

# DECONSTRUCTING INSURANCE AGENCY HIERARCHY



## CONDUCT IN FOCUS

[COVER VIDEO](#)

MARCH 2026  
ISSUE 12

# CONDUCT IN FOCUS

Welcome to this 12th edition of *Conduct in Focus*!

In this issue, we begin with an overview of the latest complaint statistics, highlighting key trends and areas of concern observed in the market and the Insurance Authority's ("IA") regulatory response.

We then deconstruct the agency hierarchy in which individual insurance agents not only serve as intermediaries themselves, but also assume responsibility for managing their downline agents, and discuss the associated regulatory considerations for such a hierarchy.

Next, we explore the increasing use of social media for promoting insurance products and reiterate the conduct and compliance standards that insurance industry is expected to observe in the digital environment.

We also present an at-a-glance review of insurance intermediary trends, including age profile, turnover, and licence duration, providing insight into the evolving composition of the intermediary workforce.

In addition, we share findings from our focus groups on public perception of insurance intermediaries, identifying factors that build trust and confidence toward the industry as well as less satisfactory aspects that bring negative experience to clients.

Finally, we focus on the importance of anti-money laundering and counter-terrorist financing controls, setting out key observations drawn from the IA's enforcement work.



Hope you enjoy this edition!

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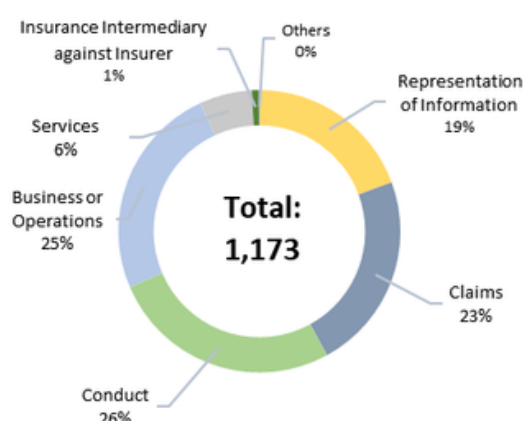
# COMPLAINT STATISTICS

([English Audio Version](#))

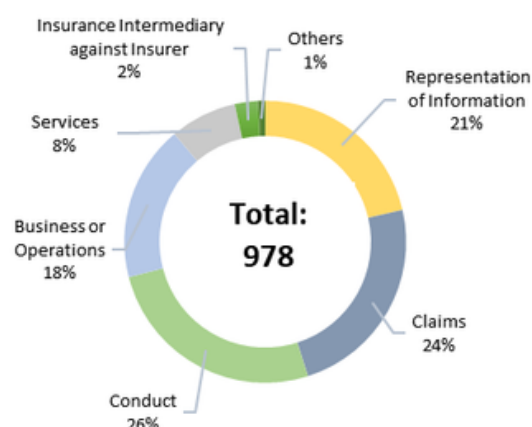
In this edition we present the complaints statistics for the full year 2025.

## 1 January to 31 December 2025 vs prior year

From 1<sup>st</sup> January to 31<sup>st</sup> December 2025



From 1<sup>st</sup> January to 31<sup>st</sup> December 2024



## Explanation of Complaint Categories

**Conduct** - refers to complaints arising from the process in which insurance is sold, the handling of client's premiums or monies, cross-border selling, unlicensed selling, allegations of fraud, allegations of forgery of insurance related documents, commission rebates and "twisting" (i.e. insurance agents inducing their clients to replace their existing policies with those issued by another insurer by misrepresentation, fraudulent or unethical means).

**Representation of Information** - refers to complaints relating to the presentation of an insurance product's features, policy terms and conditions, premium payment terms or returns on investment, dividend or bonus shown on benefit illustrations, etc.

**Claims** - refers to complaints in relation to insurance claims. The IA cannot adjudicate insurance claims or order payment of compensation. It can, however, handle complaints related to the process by which claims are handled (e.g. delays in processing, lack of controls or weaknesses in governance, areas of inefficiency in the claims handling process).

**Business or Operations** - refers to complaints related to business or operations of an insurer or insurance intermediary (e.g. cancellation or renewal of policy, adjustment of premium, underwriting decision, or matters related to the management of the insurer, etc.).

**Services** - refers to complaints regarding insurance related servicing by insurers or intermediaries, such as complaints related to the delivery of premium notice or annual statement, dissatisfaction with services standards etc. »

## Overall Complaint Trend

In 2025, the IA received 1,173 complaints, representing a 19.9% increase from the 978 complaints recorded in 2024. In the first half of 2025, the year-on-year increase hit 33% but dropped in the second half to reach the final of around 20% figure for the full year.

Despite the increase in 2025, the overall complaint volume remained broadly in line with pre-COVID levels of 1,163 complaints in 2019, and was 21% lower than the pandemic-period of 1,494 complaints in 2020. In the context of the insurance market's continued expansion (in only the first three quarters of 2025, total gross premiums hit HKD637 billion, far exceeding the full year figure of HKD567 billion for 2019), the complaint trend has been relatively moderate.

Alongside the observed complaint trends, the IA continued to enhance the efficiency of its complaint handling. In 2025, the IA exceeded its service pledge to close at least 80% of complaint cases within six months of receipt<sup>1</sup>, by achieving a six-month closure rate of 85% for complaints received during the first half of the year. This reflects our ongoing efforts to process cases efficiently while ensuring that outcomes are reached in a fair and consistent manner.

## Complaint Profile and Regulatory Response

Looking more closely at complaint categories, "Conduct" (26%), "Representation of Information" (19%), and "Business or Operations" (25%) remained the major categories in 2025.

The significant increase in "Business or Operations" was discussed in the previous edition of Conduct in Focus (see [Issue 11](#)) covering the complaint statistics for the first half of 2025, and the observations set out there remain applicable when assessing the full-year position.

"Conduct" and "Representation of Information" together accounted for 45% of all complaints. Complaints in these two categories are, to a significant extent, associated with insurance intermediary behavior, including pre-contract sales practices and ongoing servicing provided after policy inception. This concentration underscores the importance of ensuring that intermediary incentives remain well aligned with policy holder interests and support consistently good customer outcomes throughout the policy lifecycle.

Against this backdrop, the IA has introduced commission spreading requirements for all participating policies with regular premium payment terms, as of 1 January 2026. This requires insurers to spread commission over the course of the policy period such that no more than 70% of the total commission can be paid within the first year, with the remaining portion being spread evenly over the following five years or the premium payment term, whichever is shorter. >>

<sup>1</sup> Begins from the date on which written consent and supporting documents were received from the complainant to the date on which a referral was made to the Enforcement Division or the Conduct Supervision Division for follow-up action, or the date on which a letter of conclusion was issued to the complainant.



The requirement applies to participating policies because they represent a significant segment of the long-term insurance market, accounting for more than 80% of new office premium, and because commission arrangements for these products have consistently been predominantly front-loaded. Where commission on a participating policy is all paid up front, it results in over-prioritization of selling (sharpening the risk of aggressive selling and miss-selling) whilst also underprioritizing post-sales servicing. Requiring commission to be more spread over the course of the policy period helps address this misalignment, incentivizing appropriate advice, quality sales activities, and meaningful ongoing services. Over time, the IA expects this measure to help ameliorate certain key drivers underlying complaints relating to conduct and misrepresentation of information, and support more sustainable market practices and better consumer outcomes.

