Reference Checking Scheme for Insurance Intermediaries

Common Q&A
(for insurance intermediaries)

Purpose

1. Why is the Reference Checking Scheme for Insurance Intermediaries implemented?

The Reference Checking Scheme ("Scheme") is a measure jointly launched by the Hong Kong Federation of Insurers ("HKFI"), the Hong Kong Confederation of Insurance Brokers ("CIB") and Professional Insurance Brokers Association ("PIBA"), and endorsed by the Insurance Authority ("IA") with the aim of mitigating the risks arising from the "rolling bad apple" in the insurance industry.

The Scheme was first launched by the HKFI in 2024 where it was only applicable to the appointment of the individual insurance agents (excluding staff member agents) carrying on regulated activities in long term business by authorized insurers in Hong Kong ("Phase 1"). With the accumulation of operational experience and in view of its positive outcome, the HKFI, HKCIB and PIBA unanimously believe that the scope of the Scheme should be expanded, to cover all types of licensed long term individual intermediaries (as defined under the Insurance Ordinance (Cap. 41) ("IO") (i.e. licensed individual insurance agents, licensed technical representatives (agent) and licensed technical representatives (broker), who carry on regulated activities as defined under Schedule 1A to the IO in long term business) ("Phase 2") to better protect policy holder interests, maintain public confidence in the market, and stop "the few bad apples spoiling the whole barrel". Phase 2 of the Scheme commenced in January 2026.

Given authorized institutions (which are licensed insurance agencies) are subject to a similar reference checking scheme promulgated by The Hong Kong Association of Banks ("HKAB") and the DTC Association, and endorsed by the Hong Kong Monetary Authority ("HKMA"), the two regulators recognise the benefits of introducing a cross-sector reference checking arrangement to mitigate the risk of individuals with history of misconduct moving from one sector to another within the broader financial services industry. The cross-sector arrangement ("Phase 3A") allows insurance entities (which are long term insurers, long term insurance agencies and long term insurance broker companies) and authorized institution (which are long term insurance agencies) to obtain and share conduct-related reference information of in-scope prospective individuals who were previously or have been appointed by insurance entities and/or authorized institutions (which are long term insurance agencies), supporting more informed hiring decisions.

Scope and Application

2. What is the scope and application of the Scheme?

The Scheme currently applies to the appointments of prospective intermediaries by long term insurers, long term insurance agencies, authorized institutions under the Banking Ordinance (Cap. 155)) which are long term insurance agencies and long term insurance broker companies (i.e. recruiting entities) to carry on regulated activities in long term

business on their behalf. To be clear, the Scheme does not apply to licensed insurance intermediaries who are solely carrying on regulated activities in general insurance business.

For the avoidance of doubt, if a long term insurance agency is an authorized institution as defined under the Banking Ordinance (Cap. 155) ("long term authorized institution") and is subject to Mandatory Reference Checking Scheme for the banking industry ("MRC Scheme"), unless otherwise specified in the Scheme, they are expected to follow the requirements stipulated under the MRC Scheme for conducting their reference checking process for enhancing the synergy between the two reference checking schemes.

In short, when a recruiting entity intends to appoint a prospective intermediary who has been (or was) a licensed insurance intermediary carrying on regulated activity in long term business in the past 7 years, the recruiting entity needs to conduct reference checking with the entity who previously appointed (or currently appoints) the prospective intermediary ("responding entities") (i.e. long term insurer, long term insurance agency, long term insurance broker company and long term authorized institution) to ascertain whether the prospective intermediary has committed any material misconduct in the past. Under this Scheme, if the prospective intermediary has changed companies multiple times in the past 7 years, the recruiting principal (i.e. long term insurer, long term insurance agency (except those who is bank) and long term insurance broker company) is required to check references with at least the three most recent relevant appointments.

Please note that this FAQ is intended to set out the key details of the Scheme. In respect of the details of the MRC Scheme, please refer to the relevant materials on the HKAB's website.

3. What kinds of information would be collected during reference checking? Will the termination of my appointment, if solely due to an internal administrative decision and not related to any ethical misconduct, impact my compliance with the 'fit and proper' criteria as an insurance intermediary?

The recruiting entity should use the designated Standard Templates to conduct reference checking.

Under the Scheme, the requested information mainly relates to whether the prospective intermediary was terminated by his/her former company (or would be terminated by the current company) due to any incident seriously affecting the fitness and properness of the prospective intermediary. For example:

> Breach of legal or regulatory requirements, including subsidiary legislation, rules, codes, guidelines, circulars or other regulatory instruments issued by the applicable regulator in relation to the following legislation:
> - Insurance Ordinance (Cap. 41)[1]
> - Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615)
> - Mandatory Provident Fund Schemes Ordinance (Cap. 485)
> - Securities and Futures Ordinance (Cap. 571)
> - Banking Ordinance (Cap. 155)

[1] Excluding the requirements relating to Guideline on Continuing Professional Development for Licensed Insurance Intermediaries (GL24) as the recruiting entity can ascertain the relevant compliance records via the e-portal (i.e. Insurance Intermediaries Connect) maintained by the IA.

