



CODE OF CONDUCT FOR LICENSED INSURANCE BROKERS

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Contents

Preface

Part A Introduction to this Code

Part B Interpretation

Part C General Principles

Section

- I. General Principle 1 - Honesty and Integrity**
- II. General Principle 2 - Acting in the Best Interests of Clients and Treating Clients Fairly**
- III. General Principle 3 - Exercising Care, Skill and Diligence**
- IV. General Principle 4 - Competence to Advise**
- V. General Principle 5 - Disclosure of Information**
- VI. General Principle 6 - Suitability of Advice**
- VII. General Principle 7 - Conflicts of Interest**
- VIII. General Principle 8 - Client Assets**
- IX. Corporate Governance and Controls and Procedures**

Preface

There are two types of licensed insurance intermediary in Hong Kong: licensed insurance agents and licensed insurance brokers. Both play an important role in the Hong Kong insurance industry, serving as a vital conduit between the public and the insurance sector. The Code of Conduct in the following pages is for Licensed Insurance Brokers. It sets out fundamental principles of professional conduct which buyers of insurance are entitled to expect in their dealings with licensed insurance brokers, reinforcing the bedrock of trust which serves as the foundation for a healthy, competitive and efficient insurance industry.

The Code of Conduct does not operate in isolation. It is part of the totality of the duties and obligations owed by licensed insurance brokers in their carrying on of regulated activities under common law (including contract law), the Insurance Ordinance (Cap. 41), other Ordinances and rules, regulations, codes and guidelines, including those administered or issued by the Insurance Authority. The context for the Code of Conduct, within this wider framework, is outlined below.

Types of licensed insurance brokers

The licensing regime under the Insurance Ordinance prescribes two types of licensed insurance brokers: licensed insurance broker companies and licensed technical representatives (broker).

Licensed insurance broker companies give advice on insurance policies to clients and act as agents of clients (serving as both their trusted professional advisors and their representatives) in the course of dealing with matters relating to insurance policies (including procurement, negotiation and arrangement of insurance policies with insurers, and, in some cases, making and settling claims).

Licensed technical representatives (broker) act as representatives of (i.e. on behalf of) the licensed insurance broker companies which appoint them. In this capacity, they give advice on insurance policies to clients and represent their appointing licensed insurance broker companies to deal with matters relating to insurance policies on behalf of clients.

Licensed insurance brokers and their relationship with insurers and clients

Licensed insurance brokers in the Hong Kong insurance market offer a wide range of insurance services to their clients. Depending on the insurance brokers (and the scope of their agreements with the clients), the services which insurance brokers provide may include advising clients on their insurance needs and on risk management strategies, sourcing the most suitable insurance products to ensure clients' needs are met, negotiating policy terms and conditions with insurers, and assisting clients in dealing with insurance claims. Insurance brokers also serve a wide range of clients, from individuals to corporate clients, including small and medium enterprises, multinational corporations and also insurers (assisting them develop and procure suitable reinsurance).

Licensed insurance brokers can approach insurers across the market¹ to source the most suitable insurance products for clients and licensed insurance broker companies owe fiduciary duties to clients when acting as agents of the clients. In view of this, the Insurance Ordinance imposes requirements (set out in rules made under section 129 of the Insurance Ordinance) on licensed insurance broker companies in relation to the following aspects:

- (a) capital and net assets;
- (b) professional indemnity insurance;
- (c) keeping of separate client accounts;
- (d) keeping of proper books and accounts.

Regulation of licensed insurance brokers in their dealings with policy holders or potential policy holders when carrying on regulated activities

The Insurance Ordinance (and rules, regulations, codes and guidelines administered or issued by the Insurance Authority) also includes requirements, which focus on the interactions which licensed insurance brokers have with policy holders and potential policy holders when carrying on regulated activities. These requirements include:

- the statutory conduct requirements, with which licensed insurance brokers must comply in carrying on regulated activities, in sections 90 and 92 of the Insurance Ordinance;
- the relevant requirements set out in the rules, regulations, codes and guidelines made or issued under the Insurance Ordinance; and
- the general principles, standards and practices set out in the Code of Conduct.

The aims of the Code of Conduct

The Code of Conduct promulgates principles of conduct and related standards and practices with which licensed insurance brokers are ordinarily expected to comply in carrying on regulated activities. These principles, standards and practices serve as the minimum standards of professionalism to be met by licensed insurance brokers when carrying on regulated activities.

In addition, the Code of Conduct aims, in certain instances, to inform and explain the statutory conduct requirements in sections 90 and 92 (and in any rules made by the Insurance Authority under section 94) of the Insurance Ordinance as they apply to licensed insurance brokers.

The Code of Conduct for Licensed Insurance Brokers is set out in the following pages.

¹ By comparison, licensed insurance agents are appointed by insurers and are restricted to placing insurance with their appointing insurers only.

Part A Introduction to this Code

1. Framework of this Code

- 1.1 This Code of Conduct for Licensed Insurance Broker (this “Code”) is issued and published by the Insurance Authority (“IA”) pursuant to section 95 of the Insurance Ordinance (Cap. 41) (“the Ordinance”).
- 1.2 This Code sets out, in the opening section of Part C of this Code, a series of general principles which the IA believes to be fundamental principles of conduct which licensed insurance brokers should adopt and follow when carrying on regulated activities (the “General Principles”). Part C goes on to provide further explanation of each General Principle and includes standards and practices relating to each General Principle (the “Standards and Practices”). The Standards and Practices are either stated specifically in this Code or are incorporated into this Code by reference to other guidelines or codes issued by the IA or other regulators. Together, the General Principles, Standards and Practices in this Code collectively serve as guidance on the practices and standards which licensed insurance brokers are ordinarily expected to adopt in carrying on regulated activities.
- 1.3 The section in Part C of this Code on “Corporate Governance and Controls and Procedures” applies only to licensed insurance broker companies. This section sets out guidance on the practices and standards for corporate governance, controls and procedures which should be adopted by a licensed insurance broker company in relation to the regulated activities carried on by the broker company.
- 1.4 Neither the Standards and Practices nor the corporate governance, controls and procedures in this Code are exhaustive. Further, certain Standards and Practices are specifically stated as being only applicable to regulated advice and not other regulated activities.
- 1.5 Section 90 of the Ordinance stipulates the conduct requirements which licensed insurance brokers are expected to satisfy when carrying on regulated activities. For guidance, each General Principle in this Code identifies the specific Statutory Conduct Requirement to which the General Principle (and its related Standards and Practices) is most relevant. This should not, however, be treated as an exact match. Many of the General Principles are relevant across several different Statutory Conduct Requirements. As such, licensed insurance brokers should look to adopt the General Principles as a whole in their carrying on of regulated activities.
- 1.6 Section 92 of the Ordinance stipulates requirements in relation to the proper controls and procedures which a licensed insurance broker company must establish (and which its responsible officer must use his best endeavours to establish) for securing compliance with the conduct requirements in section 90 by its licensed technical representatives (broker). The section of this Code on

“Corporate Governance and Controls and Procedures” provides guidance as to the controls and procedures a licensed insurance broker company should implement in relation to section 92 of the Ordinance.

