

**By Fax/By E-mail**

Ref : A2-001/02 – J35447

To : 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 via  
their appointing Insurer / Insurance Agent  
Insurance Agencies that engaged in Restricted Scope Travel Insurance Business  
via their appointing insurer

c.c. : Mr Cheng Chung Hing, Registrar of Travel Agents, Travel Agents Registry  
Mr Patrick Ho, President, HK Chamber of Insurance Intermediaries  
Mr Kwok Chun Kwong Albert, President, General Agents & Managers Association of HK  
Mr Teem Lam, Chairman, The HK General Insurance Agents Association Ltd  
Mr Samuel Lau, President, The Life Underwriters Association of HK Ltd  
Ms Angie Leung, Chairman, Professional Insurance Brokers Association  
Mr Joseph Tung, Executive Director, Travel Industry Council  
Mr Douglas White, Chairman, The HK Confederation of Insurance Brokers

From : Alice Kong, Secretary General, IARB

Date : 11 February 2010

Subject : **Seventh Edition of The Code of Practice for the Administration of Insurance Agents, Guidance Note 7 (Revised) and Guidance Note 11 (New)**

We are pleased to inform you that the Seventh Edition of the *Code of Practice for the Administration of Insurance Agents* will take effect on 1 March 2010. You may download the new version from the Download Centre of the website of the Hong Kong Federation of Insurers at [http://www.hkfi.org.hk/en\\_download.htm](http://www.hkfi.org.hk/en_download.htm).

Furthermore, we also enclose the following Guidance Notes (GN) for your reference:

- i) GN 7 – Guidance Note on Compliance with the Requirements of the Continuing Professional Development Programme  
(an updated version which takes away all the obsolete terminologies)
- ii) GN 11 – Guidance Note Applicable to Registered Persons Wishing to Engage in Investment-linked Long Term Business on or after 1 March 2010  
(a new GN to be effective on 1 March 2010)  
(this GN corresponds with the Continuing Professional Development (CPD) Information Sheet and Insurance Intermediaries Quality Assurance Scheme (IIQAS) Fact Sheet released by the Commissioner of Insurance in October 2009)



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## **Guidance Note on Compliance with the Requirements of the Continuing Professional Development (CPD) Programme**

### **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) to comply with the annual CPD requirements. For RPs who are registered as engaging in Restricted Scope Travel Business only, please refer to Guidance Note 10.

For the purpose of this Guidance Note, any reference to "RP(s)" shall include insurance agent(s), responsible officer(s) and technical representative(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 CPD requirements in such manner and form as specified by the Insurance Authority (IA).

### **2. CPD Requirements**

The IA has specified that except for travel insurance agents, their responsible officers (ROs) and technical representatives, all RPs are required to earn 10 CPD hours every year. Any excess CPD hours accumulated within a particular year cannot be carried forward to any other years.

Subject to compliance with other fitness and properness criteria, the IARB shall deem an RP having complied with the CPD requirements under the "Minimum Qualifications for Persons to be Registered as Registered Persons" of the *Code* as qualified for maintaining his registration status for another 12 months if he completes all 10 CPD hours for the assessment year within a 12-month period (i.e. from August of a particular year to 31 July of the following year) (**Assessment Year**).

### **3. CPD Assessment**

In order to comply with the CPD requirements, the following shall apply:

- (a) For the sake of clarity and easy reference:
  - (i) calendar month shall be used as the basis for calculating CPD requirements irrespective of the day of the month on which registration of a RP takes place (i.e. regardless of whether an RP is registered on, say, 1 January or 31 January, January shall be used for calculation of the required CPD hours); and
  - (ii) please refer to Annexes 2 and 3 as appropriate for the CPD hours to be reported.

