

**Practice Note supplementing Standard and Practice 7.1 of the Code of Conduct for Licensed Insurance Brokers in relation to Disclosure Requirements for Remuneration received by a Licensed Insurance Broker Company from an Insurer**

**A. Introduction**

1. Standard and Practice 7.1 of the Code of Conduct for Licensed Insurance Brokers (“Code of Conduct”) provides that where a licensed insurance broker company intends to arrange an insurance policy for its client and will receive remuneration paid by the insurer for arranging the insurance policy, the broker company is required to provide adequate disclosure in relation to such remuneration to the client.
2. This Practice Note supplements Standard and Practice 7.1 of the Code of Conduct by setting out minimum information which the Insurance Authority (“IA”) would expect a licensed insurance broker company (for the purposes of Standard and Practice 7.1) to disclose to a client with respect to remuneration received from an insurer for arranging an insurance policy with the insurer on behalf of the client<sup>1</sup>.
3. This Practice Note does not have the force of law and should not be interpreted in a way that would override the provision of any law. The IA reserves the right to review and update this Practice Note from time to time. Unless otherwise specified, words and expressions used in this Practice Note shall have the same meanings as given to them in the Code of Conduct.

**B. Minimum Disclosure Requirement for Remuneration received by a Licensed Insurance Broker Company from an Insurer**

1. Where a licensed insurance broker company is appointed by a client to arrange an insurance policy and the broker company’s remuneration for arranging that policy is to be paid by the insurer, the broker company should at minimum provide the following disclosure stated in B2 to B5 below, in relation to such remuneration.
2. Prior to arranging the insurance policy, the licensed insurance broker company should provide the following statement to the client in relation to its remuneration:

**Remuneration Statement**

[Name of the licensed insurance broker company] (the “Company”) is remunerated for its services by the receipt of remuneration paid by insurers. Your agreement to proceed with this insurance transaction shall constitute your consent to the receipt of such remuneration by the Company.

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<sup>1</sup> Note that this Practice Note does not apply to volume or profit commissions, service fees or marketing allowances paid by the insurers. For these, additional measures for disclosure (over and above those stated in this Practice Note) may be required to be given by the licensed insurance broker company to the client and express consent obtained. Please also see circular from the Commissioner of Insurance dated 10<sup>th</sup> April 2006 which remains on the IA’s website, in relation to matters such as volume commission. It should also be noted that such additional measures for disclosure may also be required where remuneration from the insurer is in the form of commission that is higher than the range of brokerage customarily paid for the particular class of insurance.

3. Upon the client's request, the licensed insurance broker company should disclose to the client, to the best of its knowledge, the maximum percentage of the premium paid (or to be paid) as remuneration or the maximum amount of the remuneration paid (or to be paid) by the insurer for arranging the insurance policy concerned unless the exact percentage or amount has been disclosed.
4. The inclusion of the Remuneration Statement in at least one of the following documents would fulfil the requirement in paragraph B1.
  - (a) The client agreement between the licensed insurance broker company and its client.
  - (b) For insurance transactions in relation to general business (as defined in the Insurance Ordinance (Cap. 41)):
    - (i) the formal proposal/quotation;
    - (ii) the cover note;
    - (iii) the premium debit note; or
    - (iv) the covering letter accompanying (i), (ii) or (iii),sent by the licensed insurance broker company to its client.
  - (c) For insurance transactions in relation to long term business (as defined in the Insurance Ordinance (Cap. 41)):
    - (i) the questionnaire/form used for conducting financial needs analysis of a client (a copy should be given to the client prior to application for a long term insurance policy);
    - (ii) the formal proposal/quotation;
    - (iii) the premium debit note; or
    - (iv) the covering letter accompanying (i), (ii) or (iii),sent by the licensed insurance broker company to its client.
  - (d) For online insurance transactions: the Remuneration Statement should be shown on the website or other digital platform and explicitly acknowledged by a client before the client proceeds with the application for an insurance policy.
  - (e) For insurance transactions conducted through telemarketing: the telemarketing script should include the Remuneration Statement and the call in which the Remuneration Statement is informed to the client in accordance with the script should be properly recorded.
5. The disclosure requirements in B2 to B4 above do not apply where there is a valid and duly signed client agreement in place between a licensed insurance broker company and its client which clearly sets out the express levels of remuneration to be received by the broker company (either in the client agreement itself or in related correspondence which is incorporated into the client agreement by reference).