

## **Press Release**

### **LCQ15: Submission of proof of academic qualifications by insurance intermediaries who completed secondary school education on Mainland**

Wednesday, July 5, 2017

Following is a question by the Hon Kwok Wai-keung and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (July 5):

Question:

As the former Office of the Commissioner of Insurance (OCI) considered it necessary to strengthen the vetting of the academic qualifications of insurance intermediaries (i.e. insurance agents and insurance brokers) (intermediaries), the Insurance Agents Registration Board (IARB) has earlier issued a circular requiring that with effect from May 1 this year, in respect of any application for first registration as intermediaries lodged with IARB where the applicant uses an academic qualification certificate issued by a Mainland educational institution for proving that he/she has completed Secondary Five or has attained an equivalent academic qualification, the applicant is required to submit to IARB a copy of that certificate and a specified supplementary document certifying the authenticity of that certificate. The said requirement will be extended to applications for re-registration, additional registration and renewal registration as intermediaries with effect from August 1 this year. It is learnt that for quite a number of intermediaries who completed secondary school education on the Mainland many years ago, the secondary schools at which they studied have either closed down or undergone transformation, rendering them unable to obtain the copies of the relevant academic qualification certificates. In this connection, will the Government inform this Council:

- (1) whether it knows the number of intermediaries who were registered with IARB each year since January 1, 2000 on the strength of academic qualification certificates issued by Mainland educational institutions;
- (2) as some intermediaries have indicated that they were informed by OCI that in respect of applications for re-registration, additional registration and renewal registration as intermediaries, IARB would only accept copies of "certificates

of graduation" issued by Mainland educational institutions and would no longer accept copies of certificates bearing other titles such as "certificates of education"(學業證書), "certificates of completion of study" (結業證書), "certificates of attendance" (修業證書) and "certificates of study" (肄業證書) which the intermediaries had submitted at the time of first registration, whether the Government knows IARB's justifications for imposing such requirement, and if IARB will reinstate the practice of accepting the copies of those certificates;

(3) whether it knows the number of intermediaries who were registered with IARB on the strength of the copies of certificates bearing those other titles mentioned in (2) since January 1, 2000;

(4) as IARB accepts the certificates of other academic qualifications submitted by applicants in respect of applications for re-registration, additional registration and renewal registration as intermediaries, provided that such qualifications have been obtained by the applicants before their first registration (the cut-off time), whether the Government knows IARB's justifications for setting such cut-off time; whether the Government will request IARB to accept academic qualification certificates obtained after the cut-off time; and

(5) whether it has assessed if the rights and interests of the policyholders will be prejudiced when some intermediaries are unable to apply for re-registration, additional registration or renewal registration as intermediaries due to their failure to re-submit the copies of academic qualification certificates which they submitted at the time of first registration, rendering them no longer being allowed to handle the policies for which they are currently responsible; if it has assessed, of the outcome?

Reply:

President,

The statutory functions of the Insurance Authority (IA) (Note 1) include the protection of policyholders. Insurance intermediaries must be honest and competent persons who have the ability to understand complex content of insurance policies and provide suitable advice to clients clearly. Allowing

unqualified persons to engage in insurance intermediary activities will seriously undermine the interests of policyholders and public confidence in the insurance industry.

Under the existing self-regulatory system, an insurance intermediary is required to register with the relevant Self-Regulatory Organisation (SRO) (Note 2) and comply with the respective codes and guidelines issued by the SRO with which the intermediary is registered. At present, the SROs require insurance intermediaries to complete education to a level of Form 5 or equivalent. For insurance agents, the intermediary's appointing insurance companies and the Insurance Agents Registration Board (IARB) have the obligation to verify the qualifications (including the academic proof) of their appointed insurance agents and insurance agent applicants, and to de-register unqualified agents.

