

GUIDELINES ON MISCONDUCT

The Code of Practice for the Administration of Insurance Agents (the Code) specifies on clause 7 that the Insurance Agents Registration Board (IARB) may issue Guidance Notes from time to time as to how it intends to exercise its powers and fulfil its responsibilities under the Code. This Guidance Note is intended to help both insurers and insurance agents comply with the Code and in particular Part F clauses 56 and 60 of the Code. The phrase "in good faith and with integrity" used in those clauses 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 may constitute a breach of the Code by either a Principal under Part C clause 19 or an insurance agent under Part F clauses 56 and 60.

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 customers

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 must not request their prospective customers and/or clients to sign blank forms or sign any documents relating to the policy before they have been fully completed and an alteration should be initialled by the customers.

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 policy holder, this means that full and fair disclosure of all facts regarding both the new coverage and the existing insurance is necessary. Policy holders 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 and bring the content to the attention of the customer.

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

Principals will take all necessary steps to satisfy itself that insurance agents are complying with the Code and with any Guidance Notes issued (as required by Part C clause 19). The IARB recognises that individual circumstances may arise where it is impracticable or unhelpful to the customer to adhere rigidly to the Code or the Guidance Notes but the IARB will expect a principal to be able to demonstrate that sufficient check and control exist to ensure that exceptions are rare and fully documented.

When dealing with complaints the IARB may ask the Principal to provide details of the monitoring and control systems in place to ensure the Guidance Notes are not breached. Principals should note that the IARB may report to the Insurance Authority under Part B clause 6(f)(i) if it believes that adequate controls are not in place.