

28 June 2024

Our Ref: CDD/CPD/CIR

By Email only

To : Chief Executives and Key Persons in the Intermediary Management Control Function of All Authorized Insurers

Dear Sir/Madam,

Pilot Scheme for Continuing Professional Development Hours for Key Persons in the Intermediary Management Control Function of Authorized Insurers for Assessment Period 2024/2025

The “Key Person in Control Function” (“KPIC”) regime for authorized insurers is set out in section 13AE of the Insurance Ordinance (Cap. 41) (“IO”). This requires an insurer to obtain prior approval from the Insurance Authority (“IA”) to appoint any KPIC for the control functions of risk management, finance, actuarial, compliance, internal audit and intermediary management. For the approval to be obtained, the KPIC must be a fit and proper person and, once approved, must remain fit and proper for the duration of the appointment.

Risk management, finance, actuarial, compliance and internal audit have long been control functions by their nature, even before the implementation of the KPIC regime. The objective of each function is to control, monitor and oversee the business being carried on by an authorized insurer so that the insurer stays within the limits of the regulatory framework and operates within parameters that seek to prioritize sustainability over topline growth. The intermediary management control function, by contrast, when it came into force on 23 September 2019, introduced an entirely new control function (with similar functions within an insurer prior to this date, such as the Chief Agency Officer and Head of Broker Relationships, being more focused on business generation as opposed to controls and compliance).

The KPIC for Intermediary Management (“KPIM”) is required to establish and oversee controls to administer and monitor the compliance of an insurer’s appointed licensed insurance agents and ensure that all licensed insurance intermediaries (including broker companies) from which the insurer accepts business, has in place arrangements to comply with the insurance regulatory framework.

To assist newly appointed KPIMs understand the regulatory expectations on the parameters for their roles, the IA has issued circulars¹ and has carried out training for KPIMs through the Hong Kong Federation of Insurers (“HKFI”) over the past few years. These training sessions have been well received and the demand for them to be a regular feature of the calendar is evident from the requests we receive to continue to deliver such training.

To further regularize this training, therefore, the IA is introducing a pilot for KPIMs to perform Continuing Professional Development (“CPD”) training by attending the course offered by the

¹ See the circulars titled “[Prior Approval of Key Person in Intermediary Management Function](#)” issued on 30 August 2019, and “[Action against \(and correction of\) non-compliant business models that incentivize unlicensed selling of long term insurance policies to Mainland China Visitors](#)” issued on 22 May 2024.

IA through the HKFI. This pilot scheme for CPD for KPIMs (“KPIM-CPD”) will be part of the 2024/2025 CPD Assessment Period (which runs from 1 August 2024 to 31 July 2025).

The proposed KPIM-CPD course will be for two hours and every KPIM will either be expected to attend in person (at one of the sessions run by the HKFI during the 2024/2025 Assessment Period) or certify that he or she has watched the recording of the video of the session (and answered the questions to verify knowledge). As it is a pilot scheme, attendance of the course (by whichever means) is encouraged as best practice rather than being made compulsory, albeit records will be taken as to which KPIMs have attended (and, by their absence, which have not). Those who have not attended may be asked to provide explanation and non-attendance may be taken into account by the IA as one factor (out of many factors) in our assessing the conduct risk profile of the insurer (which is used to decide, for example, how often and when the IA will target an insurer for formal inspection).

Even though it is a pilot scheme, the IA would encourage all KPIMs to attend the CPD training. The fact that the IA is introducing this pilot scheme is a demonstration of the importance it places on the role of KPIM. Every KPIM must serve as a role model for the “treating customers fairly” principle and also has a pivotal role in ensuring that business conducted through insurance intermediaries aligns with this principle, which is vital to reinforce the insurance market with confidence.

To be clear, if a KPIM is also a licensed individual insurance intermediary, this new requirement will not be an additional 2 CPD hours that has to be completed, but part of the 15 hour CPD requirement that an individual licensee has to do anyway, and completion of the 2 hour KPIM-CPD course will also count towards completion of 2 of the 3 CPD hours that need to be completed on Ethics or Regulations.

If the pilot scheme is well-received and proves successful, the IA will consider formalizing the KPIM-CPD requirement by updating Guideline 24 (the Guideline on Continuing Professional Development for Licensed Insurance Intermediaries) to include the requirement for future CPD Assessment Periods.

Details of the KPIM-CPD pilot training scheme will be announced by the IA (and the HKFI) in due course (and whilst priority for attendance will be given to KPIMs, others who support the KPIM function may also attend). If you have any questions concerning the information contained in this circular or the KPIM-CPD pilot training scheme, please send your enquiries by email to cpd@ia.org.hk.

Yours faithfully,

Peter Gregoire
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c.c. The Hong Kong Federation of Insurers