Licensed Insurance Agents

There are two types of licensed insurance intermediaries in Hong Kong: **licensed insurance agents** and licensed insurance brokers. Both play a pivotal role in Hong Kong's insurance industry, serving as a vital conduit between the public and the insurance sector.

Licensed Insurance Agents

Licensed insurance agents include **licensed individual insurance agents**, **licensed insurance agencies** and **licensed technical representatives (agent)**.

Licensed individual insurance agents and **licensed insurance agencies** act as agents of the authorised insurers (i.e. insurance companies) which appoint them (i.e. the insurers are their principals). In this capacity, they promote, advise on and arrange insurance policies offered by their appointing insurers.

Whereas, **licensed technical representatives (agent)** act as agents of the **licensed insurance agencies** which appoint them (i.e. the **licensed insurance agencies** are their principals). In this capacity, they promote, advise on and arrange insurance policies offered by the appointing insurers of the **licensed insurance agencies**.

FAQs for Licensed Insurance Agents

Is it corruption?

Q1

Sometimes policy holders may seek assistance from licensed insurance agents to file urgent applications for claims for various reasons. Will it be an offence if a licensed insurance agent accepts "tea money" from a policy holder as a token of thanks for his help in expediting the claim?

A1

It is an offence under Section 9(1) of the Prevention of Bribery Ordinance (POBO) for an agent to solicit or accept advantages in relation to his official duties without the permission of his principal. Any person who offers advantages to the agent for the same purpose commits an offence under Section 9(2) of the POBO.

"Tea money" is a kind of advantage, which according to the POBO, refers to anything that is of value such as money, gift, commission, loan, employment, service or favour.

The appointing insurer is the principal of its licensed individual insurance agent, whereas the licensed insurance agency is the principal of its licensed technical representative (agent). Without the permission of their respective principal, the acceptance of "tea money" by the licensed insurance agents as a reward for expediting the claim application for the policy holder may be liable to an offence under the POBO.

FAQs for Licensed Insurance Agents

Is it corruption?

