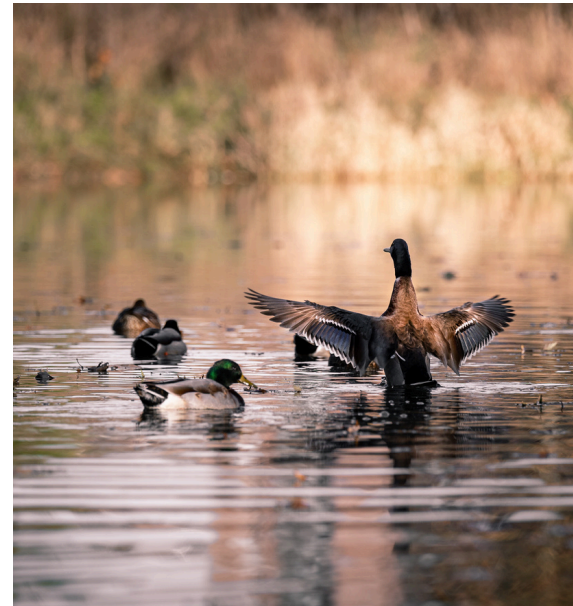
Intermediary, “Well, I can’t pay you directly. But get your family member to enter into a referral agreement with me – the IA has governance requirements which say we cannot rebate commission to the customers. However, I’ll say, your family member referred you to me and I’ll pay them a referral fee. They can then pass that referral fee onto you. Simple!”

Customer, “What if I don’t have a trusted family member for assistance?”

Intermediary, “I can try my best to treat you as the referrer first – so you “self-refer” and then receive the referral fee in return. But of course, the first method is “safer” because it involves a third party and theoretically is harder to detect.

Of course, in two years time when the customer realizes the insurance policy is totally unsuitable for his circumstances, he is going to wish he obtained proper advice from the intermediary at the time of sale, instead of being distracted by the rebate via the suggested “self-referral arrangement”.

And the intermediary? Well, he’s also going to regret what he did. The IA’s enforcement team will make sure of that. ➤



The Duck Test

James Whitcomb Riley, a poet, once wrote: “When I see a bird that walks like a duck and swims like a duck and quacks like a duck. I call that bird a duck.”

And that, ladies and gentlemen, is the Duck Test. You identify what something is, by its true substance and characteristics – not by the label given to it.

In other words, if it looks like an under-table rebate, operates like an under-table rebate, and results in the same poor policyholder outcome that come from an under-table rebate, you can call it a “self-referral arrangements” all you like – but in law and regulation, it’s an under-table rebate. And that’s illegal.

So those operating these “self-referral arrangements” might want to stop it – before it gets them into trouble. ➤➤

Concluding remarks

As for the Duck Test - well, it's just one of many simple tools of analysis we use as a regulator to assess standards of conduct in the market. You'll see the concept reflected in our circulars, when we always say that we take a "substance over form" approach to view the matter.

If you are involved in keeping your company compliant, we recommend you to also adopt the Duck Test as a tool of analysis. It is, after all, just a matter of common sense.

And at the end of the day, "treating customers fairly" - the principle on which insurance regulation is founded - is exactly that - a matter of common sense. ■



RESPONSIBLE OFFICERS: FIT AND PROPER ASSESSMENTS AND APPLICANT INTERVIEWS

[\(English Audio Version\)](#)

Responsible Officer Applications - Considerations the IA Must Take into Account

Every licensed insurance broker company and licensed insurance agency needs to appoint at least one responsible officer, who must be approved by the IA. This is a pre-requisite for the licence of the broker company or agency to be granted and renewed (and neither suspended nor revoked between renewals).

For the IA to approve a candidate as responsible officer, we must be satisfied that:

- The candidate is (or will be) licensed as a technical representative, in the lines of business carried on by the broker company or agency;
- The candidate is fit and proper to discharge his or her responsibilities as a responsible officer of the broker company or agency; and
- The candidate has sufficient authority from the broker company or agency, and will be provided with sufficient resources and support, to discharge the responsibilities as a responsible officer.