In addition to commission-related measures, the IA has continued in recent years to place emphasis on the continuing professional development (“CPD”) training requirement. This reflects the IA’s expectation that insurance intermediaries should, through ongoing training, remain properly equipped with sound business ethics and up-to-date technical knowledge to serve customers effectively. The IA is pleased to note that the industry achieved a 99.9% CPD compliance rate, again, for the latest assessment period from 1 August 2024 to 31 July 2025. This outcome reflects the industry’s strong commitment to maintaining professional standards (whilst also leaving 0.1% room for improvement next year). ■



# WHEN INDIVIDUAL INSURANCE AGENTS ARE MORE THAN JUST INDIVIDUAL INSURANCE AGENTS

## (English Audio Version)

An individual who is appointed by an insurer to carry on regulated activities, must be a licensed individual insurance agent. This licence enables the individual insurance agent to sell, negotiate, arrange and give advice on insurance policies offered by his/her appointing insurer.

Such are the core functions of the front-line individual insurance agents who do business in the Hong Kong insurance market. Their focus is on customer acquisition and building customer relationships. Through this, they get to understand a customer's circumstances, identify their insurance needs and introduce suitable insurance products, offered by their principal insurer, to meet those needs. They assist the customer in making an informed decision and then navigate the customer through the application and arrangement process. Once the insurance policy has been arranged and issued, throughout the term of the policy the agent will continue to advise the customer, answering questions on policy benefits and coverage, providing assistance in claims and renewing the policy (if applicable), and reviewing the continued suitability of the policy to the customer's evolving life circumstances. »

## From Individual Agent to Agent Manager

As is the case with most careers, the career progression of individual insurance agents is one that sees them, over time, taking on greater management responsibilities for supervising, overseeing, mentoring and coaching other more junior insurance agents. The further they move into management role, the less they perform core regulated activities themselves, and the more they manage other agents in the performance of their regulated activities.

This career progression can best be illustrated by typical organization structure for an authorized insurer's life agency force, which organizes individual insurance agents into teams, districts and regions under different tiers of management. »



## A Typical Agency Force Organization

Let's take a hypothetical individual insurance agent, Shirley, as an example. Shirley works for hypothetical authorized Insurer X. This is what Shirley's agency career might look like:

- **Insurance Agent (front-line 0 to 3 years)** - Shirley is recruited by Insurer X as a prospective insurance agent, and joins a team of agents through an existing team member's introduction. As a new recruit, she has to pass the Insurance Intermediaries Qualifying Examination ("IIQE"), go through the licensing process with the IA, and Insurer X's comprehensive onboarding product and compliance training. At this stage of her career, Shirley's work focuses on the core regulated activities (customer acquisition, selling, arranging insurance policies and providing after-sales servicing). She gradually builds her customer base, mentored and coached by her unit manager. When she gets into her third year, she starts introducing potential new recruits to the team herself and renews her licence for a second 3-year term.
- **Unit Manager/Senior Unit Manager (3-7 years)** - After 3 years, Shirley makes her first move into junior management by becoming a unit manager, managing a unit of 5 other front-line individual insurance agents carrying on regulated activities. Now she has to split her time between carrying on front-line regulated activities herself (growing and servicing her own customer base) and supervising and managing her 5 "down-line" agents. She is remunerated for her management responsibilities through overriding commission from the insurance policies sold by the "down-line" agents in her team. Over time, Shirley grows her team to 15 down-line agents and becomes a Senior Unit Manager.
- **District Manager/District Director (7-15 years)** - With almost a decade of experience under her belt, Shirley moves into middle management in the agency hierarchy as District Manager. She now oversees 3 units (each run by unit managers who report directly to her) and a total of 35 down-line agents. Her focus moves away from carrying on front-line regulated activities herself and onto managing the district through the unit managers. She develops the unit managers as leaders, encouraging team expansion, but also ensuring compliance across the district by all down-line agents under her supervision. As she increases the number of units under her supervision, she is promoted to District Director (with all the units under her forming an entire district). In total she has management oversight of 75 down-line agents, through the unit managers who report to her. >>

- **Regional Director** - The pinnacle of Shirley's agency career is to become a regional director, with a number of districts now (each made up of multiple units) reporting up to her and for which she bears ultimate management and supervisory responsibility. As Regional Director, Shirley is now the executive leader of a multilayered agency force of 200+ agents.

At each stage in her career progression, Shirley remains a licensed individual insurance agent, licensed to carry on front-line regulated activities. This is the case even though she transitions completely away from carrying on regulated activities herself and into managing and supervising the performance of regulated activities of other "down-line" individual insurance agents. In other words, the more senior she becomes, the more her work takes her beyond the scope of her licence and into management. >>



## Comparison with Responsible Officers

This is one of the curiosities of the intermediary licensing regime under the Insurance Ordinance. Every licensed insurance broker company and insurance agency is required under the Insurance Ordinance, to have a responsible officer. The responsible officer - from the regulatory perspective - is ultimately responsible for the individual technical representatives who work for the company, complying with the requirements in the insurance regulatory framework. The responsible officer position is a management position embedded as part of the insurance regulatory framework and is assigned specific management and compliance-focused obligations in the Insurance Ordinance. In virtually all cases, the responsible officer is also the chief executive officer, responsible for the business performance (and production) of the insurance broker company or insurance agency.

The work scope of those in the higher tiers of management within the insurer's agency hierarchy - the regional directors, district directors, district managers and unit managers (who we shall refer to hereafter as "agent managers") - is more aligned with that of a responsible officer, who is responsible for managing others, than it is with being an individual insurance agent. However, there is no formal equivalent to the "responsible officer" role expressly assigned to agent managers in the Insurance Ordinance. They remain only licensed individual insurance agents. »



Nevertheless, the IA is increasingly adopting a regulatory approach that utilizes the existing insurance regulatory framework to regulate agent managers for their oversight responsibilities within an agency hierarchy, similar to the way it regulates responsible officers of insurance broker companies and insurance agencies. Like responsible officers, agent managers have responsibility for the business performance of the individual insurance agents they manage - much is made in agency culture of the Million Dollar Round Table ("MDRT") qualification which focuses solely on such production performance. However, agent managers (again like responsible officers) also have responsibility for ensuring business done by their down-line agents complies with the insurance regulatory framework.

Given the vital role agent managers have in influencing the standard of regulated activities carried on by their down-line agents, agent managers should be held accountable for their compliance responsibilities (in the same way responsible officers are held to account). We outline the IA's approach on this below. »





## Accountability of Agent Managers Under the Insurance Regulatory Framework

### The “Fit and proper” Handle on Accountability

Even though carrying on regulated activities themselves may be a minor part of an agent manager’s role, they still need to be licensed as licensed individual insurance agents. Carrying on regulated activities is the core craft through which they gained the experience to rise into management. To manage other agents to carry on regulated activities, agent managers must be able to perform (and know how to perform) those activities themselves. There will also be times when - even though they are in management - agent managers need to deal with customers directly, particular in difficult situations. The continuation of their licensed status enables them to do this.

The fact that they are licensed empowers the IA to hold agent managers to account for their management responsibilities. As licensed individual insurance agents, agent managers need to be fit and proper to carry on regulated activities. If circumstances arise that call their fitness and properness into question, this can give rise to disciplinary action by the IA, including a fine, reprimand, or suspension or revocation of their licence.