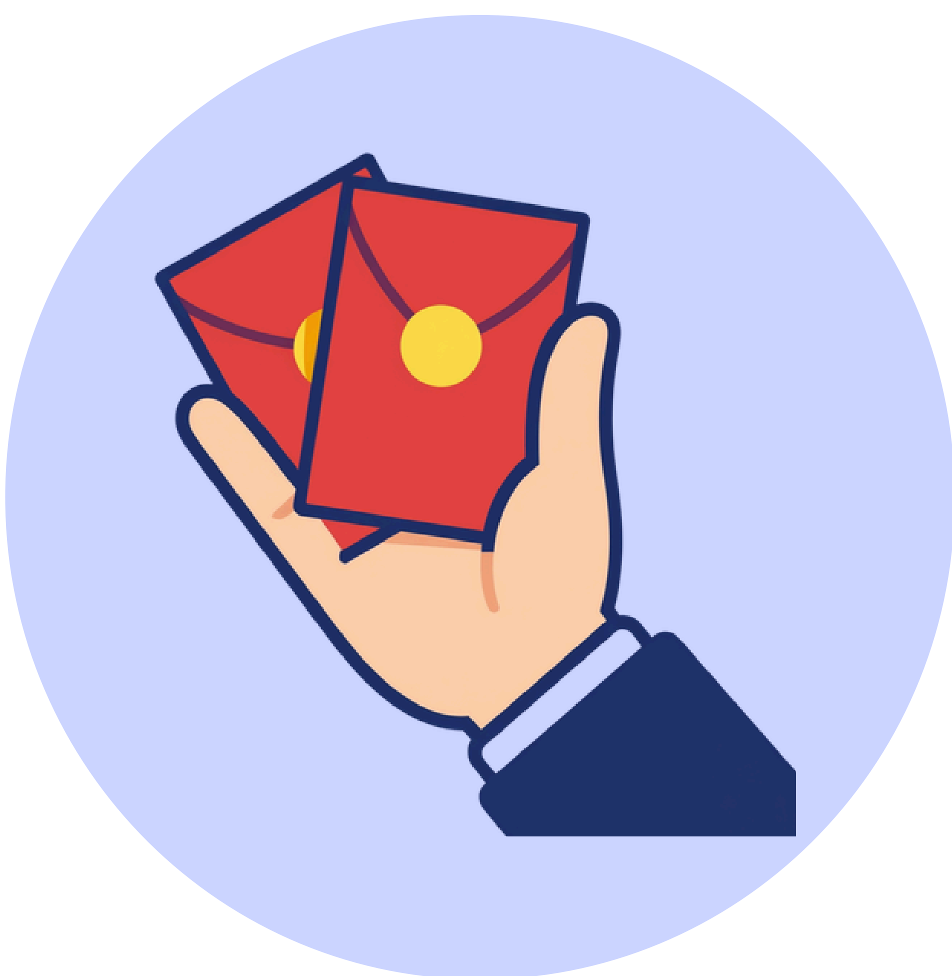
Q2

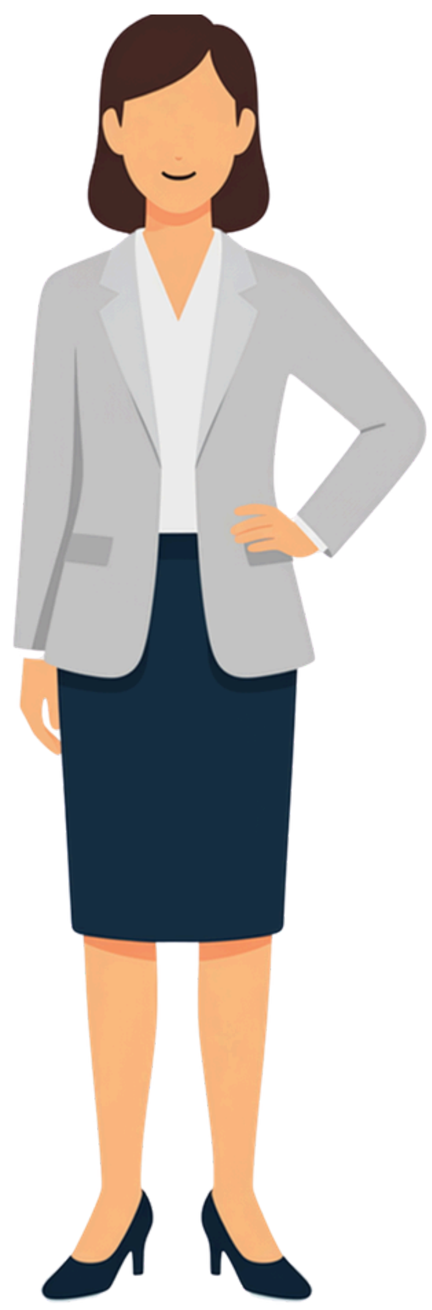
Can a licensed insurance agent accept "lai see" offered by policy holders during Chinese New year?

A2

"Lai see" is a kind of advantage under the Prevention of Bribery Ordinance (POBO). It is an offence for an agent to accept an advantage for doing or forbearing to do any act in relation to his principal's business. A licensed insurance agent should obtain permission from his principal before accepting any advantage relating to his official duties.

Employee or agent of insurance companies should refer to his company's code of conduct on acceptance of advantage or consult his company in case of doubt.





