保險業監管局
Insurance Authority

CONDUCT IN FOCUS

6th Issue ◆ December 2022 ◆ Insurance Authority

Conduct In Focus is a periodical publication which presents statistics and commentary on complaints received by the Insurance Authority ("IA") and examines topical issues regarding the way in which insurance business is conducted.

In this issue, we present the statistics for complaints received by the IA for the first three quarters of 2022.

Our Practice section is dedicated to compliance with Continuing Professional Development ("CPD") requirements. Here we publish statistics of CPD compliance across the market, including a list of the top-ten principals with a high percentage of individual licensed insurance intermediaries who failed to comply. Through transparency, we wish to elicit improvement and that improvement starts with the best practices for controls and governance on CPD which we outline.

In "Policyholder Corner", we ask: how insurance literate is Hong Kong? Yes, we take a look at how the Hong Kong public faired in the IA's first ever "insurance literacy" study. We also warn about how fraudulent websites are sometimes deployed to try and build the illusion of trust.

Enjoy!

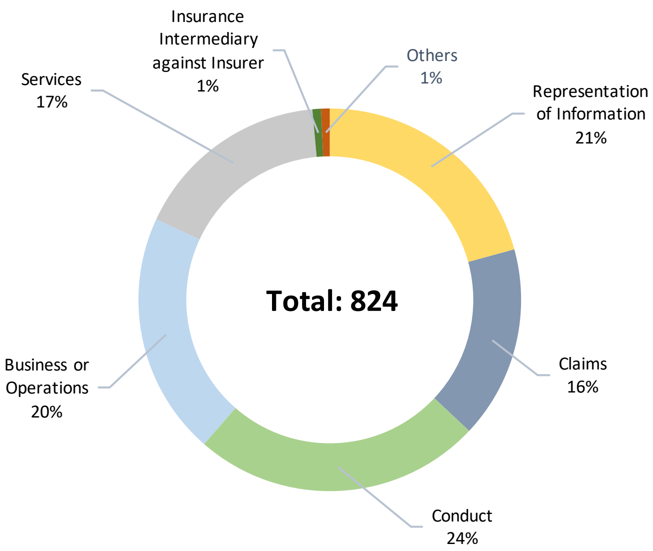
Peter Gregoire
Head of Market Conduct
General Counsel
Insurance Authority

Complaint Statistics

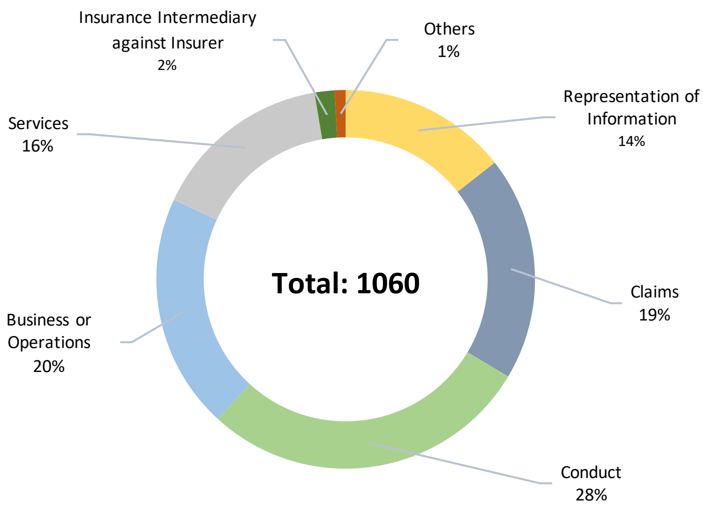
In this edition we present the complaints statistics for the first three quarters of 2022.

1 January to 30 September 2022 vs prior year

From 1st January to 30th September 2022



From 1st January to 30th September 2021



The IA received **824**[1] **complaints during the period from 1st January to 30th September 2022**, a reduction of 22% as compared to the same period last year. In terms of category, the most significant number of complaints were received in the category of "Conduct".

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 agents 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.