- (b) If the registration of an RP has been cancelled for less than six consecutive calendar months, such RP shall be required to fulfill the CPD requirements for the entire Assessment Year, including the period of cancellation, which shall be reported as follows:
- (i) on the assessment date immediately following re-registration (if both the cancellation date and the re-registration date fall within the same Assessment Year) (see Example 1 in Annex 1 attached); or
  - (ii) at the time of re-registration (if the re-registration date falls within the next Assessment Year) (see Example 2 in Annex 1 attached).
- (c) If the registration of an RP has been cancelled for six consecutive calendar months or more, such RP shall **not** be required to earn any CPD hours before re-registration, provided that such RP shall not be registered with the IARB as an RP engaging in Restricted Scope Travel Business only; or otherwise registered as an insurance broker or a chief executive/technical representative of an insurance broker during such period. Instead, he is required to only report his CPD hours from the date of re-registration on a pro rata basis by the assessment date immediately following re-registration. Please see Annex 2 for the pro rata CPD hours required.

For the avoidance of doubt, this clause does not apply to an RP whose registration is revoked by the IARB due to non-compliance with the CPD requirements. Such person shall be required to complete all outstanding CPD hours at the time of registration.

#### **4. Assessment for Newly Registered RPs**

An RP who is newly registered (meaning a person who has never been registered as (i) an insurance agent or (ii) the responsible officer or technical representative of an insurance agent or (iii) an insurance broker or (iv) the chief executive or technical representative of an insurance broker) may choose **either** to report:

- (a) On a pro rata basis on 31 July immediately following his registration (e.g. if an RP was first registered in September 2008, he would report 9 CPD hours on 31 July 2009). Please see Annex 2 for the pro rata CPD hours required; or
- (b) On the next assessment date also on a pro rata basis (by using the same example above, he may report his CPD hours on 31 July 2010, i.e. 19 CPD hours for this 23-month registration period). Please see Annex 3 for the pro rata CPD hours required.

The above is also applicable to an RP who has been re-appointed after ceasing to be engaged in insurance-related work in the insurance industry in Hong Kong for two consecutive years.

#### **5. Assessment for Professionally Qualified RPs**

For RPs who are qualified pursuant to "List of specified qualifications" of the CPD Information Sheet published by the IA, they are considered to have satisfied the 10 CPD hours requirement if (a) the institutes granting such qualifications have a specific CPD programme for holders of such qualifications; and (b) they have satisfied the CPD requirements specified by the institutes granting such qualifications. Evidence of holding such qualifications/titles should be submitted by the RPs to the IARB upon request. They should also be able to produce documentary proof that compliance with the respective institute's CPD programmes is essential for the holding of such qualifications/titles.

## 6. Maintaining CPD records and Monitoring of CPD Compliance

### (a) Responsibilities of RPs:

- (i) decide on the appointing insurer responsible for reporting their CPD hours and notify all appointing insurers accordingly (if applicable);
- (ii) inform all appointing insurers if they should change the appointing insurer responsible for reporting their CPD hours (if applicable);
- (iii) complete and file a Declaration Form specified by the IARB within 2 weeks from the assessment date (i.e. by 14 August) as follows:
  - By individual insurance agents to:
    - the appointing insurer responsible for reporting their CPD hours; and
    - all other appointing insurer(s) by providing each of them with a signed copy of the Declaration Form;
  - By ROs to:
    - the appointing insurer responsible for reporting their CPD hours; and
    - all other appointing insurer(s) by providing each of them with a signed copy of the Declaration Form;
  - By technical representatives (TRs) to their appointing insurance agent; and
- (iv) retain their proof of compliance with CPD requirements (including a copy of the Declaration Forms and originals of the evidence/record of attendance) for at least a period of 3 years after the assessment date. The proof of compliance with CPD requirements should be produced as and when required by the IARB.

### (b) Responsibilities of insurance agents who have appointed TRs:

- (i) dispatch copies of Declaration Form to all of their TRs for their completion;
- (ii) arrange sufficient CPD training for their TRs, if necessary;
- (iii) issue evidence/record of attendance to a TR who has completed a course organized by the insurance agent with the number of CPD hours printed on evidence/record of attendance;
- (iv) monitor the compliance of their TRs with the CPD requirements;
- (v) collect Declaration Forms from their TRs by 14 August;
- (vi) file the Annual Return to the IARB and report on those who fail to achieve the CPD hours by 15 September; and
- (vii) offer help to their TRs in maintaining proof of compliance with CPD requirements.

