

# **Process Review Panel for the Insurance Authority**

**2022 Annual Report**

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## **Message from the Chairman**

The Process Review Panel for the Insurance Authority (“PRP”), established in 2019, reviews and advises the Insurance Authority (“IA”) on the adequacy of the IA’s internal procedures and operational guidelines governing the actions taken and operational decisions made by the IA and its staff in the performance of the IA’s regulatory functions. I am delighted to present to you the 2022 Annual Report of the PRP.

This report covers the second review cycle of the PRP, during which the PRP selected and reviewed 30 cases completed or discontinued by the IA in the period between 1 July 2020 and 31 December 2021. Similar to the preceding review cycle, the cases reviewed in this review cycle cover the main regulatory functions of the IA, including complaint handling, authorization of insurers, licensing of intermediaries and exercise of statutory power. Yet, the quantity and nature of cases completed or discontinued by the IA in this cycle are remarkably different from those in the preceding cycle, reflecting the developing nature of the IA, which is itself a relatively young financial regulator in Hong Kong. For example, arising from the commencement of the new regulatory regime for insurance intermediaries in September 2019, the number of applications for intermediary licences rose significantly and disciplinary cases emerged. The focus of the PRP has shifted accordingly to these new and growing areas, and our observations and recommendations for the IA are set out in detail in this report.

Furthermore, it is encouraging to note that the IA has taken positive follow-up actions to the PRP’s recommendations given in the 2021 Annual Report and has continued to work closely with the PRP. I believe that such interaction is beneficial to both the IA and the PRP, and helps promoting a sustainable development of the insurance industry of Hong Kong.

I would like to express my gratitude to all Members, who make the work of the PRP possible by investing their valuable time, effort, experience and expertise into the PRP. I also thank the Financial Services and the Treasury Bureau for providing secretariat support to the PRP.

**Mr Eugene Fung, SC**  
**Chairman**  
**December 2022**

# Chapter 1: Background

## Overview

- 1.1 The Process Review Panel for the Insurance Authority (“PRP”) is an independent panel established by the Chief Executive on 1 November 2019.
- 1.2 The PRP is tasked to review and advise the Insurance Authority (“IA”) on the adequacy of the IA’s internal procedures and operational guidelines governing the actions taken and operational decisions made by the IA and its staff in the performance of the IA’s regulatory functions.

## Functions

- 1.3 The Terms of Reference of the PRP are as follows –
  - (a) To review and advise the IA upon the adequacy of the IA’s internal procedures and operational guidelines governing the actions taken and operational decisions made by the IA and its staff in the performance of the IA’s regulatory functions in relation to the following areas –
    - (i) receipt and handling of complaints;
    - (ii) authorization of insurers and associated matters;
    - (iii) licensing of intermediaries and associated matters;
    - (iv) co-ordination and follow-up with the Hong Kong Monetary Authority in relation to the inspection and investigation of banks’ insurance intermediary activities; and
    - (v) exercise of statutory powers of inspection, investigation, imposing disciplinary sanctions and prosecution.
  - (b) To receive and consider periodic reports from the IA on all completed or discontinued cases in the above-mentioned areas, including reports on the results of prosecutions of offences within the IA’s jurisdiction and of any subsequent appeals.

- (c) To receive and consider periodic reports from the IA in respect of the manner in which complaints against the IA or its staff have been considered and dealt with.
- (d) To call for and review the IA's files relating to any case or complaint referred to in the periodic reports mentioned in paragraphs (b) and (c) above for the purpose of verifying that the actions taken and decisions made in relation to that case or complaint adhered to and are consistent with the relevant internal procedures and operational guidelines and to advise the IA accordingly.
- (e) To receive and consider periodic reports from the IA on all investigations and inquiries lasting more than one year.
- (f) To advise the IA on such other matters as the IA may refer to the Panel or on which the Panel may wish to advise.
- (g) To submit annual reports and, if appropriate, special reports (including reports on problems encountered by the Panel) to the Financial Secretary which, subject to applicable statutory secrecy provisions and other confidentiality requirements, should be published.
- (h) The above terms of reference do not apply to committees, panels or other bodies set up under the IA, the majority of which members are independent of the IA.

1.4 The PRP does not judge the merits of the IA's decisions and actions and focuses on the procedural propriety of the regulatory regime instead.

