

**Specification of Competency Standards
(SCS)-based Training Package on
“Understand the Importance of
Insurance” for the Insurance Industry
(General Insurance Sector)**

March 2026

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A. Introduction

Insurance plays a vital role in supporting industries by acting as a financial safety net against unexpected risks and losses. In today's dynamic business environment, companies face numerous uncertainties ranging from natural disasters to operational mishaps. Without adequate protection, these events could severely disrupt operations and threaten long-term survival. Insurance provides the assurance that when unforeseen circumstances arise, businesses have a mechanism to absorb the financial shock and continue functioning with minimal disruption.

Within the general insurance sector, coverage options such as property insurance, liability insurance, and business interruption insurance are particularly crucial. Property insurance protects physical assets like buildings, machinery, and inventory from damage caused by fire, floods, or other disasters. Liability insurance shields companies from legal claims and compensation costs that may arise from accidents or negligence. Business interruption insurance ensures that even if operations are temporarily halted, companies can recover lost income and maintain financial stability during the downtime.

By transferring risk to insurers, businesses effectively safeguard their assets and reduce exposure to potentially devastating financial burdens. This transfer of risk allows companies to focus on growth and innovation rather than constantly worrying about unpredictable losses. It also enables them to allocate resources more efficiently, knowing that insurance coverage provides a buffer against major setbacks. In this way, insurance becomes not just a protective measure but a strategic tool for long-term planning and resilience.

The presence of insurance also builds confidence among key stakeholders such as investors, employees, and customers. Investors are more willing to commit capital when they know that risks are managed responsibly. Employees feel secure working for organizations that prioritize safety and continuity. Customers, in turn, trust businesses that demonstrate reliability and preparedness. This collective confidence strengthens the reputation of enterprises and enhances their ability to compete in the marketplace.

Ultimately, the stability provided by insurance extends beyond individual companies to the broader economy. When businesses can recover quickly from accidents or disasters, they maintain employment, sustain supply chains, and continue contributing to economic growth. This resilience ensures that industries remain robust even in the face of challenges, fostering overall economic development. In this way, insurance is not merely a financial product—it is a cornerstone of economic stability and progress.

The Specification of Competency Standards (SCS)-based Training Package on “Understand the Importance of Insurance” for the Insurance industry (General Insurance Sector) is developed with reference to the selected Unit of Competencies (UoCs) that are specified by the Insurance Industry Training Advisory Committee (ITAC).

Therefore, the intended learning outcomes of “Understand the Importance of Insurance” will be in line with the assessment criteria of these UoCs. The final SCS-based Training Package on “Understand the Importance of Insurance” derived from the selected UoCs which correspond with the job roles and functions in general insurance industry. The selected UoCs that are specified by the ITAC for this Training Package are:

- “Comprehend principles of general insurance for Insurers” (105697L3),
- “Process general insurance applications” (105482L3), and
- “Process general insurance claims applications” (105492L3).

The Training Package offers for reference the learning, assessment guidelines, as well as supporting and reference materials. The Training Package exemplifies the design of the modules’ structure and comes with suggestions on teaching, learning, and assessment materials. Assessment materials include sample tasks, methods, contexts of assessment, outcome standards, and performance rubrics that are appropriate to the learning.

The Training Package is not meant to be a complete learning programme by itself. Enterprises and education and training providers who wish to use it as a blueprint for module development should adjust the relevant teaching, learning, and assessment contents for any variations in learning objectives, target learners, entry requirements such as academic level and experience, etc. In addition, users are advised to check and adopt the latest update of the references to ensure their currency, validity, and accuracy when using it. For any learning programme developed by drawing reference to the Training Package to become Qualification Framework (QF)-recognised, it must successfully pass the quality assurance process of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) or the self-accrediting institutions.

B. User Guide

This section elucidates the flow, basics, concepts, and assumptions of the design of the Training Package. The training organizers, training programme designers and trainers (collectively named as “Users”) will find practical guidance on using the Training Package for development into modules of learning or delivery of training.

1. Flow

The Training Package gives the overview and suggested structure of specified UoCs, followed by the recommended resources requirement on teaching and learning, including but not limited to the qualifications of the trainers, the learning and teaching guide, assessment guide, and supports materials.

2. Basics

The Training Package design includes expert opinions from experienced insurance underwriting and claims management professionals solicited via comprehensive desktop research with reference to the workflow and learning outcomes, cross-verify the SCS deliverables through extensive consultations and in-depth interviews with various stakeholders and subject matter experts and carry out internal moderation exercise via a quality assurance mechanism.

3. Concepts

The training package is best to evolve with time. Learners can achieve the intended learning outcomes (ILO) with the learning and assessment activities built around insurance principles insurance application, and claims management knowledge.

4. Assumptions

The Training Package design assumes continuous support from the employers allowing learners to complete the self-study, the class, the end-of-class assessment, and the post-class simulation case.

5. Users

Training programme organizers include human resources/training department, vocational and professional education and training providers intending to host a new SCS-based training programme based on the Training Package. Where applicable, these Users may also consider making an application to have the above programme accredited by HKCAAVQ based on the council’s requirements. Training Programme Designers and Trainers/Assessors intend to design materials for and facilitate a new SCS-based training programme based on the Training Package.

6. Guide to Different Users

a. Training Organizers

Training programme organizers will find value in the following sections:

- **Overview:** for the scope and coverage, target learners, trainers/assessors, and ratios of trainers/assessors and learners
- **Structure:** for the ILO, modules, and submodules, level of learning, and volume of learning

b. Training Programme Designers and Trainers/Assessors

Training programme designers and trainers will find value in the following sections:

- **Teaching Guide:** for suggested learning modules, learning modes and methods, learning contexts, the format of teaching, learning activities, time allocation, learning facilities recommended, as well as suggested readings and learning materials for students.
- **Assessment Guide:** for mapping assessment tasks with corresponding ILO, assessment methods, assessment activities, criteria and rubrics, performance grade, and passing criteria.
- **Support Materials for Trainers:** for reference notes, suggested self-study reading materials, books and optional reading materials.

Remark:

- Post-course evaluation is required and arranged by the training organizers with a view to ensure the quality of the training programme.
- Face-to face teaching method is preferred in this course.

7. Intended Learning Outcomes (ILOs)

Course Title	Understand the Importance of Insurance
QF Level	Level 3
Teaching Hours	24
Notional Learning Hours	80
Module	1. Comprehend Principles of General Insurance for Insurers
	2. Process general insurance applications
	3. Process general insurance claims applications

ILOs of the whole course

- i. Understand the principles and practices of general insurance underwriting and claims.
- ii. Explain policy wordings, terms and conditions.
- iii. Process insurance application and underwriting properly in accordance with insurance principles and regulatory requirements.
- iv. Process general insurance claim properly in accordance with insurance principles and regulatory requirements.

Mapping of Learning topics with Intended Learning Outcomes

	<u>ILO</u>	<u>ILO</u>	<u>ILO</u>	<u>ILO</u>
	Able to understand the principles and practices of general insurance underwriting and claims	Able to read and explain policy wordings, terms and conditions	Able to properly process insurance application and underwriting in accordance with insurance principles and regulatory requirements	Able to properly process general insurance claim in accordance with insurance principles and regulatory requirements
<u>Module 1</u> Comprehend Principles of General Insurance for Insurers				
(i) Regulation of Insurance Intermediaries and Insurers	√		√	√
(ii) Principles and Common Practices of General Insurance		√	√	√
(iii) Policy Wordings and Customer Service	√	√		
<u>Module 2</u> Process general insurance applications				
(i) Knowledge in general insurance underwriting	√	√	√	
(ii) General insurance application process	√	√	√	
(iii) General insurance application to underwriters	√	√	√	
<u>Module 3</u> Process general insurance claims applications				
(i) Knowledge in general insurance claims processing	√	√		√
(ii) Handle claims application and submission	√	√		√

8. Volume of Learning

a. QF Credits

QF credit is a common currency to enhance the transparency of programme. Under QF, one credit consists of 10 notional learning hours.

b. Notional Learning Hours

Notional learning hours (NLH) to be spent by an average learner, in all modes of learning, includes attendance in classes, online education, examination, self-study, practical learning, etc., to achieve the programme's learning outcomes. In the Training Package, NLH is used to describe the volume of learning.

c. NLH Allocation

The suggested NLH for an average learner to achieve the ILO of the Training Package “Understand the Importance of Insurance” (General Insurance) are as follows:

Course Title	Understand the Importance of Insurance (General Insurance)
QF Level	Level 3
QF Credit	8 credits
Teaching Hours	24 hours
Notional Learning Hours	80 hours

d. NLH Allocation by Module

Module 1

Title	Comprehend Principles of General Insurance for Insurers
QF Level	3
Teaching Hours	9 hours
Notional Learning Hours	30 hours

Module 2

Title	Process general insurance applications
QF Level	3
Teaching Hours	9 hours
Notional Learning Hours	30 hours

Module 3

Title	Process general insurance claims applications
Level	3
Teaching Hours	6 hours
Notional Learning Hours	20 hours

C. Scope, Target Learners, and Trainers

Course Title: Understand the Importance of Insurance (General Insurance)

1. Scope and Coverage

Scope – Three units of Competency, namely, “Comprehend Principles of General Insurance for Insurers”, “Process general insurance applications” and “Process general insurance claims applications”.

2. Coverage - Job Roles

The Training Package is intended to cover the following job roles of general insurance policy administration, underwriting and claims refer to those who are engaged by undertaking general insurance business for insurance companies ranging from large to medium and small enterprises.

Core Level (Entry-, junior-level staff in general insurance)	Role 1 General Insurance Policy Administration	Role 2 General Insurance Underwriting	Role 3 General Insurance Claims	Role 4 General Insurance Distribution
Examples of functional title for reference only	Policy Administration Assistant, Policy Administration Executive, Policy Administration Officer	Underwriting Assistant, Underwriting Executive, Underwriting Officer	Claims Assistant, Claims Executive, Claims Officer	Insurance Assistant, Insurance Executive, Insurance Officer
Role Description	Assist in performing general insurance policy administration	Assist in performing general insurance underwriting	Assist in performing general insurance claims	Assist in performing general insurance distribution

3. Target Learners and Entry Requirements

Target Learners

The training programme is suitable for insurance employees who want to advance their knowledge, skills, and behaviour on insurance policy administration, insurance underwriting, insurance claims and insurance distribution in general insurance industry.

Entry Requirements

To apply for admission to the programme, it is suggested that applicants should have obtained one of the following:

- A Bachelor's Degree in any discipline awarded by a recognized university or equivalent, OR
- An Associate Degree/Higher Diploma in risk management, insurance, business discipline or equivalent; OR
- A relevant professional qualification; OR
- The relevant general insurance experience in any front, middle or back-office department preferred

4. Requirements of the Trainers

Minimum 10 years of relevant general insurance experience in Hong Kong, preferably with relevant roles such as underwriting, claims and compliance with a professional qualification such as ANZIIF(Snr Associate), ANZIIF(Fellow), ACII or FCII.

Assessor's Role

Trainers also assume the role of assessors to collect and score assessment tasks.

5. Class Ratio

Trainer-to-learner ratio is 1:30

D. Teaching Guide

Module 1 - Comprehend Principles of General Insurance for Insurers

1.1 Course objectives

This course is to provide the basic knowledge for the junior or newly joined general insurance practitioners to understand the legal framework regulating insurance intermediaries and the general insurance principles and practices.

1.2 Key Learning Topics

- Regulation of Insurance Intermediaries and Insurers
- Principles and Common Practices of General Insurance
- Policy Wordings and Customer Service

1.3 Intended Learning Outcomes

- Able to understand the Insurance Ordinance regulatory framework of insurers, insurance intermediaries and insurance underwriting and claims.
- Able to understand the principles and practices of general insurance.
- Able to understand the structure of policy, policy wordings, and policy terms and conditions.
- Able to recognize different types of general insurance products.
- Able to recognize key steps of underwriting and claims.
- Able to apply the insurance principles in general insurance underwriting and claims.

1.4 Mapping of Learning Topics with Intended Learning Outcomes

	Regulation of Insurance Intermediaries and Insurers	Principles and Common Practices of General Insurance	Policy Wordings and Customer Service
Able to understand the Insurance Ordinance regulatory framework of insurers, insurance intermediaries and insurance underwriting and claims.	√		
Able to understand the principles and practices of general insurance.		√	
Able to understand the structure of policy, policy wordings, and policy terms and conditions.		√	√
Able to recognize different types of general insurance products.		√	
Able to recognize key steps of underwriting and claims.		√	
Able to apply the insurance principles in general insurance underwriting and claims.		√	

1.5 Allocation of Notional learning hours for Module 1

This module has 3 credits and 30 hours. It is suggested that the ratio of teaching hours vs self-study hours is around 1:2 as below.

	Area	Teaching Hours (a)	Self-Study Hours (b)	Notional Learning Hours (a+b)
(i)	<p>Topic 1</p> <p>Regulation of Insurance Intermediaries and Insurers</p> <ul style="list-style-type: none"> • Types of Licensed Insurance Intermediaries • Regulated Activity • Licensing Requirements • Conduct Requirements • Code of Conduct for Licensed Insurance Agents • Code of Conduct for Licensed Insurance Brokers • Regulatory Requirements on Insurers • Anti-Money Laundering and Counter-Terrorist Financing (“AML/CTF”) 	3 hours	6 hours	9 hours
(ii)	<p>Topic 2</p> <p>Principles and Common Practices of General Insurance</p> <ul style="list-style-type: none"> • Insurance Principles for Underwriting and Claims • Different Types of General Insurance Products • Principles of Underwriting in General Insurance & the Respective Underwriting Procedures • Claims Arrangements and the Key Steps of Common Practice of Claims Procedures 	4 hours	9 hours	13 hours

(iii)	Topic 3 Policy Wordings and Customer Service <ul style="list-style-type: none"> • Policy Wordings, Terms and Conditions • Significance and Respective Scope of Customer Services 	2 hours	5 hours	7 hours
	Total hours	9 hours	20 hours	29 hours
(iv)	Assessment			1 hour
(v)	Total Notional Learning Hours			30 hours

1.6 Teaching Resources and Format

Trainer is suggested to present the relevant learning contents and activities by using power point presentation, video and group discussion. Interaction and creative teaching approaches are highly recommended. The hyperlinks in this training package are for reference only and the trainer is reminded to use the latest version for teaching purpose.

1.7 Teaching Methodology

	Contents & Teaching Methodology	Teaching Hours
(i)	<p>Topic 1</p> <p>Regulation of Insurance Intermediaries and Insurers</p> <p>1. Contents Review (2 hours)</p> <p>Trainer is suggested to review the relevant contents with students and explain the details by using the Insurance Ordinance (Cap.41) (“IO”).</p> <ul style="list-style-type: none"> • Types of Licensed Insurance Intermediaries <ul style="list-style-type: none"> ○ Licensed Insurance Agents <ul style="list-style-type: none"> ▪ Licensed Insurance Agency (Insurance Agency License) ▪ Licensed Individual Insurance Agent (Individual Insurance Agent License) ▪ Licensed Technical Representative (Agent) (Technical Representative (Agent) License) ○ Licensed Insurance Brokers <ul style="list-style-type: none"> ▪ Licensed Insurance Broker Company (Insurance Broker Company License) ▪ Licensed Technical Representative (Broker) (Technical Representative (Broker) License) • Regulated Activity <p>Under section 3A(a) of the IO, a person carries on a regulated activity if the person does any of the following acts (Part 1 of Schedule 1A to the IO):</p> <ul style="list-style-type: none"> ○ the act of negotiating or arranging a contract of insurance ○ the act of inviting or inducing, or attempting to invite or induce, a person to enter into a contract of insurance ○ the act of inviting or inducing, or attempting to invite or induce, a person to make a material decision ○ the act of giving regulated advice <p>Under section 3A(b) of the IO, a person makes a material decision if the person makes a decision in relation to a matter specified below (Part 2 of Schedule 1A to the IO):</p> 	3 hours

	<ul style="list-style-type: none"> ○ the making of an application or proposal for a contract of insurance ○ the issuance, continuance or renewal of a contract of insurance ○ the cancellation, termination, surrender or assignment of a contract of insurance ○ the exercise of a right under a contract of insurance ○ the change in any term or condition of a contract of insurance ○ the making or settlement of an insurance claim <p>Under section 3A(c) of the IO, a person gives regulated advice if the person gives an opinion in relation to a matter specified below (Part 3 of Schedule 1A to the IO):</p> <ul style="list-style-type: none"> ○ the making of an application or proposal for a contract of insurance ○ the issuance, continuance or renewal of a contract of insurance ○ the cancellation, termination, surrender or assignment of a contract of insurance ○ the exercise of a right under a contract of insurance ○ the change in any term or condition of a contract of insurance ○ the making or settlement of an insurance claim <ul style="list-style-type: none"> ● Licensing Requirements <ul style="list-style-type: none"> ○ Determination of “Fit and Proper” ○ Criteria for Individuals ● Conduct Requirements <ul style="list-style-type: none"> ○ Statutory conduct requirements set out in sections 90, 91 and 92 (where applicable) of the IO ○ Code of Conduct for Licensed Insurance Agents ○ Code of Conduct for Licensed Insurance Brokers <p>Handling of premiums:</p> <p>(a) A licensed insurance agent should only receive payment of premiums, where it is within the scope of the agent’s authority as granted by its appointing insurer or appointing agency (as applicable).</p> <p>(b) If a licensed insurance agent is authorized to receive premium payment by its appointing insurer or appointing agency (as applicable), the agent should:</p>	
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- (i) handle the payment and disburse it to the appointing insurer or appointing agency (as applicable) in strict conformity with the requirements, controls and timing set out by its appointing insurer or appointing agency (as applicable);
- (ii) safeguard any premiums received and not mix such premiums with the agent's personal funds; and
- (iii) maintain proper records of premiums received in accordance with the requirements and controls stated in (i) above.

(c) As regards payment of premiums by way of cash, in addition to Standard and the following restrictions apply, namely:

A licensed insurance agent should not receive payment of premiums by way of cash, unless:

- (i) it is not reasonably feasible for the agent to accept payment by any other means; and
- (ii) the appointing insurer or appointing agency (as applicable) of the agent authorizes the agent to receive cash payment, the payment is within the limits of such authority and the payment is handled strictly in accordance with the requirements and controls to which such authority is subject.

Handling of client assets:

(a) A licensed insurance broker company must handle client monies (and any other client assets received by the broker in the course of carrying on regulated activities) in strict compliance with the requirements stipulated in law and the relevant rules, regulations, codes and guidelines administered or issued by the IA, including without limitation:

- (i) the requirements set out in Section 71 of the Insurance Ordinance;
- (ii) the requirements set out in the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules;
- (iii) the terms and conditions of its client agreement with the client; and
- (iv) the fiduciary duties it owes to its clients.

(b) A licensed insurance broker company should have sufficient controls and security in place to prevent unauthorized access to client assets.

- Difference between Insurance Agents and Insurance Brokers
 - Licensed insurance agents are appointed by (and represent) insurers. They are limited to promoting and arranging insurance policies on behalf of the insurers they represent. In general, they

can only be appointed by a maximum of 4 insurers, of which no more than 2 can be life insurers.

- Licensed insurance brokers act for, advise and provide services to policyholders and potential policyholders. They advise potential policyholders on their insurance needs and source appropriate insurance policies from insurers to address those needs. They are not limited in the number of insurers they deal with, and can approach any number of insurers to source the most appropriate insurance for their client policyholder.

Remarks: Trainer is required to explain the relevant regulation of insurance intermediaries in this section and share the relevant examples by using the class activities. Interaction and reference to the necessary legal requirements and guidelines issued under the Insurance Ordinance (Cap.41) (“IO”) are the key training tips.