- 1.7 In formulating the General Principles, Standards and Practices, corporate governance and controls and procedures in this Code, full account has been taken of the role that licensed insurance brokers play as agents acting for policy holders or potential policy holders.

2. Persons to whom this Code applies

- 2.1 This Code applies to all licensed insurance brokers as defined in the Ordinance, namely licensed insurance broker companies and licensed technical representatives (broker). A reference to “licensed insurance brokers” in this Code, therefore, includes “licensed insurance broker companies” and “licensed technical representatives (broker)”.

- 2.2 Responsible officers and senior management of licensed insurance broker companies should make specific reference to the section of this Code on “Corporate Governance and Controls and Procedures” which sets out their responsibilities relating to the corporate governance, controls and procedures that need to be established and maintained in relation to the carrying on of regulated activities by the broker companies.

3. This Code and other Guidelines issued by the IA (and requirements of other regulatory authorities)

- 3.1 This Code is of universal application to the regulated activities carried on by licensed insurance brokers in relation to both general and life insurance policies and is not a replacement for other codes and guidelines issued by the IA. This Code needs to be complied with in addition to the applicable requirements set out in all other codes and guidelines issued by the IA. For example, in addition to the provisions in this Code, licensed insurance brokers need to comply with requirements which apply to them in the guidelines issued by the IA on anti-money laundering and counter-terrorist financing and (specifically relating to life insurance policies) on financial needs analysis, cooling-off period, investment-linked assurance scheme products, gifts and policy replacement.

- 3.2 In addition (as denoted in Standard and Practice 1.2) licensed insurance brokers should comply with requirements of other regulatory authorities which apply to the brokers regarding the regulated activities they carry on. In this respect, “other regulatory authorities” (or “other relevant regulatory authorities”) as referenced in this Code refers to regulatory authorities other than the IA which have jurisdiction over matters relating to the carrying on of regulated activities by licensed insurance brokers, such as the Monetary Authority (for example, in the case of a licensed insurance broker company which is a subsidiary of an authorized institution) or the Privacy Commissioner for Personal Data (in relation to personal

data collected or used by the broker in carrying on regulated activities).

4. Status of this Code and effect of a breach of this Code

4.1 A failure by a licensed insurance broker to comply with this Code shall not by itself render the broker liable to any judicial or other proceedings (section 95(5) of the Ordinance).

4.2 The IA may, however, take guidance from this Code in considering:

- (a) whether there has been an act or omission relating to the carrying on of any regulated activity, which in the IA's opinion is or is likely to be prejudicial to the interests of policy holders or potential policy holders or the public interest (section 80(1) of the Ordinance);
- (b) whether a licensed insurance broker is fit and proper to remain licensed (section 95(6) of the Ordinance);
- (c) whether a licensed insurance broker or responsible officer of a licensed insurance broker company has satisfied the Statutory Conduct Requirements; or
- (d) any other matters under the Ordinance to which this Code may be relevant.

4.3 The IA recognizes that licensed insurance brokers differ in scale and complexity of business, that they utilize different channels to communicate and interface with policy holders and potential policy holders and that there may be different ways in which the General Principles, Standards and Practices, corporate governance and controls and procedures may be met or implemented. The IA will therefore take account of the relevant context, facts and impact of any matter in considering whether the provisions of this Code have been satisfied and, if not, whether to take any disciplinary action.

4.4 This Code does not have the force of law, in that it is not subsidiary legislation, and should not be interpreted in a way that would override the provision of any law. However, in any proceedings under the Ordinance before a court, this Code is admissible in evidence, and if a provision in this Code appears to the court to be relevant to a question arising in the proceedings, the court must, in determining the question, take into account any compliance or non-compliance with this Code (section 95(7) of the Ordinance).

4.5 This Code should be read in conjunction with the relevant provisions of the Ordinance, the relevant subsidiary legislation as well as the relevant codes and guidelines issued by the IA. The matters set forth herein do not constitute legal advice or create additional legal obligations beyond those contained in the Ordinance.

4.6 The IA may from time to time amend the whole or any part of this Code.

4.7 This Code comes into effect on 23 September 2019.

Part B Interpretation

The defined terms in this section shall bear their stated meaning in this Code. Other expressions as used in this Code shall, except where expressly defined or stated otherwise in this Code, have the same meanings as in the Ordinance in which the expressions are referred to or used.

Definitions

For the purpose of this Code,

“client” in this Code bears the same meaning as policy holder and potential policy holder in the Ordinance;

“client agreement” means the agreement entered into between the licensed insurance broker company and the client as referenced in Standard and Practice 5.4;

“client’s circumstances”, in relation to regulated advice provided by a licensed insurance broker to a client, means the objectives, needs and priorities of and other information from or about the client which a reasonable licensed insurance broker would need to take into account in order to provide such advice. “Priorities” in this context means the stated priorities of the client in seeking such insurance and any particular risks or matters which are specifically brought to the attention of the broker by the client as being priorities which the broker should consider when recommending an insurance policy to the client. As guidance, examples of client’s circumstances include:

- a) where the broker is giving regulated advice in relation to the making of an application or proposal for a life insurance policy, the needs, financial situation, ability and willingness to pay premium and other information which the broker is required to collect in a financial needs analysis assessment; and
- b) where the broker is giving regulated advice in relation to the making of an application or proposal for a general insurance policy, the property, liability or other risks for which the client is seeking insurance coverage, the amount of and the period of coverage required;

“general insurance policy” means a contract of insurance which is classed as general business under the Ordinance;

“insurance product” or **“insurance policy”** means a contract of insurance². The terms are used interchangeably throughout this Code;

“life insurance policy” means a contract of insurance which is classed as long term

² A contract of insurance includes a contract of reinsurance.