The number of insurance intermediaries continued to increase in recent years from around 83 300 at end of 2014 to nearly 100 000 at end of 2016. According to the IA, the number of cases substantiated by the IARB involving the use of falsified Mainland academic certificates for registration as insurance agent is on the rise. Recently, the IA has also received complaints about people aiding or abetting insurance agents who have used falsified academic certificates for first registration to acquire another academic qualification unscrupulously or obtain verification result of their Mainland academic qualification through fraudulent means before the expiry of their registration for the purpose of registration renewal so as to continue to carry on insurance intermediary business.

Using falsified documents, or aiding or abetting a person to do so is a criminal offence. The IA has urged insurance companies to refer any suspected cases to the Police, and has discussed with the IARB on various occasions the measures for effective verification of suspected cases. The Government has also written to the IA to express our concerns over the matter.

Our replies to the various parts of the question are as follows:

(1) According to the IA, the IARB has not compiled statistics on applicants using Mainland academic qualifications for registration. Therefore, the relevant figures are not available.

(2) and (3) The IARB pointed out that it issued an internal guideline on the requirements of recognised academic proof as early as January 25, 2000, and subsequently issued a notice in December 2004 (see Annex A), stipulating that recognised Mainland academic proof must be graduation certificates (Grad Cert) issued by Mainland high schools or professional institutions. Therefore the IARB will not, in principle, accept certificates other than Grad Cert as proof of educational attainment. According to the relevant guidelines issued by the Mainland education authorities, Grad Cert will only be issued to students who have fulfilled the graduation requirements of the school. If students are not able to fulfill the graduation requirements of the school, fail to complete the required years of schooling, or fail to meet other specified requirements, the schools may only issue certificates of other types, such as "certificates of education" (學業證書), "certificates of completion of study" (結業證書), "certificates of attendance" (修業證書) and "certificates of study" (肄業證書). Hence, such non-Grad Cert cannot demonstrate that the holders have completed education comparable to a level of Form 5 in Hong Kong.

The IA understands that there might be isolated cases whereby insurance agents have registered successfully with the IARB using non-Grad Cert issued by Mainland institutions. However, the IARB does not have statistics on such cases. The IARB pointed out that such cases would be reviewed during re-registration, additional registration (Note 3) or renewal registration to verify whether the agents concerned have fulfilled the minimum educational requirement. The IARB will consider each application prudently, taking into account the circumstances of the case, including the authenticity of the insurance agent's academic certificate and whether the insurance agent has obtained other academic qualifications.

(4) and (5) According to the IARB, in view of the concerns that some insurance agents might encounter difficulty in obtaining verification result of their Mainland academic certificate used for first registration due to the loss of the relevant certificate, incomplete school records or closure of the school concerned, the IARB is prepared to accept the agents' other recognised academic qualification obtained before first registration. In general, the IARB will not accept academic qualifications obtained after first registration.

The IA has worked with the IARB on an extension mechanism to allow

insurance agents who have genuine difficulties to submit their verification result before expiry of their registration to ensure that they will have sufficient time to obtain such result. Where verification documents cannot be obtained by an applicant despite every endeavour to attempt all the prescribed channels, the IARB will exercise discretion and prudently consider each application on its own merits, taking into consideration all the pertinent facts and circumstances. Details can be found in the circular issued by the IARB on June 23, 2017 (see Annex B).

An insurance policy is a legally binding contract between a policyholder and an insurance company. While the contractual rights of a policyholder will not be affected by any change of insurance agent, the insurance company concerned has the responsibility to ensure that the policyholder receives proper services where there is such a change. In general, the insurance company will assign another insurance agent or a specialised service department set up by the company to continue to provide service to affected policyholders.

Notes:

1. The IA took over the statutory functions of the Office of the Commissioner of Insurance on June 26, 2017.
2. The three SROs are the Insurance Agents Registration Board set up by the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.
3. Additional registration refers to the application for an insurance agent to act for additional principal(s).

Ends