## **Membership**

- 1.5 The PRP comprises ten Members, including Chairman, from the academic, accounting, insurance, legal, real estate development and social services sectors. The Chairman of the IA and the Secretary for Justice (or his representative) are ex-officio members of the PRP.
- 1.6 The Membership of the PRP from 1 November 2021 to 31 October 2023 is as follows –

### Chairman

Mr Eugene Fung Ting-sek, SC

### Members

Miss Grace Chan Man-yee

Mr Paul Cheung Lap

Mr Chow Wai-shun

Mrs Agnes Koon Woo Kam-oi, MH

Mr Patrick Law Fu-yuen

Mr James Lin

Mr Jeff Wong Kwan-kit

### Ex-officio Members

Mr Stephen Yiu Kin-wah, JP

(in the capacity as the Chairman of the IA)

Dr Boyce Yung Kin-chung

(in the capacity as the representative of the Secretary for Justice)

### Secretariat

Financial Services and the Treasury Bureau

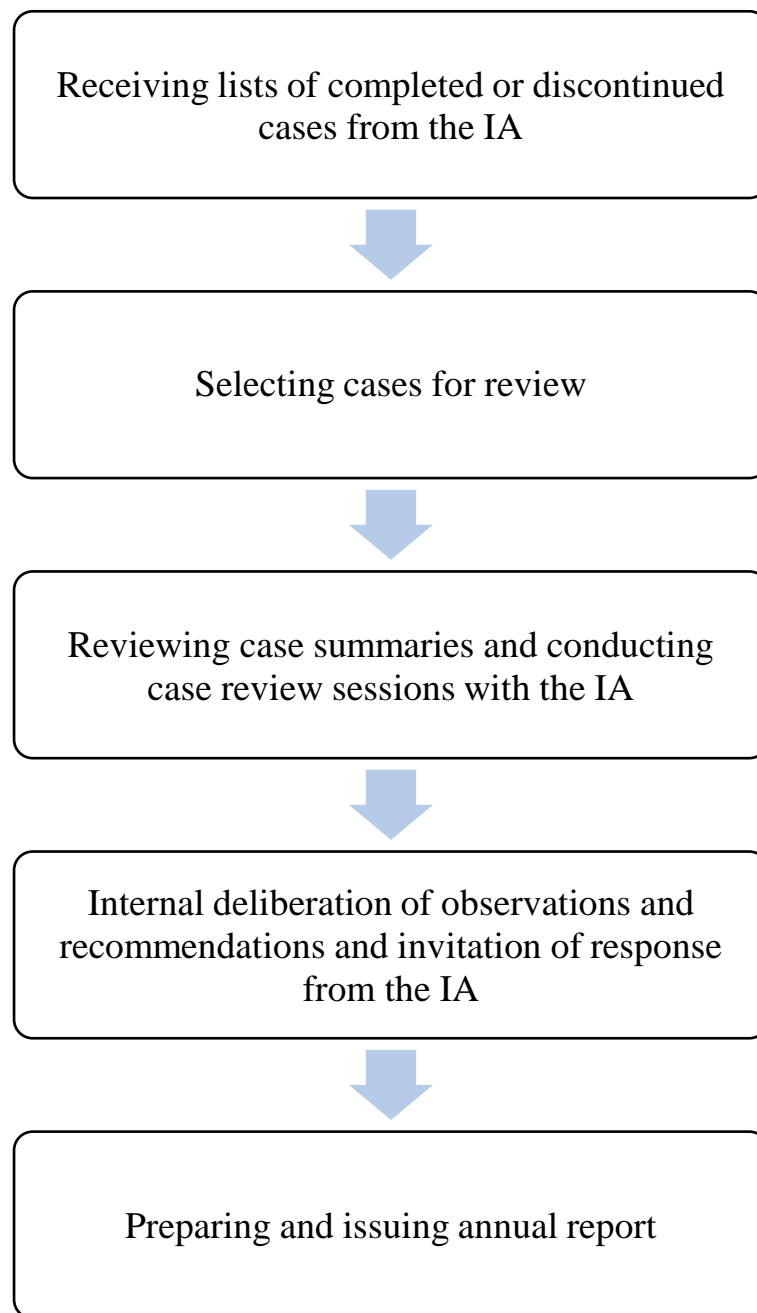
## **Chapter 2: Work of the PRP**

### **Modus operandi**

- 2.1 The IA provides the PRP with lists of completed or discontinued cases in the review period from which the PRP selects cases for review. For cases selected by the PRP for review, the IA provides case summaries, together with the relevant internal procedures and operational guidelines, for the perusal of the Members.
- 2.2 Case review sessions are held at which representatives of the IA respond to questions of the Members and make available case files for the Members' review.
- 2.3 The PRP discusses and endorses observations and recommendations with respect to the internal procedures and operational guidelines of the cases reviewed and invites the IA to respond and follow up.
- 2.4 The PRP issues an annual report setting out the observations and recommendations of the PRP having regard to the response of the IA.
- 2.5 Members of the PRP are obliged to preserve secrecy in relation to information furnished to them in the course of the PRP's work. Furthermore, to maintain the independence and impartiality of the PRP, all Members are required to make a declaration of interest upon appointment to the PRP and when a potential conflict of interests situation arises.



