

## Interpretation Notes

### Guideline on Continuing Professional Development for Licensed Insurance Intermediaries (GL24)

The Insurance Authority (“IA”) issues the following Interpretation Notes to provide further guidance to individual licensees, authorized insurers, licensed insurance agencies and licensed insurance broker companies on the CPD requirements under the new regulatory regime as stipulated in the [GL24: Guideline on Continuing Professional Development for Licensed Insurance Intermediaries \(“GL24”\)](#). These Interpretation Notes should be read in conjunction with the GL24.

These Interpretation Notes are not intended to be a comprehensive guide and do not constitute legal advice. Authorized insurers and licensed insurance intermediaries are advised to seek professional legal advice if they have any questions relating to the application or interpretation of the relevant provisions of the Guideline.

These Interpretation Notes do not have the force of law and should not be interpreted in a way that would override the provision of any law. The IA reserves the right to review and update these Interpretation Notes from time to time. Unless otherwise specified, words and expressions used in this document shall have the same meanings as given to them in the GL24.

#### **(1) Responsibilities of principals and individual licensees**

##### *Principals*

Principals (being authorized insurers, licensed insurance broker companies and licensed insurance agencies) are required under GL24 to ensure that each of their appointed individual licensees comply with their applicable CPD requirements. This requires principals to have in place adequate controls and procedures to monitor and ensure compliance by their appointed individual licensees with the CPD requirements.

Since completing CPD hours is a basic requirement for any profession, if a principal is not ensuring that its appointed individual licensees are completing and reporting their CPD hours, then it is not getting the basics right. This may be indicative of poor ethical corporate culture and poor governance more generally on the part of the principal. By contrast, a principal 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, serving the best interests of its policy holders. It is in the interests of the insurance buying public that principals have in place, **and are seen to have in place**, robust controls and processes which achieve compliance with the CPD requirements by their individual licensees. To achieve this regulatory priority, the IA may from time-to-time disclose CPD compliance rates across the industry and by principal.

The type of controls and process principals may establish to assist in supporting their appointed individual licensees achieve CPD compliance include, without limitation:

- Arranging sufficient CPD courses throughout the year for individual licensees to attend (including e-CPD courses – see also section 4. below);
- Monitoring and encouraging attainment of CPD hours throughout the Assessment Period (so as to ensure individual licensees do not leave a large shortfall to be made up in the few weeks prior to the deadline);
- Setting internal advance dates for completion of CPD hours to encourage early, and efficient attainment;
- Taking prompt internal disciplinary action for failure to comply with controls and processes for CPD compliance;
- Ensuring and monitoring reporting of CPD attainment by the requisite reporting deadline; and
- Ensuring the duty of CPD completion is reinforced through the onboarding and exiting processes for individual licensees, including not recruiting individual licensees who have breached the CPD requirements unless they have rectified any CPD shortfall, been appropriately disciplined by the IA (if applicable) and complied with the disciplinary action – see section 2. below for further details.

The absence of adequate controls and procedures (as reflected by a high non-compliance rate with the CPD requirement by individual appointed licensees of a principal), may in the IA's view, reflect negatively on (i) the fitness and properness of the directors, controllers and key person in relevant control functions of an authorized insurer; and (ii) the fitness and properness of a licensed insurance broker company or licensed insurance agency and their directors, controllers and responsible officers. The IA will take account of this in its supervisory and disciplinary approach.

### ***Individual Licensees***

It is, of course, the primary responsibility of every individual licensee to comply with the CPD requirements. Accordingly, individual licensees should attain sufficient CPD hours by the attainment deadline (i.e. 31 July) and report their CPD compliance status either directly to the IA or to their appointing principal(s) by the reporting deadline (i.e. 30 September) of each Assessment Period. For the avoidance of doubt, the responsibility rests with the individual licensee to ensure his/her CPD compliance status has been reported to the IA even if his/her appointing principal has reported the individual licensee's CPD compliance status to the IA. The IA will conduct CPD compliance audits for each Assessment Period. These will take place after the reporting deadline of 30 September for the Assessment Period in question. Upon request, individual licensees selected for compliance audit should promptly produce for the IA's inspection the original documentation evidencing completion of their CPD requirements. Individual licensees should therefore retain sufficient documentation to evidence their CPD compliance for a minimum of 3 years after the end of the relevant Assessment Period.