business under the Ordinance;

“**minor offence**” means an offence punishable by a fixed penalty under the Fixed Penalty (Traffic Contraventions) Ordinance (Cap. 237), the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240), the Fixed Penalty (Public Cleanliness and Obstruction) Ordinance (Cap. 570), the Fixed Penalty (Smoking Offences) Ordinance (Cap. 600) or the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611), or an offence of similar nature committed in a place outside Hong Kong;

“**registered name**”, in relation to a company, means the name under which the company is registered under the Companies Ordinance (Cap. 622);

“**senior management**”, in relation to a licensed insurance broker company means those persons who perform the functions of managing the regulated activities carried on by the broker company. The exact composition of the senior management will depend on the size of the broker company, its organizational structure and the authority of the persons concerned. Whether a person is part of the senior management will depend on the actual functions and duties of the person and not simply the person’s position and title. The following examples are provided, solely as guidance for determining persons in senior management:

- a) persons responsible for overseeing the overall operations and functions of the regulated activities carried on by the broker company, and who report directly to the board or the responsible officer of the broker company, are likely to be considered part of the senior management; and
- b) in large broker companies, a person responsible for oversight of a business line (life, general, commercial, consumer etc.) or function (operations, compliance etc.) related to the regulated activities carried on by the broker company, is also likely to be considered part of the senior management;

“**Statutory Conduct Requirements**” means the conduct requirements applicable to licensed insurance brokers and/or their responsible officers as identified in sections 90 and 92 of the Ordinance and the standards and practices specified in any rules made by the IA under section 94 of the Ordinance with which licensed insurance brokers are required to comply.

A reference to “should” in this Code in relation an action, denotes that the licensed insurance broker is required to take the action in order to satisfy the relevant General Principle, Standard and Practice, corporate governance and control and procedure.

A reference in this Code to “it” or “its” in relation to a licensed insurance broker shall, except where the context otherwise specifies, be construed as including a reference to “he” or “him” or “his” and “she” or “her” or “hers” and vice versa, as the case may be. Where the context so permits or requires, words importing the singular number include the plural and vice versa.

Part C General Principles

The General Principles of this Code are set out below. They take account of the role licensed insurance brokers play as agents acting for policy holders or potential policy holders and serve as principles of conduct to ensure they act in the best interests of clients and that clients are fairly treated. They also take account of the Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors and in particular ICPs 18 and 19 which focus on principles which apply to licensed insurance intermediaries and their conduct of business.

GP 1. Honesty and Integrity

A licensed insurance broker should act honestly, ethically, with integrity and in good faith.

GP 2. Acting in the Best Interests of Clients and Treating Clients Fairly

A licensed insurance broker should always act in the best interests of its clients and treat its clients fairly.

GP 3. Exercising Care, Skill and Diligence

A licensed insurance broker should act with due care, skill and diligence.

GP 4. Competence to Advise

A licensed insurance broker should possess appropriate levels of professional knowledge and experience and only carry on regulated activities in respect of which the broker has the required competence.

GP 5. Disclosure of Information

A licensed insurance broker should provide clients with accurate and adequate information to enable them to make informed decisions.

GP 6. Suitability of Advice

A licensed insurance broker's regulated advice should be suitable for the client taking into account the client's circumstances.

GP 7. Conflicts of Interest

A licensed insurance broker should use best endeavours to avoid conflicts of interests and when such conflicts cannot be avoided, the broker should manage them with appropriate disclosure to ensure clients are treated fairly at all times.

GP 8. Client Assets

A licensed insurance broker should have sufficient safeguards in place to protect client assets received by the broker or which are in the broker's possession.

Section I

General Principle 1 – Honesty and Integrity

A licensed insurance broker should act honestly, ethically, with integrity and in good faith.

Related Statutory Conduct Requirement: Section 90(a) of the Ordinance – “*when carrying on a regulated activity, a licensed insurance intermediary must act honestly, fairly, in the best interests of the policy holder concerned or the potential policy holder concerned, and with integrity.*”

Standards and Practices

1.1 Accurate representations and presentation

- (a) A licensed insurance broker when carrying on regulated activities should always act with good faith towards its client.
- (b) A licensed insurance broker should not mislead or deceive a client and should ensure that any representation made or information provided to a client about any insurers, insurance intermediaries or insurance products is accurate and not misleading or deceptive.
- (c) A licensed insurance broker should not make inaccurate, misleading or deceptive statements or comparisons to induce a client to enter into an insurance policy or replace an existing insurance policy with another insurance policy.
- (d) Where a licensed insurance broker company develops its own advertising or marketing materials for use in carrying on regulated activities, it should ensure such materials contain only accurate information and are not disparaging, misleading or deceptive.
- (e) A licensed technical representative (broker) should only use advertising or marketing materials supplied or approved by its appointing licensed insurance broker company.
- (f) A licensed insurance broker company should not use a name (including a registered name, trade name or brand name) that is likely to deceive, mislead or confuse the client. It should not use a name which may lead the public to believe that it is closely affiliated with an insurer, another insurance intermediary, or a well-known entity unless there is such close affiliation or it has the authority to use the name.

1.2 Compliance

- (a) A licensed insurance broker should comply with:
 - (i) all laws which apply to the broker;
 - (ii) all rules, regulations, codes and guidelines administered or issued by the IA which apply to the broker; and

- (iii) all requirements of other regulatory authorities which apply to the broker in connection with the regulated activities carried on by the broker.
- (b) A licensed insurance broker should cooperate with the IA and all other relevant regulatory authorities on any matters concerning the regulated activities carried on by the broker.
- (c) A licensed technical representative (broker) should comply with the requirements, policies and procedures in relation to the carrying on of regulated activities set by the licensed insurance broker company for which the technical representative is acting as agent.
- (d) Where a licensed insurance broker is:
 - (i) wound up or adjudicated bankrupt by a court in Hong Kong or elsewhere;
 - (ii) convicted of a criminal offence (other than a minor offence) in Hong Kong or elsewhere; or
 - (iii) disciplined by the Monetary Authority, the Securities and Futures Commission or the Mandatory Provident Fund Schemes Authority,the broker should, as soon as reasonably practicable, report this to:
 - (i) the IA in writing; and
 - (ii) where the broker is a licensed technical representative (broker), his appointing licensed insurance broker company in a manner specified by the broker company.

1.3 Harassment, Coercion or Undue Influence

A licensed insurance broker should not harass, coerce or use undue influence to induce a client to enter into a contract of insurance or to make a material decision³.