FAQs for Licensed Insurance Agents

Offering of treating, gifts and or other similar gratuities in business dealings

Q3

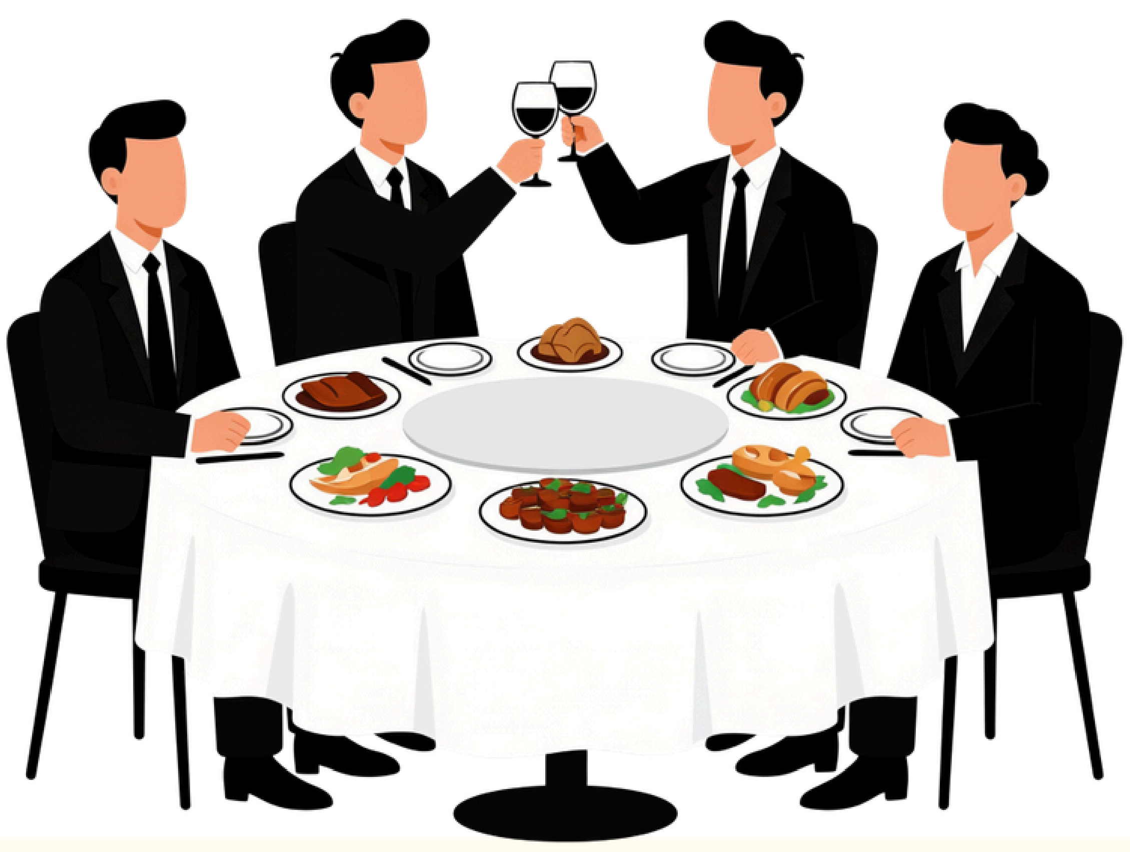
Does treating business partners or staff of corporate clients to banquets by licensed insurance agents during business negotiations constitute the offence of "offering an advantage"?

A3

According to the Prevention of Bribery Ordinance (POBO), advantage refers to anything that is of value such as money, gift, commission, loan, employment, service or favour, except entertainment. Whereas entertainment refers to the provision of food or drink for consumption on the occasion when it is provided, and any other entertainment connected with such provisions.

Although entertainment is a common social activity and not considered an advantage under the POBO, it may easily give rise to conflicts of interest or give others an impression that there may be a corrupt motive if the entertainment provided is too lavish and frequent.

Licensed insurance agents should observe the relevant guidelines set out by their respective principals when offering entertainment to business partners or clients.



Offering of treating, gifts and or other similar gratuities in business dealings

Q4

Licensed insurance agents may have to conduct business negotiations with representatives of companies on group life / medical insurance plans. If these representatives demand a rebate, how should licensed insurance agents protect themselves from committing a corruption offence under such circumstances?

