

Guideline No. IA/II – G01

1 Oct 2002 (Last revised on 1 July 2005\*)

## **GUIDELINES ON STANDARDS OF CONDUCT FOR INSURANCE BROKERS**

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### **Persons to whom the Guidelines on Standards of Conduct for Insurance Brokers [“these Guidelines”] Apply**

1 These Guidelines are issued pursuant to the Insurance Act (Cap 142) [“the Act”]. They set out conduct requirements for persons carrying on business as insurance brokers under the Act, including, where appropriate, conduct requirements for broking staff.

### **Purpose of these Guidelines**

2 These Guidelines set out the standards of conduct expected of insurance brokers and their broking staff. They are meant to provide general guidance and are not intended to replace or override any legislative provisions or written directions issued under the Act in respect of conduct requirements specifically applicable to insurance brokers and their broking staff.

3 The Authority expects all insurance brokers and their broking staff to have regard to these Guidelines, so as to help foster professional standards and enhance confidence in the insurance industry.

[IA/II – G01 (Amendment) 2005]

4 These Guidelines should be read in conjunction with the provisions of the Act as well as directions, notices, circulars and other guidelines that the Authority may issue from time to time. The Authority will be guided by these Guidelines in considering whether an insurance broker or any of its broking staff satisfies the business conduct requirements that are spelt out in the Act or any of its subsidiary instruments.

## Definitions

5 For the purposes of these Guidelines:

"broking staff", in relation to an insurance broker, means any employee of the insurance broker or any other person who is authorised by the insurance broker to act on its behalf to provide technical advice to any client of the insurance broker in respect of –

- (a) insurance policies relating to general business and long-term accident and health policies, other than insurance policies relating to reinsurance business; or
- (b) reinsurance of liabilities under insurance policies relating to life or general business;

"client" means an insured, and includes an intending insured; and

"insurance broker" has the same meaning as in section 1A of the Act."

[IA/II – G01 (Amendment) 2005]

## **1 INTEGRITY**

- 1.1 An insurance broker and its broking staff should conduct their business with honesty, fairness, integrity and professionalism in order to maintain good faith and to preserve public trust in the insurance industry.
- 1.2 An insurance broker and its broking staff should not engage in any conduct involving fraud or dishonesty or commit any act that reflects adversely on their honesty or trustworthiness or that compromises their integrity.

## **2 PRIORITY OF CLIENT'S INTEREST**

- 2.1 An insurance broker and its broking staff should place the interest of their client above all other considerations in providing advice to, or arranging contracts of insurance for their client.
- 2.2 An insurance broker and its broking staff should be independent and impartial in providing advice to their client.
- 2.3 An insurance broker and its broking staff should not prejudice their client's selection of insurers and should, as far as practicable, procure products from all insurers that they are aware are offering the product that the client wishes to purchase.
- 2.4 An insurance broker and its broking staff should not be overly dependent on any particular insurer in transacting insurance broking business.

## **3 CONFIDENTIALITY**

- 3.1 An insurance broker should implement and maintain proper procedures to preserve confidentiality of information it receives from a client or which relates to a client.
- 3.2 An insurance broker and its broking staff should not disclose to any person any information given by a client unless:

- (a) the information obtained from the client is given to the Authority or any other government agencies in accordance with any relevant law; or
- (b) the client has given his consent to the insurance broker to disclose the information.

#### 4 **COMPETENCE**

- 4.1 An insurance broker and its broking staff should act with competence and strive to maintain the necessary knowledge and expertise necessary for the proper conduct of their business activities.
- 4.2 An insurance broker should ensure that broking staff employed or appointed by the company are suitably qualified and competent, and the person possesses the relevant professional training or experience to act in the capacity so employed or appointed.
- 4.3 An insurance broker should provide its broking staff with relevant training so as to ensure and to enhance their competence, knowledge and skills.
- 4.4 Broking staff should keep abreast of advances in the insurance industry and participate in continuing education throughout their professional career in order to have the necessary competence, knowledge and skills in all the insurance broking activities they are engaged in.