2.6 The workflow of the PRP is summarized in the flowchart below –



## Work of the PRP in the current review cycle

2.7 The PRP selected the period between 1 July 2020 and 31 December 2021 (covering 18 months) as the review cycle (“current review cycle”).

2.8 Based on the lists of 111,885 completed or discontinued cases in the current review period as provided by the IA, the PRP selected 30 cases for review. The cases covered a wide range of categories so to cover the various aspects of the IA’s work. The distribution of the cases is as follows –

<b>Category of cases selected for review</b>	<b>Number of cases</b>
Receipt and handling of complaints (excluding complaints against the IA or its staff)	6
Receipt and handling of complaints – Complaints against the IA or its staff	3
Authorization of insurers and related matters	3
Licensing of intermediaries and associated matters	6
Exercise of statutory powers of inspection, investigation, imposing disciplinary sanctions and prosecution (including subsequent appeals)	12
<b>Total number of cases</b>	<b>30</b>

2.9 As a form of division of labour, the PRP formed three sub-groups, each reviewing ten cases.

2.10 Each sub-group held a case review session with the IA. With reference to the case summaries and case files provided by the IA, relevant internal procedures and operational guidelines and responses given by the representatives of IA to the Members’ questions, Members reviewed the process of these cases.

2.11 Follow-up actions taken by the IA on the PRP’s recommendations in 2021 Annual Report are set out in Chapter 3. Observations of the PRP in respect of the selected cases of the current review cycle and its recommendations to the IA are set out in Chapter 4.

## Chapter 3: Follow-up Actions Taken by the IA on the PRP’s

### Recommendations in the 2021 Annual Report

3.1 The follow-up actions taken by the IA on the PRP’s recommendations in the 2021 Annual Report are summarised in the table below –

	<b>PRP’s recommendations in 2021 Annual Report</b>	<b>Follow-up actions taken by IA</b>
<i>Complaint handling procedures</i>		
1	The PRP <u>recommended</u> the IA to explore ways to screen and prioritize complaint cases. Possible factors to consider in the screening and prioritization of complaint case might include the strength, complexity, severity, prevalence and anonymity (if applicable) of the cases and the availability of IA’s manpower.	<p>The IA conducted a review on the complaint handling processes after accumulating experience of being the sole regulator of all licensed insurance intermediaries in Hong Kong since September 2019.</p> <p>Following the review, the IA –</p> <ul style="list-style-type: none"> <li>• updated the information about complaint handling on the IA’s website to better explain the IA’s role in complaint handling and manage complainants’ expectations, i.e. the IA mainly handles conduct-related complaints;</li> <li>• signed a memorandum of understanding <sup>1</sup> with the Insurance Complaints Bureau in November 2021 to refer claims-related</li> </ul>
2	The PRP <u>invited</u> the IA to consider amending the relevant operation procedures such that cases which clearly required no further action from the IA could be considered closed to better reflect the actual processing time. Furthermore, for complaints against the IA and its staff, the case closure date was the date of issue of final reply instead of closure time as stated	

<sup>1</sup> The memorandum is available at [https://ia.org.hk/en/infocenter/press\\_releases/20211101.html](https://ia.org.hk/en/infocenter/press_releases/20211101.html)

	<b>PRP’s recommendations in 2021 Annual Report</b>	<b>Follow-up actions taken by IA</b>
	above (i.e. two months after the written reply to the complainant). The PRP <u>suggested</u> aligning the case closure time for all types of complaint cases for consistency.	<p>complaints to the latter to handle;</p> <ul style="list-style-type: none"> <li>• piloted a new determination of closure for complaints which began in November 2021, in line with the PRP’s recommendations; and</li> <li>• centralised all complaints against insurers from Long-term and General Business Divisions to the Complaints Handling Team since April 2022, by phase.</li> </ul>
3	The PRP noted that both anonymous and non-anonymous complaints would be closed in specified periods of time after the last correspondence with the complainants, but the definition of “last correspondence” was different in the two types of complaints. The PRP <u>suggested</u> adopting the same definition to achieve consistency.	<p>A 28% increase in the closure of complaints during the 2021/2022 (1,473) versus the previous 2020/2021 (1,153) period was observed after the implementation of the above changes.</p>
4	With a view to delivering enhanced service the public, the PRP <u>encouraged</u> the IA to approach complaint cases from a wider perspective and to be more sensitive to the complainants’ position if the IA was to handle cases involving criminal elements and could have serious consequences.	The IA has adopted and would continue to adopt a holistic approach in advising complainants if criminal element is involved, as and when appropriate, during its handling of complaint cases.
5	The PRP <u>recommended</u> the IA to consider setting up service pledges on turnaround time for	With the availability of manpower and the streamlining of the complaint handling