- Regulatory Requirements on Insurers
 - Regulatory Requirements on Insurers
 - Authorization Requirements
 - Risk-based Capital Requirements
 - Valuation Basis for Assets and Liabilities
 - Fit and Proper Management and Shareholders Controllers
 - Adequate Reinsurance Arrangements
 - Other Criteria
 - Adequate Assets Maintained in Hong Kong for General Business
 - Reporting Requirements
 - Corporate Governance
- Anti-Money Laundering and Counter-Terrorist Financing (“AML/CTF”)
 - Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap.615)

2. Class Activity (1 hour) - Around 15 minutes for each activity.

- (1) Case Study – Insurance Intermediary
(Misconduct in arranging E.C. insurance policy)
- (2) Case Study – Insurance Intermediary
(Misappropriating gift vouchers)

	<p>(3) Case Study – Insurance Intermediary (Fabricating a certificate of insurance)</p> <p>(4) Case Study – Mishandling or Misappropriating Premium Payments (Handle Client Money)</p> <p>For details, please refer to the sample class activities.</p> <p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> • Regulation of Insurance Intermediaries and insurers - Insurance Ordinance (Cap.41) (“IO”) • Guidelines – Insurance Authority • IIQE Paper I - Principles and Practice of Insurance - 2024 Edition <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(ii)	<p>Topic 2</p> <p>Principles and Common Practices of General Insurance</p> <p>1. Contents Review (3 hours)</p> <p>Trainer is suggested to review the relevant contents with students and explain the details by using the learning guide.</p> <ul style="list-style-type: none"> • Insurance Principles for Underwriting and Claims <ul style="list-style-type: none"> ○ What is Insurance? <ul style="list-style-type: none"> ▪ Risk transfer mechanism ○ Utmost Good Faith <ul style="list-style-type: none"> ▪ Material facts disclosure ○ Insurable Interest <ul style="list-style-type: none"> ▪ Legally recognized relationship ○ Proximate Cause <ul style="list-style-type: none"> ▪ Insured perils, uninsured perils and excepted perils ○ Indemnity <ul style="list-style-type: none"> ▪ Exact financial compensation concept ○ Subrogation <ul style="list-style-type: none"> ▪ Twin corollary with indemnity 	4 hours

	<ul style="list-style-type: none"> ○ Contribution <ul style="list-style-type: none"> ▪ Twin corollary with Indemnity ● Common Types of General Insurance Products <ul style="list-style-type: none"> ○ Compulsory Insurance in Hong Kong ○ Property Insurance ○ Consequential Loss ○ Marine Insurance ○ Employees' Compensation Insurance ○ Motor Insurance ○ Public Liability Insurance ○ Product Liability Insurance ○ Directors' and Officers' Liability Insurance ○ Professional Indemnity Insurance ○ Cyber Liability Insurance ○ Contractors' All Risks Insurance ○ Erection All Risks Insurance ○ Building Owners' Corporation Third Party Liability Insurance ○ Personal Accident Insurance ○ Travel Insurance ○ Medical Insurance ○ Crime Insurance <p>Remarks: Trainer is required to introduce different types of insurance products and briefly explain their coverage and exclusions.</p> <ul style="list-style-type: none"> ● Principles of Underwriting in General Insurance & the Respective Underwriting Procedures <ul style="list-style-type: none"> ○ The Underwriting Process in Insurance ○ "Technical" Features ○ Physical Characteristics ○ The Human Element ○ Underwriting Factors to be Considered ○ Underwriting Remedies 	
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	<ul style="list-style-type: none"> ○ Supplementary Underwriting Aids <p>Remarks: Trainer is required to explain the reasons why underwriting is important to an insurance company and highlight the key underwriting techniques.</p> <ul style="list-style-type: none"> ● Claims Arrangements and the Key Steps of Common Practice of Claims Procedures <ul style="list-style-type: none"> ○ The Claims Management Process <ul style="list-style-type: none"> ▪ Report the Claim ▪ Investigate the Claim ▪ Assess the Claim ▪ Negotiate the Claim ▪ Pay the Claim ○ General Insurance Common Practice of Claims Procedures ○ Ex Gratia Considerations ○ Resolving Claim Disputes <p>Remarks: Trainer is required to explain the reasons why claims management is important to an insurance company and highlight the key features of claims management.</p> <p>Meantime, trainer is suggested to review different forms with students to ensure they understand the practical underwriting and claims process.</p> <ul style="list-style-type: none"> ● Risk Engineering Survey Form ● Proposal / Application Form ● Claim Application Form <p>For details, please refer to the sample at Appendix - Forms.</p> <p>2. Class Activity (1 hour) - Around 20 minutes for each activity</p> <ul style="list-style-type: none"> (5) Case Study (Extensive Flooding – Property and Liability Insurance) (6) Case Study (Risk of Landslides – Property and Liability Insurance) (7) TV Programme Sharing (Property Insurance) (8) News Reading with Video (Contractors’ All Risks Insurance and Fire Accident) 	
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	<p>(9) Case Study (Motor Insurance)</p> <p>(10) Case Study (Employees' Compensation)</p> <p>For details, please refer to the sample activities.</p> <p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> • Insurance Products – Hong Kong Federation of Insurers • IIQE Paper II – General Insurance • Type of Insurance – Hong Kong Federation of Insurers • Insurance Glossary - Association of British Insurers (ABI) • Underwriting – Munich Re • Reinsurance - Protecting against catastrophe (FSDC) • Claims - Two extreme typhoons push claims incurred to HK\$1.9b (Ins. Asia) <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(iii)	<p>Topic 3</p> <p>Policy Wordings and Customer Service</p> <p>1. Contents Review (1 hour)</p> <p>Trainer is suggested to review the relevant contents with students and explain the details by using the learning guide.</p> <ul style="list-style-type: none"> • Policy Wordings, Terms and Conditions <ul style="list-style-type: none"> ○ Policy Wordings ○ Policy Terms and Conditions ○ Cover Note ○ Certificate of Insurance ○ Policy Schedule ○ Insurance Policy ○ Warranty and It's difference to Conditions • Significance and Respective Scope of Customer Services 	2 hours

- Distribution Channels
 - Agents
 - Brokers
 - Banks
 - Financial Institutions
 - Online platforms
 - Other strategic partners
- Customer Services
 - Importance of Customer Service
 - Effective Customer Service
 - Key Customer Service Skills
 - Customer Service Elements in Insurance Claims

Remarks: Trainer is required to explain the relevant policy wordings and customer service by using relevant class activities and self-readings.

2. Class Activity (1 hour) - Around 20 minutes for each activity

- (11) Video Sharing
(Negligence / Public Liability Insurance / Product Liability Insurance)
“Donoghue V. Stevenson 1932”

Trainer should explain the general concept of “reasonable care” and “neighbor test”.

- (12) Case Study – Policy Wordings
(Property / Household Insurance)

Trainer should explain the relevant insurance documents in property or household insurance such as certificate and insurance policy.

- (13) Case Study – Potential Liability Accident
“A false ceiling collapsed”

Trainer should highlight how the customer service executive to response the general enquiries for the hot topic especially the relevant claims applications. For details, please refer to the sample activities.

3. Suggested Readings for Self-Study:

- Insurance Ordinance (Cap.41) (“IO”)

	<ul style="list-style-type: none"> • IIQE Paper II – General Insurance • Office Insurance Package – Sample • Personal Line Insurance – Sample • The differences between Institute Cargo Clauses A, B and C • Marine Hull Insurance Covers and Features <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(iv)	<p>Assessment (40% contributes to the overall mark of the programme)</p> <p>Exam</p> <p>15 minutes – Key Contents Revision Trainer is suggested to explain the format of examination and highlight the key contents</p> <p>45 minutes – Short Questions (20 Questions) (Please refer to the exam questions and answers sample)</p>	1 hour
	Total hours	10 hours

1.8 Sample Class Activities

(1)

Case Study – Insurance Intermediary

“Insurance Authority suspends Mr. Tsang for two months and fines him HK\$40,000 for misconduct in relation to the arrangement of an employees’ compensation insurance policy.”

22 December 2023

Source: Insurance Authority

The Insurance Authority (IA) has taken disciplinary action against Mr. Tsang, a technical representative of a broker company, by suspending his license for two months and ordering him to pay a pecuniary fine of HK\$40,000, on the ground that he was guilty of misconduct. Between November 2018 and February 2019, Mr. Tsang assisted a client to obtain a quotation for an employees’ compensation (EC) insurance policy. On 10 June 2019, the client accepted the quotation and agreed to purchase the policy. Subsequently, on 25 August 2019, Mr. Tsang submitted the client’s insurance application form to the insurer by email. However, the email was returned undelivered. Mr. Tsang did not realize the insurer had not received the email until 24 September 2019 at which time he re-sent the email to the insurer. The insurer issued an EC insurance cover on a “hold cover” basis (that was valid until 9 June 2020) and informed Mr. Tsang that the client needed to provide further documents to complete the arrangement of the policy.

Mr. Tsang, however, overlooked the matter and did not follow up with the client for the further documents, despite being reminded to do so by the Responsible Officer of his broker company on two occasions between October and November 2019. Because the EC insurance cover only remained on a “hold cover” basis, when it expired on 9 June 2020, no renewal notice was issued. On 26 June 2020, the Labour Department requested the client to show proof of having a valid EC insurance policy. By that time, the client had not renewed the policy (having received no notice of renewal) and, consequently, did not have any valid EC insurance policy in place. In an effort to rectify the incident, Mr. Tsang suggested the client to submit the requested documents and renew its EC insurance cover. The insurer issued an EC insurance cover but it was only effective from 2 July 2020, which meant the client was left uninsured for 21 days from 10 June 2020 to 1 July 2020. The client was charged for contravening section 40 of the Employees’ Compensation Ordinance (Cap.282) (ECO) but the charge was later withdrawn given that it was the client’s first offence.

The fact that the client was left without EC insurance coverage from 10 June 2020 to 1 July 2020 was a direct result of Mr. Tsang’s inaction. As a technical representative, Mr. Tsang should have appreciated that the client’s EC insurance cover up to 9 June 2020 was only being provided on a “hold cover” basis which meant the cover was contingent on the insurer receiving the outstanding documents it had requested to complete the arrangement of the policy. This meant the coverage could have been vitiated by the insurer at any time in the absence of the outstanding documents being submitted, exposing the client to the risk of not having EC insurance coverage. Further, as

a direct result of Mr. Tsang's failure to complete the arrangement of the EC insurance policy by informing the client of the outstanding documents that needed to be submitted, the formalities for the arrangement of the EC insurance policy were never completed, and therefore when the "hold cover" period expired on 9 June 2020 no renewal notice was issued. This resulted in the client not having EC insurance coverage in place when the Labour Department inspected it on 26 June 2020, which led to the client breaching the ECO.

A technical representative of a broker company is licensed to carry on "regulated activities" which, by definition, include arranging contracts of insurance on behalf of clients. In carrying on "regulated activities" a technical representative must exercise the requisite level of care, skill and diligence. Mr. Tsang failed his client in this respect. The IA recognized that the facts of this case coincided with the introduction of new EC insurance standardized practices to which insurance intermediaries had to adapt. The IA has taken account of this in mitigation, but it does not excuse Mr. Tsang's failures. The license of a technical representative allows him to discharge his professional duties in line with the provisions stated in the Insurance Ordinance (Cap.41), despite the difficulties of everyday life he may encounter, such as surge in workload and stressful work environment. Indeed, remaining true to one's professional responsibilities and standards, despite challenging situations, is the very definition of professionalism and the least that members of the public can expect of licensed insurance intermediaries when engaging them to provide insurance services and expertise.

Mr. Tsang's conduct, therefore, fell below the standards expected of a licensed technical representative of a broker company and prejudiced the interests of his policy holder client as a result. Disciplinary action, in the IA's view, is therefore justified.

In deciding the disciplinary sanction to be imposed under section 81 of the Insurance Ordinance, the IA weighed all relevant circumstances in balance. It took account of the fact that although Mr. Tsang's misconduct was serious in terms of the level of failure and its potential consequences, his culpable conduct was only momentary and did not involve dishonesty. These mitigating factors, as well as the support shown for Mr. Tsang by the Responsible Officer of his broker company, meant the IA has imposed a reduced period of suspension and has offset any longer period with a pecuniary penalty (it being the IA's view, in the specific context of this case, a suspension is more serious than a fine). The disciplinary action, therefore, reflects these considerations as well as the following relevant factors:

- i. The interests of the client were severely prejudiced;
- ii. Mr. Tsang admitted to his misconduct;
- iii. Mr. Tsang's misconduct did not involve any element of dishonesty or personal interest;
- iv. Mr. Tsang followed up on the incident by assisting his client to obtain insurance and explain the situation to the Labour Department;
- v. Mr. Tsang's otherwise clean disciplinary record; and

- vi. the need to send a message to deter similar conduct.

Training Tips:

- **Trainer is suggested to share the best practice of Employees' Compensation Insurance placement procedures by using the above case and explain the important insurance policy document such as Notice of Insurance, Policy Schedule, and the official Insurance Policy.**
- **Apart from the Insurance placement procedures, trainer is also suggested to explain the insurance intermediary regulatory requirements.**

Quick Quiz:

Explain the scope of regulated activities and the usual renewal procedures for Employees' Compensation Insurance.

(2)

Case Study – Insurance Intermediary

“Enforcement collaboration between IA and HKMA – Insurance Authority suspends Mr. Cheung for two months and orders a fine of HK\$2,900 for misappropriating gift vouchers.”

10 January 2024

Source: Insurance Authority

This press release is issued jointly by the Insurance Authority (IA) and the Hong Kong Monetary Authority (HKMA) today (10 January 2024): The IA has taken disciplinary action against Mr. Cheung, a current technical representative (agent) appointed by an Authorized Institution at the material times, by suspending his licence for two months and ordering him to pay a pecuniary fine of HK\$2,900, on the grounds of him not being fit and proper. The disciplinary action is decided on the basis of all relevant information, including the information gathered by the HKMA in its investigation into Mr. Cheung's conduct.

The HKMA's investigation found that, between January to February 2021, Mr. Cheung took a total of 20 gift vouchers with a total value of HK\$2,900 from an Authorized Institution by which he was employed at the material time without its knowledge or authorization. The gift vouchers were intended to be given by the Authorized Institution to its clients as gifts. Certain clients did not however claim their gift vouchers and Mr. Cheung decided to keep these for himself without letting his employer know.

On being discovered, Mr. Cheung admitted his wrongdoing. At the time he had only used one of the coupons with a value of HK\$50 for his personal use and he returned the remaining coupons he had taken.

The IA is of the opinion that Mr. Cheung’s conduct crossed the ethical line between right and wrong and, in this respect, he demonstrated a lack of fitness and properness to be a technical representative (agent) during the period in which he was serving in that capacity. Disciplinary action at an appropriate level is therefore merited. In deciding the disciplinary sanction to be imposed under Section 84 of the Insurance Ordinance, the IA weighed all relevant circumstances in balance, including that:

- i. Mr. Cheung admitted to his wrongdoing;
- ii. Mr. Cheung used one of the gift vouchers with a value of HK\$50;
- iii. Mr. Cheung returned the unused gift vouchers to the Authorized Institution, including the coupons that the Authorized Institution had yet to discover to be missing at the material time;
- iv. Mr. Cheung’s personal circumstances;
- v. Mr. Cheung’s otherwise clear disciplinary record; and
- vi. the need to send a message to deter similar conduct.

Training Tips:

- **Trainer is suggested to highlight the code of conduct requirements for intermediaries and explain the insurance principle of Utmost Good Faith by using the above case.**
- **Apart from the Code of Conduct, trainer is also suggested to share the best practice of insurance sales and the relevant regulatory requirements.**

(3)

Case Study – Insurance Intermediary

“Insurance Authority bans Mr. Ma for 4.5 years for fabricating a certificate of insurance”

Source: Insurance Authority

The Insurance Authority (IA) has taken disciplinary action against Mr. Ma, a former technical representative of a broker company, by prohibiting him from applying for a license for 4.5 years on the grounds that he is guilty of misconduct and not a fit and proper person after having fabricated a certificate of insurance for a professional liability and employees’ compensation insurance policy.

On 12 January 2022, Mr. Ma assisted a client to purchase professional liability and employees’ compensation insurance covering the client’s role as a contractor on an interior renovation project for a period of 4 months commencing 13 January 2022. Mr. Ma obtained a quotation from an

insurer for the insurance. He claimed the client accepted the quotation on 12 January 2022 and that the insurer was informed about it. However, the insurer confirmed that it had not received any response to its quotation. On 13 January 2022, when the client asked about the insurance policy, Mr. Ma said he would “give it to him later”.

Mr. Ma was under the mistaken impression that the insurer was in the process of issuing the certificate of insurance, but that this was taking additional time due to the pandemic. Mr. Ma, therefore, took matters into his own hands by altering an existing certificate of insurance issued by the same insurer, to fabricate a certificate of insurance for the client’s professional liability and employees’ compensation insurance. The fabricated certificate was sent to the client in the early hours of 14 January 2022. The incident came to light in March 2022 when a staff member of the broker company requested a copy of the relevant insurance policy from the insurer. Mr. Ma subsequently admitted that he had no authority to create the certificate and his conduct amounted to a breach of the Code of Conduct for Licensed Insurance Brokers issued by the IA.

The fabricated certificate of insurance gave the client a false impression that it had a valid insurance policy, when this was not the case. Mr. Ma’s conduct, therefore, exposed the client to the risk of incurring financial liability without insurance in place to cover such liability and also potential criminal prosecution for not having a valid employee compensation insurance policy. Thankfully, neither of these risks became manifest, with the client completing the project without sustaining any loss or and no criminal prosecution was commenced. In considering this case, the IA notes Mr. Ma had not only failed to pass on his client’s acceptance of the quotation to the insurer, but also failed to rectify the matter by completing the insurance application process in March 2022 (after the incident had come to light) to ensure the client had valid insurance in place for the remaining period of the interior renovation project. In considering this case, the IA notes Mr. Ma had not only failed to pass on his client’s acceptance of the quotation to the insurer, but also failed to rectify the matter by completing the insurance application process in March 2022 (after the incident had come to light) to ensure the client had valid insurance in place for the remaining period of the interior renovation project.

Members of the public rely on insurance brokers (including technical representatives) to carry on regulated activities in the interest of policy holders or potential policy holders to ensure their insurance needs are identified, evaluated and suitable insurance is arranged for their protection. It is vital, therefore, for members of the public to be able to trust in the integrity of the insurance brokers with whom they have dealings. For this reason, it is a baseline pre-requisite of the regulatory regime for insurance brokers to act competently, honestly, fairly, and to act in the best interest of the policy holder or potential policy holder concerned and with integrity when carrying on regulated activities.

Fabrication of an insurance document is a serious misconduct that carries with it potential criminal implications. The IA has zero tolerance for this and will not hesitate to impose severe disciplinary action to penalize and deter the occurrence (or recurrence) of such misconduct. Mr.

Ma, by his conduct, clearly violated the trust and integrity expected of an insurance broker. Certainly, disciplinary action in the form of a lengthy ban, in the IA's view, is justified. In deciding the disciplinary sanction to be imposed under section 81 of the Insurance Ordinance, the IA has weighed all relevant circumstances including the following factors:

- i. The broker admitted his misconduct at the first available opportunity and expressed remorse over his conduct;
- ii. He self-reported the incident to the IA voluntarily and co-operated with the IA's investigation;
- iii. He obtained no financial benefit and the client has not suffered any loss;
- iv. He signed a Deed of Undertaking, inter alia, admitting his misconduct and undertook to indemnify the insurer against all losses in relation to the incident;
- v. He has misled the client and exposed it to potential financial loss and criminal prosecution;
- vi. He failed to rectify the situation after the incident came to light in March 2022;
- vii. He has been a licensed insurance intermediary for 26 years and has a clean disciplinary record; and
- viii. There is a need to send a message to deter similar conduct.

Training Tips:

- **Trainer is suggested to share the best practice of Insurance placement especially for issuing the certificate of insurance and cover note.**
- **Trainer is also suggested to explain the correct procedures to prepare the necessary insurance documents in different classes of insurance.**

(4)

Case Study - Insurance Authority draws public attention on the dire consequences of mishandling or misappropriating premium payments

26 August 2024

A client purchased an insurance policy from the agent in 2020 and passed HK\$60,000 to the agent in cash for settling the renewal premiums, which was misappropriated and caused the policy to lapse in 2021. After a report was made to the Police and the IA, the agent was arrested and pleaded guilty for an offence under Section 9 of the Theft Ordinance (Cap. 210) on 22 April 2024.

Training Tips:

- **Trainer is suggested to draw student’s attention on a recent conviction handed down by the Magistrates’ Court that involves a former licensed insurance agent being sentenced to imprisonment for three months and two weeks as well as ordered to pay compensation equivalent to the misappropriated premium.**

(5)

Case Study – Extensive flooding caused by Super Typhoon Saola 2023

“Prompt settlement of claims after severe weather events”

12 September 2023

Source: Kennedys Hong Kong Regulatory Insurance Update Fall 2023

<https://kennedyslaw.com/en/thought-leadership/article/2023/hong-kong-regulatory-insurance-update-fall-2023/>

Severe weather events, including the recent extensive flooding caused by Super Typhoon Saola in Hong Kong, have caused significant motor damage losses and property losses in Hong Kong. The total insurance claims may exceed the HK\$3.1 billion incurred claims due to Typhoon Mangkhut in 2018.