Assessing the continued fitness and properness of an agent manager to be a licensed individual insurance agent would include considering the adequacy with which they perform their management functions. If a down-line agent has breached the requirements in the Code of Conduct for Licensed Insurance Agents in carrying on regulated activities, and this was due to incorrect guidance or instruction from an agent manager, this may call into question the agent manager’s fitness and properness as well as that of the offending agent. Scrutiny would also be placed on the fitness and properness of higher tiers of agent managers if the compliance record of down-line agents in their region, district or unit is particularly and/or systematically poor.

The “fit and proper” requirement, to a certain extent, imposes regulatory duties on agent managers to discharge their management functions in a way that ensures their down-line agents carry on their regulated activities in line with the conduct requirements demanded in the Insurance Ordinance. >>

### The Intermediary Management Control Function

The regulatory accountability of agent managers for their management functions is also reflected in the requirement in section 13AE of the Insurance Ordinance, which requires every insurer distributing insurance policies through individual insurance agents to establish an intermediary management function.

The role of this intermediary management function is to establish and maintain internal control measures for (i) administering its licensed individual insurance agents; (ii) monitoring their compliance with the Insurance Ordinance; and (iii) ensuring the arrangements by which individual insurance agents bring business to the insurer comply with the requirements of the Insurance Ordinance, the Code of Conduct for Licensed Insurance Agents and applicable Guidelines issued by the IA. >>



The adoption of the intermediary management function as part of the insurance regulatory framework reflects a regulatory mindset that agent managers' responsibilities are no longer purely sales focused (hitting sales KPIs and recruitment quotas), but also include compliance obligations in their day-to-day management. The Key Person appointed by the insurer to be responsible for the intermediary management function (the "KPIM"), relies heavily on agent managers to cascade down the compliance requirements demanded by the insurer to their down-line agents. Agent managers must train, coach and assist their down-line agents in meeting those requirements in their day-to-day regulated activities. They need to monitor compliance across their units, districts and regions and report up any breaches. It is through the agent managers that such compliance controls and requirements are implemented in a practical and effective manner.

It follows that in order for the intermediary management function to be truly effective, an authorized insurer (and the KPIM in charge of it) must implement mechanisms that hold agent managers accountable for this compliance aspect of their role. This must be formally reflected in the agent manager's job scope, contracts, performance metrics, promotion criteria, leadership training, and their remuneration and other incentive programs.

### Conduct Inspection and Focus on Ethical Business Culture

Conduct inspections form an important part of the IA's supervisory approach. The objective of a conduct inspection is to assess the adequacy of an authorized insurer's controls and processes to achieve compliance with the conduct requirements in the insurance regulatory framework. A core focus of an inspection is to assess the corporate culture of the insurer, being the norms, practices and values displayed by the employees/agents and those representing the insurer when dealing with customers. »



An inspection brings IA inspectors face-to-face with agent managers. Indeed, the IA deliberately engineers this by randomly selecting personnel at the insurer for informal interviews with the IA inspectors. It is through this process, that the IA has come to appreciate the vital role that agent managers play in effective compliance and ethical business conduct. It is the agent managers who must - under the oversight of the KPIM - cascade ethical conduct values down to their teams of front-line agents, and coach and mentor them on how to display those values when dealing with customers. When we ask front-line agents in interviews who their role models are, they invariably name their agent manager.

Agent managers, therefore, can make or break an insurer's reputation for ethical business conduct. They can fill in gaps left between conduct controls by suggesting customer-centric solutions, and ensure the conduct controls achieve their objective of treating customers fairly. Alternatively, they can break a culture through short-termism and chasing production at all costs. In this respect, they are cultural architects. »



Recent self-reported cases handled by the IA have clearly demonstrated the value of agent managers' role as cultural architects and as an important first line of defense in detecting misconduct early. In these cases, agent managers proactively conducted random checks on team activities (e.g. reviewing policy portfolios for unusual trigger events such as early termination, or the use of policy values or policy loans to pay premiums). Through these reviews, agent managers identified early red flag signals, including the repeated occurrence of such unusual events within a relatively short period in certain down-line agents' portfolios.

Upon inquiry, the down-line agents admitted to the misconduct (e.g. misappropriating client premiums and thereby triggering policy loans due to non-payment of renewal premiums). The agent managers then appropriately escalated the cases to the insurer's Compliance Function for follow up. This led to internal investigations and subsequent termination of the down-line agents involved. More importantly, these actions helped protect customers' interests by reinstating affected policies to their original status, so that customers suffered no financial loss. These cases highlight how proactive oversight by agent managers can prevent customer harm, detect unethical behaviour, protect the insurer's reputation, and, in turn build the conduct culture within the insurers.

Further, as stated, it is through the agent managers that a KPIM must work to implement controls. If the relationship between the KPIM and the agent managers is strong, this is conducive to an effective compliance culture. By contrast if it is weak, compliance becomes cosmetic, a tick-box exercise, and a means of trying to show the regulator something is being done, whilst masking growing problems with agent conduct.

In the inspection reports the IA writes, the insurer is given feedback on the culture observed and often the key findings come from the open (or otherwise) discussions with the agent managers, as these give a true picture of the state of culture across the insurer's agency force. »



## How to be a Good Agent Manager

What then makes a good agent manager in the IA's view? The IA is the regulator of insurance market. We are not ourselves agent managers, and we are humble enough to know that we may not have all the answers on how to be good in this role. Nevertheless, our inspection interviews have given us insights on a list of traits which may assist in achieving the right mindset to be an agent manager in the way demanded by the insurance regulatory framework. So, humbly, we present our tips on how to be a good agent manager below: »

- **Recognizing the Importance of Conduct Compliance**

A good agent manager recognizes that compliance is a fundamental component of any sale of insurance. A sales target achieved in a non-compliant manner is a failure to achieve. The agent manager must demand that the success and reputation of his down-line agents is measured by “clean” production that stands up to regulatory scrutiny and meets the regulatory objective of customer fair treatment. A thorough understanding of the conduct requirements in the Hong Kong insurance regulatory framework is a must for an agent manager, as the IA will measure an agent manager’s fitness and properness through the compliant conduct of the manager’s down-line agents.

- **Demanding Ethical Business Conduct at All Times**

A high-performing agent manager understands that the long-term success of their unit, district or region relies on trust rather than short-term gains. Ethical business conduct is not merely a moral obligation but the bedrock of sustainable customer relationships and high persistency. By championing integrity over volume, the agent manager ensures that the team’s business is built on a foundation of professional excellence that minimizes complaints and maximizes long-term value for both the client and the insurer.

- **Mentoring and Coaching for Values**

The role of an agent manager is to mentor down-line agents to do the "right thing" as a matter of course. It is imperative to invest time in coaching agents on professional standards, and on the importance of taking time to understand a customer’s circumstances so that they can recommend the right insurance policy to recommend (rather than cutting corners). A team that is trained to prioritize the customer’s best interests over commission, is the agent manager’s best professional legacy and aligns with the IA's expectations of effective supervision.

- **Valuing Ongoing Servicing as a Core Competency**

Recognizing that the issuance of a policy is merely the beginning of the relationship is a hallmark of a mature agent manager. A culture that values after-sales servicing, periodic policy reviews, and claims assistance as much as new business generation is vital. This focus transforms an agency team from a mere distribution channel into professional and trusted advisors. >>



- **A Cultural Architect for Ethical Business Conduct**

As an agent manager ascends the hierarchy to become a District or Regional Director, their primary function shifts to that of a cultural architect. They are responsible for designing and maintaining an environment where transparency and fair treatment of customers are the "unwritten rules" of the team. By setting the tone from the top, the agent manager ensures that an ethical culture permeates every layer of the hierarchy, providing the best possible defence against systemic misconduct and demonstrating a proactive commitment to regulatory standards.