- Misconduct, such as misrepresentation, misappropriation of client's money, forged documents, unauthorized signature on behalf of client, unauthorized rebate, defrauding of commission, facilitating fraudulent claims, etc.;
- Criminal offence;
- Disciplinary action by any former/current employers or regulators;
- Bankruptcy;

If the prospective intermediary was terminated by the former company solely because of internal administrative decision (e.g. failure to meet production requirements or failure to attend morning meetings, etc.), a responding entity will not and should not disclose the relevant information in the reference check.

4. When should I sign the consent form for reference checking? If I refuse to sign the consent form, is there any leeway that I may be appointed by the recruiting entity as its insurance intermediary?

The recruiting entity must obtain a consent form signed by the prospective intermediary before conducting the relevant reference checking process. Therefore, the prospective intermediary can decide whether and when to sign the consent form, thereby determining the timing of when the recruiting entity can commence the reference check.

If the prospective intermediary refuses to sign the consent form, the recruiting entity cannot proceed with the appointment of the individual as its long term insurance intermediary. This is because it is the responsibility of the insurance company, insurance agency and insurance broker company to conduct proper due diligence on the background of their prospective intermediary, and reference checking is a key part of that process under the Scheme.

5. Under what circumstances do I need to complete two consent forms (i.e. Annex 2(Ins) and Annex 2(Bank)) for reference checking?

If, in the past 7 years, you were (or are currently being) appointed as an insurance intermediary to carry on regulated activities in long-term business by:	**Complete Consent Form**
• a long term insurer; • a long term insurance agency which is not a long term authorized institution; and/or • a long term insurance broker company (collectively known as "responding principal")	Annex 2(Ins)
long term authorized institution ("responding authorized institution") only	Annex 2(Bank)[2]
both responding principal and responding authorized institution	Annex 2(Ins) and Annex 2(Bank)[2]

6. How long does it take to receive a reply to the reference checking request?

Under the Scheme, in general, the responding principal should complete and return the requested reference checking information within 15 calendar days from the receipt date of the reference checking request. Only under exceptional circumstances, if the responding principal cannot provide a reply within 15 calendar days, it must send an interim reply stating the reason for the delay and the expected time for the final reply.

[2] This is the Reference Checking Information Form Template set out in Annex 1B of the MRC Scheme

The final reply may generally be provided within 2 months from the date of the reference checking request.

If a responding entity is a long term authorized institution, a reply would generally be made within 1 month (depending on the merits of each case) in accordance with the MRC Scheme. However, for connecting the two schemes, in respect of clean cases (i.e. cases with no adverse records against the prospective intermediary), the Hong Kong Monetary Authority ("HKMA") encourages the responding authorized institutions to adhere to the 15-calendar day standard as stipulated under the Scheme when providing reference checking replies to recruiting principal.

7. Can the recruiting principal appoint me as its insurance intermediary before receiving the reference checking reply?

Under the Scheme, in general, a recruiting principal should appoint prospective intermediary as its long term insurance intermediary after the completion of the reference checking. If the recruiting principal wishes to appoint the prospective intermediary before the completion of the reference checking, the recruiting principal may make the appointment at its discretion if the following conditions are met:

(a) the recruiting principal has obtained the duly signed consent form(s) from the prospective intermediary; and all the reference checking requests have been sent out and have been outstanding for at least 15 calendar days;
(b) the prospective intermediary has made a self-declaration that there is no adverse record known to him/her; and
(c) the recruiting principal, at the time of making appointment, is not aware of any other information that casts serious doubt on the fitness and properness of the prospective intermediary to be a licensed insurance intermediary.

Individual rights

8. Do I have the right to obtain the Reference Information Form(s) (i.e. Annex 1(Ins) and/or Annex 1(Bank)) completed by the responding entity?

The prospective intermediary has the right to request and obtain the Reference Information Form(s) completed by the relevant responding entity through the recruiting entity. Also, the prospective intermediary can request access to his/her own personal data maintained by the responding entity pursuant to the Personal Data (Privacy) Ordinance.

9. If I find that the information provided in the Reference Information Form is false or incorrect, who should I appeal to?

The responding entity must ensure that the reference provided should be true, accurate, fair, complete and capable of substantiation.