	<b>PRP’s recommendations in 2021 Annual Report</b>	<b>Follow-up actions taken by IA</b>
	different types of complaints, where complaints of different levels of complexity or types could have different pledges, having regard to the experience accumulated by the IA in handling complaints and the availability of manpower.	process, the IA would be able to come up with service pledges for different types of complaints by the end of the 2022-2023 financial year.
<i>Authorization of insurers</i>		
6	The PRP <u>invited</u> the IA to consider refining its authorization guidelines or other relevant documents such that information which the IA would particularly seek (e.g. mitigation measures for risks prominent to virtual insurers) could be illustrated to applicants and potential applicants, facilitating the applicants’ preparation and the IA’s processing of applications.	The authorization guideline has been revised to improve its clarity. A dedicated paragraph (i.e. paragraph 4.11) has been added to set out the additional requirement on IT system for virtual insurers <sup>2</sup> . The authorization guideline is available at the IA’s website –  Guideline on Application for Authorization to Carry on Insurance Business in or from Hong Kong (GL5) <a href="https://ia.org.hk/en/legislative-framework/files/GL5.Eng.30.6.2022.v1.pdf">https://ia.org.hk/en/legislative-framework/files/GL5.Eng.30.6.2022.v1.pdf</a>

<sup>2</sup> The paragraph is extracted below –

“In the case of a virtual insurer applicant proposing to use digital distribution channel, there should be appropriate security and technology related controls in place. Those controls should be adequate and effective to meet the needs of the business and the types of transactions which they intend to carry out. An applicant will be required to engage a qualified and independent expert to prepare an assessment report of the adequacy of its proposed IT governance and systems and submit the report to the IA on application. A follow-up report may be required before the applicant commences its operation. For applicants other than virtual insurers, the IA will conduct a holistic review of each application and may request the applicants to prepare an assessment report on IT governance and systems for the IA’s review.”

	<b>PRP’s recommendations in 2021 Annual Report</b>	<b>Follow-up actions taken by IA</b>
<i>Processing of applications for intermediary licenses</i>		
7	The PRP <u>recommended</u> the IA to encourage the use of information technology in the processing of applications and to allocate sufficient resources to handle the applications.	<p>Since the implementation of the Insurance Intermediaries Connect (“IIC”) in 2019, more than 80% of licence applications were processed thereon in 2021 which has greatly reduced the administrative burden and enhanced the IA’s licensing efficiency.</p> <p>The licence renewal and the reporting process for Continuing Professional Development (“CPD”) attainment through the IIC was rolled out in 2022. As the intermediaries and insurers grew more accustomed to the IIC, the whole process has become more efficient.</p>
8	To shorten the processing time, the PRP <u>invited</u> the IA to consider whether different deadlines could be set up for different types of follow-up actions (e.g. tighter deadlines for simpler follow-up actions).	<p>With the widespread adoption of the IIC by the industry, the IA can now follow up with and return cases to applicants via the IIC. If the case is returned in the system and the applicant has failed to provide a response, the system would generate two email reminders to the applicant within specified period before the case is closed due to inactivity.</p> <p>Separately, if the requisite</p>

	<b>PRP's recommendations in 2021 Annual Report</b>	<b>Follow-up actions taken by IA</b>
		follow-up action was relatively simple, the IA would liaise with the applicant directly and invite the applicant to supplement/clarify within two weeks' time.
9	The PRP <u>invited</u> the IA to consider setting up additional system generated reminders (e.g. after 1 month of inactivity) and proactively reminding the applicants by phone calls after some periods of inactivity.	The IIC was enhanced in December 2021 so that an additional system generated reminder would be issued to the applicant after one month of inactivity. For complicated applications (e.g. business entity's licence application), the IA would proactively contact the applicant by telephone for follow-up action as appropriate.
10	The PRP <u>recommended</u> the IA to list out clearly the fees under different situation, e.g. when the applications were successful, rejected and returned to the applicants to ensure that the industry/applicants understand the fees arrangement.	While the licence fee would be waived for five years from the commencement of new regime in 2019, changes to the licence fees (which entail legislative amendments) could only take place from September 2024 onward. The IA planned to kick start the consultation exercise with the industry in 2023.
<i>Exercise of statutory powers of inspection</i>		
11	For enhanced prudential regulation, the PRP <u>recommended</u> the IA to allocate	The IA continued to flexibly deploy manpower for maximum synergies and resource