Ultimately, for the modern agency leader, the path to sustainable success requires less talk of MDRT and more talk of EBC – **Ethical Business Culture.** ■



# PROMOTING INSURANCE ON SOCIAL MEDIA

[\(English Audio Version\)](#)

It is not unknown for the Insurance Authority ("IA") to receive complaints about the manner in which an insurance intermediary or insurer promotes insurance products on social media. Sometimes, it doesn't even take a complaint – just the vigilant eyes of an (often younger) IA staff member who has seen a misleading post come up on their feed. When that happens, usually we call the person responsible, tell them to stop being stupid and take the post down (and if they don't, disciplinary action is the result). Occasionally, we will also pose as a potential customer, follow the link in post and see what other obvious non-compliances the person posting has committed.

The IA has not promulgated a series of detailed and granular rules specific to posting on social media about insurance, as we seek to preserve market flexibility and creativity. Rather, we rely on insurance intermediaries and insurers – should they choose to promote insurance via social media – to abide by the core conduct principles set out in section 90 of the Insurance Ordinance, on which the insurance regulatory regime for regulated activities is founded. In this article, to provide guidance, we show how these conduct principles apply – and are factored into the IA's considerations – in relation to social media posts on insurance. We also give examples of the type of obvious non-compliances we have come across, so that these can be avoided in the future.

## Applicable Conduct Requirements

The conduct requirements in section 90 of the IO which are most pertinent to social media use, are outlined below:

- **An insurance intermediary should act in the client's best interests, honestly, with integrity and treat the client fairly (section 90(a) of the IO).**

To accord with this conduct requirement when posting about insurance products on social media, it is imperative that the post is fair, clear and not misleading. This requires a balanced view of the insurance product to be presented, with the coverage and benefits of the insurance policy being no more prominent than its risks and material exclusions (which should be stated). The information should also be presented in clear language that a customer would understand. »



- **An insurance intermediary must disclose information about an insurance policy, for the customer to be sufficiently informed for the purpose of making an informed decision (section 90(e) of the IO)**

This is the ultimate objective of regulated activities. Not to convince the customer to buy at all costs. But to provide the customer with sufficient information so they can make a fully informed decision. The aim must be to support a customer's understanding, rather than getting them over the line on a sale as quickly as possible through distraction.

- **An insurance intermediary's regulated advice should be suitable for the customer, taking account of the customer's circumstances**

Social media posts can often be targeted on specific demographics or persons indicating certain interests through their own social media usage. In crafting a targeting strategy, an insurance intermediary or insurer curating a post must seek to target only potential customers who would likely be within the target customer segment for which the insurance policy was designed. »

- **Adequacy of Systems and Controls**

Sections 91 and 92 of the IO require licensed insurance broker companies and licensed insurance agencies to establish and maintain proper controls and procedures for securing compliance with the conduct requirements by their technical representatives.

Similarly, per General Principle 1 of the Code of Conduct for Licensed Insurance Agents, individual insurance agents are required to comply with the policies and procedures and other applicable requirements of their appointing insurers in relation to carrying out regulated activities. Authorized insurers are required to establish such policies and procedures as part of their intermediary management function, aimed at ensuring, among other matters, that the conduct requirements in the IO are complied with. »

All principals (whether insurers, broker company or agencies) should therefore have in place a policy on the use of social media by their individual agents or their technical representatives. To the extent such use is permitted, they should also ensure appropriate controls and processes are in place so that proposed posts are published in compliance with the conduct requirements. »

### ***Principles for Use of Social Media to Promote Insurance***

In summary, social media posts about insurance policies should be:

- fair, clear and not misleading;
- provide a balanced view, with the coverage and benefits of the insurance policy being no more prominent than its risks and material exclusions (which should be included);
- presented in clear language that a customer would understand;
- provide sufficient information to support the customers' understanding so they can make fully informed decisions;
- target only customers within the segment for which the insurance policy may be suitable;
- compliant with the principal's (insurer/agency/broker company) social media policy. »

## The IA's Approach

When a social media post about an insurance policy comes across the IA's radar screen, we follow three broad principles in our approach to reviewing it.

- Firstly, we review it to see if it aligns with the conduct requirements summarized above.
- Secondly, in performing this review, we look at the social media post as if we were a customer (in line with the IA's core function to protect the interests of policy holders and potential policy holders and the public interest, it is only right that we step into their shoes and see matters through their eyes).
- Thirdly, we expect each social media post to be standalone compliant with the conduct requirements. We would not expect, for example, a consumer to be presented in a post with the benefits of the product, but have to click through to another post to see its drawbacks and risks. This would not be a fair or balanced presentation of the insurance policy.

## The Type of Posts to Avoid

Probably the most common types of problematic social media posts we see are those which do not present the insurance policy in a fair or balanced way. Instead – and this is often the case with participating policies with non-guaranteed benefits – the post focuses on a prominent non-guaranteed benefit to “hook” the attention of the scrollers.

These days it is called ‘clickbait’, but it is a sales trick as old as time. A graph which shows the non-guaranteed benefit multiplying tenfold+ over a period of time, as compared with a bank deposit. A prominently highlighted percentage showing the return on non-guaranteed benefits a customer could enjoy, with the associated risks either hardly visible or not referenced in the post at all. A high percentage fulfilment ratio placed prominently in the post, where the percentage has been selected from the first or second year of the insurance policy to make any consumer's eyes light up – even though this is totally misleading because of the fulfilment ratios it omits from later years. »



When we catch the promoter in the act, out comes the pre-rehearsed defence – “ah, but of course, after they contact me, I will explain all the risks in full.” Sure you will. But the point is, you have already planted the misleading impression in the customer's head, that they are virtually guaranteed to get the same return on the benefit shown in the post. You have created this misleading expectation. Psychologically, it is not easy to dislodge that thought once it has taken hold – which let's face it, was your objective in making such a misleading, unbalanced and unfair post in the first place. In these circumstances, the chances of a fully informed objective decision being made by the customer are very limited. »

Another twist on the same sales-tactic, is the testimonial from the poster of how wonderful the insurance policy has been because he bought it himself. Here the poster is playing on "social proof", the idea that a consumer decides what is good for them based on what other consumers have bought. But here's the problem - we are not all the same. Our insurance needs depend on our own individual circumstances and it's the core task of an insurance intermediary to assess those circumstances and let the recommendation emerge from that. What's good for you, may not necessarily be good for me. To suggest otherwise is potentially misleading.

Then there are those posts which promise a free iPhone if you buy an insurance policy. Whoever wrote these obviously hasn't read the IA's Guideline on Gifts, or deployed simple common sense. This is selling by distraction and it is not conducive to customers making informed decisions about their insurance needs.

## Conclusion

Some obvious practical tips emerge from these observations.