The Insurance Authority (IA) has taken the opportunity to raise public awareness about the need for adequate cover for potential risk exposure whilst reminding insurers to ensure that they have adequate resources available to handle a potential influx of claims and to settle those claims in a transparent, fair and timely manner.

According to an AM Best commentary titled “*Hong Kong 1-in-500 Year Flood Likely to Have an Earnings Impact*”, the overall impact of the recent rainstorm is expected to reduce insurance companies’ earnings rather than significantly impacting their capital adequacy.

The cost of insurance in 2024 was increased and caused additional pressure on reinsurance pricing which was already high. This may make it prohibitively expensive for smaller insurance companies.

Training Tips:

- **Trainer is suggested to introduce the severe weather events happened in 2023 and highlight the potential impact to underwriting and claims practice.**
- **Given the above case, trainer is also suggested to introduce relevant insurance products for covering the potential flooding losses. e.g. Fire Additional Perils and Property All Risks Insurance.**

(6)

Case Study – Risk of Landslides

“Hong Kong slopes at crucial choke points to get priority for work to reduce risk of landslides.”

27 May 2024

Source: SCMP

<https://www.scmp.com/news/hong-kong/health-environment/article/3264321/hong-kong-slopes-crucial-choke-points-get-priority-work-reduce-risk-landslides>

- Government engineers say slopes near sole access points and busy roads will be singled out for remedial work to reduce landslide risk.
- News comes as Legco papers reveal original HK\$8 billion cost of improving drainage across city has gone up to HK\$9.5 billion.”
- Hong Kong authorities have inspected about 500 slopes next to sole and busy access points to identify crucial points to prioritize for landslide prevention work.
- Engineers said on Monday they would carry out further inspections and maintenance of drainage systems on 1 per cent to 2 per cent of the slopes by the end of this month in an effort to minimize the risk from rainstorms.

Training Tips:

- **Trainer is suggested to explain the landslide risks in Hong Kong;**
- **Given the above case, introduce the relevant insurance coverage including the policy wordings, extensions and exclusions to cover the loss of landslide. e.g. Construction & Property and Liability Insurance.**

(7)

TV Programme Sharing – Fire / Property Insurance

“In-programme segments on home insurance”

Source: Insurance Authority

Please refer to the TV Programme under Publications & Publicity of Materials at the information center of Insurance Authority’s website. The “In-programme segments on home insurance” is an example to explain the details of property insurance.

https://www.ia.org.hk/en/infocenter/publications_publicity_materials.html

https://www.youtube.com/watch?v=DLCDtQUMawI&list=PLe8_OK3b9pVbV3rSrylyT6leuHIUWhbjh&index=1

Training Tips:

- **Trainer is suggested to provide a detail guidance of the differences between building, content and liability insurance coverage;**
- **With reference to the relevant property insurance, trainer is also suggested to highlight the relevant underwriting and claims process by using the above TV Programme provided by Insurance Authority.**

(8)

News Reading with Video – Contractors’ All Risks Insurance / Fire Insurance

The 48-story luxury Kimpton Hong Kong hotel under construction in Tsim Sha Tsui caught fire last night before Firefighters eventually managed to extinguish the blaze at around 8.30 am Friday.

A 492-room hotel to be operated by InterContinental Hotels Group Plc caught fire shortly after 11pm on Thursday. TV footage showed flames running up the building, situated in Tsim Sha Tsui in Kowloon, as red-hot embers lashed the ground. No casualties were reported in the fire, which was raised to a no. 4 fire alarm at 1.46am. A total of 250 firefighters and 66 fire engines were sent to the scene. Several nearby roads remain closed to traffic, including Nathan Road, according to the government statement. The blaze spread to some nearby buildings, including Chungking Mansions, famous for its affordable guesthouses, but their respective fires were quickly brought under control.

Hong Kong skyscrapers and apartment buildings are typically covered in bamboo scaffolding when they are being built, making fires unusual. Formerly a mariner's club, the Middle Road site is being redeveloped by Empire Group Holdings, founded by Walter Kwok, a deceased real estate tycoon.

According to the group's website, the property, which includes a church and conference facilities, was due to be completed this year.

3 Mar 2023 10:30 am

Source: The Standard

video.hkhl.hk/8c256240b91771ed9a8d86c6360c0102/df011cd95d414a4dab0992427cb3f741-3fe3d5e932b74592f1c3d04b524ed177-ld.mp4

Training Tips:

- **Trainer is suggested to explain the relevant insurance products to cover the losses in the above accident.**
- **Given the above accident, explain the basic concept of risk management, safety management and the necessary claims application procedures.**

(9)

Motor Insurance Claims - Owners of flood-damaged cars could be compensated by comprehensive motor insurance

- Car owners whose vehicles were damaged due to the disastrous rainstorm will be compensated if they carry comprehensive insurance coverage, said a veteran of the insurance sector.
- Hong Kong was hit by the once-in-a-century torrential rain last week, with many cars stalled in high water while some were submerged in parking areas by floodwater.

13 September 2023

Source: The Standard

<https://www.thestandard.com.hk/breaking-news/section/4/208103/Owners-of-flood-damaged-cars-could-be-compensated-by-full-coverage-car-insurance:-sector-veteran>

Training Tips:

- **Trainer is suggested to explain the relevant motor insurance underwriting considerations and claims application procedures.**

(10)

Employees' Compensation Insurance – Work Injury

Hong Kong's Stamford American School has suspended works on its site and pledged to cooperate with an official investigation into the death of a worker who fell from scaffolding on its campus. The school in Ho Man Tin said on Monday it was deeply saddened that one of their contractors had lost his life, adding it was actively cooperating with authorities to ensure the accident was fully investigated

“In the meantime, all works are suspended at the site affected until authorities give permission for them to continue, and we have received assurances that they can be completed safely,” it added.

13 October 2024

Source: SCMP

<https://www.scmp.com/news/hong-kong/law-and-crime/article/3282177/hong-kong-authorities-probe-fatal-fall-worker-scaffold-stamford-american-school>

Training Tips:

- **Trainer is required to explain the relevant Employees' Compensation Insurance Underwriting considerations and claims application procedures.**

(11)

Video Sharing – Negligence / Public Liability Insurance / Product Liability Insurance

Donoghue V. Stevenson 1932

Also known as the "Paisley Snail" or "Snail in the Bottle" case, the case involved Mrs. May Donoghue drinking a bottle of ginger beer in a café in Paisley, Renfrewshire. Unknown to her or anybody else, a decomposed snail was in the bottle. She fell ill, and subsequently sued the ginger beer manufacturer, Mr. Stevenson.

<https://www.youtube.com/watch?v=yLleV7XhkRI>

Donoghue V. Stevenson is the landmark case in tort law. The wider importance of the case is that it established the general principle of the duty of care concept in Law. The test was formulated by lord Atkin and it is generally referred to as the “neighbor test” or neighbor principle.”

Training Tips:

- **Trainer is suggested to explain the key principle of “duty of care” by using the above case.**
- **Given the impact in tort law, trainer is also suggested to explain the coverage of Public and Product Liability Insurance by using the above case law video.**

(12)

Case Study – Policy Wordings (Property / Household Insurance)

A personal household insurance buyer purchased a household insurance package with building, contents and liability coverage. However, the personal household insurance buyer forgot to disclose that interior decoration works are still under processing in his insured apartment. After 10 days of the household policy being effective, a property damage was caused by the interior decoration works.

Usually, insured was required to obtain the insurer's consent of continuance of cover if the premises were to become unoccupied and remain so for a period of more than six consecutive weeks.

Training Tips:

- **Trainer is suggested to explain the relevant policy terms and conditions by using the above case.**
- **Given the above case, trainer is also suggested to highlight the principle of Utmost Good Faith and the usual requirement to disclose the material facts.**

(13)

Case Study – Potential Liability Accident

“A false ceiling collapsed at a Hong Kong dim-sum restaurant Tao Heung in Fanling, Hong Kong on April 17 2023.”

Source: The Standard

[https://www.thestandard.com.hk/breaking-news/section/4/202658/\(Video\)-False-ceiling-collapses-at-Fanling-Chinese-restaurant](https://www.thestandard.com.hk/breaking-news/section/4/202658/(Video)-False-ceiling-collapses-at-Fanling-Chinese-restaurant)

A false ceiling measured roughly eight meters by two meters collapsed Monday at a Chinese restaurant in Fanling during breakfast hours, luckily, no injuries were reported. Patrons - mostly elderlies - having dim sum breakfast were shocked by the incident that happened at around 9am this morning.

They quickly evacuated the scene, leaving their unfinished dishes behind. The restaurant owned by Tao Heung Group had to be closed for the day as police and firefighters responded to the scene to investigate the cause of the incident. According to photos circulating online, the electrical wires and fluorescent tubes were exposed after the ceiling collapsed. The collapse also leaves chunks of concrete on the floor, with the largest one measuring 30 centimeters by 30 centimeters. In another video posted online, a man can be seen shouting at patrons asking them to leave as they were recording the incident.

Training Tips:

- **Trainer is suggested to share the basic underwriting procedures for catering business and explain the relevant insurance cover such as Property, Liability and Employees' Compensation Insurance.**
- **Given the above accident, trainer is also suggested to explain the customer service and common practice of claims procedures in the relevant insurance policies.**

1.9 Suggested Assessment Method

Examination

Exam Questions and Answers – Sample

(Question)

1. Under section 3A(a) of the Insurance Ordinance, explain the major regulated activities for insurance intermediaries.

(Answer)

- the act of negotiating or arranging a contract of insurance.
- the act of inviting or inducing, or attempting to invite or induce, a person to enter into a contract of insurance.
- the act of inviting or inducing, or attempting to invite or induce, a person to make a material decision.
- the act of giving regulated advice.

(Question)

2. Assuming the policyholder disagree the insurance compensation proposed by the insurance company, identify the potential options to resolve the relevant claims disputes.

(Answer)

- Discussion
- Mediation
- Arbitration
- Litigation

***20 Short Questions per Exam.**

Passing Grade: 50% of examination

The sample exam questions and answers provided are for reference purposes only. Trainers are encouraged to develop their own exam questions and answers tailored to the specific learning outcomes and relevant learning materials.

1.10 Suggested Readings for Self-Study

1. IIQE Study Notes – Paper 1 and 2

<https://www.peak.edu.hk/exam/en/studynotes>

2. Insurance Ordinance (Cap. 41)

https://www.ia.org.hk/en/supervision/reg_insurers_lloyd/regulatory_requirements.html

3. Type of Insurance – Hong Kong Federation of Insurers

<https://www.hkfi.org.hk/types-of-insurance>

4. Insurance Glossary - Association of British Insurers (ABI)

<https://www.abi.org.uk/data-and-resources/tools-and-resources/glossary/>

5. Underwriting – Munich Re

Flood risks on the rise - Greater loss prevention is needed

<https://www.munichre.com/en/risks/natural-disasters/floods.html>

6. Office Package Insurance – (Sample)

https://www.general.com.hk/ZH_HK/commercial/office-package-insurance

7. Personal Line Insurance – (Sample)

<https://alliedworldinsurance.com/products/personal-lines-hong-kong/>

8. Reinsurance - Protecting against catastrophe (FSDC)

<https://www.fsd.org.hk/en/media/reinsurance-protecting-against-catastrophe>

9. Claims - Two extreme typhoons push claims incurred to HK\$1.9b (Ins. Asia)

<https://insuranceasia.com/insurance/news/two-extreme-typhoons-push-claims-incurred-hk19b-hkia>

10. Guidelines – Insurance Authority

https://www.ia.org.hk/en/legislative_framework/guidelines.php

11. The differences between Institute Cargo Clauses A, B and C

<https://www.hayesparsons.co.uk/the-difference-between-institute-cargo-clauses-a-b-and-c/>

12. Marine Hull Insurance Covers and Features

<https://www.policybazaar.com/commercial-insurance/hull-insurance/>

1.11 Suggested Learning Materials (For Students)

Module 1 - Comprehend Principles of General Insurance for Insurers

Topic 1

Regulation of Insurance Intermediaries and Insurers

Regulation of Insurance Intermediaries

Introduction

1.11.1 With effect from 23 September 2019, the Insurance Authority (“IA”) is the sole regulator to license and supervise all insurance intermediaries in Hong Kong. The IA is responsible for supervising insurance intermediaries’ compliance with the provisions of Insurance Ordinance (Cap.41) (“IO”), and the relevant regulations, rules, codes and guidelines issued by the IA. The IA is also responsible for promoting and encouraging proper standards of conduct of insurance intermediaries, and has regulatory powers in relation to licensing, inspection, investigation and disciplinary sanctions.

1.11.2 Section 133 of the Insurance Ordinance empowers the IA to publish non-statutory codes and guidelines for matters in relation to any of the functions of the IA or the operation of a provision of the Insurance Ordinance. The purpose of codes and guidelines is to provide the industry with practical guidance to facilitate compliance with the regulatory requirements.

Types of Licensed Insurance Intermediaries

1.11.3 Under the IO, there are five types of licensed insurance intermediaries:

Licensed Insurance Agents

- i. Licensed Insurance Agency (Insurance Agency License)
- ii. Licensed Individual Insurance Agent (Individual Insurance Agent License)
- iii. Licensed Technical Representative (Agent) (Technical Representative (Agent) License)

Licensed Insurance Brokers

- i. Licensed Insurance Broker Company (Insurance Broker Company License)
- ii. Licensed Technical Representative (Broker) (Technical Representative (Broker) License)

1.11.4 The regulatory regime for insurance intermediaries is activity-based. Under section 64G of the IO, a person must not carry on a regulated activity, or must not hold out that the person is carrying on a regulated activity, in the course of business or employment, or for reward unless the person holds an appropriate type of insurance intermediary license or is exempt under the IO. It is an offence for contravening section 64G of the IO.

Regulated Activity

1.11.5 Under section 3A(a) of the IO, a person carries on a regulated activity if the person does any of the following acts (Part 1 of Schedule 1A to the IO):

- the act of negotiating or arranging a contract of insurance
- the act of inviting or inducing, or attempting to invite or induce, a person to enter into a contract of insurance
- the act of inviting or inducing, or attempting to invite or induce, a person to make a material decision
- the act of giving regulated advice

1.11.6 Under section 3A(b) of the IO, a person makes a material decision if the person makes a decision in relation to a matter specified below (Part 2 of Schedule 1A to the IO):

- the making of an application or proposal for a contract of insurance
- the issuance, continuance or renewal of a contract of insurance
- the cancellation, termination, surrender or assignment of a contract of insurance
- the exercise of a right under a contract of insurance
- the change in any term or condition of a contract of insurance
- the making or settlement of an insurance claim

1.11.7 Under section 3A(c) of the IO, a person gives regulated advice if the person gives an opinion in relation to a matter specified below (Part 3 of Schedule 1A to the IO):

- the making of an application or proposal for a contract of insurance
- the issuance, continuance or renewal of a contract of insurance
- the cancellation, termination, surrender or assignment of a contract of insurance
- the exercise of a right under a contract of insurance

- the change in any term or condition of a contract of insurance
- the making or settlement of an insurance claim

Licensing Requirements

1.11.8 A person who wishes to carry on a regulated activity in Hong Kong may apply to the IA for an appropriate insurance intermediary license under the IO. The IO requires the applicant to be a fit and proper person to carry on regulated activities in the lines of business concerned. Section 64ZZA of the IO provides the matters that the IA must have regard to in determining the fitness and properness of the applicant. To enhance transparency of the relevant regulatory requirements, a Guideline on "Fit and Proper" Criteria for Licensed Insurance Intermediaries under the Insurance Ordinance (Cap. 41) was issued by the IA.

Determination of "Fit and Proper"

1.11.9 Section 64ZZA of the Ordinance sets out the following matters that the IA must have regard to in determining whether a person is a fit and proper person:

- (a) the education or other qualifications or experience of the person;
- (b) the person's ability to carry on a regulated activity competently, honestly and fairly;
- (c) the reputation, character, reliability and integrity of the person;
- (d) the person's financial status or solvency;
- (e) whether any disciplinary action has been taken against the person by:
 - (i) the Monetary Authority;
 - (ii) the Securities and Futures Commission;
 - (iii) the Mandatory Provident Fund Schemes Authority; or
 - (iv) any other authority or regulatory organization, whether in Hong Kong or elsewhere, which, in the IA's opinion, performs a function similar to those of the IA;
- (f) if the person is a company in a group of companies, any information in the possession of the IA, whether provided by the person or not, relating to:
 - (i) any other company in the group of companies; or
 - (ii) any controller or director of the person or of any company referred to in subparagraph (i) above;
- (g) the state of affairs of any other business which the person carries on or proposes to carry on;

- (h) in respect of an application to be licensed as a licensed insurance agency or licensed insurance broker company or renewal of such license, any information in the possession of the IA, whether provided by the person or not, relating to:
- (i) any other person who is or is to be employed by, or associated with the person for the purposes of carrying on regulated activities;
 - (ii) any other person who is or will be acting for or on behalf of the person in relation to carrying on regulated activities; and
 - (iii) the question as to whether the person has established effective internal control procedures and risk management systems to ensure its compliance with the Ordinance; and
 - (iv) any other matter that the IA considers relevant in making the determination.

Criteria for Individuals

Education or other qualifications or experience

1.11.10 In considering the education or other qualifications or experience of a person applying to become an individual licensee, or a person who is proposed to be appointed as a responsible officer of a business entity which is, or is applying to be, a licensed insurance agency or a licensed insurance broker company, or applying for a renewal of such license, the IA will take into account the nature of the functions or duties which the person will perform.

Individual Licensee

1.11.11 To become an individual licensee, the applicant concerned is expected to satisfy below:

- (a) The applicant is expected to have attained any of the following education or professional qualifications:
 - (i) Level 2 or above in 5 subjects in the Hong Kong Diploma of Secondary Education Examination (“HKDSE”), including the following two compulsory subjects:
 - A. a language subject which may either be Chinese Language or English Language; and
 - B. Mathematics;
 - (ii) Grade E or above in 5 subjects in the Hong Kong Certificate of Education Examination (“HKCEE”), including the following two compulsory subjects:
 - A. a language subject which may either be Chinese Language or English Language; and
 - B. Mathematics;

(For avoidance of doubt, combined examination results obtained in more than one sitting of the HKDSE and/or HKCEE are acceptable.)

- (iii) International Baccalaureate Diploma;
 - (iv) Diploma Yi Jin;
 - (v) a diploma granted by a degree-awarding higher education institution established or registered under an Ordinance of Hong Kong considered acceptable by the IA;
 - (vi) a diploma registered or exempt under the Non-local Higher and Professional Education (Regulation) Ordinance (Cap. 493), where the diploma, subject and institution are considered acceptable by the IA;
 - (vii) an insurance qualification specified by the IA from time to time and published on the IA's website; or
 - (viii) any other qualification considered by the IA to be equivalent to or higher than any qualification set out in above (For example, a degree awarded by a higher education institution in Hong Kong or elsewhere is generally considered as acceptable).
- (b) The applicant is expected to have obtained a pass mark in the relevant papers of the Insurance Intermediaries Qualifying Examination (unless exempt) – For exemption, please refer to Guideline on “Fit and Proper” criteria for licensed insurance intermediaries under the insurance ordinance (Cap. 41).

1.11.12 A proposed responsible officer of a business entity which is, or is applying to be, a licensed insurance agency or a licensed insurance broker company, or applying for a renewal of such license, should be an individual who is, or is applying to be, a licensed technical representative (agent) or a licensed technical representative (broker) (as the case may be). In relation to an application for approval of an individual as a responsible officer, the proposed responsible officer is expected to satisfy below:

- (a) The proposed responsible officer is expected to have attained any of the following education or professional qualifications:
 - (i) a bachelor degree from a recognized university or tertiary education institution;
 - (ii) an insurance qualification specified by the IA from time to time and published on the IA's website; or
 - (iii) any other qualification considered by the IA to be equivalent to or higher than any qualification set out in above.
- (b) The proposed responsible officer is expected to possess experience commensurate with the nature and scale of business of the licensed insurance agency or licensed insurance broker company concerned and the level of responsibilities to be carried out (Note: It is generally expected that a responsible officer should possess a minimum of 5 years' experience in the insurance industry, including at least 2 years of management experience. In assessing the relevance of the proposed responsible officer's industry and management experience, the IA will consider the role and functions to be undertaken by the person and whether the person's experience (gained in Hong Kong or elsewhere) will enable him/her to discharge the responsibilities required of a responsible officer).