	<b>PRP’s recommendations in 2021 Annual Report</b>	<b>Follow-up actions taken by IA</b>
	<p>more manpower, where possible, to inspection work such that more regulatees could be inspected and inspection work could be conducted more quickly.</p>	<p>optimization. In this regard, a new “Conduct Supervision” unit consisting of staff redeployed from the licensing team and existing staff responsible for agency/broker supervision and anti-money laundering/counter-terrorist financing would be formed later this year, after completion of the renewal exercise of deemed licensees.</p>
12	<p>The PRP <u>suggested</u> exploring whether the deployment of information technology could enhance its efficiency in inspection, monitoring and other enforcement.</p>	<p>The IA has drawn up a five-year strategy to revamp its information technology systems and infrastructure to keep pace with evolving requirements.</p> <p><u>e-CPD</u></p> <ul style="list-style-type: none"> <li>• The IA designed and launched two e-CPD courses in 2021, one for licensed insurance agents and one for licensed insurance brokers, to facilitate regulated entities’ understanding of the IA’s regulatory expectation;</li> <li>• A broker company intended to deploy the IA’s e-CPD course to all its technical representatives to enhance their understanding of the Code of Conducts for Brokers with a view to addressing the conduct issues raised in the inspection.</li> </ul>



	<b>PRP’s recommendations in 2021 Annual Report</b>	<b>Follow-up actions taken by IA</b>
		<u>Inspections, monitoring and other enforcement</u> The IA began to: <ul style="list-style-type: none"> <li>• Conduct virtual meetings in the inspection process, where feasible, to increase efficiencies and efficacy;</li> <li>• Consider technology company which provided solutions to enhance the IA’s inspection capabilities; and</li> <li>• Deploy Robotics Process Automation for selected repetitive and manual processes.</li> </ul>

3.2 The PRP welcomed the above follow-up actions and looked forward to the IA’s continuous efforts to ensure procedural propriety of the regulatory regime.

## **Chapter 4: Observations and Recommendations on Cases Reviewed**

### **(a) Overview**

- 4.1 For the current review cycle, the PRP reviewed 30 cases, covering the main duties of the IA, including complaint handling, authorization of insurers, licensing of intermediaries and exercise of statutory power.
- 4.2 The PRP noted that the number of cases completed or discontinued by the IA in the current review cycle (111,885 cases for the 18 months between 1 July 2020 and 31 December 2021) was significantly greater than that of the preceding review cycle (20,948 cases for the 18 months between 1 January 2019 and 30 June 2020). The increase was almost solely contributed by the increase in cases in relation to licensing of intermediaries.
- 4.3 The PRP noted that, during the COVID-19 pandemic, the offices of the IA and some applicants concerned were closed intermittently and it took longer time for applicants, complainants and insurers concerned to respond in some cases. This created difficulties and extended the processing time of some cases. The PRP looked forward to the IA's gradual adaptation to the new environment and overcoming of the difficulties, thereby expediting the processing of cases.
- 4.4 Generally, the PRP did not note major deficiencies in the IA's internal procedures. Nevertheless, the PRP noted there was room for improvement in areas such as efficiency, clarity and interaction with the public and insurance industry, and made a number of observations and recommendations as delineated in the following paragraphs.

**(b) Complaint handling procedures**

Observations and recommendations

- 4.5 The PRP reviewed 9 complaint cases, including those against insurers, intermediaries and the IA or its staff. The processing time of the cases reviewed ranged from 3 to 43 months.
- 4.6 The PRP noted that the complainants or insurers concerned sometimes took long periods of time to provide the necessary information or documents to the IA. The PRP suggested the IA to consider requesting the complainants or insurers concerned to provide the necessary information or documents to the IA within a commensurate timeframe, and taking appropriate follow-up actions if the parties concerned did not respond on time (e.g. sending reminders or closing the case after repeated reminders). This would allow the IA to manage the process more efficiently and shorten the processing time.
- 4.7 For a case that took 30 months to process, the PRP noted that the case could actually be considered as 3 individual cases where 3 separate sets of issues had been dealt with sequentially, and that the apparent long processing time of the case did not provide an accurate reflection of the actual processing time used by the IA. The PRP recommended the IA to consider indicating to the complainants, at an appropriate juncture, that their cases would be closed at a specific time if there was no further development. This would mark a clear end of the case for both the complainants and the IA.
- 4.8 As a general observation arising from the review of a case related to suspected “boiler room”<sup>3</sup> activities which might be related to insurance matters, the PRP opined that the IA should suitably warn and educate the public on fraud and other insurance related illegal activities where members of the public may fall victim to.

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<sup>3</sup> A “boiler room” is a securities fraud in which fraudsters purport to operate as a licensed securities or futures broker and offer to trade shares or futures that are fictitious (in the sense that the securities contracts for which they have paid for have not been executed on any stock exchange) to people whom they cold-call.