- **Social Media Policy:** First, every insurer, broker company and agency should have in place a social media policy. This may be as simply as a straightforward prohibition on individual agents and technical representatives promoting insurance via social media. Alternatively, if such promotion is permitted, proper guidance should be provided (e.g. clear Dos and Don'ts and a formal approval process for product-specific social media posts) so that posts are properly controlled, with adequate record keeping to support audit and compliance needs. »



- **Communication Process:** If you allow social media to be used, make sure your social media policy and guidance are clearly communicated to your individual agents and technical representatives. They should also be reminded to assess proposed post against the social media principles outlined in this article. Always remember that every post should be assessed on a standalone basis and consider it from the customer's viewpoint.
- **Be realistic:** The fact is some insurance policies are too complex to be properly promoted in a balanced way through social media. It is perfectly acceptable to reach this conclusion and be discerning in your social media policy - permitting social media promotion for some types of insurance policies, but prohibiting it for others. A risk-based approach should be adopted in your considerations.
- **Keep an eye out:** There are tools you can use to carry out social media scraping and keep an eye on posts regarding your products and/or your company. It is a bit like mystery shopping, but with a compliance aspect. This is highly recommended.
- **If in doubt don't promote:** It's important to get it right, so if you're in any doubt then not using social media to promote an insurance product would be the right decision. Because you never know, the customer who contacts you...could be working for us. ■



# INSURANCE INTERMEDIARY TRENDS AT A GLANCE - AGE, TURNOVER AND LICENCE DURATION

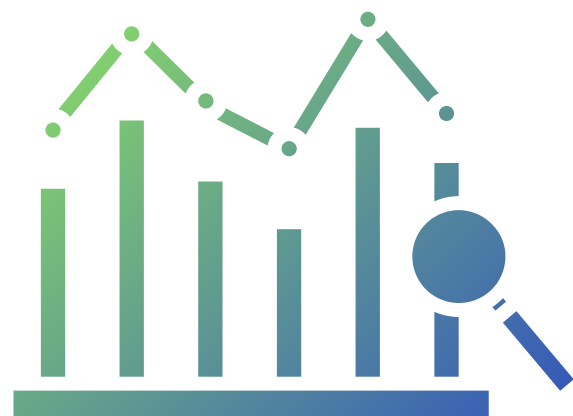
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## Age Statistics

In Issue 8 of Conduct in Focus ([Issue 8](#)), we shared the age statistics of insurance intermediaries up to October 2023. Two years on, we can continue to examine the trend up to December 2025.

### Overall Trend

Overall, the average age of insurance intermediaries continues to trend upwards. In December 2020, it stood at 39.9 years. It then climbed steadily past the 40-year barrier to 42.0 years old as at October 2023. By December 2025, the average age had risen further to 42.5 years old. >>

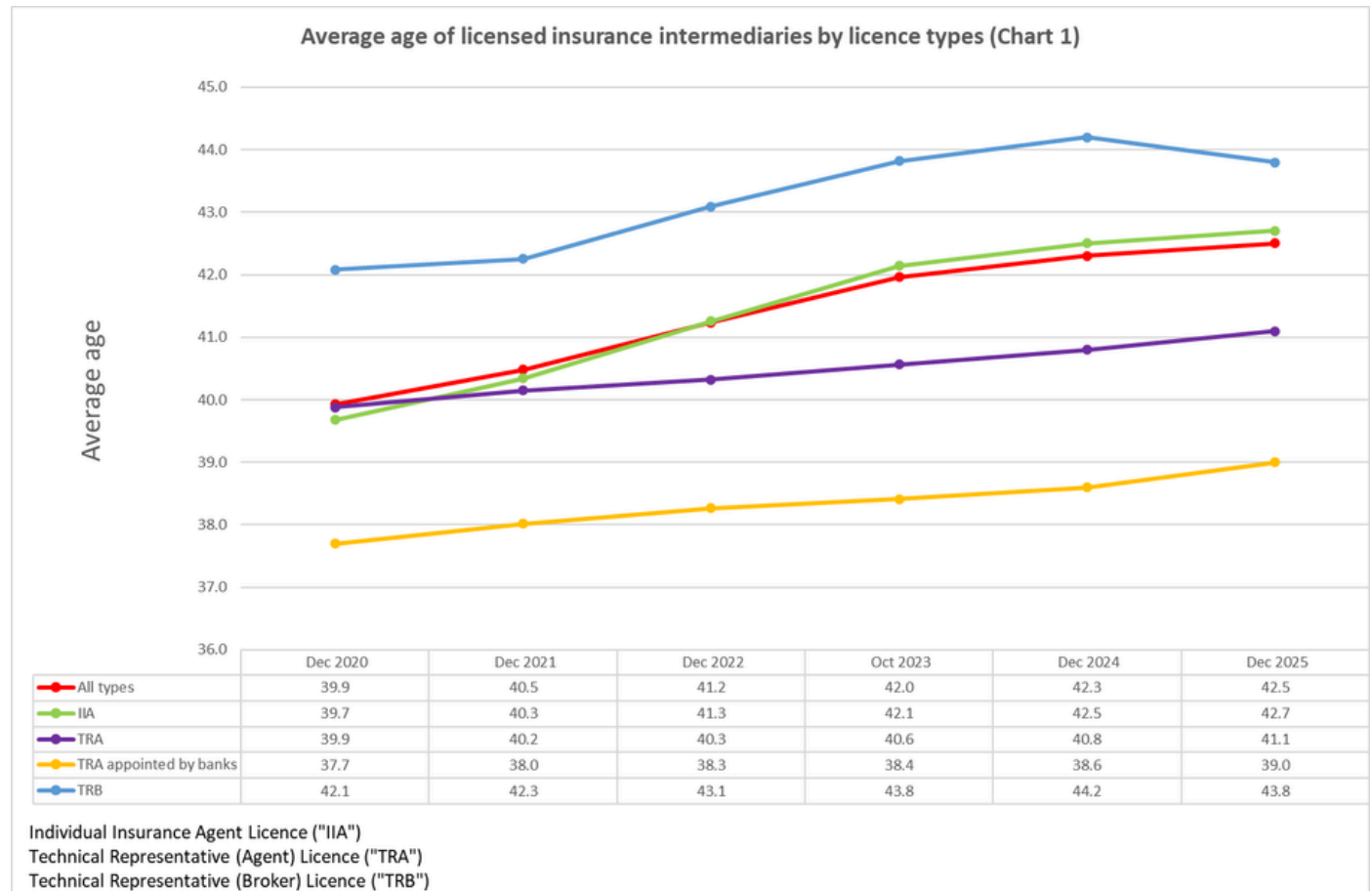


Still increasing, then, but the slower pace may suggest signs of positivity. The fact that the average rose by only 0.5 years over a 2-year period (October 2023 to December 2025) indicates that inflows of younger entrants are – to some extent – counterbalancing the natural ageing of intermediaries already in the industry. This was different from previous years. Is this a sign that talent sourcing (particularly young talent sourcing) is beginning to stabilize? >>



## Average Age Across Licence Type

Chart 1 details the progression in average age by licence type from December 2020 to December 2025.