1.4 Prevention of Bribery

- (a) A licensed insurance broker should be familiar with and not contravene, and should ensure that its employees are familiar with and do not contravene, the Prevention of Bribery Ordinance (Cap. 201) (“PBO”) and should follow all relevant guidance issued by the Independent Commission Against Corruption concerning matters in relation to the carrying on of regulated activities by the broker.
- (b) Without limitation to 1.4(a) above, the PBO may prohibit a licensed insurance broker company (including where it acts through its licensed technical representatives (broker)) from:
 - (i) soliciting or accepting an advantage from a person as an inducement or reward for the broker company taking any action in relation to the affairs or

³ Reminding a client of a promotion which may be of interest to the client would not generally be considered to infringe Standard and Practice 1.3. Licensed insurance brokers should, however, be mindful of the frequency, timing and manner of such reminders.

business of a client of the broker company, without the broker company first obtaining the requisite permission⁴ from that client; or

- (ii) offering an advantage to another person who is an agent (as defined in the PBO) as an inducement or reward for that agent taking any action in connection with the affairs or business of that agent's principal, without the requisite permission being given by the principal.

Note: 1.4(b) is not a Standard and Practice in this Code, but serves to draw the attention of licensed insurance brokers to situations where particular consideration should be given to the PBO in the carrying on of regulated activities. Please also note that (i) and (ii) above do not include all the elements of relevant offences under the PBO. Further, 1.4(b) does not constitute legal advice or any form of legal interpretation of the PBO. Full reference should be made to the PBO itself (in particular section 9 of the PBO and the definitions and meanings of the terms used therein).

⁴ For the purposes of 1.4(b)(i) and (b)(ii) above, "requisite permission" means permission which satisfies the requirements in section 9(5) of the PBO.

Section II

General Principle 2 – Acting in the Best Interests of Clients and Treating Clients Fairly

A licensed insurance broker should always act in the best interests of its clients and treat its clients fairly.

Related Statutory Conduct Requirement: Section 90(a) of the Ordinance – “*when carrying on a regulated activity, a licensed insurance intermediary must act honestly, fairly, in the best interests of the policy holder concerned or the potential policy holder concerned, and with integrity.*”

Standards and Practices

2.1 Acting in the client’s best interests and being impartial, objective and fair

A licensed insurance broker should:

- (i) place the interests of clients before all other considerations;
- (ii) treat the client fairly; and
- (iii) give suitable, impartial and objective advice to its client which takes account of the client’s interests.

2.2 Sourcing insurance products

- (a) A licensed insurance broker should recommend insurance products which best meet its client’s interests⁵.
- (b) A licensed insurance broker should source a sufficient⁶ range of available insurance products, suitable to its client’s circumstances, from a sufficient range of different insurers before recommending an insurance product to a client.
- (c) A licensed insurance broker should not prejudice its client’s selection of insurers by being unreasonably dependent on any particular insurer.

⁵ In this respect, the insurance products which best meet the client’s interests would be those that a reasonable licensed insurance broker would consider suitable for the client based on the client’s circumstances.

⁶ The range of insurance products and insurers which is “sufficient” for the purpose of 2.2(b) will depend on the type of insurance product being sourced and the extent to which it is available in the insurance market. It is recognized that certain insurance products are so specialist that they may be offered by only a few insurers. These and other practicalities are to be taken into account in considering the sufficiency of the sourcing process. Ultimately, whether the range of relevant insurance products or insurers is sufficient should be decided by reference to the standards of a reasonable and prudent professional licensed insurance broker carrying on regulated activities.

2.3 Giving fair and impartial regulated advice⁷ in the client's best interests

- (a) A licensed insurance broker should, prior to giving regulated advice:
 - (i) make such enquiries as are reasonable to obtain information relating to the client, to the extent such information is necessary in order for the broker to provide regulated advice; and
 - (ii) if it is reasonably apparent that such information is incomplete or inaccurate (e.g. if there are any inconsistencies in the information provided), make reasonable follow-up enquiries to obtain complete and accurate information.
- (b) When giving regulated advice, a licensed insurance broker should:
 - (i) take into account the information it has obtained from its client, including the client's circumstances and have a reasonable basis for the advice;
 - (ii) when making a recommendation on an insurance product, consider what available insurance products can reasonably meet the client's circumstances, based on the insurance products sourced by the broker (see Standard and Practice 2.2 above); and
 - (iii) provide the client with adequate information in order to assist the client to make an informed decision.
- (c) The regulated advice given by a licensed insurance broker to a client should be advice that a reasonable licensed insurance broker would consider suitable for the client based on the information obtained from the client, including the client's circumstances.

⁷ Giving regulated advice includes making a recommendation on an insurance product.

Section III

General Principle 3 – Exercising Care, Skill and Diligence

A licensed insurance broker should act with due care, skill and diligence.

Related Statutory Conduct Requirement: Section 90(b) of the Ordinance – “*when carrying on a regulated activity, a licensed insurance intermediary must exercise a level of care, skill and diligence that may reasonably be expected of a prudent person who is carrying on the regulated activity.*”

Standards and Practices

3.1 Meeting the standards expected of a reasonable and prudent licensed insurance broker

A licensed insurance broker should always carry on regulated activities to a reasonable standard of care and skill and with due diligence. The reasonable standard of care, in this respect, is the standard expected of a prudent professional insurance broker carrying on regulated activities.

3.2 Handling of application and claim forms

Where any application, claim or other forms which are required to be completed by a client, are being completed or submitted on behalf of the client by a licensed insurance broker or with the assistance of a broker, the broker:

- (i) should inform the client that it is the client’s responsibility to ensure the information provided in the form, or in the document(s) provided in support of the form, is accurate and complete;
- (ii) should not complete, amend or submit to the insurer concerned any such form without obtaining the client’s authority and confirming the completeness and accuracy of the contents with the client; and
- (iii) should not submit any such form to the insurer concerned if the broker knows that the form contains inaccurate information⁸.

3.3 Carrying out client’s instructions

- (a) A licensed insurance broker should take reasonable steps to carry out a client’s instructions accurately and promptly, and notify the client as soon as practicable in case of any delay or failure to carry out the instruction.

⁸ If a licensed insurance broker considers that information in a form may be inaccurate, but the form must be submitted to preserve the client’s right to make a claim (e.g. to comply with a condition precedent), the broker may submit the form, but should inform the insurer that it will clarify the information. The broker should then clarify the information with the client, so any inaccuracy can be corrected as soon as reasonably possible.

