

By Fax/By E-mail

Ref : A2-001/02 – J33791

To : Authorized Representatives of Member Companies, The Hong Kong Federation of Insurers (“HKFI”)
Non-HKFI Insurers using HKFI’s agent registration service
Insurance Agents who have appointed Responsible Officers/Technical Representatives
All Insurance Agents, Responsible Officers and Technical Representatives
(Registered Persons) via their appointing Insurer / Insurance Agent

c.c. : Ms Annie Choi, JP, Commissioner of Insurance, Insurance Authority
Mr Apollo Lau, President, General Agents & Managers Association of HK
Mr Joseph Sit, President, HK Chamber of Insurance Intermediaries
Mr Teem Lam, Chairman, The HK General Insurance Agents Association Ltd
Mr Samuel Lau, President, The Life Underwriters Association of HK Ltd

From : Ambrose Cheung, MH, JP, Chairman, IARB

Date : 2 November 2009

Subject : **ILAS – related complaints**

The Insurance Agents Registration Board (IARB) noted that there has been a marked increase in the number of ILAS-related complaints lodged against insurance agents involving mainly misrepresentation and mis-selling. Common examples are:

- i) misrepresentation on premium payment term;
- ii) misrepresentation on investment rate of return;
- iii) misrepresentation on the nature of product;
- iv) failure to make clear and explain the various kinds of fees;
- v) failure to ensure that the policies proposed are suitable for and affordable by their clients.

The IARB would like to urge all Insurance Agents, Responsible Officers and Technical Representatives to ensure strict compliance with *The Code of Practice for the Administration of Insurance Agents* and to conduct insurance business in utmost good faith and with integrity. In selling ILAS-related insurance products, registered persons should clearly inform their clients that the policy proposed is a long-term insurance plan and of the serious consequences of early discontinuance or surrender. Special attention must be given to the following:

- 1) make clear to their clients about the premium payment term and the lock-up period, instead of just focusing on the initial payment period and the “Premium Holiday” option;
- 2) ensure their client understand that fees and charges will continue for the full policy duration even after exercising “Premium Holiday”
- 3) fully disclose all the charges involved including the initial charge, assurance charge, administrative charge, surrender charge and withdrawal charge, etc;
- 4) not to use or prepare any sales proposals or illustrations with rate of return more than the percentage approved by the relevant authorities;
- 5) advise their clients that the assumed rates of return are not guaranteed and these rates are for illustrative purpose only; and
- 6) ensure the suitability of the policies proposed taking into account the needs of their clients and their ability to meet the entire payment term with the committed premium amount.



AC/AK/jh