If the prospective intermediary discovers that the information provided in the Reference Information Form is untrue, they may first explain and provide the recruiting principal with the relevant records and evidence. The recruiting principal has absolute discretion to decide whether the explanation is acceptable and to proceed with the appointment of the prospective intermediary concerned. In addition, Reference Information Form contains the contact details of the responding entity, allowing the prospective intermediary to directly reach out to the responding entity for clarification regarding the

provided reference. The prospective intermediary may also submit a complaint to the Insurance Authority by completing the complaint form and providing the relevant objective evidence regarding matters allegedly unreasonably affecting him/her to become a licensed insurance intermediary.

10. For providing reference, can my upline manager/district leader/team leader sign on the Reference Information Form on behalf of the responding principal?

Under the Scheme, the responding principal should establish and maintain appropriate controls and procedures to ensure that the provided reference must be true, accurate, fair, complete and capable of substantiation. To avoid conflict of interest and ensure fairness, the reference to be provided by the responding principal should not be prepared and signed by a person who has economic relationship with the prospective intermediary (e.g. upline managers, district leaders or team leaders).

11. Despite the adverse records, the recruiting principal reviews my case and decides to appoint me as its long term insurance intermediary. Can the responding entity object to stop my appointment?

Upon receipt of all information, the recruiting principal has full discretion in deciding whether or not to proceed with the appointment of a prospective intermediary after making its internal assessment.

Under the Scheme, recruiting principals should consider the relevant information (e.g. the objective evidence and the representation from the prospective intermediary) and record the reasons for their decision. While the responding entity may share additional information about the adverse records with the recruiting principal for consideration, the recruiting principal has full discretion to make the appointment decision and is responsible for that decision.

12. Even though I previously violated certain regulatory legislation/guidelines, the responding principal reviewed the relevant matters at that time and decided to continue appointing me as its insurance intermediary thereafter. Now that I am leaving the responding principal to join a recruiting entity, can the responding principal notify the recruiting entity of these violations to stop me from joining the recruiting entity?

As part of the general recruitment process (and per the IA's application form for an insurance intermediary licence), prospective intermediaries should truthfully inform the recruiting entity (and IA) in writing about any of his/her breaches of statutory/regulatory requirements.

Under the Scheme, if a prospective intermediary previously breached certain statutory/regulatory requirements but the responding principal subsequently decided to continue appointing him/her as its insurance intermediary after completing the relevant investigation, the relevant information is generally not required to be disclosed. In short, the responding principal only needs to provide the recruiting entity with the required information (see Q3) so that the recruiting entity can make an informed decision, and the recruiting entity has full discretion to make the appointment decision and is responsible for that decision.

13. If a prospective intermediary applies for automatic discharge from bankruptcy after the required four-year bankruptcy period, and this application is approved

by the relevant department, does he/she still need to disclose the bankruptcy?

In general, prospective intermediaries are required to disclose their bankruptcy records to the recruiting entity and the IA when they are being recruited and appointed as the recruiting entity's insurance intermediary, regardless of whether the bankruptcy has been discharged or not. In this connection, they should provide the relevant information and documentation, including the reasons for bankruptcy and whether the automatic discharge from bankruptcy has been approved.

In addition, if the responding entity terminates the appointment of the prospective intermediary due to his/her bankruptcy, the responding entity is required to disclose the relevant information under the Scheme.

14. **If the responding entity cannot reply to the recruiting principal within 15 calendar days, but I confirm in writing that there is no adverse record against me, and the recruiting principal appoints me as its insurance intermediary, what happens if the recruiting principal later receives a reference showing adverse records? Does the recruiting principal have to terminate my appointment?**

    Also, if the responding entity did not provide the recruiting principal with information relating to the ongoing internal investigation, and the recruiting principal has appointed me as its insurance intermediary for a while, can the responding entity suddenly disclose information of the internal investigation to the recruiting principal, which would affect my appointment with the recruiting principal?

    Under the Scheme, if the recruiting principal receives further information from the responding entity after the appointment of the prospective intermediary, the recruiting principal can decide how to make use of the information for the assessment on the appointed insurance intermediary concerned (e.g. by considering the nature of the matter and whether it has adversely affected the fitness and properness of the intermediary, the adequacy of the relevant evidence, whether the intermediary has honestly confirmed that there is no adverse record and the representation from the intermediary, etc.) and determine whether further action is needed to be taken, such as continuing or terminating the appointment, etc.

15. **How can I ensure that my personal information is not leaked, and which law protects my privacy?**

    Insurance companies, insurance agencies and insurance broker companies are required to handle and use your personal data in accordance with the Personal Data (Privacy) Ordinance, and their staff should comply with the relevant guidelines issued by the Office of the Privacy Commissioner for Personal Data on the collection, retention, use and security of personal data. Insurance companies, insurance agencies and insurance broker companies should also put in place adequate controls to protect the integrity and confidentiality of the information they receive to avoid breaches of the requirements of the Personal Data (Privacy) Ordinance.