[1] The IA also received 45 self-reported cases from insurers / intermediary firms during the reporting period versus 50 over the same period the last year, which are excluded from the above complaint statistics.

Practice

The importance of Continuing Professional Development in maintaining a strong ethical culture

An individual licensed insurance intermediary[2] ("Individual Licensee") has specialist insurance knowledge to assist clients in determining their insurance needs and the types of insurance coverage available to meet those needs. Possessing this specialist expertise, which is not easily accessible to the average member of the public, is precisely what makes Individual Licensees professionals. As professionals they must hold themselves to high ethical standards in carrying on their regulated activities so that the insurance market is based on trust.

Robust professional ethics provide the foundation for the conduct regulatory regime for licensed insurance intermediaries in Hong Kong, which has the following 8 Conduct Principles in section 90 of the Insurance Ordinance at its core:

1) Honesty and integrity
2) Treating customers fairly and acting in their best interests
3) Exercising care, skill and diligence
4) Being competent to advise
5) Giving advice which is suitable to the customer's circumstances
6) Disclosing adequate information to the customer
7) Avoiding and managing conflicts of interest; and
8) Protecting client's assets

These Conduct Principles are not "tick-box" compliance requirements. They are ethical principles of behaviour that all Individual Licensees must display when carrying on regulated activities.

Continuing Professional Development ("CPD") – a cornerstone of professionalism, ethics and integrity

As with all other professions which are required to act in accordance with rigorous ethical duties (doctors, lawyers, accountants, etc.), Individual Licensees have an ongoing obligation to continually demonstrate, reinforce and update their expertise, knowledge and ethics through regular training and self-improvement. This is precisely why, as part of the insurance regulatory framework, Individual Licensees must complete – and demonstrate that they complete - a minimum number of CPD hours every year (with the assessment year running from 1st August to 31st July).

Pursuant to the Insurance Authority ("IA")'s Guideline on Continuing Professional Development for Licensed Insurance Intermediaries ("GL24"), during the current assessment period (1st August 2022 to 31st July 2023) the number of required CPD hours an Individual Licensee has to complete (save for those only licensed to do restricted scope travel insurance business) has increased to 15 hours with 3 of these CPD hours required to be on subjects related to ethics and regulation. Equally imperative is that Individual Licensees are required to report their CPD completion status to the IA by the deadline of 30 September (following the end of the assessment period).

It is, of course, the primary responsibility of every Individual Licensee to comply with the CPD requirements and the insurance regulatory framework reinforces this with the proportionate deterrent of disciplinary action in the event of failure. After all, the "P" in CPD stands for "professional" and Individual Licensees who fail to demonstrate their ethics and knowledge by not completing the required number of hours or reporting their CPD status are anything but professional and deserve disciplinary action.

[2] An individual licensed insurance intermediary means a licensed individual insurance agent, licensed technical representative (agent) or licensed technical representative (broker).

The responsibility of principals for CPD completion

As GL24 makes clear, authorized insurers, licensed insurance broker companies or licensed insurance agencies as principals also bear a significant responsibility for ensuring their appointed Individual Licensees comply with the CPD requirements. In this regard, the key person in control function for intermediary management (in the case of authorized insurers) and responsible officers (in the case of licensed insurance broker companies and licensed insurance agencies) bear the core responsibility for establishing requisite controls and processes and providing sufficient support to ensure this. Further, given the importance of CPD attainment, responsibility also falls on the board of directors as part of their remit for ensuring the insurer, broker company or agency (as the case may be) has in place adequate governance and controls. The absence of proper controls and procedures for CPD compliance may, therefore, reflect negatively on the fitness and properness of relevant key persons in control functions, responsible officers and directors.

The importance of CPD to corporate culture in the insurance industry

Completing CPD hours is a basic requirement for any profession and if a principal insurer, broker company or agency is not ensuring that its appointed Individual Licensees are completing and reporting their CPD hours, then it is not getting the basics right. This reflects badly on the image of the insurer, broker company or agency and is indicative of a poor ethical corporate culture.

