

**For information
on 5 December 2005**

**LEGISLATIVE COUNCIL PANEL
ON FINANCIAL AFFAIRS**

**Progress of the Proposal to Introduce a New Category of
“Travel Insurance Agents”**

PURPOSE

This paper briefs Members on the progress of the Insurance Authority (“IA”)’s proposal to introduce a new category of “travel insurance agents” under the Insurance Intermediaries Quality Assurance Scheme (“IIQAS”).

BACKGROUND

2. In the wake of a number of accidents involving Hong Kong people travelling abroad, in particular the South Asian tsunami disaster last December, the Administration considers it necessary to encourage Hong Kong people to take out travel insurance to better protect themselves during their travels. Since it is common for Hong Kong people to book their tour packages or make their travel arrangements through travel agents, the IA proposes to introduce a new category of “travel insurance agents” under the IIQAS. The proposal will achieve the following three objectives:

- (a) it will encourage more outbound Hong Kong travellers to take out travel insurance by making it more convenient for them to do so at the same time when they make arrangement for their tours with the travel agents;
- (b) it will provide travel agents with a clear regulatory system, subject to proper training and supervision, to sell travel insurance, and travel insurance only, without detracting from

their core business; and

- (c) by encouraging more insurance companies to co-operate and build up long term partnership with travel agents to sell travel insurance, it will help enhance the safety of the outbound tours and hence, provide consumers with better protection.

3. The IA's proposal was set out in LC Paper No. CB(1)1919/04-05(05) and the Financial Affairs Panel was briefed on the proposal at its meeting held on 4 July 2005. Members in general expressed support in principle for the proposal to promote travel insurance and facilitate travel agents to sell travel insurance but noted the concerns expressed by some insurance intermediary bodies that the new arrangement might set a precedent for similar arrangement to be extended to other types of insurance and that it might affect the professional standards of insurance intermediaries.

4. Following the meeting, Members asked for additional information on the IA's proposal vide LC Paper No. CB(1)75/05-06(01). The IA's response is detailed in LC Paper No. CB(1)75/05-06(02).

FURTHER DISCUSSIONS WITH THE INDUSTRY

5. The IA has held further discussions with the representatives of the relevant insurance intermediary bodies collectively and individually. Regarding their concern that similar arrangement may be extended to other types of insurance, the IA has reassured the insurance intermediary bodies that the proposal to establish a new category of "travel insurance agents" to enable travel agents to sell travel insurance, and travel insurance only, has taken into account similar arrangement made in overseas jurisdictions and the unique nature of travel insurance sold by travel agents, in that it is tied to the tour package or travel arrangement being organised by the travel agent for the client, the nature of the trip, travel destination and duration of the journey, and that the policy is one-off and non-renewable. The same does not apply to other types of insurance, such as motor or employees' compensation insurance. The IA therefore does not see any need or justification, and has no

intention to extend similar arrangement to motor car dealers or employment agencies. The insurance intermediary bodies noted the IA's reinsurance and have expressed that they are in support of the principle to promote travel insurance to the public and facilitate travel agents to sell travel insurance. At the same time, they consider that the standard of the proposed examination for "travel insurance agents" should not be compromised and that it should be consistent with the current IIQAS' examination standard.

6. The IA has assured the insurance intermediary bodies that those travel agents who wish to be registered as "travel insurance agents" and be able to sell travel insurance tied to the tour package or travel arrangement which they arrange for their clients will be required to sit for and pass a "Travel Insurance Agents Examination". The examination will cover both "Principles and Practice of Insurance" which applies to all insurance intermediaries and "Travel Insurance" which includes in-depth knowledge on travel insurance and case studies based on experience of customer complaints. The proposed examination syllabus is designed to help promote specialisation and ensure that those who obtain the qualification of "travel insurance agents" have undergone proper training, with sufficiently good understanding of their duties and responsibility as "travel insurance agents", and are adequately equipped to give advice on their clients' travel insurance needs.

7. The proposal was discussed at the IIQAS Steering Committee meeting on 22 November 2005. The Committee was established in 1999 to advise the IA on the administration of the examination and the setting of standard on the scheme. Its membership comprises the Legislative Council member representing the insurance constituency, representatives of insurers, insurance intermediary bodies and other professions such as legal and accounting. With further assurance given by the IA that the proposal to introduce a new category of "travel insurance agents" has taken into account the special nature of travel insurance being tied to the travel package, that the IA has no intention to extend similar arrangement to motor car dealers or employment agencies (in respect of third party liability insurance), and that effort will be made to ensure that the standard required to obtain the "travel insurance agent" qualification will be maintained at a level

consistent with the IIQAS requirement, the committee endorsed the proposal. The IA also undertook to consult the insurance industry and the insurance intermediary representative bodies on the detailed implementation of the proposal.

IMPLEMENTATION

8. The IA has commissioned the Vocational Training Council, the body for administering the IIQAS examination scheme, to prepare a set of “Study Notes on Travel Insurance”. A copy of the draft “Study Notes” has been circulated to the relevant bodies, including insurance intermediary bodies, members of the IIQAS Steering Committee and the Travel Industry Council of Hong Kong to seek their views and comments.

9. Subject to the comments on the proposed “Study Notes”, it is expected that the proposed “travel insurance agents” registration system will be ready for implementation in early 2006. The IA will continue to liaise with the travel and insurance industries in promulgating the new registration system for “travel insurance agents”.

**Financial Services and the Treasury Bureau/
Economic Development and Labour Bureau/
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