Conduct Requirements

1.11.13 Licensed insurance intermediaries are required to comply with the statutory conduct requirements set out in sections 90, 91 and 92 (where applicable) of the IO and the relevant requirements set out in the codes of conduct issued under the IO. The IA has issued two separate codes of conduct, namely the Code of Conduct for Licensed Insurance Agents and the Code of Conduct for Licensed Insurance Brokers. These codes promulgate principles of conduct and related standards and practices with which licensed insurance agents and licensed insurance brokers are ordinarily expected to comply in carrying on regulated activities.

Code of Conduct for Licensed Insurance Agent

- I. General Principle 1 - Honesty and Integrity
- II. General Principle 2 - Acting Fairly and in the Client's Best Interests
- III. General Principle 3 - Exercising Care, Skill and Diligence
- IV. General Principle 4 - Competence to Advise
- V. General Principle 5 - Disclosure of Information
- VI. General Principle 6 - Suitability of Advice
- VII. General Principle 7 - Conflicts of Interest
- VIII. General Principle 8 - Client Assets

Code of Conduct for Licensed Insurance Broker

- I. General Principle 1 - Honesty and Integrity
- II. General Principle 2 - Acting in the Best Interests of Clients and Treating Clients Fairly
- III. General Principle 3 - Exercising Care, Skill and Diligence
- IV. General Principle 4 - Competence to Advise
- V. General Principle 5 - Disclosure of Information
- VI. General Principle 6 - Suitability of Advice
- VII. General Principle 7 - Conflicts of Interest
- VIII. General Principle 8 - Client Assets

Difference between Insurance Agents and Insurance Brokers

1.11.14 There are two different types of insurance intermediaries in Hong Kong: licensed insurance brokers and licensed insurance agents. Licensed insurance agents are appointed by (and represent) insurers. They are limited to promoting and arranging insurance policies on behalf of the insurers they represent. In general, they can only be appointed by a maximum of 4 insurers, of which no more than 2 can be life insurers. They are often remunerated by the insurers they represent by way of commission (being a percentage of the premium paid by the policyholder for the insurance policy).

1.11.15 Licensed insurance brokers act for, advise and provide services to policyholders and potential policyholders. They advise potential policyholders on their insurance needs and source appropriate insurance policies from insurers to address those needs. They are not limited in the number of insurers they deal with, and can approach any number of insurers to source the most appropriate insurance for their client policyholder.

1.11.16 Like insurance agents, when a licensed insurance broker company arranges an insurance policy for its client policyholder, the broker company is often remunerated by the insurer in the form of commission. However, because the broker company acts for the policyholder, it is required to inform the policyholder that it will receive such remuneration from the insurer. Further, the policyholder has a right to ask the broker company how much commission it will be paid, and on request the broker company will have to give disclosure on this.

Source: https://www.ia.org.hk/en/legislative_framework/Conduct_in_Focus_Issue_02_05.html

For the “Code of Conduct for Licensed Intermediary” and the relevant insurance intermediary regulatory requirements, student is required to understand the legal requirements in Insurance Ordinance (Cap.41) (“IO”) and the relevant codes explained at the website of Insurance Authority.

https://www.ia.org.hk/en/supervision/reg_ins_intermediaries/introduction_of_insurance_intermediaries.html

Regulatory Requirements on Insurers

1.11.17 Section 6 of the Insurance Ordinance (Cap. 41) (“IO”) prohibits any person from carrying on insurance business in or from Hong Kong except an authorized insurer, Lloyd’s or an association of underwriters approved by the Insurance Authority (“IA”). The IA regulates these entities through its licensing and supervision functions. Authorized insurers have to comply with the provisions of the which, among other things, require them the following:

Authorization Requirements

1.11.18 Any company wishing to carry on insurance business in or from Hong Kong may apply to the Insurance Authority for authorization to do so under the IO. A “company” for the purposes of the IO is one formed and registered under the Companies Ordinance (Cap. 622), or one formed and registered under the former Companies Ordinance, including a non-Hong Kong company to which Part 16 of the Companies Ordinance (Cap. 622) applies. Authorization requirements and procedures are set out in the Guideline on Application for Authorization to Carry on Insurance Business in or from Hong Kong (GL5). Authorization to carry on insurance business in or from Hong Kong will only be granted to those insurers who meet the authorization requirements stipulated under sections 8(2) and 8(3) of the IO.

Risk-based Capital Requirements

1.11.19 According to section 13AA of the IO and the Insurance (Valuation and Capital) Rules (Cap. 41R) ("Valuation and Capital Rules"), an insurer (except marine insurers, captive insurers, special purpose insurers and Lloyd's) must ensure at all times that its capital base is not less than each of its prescribed capital amount ("PCA"), its minimum capital amount ("MCA") and HK\$20 million.

1.11.20 Capitals are classified into tiers according to the quality. The capital base is the sum of Unlimited Tier 1 capital, Limited Tier 1 capital and Tier 2 capital.

1.11.21 In the determination of PCA, market risk, life insurance risk, general insurance risk, counterparty default and other risk, and operational risks are included in accordance with Part 5 of the Valuation and Capital Rules.

Valuation Basis for Assets and Liabilities

1.11.22 Insurers are required to value their assets and liabilities, including insurance liabilities, in accordance with Part 4 of Insurance (Valuation and Capital) Rules ("Valuation and Capital Rules"). In essence, the valuation basis is on market consistent basis.

Fit and Proper Management and Shareholders

1.11.23 For applicant company, the IO requires that any person who is a director or controller of an insurer must be “fit and proper” to hold such position. In applying the fit and proper test, the IA will take into account, among other things, the character, qualifications and experience of the directors or controllers of the applicant company. After obtaining authorization, an authorized insurer is required to comply with sections 13A, 13AC, 13AE, 13B, 14 and 15AAAB of the IO in respect of any appointment, cessation of appointment of or changes in particulars of its controllers, directors, key persons in control functions, shareholder controllers or actuaries. These requirements aim at ensuring that the persons to be appointed or have been

appointed, as appropriate, as controllers, directors, key persons in control functions, shareholder controllers or actuaries of an insurer are fit and proper.

1.11.24 To enhance transparency of this regulatory requirement, a Guideline on “Fit and Proper” Criteria in relation to Authorized Insurers under the Insurance Ordinance (Cap.41) (“GL4”) was issued by the IA. GL4 sets out those factors that the IA will take into account in administering the said requirement.

Adequate Reinsurance Arrangements

1.11.25 The IO requires that adequate arrangements are in force, or will be made, for the reinsurance of risks of those classes of insurance which are to be carried on by the insurer. The IA has issued a Guideline on Reinsurance (GL17) which sets out the general guiding principles of the IA in assessing the adequacy of the reinsurance arrangements of an insurer.

Other Criteria

1.11.26 An insurer applying for authorization must meet certain other criteria as set out in the Guideline on Application for Authorization to Carry on Insurance Business in or from Hong Kong (GL5) issued by the IA, which seek to ensure that the applicant insurer is financially sound and competent to provide an adequate level of services to the insuring public. These criteria continue to apply to an insurer after its authorization. Unless otherwise specified, the requirements and criteria set forth in GL5 apply to all applicants, whether incorporated locally or overseas, which include, amongst others, the commitment of the applicant to Hong Kong. The applicant is expected to have an office in Hong Kong with a professional management and staff establishment appropriate to the nature and scale of its operations, and its own senior management team, comprising a locally-based chief executive and adequate team heads to oversee its key functions.

Adequate Assets Maintained in Hong Kong for General Business

1.11.27 Section 25A of the Insurance Ordinance (Cap.41) and the Insurance (Maintenance of Assets in Hong Kong) Rules (Cap. 41T) requires an insurer carrying on general business, other than an HK insurer, a designated insurer and a captive insurer, to maintain assets in Hong Kong in respect of its general insurance business with onshore risk. The objective is to ensure that, in the event of insolvency of an insurer, assets will be available in Hong Kong to meet the claims of Hong Kong policy holders. These claims are accorded a preferential status under Hong Kong’s insolvency law to those of ordinary creditors.

Reporting Requirements

1.11.28 Insurance (Submission of Statements, Reports and Information) Rules (Cap. 41S) prescribe the information that insurers must submit to the IA, and the deadlines, frequency and methods of submission. The Rules also specify the requirements for submitting financial

statements (prepared under generally accepted accounting principles), regulatory returns (prepared under the statutory basis), auditor's reports on the regulatory returns and reports on actuarial investigations or reviews.

Corporate Governance

1.11.29 The IA has issued a Guideline on Corporate Governance of Authorized Insurers (“GL10”) which sets out the minimum standard of corporate governance that is expected of authorized insurers. Corporate governance refers to systems through which an authorized insurer is managed and controlled. It is also a system of “checks and balances”. The IA requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of its business and adequately recognizes and protects the interests of policy holders. Also, the IA requires insurers to have, as part of their overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.

Anti-Money Laundering and Counter-Terrorist Financing (“AML/CTF”)

1.11.30 Money laundering and terrorist financing can potentially damage and pose serious threats to the integrity and stability of a financial system. To protect the insurance industry from these threats, the Insurance Authority (“IA”) has been working in partnership with insurance institutions and industry bodies, government departments and other key stakeholders to put in place an effective regime to fight against these crimes.

Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap.615) (“the AMLO”)

1.11.31 The AMLO creates the statutory obligations in relation to customer due diligence and record-keeping on specified financial institutions, which include insurance institutions carrying on or advising on long term business, and designated non-financial businesses and professions. It provides for the powers of relevant authorities including the Insurance Authority to supervise compliance with all requirements under the AMLO.

For the detail of regulatory requirements, please refer to Insurance Ordinance (Cap.41) (“IO”) at the website of Insurance Authority.

https://www.ia.org.hk/en/supervision/reg_insurers_lloyd/regulatory_requirements.html

Topic 2

Principles and Common Practices of General Insurance

Insurance Principles for Underwriting and Claims

What is Insurance?

1.11.32 The idea of insurance is that if a large number of people each pays some money into a pool, then sizeable sums of money can be drawn from the pool to ease the hardship of those who might suffer losses. In short, insurance is the science of spreading risks.

1.11.33 In practice, insurers manage the money (called 'premium') paid by policyholders. In good years when claims are few, insurers are able to build up substantial reserves of money to cater for bad years when claims are heavy. Insurers are responsible for managing their business carefully so that they remain financially sound to pay out claims at all times.

1.11.34 Insurance contracts are based on trust. The insurer trusts the policyholder to give precise and true details of the subject matter to be insured. This is called the principle of 'Utmost Good Faith'. Care should always be taken to tell the whole truth so that insurance companies can be fair in their assessment of risk. Equally, after effecting an insurance policy, the policyholder should read all the documentation very carefully to ensure that he understands the exact nature of the policy he has bought and the risks it does and does not cover.

Source: The Hong Kong Federation of Insurers

<https://www.hkfi.org.hk/general-information>

Utmost Good Faith

Key Concept

1.11.35 The doctrine of utmost good faith, also known by its Latin name “Uberrimae Fidei”, is a minimum standard, legally obliging all parties entering a contract to act honestly and not mislead or withhold critical information from one another. A higher duty is expected from parties to an insurance contract than from parties to most other contracts, in order to ensure the disclosure of all material facts so that the contract may accurately reflect the actual risk being undertaken.

Source: Investopedia

<https://www.investopedia.com/terms/d/doctrineofutmostgoodfaith.asp>

1.11.36 Material Facts is the important piece of information that a person seeking insurance must disclose to the insurer to enable the insurer to decide whether or not to accept the

insurance and to calculate the premium. What is and what is not material may have to be decided by a court of law, but very often it is obvious. While a person cannot be penalized for not revealing facts that are not known or cannot reasonably be expected to be known, an insurance contract can become void if the facts have been deliberately concealed from the insurer if they could have influenced the acceptance of the risk, the premium charged, or the exceptions made.

Source: Oxford Reference

<https://www.oxfordreference.com/display/10.1093/oi/authority.20110803100139771>

Legal Application

1.11.37 MIO (Cap 329) gives the profound significance of statutory confirmation of the principle where it says: “A contract of marine insurance is a contract based upon the utmost good faith, and, if the utmost good faith is not observed by either party, the contract may be avoided by the other party” (s. 17)

1.11.38 From the above, certain points should be noted:

- From subsequent case law, it was established that the MIO statements regarding utmost good faith apply to all insurances, not only marine.
- The duty of utmost good faith applies to both parties.
- In practice, a breach is much more likely to be committed by the insured rather than the insurer.
- The duty of utmost good faith may be said to require knowledge of all “material circumstances”.

Example of Material Facts / Material Circumstances in General Insurance

1.11.39 Facts that MUST be disclosed, e.g.:

1. Marine Insurance – Dangerous intended use of the vessel which cannot be assumed
2. Fire Insurance – Storage of flammable materials, which cannot be assumed
3. Motor Insurance – Frequent use of the vehicle by a young relative
4. All Classes – A poor loss/claims record, or special terms applied by other insurers

In UK, the English Insurance Act of 2015, effective on August 12, 2016, replaces the doctrine of utmost good faith with the new principle of “fair presentation.” The obligations of the parties and the remedies have changed under English insurance law.

Insurable Interest

Key Concept

1.11.40 'Insurable Interest' is the right of the policyholder to effect insurance, arising out of certain relationships that may exist between the policyholder and the subject matter insured.

Legal Application

1.11.41 Generally speaking, if the policyholder suffers direct losses arising from the subject matter's meeting with misfortune, then Insurable Interest exists. Without Insurable Interest, insurance protection would be speculative in nature, and is void under the law.

Example of Insurable Interest

1.11.42 The most common example of Insurable Interest is the ownership of property. There are many other examples, such as being an employer of workers, or a custodian of assets. Sometimes during the term of an insurance policy, the policyholder might end the relationship with the subject matter insured. If this happens, Insurable Interest ceases and the insurance cover also automatically ends. A common example might be the sale of a car or a flat. The policyholder should take care to notify the insurer of such changes promptly.

Source: The Hong Kong Federation of Insurers

<https://www.hkfi.org.hk/general-information>

1.11.43 The interest that a person has in something such as a particular property or another individual, which means that the person would suffer a loss should that property or individual be harmed. In insurance law, you can only buy insurance for something or someone in which you have an insurable interest.

Source: Association of British Insurers (ABI)

<https://www.abi.org.uk/data-and-resources/tools-and-resources/glossary/?search=insurable+interest>

1.11.44 The subject matter of an insurance contract was the "interest" of the insured in the subject matter of the insurance. In insurance, "interest" means a financial involvement. Insurable interest may be described literally as: "A legally recognized financial relationship with the subject matter of the insurance which gives one the right to effect an insurance." A person or entity has an insurable interest in an item, event, or action when the damage or loss of the object would cause a financial loss or other hardships. Insurable interest is an essential requirement for issuing an insurance policy that makes the entity or event legal, valid, and protected against intentionally harmful acts. People not subject to financial loss do not have an insurable interest. Therefore, a person or entity cannot purchase an insurance policy to cover themselves if they are not actually subject to the risk of financial loss. To have an insurable

interest a person or entity would take out an insurance policy protecting the person, item, or event in question. The insurance policy would mitigate the risk of loss if something happens to the asset—like becoming damaged or lost.

1.11.45 Insurable interest has three essentials:

- There must be life, limb, property, potential liability, rights or financial interest capable of being insured;
- Such life, limb etc. must be the subject matter of the insurance;
- The insured must be in a legally recognized relationship to the subject matter of the insurance.

Proximate Cause

Key Concept

1.11.46 Proximate cause refers to the primary event or series of events that directly leads to an insured loss. It is the direct cause that sets in motion a chain of events, which ultimately results in the damage or loss covered by an insurance policy.

Legal Application

1.11.47 The classic definition of proximate cause was given in the famous case *Pawsey v Scottish Union & National* (1908). “Proximate cause means the active, efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source.”

Classification of Perils

1.11.48 In other words, in determining proximate cause one is trying to establish the cause which was nearest in efficiency (effectiveness), rather than that which may have been nearest in time. Underlying the principle of proximate cause is the classification of perils, as follows:

- Insured peril - these are causes of loss which are intended to be covered by the policy.
- Excepted peril - these are perils which are specifically removed from the policy cover by express policy provisions.
- Uninsured peril - they are not insured, but they are not specifically excluded.

e.g. A person has a third party, fire and theft motor policy. Whilst the car is properly parked someone stole two wheels. He must leave the vehicle there for some hours, during which time a drunk driver crashed into the disabled car, making it a total loss. The second incident (an insured peril) clearly is not caused by the first. The theft, however, is covered.

Indemnity

Key Concept

1.11.49 Indemnity is the principle which seeks to restore the insured to the same financial position after a loss as he enjoyed immediately before the loss. More briefly, it may be defined as an exact financial compensation. There are some classes of business where this is impossible. e.g. Life and Personal Accident Insurance, because it is impossible to place a precise valuation on the life, limb or health concerned. The principle of indemnity has the underlying purpose of ensuring an exact financial compensation, as defined. The basic intention of full compensation, no more and no less, is important to remember.

Legal Application

1.11.50 The principle of indemnity states that an insurance policy shall not provide compensation to the policyholder that exceeds their economic loss. This limits the benefit to an amount that is sufficient to restore the policyholder to the same financial state they were in prior to the loss. In other words, the principle of indemnity ensures that the insured gets made whole from their loss but will not benefit, gain, or profit from an accident or claim. Nor will you get less than what is necessary to restore you to the same financial position.

Example in General Insurance

1.11.51 For example, if you suffer a loss to your home due to a fire and it is estimated that it would cost HK\$80,000 to repair the damage, then that is what you would get from the insurance company subject to limits of insurance selected and other terms and conditions of the insurance policy.

Pro rata Average

1.11.52 Virtually all property insurances in HK are subject to average pro rata average is a directly proportionate penalty for being under-insured at the time of a loss even if the loss is less than the sum insured, full compensation is not payable.

Example: If the sum insured is HK\$300,000 but the value at risk at the time of the loss is HK\$400,000, with a loss of \$60,000, only HK\$45,000 will be payable. The formula to be used is:

$$\frac{\text{Value insured}}{\text{Value at risk}} \times \text{Loss} = \text{Amount recoverable}$$

Value at risk

Subrogation

Key Concept

1.11.53 Subrogation may be defined as: “Exercising for one’s own benefit the rights or remedies possessed by another against third parties.” This is a common law principle, giving the rights to a party after he has provided an indemnity to the other. Further, exercising the right or remedy against the third party must be conducted in the name of the person indemnified, for the benefit of the indemnifier.

Legal Application

1.11.54 Subrogation refers to the act of one person or party standing in the place of another person or party. It effectively defines the rights of the insurance company both before and after it has paid claims made against a policy. Also, it makes the process of obtaining a settlement under an insurance policy easier. When an insurance company pursues a third party for damages, it is said to "step into the shoes of the policyholder." Thus, the carrier will have the same rights and legal standing as the policyholder when seeking compensation for losses. If the insured party does not have the legal standing to sue the third party, the insurer will also be unable to pursue a lawsuit as a result.

Example in General Insurance

1.11.55 Motor Accidents – Careless driving may damage insured property. The indemnifying insurer can take over the owner’s rights against the negligent driver.

Contribution

Key Concept

1.11.56 Contribution may be defined as: “the principle which allows an indemnifying insurer to call on other insurers similarly (but not necessarily equally) liable to the same insured to share the cost of providing an indemnity.”

Legal Application

1.11.57 Contribution, as used in the insurance industry, is the principle holding that two or more insurers each liable for a covered loss should participate in the payment of that loss. Contribution may be defined as: “the principle which allows an indemnifying insurer to call on other insurers similarly (but not necessarily equally) liable to the same insured to share the cost of providing an indemnity.” Again, arising from common law, the insured should not be paid more than once for the same loss.

1.11.58 Contribution exists where the thing is done by the same person against the same loss and to prevent a man first of all recovering more than the whole loss, or, if he recovers the whole loss from one that he could have recovered from the other, then to make the parties contribute ratably. But that only applies where there is the same person insuring the same interest with more than one insurer.