By contrast, an insurer, broker company or agency with a 100% (or close to 100%) completion and reporting rate for CPD hours across its appointed Individual Licensees, demonstrates that it has a strong ethical corporate culture based on professionalism and ensuring knowledge and expertise is kept up to date so as to serve the best interests of its clients.

Disclosure of CPD non-compliances as a form of market discipline

Given the correlation between CPD completion, corporate culture and general levels of professionalism, the IA considers that the public should be made aware of those principals with multiple CPD non-compliances across their Individual Licensees (especially in relation to those principal insurers which have large agency forces or those broker companies or insurance agencies with a large number of technical representatives).

Disclosure is, after all, a means of facilitating market discipline and the disclosure of the percentage of the Individual Licensees of a principal who have failed to complete or report their CPD hours, would serve to encourage the principal to improve its governance, controls and culture generally across its Individual Licensees, particularly in relation to CPD attainment.

DISCLOSURE OF CPD NON-COMPLIANCE FOR THE ASSESSMENT PERIOD 2021/2022

Market level rate of CPD non-compliance

Accordingly, in order to promote and encourage the adoption of proper and robust standards of conduct in relation to CPD attainment, the IA publishes the following disclosure for the most recently completed CPD Assessment Period from 1st August 2021 to 31st July 2022 ("Assessment Period 2021/2022").

For the Assessment Period 2021/2022, in view of the ongoing COVID pandemic the IA reduced the number of CPD hours an Individual Licensee was expected to obtain from 15 to 12.

A total of 108,283 Individual Licensees were required to complete and report their completion of CPD hours. Despite the concessions made by the IA, 1,661 (1.5%) Individual Licensees reported that they had failed to complete the required number of CPD hours and a further 8,469 (7.8%) failed to report on their CPD attainment at all. The total CPD non-compliance rate for the insurance market was 9.3%. As such, there is definite room for improvement.

Even though 7,034 of non-compliant Individual Licensees have since ceased to carry on regulated activities as of November 2022 (as they were no longer appointed by any principal and their licenses were then automatically suspended or revoked), because they were licensed during the Assessment Period they were required to complete CPD.

The non-compliance rate across licensed individual insurance agents representing authorized insurers was 10.2%. For technical representatives (broker) appointed by broker companies the non-compliance rate was 11.7%. For technical representatives (agent) appointed by insurance agencies the non-compliance rate was 5.2%.

Top-Ten Non-Compliant Principals

The following is a list of the 10 principals in the insurance market with the highest percentage rates of CPD non-compliance across their appointed Individual Licensees in the Assessment Period 2021/2022, each with a total number of more than fifty non-compliant Individual Licensees:

CPD Non-Compliance League Table

	Name of the top 10 principals	CPD non-compliance ratio
1	Convoy Financial Services Ltd	23.8%
2	Chubb Life Insurance Company Ltd	14.0%
3	China Life Insurance (Overseas) Company Limited	10.2%
4	YF Life Insurance International Limited	9.0%
5	Manulife (International) Limited	8.7%
6	FTLife Insurance Company Limited	8.3%
7	AIA International Limited	8.1%
8	China Taiping Life Insurance (Hong Kong) Company Limited	7.8%
9	AXA China Region Insurance Company (Bermuda) Limited	7.3%
10	BOC Group Life Assurance Company Limited	7.1%

A high percentage non-compliance ratio is indicative of potential inadequate controls and procedures on CPD attainment and reporting. As such, significant improvement from the principals named in this list on CPD attainment across their Individual Licensees is demanded going forward (and close follow up from the IA with these principals can be expected).

Best practices on CPD governance and controls

An analysis of the figures for CPD non-compliance for the Assessment Period 2021/2022 indicates that the most compliant section of the insurance market came from technical representatives (agent) appointed by licensed insurance agencies which are authorized institutions (i.e. banks). The non-compliance rate for CPD attainment in this sector was as low as 0.5%.