- (b) Where a client terminates its appointment of a licensed insurance broker company, the broker company should provide all reasonable cooperation to bring the appointment to an end in an orderly manner.

3.4 Protecting a client's privacy and confidentiality

- (a) A licensed insurance broker should treat all information in relation to a client as confidential and should not use it or disclose it other than (i) for the purposes of carrying on the regulated activities for which such information has been provided, (ii) with the written consent of the client, or (iii) for the purpose of complying with any laws or regulations which apply to the broker and which require disclosure to be made.
- (b) With regards to personal data of a client that is collected by a licensed insurance broker in the course of the carrying on of regulated activities, the broker must comply with the Personal Data (Privacy) Ordinance (Cap. 486) ("PDPO") and should follow the related guidance⁹ issued by the Privacy Commissioner for Personal Data ("Privacy Commissioner") concerning collection, retention, use and security of the personal data.

3.5 Record Keeping

- (a) A licensed insurance broker company should keep proper records in relation to the regulated activities it carries out, so as to comply with the record keeping requirements of all laws, rules, regulations, codes and guidelines applicable to the licensed insurance broker company.
- (b) A licensed technical representative (broker) should act in accordance with all requirements, policies and procedures of the licensed insurance broker company he represents relating to the keeping of proper records established by the broker company in order for it to comply with Standard and Practice 3.5(a).

3.6 Cooling-off period

If an insurance policy contains a cooling-off period provision¹⁰, a licensed insurance broker should adhere to the following practices:

- (i) before the client's application for the insurance policy is signed or, in the case of an application without a signature before the application process for the insurance policy is completed, the broker should inform the client of his right to cancel the insurance policy during the cooling-off period and that the client

⁹ The Privacy Commissioner has issued "Guidance on the Proper Handling of Customers' Personal Data for the Insurance Industry" to assist the insurance industry to comply with the requirements under the PDPO. The Privacy Commissioner has also issued "New Guidance on Direct Marketing" to provide guidance on compliance with the requirements for direct marketing under the PDPO.

¹⁰ A cooling-off period provision, in relation to an insurance policy, is a provision which allows the policy holder to cancel the policy within a specified period from inception and obtain a refund.

should notify the insurer concerned during the cooling-off period if he wishes to exercise such right; and

- (ii) if the insurance policy is delivered to the broker by the insurer concerned, the broker should deliver the insurance policy to the client as soon as reasonably practicable (and keep a record of the date of such delivery) so that the client has sufficient time to review the insurance policy and reflect on his decision to purchase before expiry of the cooling-off period.

3.7 Assistance in relation to insurance claims

With regard to insurance claims made by a client:

- (i) unless stated otherwise in the client agreement, a licensed insurance broker should (where requested by the client) provide the client with reasonable assistance in submitting any claim under an insurance policy which was negotiated or arranged by the broker on behalf of the client and pass on any relevant information received from the client in relation to the claim to the insurer concerned as soon as practicable; and
- (ii) exercise due care to discharge all obligations in relation to the administration, negotiation and settlement of such claims to the extent that such obligations are within the scope of the broker's services stated in the relevant client agreement.

Section IV

General Principle 4 – Competence to Advise

A licensed insurance broker should possess appropriate levels of professional knowledge and experience and only carry on regulated activities in respect of which the broker has the required competence.

Related Statutory Conduct Requirement: Section 90(c) of the Ordinance – “*when carrying on a regulated activity, a licensed insurance intermediary may advise only on matters for which the intermediary is competent to advise.*”

Standards and Practices

4.1 Product knowledge

A licensed technical representative (broker) should have a good understanding of the nature and key features of, and the risks covered by and associated with, the different types of insurance products in respect of which he may carry on regulated activities.

4.2 Being clear about the limits of their knowledge

A licensed technical representative (broker) should not carry on regulated activities on matters in relation to which he lacks the specific skills or knowledge¹¹ necessary to carry on the relevant regulated activity. When in doubt, he should seek guidance from the responsible officer or senior management in his appointing licensed insurance broker company.

¹¹ The requisite skills or knowledge a licensed technical representative (broker) is expected to have will depend on the particular situation involving the regulated activities being carried on. Factors to be considered would include the complexity (or simplicity) of the insurance product or transaction which is the subject of the regulated activities, whether the insurance product is of a specialist nature, the level of the person's experience and the relevance of the person's qualifications.

Section V

General Principle 5 – Disclosure of Information

A licensed insurance broker should provide clients with accurate and adequate information to enable them to make informed decisions.

Related Statutory Conduct Requirement: Section 90(e) of the Ordinance – “when carrying on a regulated activity, a licensed insurance intermediary must make the disclosure of information to the policy holder or the potential policy holder that is necessary for the policy holder or the potential policy holder to be sufficiently informed for the purpose of making any material decision.”

Standards and Practices

5.1 Disclosure in relation to identity and capacity

- (a) A licensed insurance broker should provide the following information to its client:
- (i) the name (the registered name as well as the trade name, if any) of the broker;
 - (ii) the licence number of the broker;
 - (iii) the type of licence of the broker, i.e. insurance broker company licence or technical representative (broker) licence;
 - (iv) where the broker is a licensed technical representative (broker), the name of his appointing licensed insurance broker company; and
 - (v) the fact that the broker acts on behalf of the client in dealing with insurers on matters relating to insurance policies being procured by the client.
- (b) Where a licensed technical representative (broker) acts for more than one licensed insurance broker company, he should clearly identify to the client which licensed insurance broker company he is representing in relation to each particular insurance transaction.
- (c) A licensed insurance broker should provide the information in Standard and Practice 5.1(a) and (b) above before or (if this is not feasible) as soon as reasonably practicable after commencing any regulated activity in relation to the client.
- (d) A licensed technical representative (broker) should ensure the following information is correctly shown on his business card (including any digital business card) if a business card is distributed by the technical representative for the purpose of carrying on regulated activities:
- (i) the name as shown on his Hong Kong identity card or passport¹²;
 - (ii) licence number;

¹² The licensed technical representative (broker) may also state any other name by which he is commonly known on his business card even if this is not shown on his Hong Kong identity card or passport.

- (iii) type of licence; and
- (iv) the name of his appointing licensed insurance broker company.

