

17 September 2021

Our Ref: MC/CPD/CIR

By email only

To: Chief Executives of all authorized insurers, Responsible Officers of all licensed insurance agencies and licensed insurance brokers companies

Dear Sirs,

FAQs on CPD Penalty Framework and CPD Compliance Reporting

In our circular dated 23 July 2021, we published the Continuing Professional Development (“CPD”) Requirements (“CPD Penalty Framework”) outlining the disciplinary actions the Insurance Authority (“IA”) would impose for non-compliances related to CPD requirements. To complement this, we have today issued a set of Frequently Asked Questions (“FAQs”) and accompanying answers, which address the common questions we have received since the publication of the CPD Penalty Framework. The [FAQs](#) and [CPD Penalty Framework](#) can be downloaded from the IA website in both English and Chinese.

We also take this opportunity to remind individual licensees and their appointing principals (i.e. their appointing authorized insurers, licensed insurance agencies or licensed insurance broker companies) of the forthcoming deadlines in relation to the CPD assessment period from 23 September 2019 to 31 July 2021 (“Transitional Period”).

- **Submission of CPD Declaration Forms** - The deadline for individual licensees to submit their completed CPD Declaration Forms to their appointing principals is **30 September 2021**.
- **Grace period for individual licencees** – Individual licensees with a shortfall of no more than 50% CPD hours as at 31 July 2021, have until 31 October 2021 to make good the shortfall in order to avoid a penalty. Similarly individual licensees with a shortfall of more than 50% CPD hours as at 31 July 2021, have until 31 October 2021 to make good the shortfall in order to limit the penalty to a fine (and avoid suspension and later revocation). Note, individual licensees still have to submit their CPD Declaration Forms to their appointing principals by 30 September 2021, even if they have a shortfall as at 31 July 2021, but intend to make up the shortfall by 31 October 2021. If an individual licensee has not made good his/her CPD shortfall by 30 September 2021 (the deadline for submission of the CPD Declaration Form), but subsequently makes good the shortfall prior to the end of the grace period on 31 October 2021, the individual licensee must by 5 November 2021 further notify his/her appointing principal that he/she has made good the shortfall.

For further details on the proposed penalties for non-compliance of the CPD requirements, please refer to the CPD Penalty Framework.

Yours faithfully,

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General Counsel
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c.c. The Hong Kong Federation of Insurers
Professional Insurance Brokers Association
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**Frequently Asked Questions on the
Penalty Framework for Non-compliance with Continuing Professional Development (“CPD”)
Requirements (“CPD Penalty Framework”)**

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I. Compliance with the CPD Requirements

Q1: Can individual licensees take the same CPD activities to rectify the shortfall in CPD hours?

A1: This has already been addressed in section (6) of the Interpretation Notes on Guideline on Continuing Professional Development for Licensed Insurance Intermediaries (GL24) issued in August 2021 concerning repeated attendance of the same CPD activity in the same assessment period or in different assessment periods. For convenience, we repeat the answer here:

While the IA encourages individual licensees to undertake CPD activities on different topics, it is understood that individual licensees may occasionally wish to attend the same CPD activity again for the purposes of refreshing their knowledge in that subject matter, especially when the contents of the particular CPD activity are continuously updated.

For face-to-face CPD activities (including those delivered via virtual classroom mode):

- Individual licensees can earn CPD hours by attending the same CPD activity to refresh their knowledge, whether they attend the same CPD activity within the same Assessment Period or in different Assessment Periods.
- However, the IA may query an individual licensee if it is noted that he/she has earned CPD hours by attending the same CPD activity repeatedly during the same Assessment Period.

For E-learning CPD activities:

- Individual licensees can only earn CPD hours by taking the E-learning CPD activity once during the same Assessment Period.
- If an individual licensee repeats the same E-learning CPD activity in the same Assessment Period, the repeat one will not be counted.

Q2: The CPD Penalty Framework has two tiers for the Transitional Period (being the assessment period from 23 September 2019 to 31 July 2021). The appropriate tier to apply depends on whether an individual licensee’s shortfall in CPD hours is less than or more than 50%. If an individual licensee has a CPD shortfall of exactly 50%, however, which tier should be applied?

A2: A shortfall of CPD hours of exactly 50% is “a shortfall of CPD hours of no more than 50%”. Hence the first (more lenient) tier applies.

Q3: Is there any “grace period” to rectify the shortfall in CPD hours?

A3: There is a grace period for the Transitional Period (being the assessment period from 23 September 2019 to 31 July 2021).