## Response from the IA

- 4.9 After conducting a review in 2021/2022 (see paragraph 3.1 above), we have published some principles of best practice for complaints handling in the “Conduct in Focus”<sup>4</sup> and kick-started a dialogue with insurers to discuss possible steps that could be taken to ensure that cases are tackled impartially and effectively, and that all required information is conveyed to the IA in a timely and thorough manner. To this end, a template has been provided to improve the consistency and comprehensiveness of responses from the insurers which yielded positive results.
- 4.10 On case closure, a distinction must be drawn between those relating to conduct issues which the IA handles directly and others which will be referred to the insurers/intermediaries concerned for investigation under close monitoring. For the former, our practice is to close the case if no response is received after one reminder has been sent or if there is insufficient information to proceed. For the latter, we have stated clearly on our website<sup>5</sup> that a case will be closed if there is no substantive response from the complainant after two months upon receiving a reply from the insurer/intermediary.
- 4.11 Where fraud and other illegal activities are suspected, we agree that consideration should be given to alerting the general public via press releases<sup>6</sup> or articles published in the “Conduct in Focus”<sup>7</sup>.

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<sup>4</sup> See the fourth issue of Conduct in Focus issued in March 2022 at [https://www.ia.org.hk/en/infocenter/files/Conduct\\_in\\_Focus\\_Mar\\_issue\\_EN.pdf](https://www.ia.org.hk/en/infocenter/files/Conduct_in_Focus_Mar_issue_EN.pdf)

<sup>5</sup> [https://www.ia.org.hk/en/infocenter/faqs/faqs\\_17.html](https://www.ia.org.hk/en/infocenter/faqs/faqs_17.html)

<sup>6</sup> Some examples are the press releases at [https://ia.org.hk/en/infocenter/press\\_releases/20220818.html](https://ia.org.hk/en/infocenter/press_releases/20220818.html) and [https://ia.org.hk/en/infocenter/press\\_releases/20220223\\_1.html](https://ia.org.hk/en/infocenter/press_releases/20220223_1.html)

<sup>7</sup> See “Policyholder Section” of the fourth issue of Conduct in Focus at [https://www.ia.org.hk/en/infocenter/files/Conduct\\_in\\_Focus\\_Mar\\_issue\\_EN.pdf](https://www.ia.org.hk/en/infocenter/files/Conduct_in_Focus_Mar_issue_EN.pdf)

**(c) Authorization of insurers**

Observations

- 4.12 The PRP reviewed 3 cases related to the authorization of insurers, all of which were related to new authorization of insurers.
- 4.13 Among the cases reviewed, a case involved the authorization of the first special purpose insurer in Hong Kong, which subsequently issued the first insurance-linked securities (“ILS”)<sup>8</sup> in Hong Kong. A dedicated regulatory regime was established in 2021 for such special purpose insurers and ILS, and the PRP noted that the IA had drawn up a set of guidelines for the authorization of this new type of insurers<sup>9</sup>. Furthermore, the IA had conducted a series of preparatory work with the applicant prior to the formal application to facilitate a smooth process.

**(d) Processing of applications for intermediary licences**

Observations and recommendations

- 4.14 The PRP reviewed 6 cases on applications for intermediary licences, covering applications submitted by individuals, insurance brokers and insurance agencies. The applications consisted of both new applications and applications arising from deemed licences<sup>10</sup>, and the processing time of the cases reviewed ranged from 8 to 13 months.
- 4.15 The PRP noted that cases in relation to the number of applications

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<sup>8</sup> ILS is a risk management tool that enables insurers or reinsurers to offload risks that they have underwritten to the capital market by way of securitization, and are often treated as an alternative form of reinsurance.

<sup>9</sup> Guideline on Application for Authorization to Carry on Special Purpose Business (GL 33) at [https://www.ia.org.hk/en/legislative\\_framework/files/GL33EN.pdf](https://www.ia.org.hk/en/legislative_framework/files/GL33EN.pdf)

<sup>10</sup> According to provisions of the Insurance Companies (Amendment) Ordinance 2015, intermediaries who are validly registered with the three former self-regulatory organizations (“SRO”) immediately before commencement of the new regulatory regime on 23 September 2019 are deemed as having been granted a licence for 3 years under the regime. They are referred to as “deemed licensees”. If a deemed licensee intends to continue conducting regulated activities after the transitional period ending on 22 September 2022, he/she must apply for a formal licence from the IA.

for intermediary licences for the current review cycle (109,753 cases) was much higher than that of the previous review cycle (19,687 cases). 65,697 cases arising from deemed licences were the major contributor to the increase.