### (c) Responsibilities of all insurers:

- (i) dispatch copies of Declaration Form to all of their insurance agents and ROs of their insurance agencies for their completion;
- (ii) obtain confirmation from all their insurance agents and ROs of their insurance agencies as to which appointing insurer would be responsible for reporting their CPD hours by 14 August;
- (iii) arrange sufficient CPD training for their insurance agents and ROs of insurance agencies, if necessary;
- (iv) issue evidence/record of attendance to an insurance agent or RO of their insurance agencies who has completed a course organized by the insurer with the number of CPD hours printed on the evidence/record of attendance;

- (v) monitor the compliance of their insurance agents and ROs of their insurance agencies with the CPD requirements;
- (vi) collect Declaration Forms from their insurance agents and ROs of their insurance agencies by 14 August as follows:
  - originally signed Declaration Forms for those insurers responsible for reporting CPD hours; or
  - signed copy of Declaration Forms for those insurers NOT responsible for reporting CPD hours;
- (vii) for those insurers responsible for reporting CPD hours, file the Annual Return to the IARB and report on those who fail to achieve the CPD hours by 15 September; and
- (viii) offer help to their insurance agents and ROs of their insurance agencies in maintaining proof of compliance with CPD requirements.

## **7. Consequence of Non-Compliance**

In the circumstances that an RP fails to meet the CPD requirements, his registration shall be revoked for 3 months as a starting point by the IARB. Such RP shall be required to complete all outstanding CPD hours at the time of re-registration.

In the circumstances that an RP makes a false declaration in reporting his CPD hours, his registration shall be revoked for 12 months as a starting point by the IARB. Such RP shall be required to complete all outstanding CPD hours at the time of re-registration.

In the circumstances that an RP fails to respond to the request of the IARB to produce proof of compliance with the CPD programme, his registration shall be revoked for a specified period of time as determined by the IARB. The future application for registration of such RP will not be processed unless he can produce proof of compliance.

## Examples of Calculation of CPD Hours

### Example 1

Registration date: 1 January 2008

(assuming the RP has complied with the CPD requirements on 31 July 2009)

\*De-registration date: 1 April 2010

\*\*Re-registration date: 1 June 2010 (less than 6 consecutive calendar months from the de-registration date)

Both the de-registration date\* and the re-registration date\*\* fall within the same Assessment Year.

**Report CPD hours on the assessment date immediately following re-registration: 31 July 2010**

Total number of months for report of CPD hours: 12 (from 1 August 2009 to 31 July 2010)

CPD hours to be reported: 10

### Example 2

Registration date: 1 January 2008

(assuming the RP has complied with the CPD requirements on 31 July 2009)

De-registration date: 1 June 2010

Re-registration date: 1 October 2010 (less than 6 consecutive calendar months from the de-registration date)

**Report CPD hours at time of re-registration: 1 October 2010 (date falls on the next Assessment Year)**

Total number of months for report of CPD hours: 12 (from 1 August 2009 to 31 July 2010)

CPD hours to be reported: 10

## Number of CPD hours to be reported by RPs whose registrations have been cancelled for 6 consecutive calendar months or more, by the assessment date (i.e. 31 July) immediately following re-registration

<u>Re-registration/Registration Month</u>	<u>Total Number of Months for Reporting</u>	<u>CPD Hours</u>
August	12	10
September	11	9
October	10	8
November	9	7
December	8	6
January	7	5
February	6	5
March	5	4
April	4	3
May	3	2
June	2	1
July	1	0

This table also applies to newly registered RPs who choose to report their CPD hours on the assessment date immediately following registration.

**Number of CPD hours to be reported by newly registered RPs by the next Assessment Year immediately following registration**

<u>Registration Month</u>	<u>Total Number of Months for Reporting</u>	<u>CPD Hours</u>
August	24	20
September	23	19
October	22	18
November	21	17
December	20	16
January	19	15
February	18	15
March	17	14
April	16	13
May	15	12
June	14	11
July	13	10

## **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.