There are three important points to note from this:

First, the IA's assessment focuses on the fitness and properness of the candidate to perform the responsibilities of a responsible officer. In addition to integrity and the requisite technical knowledge and experience in the relevant lines of business of the entity, the assessment also considers whether the candidate has knowledge and capabilities to discharge the duties assigned to a responsible officer under sections 91 (in the case of an insurance agency) and 92 (in the case of a broker company) of the Insurance Ordinance. These sections require a responsible officer to use best endeavours to ensure the business entity establishes and maintains proper controls and procedures for securing compliance with the core conduct requirements in the insurance regulatory >



regime by both the entity and its technical representatives. In making this determination, then, the IA needs to be satisfied that the candidate (i) has knowledge of the conduct requirements and the regulatory requirements underpinning these, (ii) understands the governance controls and processes required to meet these requirements, and (iii) demonstrates a practical compliance mindset.

Secondly, as the IO makes clear, the fitness and properness of a responsible officer must not be considered by the IA in a vacuum, but in the context of the specific entity to which he or she is to be appointed. As such, the IA must consider the candidate's capabilities taking account of the specific lines of business the entity will carry on, the size and business model of its operation, the level of authority and resources available, and the track record of the entity in terms of compliance. These factors set the scope of the task that the candidate will be taking on as an RO (if is appointed). They are therefore essential considerations in determining whether the candidate is fit and proper to take on that task. >>

Thirdly, the IO makes clear that the IA must not approve the application unless it is satisfied of the candidate's fitness and properness to take on the role. The bar, then, whilst not insurmountable or unreasonable, is necessarily a high one to achieve, given the importance of the responsible officer role.

Interviewing Responsible Officer Candidates

The IA has a set of standard (electronic) application forms for responsible officer applications. However, as stated, the IA is obliged to reject an application unless it is satisfied of the candidate's fitness and properness to perform the responsibilities of responsible officer for the particular broker company or agency making the application. The information provided on the form may not always be sufficient to reach that level of satisfaction. It may therefore be necessary to hear from the candidate directly – particularly to assess the candidate's understanding of the responsibilities of the role in the context of the applicant entity – before the IA can approve the application (or at least make a final determination). It is for this reason that the IA may ask the candidate to attend an interview as part of the application process.

The IA does not need to interview candidates in every case. Context, as stated, is important. The application is to serve as a responsible officer of a particular entity. The more complex the role the candidate will be taking on (particularly in terms of conduct risk), the more likely it is that hearing from the candidate directly via an interview will prove necessary, to give the candidate the opportunity to establish his or her fitness and properness.

Generally, responsible officers of insurance broker companies have more regulatory responsibilities to contend with than responsible officers of insurance agencies (this stems from broker companies, being representatives of policyholders and being independent from insurers). In terms of lines of business, life insurance generally has a higher level of regulatory requirements to contend with than general insurance. Further, certain business models come with higher levels of conduct regulatory risk than others. In recent years business models focusing on acquiring customers through referrals from unlicensed persons to purchase life insurance policies, have come with the highest levels of conduct risk. ➤



For these reasons, given the higher level of complexities involved, it is likely that responsible officer candidates for broker companies carrying on life insurance (especially those companies running referral business models) will be asked to attend an interview as part of the application process. But this is not to say that interviews will solely be reserved for such broker companies – it will always depend on the context, because the application must be considered in the specific context of the broker company or agency putting forward the application.

The areas the IA may explore during the interview, will always focus on assessing the candidate's fitness and properness to discharge the responsibilities of the specific broker company or agency. As such – whilst there is no set list of questions – a candidate can expect the following matters to be covered in the interview: ➤➤

- **Business model and strategy**

The IA has to determine whether the candidate is fit and proper to discharge the responsibilities of responsible officer for the particular business entity in question. The business model of the entity, and the regulatory requirements applicable to that model, must therefore form part of that consideration.

During the interview, the IA may seek to gain a deeper understanding of the candidate's knowledge of the entity's business model and business strategy, and of how the candidate will establish controls to ensure the business model and strategy are discharged in a way that meets the conduct regulatory requirements. If the business model depends on a referral model, particular focus will be placed on compliance with relevant General Principles and their related Standards and Practices as stipulated in the Code of Conduct, and the expectations on how to meet these requirements (and other regulatory requirements) as set out in the IA's circulars of 22 May 2024 and 1 September 2025. If the business model involves any of the services covered by the IA's Practice Note on the application of requirements in the insurance regulatory framework to specific services provided by licensed insurance brokers on investment choices and premium allocations under Investment-Linked Assurance Scheme Policies ("ILAS Policies") issued on 5 July 2024, discussion will also focus on the requirements stated therein.