A4

Before offering any commission or rebate to an individual appointed or employed by a company in business dealing, licensed insurance agents must make sure that the individual concerned has the prior permission of his principal to receive the advantage, or the advantage can be directly given to and dealt with by his principal. If this is not feasible, the following points should be considered:

- Whether the advantage requested is stipulated in the contract;
- Whether an official receipt will be issued by the company for accepting the rebate; and
- Whether the recipient demands payment in cash or through the bank account of a third party which seems to be suspicious.

In case of doubt, the matter should be brought to the attention of the company. If corruption is suspected, the best way to do is to report to the ICAC immediately. Corruption reports can be made in person, by phone or by mail.

FAQs for Licensed Insurance Agents

Offering of treating, gifts and or other similar gratuities in business dealings

Q5

Can a licensed insurance agent offer gifts or rebates to customers at his own cost in order to facilitate business?

A5

Offering gifts and rebates to individual clients will not constitute a corruption offence. Yet, such practices may unduly influence or otherwise distract customers when it comes to making informed decisions in relation to insurance products and the suitability of such products to meet their insurance needs and other circumstances.

Licensed insurance agents should observe the Code of Conduct for Licensed Insurance Agents, Guideline on Offering of Gifts and Guideline on Medical Insurance Business issued by the Insurance Authority which provides guidance on certain restrictions on the offering of gifts when marketing or promoting long-term or medical insurance products. Rebates of premiums or commissions should not be offered or paid to customers in relation to long term or medical insurance products unless they are recorded in the contract of insurance.

False documents in application for claims

Q6

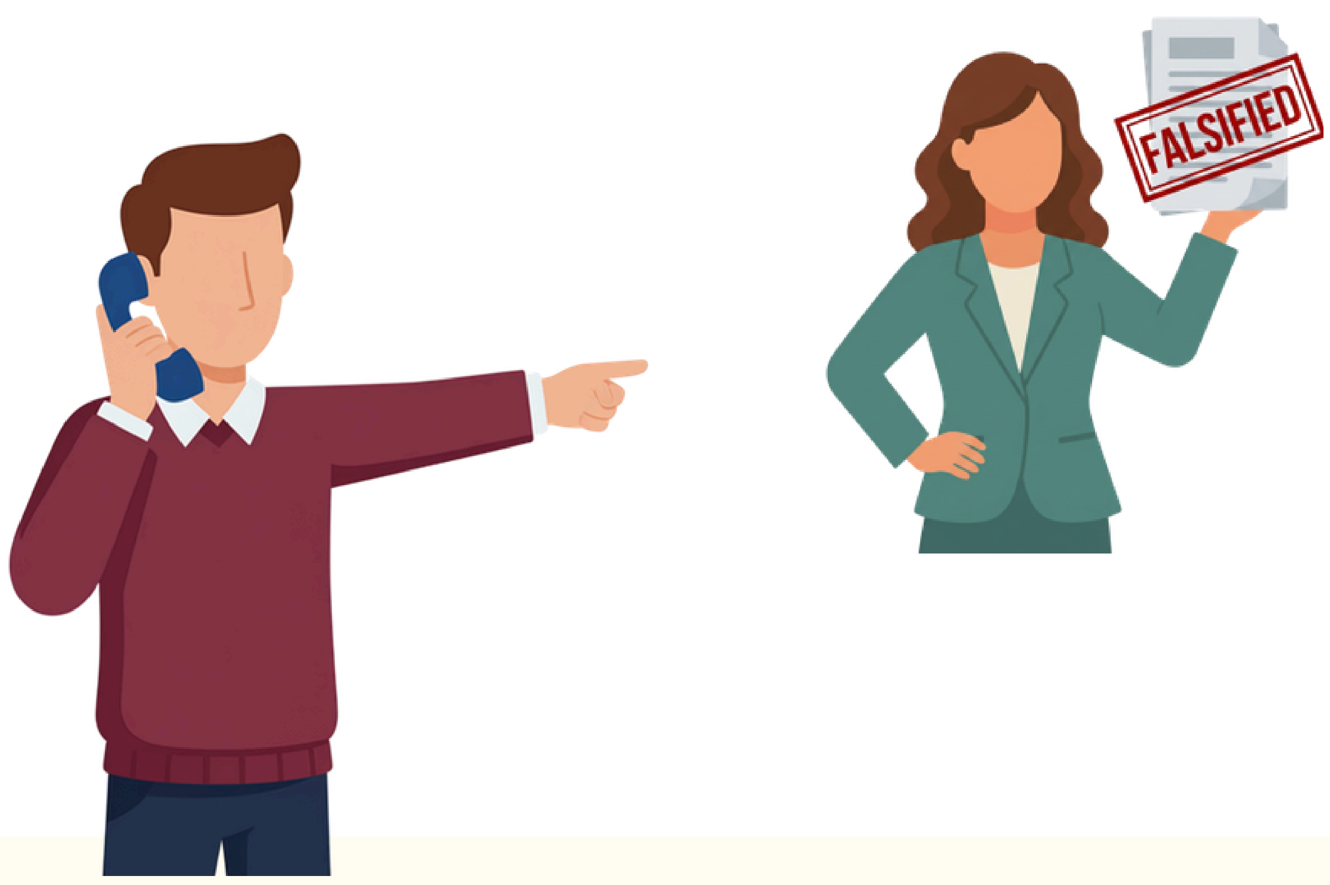
If an unscrupulous licensed individual insurance agent makes use of false documents to deceive his respective insurance company with an aim to facilitate an insurance claim, can it be reported to the ICAC?

