

The Hong Kong Federation of Insurers
Guidelines on Misconduct

This guidance note, effective 1 September 1998, is intended to help both insurers and insurance agents comply with the Code of Practice for the Administration of Insurance Agents (the "Code") and in particular Part F sections 32 and 36 of the Code. The phrase "in good faith and with integrity" used in those sections cannot have a fully defined meaning however it is clear that it is in the best interests of customers, insurance agents and principals to set out, from time to time, certain guidelines which if followed provide comfort to all concerned that all possible steps are being taken to conduct business in good faith and with integrity.

Failure to comply could (but not necessarily would) constitute a breach of the Code by either a principal under Part C section 18 or an insurance agent under Part F sections 32 and 36.

1. On no account will insurance agents ask customers to sign blank or incomplete forms and any alterations to forms must be initialled by the signatory

Many complaints arise from prospective customers and/or clients whose interests have been adversely affected because they have submitted to their insurance agents' requests to sign blank forms. In order to protect the insuring public against potential losses arising from misrepresentation and forgery, insurance agents will not request their prospective customers and/or clients to sign blank forms or sign any documents relating to the policy before they have been duly completed and any alteration initialled.

2. An insurance agent selling a life assurance policy will ensure that the prescribed Customer Protection Declaration (CPD) form is completed

It is an insurance agent's duty to present each policy with complete honesty and objectivity. In the case where the client is already a policyholder, this means that full and fair disclosure of all facts regarding both the new coverage and the existing insurance is necessary. Policyholders should be made fully aware of the estimated cost of replacing an existing policy. In selling a life assurance policy, insurance agents must duly complete the CPD form as prescribed by the Hong Kong Federation of Insurers from time to time.

3. Principals must establish control procedures to monitor insurance agents' compliance with the Code

Principal will take all necessary steps to satisfy itself that insurance agents are complying with the Code and with any guidelines issued (as required by Part C section 18). The Board recognises that individual circumstances may arise where it is impracticable or unhelpful to the customer to adhere rigidly to the guidelines but the Board will expect a principal to be able to demonstrate that sufficient checks and controls exist to ensure that such exception are rare and fully documented.

When dealing with complaints the Board may as part of a report required under Part B section 6(b) of the Code, ask the Principal to provide details of the monitoring and control systems in place to ensure the guidelines are not breached. Principals should note that the Board will report to the Insurance Authority under Part B section 6(f)(i) if it believes that adequate controls are not in place.