Example

Tai Ping Insurance Co. Ltd. v. Tugu Insurance Co. Ltd DMC/INS/07/01

1.11.59 In this case, Tai Ping Insurance Co. sought from Tugu and its coinsurer, a contribution to the claim that it had paid to its insured for the loss of a consignment of mink skins in an armed robbery that had occurred during road transit. The court found that the requirements of double insurance were satisfied and apportioned the claim between the insurers equally, on the basis of the 'independent liability' formula, in preference to the 'maximum liability' formula under which the insurer whose policy had the higher limit of liability would have paid 73% of the claim. This is believed to be the first reported case in which double insurance was held to arise even when the relevant policies were issued to different insured.

1.11.60 On the independent liability basis, each insurer would contribute on the basis of what it would have been liable for, had the claim been made against it alone. On this basis, Tai Ping and Tugu would contribute in equal shares to the settlement made with Europe Fur, namely HK\$746,250. The judge found that this approach "produces a fairer, and on these particular facts, a more appropriate level of contribution" and gave judgment accordingly.

HK\$1,492,500 / 2 = HK\$746,250

Common Types of General Insurance Products

Compulsory Insurance in Hong Kong

1.11.61 Most types of insurance are voluntary, i.e. the parties are free to decide whether they wish to enter into an insurance contract. However, in HK there are several instances where a person or company is obliged to have insurance cover. This may arise through:

Legislation – ordinance exist requiring insurance protection intended for third parties having a claim in law against the insured, e.g.:

- Employees' Compensation Insurance
- Motor Insurance
- Pleasure Craft Insurance
- Professional Liability Insurance upon Insurance Brokers

- Building Owners' Corporation Third Party Liability Insurance

Property Insurance

Fire Insurance

1.11.62 The standard cover of fire insurance is on a specified perils basis, covering:

- Fire – has been established as actual ignition (“no claim without flame”), causing fire to something which ought not to be on fire and which as far as the insured is concerned is accidental.
- Lightning – includes lightning damage not resulting in fire.
- Explosion – usually It is an exception to the policy, but the exception does not apply to explosion of gas being used for domestic purposes (lighting, heating, washing etc.).

Special Perils

1.11.63 Also known as additional perils, extended perils, extra perils, allied perils. Embrace a wide range of non-fire risks for extra premium. e.g. Typhoon, Malicious Damage, Earthquake, Bursting of Pipes, Riot & Strikes

Property All Risks

Property All Risks covers loss arising from any fortuitous cause except those that are specifically excluded. This is in contrast to ‘named perils coverage’, which applies only to loss arising out of causes that are listed as covered.

1.11.64 Although many industry practitioners continue to use the term “all risks” to describe this approach to defining covered causes of loss in a property insurance policy, it is no longer used in insurance policies because of concern that the word “all” suggests coverage that is broader than it is. This is a key aspect to consider when reviewing your policy so that you know exactly what kind of coverage you have in the event of a claim. Property all risk insurance provides coverage to any given property against:

- Fire, lightning, explosion & special perils
- Burglary
- other unexpected events and mishaps not specially excluded

1.11.65 The trigger for coverage under an "all risks" policy is physical loss of damage to property. The business will need to prove that physical damage or loss has occurred to have a successful claim.

1.11.66 Risks can happen at any time and can have detrimental effects on your business. Risks such as a fire or a natural disaster can easily cause damage to the physical structure of a building or cause serious interruptions to business operations. This is where Business Interruption insurance becomes critical, as businesses not only need to protect physical assets but also any income lost if there is a business interruption due to the disaster.

Consequential Loss (CL) Insurance

1.11.67 Consequential Loss (CL) Insurance also known as Profits Insurance or Business Interruption. It relates to the pecuniary risk of reduced Gross Profit and additional expenses resulting from a fire or other insured peril.

Property Insurance Extensions (Sample)

- Independent Contractor
- Alteration or Repair
- Automatic Reinstatement of Sum Insured
- Document in Transit
- Fire Extinguishing Expenses
- Fixed Glass
- Other Contents or Personal Effects
- Removal of Debris
- Sample or Specimen
- Stock in Transit
- Temporary Removal of Contents

Key Underwriting Information

- Nature of Business
- Location
- Class of Construction
- Amount Insured
- Security Protection
- Claims History

Major Exclusions

1.11.68 War, radioactive contamination, pollution, wear and tear, mechanical or electrical breakdown, unexplained loss, infidelity, illegal structure, unauthorized storage of dangerous materials, terrorism.

Marine Insurance

What is marine insurance?

1.11.69 Marine insurance offers coverage for any damage or loss related to ships, cargo, terminals, transports, or transfer. Simply put, a marine insurance policy will cover any loss or damage surrounding the boat or watercraft.

What Does a Marine Insurance Cover?

1.11.70 Marine Insurance will mostly cover the following:

- Physical or structural damage to your vessel due to collision with another submerged or above-water vessel.
- Damage to your or others' property on board and bodily injuries.
- Towing and assistance in case you find yourself stranded on the boat.

1.11.71 Marine insurance will also cover your ship and cargo if you face any problems while transporting goods. Moreover, it will cover liabilities in the event of damage or loss of the goods.

Types of Marine Insurance

1.11.72 There are several types of marine insurance cover to cater to different needs. Let us see what they are.

i. Hull Insurance

This marine insurance covers your vessel's hull and torso, along with other pieces and articles of the ship's furniture. You can take out hull insurance as an owner to avoid any damage or loss to your ship, boat, or vessel in case of an accident.

ii. Machinery Insurance

This insurance coverage gives you protection for all essential machinery on-board. The insurance company will compensate for any accidental damage to the ship. However, it will require a survey and approval from the surveyor.

iii. Liability Insurance

A liability marine insurance policy offers compensation for any liability caused due to your ship colliding or crashing, or any form of induced attacks.

***In Hong Kong, it is required by law that the owners of a boat or marine pleasure craft obtain an insurance policy (Third Party Liability) on the vessel.**

iv. Marine Cargo Insurance

If you are a cargo owner, you are at risk of mishandling the cargo at any stage, i.e., from handling at the terminal or during the voyage by vessel or aircraft. This may result in loss, misplacement, or damage to the goods. Therefore, to protect your interest as the cargo owner, marine cargo insurance will cover your losses against premium payment. It is normally extended to cover Strikes, Terrorism and War risks under Institute Strikes Clauses (Cargo) and Institutes War Clauses (Cargo) for sea cargo and Institute Strikes Clauses (Air Cargo) and Institutes War Clauses (Air Cargo) for air cargo.

The most commonly used clauses are the Institute Cargo Clauses (A)1/1/2009 for cargo by sea and Institute Cargo Clauses (Air Cargo) for cargo by air. It provides coverage in respect of All Risks of loss of or damage (subject to certain exclusions) to the subject matter insured whilst in transit. In the absence of “All Risks” insurance, coverage may be provided on the more restrictive basis, such as Institute Cargo Clauses (B) or Institute Cargo Clauses (C) 1/1/2009 according to the cargo nature or other situation.

Institute Cargo Clauses (A) or Institute Cargo Clauses (Air Cargo)

Institute Cargo Clauses A is the widest coverage you can purchase, also known as an ‘All Risks’ Cargo insurance policy. Clause A covers maximum risks. It can cover the cargo, container, and freight charges.

Institute Cargo Clauses (B)

This clause is a more restrictive kind of coverage. For this reason, you should expect to pay a moderate premium. The main aspects of cover include:

- General average
- Fire / explosion
- Vessel grounding / capsizing
- Collision

- General average sacrifice
- Total Loss of any package lost overboard or dropped while loading on to or unloading from vessel or craft

Institute Cargo Clauses (C)

This clause, of course, is the most restrictive of the three. It covers only very limited risks. Furthermore, most of the situations covered must happen during carriage. The main aspects of cover include:

- General average
- Fire / explosion
- Vessel grounding / capsizing
- Collision
- General average sacrifice

Key Underwriting Information

- Types of Goods
- Types of Coverage
- Shipping Route
- Packing Information
- Value of Subject Matter Insured
- Claims History

Major Exclusions:

1. Willful misconduct of the Assured
2. Ordinary leakage or loss in weight or volume
3. Ordinary wear and tear
4. Insufficient or unsuitable packing arrangements
5. Inherent vice or nature of the subject-matter insured
6. Delay
7. Insolvency of ship owners or charterers
8. Use of nuclear or atomic weapons
9. Unseaworthiness of vessels/crafts or containers

10. War risk

11. Strike and terrorism risks

v. P&I Insurance

Protection and indemnity insurance, more commonly known as P&I insurance, is a form of mutual maritime insurance provided by a P&I club. Whereas a marine insurance company provides "hull and machinery" cover for shipowners, and cargo cover for cargo owners, a P&I club provides cover for open-ended risks that traditional insurers are reluctant to insure. Typical P&I cover includes: a carrier's third-party risks for damage caused to cargo during carriage; war risks; and risks of environmental damage such as oil spills and pollution.

Employees' Compensation Insurance

1.11.73 According to section 40 of the Ordinance, no employer shall employ any employee in any employment unless there is in force a policy of insurance to cover his liabilities under the laws (including the common law) for injuries at work in respect of all his employees, irrespective of the length of employment contract or working hours, full-time or part-time employment.

1.11.74 Employees' Compensation Insurance is a compulsory insurance governed by the Employees' Compensation Ordinance in Hong Kong, which requires all employers (companies or individuals) to arrange an employees' compensation policy for all employees with a compensation limit of not less than HK\$100 million, in order to cover their liabilities for their employees' injuries at work.

1.11.75 As an employer, you are required by law to effect employees' compensation insurance for your employees. To enable you to meet this statutory requirement, Employees' Compensation insurance covers liabilities as an employer under the Employees' Compensation Ordinance and at Common Law. For the detail compensation requirements, please refer to Employees' Compensation Ordinance, Chapter 282 at the web site of Hong Kong Labour Department.

<https://www.labour.gov.hk/eng/legislat/content1.htm>

Major Compensation Items:

- Compensation for death
- Funeral and medical attendance expenses in fatal cases
- Compensation in cases of permanent total incapacity
- Medical Expenses
- Prostheses and Surgical Appliances
- Statutory (No-fault) Liability

- Employees' Compensation liability passed into Hong Kong via the Employees' Compensation Ordinance
- This statute prescribed stipulated amounts of compensation, payable without proof of negligence, to injured employees or their dependents in respect of death, injury or disease connected with (arising out of) and during (in the course of) their employment

Common Law

- The employer can be liable to his employees if he is in breach of common law duty, which predominantly means he is negligent
- In such cases, the compensation a court may award is likely to be higher than statutory (EC Ordinance) benefits, but negligence must be proved

Key Underwriting Information

- Nature of Business
- Location
- Scope of Work
- Job Classification
- Estimated Payroll
- Claims History

Motor Insurance

Compulsory Insurance

1.11.76 The Motor Vehicle Insurance (Third Party Risks) Ordinance requires a person using a motor vehicle on a road in HK to have Third Party insurance in respect of death or bodily injury. Death and personal injury only – unlike most parts of the developed world, property damage liability insurance is not legally required. Minimum required insurance – compulsory insurance must be for a minimum of HK\$100 million.

Motor Insurance Covers

1.11.77 In ascending scope and premium order, the following types of motor insurance may be available in HK:

- “Act” Only – this is so limited and so rare as to be almost non-existent in HK, but technically it provides the very minimum cover required to be insured under the relevant legislation.

- Third Party – in motor practice the term implies not only Act cover, but also liability for third party property damage liability. Effectively, this is the minimum cover offered by insurers in HK.
- Third Party, Fire & Theft – in addition to Third Party cover, this insurance covers the owner's vehicle.
- Comprehensive – the widest form of cover available, this includes all the cover mentioned before, plus accidental loss of damage to the insured vehicles.

No Claim Discount (NCD):

1.11.78 Well-established system of rewarding claim-free policyholders with a discount from the next year's premium. Different scale of discounts for different types of vehicles. Private cars may earn the highest discount, often up to 60%. Also known as No Claim Bonus (NCB).

Motor Insurance Excess:

Standard – applicable to all specified groups (young drivers etc.)

Imposed – specifically applied to the policy/person concerned

Voluntary - chosen by the policyholder, to obtain a premium discount

Key Underwriting Information:

- Type of Motor Insurance
- Type and Model of Vehicle
- Engine Capacity
- Vehicle's Age
- Driver's Age and Occupation
- Driving Experience
- Driving History
- Claims History

Major Exclusions:

- consequential loss
- depreciation wear and tear mechanical or electrical breakdown failure or breakage
- damage to tyres unless damage is caused to other parts of the insured car at the same time
- excess where applicable as stated in the Policy Schedule

- loss or damage as a result of intentional self-injury, suicide or attempted suicide
- any accident occurs due to drunk driving or drug driving of an insured driver
- terrorism

Liability Insurance

1.11.79 Liability insurance is a part of the general insurance system of risk financing to protect the purchaser (the "insured") from the risks of liabilities imposed by lawsuits and similar claims and protects the insured if the purchaser is sued for claims that come within the coverage of the insurance policy.

Major types of liability and specialty line insurance

1.11.80 All businesses need liability insurance, but depending on the kind of business you operate, here are some specific types of liability coverage you may want to discuss with your insurance representative:

- Public Liability
- Directors & Officers Liability
- Professional liability
- Product Liability
- Cyber Liability
- Contractors' All Risks
- Erection All Risks
- Building Owners' Corporation Third Party Liability Insurance

Public liability Insurance

Key Coverage:

1.11.81 To indemnify the Insured against all sums which the Insured shall become legally liable to pay as damages consequent upon accidental

- i. Injury or death of third parties
- ii. Loss of or damage to the property of third parties

1.11.82 Arising out of any of the Insured's business or operations Including all costs and expenses incurred with the consent of the insurers

Major Extensions:

- Independent Contractors Liability Clause

- Overseas Business Trip Extension Clause
- Fire and/or Explosion Legal Liability
- First Aid Liability
- Food &/or Drink Poisoning Liability
- Hoist Cranes &/or Unregistered Vehicles Liability Clause
- Advertising, Signs and Decorations Liability Clause
- Indemnity to Landlord Clause
- Indemnity to Principal Clause
- Loading and Unloading Clause
- Cross Liability
- Sport & Social Clubs Activity
- Tenant's /Occupier's Liability
- Forklift Truck Liability Clause
- Burning & Welding Clause

Key Underwriting Information:

- Nature of Business
- Location
- Business Turnover
- Limit of Liability
- Claims History

Major Exclusions:

- Products Liability Exclusion Clause
- Professional Liability Exclusion Clause
- Unauthorized Building Structure/Work Exclusion
- Deliberate or Intentional Act of the Insured
- Employer's Liability
- Motor Liability required to be insured statutorily,
- Aircraft and Marine Liability
- Nuclear and related risks

- Subcontractor
- Fine or penalty
- War, strike, riot and civil commotion

Product Liability Insurance

Coverage:

1.11.83 Product liability insurance indemnifies the insured against all sums which the insured shall become legally liable to pay as damages consequent upon:

accidental bodily injury to third parties; and accidental loss of or damage to the property of third parties caused by any of the insured products which have been sold, supplied or distributed by the insured.

Major Extensions:

- Product Recall
- Product Guarantee
- Worldwide Jurisdiction

Key Underwriting Information:

- Type of Coverage
- Nature of Business
- Nature of Products or Services
- Test Report
- Value of Insured
- Claims History

Major Exclusions:

- War, Invasion, act of foreign enemy
- Any fines or penalties
- Liability prior to the inception date of the policy
- Professional liability
- Computer virus or electronic transmission
- Fungus

- Polychlorinated Biphenyls (PCB)
- Absolute Asbestos Exclusion
- Absolute Pollution Exclusion
- Di (2-ethylhexyl) Phthalate (DEHP), Latex, Mercury, Silicone, Lead Exclusion
- Institute Radioactive Contamination, Chemical, Biological, Bio -Chemical And Electromagnetic Weapons Exclusion Clause
- Product Recall / Guarantee Exclusion
- Terrorism Exclusion
- Punitive and Exemplary Damages Exclusion

Directors' and Officers' Liability Insurance

Coverage:

- Directors & Officers policy provides personal protection for directors, officers and management against financial loss arising from the potential exposures associated with managing or supervising the company (whether private or listed), and legal representation expenses regarding regulatory investigations.
- Defense costs, legal representation expenses, damages, judgements, settlements, bail bond costs, crisis costs, deprivation of asset costs, prosecution costs, public relations expenses.

Key Underwriting Information:

- Business Nature
- Scope of Work
- Shareholders Information
- Company Structure
- Directors and Management Team Background
- Legal and Compliance
- Claims History

Extensions:

- Costs arising from extradition proceedings
- Tax contributions where the parent company has become insolvent and there's personal liability of an insured

- Losses incurred against Insured Person for civil fines and penalties

Major Exclusions:

- Bodily Injury and / or Property Damage
- Conduct
- Insolvency
- Pollution
- Prior Known Facts
- Professional Services
- War and Terrorism
- Cyber
- Asbestos
- Radioactive, Chemical, Biological

Professional Indemnity Insurance

Coverage:

- Professional Liability
- Defense Costs
- Professional Enquiries

Key Underwriting Information:

- Business Nature
- Scope of Work
- Professional Qualification
- Working Experience
- Company Structure
- Internal Control
- Legal and Compliance
- Claims History

Major Exclusions:

- Anti-Competitive Practices
- Contractual Liability & Commercial Risks
- Employer's Liability
- Fraud & Dishonesty
- Intellectual Property Rights
- Licensing Inquiries
- Management Liability
- Owners & Occupiers Liability
- Penalties & Punitive Damages
- Pollution
- Prior Matters
- Products & Workmanship
- Property Damage
- War, Terrorism & Nuclear

Cyber Liability Insurance

1.11.84 When it comes to a data security breach, it isn't as much a matter of if it will happen as when. So when a breach happens, you'll need comprehensive protection from an insurer that specializes in handling cyber risks, offers a full suite of integrated insurance solutions to help minimize gaps in coverage, and understands how to tailor coverage to your business.

Coverage:

First Party Risks

- Legal Liability - Not complying with privacy laws
- Crisis Management Costs - Informing customers, public relations & adverts
- Data Extortion - Ransom Payment
- Data Recovery - IT Staff overtime, data retrieval & verification
- Loss of Income - As a result of network failure & downtime

Third Party Risks

- Security Liability - Liability arising from breach of security
- Multimedia Liability - Liability arising from insured's internet, advertising & marketing activities
- Professional Liability - Liability arising out of negligence in providing IT Services

Key Underwriting Information:

- Policyholders profile
- Business activities
- Organization and governance
- Network security
- Incident response
- Business continuity planning
- Incident history
- Internet media
- Prior coverage and claims history

Contractors' All Risks Insurance

1.11.85 Contractors' all risks (CAR) insurance is an insurance policy that provides coverage for property damage and third-party injury or damage claims, the two primary types of risks on construction projects. Damage to property can include improper construction of structures, the damage that happens during a renovation, and damage to temporary work erected on-site.

Coverage:

Section I - Material damage

Coverage for the loss of or damage to the materials during the contract period.

Section II - Liability to third parties

Legal Application:

1.11.86 Third parties, including subcontractors, may become injured while working at the construction site. CAR insurance not only covers those associated risks but also bridges these two types of risks into a common policy designed to cover the gap between exclusions that would otherwise exist if using separate policies.

1.11.87 Typically, both contractor and employer jointly take out CAR insurance policies. Other parties such as financing companies have the option of being named to the policy. Because multiple parties are included in the policy, each retains the right to file a claim against the insurer. All parties have the duty to inform the insurer of any injuries and damages that may result in a claim.

1.11.88 The goal of a CAR insurance policy is to ensure that all contract parties on a project are covered, regardless of the type of damage to the property or who caused the damage. The policy can also be expanded to cover the following events:

- Additional custom duty
- Air freight
- Damage to surrounding property
- Debris removal
- Earthquake
- Escalation
- Loss due to breakage of glass
- Maintenance visits

Key Underwriting Information:

- Type of Contract Works
- Scope of Cover
- Period of Insurance
- Total Contract Value
- Limit of Liability
- Claims History

Major Exclusions:

- War risk, terrorism, sanctioned countries, asbestos and so forth
- Any works that started before insurance
- Liability arising out of or in connection with erection and/or dismantling of scaffolding

Erection All Risks Insurance

1.11.89 Erection All Risks (EAR) project policy is designed to cover the erection, construction and installation of industrial equipment and covers you against all risks of physical loss and physical damage throughout the period of construction. EAR policies provide protection on an all risks basis, including cover for the testing and commissioning of the erected machines.

Coverage:

Section I - Material Damage

Covers sudden and unforeseen physical loss or damage in respect of all the risks involved in the erection and installation of machinery, plant and steel structure of any kind during a project.