## **(2) Disciplinary actions for failure to comply with CPD requirement**

To recap, there are a few general rules that govern CPD requirements applicable to individual licensees for an Assessment Period (which runs from 1 August to 31 July):

- (a) An individual licensee whose licence remains active (even under suspension due to no principals) as of 31 July (the end of the Assessment Period), is required to fulfill CPD requirements for that Assessment Period. If the individual's licence continues to be active (even under suspension due to no principals) as of 30 September (the reporting deadline for individual licensees for the Assessment Period), he/she is required to report their CPD compliance status to the IA for that Assessment Period.
- (b) An individual licensee who voluntarily revokes his/her licence prior to 31 July (the end of an Assessment Period) is still required to fulfil CPD requirements for that Assessment Period, if the period between the date of revocation and the end of the Assessment Period (i.e. 31 July) is less than 180 consecutive days. If, however, the individual continues to have no licence as of 30 September, he/she is not required to report their CPD compliance status to the IA for that Assessment Period by 30 September.
- (c) An individual licensee who voluntarily revokes his/her licence prior to 31 July (the end of the Assessment Period) is not required to fulfil CPD requirements for the Assessment Period, if the period between the date of revocation and the end of the Assessment Period (i.e. 31 July) is 180 consecutive days or more.
- (d) An individual whose licence has expired or has been revoked (on a no principal basis) as of 31 July, is not subject to the CPD requirements for that Assessment Period.

If an individual licensee is subject to (but fails to comply with) the CPD requirements for an Assessment Period, he/she can expect to be subject to disciplinary action in accordance with the [Penalty Framework for Non-compliance with Continuing Professional Development Requirements](#) ("**Penalty Framework**"). The Penalty Framework sets out levels of disciplinary action which reinforce the importance of CPD requirements with proportionate and necessary deterrent threat.

It is important that the IA's administration of the Penalty Framework and application of regulatory disciplinary actions for CPD non-compliances, reinforces and supports the controls and processes put in place by principals to ensure compliance with the CPD requirements. An individual licensee terminated by a principal for failure to comply with the CPD requirements should, therefore, not be permitted to join another principal (or rejoin the terminating principal) without having rectified their CPD shortfall, faced the consequences of their non-compliance through disciplinary action (if applicable), and discharged all obligations imposed by the disciplinary action.

For this reason, principals should as part of their onboarding procedures ascertain the CPD compliance record of the candidates seeking to join them and (if there has been a non-compliance) facilitate disciplinary action taken by the IA if they wish to proceed with recruitment of a non-compliant individual licensee. To achieve this, the IA makes known the following in relation to its disciplinary approach (see also [Annex A](#)):

- (a) An Assessment Period runs from 1 August to 31 July with (in general) reporting of CPD attainment having to be made by the individual licensee directly to the IA by 30 September (or via the individual licensee's principal to the IA, by 31 October).
- (b) Unless an exception in paragraph (c) below applies, the IA generally will take disciplinary action in line with the Penalty Framework against any individual licensee who fails to comply with the CPD requirement for an Assessment Period. This is the case whether the non-compliance is for failing to attain the requisite CPD hours during the Assessment Period, or failure to comply with the reporting requirements. The IA will aim to commence the disciplinary process against such individuals after the reporting deadlines for the Assessment Period have elapsed.
- (c) As exceptions to paragraph (b) above:
  - (i) If an individual licensee, who failed to obtain sufficient CPD hours during an Assessment Period, voluntarily revokes his/her licence by 30 September (i.e. 2 months after the end of the Assessment Period), then (in general) the IA will not pursue disciplinary action against the individual unless the individual seeks to be licensed within 180 consecutive days after the date of voluntary revocation; or
  - (ii) If an individual licensee, who failed to obtain sufficient CPD hours during an Assessment Period, voluntarily revokes his/her licence after 30 September, or has his/her licence revoked automatically (due to no principal), but (in either case) the revocation happens before the IA commences disciplinary action for his/her non-compliance with the CPD requirements for the Assessment Period (through issuance of a Notice of Proposed Disciplinary Action), then (in general) the IA will not pursue disciplinary action against the individual unless the individual seeks to be licensed before 30 September the following year.
- (d) If an individual licensee seeks appointment with a new principal following an Assessment Period and the new principal, through its onboarding processes, identifies (as it should) that the individual licensee failed to comply with the CPD requirements for the Assessment Period, if the IA has not taken disciplinary action against the individual licensee by that time, the recruiting principal (if it wishes to proceed with the recruitment) may seek to facilitate the imposition of a disciplinary action through

a Section 84 Agreement (see section 3. below for further details). The recruiting principal should in these circumstances only proceed to recruit the individual after:

- (i) the disciplinary action has been imposed by way of a Section 84 Agreement;
  - (ii) the individual licensee has made good the shortfall in CPD hours for the Assessment Period; and
  - (iii) the individual licensee has paid the pecuniary penalty and served the requisite suspension or prohibition period (if applicable) imposed by the disciplinary action under the Section 84 Agreement (subject to paragraph (e) below).
- (e) If the disciplinary action imposed through a Section 84 Agreement includes a period of suspension or prohibition (i.e. 3 months) in line with the Penalty Framework, the IA will allow the time elapsed since the individual licensee's termination by his/her last principal (assuming this resulted in suspension of licence by reason of having no principal) or since the individual voluntarily revoked his/her licence, to count towards serving the suspension/prohibition imposed by the disciplinary action (provided the time elapsed has been for a continuous period immediately prior to the proposed new appointment). This means the recruitment can proceed, if –
- the period since the individual's suspension (no principal basis) or voluntary revocation of licence (whichever is earlier) has already been 3 months;
  - the Section 84 Agreement has been entered into;
  - the pecuniary penalty has been paid; and
  - the shortfall in CPD hours has been made good.

If the individual licensee has been suspended (no principal basis) or revoked (voluntarily) for **less** than 3 consecutive months, the IA will allow the time elapsed since the individual licensee's termination by the last principal (assuming this has resulted in suspension of licence by reason of having no principal), or voluntary revocation of licence, for a continuous period prior to the proposed new appointment to count towards serving the suspension/prohibition imposed by the disciplinary action. However, the principal should not complete the onboarding process (and the new licence period will not commence) until the individual has served the remainder of the 3 months.

### **(3) [Section 84 Agreement](#)**

Section 84(1) of the Insurance Ordinance (Cap. 41) ("IO") specifies that at any time when the IA is contemplating exercising a power under section 81 of the IO (e.g. taking disciplinary action against an individual licensee), it may, if it considers it appropriate to do so in the interests of policy holders or potential policy holders or the public interest, by agreement with the person concerned (a) exercise a power that the IA may exercise in respect of the

person under section 81; and (b) take an additional action that the IA considers appropriate in the circumstances of the case.

In short, section 84 of the IO provides for a process by which (subject to certain safeguards) disciplinary action for CPD non-compliance can be imposed by way of agreement between the IA and the individual licensee concerned with (in addition to the disciplinary actions being imposed) the individual licensee confirming and agreeing to make good any CPD shortfall from the Assessment Period.

Given the transparency provided by the Penalty Framework, individual licensees know the penalties for failing to comply with the CPD requirement (and the need to make good any shortfall in addition to the penalties imposed). The integrity of the CPD requirements and the controls and processes for CPD attainment implemented by principals, are underpinned by disciplinary actions being taken in line with the Penalty Framework. At the same time, however, it is important that individual licensees be disciplined expeditiously. Further, once they have learned the requisite lesson through satisfaction of the disciplinary penalties and making good their CPD shortfall, they should not be penalized beyond this, but be able to continue to serve policyholders (with a renewed sense of integrity).

To help achieve this, if a recruiting principal in its recruiting processes identifies an individual candidate who has failed to comply with the CPD requirements for the immediately preceding Assessment Period and who has not yet been subject to regulatory disciplinary action, if the recruiting principal wishes to proceed with the appointment (and if the individual licensee is willing to do so), the principal can facilitate the individual candidate to agree to the disciplinary action in line with the Penalty Framework through entering into an agreement pursuant to Section 84 of the IO ("**Section 84 Agreement**"), in line with the template in [Annex B](#).

By entering into the Section 84 Agreement, the individual licensee agrees:-

- (a) by admission, his/her non-compliance with the CPD requirements for the Assessment Period;
- (b) the imposition of disciplinary action imposed by the IA in accordance with the Penalty Framework;
- (c) the Section 84 Agreement serves as formal notification of the IA's disciplinary decision;
- (d) not to make further representations in relation to the disciplinary action;
- (e) not to apply to the Insurance Appeals Tribunal for a review of the disciplinary action; and
- (f) the confidentiality and statutory secrecy obligations specified in the Section 84 Agreement.