- **Insurance and management experience of the proposed responsible officer**

The interview serves as an opportunity for the proposed responsible officer to demonstrate how his / her previous experience is commensurate with the nature and scale of business of the entity for which he or she is candidate, and the level of responsibilities he or she will be taking on.

The candidate should therefore take the opportunity to demonstrate an adequate knowledge of the regulatory requirements that the entity will need to meet and the type of controls and processes that need to be established to ensure compliance.

- **Governance and compliance structure**

The responsibilities of a responsible officer (as set out in sections 91 and 92 of the IO) focus on establishing governance controls and processes. As such, in the interview, a candidate can expect to be asked questions about their experience of establishing such governance controls and processes to achieve compliance with the requisite regulatory requirements. This goes to the absolute core of a responsible officer's responsibilities as set out in the IO. ➤



Takeaways and Summary

- In considering whether a responsible officer is "fit and proper" to take on the role, the IA is obliged to consider the application in the specific context of the broker company or agency for which the candidate is being considered. To give candidates the opportunity to demonstrate their fitness and properness, the IA may seek to interview them, particularly where the task they are taking on has relatively higher conduct risk.
- In general, insurance broker companies have higher conduct risk than insurance agencies because they have more regulatory requirements to contend with. For the same reason, long term business has higher conduct risk than general business. Further specific business models - such as heavily relied on referral business - come with high conduct risk.
- As such, a responsible officer candidate for a broker company carrying on long term business that uses a referral business model, will likely be asked to attend an interview to assist the IA in assessing the candidate's fitness and properness. ➤➤

Responsible Officers – Statistics on Tenure

As indicated in the previous paragraphs, in terms of conduct risk, licensed insurance broker companies carrying on life insurance with a referral business model, lead the way. The level of conduct risk is amplified when one considers that the average tenure for responsible officers of broker companies in this segment is the shortest in the market, as the following statistics demonstrate.

Overall Average RO Appointment Duration

The responsible officer (“RO”) role has technically existed under the current regulatory regime only since 23 September 2019. The longest tenure of any RO to date is therefore approximately 7 years (for the purpose of these statistics only, we do not take into account any periods of tenure of “chief executives” under the self-regulatory regime).

The average tenure of active ROs as at 30 June 2026, across all insurance broker companies and insurance agencies, is 3.8 years. The average tenure of RO appointments that ended before 30 June 2026 is 1.6 years. Looking at all RO appointments (whether active or ended) between 23 September 2019 and 30 June 2026, the average tenure is 2.9 years, which suggests a reasonable degree of stability at first glance.

Long Term Business vs General/Travel Business

However, the analysis becomes more telling, once the statistics are segmented by lines of business. A clear dichotomy emerges >

between, on the one hand, the tenure of RO appointments for broker companies and insurance agencies that only carry on general insurance and travel insurance business, and on the one hand, broker companies and insurance agencies that carry on long term business.

For broker companies and agencies carrying on all lines of business, 34.3% of ROs have served in their position for between 4 to 5 years, with 53.4% of tenures lasting for 3 years or more.

By contrast, if we exclude broker companies and insurance agencies carrying on only general business and travel business, and focus on those carrying on long term business, we find that 51.4% of RO appointments have lasted less than 2 years in duration. ▼

	Entities Carrying on All Lines of Business		Entities Carrying on Long Term Business	
RO appointment period	No of appointments	%	No of appointments	%
<1 year	870	21.5%	649	29.8%
1-2 year	654	16.2%	470	21.6%
2-3 year	361	8.9%	231	10.6%
3-4 year	526	13.0%	248	11.4%
4-5 year	1388	34.3%	464	21.3%
5-6 year	242	6.0%	116	5.3%
6-7 year	6	0.1%	0	0.0%
Total	4047	100%	2178	100%

In other words, the turnover of ROs for business entities carrying on long term business (which has relatively higher conduct risk) is higher than for the general business/travel business (which has relatively lower conduct risk).