5.2 Disclosure in relation to insurance products

- (a) A licensed insurance broker should provide its client with all relevant information on the key features of each insurance product recommended or arranged by the broker. The information should include:
 - (i) the name of the insurer concerned;
 - (ii) the major policy terms and conditions (e.g. coverage, policy period, conditions precedent, exclusions and warranties and any other clauses which would reasonably be considered to adversely impact the client's decision to enter into the insurance policy);
 - (iii) the level of premium and the period for which the premium is payable; and
 - (iv) the fees and charges (other than premium) to be paid by the client, if any.
- (b) When comparing insurance products, a licensed insurance broker should adequately explain the similarities and differences between the products. Any comparison made should be accurate and not misleading (See also Standard and Practice 1.1(c)).
- (c) Where a licensed insurance broker intends to give regulated advice on or arrange an insurance policy with an insurer which is not authorized by the IA¹³, the broker should disclose to the client:
 - (i) the name and address of the insurer in the jurisdiction where the insurer has issued the policy and (if different) the jurisdiction where the insurer is incorporated;
 - (ii) the fact that the insurer is not regulated by the IA and is subject to different laws and regulations;
 - (iii) the financial standing of the insurer (for example, whether the insurer has a credit rating and, if so, what the credit rating is); and
 - (iv) the governing law of the insurance policy and the jurisdiction in which disputes under the policy will be determined.

Where the client is an individual, the licensed insurance broker should also obtain written acknowledgement from the client of the disclosures in (i) to (iv) (and keep a record of such acknowledgement).

¹³ Nothing in paragraph 5.2(c) alters the position under section 6(1)(a) of the Ordinance, which requires companies carrying on insurance business in or from Hong Kong to be authorized under section 8 of the Ordinance.

5.3 Disclosure in relation to a policy holder's obligations

- (a) When a client is making an application for insurance with the assistance of a licensed insurance broker, the broker should explain to the client:
 - (i) the principle of utmost good faith and remind the client that non-disclosure of material facts or provision of incorrect information to an insurer may result in the insurance policy being invalidated or avoided or claims being repudiated by the insurer;
 - (ii) the sort of material facts which ought to be disclosed by the client to the insurer¹⁴; and
 - (iii) any declaration which needs to be made by the client in respect of the application and give the client the opportunity to review it before the client signs or makes the declaration.
- (b) When negotiating or arranging an insurance policy with an insurer on behalf of a client (i.e. prior to the insurance policy being entered into), a licensed insurance broker should:
 - (i) not make any false statements or mislead the insurer;
 - (ii) disclose to the insurer all material facts in relation to the insurance policy, which have been provided to the broker by the client; and
 - (iii) disclose to the insurer all material facts in relation to the prospective insurance policy of which the broker is aware.

5.4 Client agreements and terms of business with clients

- (a) A licensed insurance broker company should enter into an agreement with a client¹⁵, setting out in writing the terms and conditions of business on which the licensed insurance broker will carry on regulated activities for the client.
- (b) The client agreement may be entered into:
 - (i) by the client signing the agreement which sets out the written terms and conditions;
 - (ii) by the client providing written consent to the broker's written terms and conditions of business (including by e-mail or other electronic mechanism); or
 - (iii) by conduct (with the broker company providing the client with its written terms and conditions of business for carrying on regulated activities for the client's review, and the client proceeding or continuing with the instruction to the

¹⁴ The broker may explain that a material fact is one that would influence a prudent insurer's judgement as to whether to insure the risk at all, the premium to charge, or the terms on which to insure and provide some examples relevant to the insurance policy which is the subject of the application to highlight the meaning.

¹⁵ In respect of the requirements relating to a client agreement, "client" refers to the client with whom the client agreement is being entered into (e.g. if the client is entering into an insurance policy under which other insured persons as well as the client are to be covered, and the client is representing all insured persons in entering into the insurance policy, there is no need for the client agreement to be with those other insured persons).

broker company to carry on regulated activities, or otherwise indicating acceptance of such written terms and conditions of business, for example, by paying the premium for the insurance product arranged by the broker company).

- (c) A copy of the client agreement should be provided to the client as soon as reasonably practicable and the broker company should keep a record of the client agreement.

5.5 Disclosure in relation to a client referred by another person¹⁶

- (a) Where a client is referred to a licensed insurance broker by another person (referrer), in addition to complying with the policies, procedures or requirements relating to referrals that the licensed insurance broker company has in place, before the broker arranges an insurance policy for the client, the broker should inform the client that:
 - (i) the broker will be responsible for arranging the insurance policy and, for this purpose, the client should only deal directly with the broker (i.e. the client should not deal with the referrer for arranging the insurance policy);
 - (ii) the referrer does not represent the broker and should have no involvement in the arrangement of the insurance policy;
 - (iii) the broker disclaims all liability for any advice in relation to the insurance policy given to the client by the referrer; and
 - (iv) premium for the insurance policy should be paid directly either to the broker or the insurer concerned (and not to the referrer).
- (b) Standard and Practice 5.5(a) does not apply where:
 - (i) the client is referred to a licensed insurance broker company by its appointed licensed technical representative (broker); or
 - (ii) the referral is made to the licensed insurance broker company in the context of the licensed insurance broker company being engaged by another insurance broker for the purpose of arranging an insurance policy for the client.

¹⁶ Under section 64G of the Ordinance, a person must not carry on a regulated activity in the course of the person's business or employment, or for reward, unless the person is a licensed insurance intermediary or exempt from the licensing requirements under the Ordinance. A person who contravenes the licensing requirements commits an offence. The Standards and Practices in this Code do not alter the requirements under section 64G of the Ordinance. If a referrer carries on regulated activities and none of the exemptions under the Ordinance apply, then the referrer must be licensed.

Section VI

General Principle 6 – Suitability of Advice

A licensed insurance broker's regulated advice should be suitable for the client taking into account the client's circumstances.