Appointing principals can assist individual licensees complete the Section 84 Agreement by:

- (a) preparing the Section 84 Agreement according to IA's template in line with the [instructions](#) outlined by the IA;
- (b) ensuring the individual licensee understands the terms of the proposed disciplinary action stated in the Section 84 Agreement before he/she signs the agreement;
- (c) obtaining proof that the individual has made good the shortfall in CPD hours, paid the pecuniary fine by directly depositing the fine into the IA's designated bank account and served any suspension/prohibition period (where applicable); and
- (d) returning the signed Section 84 Agreement, and a copy of the payment proof to the IA.

The disciplinary action in the Section 84 Agreement would come into effect on the day the agreement is signed and will be reflected in the public register of licensed insurance intermediaries as maintained by the IA under section 64O of the IO. The agreement should be returned to the IA within 30 days.

As indicated in paragraph 2(e) above, if the disciplinary action includes a period of suspension or prohibition (i.e. 3 months) in line with the Penalty Framework, time elapsed since the individual licensee's termination by the last principal (assuming this has resulted in suspension of licence by reason of having no principal) or voluntarily revocation of licence for a continuous period prior to the proposed new appointment, can be counted towards serving the suspension/prohibition imposed by the disciplinary action under Section 84 Agreement.

It is entirely up to the individual licensee concerned whether or not he or she wishes to enter into a Section 84 Agreement. If the individual chooses not to do so, then he or she can expect the IA to proceed with its disciplinary process by issuing the requisite Notice of Proposed Disciplinary Action as soon as practicable in the normal manner. If this results in disciplinary action with a suspension/prohibition being imposed in line with the Penalty Framework, the full suspension/prohibition will have to be served (so the benefit mentioned in Section 2 above will not apply).

#### **(4) No cap on CPD hours completed by E-learning Activities for each CPD Assessment Period**

According to paragraphs 30 – 32 of Annex 1 to GL24, individual licensees can earn a maximum of 5 CPD hours for each CPD Assessment Period through participation in E-learning Activities that are recognised as Type 1 or Type 7 Qualified CPD Activities.

However, to facilitate the achievement of CPD hours and to encourage greater use of E-learning Activities, the maximum cap on the number of CPD hours that can be obtained through Type 1 and Type 7 E-learning Activities is lifted permanently for each Assessment Period. In other words, there is **no cap** on CPD hours to be earned through attending E-learning Activities.

## **(5) CPD Activities delivered via virtual classroom platforms**

The IA regards Type 1 and Type 7 Qualified CPD Activities, as defined in GL24, which are delivered via virtual classrooms (e.g. Microsoft Teams, Cisco Webex, Zoom) as an acceptable form of CPD activity<sup>1</sup>. For CPD activities delivered via virtual classrooms, the participants must attend the virtual classroom at the time of the delivery of the CPD activities and there must be live interaction between the speaker and participants. There is no cap on CPD hours to be earned through CPD activities delivered via virtual classroom platforms.

## **(6) Repeated attendance of the same CPD activity in the same Assessment Period or in different Assessment Periods**

While the IA encourages individual licensees to undertake CPD activities on different topics, it is understood that individual licensees may occasionally wish to attend the same CPD activity again for the purposes of refreshing their knowledge in that subject matter, especially when the contents of the particular CPD activity are continuously updated.

**For face-to-face CPD activities (including those delivered via virtual classroom mode):**

- Individual licensees can earn CPD hours by attending the same CPD activity to refresh their knowledge, whether they attend the same CPD activity within the same Assessment Period or in different Assessment Periods.
- However, the IA may query an individual licensee if it is noted that he/she has earned CPD hours by attending the same CPD activity repeatedly during the same Assessment Period.

**For E-learning CPD activities:**

- Individual licensees can only earn CPD hours by taking the E-learning CPD activity once during the same Assessment Period.
- If an individual licensee repeats the same E-learning CPD activity in the same Assessment Period, the repeat one will **not** be counted.

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**Revised in November 2023**

For questions frequently asked about CPD issues, please refer to [Annex C](#) to the Interpretation Notes.

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<sup>1</sup> Type 1 Qualified CPD Activities delivered via virtual classrooms are subject to the prior approval of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, the appointed CPD assessment authority.