- 4.16 With the IA accumulating considerable experience in processing the large number applications for intermediary licences, the PRP invited the IA to consider establishing performance pledges for applications for intermediary licences, which would facilitate the management of cases and increase transparency.
- 4.17 The PRP reviewed a case involving an insurance broker company applying to vary its lines of business that took 13 months to complete. Noting that the applicant took considerable time to provide to the IA the required / outstanding information, the PRP suggested the IA to set a limit to applicants to submit the required / outstanding information, with a view to encouraging prompt response from the applicants and avoiding undue delay.
- 4.18 In a case involving an application for individual licence which took 11 months to complete, it took the applicant 8 months to submit to the IA all the required information and documents. The PRP suggested the IA to streamline both the electronic and paper application processes such that only applications with a basic set of required information and documents provided would be accepted for further processing. The PRP also suggested the IA to consider measuring the case processing time only after receiving the required information and documents. As a result, applications which were clearly incomplete would not be accepted and the case processing time would provide a more accurate reflection of the time taken to process the applications.
- 4.19 The PRP noted that applications for insurance agency licences (including applications for the corresponding responsible officers) could only be submitted in paper form, whereas applications for insurance agent licences could be submitted via the IA's electronic portal or in paper form. The PRP understood that applications for insurance agency licences were much fewer and more complex than

applications for insurance agent licences. Accordingly, the PRP invited the IA to consider whether it would be suitable to extend the coverage of the electronic portal to applications for insurance agency licences, with a view to enhancing the efficiency of the processing of the applications in the long run. Furthermore, the PRP recommended the IA to provide applicants for agency licences with a checklist of the essential documents and information which must be submitted by the applicants, with a view to facilitating the applicants and reducing the processing time.

#### Response from the IA

- 4.20 The IA has indicated on its website that the expected processing time for a straightforward application of individual licence submitted via the e-portal is five business days, while paper applications could take at least three weeks. This contrast is conducive to wider adoption of the e-portal.
- 4.21 Since agencies and broker companies vary in size, complexity and organizational structure, applications submitted by these entities call for supporting details such as business plan, internal control systems and compliance manuals. We will assess the merits of announcing a full set of performance pledges embracing all licence applications after gaining more operational experience.
- 4.22 The cases highlighted in paragraph 4.17 and 4.18 above date back to the period when licensing functions were handed over from the three former self-regulatory organizations to the IA. At present, cases where key information is missing will be duly followed up and returned to the applicant if no meaningful progress is made after three reminders have been sent.
- 4.23 Mindful of the fact that an attempt to pre-screen applications could impose a huge demand on resources, we rely on built-in features of the e-portal to detect missing information for electronic applications as paper applications will gradually phase out. Nonetheless, the duration of processing time should indeed be counted only after an application is substantially complete, and the IA will explore how to

capture this differentiation.

- 4.24 We intend to allow incumbent agencies and broker companies to apply for licence renewal through the e-portal in 2023/24, followed by an assessment of feasibility to extend it to cover application for new licences.
- 4.25 Essential document checklists have been uploaded onto our website since March 2020 for guidance of agencies and broker companies<sup>11</sup>, resulting in a visible reduction of problematic applications.

**(e) Exercise of statutory powers**

Observations and recommendations

- 4.26 The PRP reviewed 12 cases in relation to the exercise of statutory powers of inspection (including the first joint thematic inspection between the Hong Kong Monetary Authority and IA on premium financing), investigation and imposing disciplinary sanctions.
- 4.27 It was the first time cases on disciplinary actions against insurance intermediaries were reviewed by the PRP. In fact, one of the cases reviewed was the first disciplinary action which the IA had taken against insurance intermediaries<sup>12</sup>, where an insurance broker company failed to submit audited financial statements and auditor's reports on time. The PRP noted that the IA had established relevant procedures (including the establishment of an Expert Advisor Panel<sup>13</sup> and Disciplinary Panel Pool<sup>14</sup>) and guidelines for such

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<sup>11</sup> See Forms A4 and A5 on the following page of the IA website at <https://www.ia.org.hk/en/infocenter/forms/intermediaries.html>

<sup>12</sup> The IA took over the direct regulation of insurance intermediaries on 23 September 2019, prior to which intermediaries were subject to a self-regulatory regime.

<sup>13</sup> The Expert Advisor Panel comprises seasoned industry practitioners who provide input on the level of sanction required to achieve a desired deterrent effect for specific offences and to serve as a source of market intelligence.

<sup>14</sup> Members of the Disciplinary Panel Pool are drawn from executive and non-executive directors of the IA as well as experienced professionals in the legal, financial and other relevant sectors to sit on disciplinary panels.



disciplinary actions.