Firstly for the Transitional Period, the CPD Penalty Framework provides an individual licensee who has a shortfall of CPD hours that is no more than 50% of the required CPD hours as at 31 July 2021, with an opportunity to rectify the shortfall by 31 October 2021 to avoid any penalty.

Secondly for the Transitional Period, the CPD Penalty Framework provides an individual who has a shortfall of CPD hours of more than 50% of the required CPD hours as at 31 July 2021, with an opportunity to rectify the shortfall by 31 October 2021, to avoid being penalized with anything more than a fine (i.e. to avoid a suspension or revocation of licence).

II. Reporting of CPD Compliance Records

Q4: How do individual licensees and their appointing principals report their CPD hours or CPD compliance status to the IA?

A4: The relevant CPD reporting procedures can be found in the IA’s circulars dated 1 April 2021 – [“Continuing Professional Development \(“CPD”\) Requirements – CPD Compliance Reporting Procedures for Assessment Periods 2019/20 and 2020/21”](#) and 7 July 2021 –

[“CPD Compliance Reporting for Combined Assessment Periods 2019/20 and 2020/21 Detailed Instructions for reporting by principals to the Insurance Authority”](#)

For the Transitional Period (being the assessment period from 23 September 2019 to 31 July 2021), individual licensees are required to report their CPD compliance by completing a CPD Declaration Form and providing it to their appointing principal by 30 September 2021. For the avoidance of doubt, individual licensees have to submit their CPD Declaration Forms to their appointing principals by 30 September 2021, even if they have a CPD shortfall as at 31 July 2021.

Appointing principals, after receiving the completed CPD Declaration Forms, should report the CPD compliance status of their licensees as of 31 July 2021 to the IA by 31 October 2021. Please refer to the above circular dated 7 July 2021 for the details of the reporting procedures. Remember, in respect of those individual licensees who report that they have not completed the required CPD hours by 31 July 2021, appointing principals must also email copies of the individual licensees’ CPD Declaration Forms together with the relevant supporting document(s) to cpdreporting@ia.org.hk separately by 31 October 2021.

Individual licensees who report that they have not earned the required CPD hours by 31 July 2021, but who then make good part or all of their CPD shortfall by 31 October 2021, are required to report their updated CPD compliance status to their appointing principals by **5 November 2021**. Appointing principals are then required, by **19 November 2021**, to submit a list (in the following format) to the IA, detailing the updated position of these individual licensees together with the relevant supporting documents. These lists (and supporting documents) should be submitted by email to cpdreporting@ia.org.hk:

Licence Number	Name of Licensee	Shortfall of CPD hours as at 31 July 2021	Number of CPD hours attained to rectify the shortfall by 31 October 2021

Individuals whose licences were under suspension as of 31 Jul 2021 (i.e. they were licensed but not appointed by any principal as at 31 Jul 2021), are required to report their CPD compliance by sending their duly completed CPD Declaration Forms to the IA by email to cpdreporting@ia.org.hk by 30 September 2021, even if they have a CPD shortfall as at 31 July 2021. Those who report that they have not earned the required CPD hours by 31 July 2021, but who subsequently make good part or all of their CPD shortfall by 31 October 2021, must then report their updated CPD compliance status

together with the relevant supporting document(s) to the IA by 5 November 2021. These updating reports and documents should be sent to cpdreporting@ia.org.hk.

Q5: If an individual licensee changed his/her appointing principal during Transitional Period (i.e. the assessment period from 23 September 2019 to 31 July 2021), does the former appointing principal have to report the CPD compliance status of that individual licensee to the IA?

A5: Appointing principals are required to submit details of the CPD compliance status of their individual licensees to the IA by **31 October 2021** if the licensees were appointed by them as of 31 July 2021.

If an individual licensee changed his/her appointing principal between 1 August 2021 and 30 September 2021, he/she is required to personally submit his/her completed CPD Declaration Form directly to the IA by emailing it to cpdreporting@ia.org.hk by **31 October 2021** even if he/she has a CPD shortfall as at 31 July 2021. Those who report that they have not earned the required CPD hours by 31 July 2021, but who subsequently make good part or all of their CPD shortfall by 31 October 2021, must then report their updated CPD compliance status together with the relevant supporting document(s) to the IA by **5 November 2021**. These updating reports and documents should be sent to cpdreporting@ia.org.hk.

III. Imposition and Settlement of Pecuniary Fine

Q6: How does the IA impose the pecuniary penalty (i.e. fine) and how do individual licensees pay the fine?

A6: The IA is empowered under section 81 of the Insurance Ordinance (Cap. 41) (“Ordinance”) to take disciplinary action against a regulated person (including an individual licensee) if the IA is of the opinion that the person is not a fit and proper person. Such disciplinary action includes the imposition of a pecuniary penalty (i.e. a fine).