Related Statutory Conduct Requirement: Section 90(d) of the Ordinance – “*when carrying on a regulated activity, a licensed insurance intermediary must have regard to the particular circumstances of the policy holder or the potential policy holder that are necessary for ensuring that the regulated activity is appropriate to the policy holder or the potential policy holder.*”

Standards and Practices

6.1 Suitability assessment

- (a) Before giving regulated advice, a licensed insurance broker should carry out an appropriate suitability assessment in relation to the client's circumstances. The objective of such suitability assessment is to ensure that a licensed insurance broker obtains sufficient information in relation to the client's circumstances on which to base its regulated advice to the client.
- (b) To achieve the objective of a suitability assessment, a licensed insurance broker should:
 - (i) take reasonable steps to understand the client's circumstances;
 - (ii) source a sufficient¹⁷ range of relevant insurance products available on the market from a sufficient range of different insurers or explore other insurance options, and consider the available insurance options in view of the client's circumstances;
 - (iii) take into account the client's circumstances when giving regulated advice to the client and have a reasonable basis for such advice; and
 - (iv) if a client does not provide information for the suitability assessment which is necessary for the licensed insurance broker to achieve the objective in Standard and Practice 6.1(a) above, the licensed insurance broker should explain that its regulated advice may not be suitable to address the client's circumstances unless such information is provided.
- (c) The level of suitability assessment should be proportionate and reasonable, taking into account the client's circumstances and other factors such as the type of insurance product under consideration¹⁸.

¹⁷ See footnote 6 above.

¹⁸ Reference should also be made to the guidelines issued by the IA in relation to life insurance policies which set out specific requirements in relation to suitability assessments for these policies (e.g. financial needs analysis). For insurance products which are not subject to specific requirements for suitability

6.2 Recommendation

- (a) The regulated advice given by a licensed insurance broker to a client (e.g. advice in relation to the making of an application or proposal for a contract of insurance) should be advice that a reasonable licensed insurance broker would consider suitable for the client based on the information obtained from the client, including the client's circumstances.
- (b) If, after a licensed insurance broker has carried out a suitability assessment and provided regulated advice, the client insists on making a material decision contrary to the recommendation included in the advice and which, in the broker's opinion, is not suitable for the client's circumstances, the broker should document and keep a proper record of:
- the recommendation made by the broker to the client;
 - the reasons provided by the client (if any) to the broker for taking a decision which does not follow the recommendation;
 - the explanation given by the broker to the client for considering the client's decision to be unsuitable; and
 - the fact that the decision is the client's own decision.

assessment set out in guidelines or other rules or regulations, the extent of such assessment depends on the nature and complexity of the products concerned and the client's circumstances. For travel insurance, by way of example, the suitability assessment may be conducted as a part of the application process (where the client's circumstances would be the trip details, the ages of the persons travelling, the length of the journey etc.)

Section VII

General Principle 7 – Conflicts of Interest

A licensed insurance broker should use best endeavours to avoid conflicts of interests and when such conflicts cannot be avoided, the broker should manage them with appropriate disclosure to ensure clients are treated fairly at all times.

Related Statutory Conduct Requirements:

- Section 90(f) of the Ordinance – “when carrying on a regulated activity, a licensed insurance intermediary must use its best endeavours to avoid a conflict between the interests of the intermediary and the interests of the policy holder or the potential policy holder”;
- Section 90(g) of the Ordinance – “when carrying on a regulated activity, a licensed insurance intermediary must disclose any conflict mentioned in paragraph (f) to the policy holder or the potential policy holder”.

Standards and Practices

7.1 Avoiding potential conflicts of interest by providing appropriate disclosure in relation to remuneration

Where a licensed insurance broker company intends to arrange an insurance policy for its client and will receive remuneration paid by the insurer concerned, the broker company should, before arranging the insurance policy, provide adequate disclosure in relation to such remuneration to the client. Such disclosure should include information and be made in accordance with the manner stated in any rules, regulations, codes or guidelines administered or issued by the IA or other regulatory authorities.

7.2 Addressing potential conflicts of interest regarding relationships with insurers

If a licensed insurance broker has any association or affiliation with an insurer (such as, without limitation, a common shareholder, director and controller) and the licensed insurance broker intends to recommend an insurance product to a client which is offered by that insurer, then the broker should (prior to making the recommendation) disclose its association or affiliation with the insurer to the client.

7.3 Avoid allowing own interests to influence the client’s decision

- (a) Where a licensed insurance broker has another business or occupation, the broker should avoid any conflict arising between its interests in that other business or occupation and the interests of the client when carrying on regulated activities. In the event the broker is unable to avoid such conflict, it should disclose the conflict to the client as soon as practicable and, at all times, act fairly in relation

to the client, placing the client's interests ahead of the broker's interests in the other business or occupation.

- (b) Where another company in the same group of companies¹⁹ as the licensed insurance broker company is providing services in relation to an insurance policy in respect of which the broker is providing regulated activities, the broker should take steps to avoid or manage (through, for example, disclosure) any potential conflicts of interest which may arise, so as to ensure the client is treated fairly at all times.

¹⁹ "group of companies" has the meaning assigned to it in section 2 of the Companies Ordinance (Cap. 622).

Section VIII

General Principle 8 – Client Assets

A licensed insurance broker should have sufficient safeguards in place to protect client assets received by the broker or which are in the broker's possession.

Related Statutory Conduct Requirement: Section 90(h) of the Ordinance – “when carrying on a regulated activity, a licensed insurance intermediary must ensure that the assets of the policy holder or the potential policy holder are promptly and properly accounted for.”

Standards and Practices

8.1 Handling of client assets

- (a) A licensed insurance broker company must handle client monies (and any other client assets received by the broker in the course of carrying on regulated activities) in strict compliance with the requirements stipulated in law and the relevant rules, regulations, codes and guidelines administered or issued by the IA, including without limitation:
 - (i) the requirements set out in Section 71 of the Ordinance;
 - (ii) the requirements set out in the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules;
 - (iii) the terms and conditions of its client agreement with the client; and
 - (iv) the fiduciary duties it owes to its clients.
- (b) A licensed insurance broker company should have sufficient controls and security in place to prevent unauthorized access to client assets.

Section IX

Corporate Governance and Controls and Procedures

A licensed insurance broker company should have proper controls and procedures in place to ensure that the broker company and its licensed technical representatives (broker) meet the General Principles, Standards and Practices set out in this Code.

Related Statutory Conduct Requirements: Section 92(1) of the Ordinance sets out the relevant conduct requirements for a licensed insurance broker company as follows:

- (a) it must establish and maintain proper controls and procedures for securing compliance with the conduct requirements set out in section 90 by the broker company and the licensed technical representatives (broker) appointed by the broker company;*
- (b) it must use its best endeavours to secure observance with the controls and procedures established under paragraph (a) by the licensed technical representatives (broker) appointed by the broker company;*
- (c) it must ensure that its responsible officer has sufficient authority within the broker company for carrying out the responsibilities set out in section 92(2); and*
- (d) it must provide its responsible officer with sufficient resources and support for carrying out the responsibilities set out in section 92(2).*

Corporate Governance

A licensed insurance broker company should establish and implement an organizational and management structure which includes adequate controls and procedures to ensure the interests of clients are not prejudiced. Such organizational structure should include clear roles and lines of responsibility and accountability of its senior management which underpins the objectives of acting in the best interests of clients and treating clients fairly. The extent and scope of the broker company's governance structure will depend on the nature, size and complexity of the business as well as the medium it uses for solicitation of business and the types of insurance it promotes, advises on or arranges.