From this sector of the market (and also from our inspection of insurers and broker companies who do not appear on the non-compliance list because of their relatively low non-compliance rates), it is possible to glean the following good practices by principals for facilitating completion and reporting of CPD hours by their Individual Licensees.

1. Arranging sufficient CPD courses

A good principal arranges CPD courses throughout the year for its Individual Licensees to attend. This may be done by the principal itself or in cooperation with industry bodies. The good principal offers these courses free of charge to its Individual Licensees, as part of demonstrating investment in their careers and professionalism. Some principals will offer CPD courses for free up to a certain date (say 31 May, being two months before the end date of the Assessment Period) so as to encourage early completion of CPD (and for CPD courses offered after this date the Individual Licensee will have to pay).

2. Monitoring and encouraging attainment of CPD throughout the Assessment Period

A good principal will have in place an effective process for monitoring CPD attainment of its Individual Licensees throughout the Assessment Period (so that Individual Licensees are completing CPD evenly throughout the period rather than leaving it to the last minute). The principal may set benchmarks for Individual Licensees (e.g. 5 CPD hours every three months) and offer (and register) their Individual Licensees for CPD courses in line with this benchmark throughout the year. Reminders should be given to Individual Licensees from time to time on completion of their requisite CPD hours. Notifications should also be sent out to the line-managers of Individual Licensees who fall behind schedule during the year so they can encourage the Individual Licensee to catch up. The principal should encourage Individual Licensees to report their accredited CPD hours from external sources (i.e. CPD courses not organized by the principal) in order to update and keep track of their CPD records.

3. Setting an internal Advanced Date for completing CPD hours

The principals with the best CPD attainment records internally set a requirement for their Individual Licensees to complete their CPD hours either by 31 May or 30 June (one or two months in advance of the ultimate deadline of 31 July). This is reinforced by internal disciplinary action (e.g. suspension of new business or even termination – see below) being taken if compliance is not attained by the Advanced Date.

4. Internal Disciplinary Action for failure to complete CPD hours

The principals with the best CPD attainment records reinforce the imperative need to complete CPD hours, with the deterrent of suspension of new business (so that Individual Licensees can focus on completing their CPD hours) in the event of non-compliance by the internal Advanced Date, and then with automatic termination of appointment if Individual Licensees still ignore the requirement despite repeated reminders. This sends a strong message that only those who complete their CPD hours are professional enough to represent the principal in dealing with clients, and those who cannot keep to this standard of professionalism should not be representing the company. This approach is encouraged.

5. Fostering a high performance knowledge culture through e-learning

The IA has removed the cap on the number of CPD hours that may be completed by e-learning and good principals with high CPD attainment rates offer CPD courses through e-learning which their Individual Licensees can do anytime and anywhere. By doing this, good principals foster a culture of continuous self-development and learning across their distribution forces.

6. Onboarding and exiting Individual Licensees

The good principal will ensure that newly recruited Individual Licensees fully understand their obligations to complete their CPD hours and that the obligation continues for as long as the Individual Licensee is licensed. This means that even if the Individual Licensee leaves the principal (and does not move onto another principal), he or she is still responsible for fulfilling the CPD hours for as long as his/her licence continues. The same message must be given to Individual Licensees when they leave the principal as part of the exit process. For onboarding Individual Licensees who are already or were previously licensed (e.g. moving from another principal or re-entering the industry), the good principal will also ascertain their previous CPD compliance records (e.g. by making use of the search function available in the IA's e-portal) to assess if they are fit and proper persons to be recruited.

7. Processes for reporting CPD Attainment

Individual Licensees can report their CPD attainment to the IA either via their principal or directly to the IA (through the IA's e-portal). Either way, a good principal will have in place proper processes to ensure their Individual Licensees report the required declaration on time (e.g. utilize the function embedded in the IA's e-portal to generate a progress report for monitoring purpose).