As per the CPD Penalty Framework, if an individual licensee fails to complete the requisite number of CPD hours, this will impact his or her fitness and properness exposing him or her to disciplinary action by the IA. If the IA proposes to penalize the individual licensee with a fine, it will issue a notice to the individual licensee stating the reasons for the fine, the amount of the fine and how the fine can be paid. The individual licensee may either pay the fine at this stage, or make representations in writing as to why the fine should not apply (or should be for a lower amount). If the individual licensee chooses to make representations, the IA will consider those representations before making a final decision on whether or not to proceed with the fine. If, having reviewed

the representations, the IA still proposes to impose a fine, it will notify the individual licensee of the decision, the reasons for it, the amount of the fine imposed and the mode of payment. Details of an individual licensee's disciplinary records can be accessed via the IA's Register of Licensed Insurance Intermediaries (Individuals).

Q7: If an individual licensee has been fined for non-compliance with the CPD requirements and his/her license is subsequently revoked, is the licensee still required to pay the fine?

A7: Yes. A person ordered to pay a fine must pay it. If the fine remains unpaid, the IA can register the fine with the Court of First Instance. On registration, the fine is regarded as an order of the Court of First Instance made within the civil jurisdiction of the Court for the payment of money.

IV. Waiver/Reduction of Penalty

Q8. If an individual licensee provides a reasonable excuse for his/her failure to make good the CPD shortfall, will the IA waive or reduce the penalty?

A8: CPD requirements are designed to ensure individual licensees remain fit and proper persons to carry on regulated activities by requiring them to continuously update their technical and regulatory knowledge through CPD activities so that their professional competence in carrying on regulated activities is maintained. This is an essential regulatory mechanism for ensuring the interests of the public and policyholders are protected and to enable the public to place their trust in licensees when carrying on regulated activities. For these reasons, the IA places great importance on monitoring individual licensees' compliance with the CPD requirements and taking disciplinary action against those who do not comply with the CPD requirements by adopting the proposed penalty systems in the CPD Penalty Framework. The proposed penalty systems in the CPD Penalty Framework are maximum levels of penalty for the corresponding CPD breaches and will be applied with due regard to the circumstances of each case. If the licensee has a reasonable excuse for his or her non-compliance of the CPD Penalty Framework, he/she may provide us with his/her explanation in writing in the CPD Declaration Form to be submitted to the IA via his/her appointing principal. The IA will take this into account before deciding whether or not to impose a penalty.

V. Suspension or Revocation of Licence

Q9: If the licence of an individual licensee is revoked due to the shortfall in CPD hours, is the licensee required to make good the shortfall in CPD hours before applying to be a licensed insurance agent again?

A9: Yes. A person is required to make good the shortfall and ensure that there are no unpaid fines, before applying for a new licence.

Q10: If the licence of an individual licensee is suspended for a period of 3 months due to a shortfall in CPD hours and he/she makes good the shortfall in CPD hours and pays the penalty fine within 3 months, will the suspension be lifted before the end of the 3 months?

A10: No. The suspension remains in force for the full 3 months.

VI. Failure to submit or late submission of a completed CPD Declaration Form

Q11. If an individual licensee fails to respond to the reminder letter concerning the licensee's failure to submit a completed CPD Declaration Form and he/she is unable to provide a reasonable excuse for such failure, will the individual's non-compliance with the CPD requirements be treated in accordance with paragraphs (1)(A) or (2)(A) of the CPD Penalty Framework?

A11: The matter will not be treated in accordance with either paragraphs (1)(A) or (2)(A) of the CPD Penalty Framework. Rather, the IA is likely to invoke its powers under section 64ZZH of the Ordinance to commence an investigation and deploy its investigation powers to require production of the completed CPD Declaration Form. Failure to comply with such production requirement may give rise to an offence or disciplinary action under section 81 of the Ordinance.

Q.12 If an individual licensee fails or is late in submitting the completed CPD Declaration Form, when will the IA issue the reminder letter mentioned in paragraphs (1)(B)(b) or (2)(B)(a) of the CPD Penalty Framework?

A.12 Individual licensees are required to submit their completed CPD Declaration Forms to their appointing principals by 30 September. Appointing principals must then report the CPD compliance status of their appointed individual licensees to the IA by 31 October. If the CPD compliance status report from the appointing principal indicates that an individual licensee failed to submit a completed CPD Declaration Form by 30 September, the IA will issue a reminder letter to the individual licensee.