- 4.28 The PRP reviewed a case involving an insurance agent who had been suspected of using false academic certificates in an application for intermediary licence. The agent did not respond to the IA's multiple requests for interview and documents and subsequently left the industry. The case was eventually closed with no disciplinary actions. The PRP recommended the IA to review the relevant procedures (e.g. the electronic portal and application forms) for room to put in place measures to facilitate disciplinary actions against the use of false documents in intermediary licence applications, even when the applicants concerned refused to cooperate with the IA or left the industry, with a view to maintaining enforcement efficiency and integrity of the regulatory regime.
- 4.29 Stemming from a case in which multiple complainants accused a Mandatory Provident Fund intermediary<sup>15</sup> of forgery of signatures, for cases where criminal activities may be involved, the PRP suggested the IA to consider whether it would be necessary to involve the Police (e.g. the IA to contact the Police, advise the complainants concerned to contact the Police, or liaise with the relevant financial regulator (e.g. the Mandatory Provident Fund Schemes Authority in this case) to refer the case to the Police). Furthermore, to deter such activities and maintain the integrity of the industry, the PRP recommended the IA to highlight to the industry (e.g. through training or reminders in relevant code of conduct) the seriousness of forgery of signatures, use of false documentations and other similar criminal activities, and take decisive disciplinary actions against such activities.
- 4.30 The PRP invited the IA to consider setting up internal guidelines (or key performance indicators ("KPI")) on the length of time that should be taken to process disciplinary cases. While the PRP understood that the time needed to process such cases varied according to an array of factors (e.g. complexity of cases, level of cooperation of relevant parties, need to divert resources to other more

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<sup>15</sup> The IA is one of the frontline regulators under the regulatory framework for Mandatory Provident Fund intermediaries.

serious cases or pressing duties), the availability of such internal guidelines (or KPI) can assist the IA in monitoring the progress of the cases and resource management. The processing time could be based on the norm of regular cases or only be applicable to certain stages of the processing of cases (e.g. investigation), and was not meant to be a universal standard for all cases. With the accumulation of precedents and experience, the IA may be in an appropriate position to establish such internal guidelines (or KPI).

#### Response from the IA

- 4.31 Most cases rooted from false academic certificates surfaced before the new statutory regulatory regime for intermediaries was rolled out. Under the Insurance Ordinance (Cap. 41) (“IO”), it is a criminal offence<sup>16</sup> to supply false information to the IA in connection with a licence application or approval. This is reinforced by adoption of the “Enhanced Vetting Requirements for Registration”<sup>17</sup> and a pivoting of attention towards conduct supervision of insurer. We do not contemplate any need to revise the present arrangement at this stage.
- 4.32 Up to 2 November 2022, disciplinary action has been taken against six former insurance agents. More cases are in the pipeline, and the IA will abide by a high standard of fairness and accountability when pursuing them. A systemic way will also be devised to engage law enforcement agencies whenever criminal activities are detected and enrich the CPD courses in order to reflect the dire consequences of serious misconducts.
- 4.33 The IA is initiating pilot projects on performance measurement in selected areas including case assessment and investigation before broadening the scope of application, but it is unsuitable for the disciplinary process where individual cases could present highly varied complexity and sensitivity, and where the quality and impact of decisions override administrative efficiency.

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<sup>16</sup> See section 64ZZE of the IO

<sup>17</sup> Introduced by the three former SROs in April 2017

## Chapter 5: Way Forward

- 5.1 The PRP is pleased to note the IA's positive response to the PRP's recommendations. Looking forward, the PRP will continue its review work to ensure the adequacy of the IA's internal procedures and operational guidelines.
- 5.2 The PRP welcomes the views of the public and market participants on the work of the PRP. Comments relating to the PRP's work can be referred to the Secretariat of the PRP via the following channels<sup>18</sup>

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By post : Secretariat of the Process Review Panel for the  
Insurance Authority

24th Floor, Central Government Offices  
2 Tim Mei Avenue  
Tamar

By email : [prpia@fstb.gov.hk](mailto:prpia@fstb.gov.hk)

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<sup>18</sup> Inquiries or comments not relating to the process review work of the IA should be made to the IA direct –

By post : Insurance Authority, 19/F, 41 Heung Yip Road, Wong Chuk Hang,  
Hong Kong  
By telephone : (852) 3899 9983  
By fax : (852) 3899 9993  
By email : [enquiry@ia.org.hk](mailto:enquiry@ia.org.hk)

## **Chapter 6: Acknowledgement**

- 6.1 The PRP would like to express its gratitude to the IA for its assistance in facilitating the review work, and its co-operation in responding to the PRP's inquiries and recommendations.

**Process Review Panel for the Insurance Authority  
December 2022**