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13 July 2005

Clerk to Financial Affairs Panel,
Legislative Council,
Legislative Council Building,
8 Jackson Road,
Central,
Hong Kong.

(Attn. Ms Connie SZETO)

Dear Ms. SZETO,

**Panel on Financial Affairs
Meeting on 4 July 2005**

Proposed introduction of a new category of “travel insurance agents”

Thank you for your letters of 23, 24, 27 and 30 June 2005. As requested, we set out below our response to the submissions of the following organizations regarding the captioned proposal:

- (a) The Hong Kong Society of Certified Insurance Practitioners Limited’s submission dated 20 June 2005;
- (b) Professional Insurance Brokers Association’s submission dated 23 June 2005;
- (c) Hong Kong Chamber of Insurance Intermediaries’ submission dated 23 June 2005;

- (d) The Hong Kong General Insurance Agents Association Limited's submission dated 23 June 2005;
- (e) Joint submission dated 24 June 2005 of the Life Underwriters Association of Hong Kong and the General Agents and Managers Association of Hong Kong;
- (f) Hong Kong Confederation of Insurance Brokers' submission dated June 2005; and
- (g) Travel Industry Council of Hong Kong's submission dated 30 June 2005.

Main concerns of the parties making the submissions

While the Travel Industry Council of Hong Kong (item (g) above) expressly supported the proposal to introduce a new category of “travel insurance agents” under the Insurance Intermediaries Quality Assurance Scheme (IIQAS), the insurance intermediaries organizations (items (a) to (f) stated above) expressed the following concerns¹:

- There are no shortage of licensed insurance agents and brokers who can lawfully sell travel insurance polices;
- Modifying the examination and continuing professional development (CPD) requirements under the IIQAS would lower the professional standards and image of insurance intermediaries;
- A single examination paper may not cover all the aspects of travel insurance, including medical, personal accident, money, property and liability, etc.; and
- Giving exception to travel agents under IIQAS will set a precedent for other trades, e.g. motor insurance or employees' compensation (EC) insurance, to follow suit.

¹ For the details of their comments, please refer to the original submissions from the relevant organisations.

The Administration's response

The Office of the Commissioner of Insurance (OCI) had discussions with the Hong Kong Federation of Insurers (“HKFI”), the representative body of the insurance industry, and the Travel Industry Council of Hong Kong (TIC), the representative body of the travel industry, before the proposal was formulated. A consultation paper on the proposal was also sent to the relevant stakeholders in the travel and insurance industries for their comments. We are aware of the concerns of the insurance intermediaries organizations as stated above. We would like to stress that the rationale for the proposal has already been stated in the Legislative Council Paper (No. CB(1)1919/04-05(05)) for discussion in the LegCo Panel on Financial Affairs meeting on 4 July 2005. In particular, we would like to reiterate that:

- It is the Government's policy to encourage Hong Kong people to take out travel insurance before they travel so as to better protect themselves. While there are different channels, such as insurance agents and brokers, banks or internet through which people can take out travel insurance, most travellers buy insurance through travel agents at the time when they make their travel arrangements with them. As such, travel agents would be the most convenient point of sale for promoting travel insurance. In this regard, we consider it necessary to encourage and facilitate travel agents to register as travel insurance agents so that they can sell and promote travel insurance to their clients and be subject to proper regulation;
- The IIQAS is designed primarily for the registration and regulation of people who intend to practise insurance as a full time occupation. However, for travel agents and their employees, selling insurance is not their core business. Neither do we want travel agents to involve in the sale of the full range of general insurance business, which would distract them from their core business of providing travel services and create regulatory problem to both the OCI and the Travel Agents Registry. It is therefore not practical and desirable to require travel agents to fulfil the same examination and CPD requirements intended for full time insurance practitioners, which cover a wide range of insurance subjects not at all

relevant to travel insurance. Since we are going to restrict their activity to the sale of travel insurance, we consider that a more pragmatic approach should be adopted in the case of travel agents. It is proposed that any travel agent who wants to register as a “travel insurance agent” must be fit and proper and has passed a combined examination paper covering the essence of the principles and practice of insurance and general insurance with special emphasis on travel insurance. The proposal will not lower the existing standard of the IIQAS as travel agents will still be required to pass an examination paper to ensure that they have acquired basic professional knowledge before they are allowed to sell travel insurance. The coverage of the combined examination paper will include different aspects of travel insurance, including accident, liability, etc.;

- Under the proposal, a person registered as “travel insurance agent” is only allowed to sell travel insurance incidental to the tour or travel package which he/she is arranging for the client. In view of the restrictive and standardised nature of the travel insurance which they are allowed to sell and the fact that the CPD is designed to cover a wide range of insurance related subjects and intended for those who pursue insurance as a full time professional, we do not intend to apply the formal requirements of CPD to those who are registered as “travel insurance agents”. Notwithstanding this, the OCI will discuss with the HKFI and TIC to introduce some form of continuous training for the travel insurance agents; and
- Travel insurance is linked to the risk of the destination, duration of the journey and the nature of activities intended to be performed by the traveller during his/her trip. The travel agent who arranges and organizes the trip for his/her client, given some proper travel insurance training, is in a suitable position to advise the client of his/her travel insurance needs. The same do not apply to, say, motor or EC insurance. Also, the travel insurance to be arranged by “travel insurance agents” will be restricted to that on a trip basis which is one-off in nature. In contrast, third party liability motor insurance and EC insurance are compulsory by law and many people have already bought insurance covers for their cars or employees, which are

transferable to their new cars or employees. We do not think that the special arrangement applicable to travel agents would also be applicable to other trades.

We trust the above clarifies the position. The OCI will continue to liaise with the relevant stakeholders on the way forward.

Yours sincerely,

(Albert Lam)
for Secretary for Financial Services and the Treasury