The requirements below elaborate on the controls and procedures that a licensed insurance broker company is expected to adopt. For the avoidance of doubt, these requirements are in addition to other governance requirements set out in any applicable codes and guidelines, including the "Guideline on "Fit and Proper" Criteria for Licensed Insurance Intermediaries under the Insurance Ordinance (Cap. 41)".

Controls and Procedures

1. Compliance

- (a) A licensed insurance broker company should have proper controls, procedures and adequate supervision to ensure that:
- (i) persons who are recruited, employed by, associated with, or act for the broker company in relation to the carrying on of regulated activities have the integrity and competence to discharge their duties and responsibilities;
 - (ii) the broker company and its staff, particularly its licensed technical representatives (broker) comply with all laws, rules, regulations, codes and guidelines relevant to the carrying on of regulated activities in the broker's lines of business;
 - (iii) its licensed technical representatives (broker) comply with the broker company's policies, procedures and other requirements for carrying on regulated activities (monitored, for example, by the responsible officer and senior management periodically reviewing management reports on non-compliance issues); and
 - (iv) its licensed technical representatives (broker) are trained and have a good understanding of the nature and key features of, and the risks covered by and associated with, the insurance products in respect of which they may carry on regulated activities and keep proper training records.

2. Insurance product and insurer due diligence

- (a) A licensed insurance broker company should have in place proper controls and procedures to assess the nature and key features of insurance products²⁰ in respect of which the broker company intends to provide regulated advice to clients. The assessment of such insurance products should be made:
- (i) prior to making any recommendation of such insurance products; and
 - (ii) at appropriate periodic intervals thereafter to ensure its due diligence remains up to date.
- (b) Where the regulated advice to be given by a licensed insurance broker company is to include advice on the relative merits of particular insurers (for example, an insurer's expertise and track record in a particular line of business, response time

²⁰ The objective of product due diligence is to reinforce the standards and practices in this Code in relation to product knowledge (Standard and Practice 4.1) and sourcing of insurance products (Standards and Practices 2.2(b) and 6.1). The level of due diligence required will depend, in part, on the type of insurance product concerned. The Code does not prescribe the specific manner in which the due diligence should be carried out. By way of example, a broker company may carry out the due diligence prior to the first time it carries on regulated activities in respect of the product and, thereafter, where the terms and conditions of the product are materially revised. The broker company may also build in the product due diligence process as part of its placement process or as part of its suitability assessment process.

in claims handling, financial strength etc.), the broker company should have in place proper controls and procedures to conduct due diligence on such insurers in order to have a reasonable basis for providing such advice.

- (c) A licensed insurance broker company should ensure documentation evidencing the processes in (a) and (b) above are made and maintained.

3. Handling of complaints

- (a) A licensed insurance broker company should have proper controls and procedures to handle and resolve complaints about regulated activities carried on by the broker company or its licensed technical representatives (broker) in a timely, fair and proper manner.
- (b) In order to achieve the objectives in paragraph (a), the licensed insurance broker company should:
 - (i) have designated staff to handle such complaints;
 - (ii) ensure steps are taken to investigate such complaints, to respond promptly to the complainants concerned and to take any remedial action as appropriate;
 - (iii) advise complainants of the proper avenue for the complaints (including referral of the matters to the IA) if the complaints cannot be resolved to the complainants' satisfaction by the broker company;
 - (iv) maintain proper records of complaints; and
 - (v) respond to, cooperate and deal with the IA and other relevant regulatory authorities in the handling of complaints and provide assistance to the relevant insurers to resolve such complaints.

4. Keeping of records

A licensed insurance broker company should establish proper controls and procedures to ensure that records in relation to the regulated activities it carries out (including the regulated activities carried out on its behalf, by its licensed insurance technical representatives (broker)) are kept, so as to comply with the record keeping requirements of all laws, rules, regulations, codes and guidelines applicable to the carrying on of regulated activities by the licensed insurance broker company.

5. Reporting of incidents to the IA

- (a) A licensed insurance broker company should report the following incidents to the IA and should have proper controls and procedures to ensure such incidents are reported to the IA, as soon as reasonably practicable:
 - (i) the filing of a petition for winding-up of the broker company;

- (ii) the bankruptcy of any directors, controllers or licensed technical representatives (broker) of the broker company;
 - (iii) a disciplinary action taken against the broker company or its licensed technical representatives (broker) by the Monetary Authority, the Securities and Futures Commission or the Mandatory Provident Fund Schemes Authority; or
 - (iv) a criminal conviction (other than a minor offence) of the broker company or its directors, controllers or licensed technical representatives (broker) by any court in Hong Kong or elsewhere;
- (b) A licensed insurance broker company should also report to the IA, as soon as reasonably practicable:
- (i) any material breaches of requirements under the Ordinance or any rules, regulations, codes or guidelines administered or issued by the IA, by the broker company or its licensed technical representatives (broker); and
 - (ii) any material incidents which happen to the broker company.
- (c) For the purposes of (b) above,
- (i) a breach or incident is material if:
 - it adversely impacts or is likely to adversely impact the broker company's ability to carry on regulated activities;
 - it indicates that the broker company's controls or procedures are inadequate to ensure compliance by the broker company or its technical representatives (broker) with the requirements under the Ordinance or any rules, regulations, codes or guidelines administered or issued by the IA; or
 - it has caused or may cause loss to a client or to the broker company itself;
 - (ii) a licensed insurance broker company should establish a process for assessing whether a breach or an incident is material in accordance with the factors stated in (i) above and have proper controls and procedures to ensure the reporting of such material breaches or incidents to the IA; and
 - (iii) if a licensed insurance broker company is not sure whether a breach or incident is material, the broker is encouraged to report the breach or incident to the IA.

6. Accountability of the responsible officer and senior management

The responsible officer of a licensed insurance broker company, and its other senior management who oversee the business of regulated activities carried on by the broker company, should ensure (and should be accountable for ensuring) that the controls and procedures required by 1 to 5 above are in place and effective.