When it comes to RO appointment tenure, therefore, “long term business” doesn’t mean “long term”! >>

Agency compared with Broker Company

Segmentation of RO tenure data between insurance agencies and insurance broker companies shows that ROs for insurance agencies remain in their positions for an average of 3.3 years, as compared with 2.3 years for insurance broker companies. ➤

This is also telling given that the entity licence (for an agency or a broker company) is generally three-years in duration. On average, an RO for an agency will outlast a single licence period for the agency it serves, whereas this is not the case (on average) for ROs of broker companies. ▼

Entities by Line of Business	Average RO appointment period (years)		
	Insurance Agency	Insurance Broker Company	Total
General Business	3.6	2.8	3.5
General Business and Long Term Business (including Linked Long Term Business)	2.7	2.3	2.4
General Business and Long Term Business (excluding Linked Long Term Business)	3.1	2.5	2.7
Long Term Business (including Linked Long Term Business)	2.3	2.1	2.1
Long Term Business (excluding Linked Long Term Business)	1.8	1.6	1.7
Restricted Scope Travel Business	3.4	N/A	3.4
Total	3.3	2.3	2.9

Number of RO Appointments for Each RO - Low Job-hopping Tendencies

From 23 September 2019 to 30 June 2026, 3,201 individuals have been approved as ROs of insurance broker companies or insurance agencies. The vast majority of ROs (2,607 - 81.4%) have had only a single appointment records. ROs in this segment also have the longest average appointment duration for 3.5 years. ➤

Only 13.8% of ROs have had two appointment records (moving from one licensed entity to another), while less than 5% of ROs have three or more appointment records (moving from one licensed entity to another, then to another). This indicates that frequent job changes are relatively uncommon. ▼

RO appointments (since 23/09/2019)	No of ROs	%	Average RO appointment period for that RO (years)
1	2607	81.4%	3.5
2	443	13.8%	2.1
3	91	2.8%	1.5
4	32	1.0%	1.1
≥ 5	28	0.9%	1.0
Grand Total	3201		

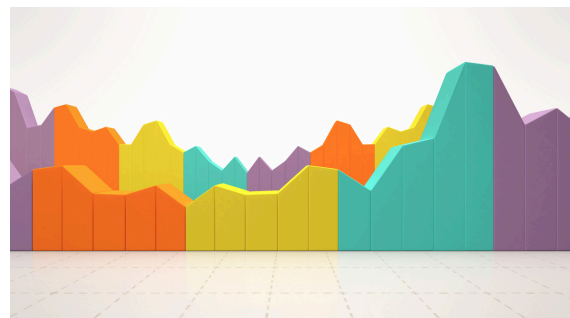
Note: Figures may not add up to 100% due to rounding.

Takeaways

Overall, the average tenure of 3.8 years for current active RO appointments – being longer than the standard licence period of 3 years insurance broker companies and insurance agencies – generally indicates overall stability. However, the tenure reduces for ROs of entities carrying on long term business. ROs of insurance broker companies also generally have a shorter tenure than insurance agencies. Again this indicates why, in assessing fitness and properness, interviews for candidates of insurance broker companies carrying on long term business are more likely.

As a benchmark, the IA considers it healthy where RO appointment duration exceeds 3 years (the tenure of the standard entity licence). Longer tenure contributes to management stability, facilitates effective oversight and supports sound corporate governance and risk management, thereby strengthening policyholder protection.

By contrast, high RO turnover or repeated short-term RO appointments for a particular entity, is an indicator of higher conduct risk (and, potentially, weaker governance and controls and lack of resourcing, authority and support for the RO position). For an entity with such turnover, the IA may consider it important to conduct an interview for any candidate for an RO put forward. Beyond this, it may also be necessary for the IA to conduct supervisory reviews or onsite inspections to assess the effectiveness and adequacy of its management oversight and control environment of the entity in question (a matter of relevance to the entity's continued fitness and properness). ■



THE ONGOING FIGHT AGAINST FRAUD

[\(English Audio Version\)](#)

With fraud and scam activities evolving in both scale and sophistication, no segment of society is spared, including insurance customers. Fraudsters are increasingly employing highly convincing tactics, often impersonating trusted organizations or individuals and using seemingly legitimate communications to deceive victims. As mentioned in our 9th Issue of the *Conduct in Focus*³, as fraudsters constantly evolve their mechanisms for separating victims from their hard earned money, so insurers need continually to adapt and update their prevention measures and intelligence-sharing to keep customers safe. In this update, we set out certain key measures that insurers should consider taking:

Multi-channel Notification for Policy Changes

When policyholders seek to update their contact details, payment instructions, beneficiary information or policy ownership, it is already common practice for insurers to notify policyholders to the pre-existing contact details that the request has been received. This serves as an important safeguard against fraud (for example, if it is a fraudster seeking to make the change as a prelude to illegally extracting benefits out of the policy).