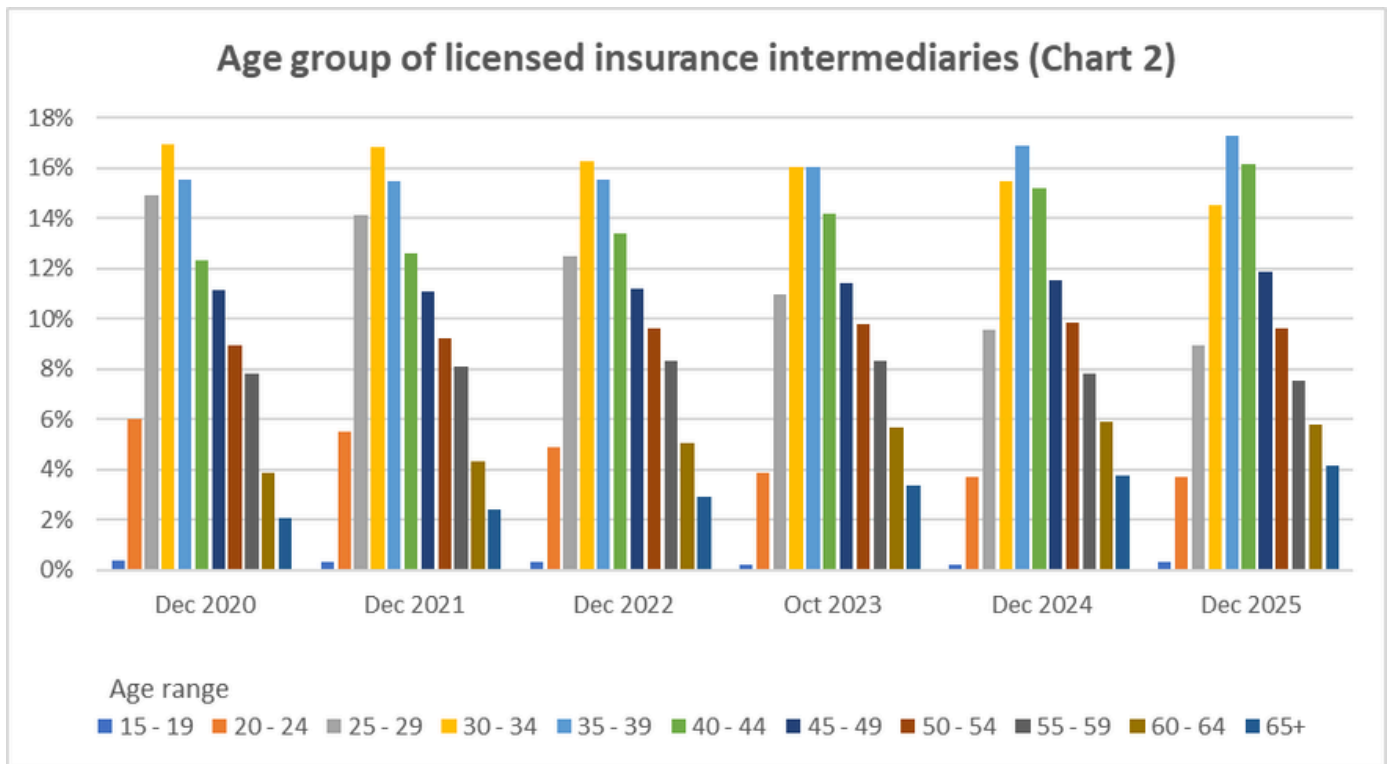


## Age Ranges

With an average age of 43.8 years, technical representatives (broker) continue to be the most (how should we put this) mature cohort among all licence types. However, this was unchanged from October 2023, suggesting that the broker segment has witnessed an injection of younger entrants in the past two years. By contrast, the average age of individual insurance agents increased from 42.1 years in October 2023 to 42.7 years in December 2025 (+0.6). »

Similarly, the average age of technical representatives (agent) climbed from 40.6 years in October 2023 to 41.1 years in December 2025 (+0.5). Despite this increase, they remain the youngest group among all licence types, largely due to the relatively youthful technical representatives (agent) in banks, whose average age is lower at 39.0 as of December 2025 (+0.6). »

In Chart 2, we break down all licensed individual insurance intermediaries into 5 year age-ranges.



Here we see a change. The age group of 30-34 year olds was the largest from December 2020 to October 2023. By December 2025, this age-group dropped to the third largest, overtaken by the 35-39 and 40-44 age groups. The 25-29 age group has also fallen to 9% in December 2025, from 15% in 2020. >>

## Turnover Rate

In issue 10 of Conduct in Focus, we showed the statistics for turnover rates among licensed insurance intermediaries up to 31 December 2024. Let's explore how this continues to trend up to December 2025.

Of the approximate 90,000 individual licensees granted to new entrants to the insurance market from September 2019 to December 2025 (the life span of the IA's licensing regime), around 53,000 (59%) continued to be active as at December 2025, down from 62% at the end of 2024.

That overall figure, however, only tells part of the story.

The picture is more telling when we focus on individuals whose licences were newly granted between September 2019 and December 2022, as they would by now have completed their first three-year licence period - allowing us to see how many actually renewed their licences (i.e. remained active in the industry). »

- From September 2019 to December 2022, the IA issued 38,400 new licences to individuals entering the market for the first time.
- Of these, only around 30%, or around 11,700, remain licensed more than three years later, as at December 2025.
- This represents a further (considerable) decline from the 35% retention rate reported last year.

The data also indicates persistently high early-stage attrition: in both periods reviewed, more than 50% of new licences were revoked within the first three years. Below are the key statistics for these new entrants: »

Year of licences granted#	2019 (Sept – Dec)	2020	2021	2022	Total
No. of licences granted to new entrants	4,600	13,100	11,900	8,800	38,400
No. of licences remained active as of 31 Dec 2025	1,000	3,000	4,000	3,700	11,700
No. of licenses revoked	3,600	10,100	7,900	5,100	26,700
- Revoked within 1st year	300	900	900	1,000	3,100
- Revoked between 1st – 2nd year	1,000	2,900	3,000	2,100	9,000
- Revoked between 2nd – 3rd year	900	3,400	2,300	1,300	7,900
- Revoked after 3 year	1,400	2,900	1,700	700	6,700

\*Remark: the figures were rounded to the nearest hundred, and did not include experienced hire who rejoined the industry or swapped their existing licence.

From a conduct-regulatory perspective, these figures continue to present a significant red flag, particularly regarding the risk of orphan policies in the life insurance sector. Orphan policies remain a key driver of complaints received by the IA, and persistently high attrition among new licensees heightens this concern. The data further reinforces the rationale for introducing the commission-spreading mechanism for participating policies, »

which helps mitigate conduct risks arising from rapid turnover in the intermediary population. »



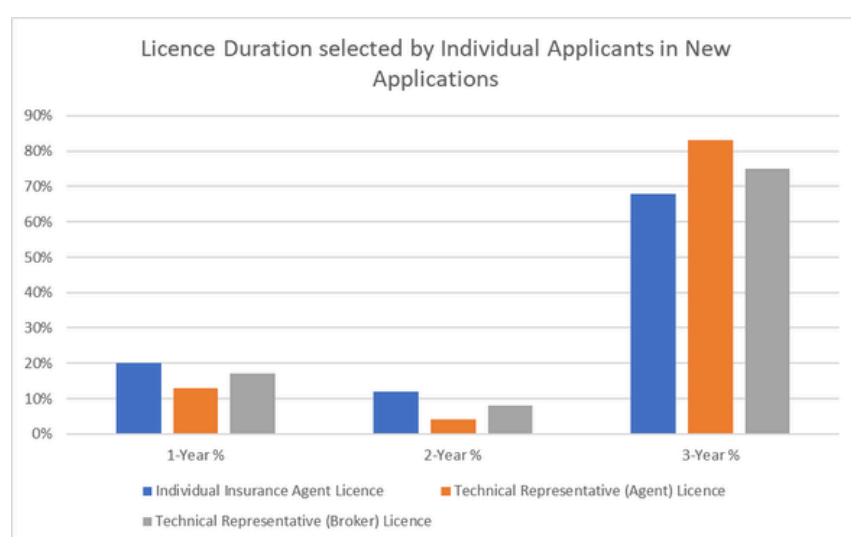
## Licence Duration in Individual Applications

Given the persistently high turnover among new entrants, it is also important to examine how licensees are choosing their licence duration options, as this may reflect their expectations of career longevity within the industry.