Concluding Remarks

Ensuring principals have in place robust governance, controls and processes to discharge their responsibility for attainment and reporting of CPD hours by their appointed Individual Licensees will continue to be a focus for the IA in its conduct supervision work (and, if necessary, in its disciplinary work). Authorized insurers, broker companies and agencies should therefore take this opportunity to review and (if necessary) strengthen their CPD controls, governance and processes in line with the good practices set out above.

Policyholder Corner

How "insurance literate" is Hong Kong?

Earlier this year, the Insurance Authority ("IA") published the results of its first insurance literacy tracking survey, to assess the level of insurance literacy in Hong Kong. So just how "insurance literate" is Hong Kong? Well, let's take a look by summarizing the results in this edition of Policyholder Corner.

Before we do that, however, we need to ask……

What is insurance literacy?

According to the survey, is:

"Insurance literacy is a combination of knowledge and skills, attitude and behaviour necessary to make sound decisions in relation to insurance."

Essentially, the IA's survey asked a series of questions about insurance to around a thousand people across Hong Kong's 18 districts, to assess the general level of insurance literacy in Hong Kong. The results look at the level of insurance literacy in each of the categories included in the definition – i.e. "knowledge and skills", "attitude" and "behaviour" - as well overall across all three categories.

Why should we care about being insurance literate?

Insurance performs a vital function in society by enabling people and businesses to safeguard against financial losses. Think about it…

- Life insurance provides peace of mind by ensuring your family and dependents are taken care of should you pass away prematurely. Life insurance products with savings and investment elements also protect against the risk of outliving your savings, so that you can have peace of mind in your old age.
- As far as non-life insurance in concerned, think about this: No building can be built, no car can be put on the road, no ship can be put to sea, no airplane can fly and no satellite can be launched, without insurance being in place to manage the risk of the venture.

So insurance is vital. It underpins social development, supports businesses, promotes economic growth, fosters innovation and serves as an engine of progress. Hence, the more inclusive a society is with regards to insurance coverage (i.e. the more people that buy insurance) the healthier society becomes. And it is this which makes it vital that people not only buy insurance, but also make sound decisions in relation to their insurance purchases. This is why insurance literacy matters.

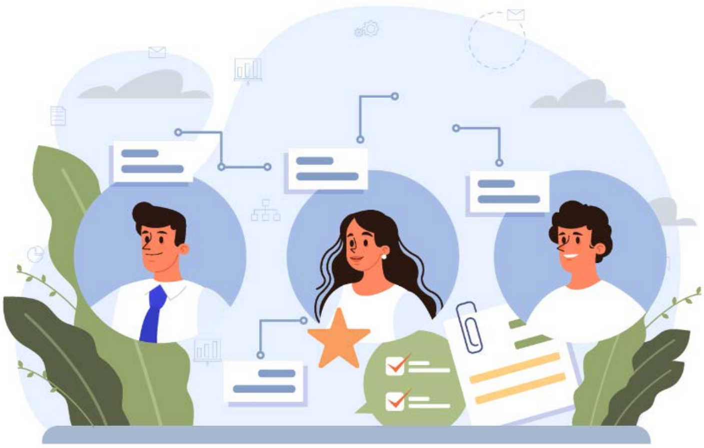
So let's now look at how insurance literate Hong Kong is.

How does Hong Kong fair in terms of insurance "knowledge and skills"?

"Knowledge and skills" regarding insurance forms an important element of insurance literacy. "Knowledge" refers to a person's understanding of insurance principles, terminology, product features, and rights and responsibilities of policyholders. "Skills" means a person's ability to apply that knowledge in making insurance decisions.

In terms of knowledge and skills, the survey found the general level of insurance literacy to be "moderate" with a score of 55%[3].

Overall, respondents were aware of policyholders' rights (for example 67% of respondents knew about the right to cancel life insurance policies during the "cooling-off period") and had a general understanding of insurance principles (with 65% of respondents acknowledging the value of insurance in mitigating the risk posed by low frequency but high severity mishaps). This was balanced against more limited knowledge about risk exposure and protection needs (for example only 24% knew that a tenant needs home insurance). Further, only 39% of respondents managed to distinguish between insurance agents and insurance brokers (for those interested in this, the difference was covered in the 2nd issue of Conduct in Focus here.