Insurers are encouraged to make these notifications to policyholders through more than one communication channel, to make sure it gets through to the real policyholder (and not to the fraudster who may have already commandeered one of the channels).

Notifications may be sent through a combination of channels, such as SMS, emails or letters. This helps ensure that policyholders are promptly made aware of any change requests relating to their policies and can alert the insurers if the request is unauthorized or fraudulent. Early detection of suspicious or unauthorized changes enables insurers to take timely preventive action, minimizing potential financial loss or other detriment to policyholders. ➤



Usage of Scameter +

Insurers are encouraged to make greater use of the Hong Kong Police Force's Scameter+ App ("Scameter+")⁴ by reporting suspicious websites, phone numbers, SMS messages and other scam-related information identified in the course of their operations. Prompt reporting can help enrich the Scameter+ database, facilitate intelligence sharing and support the timely identification of fraudulent activities. Insurers should also promote Scameter+ and raise awareness of its functions among both customers and their intermediaries. In particular, insurers may invite customers and intermediaries to use Scameter+ to check suspicious websites, phone numbers, SMS messages, social media accounts and other digital communications before taking any action. ➤➤



³https://www.ia.org.hk/en/legislative_framework/files/English_Conduct_in_Focus_Issue_9_Aug_2024.pdf

⁴<https://cyberdefender.hk/en-us/scameter/>

Enhancing Fraud Prevention Through the IA's Alert List

The IA has maintained an Alert List⁵ to enhance public awareness of fraudulent websites, phishing emails, impersonation scams and other insurance-related frauds. The Alert List is compiled based on reports received from various sources, including insurers, intermediaries, complainants and members of the public, and is updated from time to time as new cases come to light. The list serves as a crucial source of fraud intelligence, enabling insurers, intermediaries and consumers (also the public) to stay informed of emerging scam trends and fraudulent activities targeting the insurance sector. Intermediaries or policyholders who encounter suspicious communications, websites or domain names are encouraged to consult the IA's Alert List, as well as Scameter+, before responding or providing any personal data. Insurers are also encouraged to subscribe to IA's notification service⁶ to receive timely updates to the Alert List and incorporate relevant intelligence into their fraud monitoring and risk management processes. By making active use of these resources and sharing relevant intelligence, we can collectively strengthen our defences against fraud and better protect customers from financial loss and other detriments. ■



⁵ https://www.ia.org.hk/en/infocenter/alert_list.html

⁶ <https://www.ia.org.hk/en/subscribe.php>

AGENT MANAGER ACCOUNTABILITY IN PRACTICE: RECENT ENFORCEMENT CASES

[\(English Audio Version\)](#)

As highlighted in the previous issue of *Conduct in Focus*⁷, agent managers play a vital role in setting the ethical conduct culture across an insurer's agency force. Given their influence over the conduct of their teams, the actions and decisions of agency managers – and the examples they set – can have far-reaching consequences for compliance standards and customer treatment.

Recent enforcement cases demonstrate the IA's approach in holding agent managers accountable for their conduct. The IA will scrutinise an agent manager's conduct to ensure it is consistent with the "fit and proper" requirements under the Insurance Ordinance to serve as an insurance agent. In particular, an agent manager's fitness and properness may be undermined if he or she encourages, facilitates or conceals misconduct by their downlines. The following cases illustrate this.

Improper Direction by an Upline Manager

In February 2026, the IA banned a former licensed individual insurance agent for her improper directions to a downline agent. The case stemmed from the downline agent's submission of a false academic certificate to his insurer.

When the insurer commenced an internal inquiry, the downline agent confessed to his agent manager that he – the downline agent – had not graduated from the institution concerned, and the qualification he had submitted was false.

Rather than advising him to come clean about this, the agent manager directed the downline agent to double-down on the lie during the IA's investigation.

