

Ref: MC/INT

1 August 2017

**To: Chief Executives of All Authorized Insurers
Carrying on Direct Business other than Captive Insurers**

Dear Sir/Madam,

Fitness and Properness of Appointed Insurance Agents

In the first half of 2017, the Insurance Agents Registration Board (IARB) substantiated a total of 17 cases of making inaccurate representation (and/or declaration) and use of forged academic certificates in relation to application for registration as insurance agents. The number of such substantiated cases has increased significantly compared with relatively a few cases over the past years. The Insurance Authority (IA) attaches much importance to protection of policyholders' interests and is concerned about the increasing trend of such fraudulent behavior of insurance agent applicants, which may cast great doubt about the fitness and properness of these persons to be registered as insurance agents. The IA therefore wishes to remind insurers deploying insurance agents for sales and distribution to review their recruitment process and enhance the relevant internal controls as appropriate.

Under section 67(4) of the Insurance Ordinance (Cap. 41) (Ordinance), an insurer is required to ensure that its insurance agents meet the fit and proper criteria set out in the Code of Practice for the Administration of Insurance Agents issued by The Hong Kong Federation of Insurers, which include, inter alia, the minimum education requirement, i.e. completion of Form 5 education or equivalent. As the certificates concerned are purported to be issued by Mainland education institutions, the IA wishes to remind insurers to stringently comply with the vetting requirements for authentication of Mainland academic certificates set out in the circular issued by the IARB on 13 April 2017. In respect of the three specified authentication methods (verification by CHESICC/CDGDC¹, notarization and direct confirmation), there should be adequate internal controls to prevent use of forged verification results for registration with the IARB.

Besides authenticity of academic certificates, the IA has recently become aware that some insurance agent applicants have used qualifications in relation to short courses without academic entry requirements or courses offered by institutions which are not registered with the relevant education authority for applying for registration with the IARB. For academic certificates in support of insurance agent applicants' education level other than secondary school graduation certificates, insurers should perform due diligence to ensure the relevant qualifications fulfill the minimum education standard.

¹ China Higher Education Student Information and Career Centre (CHESICC) and China Academic Degrees and Graduate Education Development Center (CDGDC)

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As the requirements in relation to key persons in control functions prescribed in section 13AE of the Ordinance have become effective since 26 June 2017, the IA also wishes to remind the key persons in compliance function (i.e. persons responsible for establishing and formulating the standards, policies and procedures to ensure the compliance with applicable legal and regulatory requirements) to review the recruitment process for insurance agents and tighten up the relevant internal controls where necessary.

If you have any questions regarding this circular, please feel free to contact Ms Peggy Fu at 2867-2563 / peggyfu@ia.org.hk or Mr Cyrus Wong at 2867-2549 / cyruswong@ia.org.hk.

Yours faithfully,

John Leung
Chief Executive Officer

c.c. Financial Services and the Treasury Bureau
– Financial Services Branch (Attn: Mr Eddie Cheung)
The Hong Kong Federation of Insurers (Attn: Mr Peter Tam)