Section II - Third Party Liability

Covers the liability of the Insured against any liability in respect of third party bodily injury or property damage arising out and in the course of the project works.

Erection All Risks Insurance covers:

- Erection of plant facilities and installation of machinery
- Losses during construction, testing and commissioning
- Damage during the contractual Defects Liability/Maintenance period
- Associated Primary Third Party Liability in connection with the project and for Principal/Owner Controlled

- Delay in Start-Up
- Advance Loss of Profit for the owner and lenders

Key Underwriting Information:

- Type of Erection Works
- Scope of Cover
- Total Contract Value
- Limit of Liability
- Claims History

Major Exclusions

- War, civil war and any act of terrorism
- Radioactive and nuclear energy risks
- Willful acts or willful negligence
- Wear and tear
- Faulty design
- Mechanical and/or electrical breakdown or derangement of construction plant and machinery
- Consequential loss of any kind, including penalties, losses due to delay, lack of performance, loss of contract
- Seepage, Pollution and Contamination

Building Owners' Corporation Third Party Liability Insurance

Coverage and Compulsory Insurance Requirements

1.11.90 According to the amended Section 28 of the Building Management Ordinance (Cap. 344), starting from 1st January 2011, all owners' corporations must procure and keep in force a policy of third party risks insurance in relation to the common parts of the building and the property of the corporation. The minimum insured amount of each policy is HK\$10 million for third party bodily injury or death per event.

1.11.91 Customers who have already procured third party risks insurance should make sure that they are fully compliant with the Ordinance and adequately insured. By doing so, it helps to alleviate the financial burden on the owners' corporations and individual apartment landlords because if someone is injured or dies in an accident in the common areas of the building, the compensation can be huge.

Key Underwriting Information

- Class of Construction
- Location
- Building Age
- Limit of Liability
- Claims History

Major Exclusions:

- War, Invasion, act of foreign enemy
- Any fines or penalties
- Liability prior to the inception date of the policy
- Professional liability
- Computer virus or electronic transmission
- Fungus
- Absolute Asbestos Exclusion
- Absolute Pollution Exclusion
- Institute Radioactive Contamination, Chemical, Biological
- Terrorism Exclusion
- Punitive and Exemplary Damages Exclusion

Personal Accident Insurance

Risks Covered

- It is an insurance of the person, providing stated benefits in respect of death or bodily injury
- The customary definition of “bodily injury” is that it must arise from “accidental, external, violent and visible means”

Types of Benefit

- Lump Sum – payable in respect of death, or very serious and permanent injury, such as loss of limb, or eyesight
- Weekly Sums – payable in respect of temporary disablement (either total or partial, the former paying a higher sum)

Exclusions / Limitations

- Extra-hazardous sports
- Use of drugs or alcohol
- Injuries which are deliberately self-inflicted

Underwriting Information / Premium Basis

- The assessment of the premium depends largely upon the profession or occupation of the proposed person

Travel Insurance

Risk Covered

- Medical expenses – perhaps the most needed cover, in view of the very high cost of medical treatment in some parts of the world
- Personal accident benefits – for death and less serious injuries
- Luggage loss or damage – offered on an “all risks” basis
- Loss/theft of money – also on an “all risks” basis
- Deposit forfeiture – in the event of death or other family circumstance requiring cancellation of the trip
- Liability insurance - covering the public liability of the insured persons
- Repatriation costs – of the insured’s remains in the event of death
- Miscellaneous benefits – including hospitalization (per day) benefit, flight delay benefit (longer than a minimum time limit), consultation and advice services etc.

Underwriting consideration and Premium Basis

- Where the travel is intended (the wider the geographical area, of course the higher the premium is likely to be)
- Who is to be insured (family groups of other nominated co-travelers will have an obvious impact on premium)
- How long is cover applicable (various time groupings are published, ranging from a few to many days). Annual policies are becoming more common
- Whether business travel is included

Exclusions or limitations

- Non-accidental
- Extra-hazardous sports
- Use of drugs or alcohol
- Injuries which are deliberately self-inflicted

Medical Insurance

Key Benefits

- Hospitalization & Surgical Benefits
- Out-patient Benefits
- Dental
- Maternity

Hospitalization & Surgical Benefits

- Room & Board
- Hospital Services Expenses
- In-Hospital Doctor's Call
- In-Hospital Specialist Fee
- Surgical Fees
- Anesthetist's Fee
- Operating Theatre
- Intensive Care Benefit
- Hospital Income for Government Ward
- Worldwide Emergency Assistance Benefits
- Supplementary Major Medical Benefits

Out-patient Benefits

- Clinical Visit
- Specialist's Visit
- Chinese Herbalist & Bonesetter / Acupuncture
- Physiotherapist's Visit or Chiropractor's Visit
- X-ray and Lab Test

Dental Benefits

- Routine Oral Examination
- Dental X-ray
- Dental Filling
- Root Canal Therapy
- Dental Abscess
- Pins for Cusp Restorative
- Dental Extraction
- Apicoectomy
- Denture (as a result from accident only)

Maternity Benefit

- Normal Delivery
- Miscarriage or Abortion
- Caesarian or Abdominal

Underwriting and Premium Basis:

Individual

- Age
- Gender
- Medical and Claims History

Group

- Business Nature
- No. of Employee
- Plan Classification
- Plan Design e.g. co-payment
- Compulsory or Voluntary
- Dependent Cover
- Claims History
- Existing Underwriter

- Panel Doctors Network

General Exclusions:

- Self-inflicted injuries sustained due to insanity or self-infliction
- Functional disorders of the mind
- Participation in illegal acts
- Congenital deformities and anomalies
- Refractive errors of eyes, fitting of glasses, dental or oral treatment
- Drug addiction, alcoholism or any sickness arising there from
- Cosmetic or plastic surgery for beautification purposes
- General physical or medical check-up; any physiotherapy or chiropractic treatment unless recommended by a Registered Medical Practitioner
- Vaccination & immunization injections or preventive medication
- Pregnancy, childbirth, miscarriage, abortion, birth control, or any complications arising from
- Treatment of AIDS (Acquired Immunization Deficiency Syndrome) or AIDS related complex or sexually transmitted disease
- Pre-existing conditions for which the Member received medical treatment during the 90 days preceding the commencement date of his coverage

Crime Insurance

1.11.92 Crime insurance is a broad term that is applied to insurance coverage that protects an individual or business from damages or a loss of property due to the commitment of some type of crime. This often includes losses that are incurred due to the theft of physical property as well as the theft of intellectual property, such as an employee securing and selling the client list of an employer to a competitor. In order to file a claim, the crime must be among those covered in the terms of the insurance contract.

- Many employers maintain some type of crime insurance at all times. This is especially true for businesses that operate in more than one country. Often, the business will secure national crime insurance for each country where the corporation has a physical presence.
- However, even a small business can obtain commercial crime insurance and thus provide protection from situations such as an employee choosing to steal the daily take rather than deposit the funds into the company's operations account.
- The scope of crime insurance coverage will vary, depending on the level and type of coverage desired by the client. While just about any crime insurance policy will cover situations where the theft of furnishings, computer equipment or machinery necessary to

the function of the business takes place, it is often necessary to request coverage for the theft of intellectual property.

Key Underwriting Information:

- Principal address of proposer
- Full name of all subsidiaries to be included in the cover
- Web-site address
- Total number of locations and turnover
- Total number of clerical, non manual and other employee
- Business Nature
- Covered required (Limit of indemnity and excess)
- Loss history (claims amount and nature of claims)
- Insurance history (Name of insurance companies and policy coverage)

Principles of Underwriting in General Insurance & the Respective Underwriting Procedures



Source: <https://infografolio.com/products/the-underwriting-process-in-insurance-infographic-template>

“Technical” Features

1.11.93 These may be described as representing the intrinsic or inherent features of the risk as an insurance proposition. These may be sub-divided as follows:

Physical Characteristics

1.11.94 These will relate to the objective dangers and likelihood of a claim arising and/or the extent of a claim, from the very nature of the subject matters immediately connected with it. This is usu. referred to as the physical hazard.

The Human Element

1.11.95 This refers to the lifestyle, attitudes and behavioral pattern of the insured or other person(s) likely to affect or be associated with the risk. This is usually referred to as the moral hazard.

Other Underwriting Factors to be Considered:

i. State of the market

As previously mentioned, the existence of hard or soft market conditions is likely to be borne in mind.

ii. Company philosophy

Whether the insurer (or underwriter) is risk prone or risk adverse is obviously important.

iii. Big “connections”

If the client or the broker concerned is commercially important to the insurer, this may be significant.

iv. Business “targets”

Companies and individuals are often working to achieve specific goals, or targets, within given time scales. It must be obvious that a target which is not achieved towards the end of such a period is likely to have at least a bearing on the acceptability and/or terms of business offered.

v. Reinsurance availability

Not having sufficient “back-up” of quality reinsurance is bound to have an important influence in deciding whether or to what extent risks may be accepted.

Underwriting Remedies

i. Premium Loading

An applicant who is very heavily overweight may be charged extra premium for a life insurance.

ii. Excess/Deductible

A proposer with an unhappy record of small claims may face such a penalty in motor insurance. (This excess etc. will be additional to any standard excess to which the policy may be subject.)

iii. Policy Franchise

Not common, but conceivably could apply following a series of small claims affecting an “all risks” policy.

iv. Policy Warranty

Certain types of cargo insurances may have a warranty that the goods are packed and carried in watertight containers.

v. Policy Exclusion

A particular physical illness may be widely known to be recurring (e.g. “slipped disc”). If this is excluded, terms could otherwise be normal with personal accident insurance.

vi. Reduced Cover

A comprehensive motor car insurance may be reduced to third party only, in view of the age of the vehicle.

vii. Lower Sum Insured

Not a common situation, but group personal accident insurances might have the standard death benefit reduced in respect of cover for very young children.

viii. Physical Improvements

Before granting theft insurance, for example, additional security measures may have to be incorporated in the insured premises.

Supplementary Underwriting Aids

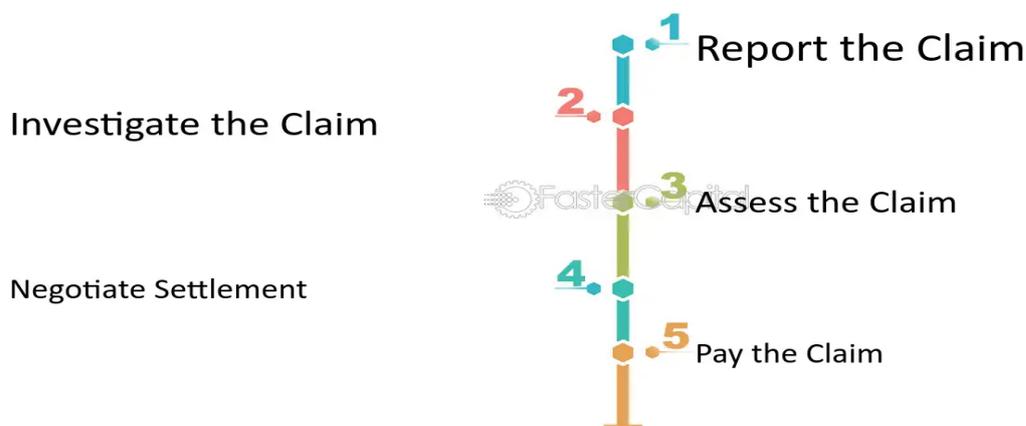
Surveys

1.11.96 These have been mentioned previously and consist of a physical inspection of premises proposed for insurance (or already insured). They are particularly likely to be used, for example, with:

- (i) Fire risks
- (ii) Theft risks
- (iii) Public liability risks
- (iv) Employees' compensation risks
- (v) Business interruption (consequential loss) risks

Claims Arrangements and the Key Steps of Common Practice of Claims Procedures

The Claims Management Process



Source: <https://fastercapital.com/topics/the-claims-management-process.html>

1.11.97 An insurer who is excellent in everything except claims will be regarded as no good by the general public. Moreover, a bad or unjust reputation in the way claims are being handled is soon likely to attract the attention of the regulators. Whilst insurance is a commercial enterprise, it is also a social service, of importance to the whole community. The specific provisions of the Code regarding claims include the following:

- i. Generally – the handling of claims should be fair, efficient and in good time.
- ii. Claims forms – it should also be framed in understandable language and issued promptly.

- iii. Communication – during the handling of a claim, claimants should be kept reasonably informed as to progress.
- iv. Explanation – if a claim is rejected, the insured shall be entitled to a reasonable explanation.
- v. Promptness – claims which are accepted should be paid promptly.

General Insurance Common Practice of Claims Procedures:

1. Investigation

After the claim has been reported, it may need to be investigated by the loss adjuster to determine the amount of losses or damages covered by the insurance policy if the relevant claims information provided by the policyholder is not adequate and/or loss exceeds “small claim limit”.

2. Policy Review

Once the investigation is complete, the loss adjuster will go through insurance policy carefully to determine what is and isn't covered under the policy and inform policyholder of any applicable deductibles that may apply to the relevant claims application.

3. Evaluation

Damage evaluation is conducted. In order to accurately evaluate the extent of the damage, insurance company or loss adjuster may hire appraisers, engineers, or contractors to lend their expert advice. Once the evaluation is complete, loss adjuster may provide a list of preferred vendors to help with repairs.

4. Claims settlement

Payment is arranged. After repairs have been completed and lost or damaged items have been replaced, loss adjuster will contact policyholder regarding settlement of claim and payment. The amount of time it takes to receive payment will depend on the complexity and severity of situation.

Ex Gratia Considerations

1.11.98 An ex-gratia payment is a type of payment made by an organization to an individual for damages or claims without recognizing any legal obligation. “Ex gratia” means “by favor” or “by virtue of grace” in Latin. Thus, an ex-gratia payment is a voluntary payment that is not a part of an organization's legal liability.

Resolving Claim Disputes

- Discussion
- Mediation
- Arbitration
- Litigation

Topic 3

Policy Wordings and Customer Service

Policy Wordings, Terms and Conditions

Policy Wordings

1.11.99 The policy wording is the exact offer from the insurance company to the insured. It is a document that contains full terms and conditions of the coverage offered, including any applicable extensions, exclusions, conditions, warranties, and limitations to cover. Insured are always recommended to read this fully.

Policy Terms and Conditions

1.11.100 Conditions are provisions inserted in the policy that qualify or place limitations on the insurer's promise to pay or perform. If the policy conditions are not met, the insurer can deny the claim. The major policy terms and conditions including extensions, exclusions, policy excess, warranties, policy period and premium.

Warranty and It's difference to Conditions

1.11.101 The MIO S.33(1) gives a statutory definition of a warranty as found in insurance. It defines the term of a promissory warranty as something:

“by which the assured undertakes that some particular thing shall or shall not be done, or that some condition shall be fulfilled, or whereby he affirms or negatives the existence of a particular state of facts.”

There are two basic categories of warranties in insurance:

Implied warranty

- These do not appear in the contract documents, but are deemed to apply
e.g. In marine insurance, a vessel is seaworthy at the commencement of the voyage in a voyage policy

Express warranty

- These appear in the policy or other contract document, directly or by reference
Conditions are fundamental to the purpose of the insurance contract while warranties are supplementary to the main purpose.

Cover Note

1.11.102 A cover note is a temporary document issued by an insurance company that provides proof of insurance coverage until a final insurance policy can be issued. e.g. motor insurance cover note.

Certificate of Insurance

1.11.103 A Certificate of Insurance is a document that provides evidence of your insurance coverage. e.g. liability insurance certificate.

Policy Schedule

1.11.104 This is an outline of the cover provided under a policy. It will show details of the policyholder and the kind of cover given.

Insurance Policy

1.11.105 Parts of an insurance contract. Declarations - Identifies who is an insured, the insured's address, the insuring company, what risks or property are covered, the policy limits (amount of insurance), any applicable deductibles, the policy number, the policy period, and the premium amount.

Significance and Respective Scope of Customer Services

Distribution Channels

1.11.106 The quickest summary of a distribution channel for insurance products is the process by which consumers buy insurance from licensed agents or brokers who have been contracted with a carrier to sell their products.

Major distribution channels:

- Agents
- Brokers
- Banks
- Financial Institutions
- Online platforms
- Other strategic partners

Customer Service

1.11.107 Customer service is the support you offer your customers — both before and after they buy and use your products or services — that helps them have an easy, enjoyable experience with your brand. However, customer service is more than solving a customer’s problems and closing tickets. Today, customer service means delivering proactive and immediate support to customers anytime on the channel of their choice — phone, email, text, chat, and more with the help of customer service software. Customer service representatives in the insurance field are responsible for helping out customers who have queries about insurance plans and other insurance related inquiries such as policy information amendments, invoicing and the relevant endorsements.

Importance of Customer Service

1.11.108 Customer Service: the broad range of activities that a company and its employees perform to keep customers satisfied so they will continue doing business with the company and speak positively about the company to other potential customers.

Effective Customer Service

- Prompt: delivered in a timely manner
- Complete: every aspect of problem or inquiry is resolved to the customer’s satisfaction
- Accurate: helps customers make educated decisions about their insurance products; avoids future problems and repeat inquiries
- Courteous: employee is polite, tactful, and attentive to customer’s feelings and situation
- Confidential: only authorized personnel retrieve and view customer information; only authorized persons can make customer service requests
- Convenient: customers have easy access to needed services

Key Customer Service Skills

- Communications skills
- Broad interpersonal skills
- Understanding customers' motivations
- Technology skills
- Knowledge of company products
- Knowledge of the company's position relative to the industry

Customer Service Elements in Insurance Claims

- Be Transparent in all Claims Process
- Proactive Communication
- Explain the Process
- Claims Settlement Timeline
- Technical Support to Customer Service
- Collect Feedback on Regular Basis

Module 2 - Process General Insurance Applications

2.1 Course objectives

This course is to provide the basic knowledge for the frontline staff to understand the underwriting information collection process involving the internal underwriting personnel and customers. It involves collection and submission of required information, liaison with underwriting personnel, and handling customer enquiries.

2.2 Key Learning Topics

- Knowledge in general insurance underwriting
- General insurance application process
- General insurance application to underwriters

2.3 Intended Learning Outcomes

- Able to determine whether sufficient information has been collected for insurance applications processing.
- Able to arrange collection of further information to process insurance applications processing on need basis.
- Able to carry out responsible steps in processing insurance application in accordance with company procedures and regulatory requirements.
- Able to submit insurance application to underwriting personnel with sufficient information in a timely manner.

2.4 Mapping of Learning Topics with Intended Learning Outcomes

	Knowledge in general insurance underwriting	General insurance application process	General insurance application to underwriters
Able to determine whether sufficient information has been collected for insurance applications processing	√		
Able to arrange collection of further information to process insurance applications processing on need basis	√		
Able to carry out responsible steps in processing insurance application in accordance with company procedures and regulatory requirements		√	
Able to submit insurance application to underwriting personnel with sufficient information in a timely manner.			√

2.5 Allocation of Notional learning hours for Module 2

This module has 3 credits and 30 hours. It is suggested that the ratio of teaching hours vs self-study hours is around 1:2 as below.

	Area	Teaching Hours (a)	Self-Study Hours (b)	Notional Learning Hours (a+b)
(i)	<p>Topic 1</p> <p>Knowledge in general insurance underwriting</p> <ul style="list-style-type: none"> • Understand information required in underwriting of insurance application • Understand company's insurance products • Comprehend company's most up-to-date premium schedules and acceptance policies • Comprehend company's processing procedure of insurance applications and relevant compliance and regulatory requirements in handling customer enquiries 	4 hours	9 hours	13 hours
(ii)	<p>Topic 2</p> <p>General insurance application process</p> <ul style="list-style-type: none"> • Collect relevant information and ensure all information required are submitted with the application forms, including: • sum insured, subject matter of insurance and the insured • required supplement documents, e.g., medical reports (where applicable) • Liaise with agents, brokers or clients to request further information and documents if required • Explain underwriting process and standard terms, including excess and exclusions, in an insurance policy upon enquiries • Direct insurance application to underwriting personnel • Process insurance applications in accordance with company procedure and relevant regulatory requirements 	3 hours	6 hours	9 hours

	<ul style="list-style-type: none"> • Handle customer data in accordance with the regulatory requirements • Consistently meeting the company process service standard 			
(iii)	Topic 3 General insurance application to underwriters <ul style="list-style-type: none"> • Carry out responsible steps in obtaining necessary documents according to company procedures • Submit insurance application to underwriting personnel with the required information. 	2 hours	5 hours	7 hours
	Total hours	9 hours	20 hours	29 hours
(iv)	Assessment			1 hour
(v)	Total Notional Learning Hours			30 hours

2.6 Teaching Resources and Format

Trainer is suggested to present the relevant learning contents and activities by using power point presentation, video and group discussion. Interaction and creative teaching approaches are highly recommended. The hyperlinks in this training package are for reference only and the trainer is reminded to use the latest version for teaching purpose.