With the commencement of the licensing fee collection on 23 September 2024, new individual applicants have been offered the options to select shorter licence terms of 1 or 2 years, alongside the standard 3-year term, at correspondingly lower fees. While the 3-year licence carries a higher total fee, it offers a lower annualised cost. The aim of this flexibility is to reduce financial pressure on applicants and support new talents entering the market. Renewal applicants are likewise given the option of a 2-year term in addition to the 3-year licence.

Given the relatively high turnover rate shown above, one might expect applicants to choose shorter licence periods. However, the data reveals the opposite trend.

Despite higher total costs, 3-year licences continue to be the preferred option, chosen by 71% of the approximate 31,000 new individual applicants from September 2024 to December 2025, showing their commitment to longer careers in the insurance market. Technical representatives (agent) led with 83% picking 3 years, followed by technical representatives (brokers) at 75% and individual insurance agents at 68%. Only 19% of the applicants during the period chose 1-year term.



Meanwhile, among the around 22,000 renewal applications received from September 2024 to December 2025, 84% selected a 3-year licence while 16% chose a 2-year option. This suggests that applicants who have completed their initial licence period tend to opt for a longer-term commitment. »



Even though 3-year licences require a higher upfront payment, their lower per-year cost led most intermediaries to choose the longer term. This behaviour enhances policy holder protection by encouraging sustained intermediary availability and relationship continuity.

The current trend, with 71% of applicants selecting 3-year licences, points to higher initial commitment.

However, as mentioned above, historical records show that 52% of past cohorts did not maintain their licences for the full three years. We are therefore keen to assess whether this strong initial preference reflects a real shift toward longer-term commitment, or whether it is primarily driven by the lower annualized cost of the 3-year option. »

## Final Comments

Our suspicion is that embedded with these statistics - particularly the 52% of licencees who fail to complete their first 3-year licence - is the persistence of the traditional distribution mindset. This mindset is based on the simple formula of “the more intermediary the better” - which lends itself to indiscriminate volume recruiting to meet recruitment quota targets. The consequence of this is a large drop out rate - 52% - in the first few years.

One day, perhaps, a recruiting principal may do something radical and adopt a recruitment formula which says “the fewer but more committed and well-trained intermediaries, the better for sustainable business”. This would require a more discerning and targeted approach to recruitment.

Some may say that in a world where every commentator is talking of how AI is going to disrupt traditional business models, there is something reassuring in the persistence of the Hong Kong traditional intermediary mindset. Having said that, as next article on the public perception of licensed insurance intermediaries demonstrates, perhaps a recruitment strategy that places more emphasis on quality than just sheer quantity, will lead over time to an enhancement of the positive perceptions and an eradication of the negative?

The IA, having introducing commission spreading requirements for participating policies, has no doubt that insurance intermediaries should be incentivized to see a career as an insurance intermediary as a long term commitment (and continue to earn tail commission as they service the policies they arranged). We hope that long-term insurers follow this lead. ■



# PUBLIC PERCEPTION OF INSURANCE INTERMEDIARIES

[\(English Audio Version\)](#)

In Hong Kong, licensed insurance intermediaries serve as a vital conduit between the insurance buying public and the insurance sector. They are the insurance industry's outward face. When a member of the public engages with the insurance sector, they invariably do so through a licensed insurance intermediary. This means that the image of the insurance sector in Hong Kong – whether positive or negative – is set by the public's perception of the 120,000 licensed insurance intermediaries who currently work in the sector and the quality of services they provide.

What, then, is that public perception? Many working within the insurance sector, have their own views on this. But as the regulator, we thought it best to ask the people who hold the answer: the public.

In 2025, the IA conducted two focus group sessions, attended by members of the public, to ascertain the general public's view on "Services of Licensed Insurance Intermediaries." This article reflects on the key insights gathered during those focus groups.

Essentially, open feedback was elicited on personal experiences of dealing with licensed insurance intermediaries. A range of views was put forward, from very positive experiences, to some experiences that engendered a need for improvement. We set the broad findings below. »



## "POSITIVE"

### Personalized Advice:

Those participants who had a positive experience, focused on the personalized advice they were given by insurance intermediaries tailored to individual circumstances. The way in which insurance intermediaries took into account clients' financial situations, needs, and goals, as a basis for determining a suitable recommendation, was cited as the core skill and expertise of an insurance intermediary that the public should expect.

Participants expect insurance intermediaries to possess extensive knowledge regarding various insurance products, relevant laws, and market trends. They emphasized the value of personalized advisory services, which empower clients to make informed decisions tailored to their unique needs and circumstances. Those who felt they had received this, cited their image of insurance intermediaries and the insurance sector as a whole, as positive. »

**Product Comparison and Analysis:**

Participants also expect insurance intermediaries can offer product comparisons and cost-effective analysis, helping clients choose more suitable and advantageous options. This variety enables consumers to identify the best products without having to navigate overwhelming market information on their own. Again, participants who had dealt with insurance intermediaries that provided them with meaningful comparisons and analysis and were able to explain these, came away with a positive view.

**Responsiveness and Support:**

Participants value insurance intermediaries who are responsive and available to answer questions in relation to insurance products or provide support throughout the claim process. They shared that good insurance intermediaries often stay in touch with clients to make sure their needs continue to be met. Participants noted that insurance intermediaries' expertise in navigating complex claims processes significantly enhances the client's experience. The claim stage is often where the strength of the relationship with an insurance intermediary produced visible value, and those who experienced this from their insurance intermediaries (even with explanation of why certain amounts were not reimbursed by insurers) came away with a positive experience.

**Ethical Practices and Service:**

Participants believed that insurance intermediaries who adhere to ethical standards would enhance the industry's reputation. If a participant felt that they had been provided with a quality service by an insurance intermediary who had demonstrated that they were acting in the participant's interest, then the participant would have no hesitation (and often did) relay their positive experience to friends and family and recommend the intermediary in question. Organically, this was a way in which the good reputation of insurance sector could be enhanced and spread.

**"NEGATIVE"****Lack of Knowledge:**

On the negative side, insurance intermediaries who did not fully comprehend the features of the product they were recommending, resulted in a negative experience for a client. Whether through providing misinformation or causing confusion to their client, this created a poor impression. Participants felt that a lack of expertise can result in making poor decisions, eroding trust in insurance intermediaries and insurance companies. »

**Poor Communication:**

Insurance intermediaries who do not communicate effectively can leave clients feeling abandoned. Participants revealed that this usually happens when clients need assistance or have queries after the sale of insurance products. Poor communication can lead to a negative reputation for both the insurance intermediaries and insurance companies. Participants also emphasized that this is particularly detrimental during the claims process. Claims are often the most important stage of the insurance experience - when customers most need timely updates, clear explanations and practical support. When communication breaks down at this point, it can severely undermine trust and satisfaction.