A6

According to Section 9(3) of the Prevention of Bribery Ordinance (POBO), it is an offence for an agent to use any false document, receipt or account to deceive his principal.

As the insurance company is the principal of the licensed individual insurance agent, it is an offence for the latter to deceive the insurance company by using false documents to facilitate the insurance claim. The matter should be reported to the ICAC, which will then carry out an investigation based on the complaint.

In assisting the client in the claim process, a licensed insurance agent should inform the client that it is the client's responsibility to ensure the information provided in the forms or in the documents is accurate and complete. He should not submit any such documents to the insurance company concerned if he knows that the documents contain inaccurate information.



Cross boundary concerns

Q7

Does the ICAC handle cases of cross-boundary corruption?

A7

If any part of the bribery act, including offering, soliciting or accepting a bribe, agreeing on or processing the illegal deal, takes place in Hong Kong, the case can be pursued under the Prevention of Bribery Ordinance (POBO) and the ICAC is empowered to investigate.

Money laundering

Q8

Some licensed insurance agents may encounter clients who seem to be involving in money laundering activities. What should they do?

A8

Money laundering is a serious crime. As a result of escalated attention and measures against anti-money laundering and counter-terrorist financing, criminals are willing to tempt licensed insurance agents with hard-to-resist rewards in order to achieve their illegal ends.

Since the insurance industry is vulnerable to money laundering and terrorist financing, to avoid putting themselves at risk in dealing with such person, licensed insurance agents should be vigilant and are obliged to report any suspicions of money laundering activities to the management / compliance officer who should be responsible for reporting to the Joint Financial Intelligence Unit. You should make a report to the ICAC if any corruption is suspected.

Conflict of interest situations

Q9

Is it against the law if a licensed insurance agent introduces a medical centre in which he has financial interest to his clients for health check-up?

A9

It is not against the Prevention of Bribery Ordinance (POBO) if no bribery nor falsified documents are involved in the above situation. However, where a licensed insurance agent has another business or occupation, he should avoid any conflict arising between his interests in other business or occupation and the interests of the clients when carrying on regulated activities. In the event the licensed insurance agent is unable to avoid such conflict, he should disclose the conflict to his clients as soon as practicable and, at all times, act fairly in relation to the client, placing the client's interests ahead of his interests in the other business or occupation. Inappropriate handling of conflicts of interest may be conducive to or result in fraud, other crimes, or non-compliance with the Code of Conduct for Licensed Insurance Agents.