What about "attitude"?

When it comes to insurance literacy, "attitude" refers to a person's degree of favourability towards, trust and confidence in, and perceived value of insurance.

Again the overall score on "attitude" was moderate at 54%. The score was elevated by 76% of respondents recognizing insurance as a tool to provide protection against adverse financial consequences of unforeseen events such as accident and illness and 59% viewing insurance as being important for everyone. The score was also underpinned by 58% of respondents trusting insurance intermediaries' advice on insurance (albeit only 52% believed that insurance companies are addressing the needs of their customers).

Balanced against this was the sense amongst the majority of respondents (60%) that their insurance purchases were affected by choice overload, which made it difficult to select the best policy.

[3] Scores above 70% represent 'highly literate', between 50% and 70% 'moderately literate', while below 50% 'less literate'.

And in terms of "behaviour"?

"Behaviour", in respect of insurance literacy, looks at how a person goes about purchasing insurance, their actions after purchasing insurance, and the extent to which this impacts their financial wellbeing (e.g. do they compare insurance products, seek advice, are they willing to invest time when buying insurance, do they procrastinate in making a purchasing decision, once they have purchased do they stick with their present choice at renewal or do they shop around, and do they procrastinate in filing claims).

On "behaviour" the overall score was lower at 48%, meaning "less literate". Why was this?

Interestingly, the score was lowered by two important factors. Firstly, respondents often relied on the advice and experience drawn from family members or friends in relation to insurance coverage (with 72% citing this as the most trustworthy source of information). Secondly, almost half the policy-holding respondents admitted to their insurance decisions being influenced by promotion campaigns such as complimentary movie tickets and healthcare services offered by insurers.

Here we see three important principles of human behavioural psychology at play which, according to Dr. Robert Cialdini in his book "Influence: The Psychology of Persuasion"[4], sales practices across the world have tapped into as "weapons of influence".

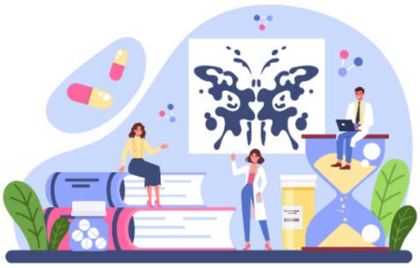
Weapons of Influence

"Social proof"

The psychological principle of "social proof" tells us that often human beings will validate how they should behave, by reference to how they observe other people behaving.

Hence (as the survey indicates) the insurance purchases we make, tend to be influenced by the insurance purchases which our friends and family have made (even though an insurance product which meets someone else's needs, may not necessarily meet our own needs).

"Reciprocation"



Another psychological principle is "reciprocation", whereby we are hardwired to feel that we have an obligation to repay someone when that person does something for us.

So a free gift from a company in the form of a complimentary movie ticket plays on the psychological sense of reciprocation by trying to make us feel obliged to buy the company's products.

"Scarcity"

Promotion campaigns with time-limits placed on them may also try tap into the psychological principle of "scarcity", whereby opportunities are made to seem more valuable to us when their availability appears to be limited.

These days, the psychological principle of "scarcity" goes by the name FOMO – fear of missing out.

One of the ways in which we can improve our insurance literacy in terms of "behaviour" is simply to be aware of how the psychological principles of "social proof", "reciprocation" and "scarcity" influence the way we think as consumers. These psychological behaviours actually serve as short-cuts for our brains to make decisions, but in a way that may not be right for us. Just because a friend has bought a particular insurance, does not mean that the insurance is right for my needs. And just because an insurer gives me a movie ticket, does not mean I should buy its insurance product if it is not right for me. By being conscious of how we think, we learn that we can ignore these influences and act rationally in our own self- interest. We should do our homework when buying insurance, invest time in making an insurance purchase to ascertain which products meet our needs, take the right advice from professionals where we need it, and not be swayed by free gifts or time-limited promotions.