The agent manager prepared a draft response for the downline agent, to the effect that the institution's confirmation of the qualification's falsity had arisen from a misunderstanding. She then directed the downline agent to submit the deliberately misleading response to the IA. ➤

⁷ Issue 12, Article 2, "When Individual Insurance Agents Are More Than Just Individual Insurance Agents" at [Insurance Authority - Conduct in Focus Issue 12 Article 2 When Individual Insurance Agents Are More Than Just Individual Insurance Agents](#)



Two obvious points emerge from this:

Firstly, by preparing a misleading response and directing the downline agent to submit it to the IA, the agent manager effectively aided and encouraged the provision of misleading information to the regulator. Such unethical, nonsensical and misguided conduct sought to undermine the regulatory process, which exists to protect the interests of policyholders and underpin the insurance market with trust. When concerns arise regarding fitness and properness, the appropriate response is to be open and to cooperate with enquiries from insurers and regulators, by answering them without telling an untruth. Attempts to conceal relevant facts or perpetuate inaccurate information, only deepens the lack of the fitness and properness that will inevitably be discovered, and exacerbate the resulting penalty and loss of reputation arising from the individual's dishonesty, lack of reliability and absence of integrity. ➤➤

Secondly, this case demonstrates the connection between unethical downline agent behaviour and unethical management. Corporate culture trickles down from the top. Downline agents look to agent managers to set the example. If that example is unethical, misconduct by downline agents is an inevitable result. Rather agent managers must promote honesty, integrity and compliance across their teams.

The right thing to do in this case would have been to inform the downline agent to be candid about the false qualification, tell the truth and cooperate fully with the insurer's inquiry. Instead, the agent manager chose to take the wrong, misleading and unethical route and, in doing so, demonstrated her own lack of fitness and properness to serve in her role. She was deserving of the penalty meted out.

Facilitating Circumvention of Legal Requirements

In May 2026, the IA imposed a ban on a former licensed individual insurance agent for lack of fitness and properness, after finding that she had facilitated a downline agent to conduct mandatory provident fund (MPF) related activities before he had been registered as an MPF subsidiary intermediary (SI).

The downline agent, a new recruit who had not yet been registered as an MPF SI, wished to provide service to a client's MPF account, and he approached his agent manager for assistance. The agent manager, who was a registered MPF SI at the time, was asked to sign and submit an application to consolidate the client's MPF accrued benefits as the handling MPF SI on record. She acceded to the downline agent's request and provided the login credentials of her staff account to him. The downline agent accessed her account to complete the application. After the agent manager reviewed the completed consolidation application bearing signatures purportedly made by the client, despite not having met or contacted the client, she signed and submitted the same because she believed the downline agent had already explained the application to the client and obtained the client's consent. The application was processed but the client later complained to have neither signed nor authorised the application.

The IA considered the agent manager's conduct to be particularly serious because the agent manager knew that the downline agent was not registered as an MPF SI at the material time. Instead of stopping the downline agent from engaging in unregistered MPF-related activities, the agent manager facilitated the transaction by signing and submitting the consolidation application as the handling MPF SI. In doing so, she assisted the downline agent to

conduct unregistered MPF-related activities and misled the principal trustee into believing she had carried out the relevant MPF-related activities (when she had not).

In assessing whether an individual is fit and proper, the IA must have general regard to the person's ability to carry on regulated activities competently, honestly and fairly, as well as the person's reputation, character, reliability and integrity. Accordingly, conduct undertaken in other capacities may be taken into account when assessing whether the individual remains fit and proper to be licensed under the Insurance Ordinance.

Licensed individual insurance agents in supervisory positions must never use their status, resources or influence to enable others to circumvent legal or regulatory requirements. When a licensed individual insurance agent knowingly facilitates such misconduct, it seriously impugns the agent's honesty, reliability and integrity. >>



Lesson Learned: When Agent Managers Become Enablers of Wrongdoings

The facts of these two cases are different, but they share a common feature. In both instances, the conduct arose from how the agent managers chose to engage in wrongful conduct in their managerial roles when being approached by their downline agents. Rather than acting as a gatekeeper against wrongdoings, and setting a proper ethical example, each of them became a facilitator and eventually (and rightly) faced disciplinary action themselves.

These enforcement outcomes reinforce the standards expected across the industry and underscore the responsibilities that come with an agent manager's position of trust and influence. Agent managers are expected to promote compliant and appropriate conduct, provide effective supervision and foster a culture of ethical business environment and fair customer treatment. Where they fail to meet these standards and their fitness and properness is called into question, the IA will take appropriate disciplinary action to protect customers, uphold professional standards and maintain confidence in Hong Kong's insurance market.

For the latest news on our enforcement work, please check out details of the other disciplinary actions taken by the IA which can be found on "**Enforcement News**" on the IA's website. ■



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