

LegCo Panel on Financial Affairs

Meeting on 4 June 2001

Insurance Intermediaries Quality Assurance Scheme (“IIQAS”)

Background

Since the introduction of the regulatory framework for insurance intermediaries in 1995, the number of insurance intermediaries has increased exponentially from about 25,000 to about 50,000 in May 2001. This represents about one insurance intermediary serving 140 Hong Kong citizens. Such ratio of intermediaries to population far exceeds that in other jurisdictions like Canada, France, Taiwan, the UK and the USA which in general is about one intermediary to 800 nationals. During the period, insurance products have also become more sophisticated and diversified. In order to better protect the interests of the insuring public and address their concern about the quality of insurance intermediaries, the IIQAS was implemented on 1 January 2000 after consultation with the insurance industry.

2. The IIQAS enhances the professional insurance knowledge of insurance intermediaries. The implementation of the IIQAS will set a standard for insurance intermediaries and will help to enhance the protection for policy holders. This quality assurance scheme has been well supported by the insurance industry and welcomed by the general public. It is noted that similar schemes are also in place in many other places, including the Mainland, Canada, Singapore, Taiwan and the USA.

Structure of IIQAS

3. The IIQAS consists of two parts, namely the Insurance Intermediaries Qualifying Examination (“IIQE”) which has been running for over one year and the Continuing Professional Development (“CPD”) Programme which is expected to commence in 2002. Through the insurance intermediaries registration system, all insurance intermediaries (i.e. insurance agents and brokers), their responsible officers/ chief executives and technical representatives (collectively as “insurance intermediaries”) are required to comply with the requirements of IIQAS.

4. The IIQE is a publicly held examination consists of three parts. They are:

Part I : Compulsory Paper –
Principles and Practice of Insurance

Part II : Optional Papers –
(a) General Insurance
(b) Long Term Insurance

Part III : Independent Paper –
Mandatory Provident Fund (“MPF”) Schemes

Depending on the business that the insurance intermediaries intend to engage in, they are required to pass the relevant examination papers, unless otherwise

exempted by virtue of their professional qualifications.

5. For those insurance intermediaries who were in the insurance intermediary business immediately before 1 January 2000 and were in possession of proven relevant experience, they were exempted from the relevant examination papers of the IIQE. A transitional period of two years to meet the IIQE requirement was also granted to those insurance intermediaries who were already practising in the insurance intermediary business immediately before 1 January 2000 but who were not otherwise exempted from the IIQE requirement.

6. With a view to ensuring the continued professional competence and standard of the insurance intermediaries, they will also be required to attend the CPD Programme under the IIQAS. Training courses organized by insurance companies or other course providers, seminars and workshops organized by industry associations and other relevant training activities are eligible activities under the CPD Programme. Satisfactory completion of the CPD Programme, i.e. meeting the annual credits requirement under the CPD Programme, will be required for renewal of registration or authorization of the insurance intermediaries.

The IIQE

7. The IIQE has been running smoothly for over one year. Up to mid May 2001, about 48,300 candidates have passed the MPF Schemes Examination while about 26,000, 8,000 and 28,000 candidates have passed the Principles and Practice of Insurance, General Insurance and Long Term Insurance

Examinations respectively. Study Notes in both Chinese and English have been published as a study aid to help the candidates to prepare for the examinations. To better protect the interests of the insuring public, it is considered necessary that the insurance intermediaries should possess basic insurance knowledge before they are allowed to advise on insurance matters.

8. The implementation of the IIQAS has been well supported by the insurance industry and the general public. Indeed, insurance companies consider that it is their responsibility to train their prospective agents and help them to pass the IIQE. It is expected that more people will pass the IIQE as the insurance companies arrange intensive training programmes for their agents and prospective agents.

9. Since the implementation of the IIQAS in January 2000, the IA has made a number of improvements in the light of operational experience and market developments. These include conducting IIQEs at insurance companies' premises (supervised by the independent examination body) and a comprehensive review and update of the Study Notes to help candidates to prepare for the examinations. The IA will continue to review the IIQAS from time to time to ensure its relevance and effectiveness.

Financial Services Bureau

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