

17 September 2019

Our Ref: MC/CIR/BKR

To: Chief Executives of all insurance broker companies

Dear Sirs,

### **Commencement of New Regulatory Regime for Insurance Intermediaries**

This circular serves to remind you that the new regulatory regime for insurance intermediaries will come into operation on 23 September 2019 (“Commencement Date”). On the Commencement Date, the Insurance Authority (“IA”) will become the sole regulator of all insurance intermediaries in Hong Kong, by taking over the regulatory functions from the three Self-Regulatory Organizations (“SROs”) <sup>1</sup>. Accordingly, a number of changes will become effective and are summarized as follows:

#### Regulatory Instruments

The codes, rules, regulations and guidance notes issued by the SROs for insurance intermediaries (“Applicable Rules”) will continue to be applicable when the IA handles complaint and disciplinary cases that are unresolved by the SROs prior to the Commencement Date. A copy of the Applicable Rules can be downloaded from the IA’s website.

On the Commencement Date, the following rules, codes and guidelines applicable to licensed insurance brokers<sup>2</sup> issued by the IA will come into operation:

- Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap.41L) (“Broker Rules”) <sup>3</sup>
- Code of Conduct for Licensed Insurance Brokers

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<sup>1</sup> The three SROs are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

<sup>2</sup> Under the new regulatory regime, licensed insurance brokers mean licensed insurance broker companies and licensed technical representatives (broker).

<sup>3</sup> Broker Rules set out the requirements in relation to :

- (i) capital and net assets of a licensed insurance broker company;
- (ii) professional indemnity insurance taken out by a licensed insurance broker company;
- (iii) keeping of separate client accounts by a licensed insurance broker company; and
- (iv) keeping of proper books and accounts by a licensed insurance broker company.

- Guideline on Fit and Proper Criteria for Licensed Insurance Intermediaries under the Insurance Ordinance (Cap.41)
- Guideline on Continuing Professional Development for Licensed Insurance Intermediaries (“CPD Guideline”)
- Guideline on Exercising Power to Impose Pecuniary Penalty in Respect of Regulated Persons under the Insurance Ordinance (Cap.41)
- Guideline on Offering of Gifts
- Guideline on Sale of Investment-Linked Assurance Scheme (“ILAS”) Products
- Guideline on Long Term Insurance Policy Replacement
- Guideline on Benefit Illustrations for Long Term Insurance Policies
- Guideline on Cooling-off Period
- Guideline on Financial Needs Analysis

#### Insurance Intermediary Licence Applications

All existing insurance intermediaries, including insurance brokers, their chief executives and technical representatives<sup>4</sup>, who are validly registered with the SROs immediately before the Commencement Date will be regarded as deemed licensees under the Insurance Ordinance (Cap.41) (“IO”) during the three-year transitional period commencing from 23 September 2019 (“Transitional Period”). Arrangement will be made by the IA to advise all deemed licensees to apply for a formal licence during the Transitional Period in turn. There is no need for deemed licensees to lodge applications for formal licence at this moment.

For all licence applicants, including persons who newly become insurance intermediaries on and after the Commencement Date, their principals (including licensed insurance broker companies) should offer necessary guidance to them during the application process. If the principals have any queries about the application process, they can contact the IA for assistance. The relevant contact details were provided during a series of briefing sessions conducted by the IA with the insurance brokers regarding the new regime starting from August 2019.

The principal (including licensed insurance broker company) should open a supervisor’s account with the IA for using the newly developed online portal i.e. Insurance Intermediaries Connect, to submit licence applications electronically. Details can be obtained from the IA’s website. Licence application forms are also available from the IA’s website.

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<sup>4</sup> Insurance brokers, their chief executives and technical representatives will become licensed insurance broker companies, their responsible officers and technical representatives (broker) respectively under the new regulatory regime.

### Insurance Intermediary Licence Number

According to the Code of Conduct for Licensed Insurance Brokers, licensed insurance broker companies and their technical representatives (broker) are required to disclose necessary information to the clients including their licence numbers. To facilitate the preparation for the new regime, both the broker companies and their technical representatives (broker) may find out their license numbers through a special search function in the IA's website by inputting their previous registration numbers with the respective SROs.

### Reporting of Continuing Professional Development ("CPD")

Under the new regime, the assessment year for CPD requirements will start from 1 August of a year and end on 31 July of the following year for all insurance intermediaries. For details of the CPD requirements, including the transitional arrangements, please refer to the CPD Guideline.

With effect from the Commencement Date, all the reports of compliance with the CPD requirements should be submitted to the IA directly. The IA will advise the new CPD reporting arrangement in due course.

### Submission of Audited Financial Statements and Auditor's Reports

According to section 73(1) of the IO, a licensed insurance broker company must, within 6 months after the end of each financial year, provide the IA with the audited financial statements together with an auditor's report on the financial statements and an auditor's report containing statements in relation to the requirements under the Broker Rules.

If you have any questions concerning the above, please contact Ms Janet Chau (Tel: 3899 9842) for licensing matters and Ms Fanny Chu (Tel: 3899 9749) for any other matters.

Yours faithfully,

Stephen Po  
Executive Director  
Market Conduct Division  
Insurance Authority

c.c. The Hong Kong Confederation of Insurance Brokers  
Professional Insurance Brokers Association  
The Hong Kong Federation of Insurers