2.7 Teaching Methodology

	Contents & Teaching Methodology	Teaching Hours
(i)	<p>Topic 1</p> <p>Knowledge in general insurance underwriting</p> <p>This course is to provide the basic knowledge for the frontline staff to understand the underwriting information collection process involving the internal underwriting personnel and customers. It involves collection and submission of required information, liaison with underwriting personnel, and handling customer enquiries.</p> <p>Given the limited teaching hours, key general insurance products such as Property & Package, Consequential Loss, Employees' Compensation, Motor, Liability and Medical insurance are suggested to discuss in this topic. Trainers will have flexibility to teach other general insurance products covered in Module 1 if time is available.</p> <p>1. Contents Review (3 hours)</p> <ul style="list-style-type: none"> • Understand information required in underwriting of insurance application <p>In Hong Kong, it is very common for corporate clients to purchase package insurance including property, liability and compulsory insurance cover.</p> <ul style="list-style-type: none"> ○ Property Insurance & Package <ul style="list-style-type: none"> ▪ Nature of Business ▪ Location ▪ Interest Insured (e.g. building, contents, stocks) ▪ Class of Construction ▪ Value of Insured Interest ▪ Security Protection ▪ Claims History ○ Consequential Loss <ul style="list-style-type: none"> ▪ Nature of Business ▪ Location 	4 hours

	<ul style="list-style-type: none"> ▪ Class of Construction ▪ Security Protection ▪ Claims History ▪ Ability to recover ▪ Value of Insured Interest e.g. <ul style="list-style-type: none"> - Loss of Gross Profit - Employee wages ○ Indemnity period ○ Employees' Compensation Insurance <ul style="list-style-type: none"> ▪ Job Title and Nature ▪ Annual Payroll ▪ Work safety protection ▪ Manpower or resources ▪ Claims History ○ Motor Insurance <ul style="list-style-type: none"> ▪ Type of Motor Insurance ▪ Type and Model of Vehicle ▪ Engine Capacity ▪ Vehicle's Age ▪ Driving History ▪ Claims History ○ Public Liability Insurance <ul style="list-style-type: none"> ▪ Nature of Business or Event ▪ Turnover ▪ Number of Participants ▪ Limit of Liability ▪ Claims History ○ Medical Insurance 	
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	<ul style="list-style-type: none"> ▪ Personal Information ▪ Types of Benefits ▪ Health Condition ▪ Claims History • Understand company's insurance products <ul style="list-style-type: none"> ○ Property Insurance & Package <ul style="list-style-type: none"> ▪ Residential ▪ Commercial ▪ Industrial ○ Consequential Loss <ul style="list-style-type: none"> ▪ Loss of Gross Profit ▪ Standing Charges ○ Employees' Compensation Insurance <ul style="list-style-type: none"> ▪ Single product ▪ Package ○ Motor Insurance <ul style="list-style-type: none"> ▪ Private ▪ Commercial ○ Public Liability Insurance <ul style="list-style-type: none"> ▪ Event ▪ Annual ○ Medical Insurance <ul style="list-style-type: none"> ▪ Inpatient ▪ Outpatient ▪ VHIS ▪ Dental ▪ Maternity • Comprehend company's most up-to-date premium schedules and acceptance policies 	
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	<ul style="list-style-type: none"> ○ Standard rating ○ Sub-standard rating ○ Excluded Risks ● Comprehend company’s processing procedure of insurance applications and relevant compliance and regulatory requirements in handling customer enquiries <ul style="list-style-type: none"> ○ Proposal forms ○ Quotation processing ○ Acceptance limit ○ Underwriting authority ○ Service pledge <p>2. Class Activity (1 hour) - Around 30 minutes for each activity.</p> <p>(1) Case Study</p> <p>Motor Insurance</p> <p>(2) Case Study</p> <p>Package Insurance (Property, Liability and Employees’ Compensation Insurance)</p> <p>For details, please refer to the sample class activities.</p> <p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> ● Underwriting Process <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(ii)	<p>Topic 2</p> <p>General insurance application process</p> <p>1. Contents Review (2 hours)</p> <p>Trainer is suggested to review the relevant contents with students and explain the details by using the learning guide.</p>	3 hours

	<ul style="list-style-type: none"> • Review application. Collect relevant information and ensure all information required are submitted with the application forms, including: <ul style="list-style-type: none"> ○ Key underwriting information ○ sum insured, subject matter of insurance and the insured details ○ required supplement documents, e.g., survey report, medical reports (where applicable) • Liaise with agents, brokers or clients to request further information and documents if required <ul style="list-style-type: none"> ○ Agents and Brokers including all Technical Representatives ○ Direct Clients • Explain underwriting process and standard terms, including excess and exclusions, in an insurance policy upon enquiries <ul style="list-style-type: none"> ○ Underwriting Process ○ Terms and Conditions ○ Quotation ○ Policy Administration • Direct insurance application to underwriting personnel <ul style="list-style-type: none"> ○ Submission of underwriting information • Process insurance applications in accordance with company procedure and relevant regulatory requirements <ul style="list-style-type: none"> ○ Follow up underwriting decision ○ Issue Quotation • Handle customer data in accordance with the regulatory requirements <ul style="list-style-type: none"> ○ Privacy requirements • Consistently meeting the company process service standard <ul style="list-style-type: none"> ○ Service standard and underwriting procedures 	
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	<p>2. Class Activity (1 hour) - Around 30 minutes for each activity</p> <p>(3) Case Study Employees' Compensation Insurance</p> <p>(4) Case Study Public Liability Insurance</p> <p>For details, please refer to the sample activities.</p> <p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> • Property All Risks Insurance Proposal Form Sample • General Liability Proposal Form Sample • Employees' Compensation Insurance Proposal Form Sample • Package Insurance Proposal Form Sample <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(iii)	<p>Topic 3</p> <p>General insurance application to underwriters</p> <p>1. Contents Review (1.5 hour)</p> <p>Trainer is suggested to review the relevant contents with students and explain the details by using the learning guide.</p> <ul style="list-style-type: none"> • Carry out responsible steps in obtaining necessary documents according to company procedures <ul style="list-style-type: none"> ○ Negotiate and follow up with underwriter ○ Additional underwriting information if necessary ○ Understand the reasons of additional underwriting information ○ Communicate with both underwriter and customer • Submit insurance application to underwriting personnel with the required information. <ul style="list-style-type: none"> ○ Submit the additional underwriting information ○ Negotiate and follow up with underwriter 	2 hours

	<ul style="list-style-type: none"> ○ Quotation Processing ○ Communicate with both underwriter and customer <p>2. Class Activity (30 Minutes)</p> <p>(5) Case Study</p> <p>Property Insurance</p> <p>For details, please refer to the sample activities.</p> <p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> ● Motor Insurance Proposal Form Sample ● Marine Insurance Proposal Form Sample ● Package Insurance Proposal Form Sample <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(iv)	<p>Assessment (40% contributes to the overall mark of the programme)</p> <p>Exam</p> <p>15 minutes – Key Contents Revision</p> <p>Trainer is suggested to explain the format of examination and highlight the key contents</p> <p>45 minutes – Short Questions (20 Questions)</p> <p>(Please refer to the exam questions and answers sample)</p>	1 hour
	Total hours	10 hours

2.8 Sample Class Activities

(1)

Class Activity

Motor Insurance

Mr. Chan has bought a second hand 7 seats vehicle and he is looking for motor insurance cover. Assuming that this vehicle has 5 years old and the original purchasing value is around HK\$500,000. Explain the differences between Third Party and Comprehensive motor insurance cover. List out the relevant underwriting information for underwriting consideration.

Training Tips:

- **Trainer is suggested to provide detail guidance on the differences between Motor third party and comprehensive insurance cover, and special highlight on the recovery and value-added services available in the market.**
- **Training is suggested to highlight the relevant underwriting information and key considerations in both Motor Third Party and Comprehensive insurance.**

(2)

Class Activity

Package Insurance (Property, Liability and Employees' Compensation Insurance)

A new start-up mobile technology company with 8 employees set up their office in Cyberport. Given the compulsory insurance requirement in Hong Kong, propose a comprehensive insurance package with property, liability and employees' compensation insurance cover and explain the detail underwriting information will be required.

Training Tips:

- **Trainer is suggested to provide relevant guidance for the differences between package policy and standalone Employees' Compensation Insurance policy arrangement.**
- **The key underwriting information for package or standalone Employees' Compensation Insurance should be highlighted.**

(3)

Class Activity

Employees' Compensation Insurance

A newly established local hotel will start to operate next month and the relevant Employees' Compensation insurance underwriting information such as salary information, job description and claims record have been submitted to an international insurance broker for preparing Employees' Compensation Insurance quotation.

Explain the reasons why the salary information, job description and claims record are required for underwriting consideration and how to ensure the relevant privacy requirements are exactly complied.

Teaching Tips:

- **Trainer is suggested to explain the reasons why the relevant underwriting information is required and how to fulfill the relevant privacy requirements in Hong Kong.**
- **Apart from the Employees' Compensation insurance, trainer is suggested to explain the usual insurance cover for a hotel operation.**

(4)

Class Activity

Public Liability Insurance

A K-pop music concert organizer is looking for an annual public liability insurance policy to cover their third-party liability risk and fulfill the insurance provision under the rental agreement.

Explain the relevant public liability insurance underwriting information and the usual insurance provision under the rental agreement.

Teaching tips:

- **Trainer is suggested to explain the relevant underwriting information and introduce the usual insurance requirements under the rental agreement.**
- **The relevant risks of a concert and safety requirements should be highlighted for underwriting consideration.**

(5)

Class Activity

Property Insurance

An electronic company is looking for property insurance to cover their HK\$10M electronic goods storage. The relevant underwriting information such as nature of goods, value, security protection and claims record had been submitted to insurance company for underwriting consideration. However, additional security protections are required by the underwriter such as direct alarm and 24 hours security guard.

Explain the relevant additional underwriting requirements communication process with potential customer or insurance intermediary.

Teaching tips:

- **Trainer is suggested to explain the relevant techniques to communicate between underwriter, intermediary and customer.**
- **The common underwriting remedies such as excess, premium loading or policy limit should be introduced.**

2.9 Suggested Assessment Method

Examination

Exam Questions and Answers – Sample

(Question)

1. Explain the relevant underwriting information for Public Liability Insurance

(Answer)

- Nature of Business or Event
- Turnover
- Number of Participants
- Limit of Liability
- Claims History

(Question)

2. Explain the key underwriting information for Employees' Compensation Insurance

- Job Title and Nature
- Annual Payroll
- Work safety protection
- Manpower or resources
- Claims History

***20 Short Questions per Exam.**

Passing Grade: 50% of examination

The sample exam questions and answers provided are for reference purposes only. Trainers are encouraged to develop their own exam questions and answers tailored to the specific learning outcomes and relevant learning materials.

2.10 Suggested Readings for Self-Study

1. Underwriting Process

<https://dev.riskeducation.org/six-steps-of-the-underwriting-process/>

2. Property All Risks Insurance Proposal Form Sample

https://www.cmbwinglungbank.com/wlb_corporate/UserFiles/File/pdf/Xx/Cob/Ins/XxCoInsProrsk.pdf

3. General Liability Proposal Form Sample

<https://corporatesolutions.swissre.com/dam/jcr:5deb7670-6ff3-472f-92b1-49dae9e0b38d/general-liability-proposal-form.pdf>

4. Employees' Compensation Insurance Proposal Form Sample

https://www.msig.com.hk/sites/msig_hk/files/Employees%20Compensation%20Insurance%20proposal%20form.pdf

5. Motor Insurance Proposal Form Sample

https://www.msig.com.hk/sites/msig_hk/files/Private%20Motor%20Car%20Insurance%20proposal%20form%20%28editable%29.pdf

6. Marine Insurance Proposal Form Sample

https://www.chubb.com/content/dam/chubb-sites/chubb-com/hk-en/business/cargo-insurance/documents/pdf/chubb_marine-cargo-proposal-form_open-cover_la2-editable.pdf

7. Package Insurance Proposal Form Sample

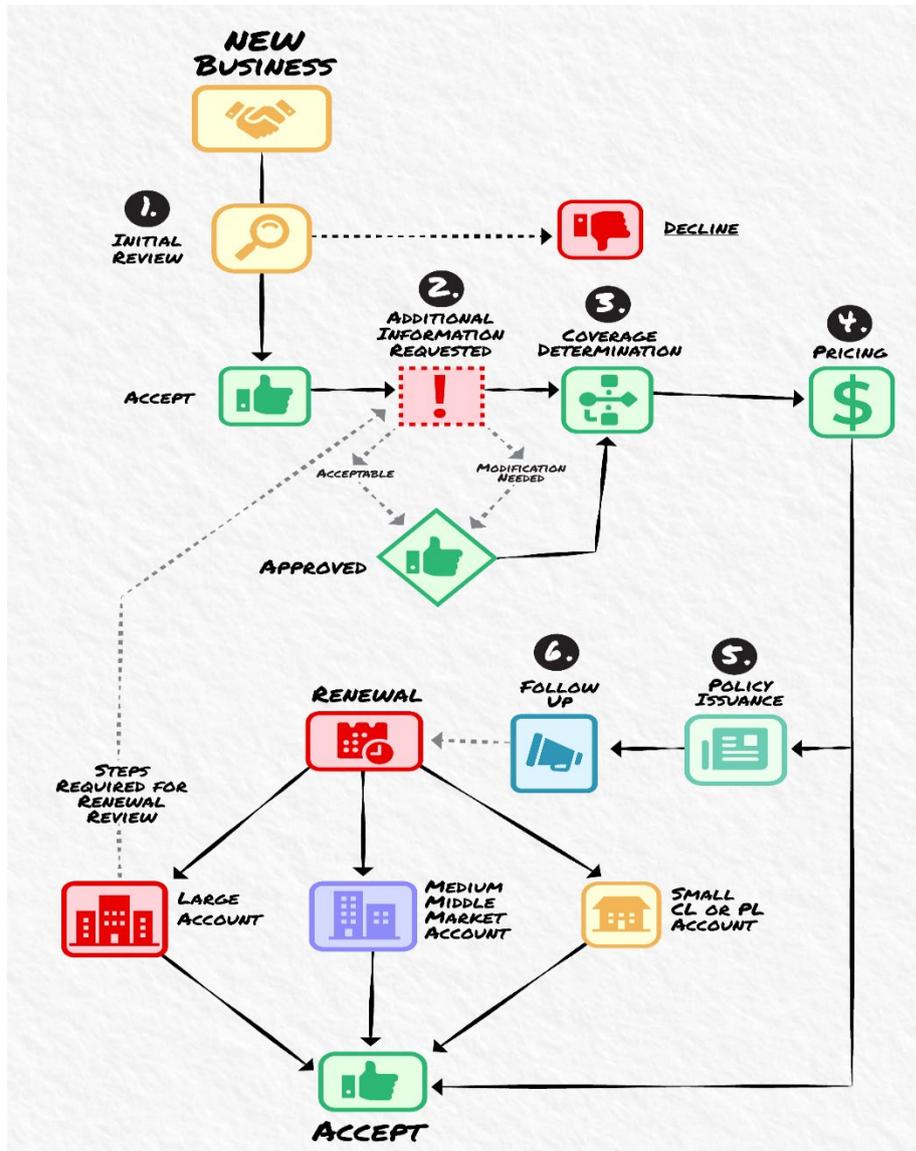
<https://www.axa.com.hk/en/sme-business-insurance-retail-insurance>

2.11 Suggested Learning Materials (For Students)

Topic 1

Knowledge in general insurance underwriting

Underwriting Process



Source: <https://dev.riskeducation.org/six-steps-of-the-underwriting-process/>

Understand information required in underwriting of insurance application

Property Insurance & Package

2.11.1 The four property characteristics underwriters use to evaluate a risk and determine property rates are construction, occupancy, protections, and exposure — otherwise known as COPE.

C — Construction: Materials used to **construct** a building, including its roof, play a significant role in determining property premiums.

O — Occupancy: Types of **occupancy** hazards such as work performed, materials stored, and how you manage those hazards, impact how underwriters see a risk and affect your premium.

P — Protections: A property's **protections** refer to the measures used to protect the property from damage. Your insurance company looks at things like cameras, alarm systems, gates, fences and guard stations. It also considers sprinkler systems and fire extinguishers, as well as distance to the nearest fire station and fire hydrants — all of which contribute to the property's protection class rating.

E — Exposure: The **exposure** to geographic hazards — hurricanes, tornadoes, wildfires, earthquakes and flood zones, as well as high-crime areas and the nature of neighboring businesses — plays a significant role in the likelihood of a loss. These exposures have a major influence on the perceived level of risk — and on your premium costs.

Source:

<https://www.usi.com/executive-insights/executive-series-articles/supplemental/emerging-business/q1-2023/review-property-underwriting-characteristics-to-control-premium-costs/>

Key underwriting information:

- Nature of Business
- Location
- Class of Construction
- Interest Insured (e.g. building, contents, stocks)
- Value of Insured Interest
- Security Protection
- Claims History

Consequential Loss

2.11.2 A property damage insurance policy such as a Fire or Property All Risks insurance provides coverage for the costs of repairing, reinstating, or replacing damaged property. However, in the event of material damage or loss, such property policies do not cover the loss of profit or mounting work-related costs resulting from an interruption in the business.

2.11.3 We know that an extended disruption due to more serious occurrences such as fire or flood can greatly affect your business. Therefore, Consequential Loss Insurance as it protects your business against financial loss following an interruption in your business due to a loss or damage covered under a property insurance policy. Key underwriting information:

- Nature of Business
- Location
- Class of Construction
- Security Protection
- Claims History
- Ability to recover and how long it takes
- Value of Insured Interest

e.g.

- Loss of Gross Profit
- Employee wages

- Indemnity period

The period during which the insurance covers consequential losses is crucial. Known as the “indemnity period,” this is the time from the occurrence of the direct loss until the business returns to its normal operations or reaches a specified time limit. Businesses must carefully choose the indemnity period to ensure they are covered for the entire duration of their recovery.

Insured Interest:

- Loss of Gross Profit

When a business’s operations are interrupted, the most significant consequential loss is often the loss of gross profit. This coverage helps the business stay afloat by compensating for the income it would have earned had the loss not occurred. The following two calculation methods are available in the market.

1. Gross Profit (Difference Basis)

Vital factors for consideration

- Turnover
- Variable cost of the insured business

2. Gross Profit (Addition Basis)

Vital factors for consideration

- Net Profit
- Standing charges (fixed cost) of the insured business

- Employee Wages

A business might face the challenge of paying its employees even when it's not fully operational. This type of coverage ensures that wages and salaries can continue to be paid, preventing the loss of valuable staff.

- Other Standing Charges (fixed cost)

Standing charges are expenses which do not vary in direct proportion to the turnover. They are charges that a business continues to incur even during an interruption of business operation due to loss or damage to property.

Property All Risks Insurance Proposal Form (Sample)

Please complete in BLOCK LETTERS and tick the appropriate box.