#### 5 **DUE CARE AND DILIGENCE**

- 5.1 An insurance broker and its broking staff should exercise due care and diligence in understanding and satisfying the insurance requirements of their client and must take all reasonable steps to act fairly in the interests of their client.
- 5.2 An insurance broker and its broking staff should provide their client with prompt written confirmation or documentation that a contract of insurance has been effected.

- 5.3 An insurance broker and its broking staff should explain the principle of utmost good faith to their client and make it clear that all answers and statements given in completing the proposal form, claim form, or other material document are the client's own responsibility.
- 5.4 An insurance broker and its broking staff should explain to their client that incorrect answers or information given in completing the proposal form, claim form, or other material document may result in the contract of insurance being invalidated or void or claims being repudiated.
- 5.5 In cases where two or more insurance brokers act jointly on a placing, they should each take appropriate steps to ensure that there is a clear mutual understanding of their respective duties to the client.
- 5.6 An insurance broker should have adequate systems and processes in place to ensure proper supervision of its broking staff and their activities.
- 5.7 Prior to the cessation of its business as an insurance broker, the insurance broker should ensure that its liabilities and obligations to all clients have been fully discharged or provided for, and that proper arrangements have been put in place to ensure that its clients continue to be serviced by another insurance broker.

## 6 **DISCLOSURE TO CLIENT**

- 6.1 An insurance broker and its broking staff should provide their client with adequate information about their business, including their business address and telephone number. They should also disclose the types of insurance business they are authorized to carry on.
- 6.2 When providing advice to, or arranging contracts of insurance for their client, an insurance broker and its broking staff should make full and adequate disclosure of all facts necessary for their client to make an informed decision.

- 6.3 An insurance broker and its broking staff should explain all the essential provisions contained in the contract of insurance which they are recommending so as to ensure, as far as possible, that their client understands what he is buying.
- 6.4 An insurance broker and its broking staff should draw their client's attention to any restrictions or exclusions applying to the contract of insurance.
- 6.5 An insurance broker and its broking staff should, if requested by their client, disclose the amount of brokerage paid by the insurer under any relevant contracts of insurance.
- 6.6 An insurance broker and its broking staff should advise their client of any additional fees they intend to charge their client in addition to the premium payable to the insurer.
- 6.7 Where an insurance broker exercises a lien and withholds documents from its client, it should inform its client accordingly.

## **7 CONFLICT OF INTEREST**

- 7.1 An insurance broker and its broking staff should act in the best interest of their client in providing services to the client. They should avoid situations where conflict of interest may arise. Where such conflicts cannot be avoided, the insurance broker and its broking staff should disclose these conflicts, whether potential or actual, to their client.
- 7.2 Prior to establishing a client relationship, an insurance broker and its broking staff should disclose to the client any actual or potential conflict of interest arising from any connection to or association with any product provider, including any material information or facts that might compromise their objectivity or independence in carrying on their activity as an insurance broker.

- 7.3 In assigning duties, an insurance broker should not place its staff in situations where conflicts of interest may arise. An insurance broker should ensure that there is proper segregation of duties to minimize any possible conflict of interest.

## **8 COMPLAINT HANDLING**

- 8.1 An insurance broker should have in place adequate procedures and processes for handling complaints relating to its business.
- 8.2 An insurance broker should ensure that:
- (a) complaints are handled in a fair, timely and appropriate manner;
  - (b) complaints are promptly investigated and responded to; and
  - (c) an officer is designated to handle complaints.
- 8.3 An insurance broker should maintain a register of complaints, containing details of complaints received and how they have been dealt with. Management should review the register regularly.

## **9 COMPLIANCE WITH LAWS**

- 9.1 An insurance broker and its broking staff should maintain knowledge of and comply with applicable laws, rules and regulations relevant to their business activity, including these Guidelines.
- 9.2 An insurance broker should take all reasonable steps, including the establishment of internal procedures, to ensure that its broking staff are conversant and comply with all applicable laws, rules and regulations relevant to their business activity.

\* Notes on History of Amendments

1. IA/II – G01 (Amendment) 2005 with effect from 1 July 2005