**Unclear Explanation:**

The participants also expressed frustration when they later discovered some fees or conditions in the insurance contract that were not clearly explained at the outset, where the insurance intermediaries only provided limited information based on the leaflet/ brochure. This may exacerbate feelings of negative impression and widen the gap between ethical and unethical insurance intermediaries. »



## Conclusion

To be clear, the above information was obtained through the feedback from focus group participants and does not represent the IA's view and/or standpoint.

With that said, the IA has already made its position on licensed insurance intermediaries very clear. In the Preface to the IA's Codes of Conduct, we state that the Code *"sets out fundamental principles of professional conduct which buyers of insurance are entitled to expect in their dealings with licensed insurance [intermediaries], reinforcing the bedrock of trust which serves as the foundation for a healthy, competitive and efficient insurance market."* In other words, in our view, there is a direct correlation between professional conduct being displayed by licensed insurance intermediaries and increasing public trust in the insurance market. Similarly, conduct which falls short of these professional standards can undermine public trust.

The takeaway then is simple. For the Hong Kong insurance industry to thrive, insurance intermediaries must display ethical and professional conduct in every action they take, prioritizing transparency and acting in the customer's best interests. This is how trust is earned, built and reinforced. As financial awareness grows and clients become more discerning, insurance intermediaries will find their conduct increasingly scrutinized by those they serve. This is a challenge that every professional and ethical licensed insurance intermediary should welcome. ■



# STRENGTHENING ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING CONTROLS

## Lessons from IA's Recent Disciplinary Actions

[\(English Audio Version\)](#)

Licensed insurance broker companies serve as the first point of contact with customers and play a critical role in preventing the insurance sector from being used for money laundering and terrorist financing (ML/TF) activities. Given the risk of long term insurance policies being targeted as instruments to facilitate ML and TF, licensed insurance broker companies and licensed insurance agencies that carry on regulated activities in long term business are required to comply with the customer due diligence and record keeping requirements in the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO).

Recent disciplinary actions by the IA highlight its continued commitment to strengthening the robustness and effectiveness of anti-money laundering and counter-terrorist financing (AML/CFT) controls within the insurance sector.

The IA reprimanded and imposed fines totaling HK\$429,000 on three broker companies for contraventions of AMLO and reprimanded three individuals connected with the broker companies' contraventions. These disciplinary actions followed the IA inspections that uncovered deficiencies in the broker companies' AML/CFT frameworks. »



Below are some examples of the identified shortcomings:

### Failure to Establish and Maintain Effective Procedures for Customer Due Diligence (CDD)

Two broker companies required their technical representatives (TRs) to certify customers' identification documents by making a true copy and marking the verification date on it.

However, during the pandemic (presumably due to travel restrictions preventing face-to-face meetings), one broker company allowed TRs to verify documents on dates different from those recorded on the copy, while the other broker company permitted TRs to omit to mark the verification date entirely. Both practices breached the companies' AML measures. »



Proper verification of customer identification documents is a critical component of the CDD process, as it helps identify politically exposed persons (PEPs) and associated ML or TF risks (such as situations where the actual customer or paying party may not be who he or she purports to be). While unforeseen circumstances such as a pandemic may disrupt normal operations, these essential procedures must not be bypassed or overlooked. Launderers view such disruptions as opportunities to sneak in dirty money. Maintaining compliance standards despite challenging situations is therefore imperative to stop these attempts.

### **Failure to Conduct CDD Prior to Establishing a Business Relationship**

In two policy applications, the broker company incorrectly identified family trusts as the policy holders, despite having received board resolutions from a company stating that it would hold and pay for the policies as employee fringe benefits. Accordingly, the company, not the family trusts, should have been identified as the customer.

As part of its CDD obligations, the broker company must accurately identify the customer and understand the purpose and intended nature of the business relationship. This is essential to detect situations where individuals may conceal their identity behind vehicles such as trusts, or company ownership structures, to facilitate ML/TF activities.

### **Failure to Establish and Maintain Effective Procedures for Verifying Persons Purporting to Act on Behalf of a Customer (PPTA)**

A TR signed as the PPTA for a corporate policy holder based on board resolutions claiming the TR was authorized through employment by the policy holder, an assertion that was untrue. This lapse occurred because the broker's internal manual lacked clear procedures for verifying both the PPTA's identity and authority. Verifying the identity and authority of a PPTA is critical to prevent individuals from exploiting business relationships to facilitate ML/TF activities. »

### **Failure to Determine Whether Customers Are PEPs**

One broker company failed to establish and maintain effective procedures for identifying whether customers were PEPs during the material period, resulting in the omission of PEP screening in policy applications. Insurance policies can be exploited for ML/TF through the funding of policy purchases and subsequent withdrawal of benefits. Therefore, it is essential for broker companies to implement robust procedures to screen customers for PEP status at the outset of any business relationship, as part of their efforts to detect and mitigate ML/TF risks. »



## Failure to Retain Proper CDD Records

One broker company failed to retain customer identification records for certain policy applications, despite having an internal requirement to keep such records for at least five years. These documents are a critical component of the audit trail for detecting, investigating, and confiscating potential criminal or terrorist property or funds. Proper record-keeping enables investigating authorities to establish a suspect's financial profile, trace illicit assets, and assists the Court in reviewing relevant transactions to determine whether assets are the proceeds of, or connected to, criminal or terrorist offences.

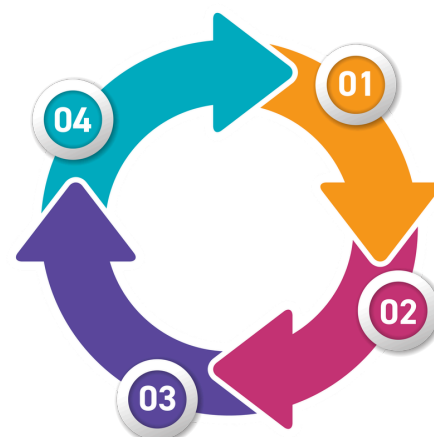
## Guidelines Considered by the IA

These omissions constitute material non-compliance with the AMLO and the IA's *Guideline on Anti-Money Laundering and Counter-Terrorist Financing* (GL3). While the IA acknowledges that the nature, size, and complexity of a broker company's business may influence the extent and scope of its corporate governance under the AMLO, this does not justify the absence of effective procedures. Broker companies should seek appropriate professional advice to ensure their controls meet regulatory standards.

The IA noted that no actual ML/TF activities were detected in the above cases and that the broker companies have taken remedial steps to rectify the deficiencies, including updating their internal manuals. They also promptly accepted the disciplinary actions. In determining the appropriate sanctions, the IA had regard to the *Guideline on Exercising Power to Impose Pecuniary Penalty in Respect of Anti-Money Laundering and Counter-Terrorist Financing* (GL3A).

## Conclusion

Market participants engaging in long-term business must maintain proportionate, well-designed, and effectively implemented AML/CFT procedures to accord with their obligations under the AMLO, not just on paper, but in day-to-day operations. Regular risk assessments, staff training, governance oversight, and clear escalation processes are essential components of an effective compliance framework. »



It is imperative that the insurance sector performs its obligations to prevent the financial services system being used as a conduit for money laundering and financial crime. Failures in these areas by insurers, broker companies or agencies that are subject to the AMLO, may result in proportionate disciplinary action being taken by the IA. Every person serving in the insurance market must play their part in safeguarding the integrity and reputation of Hong Kong as an international financial centre.

Please check out latest news on our enforcement work such as details of other disciplinary actions taken by the IA at the "[Enforcement News](#)" at the IA website. ■

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