

Guidance Note Applicable to Registered Persons Wishing to Engage/Continue to Engage in Investment-linked Long Term (ILLT) Insurance Business on or after 1 March 2010

1. Background

The Code of Practice for the Administration of Insurance Agents (the *Code*) specifies that the Hong Kong Federation of Insurers/the Insurance Agents Registration Board (IARB) may issue Guidance Notes from time to time as to how it intends to exercise its powers and fulfill its responsibilities under the *Code*.

This Guidance Note aims to assist Registered Person(s) (RP(s)) to comply with the requirements to engage in ILLT insurance business from 1 March 2010 when the enhanced Paper V - ILLT Insurance Examination Paper (enhanced IL Paper) under the Insurance Intermediaries Qualifying Examination comes into effect.

For the purpose of this Guidance Note, any reference to "RP(s)" shall include insurance agent(s), responsible officer(s) (RO(s)) and technical representative(s) (TR(s)).

Part E of the *Code* under "Minimum Qualifications for Persons to be Registered as Registered Persons" stipulates:

- (a) the minimum qualifications an individual must fulfill before he may be considered by the IARB to be fit and proper to be registered as an RP; and
- (b) that an RP shall comply with the Continuing Professional Development (CPD) requirements in such manner and form as specified by the Insurance Authority (IA).

2. Requirements

The IA has specified:

- a. Commencing 1 March 2010, the existing ILLT Insurance Examination Paper (existing IL Paper) will be superseded by the enhanced IL Paper.
- b. RPs who are registered as engaging in ILLT insurance business immediately before 1 March 2010 (i.e. Serving Practitioners) shall be required to pass the enhanced IL Paper within a 2-year transitional period commencing 1 March 2010 and expiring on 29 February 2012 (Transitional Period) in order to continue to be registered as engaging in such business, unless otherwise exempted for qualifications listed under Section 3.
- c. Serving Practitioners may choose not to take the enhanced IL Paper; in which case, they will be subject to an additional CPD requirement of 20 extra hours dedicated towards the additional modules of the enhanced IL Paper (20 IL CPD hours) to be completed within the Transitional Period. These 20 IL CPD hours are in addition to the CPD requirement of 10 CPD hours per annum applicable to all RPs.

- d. An individual, who has passed the existing IL Paper, ceased to be engaged in insurance-related work in the insurance industry in Hong Kong for less than two consecutive years immediately before the date of his registration, and wishes to register for engaging in ILLT insurance business on or after 1 March 2010, could take advantage of the transitional arrangements by either passing the enhanced IL Paper or completing 20 IL CPD hours within the Transitional Period. If the date of his application for registration for engaging in ILLT insurance business is after 29 February 2012, he will be required to pass, among others, the enhanced IL Paper before his application.
- e. An individual, who has passed the existing IL Paper but is not engaged in insurance-related work in the insurance industry in Hong Kong, and wishes to register for engaging in ILLT insurance business on or after 1 March 2010, could take advantage of the transitional arrangements by either passing the enhanced IL Paper or completing 20 IL CPD hours within the Transitional Period, provided that the time between the date of the examination for the existing IL Paper and his application for registration does not exceed two consecutive years. If the date of his application for registration for engaging in ILLT insurance business is after 29 February 2012, he will be required to pass, among others, the enhanced IL Paper before his application.
- f. An individual, who has passed the existing IL Paper and is engaged in insurance-related work in the insurance industry in Hong Kong but is not registered for engaging in ILLT insurance business, could take advantage of the transitional arrangements by either passing the enhanced IL Paper or completing 20 IL CPD hours within the Transitional Period, if the date of his application for registration for engaging in ILLT insurance business falls within the Transitional Period. If the date of his application for registration for engaging in ILLT insurance business is after 29 February 2012, he will be required to pass, among others, the enhanced IL Paper before his application.

For the sake of clarity, RPs must comply with all the CPD requirements under revised Guidance Note 7, in particular, the completion of 10 CPD hours for an assessment year within a 12-month period (i.e. from August of a particular year to 31 July of the following year) in order to maintain their registration status with the IARB for another 12 months.

3. Exemption

Pursuant to clause 66 (b) of the *Code*, exemption from the enhanced IL Paper could be granted to holders of any of the following recognized professional qualifications in insurance, investment or actuarial science:

- Chartered Life Underwriter (CLU) who has passed the elective paper: "HS 328 Investments" of the CLU qualifying examination;
- Chartered Financial Consultant (ChFC);
- Certified Financial Planner (CFP);
- Fellow of the Institute of Actuaries of England (FIA);
- Fellow of the Faculty of Actuaries in Scotland (FFA);
- Fellow of the Institute of Actuaries of Australia (FIAA);
- Fellow of the Society of Actuaries of the United States of America (FSA);
- person who has passed the Foundation Programme Examination of the Hong Kong Securities Institute (FPE);

- person who has passed the Diploma Programme Examination of the Hong Kong Securities Institute (DPE);
- HKSI Practising Certificate of the Hong Kong Securities Institute;
- HKSI Specialist Certificate of the Hong Kong Securities Institute; or
- HKSI Professional Diploma in Financial Markets of the Hong Kong Securities Institute.

For the avoidance of doubt, effective 1 March 2010, Clause 66(a)(i) to (ii) inclusive of the Code below will no longer apply:

- "66. An individual shall be exempted from Paper V of the Qualifying Examinations if he:*
- (a) was engaged in long term insurance intermediary business in Hong Kong immediately before 1 January 2002 and has fulfilled all of the following:*
 - (i) has proven long term insurance experience in Hong Kong for a cumulative period of at least seven years within the eight-year period immediately before 1 January 2002; and*
 - (ii) has proven experience in Hong Kong in selling at least four linked long term policies per annum and 50 linked long term policies in total within the five-year period immediately before 1 January 2002;".*

4. Procedures

- (a) Responsibilities of RPs:
 - (i) pass the enhanced IL Paper or complete 20 IL CPD hours within the Transitional Period; and
 - (ii) submit proof to their appointing insurer or insurance agent, who will provide a certified true copy to the IARB on or before 7 March 2012 (i.e. 7 days after the expiration of the Transitional Period).
- (b) Responsibilities of insurance agents who have appointed TRs:
 - (i) inform their TRs of the new requirements for continuing to engage in the ILLT insurance business after 29 February 2012; and
 - (ii) certify as true copy the copies of proof submitted by their TRs and forward the same to the IARB on or before 7 March 2012 (i.e. 7 days after the expiration of the Transitional Period) for records updating.
- (c) Responsibilities of all insurers:
 - (i) inform their insurance agents and ROs of their insurance agencies of the new requirements for continuing to engage in the ILLT insurance business after 29 February 2012; and
 - (ii) certify as true copy the copies of proof submitted by their insurance agents and ROs of their insurance agencies, and forward the same to the IARB on or before 7 March 2012 (i.e. 7 days after the expiration of the Transitional Period) for records updating.

5. Consequence of Non-Compliance

If an RP cannot pass the enhanced IL Paper or complete 20 IL CPD hours pursuant to section 2 above on or before 29 February 2012, his registration for the line of ILLT insurance will be revoked by the IARB and he will not be eligible to engage in the ILLT insurance business from 1 March 2012 onwards, even though he can continue engaging in long term insurance business other than ILLT insurance business.