[4] Cialdini, Robert B.: Influence – The Psychology of Persuasion – Harper Collins 2 June 2009

Other findings which dragged down the score on "behaviour" were an indecisiveness on whether or not to purchase and a lack of research (e.g. comparing different products) before purchasing or renewing. Further, only 32% of policy-holding respondents read the terms and conditions of the insurance before purchasing (with only 15% of general insurance policy-holding respondents reviewing the terms and conditions when renewing). By making people conscious of these findings, we hope the survey can serve to promote a need to counter these poor consumer behaviours and encourage people to invest a bit of time and effort in shopping around for insurance, comparing products and not procrastinating.

What other findings of interest were there?

Of the people surveyed, 90% had purchased insurance before (i.e. they were policyholders) with 10% not having done so (non-policyholders). The overall insurance literacy score for non-policyholders was 30%, much lower than the 55% score for policyholders, with trust-levels in the insurance industry from non-policyholders being low. This is an area which the insurance industry (and the regulator) has to work on in order to achieve greater levels of insurance inclusiveness across society.

The survey population was also diverse in terms of the ages of the persons surveyed. Those in the 18 to 24 age bracket scored among the lowest of the age groups surveyed with only 42%. This highlights a need to equip young people with the skills to do their own financial planning, as this is a vital life-skill.

So the overall insurance literacy score is….?

In overall terms, the insurance literacy level in Hong Kong was scored at 52% which is a "moderate" level.

Not bad, but you can do better (as my mum used to say) and, yes, the survey does denote there is a need for more work to be done in order to achieve a higher level of insurance coverage inclusivity and realize the manifest benefits this will bring to society.

Where can you find out more?

The full set of reports that make up the survey with a synopsis are available on our website here.

And if you have any questions or comments on the survey, please contact us at enquiry@ia.org.hk.

And finally, did you know….

Speaking of insurance literacy, some of the greatest authors in world literature had links to insurance.

Franz Kafka, one of the most influential authors of the twentieth century worked for 22 years in the insurance industry. It is said that his books "The Trial" and "The Castle" were inspired by this experience.

American author John Grisham's classic novel "The Rainmaker" (also a 1997 film) was set against the background of a lawsuit against an insurance company and inspired a generation of students to become lawyers (including the author of this article!).

Winston Churchill, British Prime Minister in the second world war, was also a prolific author and was awarded the Nobel Prize for Literature. It is said that Churchill had a quote for everything. Yes, he even had one for insurance:

"If I had my way, I would write the word 'insure' over every door of every cottage and upon the blotting pad of every public man, because I am convinced that, for sacrifices that are conceivably small, families can be secured against catastrophes which otherwise would smash them forever."

Churchill certainly saw the value of insurance inclusivity….and at the IA, we do too.

Fraudulent websites and the art of building the illusion of trust

Online activities have become part of everyday life. From financial services to entertainment, from shopping to health advice, cyberspace has opened up new horizons and provided us with a level of convenience our ancestors would never have thought possible.

Our total embrace of technology, however, has come at a cost. Scammers and con-artists use the cloak of cyberspace, combined with their knowledge of human psychology, to formulate multiple ways to part victims from their money.

Nice website….this must be real

The simplest con involving a fraudulent website is to offer mass-market bogus insurance products for sale online and trick victims into inputting their payment details and personal data through a false application pathway. The fraudster steals the premium and can recycle the inputted information for other criminal means, such as credit card fraud or identify theft. The IA has come across other scams, however, where the fraudulent website is deployed as part of a more elaborate scheme to build trust with the victim before taking their money. For example, the fraudulent website may serve as a mechanism for unknowing victims to do due diligence on the company, thereby giving them a false sense of trust to proceed with a fraudulent transaction that involves a significant outlay of premium.

In some cases (and quite astonishingly) the fraudulent website will seek to establish this trust by actually warning against the exact fraud it is about to commit. Seeing the warning on the website, the unknowing victim is tricked into thinking (a) there is no way this company would be committing a fraud that it is itself warning against; and (b) the fact that the company knows of the type of frauds being committed in relation to such insurance products, establishes its expertise to sell such products. In short, by means of an audacious bluff, trust is built.

Example

SCAMMERS

A team of scammers set up a website for XYZ Sustain Ltd. The scammers then start reaching out through phone-calls to targeted victims offering an "investment protection insurance" as a type of investment security bond.
One of the potential victims is interested by the concept of an "investment protection insurance" as it is presented. The coverage purports to protect against certain financial losses associated with investments. The victim performs basic due diligence on XYZ Sustain Ltd. and comes across its website.

POLISHED WEBSITE

The victim observes that XYZ Sustain Ltd.'s website is polished, with exactly the type of pictures you would expect from an insurer. There are professionally taken photos of smiling families of different generations, infrastructure projects with people in hard hats, doctors in white coats, healthy athletic people participating in yoga classes, and smiling sharp suited personnel who are stated to work for the company. This is all coupled with the expected promises of insurance to protect lives and businesses.

FRAUD ALERT

Interestingly, the website has a page headed "Insurance Fraud Alert" warning against companies selling fake investment security bonds with tips on how to avoid this kind of scam (and stating if you have any suspicion, to call the police).
On a separate page of the website XYZ Sustain Ltd. positions itself as the leader in the specialist market for investment security bonds.

VICTIMS' TRUST

Given the appearance of the website, and the fact that XYZ Sustain Ltd. itself is warning against potential frauds, the victim considers this as indicating the company's authenticity and sincerity and decides to pursue the opportunity by telephoning back the scammers.
Having gained the victims' trust, the scammers lure the victim into applying for an investment security bond with an up front premium payment. In return an official looking insurance policy is issued to the victim.

MONEY GONE

One day the victim seeks to notify a claim. His phone calls and e-mails are not returned. He never sees his money again and he soon realizes the policy is not worth the paper it is written on.

Don't fall for it!

The above example, although fictitious with the names not being real, is loosely based on different real-life situations brought to our attention.

The combination of a plush, authentic looking website and the psychological manipulation being performed by warning against fraud as a means of gaining trust, can sometimes catch people out.

Don't fall for it! Be aware of the trickery at play and keep the following tips in mind to help identify potential fraudulent websites.

1. Check the domain name carefully. The fraudulent website may use a name that looks similar to a legitimate site address, trying to pass itself off as a real company in the insurance sector (albeit the domain address will never be exactly the same as the real company or may have words added to it).

2. Beware of those websites that may look very professional but when inspected closely raise "red flags" and suggest they are just "style" and no "substance". Yes, the website may have the plush professional photographs but……
   - Often information on the company itself is insubstantial and very general. For example it may not even give its insurance licence number or indicate who it is regulated by.
   - There may be links which are broken (an obvious "red flag").
   - The description of some of the insurance products offered may be wrong. For example the "life insurance" webpage description may not even refer to coverage for loss of life, but may have been copied from another website describing a personal accident insurance.
   - Poor language may be being used with obvious grammatical errors.

3. Do not trust the website alone. Try and find another trusted source of verification. In fact if the only information you can find is the website alone (and there are no other references at all to the company) then alarm bells should be ringing.

4. You can verify the authorization or licensing position of the company by making good use of the IA's registers to check whether it is a regulated entity and verify the contact information from that shown on the IA's registers. If the website denotes that the company has a Hong Kong address, then the likelihood is that it should be a regulated entity shown on the IA's registers.

5. Do you know anyone else who has used the company's services? If not take extra caution. Especially if it is an insurance product which has been offered to you "out of the blue" and it seeks to cover things like losses you make on your investments.

6. Ring a licensed insurance intermediary that you trust to ask for their opinion.

7. Most importantly of all, trust that voice in the back of your head which is telling you something is not quite right! It could save you a lot of money.

Insurance Authority

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