* Delete whichever is inapplicable

The Proposer	
Name of Proposer: _____	HKID card / Passport no. _____
Corr. Address: _____	
Registered Address: <input type="checkbox"/> same as above <input type="checkbox"/> If different from above, please state	Tel. no. : _____ Fax no. : _____
# Email : _____	
* Date of Birth / Date of Incorporation (dd /mm /yy)	
*Occupation _____ / _____	Business _____
(Please give full details)	
# Proposer supplementary information (optional information)	

Particulars of Insurance	
Insured _____	Location: _____
Occupied _____	as: _____
Period of Insurance: From 由 ____ (dd /mm /yy) To ____ (dd /mm /yy)	
Property Insured	Sum Insured
<input type="checkbox"/> 1) On Buildings	1) _____ HK\$
<input type="checkbox"/> 2) On Commodity and Stock in Trade consisting _____ chiefly _____ of _____	2) _____ HK\$
<input type="checkbox"/> 3) On Furniture, Fixtures and Fittings	3) _____ HK\$
<input type="checkbox"/> 4) On Clothing and Personal Effects (excluding jewelry)	4) _____ HK\$
<input type="checkbox"/> 5) On Machinery and Accessories	5) _____ HK\$
<input type="checkbox"/> 6) Others _____ (please specify) _____	6) _____ HK\$
Total Sum Insured	HK\$ _____
Financial Interest:	_____
If any of the following question is not answered, a negative reply shall be deemed to be given.)	
Other Information	
1) Are you holding any property all risks insurance or same class of insurance?	Yes / No
2) Has the Insured Location(s) contained any flammable goods or areas that increase the chance of fire?	Yes / No

3) (a) Is the premise protected by an intruder alarm?	Yes / No
(b) Is the system linked to a Central Monitoring Station?	Yes / No
(c) Is there a maintenance contract in force?	Yes / No
(d) Name of Alarm System Company _____	Yes / No
4) Do you keep any proper inventory record in respect of the property to be insured?	Yes / No
5) Has any insurer declined, cancelled or imposed conditions on or refused renewal of your related insurance?	Yes / No
6) Have you ever made any claim(s) against related insurance during the past 3 years? If 'Yes', please state the causes, date of accident and claims amount (HK\$)	Yes / No

If your answer is "Yes" in any of the above, please give details

**Property All Risks
Insurance**

Coverage

Except the causes excluded in the policy, our insurance protects you against accidental damage to the insured property caused by fire, burglary, flooding, explosion or breakage etc. during the period of insurance

Major Exclusions

Unless prior consent has been given, Property All Risk Insurance does not cover items including cash, currency notes, precious stones, jewelry ornaments, art works shares, documentary information and computer system information. Design error; accident during the process of production, testing, repairing, cleaning, installation; breakdown of electric appliance, depreciation, rust, mildew, deterioration etc.

Proposer can apply for the coverage of the following items

- 1) Buildings
- 2) Commodity and Stock In Trade
- 3) Furniture, Fixtures and Fittings
- 4) Clothing and Personal Effects
- 5) Machinery and Accessories
- 6) Other Stipulated Items

Notes:

- 1) Proposer must be the owner, lien holder, trustee or having direct legal interest of the insured property.
- 2) In case of transfer, pledge, removal or other matters that will increase the chance of accidental loss, please provide written notice to us immediately.
- 3) Unless prior arrangement has been made, the amount to be insured should be same with the current market value of the properties. If the sum insured is inadequate, the customer only receives compensation based on a proportion if claim occurs.
- 4) This policy excludes the properties under construction, cash and jewelries, vehicles and vessels, plants and animals etc.
- 5) In case of accidental loss, report the incident to us immediately, do whatever is necessary to prevent loss, safeguard any physical evidence for us or loss adjustor for investigation.

This leaflet is simply a general summary for reference only. For details, please refer to the terms and conditions of insurance policy.

2.11.4 The above sample proposal form is for reference only and the student is suggested to read the key questions and the required information for understanding the key underwriting considerations from insurer perspective.

Employees' Compensation Insurance

2.11.5 Under the Employees' Compensation Ordinance, an employer is liable to pay compensation to an employee who sustains a personal injury arising out of and in the course of employment or to eligible family members of an employee who dies as a result of an accident at work. All employers are required to have valid employees' compensation insurance policies to cover their liabilities under the laws (including the common law). The Employees' Compensation Division of the Labour Department administers the Employees' Compensation Ordinance. In 2023, the division handled 297 fatal accident cases and 41,461 non-fatal cases.

2.11.6 In the first half of 2024, the gross and net premiums of general insurance business were HK\$37.9 billion (increased by 2.4%) and HK\$24.4 billion (increased by 5%) respectively, against which total gross claims of HK\$17.3 billion were paid (increased by 13.7%). The overall underwriting profit improved from HK\$1.5 billion to HK\$1.9 billion (increased by 33.9%). Due to better claims experience and release of reserves, General Liability (comprising Employees' Compensation) business reported underwriting profit of HK\$0.8 billion.

Source: Insurance Authority

https://www.ia.org.hk/en/infocenter/press_releases/20240830.html

2.11.7 Employees' Compensation Insurance premium is determined by the relevant risk assessment. Insurance companies in general will calculate the insurance premium by considering the underwriting risks of different industries or occupations, the total earnings of employees and the following factors:

- Claims history of the employer concerned;
- Occupational safety and health as well as risk prevention measures taken by the employer concerned;
- Accident rate and risks to be undertaken in respect of the industry or occupation concerned;
- Market condition (e.g. market trend, economic environment, social factors, etc.); and
- Underwriting guidelines, operational costs, risk management of the insurance company, etc.

The age of employees is not a major determining factor of ECI premium.

Source: Hong Kong Labour Department

https://www.labour.gov.hk/eng/public/ecd/Know_more_about_taking_out_ECI_eng.pdf

Key underwriting information:

- Job Title and Nature
- Annual Turnover/Payroll
- Work safety protection
- Manpower or resources
- Claims History

Motor Insurance

- The Motor Vehicle Insurance market in Hong Kong is forecasted to reach a market size (gross written premium) of HK\$5.23bn in 2024. The average spending per capita in the Motor Vehicle Insurance market is projected to be HK\$696 in 2024. It is expected that the gross written premium will exhibit an annual growth rate (CAGR 2024-2029) of 2.28%, resulting in a market volume of HK\$5.85bn by 2029. When compared globally, the United States is anticipated to generate the highest gross written premium of HK\$2,664bn in 2024.
- In Hong Kong, the motor vehicle insurance market is experiencing a surge in demand due to the increasing number of luxury car purchases in the city.

Source: <https://www.statista.com/outlook/fmo/insurances/non-life-insurances/motor-vehicle-insurance/hong-kong>

- In the first half 2024, the gross premiums of motor vehicles business rose to HK\$2.8 million (increased by 8.5%).

Source: https://www.ia.org.hk/en/infocenter/press_releases/20240830.html

Key underwriting information:

- Type of Motor Insurance
- Type and Model of Vehicle
- Engine Capacity
- Vehicle's Age
- Driving History
- Claims History

Public Liability Insurance

2.11.8 Hong Kong (China SAR) ranks as the fourth largest market in the APAC region, holding a 4.3% market share in 2023. Its liability insurance written premiums are projected to grow at a CAGR of 6.6% from 2023 to 2027.

Source:

<https://insuranceasia.com/insurance/news/apacs-liability-insurance-sector-exceed-61b-2027-globaldata>

2.11.9 As a business owner or operator, you are responsible for preventing any accidental damage or injury to third parties. This is your legal liability to your customers, suppliers, and the public at large.

However, accidents can still occur despite the many safety measures in place, and it is no secret that compensation for such accidents can be very costly. It is therefore prudent to take out Public Liability Insurance to cover your legal liabilities to the public for any accidental death, injury and/or loss of or damage to property arising from your operations.

Key underwriting information:

- Nature of Business or Event
- Turnover
- Payroll
- Number of Participants
- Limit of Liability
- Claims History

Medical Insurance

2.11.10 Health insurance or medical insurance is a type of insurance that covers the whole or a part of the risk of a person incurring medical expenses. As with other types of insurance, risk is shared among many individuals.

2.11.11 A health insurance policy is an insurance contract between an insurance provider (e.g. an insurance company or a government) and an individual or his/her sponsor (that is an employer or a community organization). The contract can be renewable (annually, monthly) or lifelong in the case of private insurance. It can also be mandatory for all citizens in the case of national plans. The type and amount of health care costs that will be covered by the health insurance provider are specified in writing, in a member contract or "Evidence of Coverage" booklet for private insurance, or in a national health policy for public insurance.

2.11.12 In Hong Kong, the Voluntary Health Insurance Scheme (VHIS) is a policy initiative implemented by the Health Bureau to regulate indemnity hospital insurance plans offered to individuals by insurance companies. The participation by insurance companies and consumers is voluntary.

Source: https://www.vhis.gov.hk/en/about_us/index.html

Types of Coverage

- Individual
- Group

Key underwriting information

- Personal Information
 - Name
 - Age
 - Gender
 - Occupation
- Types of Benefit
 - Inpatient
 - Outpatient
 - Dental
 - Maternity
 - Others
- Health Condition / Medical History
 - Previous Treatment
 - Doctor Visit
- Claims History
 - Date of treatment
 - Claims amount / medical cost

Standard Application Form (VHIS)

https://www.vhis.gov.hk/en/industry_corner/forms.html

Understand company's insurance products

Property Insurance

- Residential
- Commercial
- Industrial

Insurance company may have different underwriting considerations for different types of properties. For the class 3 construction and high-risk properties, high level underwriting referral are expected.

Consequential Loss

- Loss of Profit
- Standing Charges
- Professional Fees

If the policyholder intends to effect cover for loss of profit, the past 12 months profit record should be provided for underwriting consideration. The standing charges such as salary or rental usually can be insured on individual item basis.

Employees' Compensation Insurance

- Single product
- Package

Single Employees' Compensation Insurance may not be the risk appetite for each insurer and package with other types of insurance may be required. The business nature, job nature and the claims record are the major underwriting considerations for the underwriter.

Motor Insurance

- Private
- Commercial

Commercial vehicle may not be the risk appetite for each insurer and the loss record for the commercial vehicle in general is higher than private vehicle.

Public Liability Insurance

- Event
- Annual

Both event and annual public liability insurance are very common in the market. The business nature and the nature of event are the key considerations for the underwriter. For the event public liability, the risk appetite may not be same as annual public liability insurance policy.

Medical Insurance

- Group Insurance
- Individual Insurance

Types of Benefits

- Inpatient
- Outpatient
- Voluntary Health Insurance Scheme (VHIS)

Insurance companies participating in the VHIS (“VHIS Providers”) offer individual indemnity hospital insurance plans that are certified by the Health Bureau to comply with the minimum requirements of the scheme in product design (“Certified Plans”). Moreover, VHIS Providers must comply with a set of Code of Practices covering sales and marketing, handling of applications, after-sales services, etc.

<https://www.vhis.gov.hk/en/>

- Dental
- Maternity

Comprehend company’s most up-to-date premium schedules and acceptance policies

- Standard rating
- Sub-standard rating

For the sub-standard risks, special rating and special reinsurance arrangements will be applied therefore high-level underwriting consideration is expected. Insurance companies are supposed to review the relevant risk appetite and premium rating on regular basis.

- Excluded risks
 - Property Insurance – e.g. illegal structure or building
 - Liability Insurance – e.g. criminal offence
 - Employees’ Compensation Insurance – e.g. mining industry
 - Medical Insurance – e.g. pre-existing terminal illness - cancer

Comprehend company's processing procedure of insurance applications and relevant compliance and regulatory requirements in handling customer enquiries

- Proposal forms
- Quotation processing
- Acceptance limit
- Underwriting authority
- Service pledge

Given the regulatory requirements, the relevant standard quotation processing procedures should be adopted. Different proposal forms, quotations, commission terms and products should be applied for different distribution channels.

Topic 2

General insurance application process

Review application. Collect relevant information and ensure all information required are submitted with the application forms, including:

- Key underwriting information for risk assessment
- sum insured, subject matter of insurance and the insured details
- required supplement documents, e.g., survey report, medical reports (where applicable)

Liaise with agents, brokers or clients to request further information and documents if required

- Agents and Brokers including all Technical Representatives
- Direct Clients

If any additional underwriting information is required, we should communicate with distribution or client and advise the reasons why additional underwriting information is necessary. Usually communicate with distribution before contacting the client for additional underwriting information directly.

Explain underwriting process and standard terms, including excess and exclusions, of the insurance policy

- Underwriting Process
- Terms and Conditions
- Quotation
- Policy Administration Process

The underwriting manual usually provides the guidance for the above process. However, the general process should not be same for each company, and you should refer to the most update guideline for reference.

Direct insurance application to underwriting personnel

- Submission of underwriting information

Once received the required underwriting information, immediately submit to underwriting personnel for underwriting processing. If any additional information is required, communicate with distribution or client as soon as possible.

Process insurance applications in accordance with company procedure and relevant regulatory requirements

- Follow up underwriting decision
- Issue Quotation

Usually, standard quotation processing procedures should be applied. However, special arrangements can be applied subject to the individual insurance company's commercial consideration.

Handle customer data in accordance with the regulatory requirements

- Privacy requirements

Following the passing of the Personal Data (Privacy) (Amendment) Bill 2021 (the Amendment Bill) on 29 September 2021, we must comply with the relevant privacy requirements. For details, please refer to the Office of the Privacy Commissioner for Personal Data (PCPD).

Enforcement

2.11.13 The Office of the Privacy Commissioner for Personal Data ("the Commissioner") was established under PDPO as the dedicated data privacy regulator. If you find a possible breach of PDPO by a particular data user in relation to the handling of your personal data, you may lodge a complaint with the Commissioner. Depending on the facts involved and the evidence available, the Commissioner may carry out, refuse to carry out or terminate an investigation of the complaint.

2.11.14 When the Commissioner receives a complaint or has reasonable grounds to believe there may be a contravention of PDPO, the Commissioner may conduct an investigation of the suspected contravention and publish a report setting out the investigation results and recommendations if it is in the public interest to do so.

2.11.15 If, upon completion of an investigation, it is found that the relevant data user is contravening or has contravened PDPO, the Commissioner may issue an enforcement notice to the data user directing remedial and/or preventive steps to be taken. Contravention of an enforcement notice issued by the Commissioner is also an offence which may result in a maximum fine of HK\$50,000 and imprisonment for 2 years, with a daily penalty of HK\$1,000. Subsequent convictions can result in a maximum fine of HK\$100,000 and imprisonment for 2 years, with a daily penalty of HK\$2,000.

https://www.pcpd.org.hk/english/data_privacy_law/amendments_2021/amendment_2021.html

Ensure consistently meeting the company process service standard

2.11.16 The relevant internal service standard and underwriting procedures should be adopted subject to the legal and compliance requirements. The key elements of service standard:

- Responsiveness
- Personalization
- Reliability
- Professionalism
- Empathy
- Knowledgeability
- Friendliness
- Quality
- Transparency
- Efficiency
- Accountability
- Customer Satisfaction

Topic 3

General insurance application to underwriters

Carry out responsible steps in obtaining necessary documents according to company procedures

- Negotiate and follow up with underwriter
- Additional underwriting information if necessary
- Understand the reasons of additional underwriting information
- Communicate with both underwriter and customer

2.11.17 Insurance companies may request additional underwriting information to support the underwriting decision, e.g. a request for an additional physical examination, a request for past medical history, and the completion of an additional questionnaire.

2.11.18 Insurance company will notify the proposed Insured of any additional requirements through the internal underwriting or distribution team and the responsible insurance intermediary.

Submit insurance application to underwriting personnel with the required information.

- Submit the additional underwriting information

Insurance underwriting is the process of evaluating a risk to determine if the insurance company will insure it and, if yes, then pricing it.

- Negotiate and follow up with underwriter

Underwriting began as a manual process based entirely on developed acumen. Today, that process also involves the use of tools such as data analytics and artificial intelligence.

- Quotation Processing

An insurance quote is an estimate of what your policy will cost. Before you can get an insurance policy, you first have to complete an application with an insurance company. The insurance company takes the information on your application and runs it through an algorithm that calculates what it costs to insure you.

From this, the company generates an estimate for your premium. That estimate is your insurance quote. Your quote tells you approximately what it costs for you to get a policy with that particular insurance company. Most companies send insurance quotes that include the details of policy terms and conditions.

- Communicate with both underwriter and customer

Underwriters and insurance intermediaries have different roles and responsibilities in the insurance process, and they need to understand each other's perspectives and expectations.

2.11.19 Underwriters assess the risks and determine the premiums and terms of the insurance policies, while insurance brokers or agents act as intermediaries between the underwriters and the customers for negotiating the best deals for them. Underwriters and insurance intermediaries should communicate clearly about the scope, objectives, and deadlines of each project, and respect each other's expertise and limitations.

Module 3 - Process General Insurance Claims Applications

3.1 Course objectives

This course is to provide the basic knowledge for the junior or newly joined general insurance practitioners to understand the process of general insurance claims application. It involves answering client enquiries and handling claims applications. It provides the basic knowledge for frontline staffs to arrange collection of further information with customers and process the claims applications.

3.2 Key Learning Topics

- Acquire basic knowledge in general insurance claims processing
- Handle claims applications and process applications
- Submit claims applications with sufficient correspondences

3.3 Intended Learning Outcomes

- Able to explain common practice of claims procedures to clients.
- Able to handle claims enquiries on claims applications and arrange follow-up actions with clients if enquiries cannot be solved on the spot.
- Able to arrange collection of further information to submit the claims applications for processing.
- Able to submit claims applications to the appropriate personnel for further processing.

3.4 Mapping of Learning Topics with Intended Learning Outcomes

	Knowledge in general insurance claims processing	Handle claims applications and process applications	Submit claims applications with sufficient correspondences
Able to explain common practice of claims procedures to clients	√		
Able to handle claims enquiries on claims applications and arrange follow-up actions with clients if enquiries cannot be solved at the spot		√	
Able to arrange collection of further information to submit the claims applications for processing		√	
Able to submit claims applications to the appropriate personnel for further processing.			√

3.5 Allocation of Notional learning hours for Module 3

This module has 2 credits and 20 hours. It is suggested that the ratio of teaching hours vs self-study hours is around 1:2 as below.

	Area	Teaching Hours (a)	Self-Study Hours (b)	Notional Learning Hours (a+b)
(i)	<p>Topic 1</p> <p>Knowledge in general insurance claims processing</p> <ul style="list-style-type: none"> • Understand information required in claims in different business lines • Comprehend company claims handling procedures and service standard • Well versed with company procedures, relevant compliance and regulatory requirements in handling customer enquiries 	4 hours	9 hours	13 hours
(ii)	<p>Topic 2</p> <p>Handle claims applications and process applications</p> <ul style="list-style-type: none"> • Explain to clients the claim process and time it may take • Explain to clients the documents needed in particular claims • Explain to clients their responsibilities in claims process • Advise clients on progress of claims upon enquiries • Verify all required correspondences are submitted • Submit claims application forms with relevant correspondences to appropriate personnel for further processing • Handle customer data in accordance with regulatory requirements 	1 hours	2 hours	3 hours

(iii)	Topic 3 Submit claims applications with sufficient correspondences <ul style="list-style-type: none"> • Provide clients with clear and correct information on claims applications • Submit claims applications with supporting correspondences to appropriate personnel. 	1 hours	2 hours	3 hours
	Total hours	6 hours	13 hours	19 hours
(iv)	Assessment			1 hour
(v)	Total Notional Learning Hours			20 hours

3.6 Teaching Resources and Format

Trainer is suggested to present the relevant learning contents and activities by using power point presentation, video and group discussion. Interaction and creative teaching approaches are highly recommended. The hyperlinks in this training package are for reference only and the trainer is reminded to use the latest version for teaching purpose.

3.7 Teaching Methodology

	Contents & Teaching Methodology	Teaching Hours
(i)	<p>Topic 1</p> <p>Knowledge in general insurance claims processing</p> <p>This course is to provide the basic knowledge for the junior or newly joined general insurance practitioners to understand the process of general insurance claims application. It involves answering client enquiries and handling claims applications. It provides the basic knowledge for frontline staffs to arrange collection of further information with customers and process the claims applications.</p> <p>Given the limited teaching hours, key general insurance products such as Property & Package, Consequential Loss, Employees' Compensation, Motor, Liability and Medical insurance are suggested to discuss in this topic. Trainers will have flexibility to teach other general insurance products covered in Module 1 if time is available.</p> <p>1. Contents Review (3.5 hours)</p> <ul style="list-style-type: none"> • Understand information required in claims in different business lines <p>1.1 Property Insurance</p> <ul style="list-style-type: none"> ▪ Policy information <ul style="list-style-type: none"> - Policy number - Name of insured - Period of insurance ▪ Circumstances of loss or damage <ul style="list-style-type: none"> - Date and time of loss - Location of the loss - Description of incident - Witness of accident 	4 hours

- Loss report details
 - Police
 - Other authorities e.g. Property management
- Details of property loss or damaged
 - Description of articles
 - Date of purchase
 - Purchase price and amount claimed
 - Purchase receipt

1.1.1 Common practice of claims procedures:

In the event of loss, policyholder should take the following steps to process the relevant property insurance claims applications.

- Report the claims to the insurance company as soon as possible;
- Retain all of the affected / damaged property for inspection;
- Policyholder is not supposed to conduct any major repair / replacement to the affected / damaged property without insurance company prior written consent;
- Policyholder is not supposed to dispose the affected / damaged property without insurance company prior written consent;
- Policyholder should carry out remedial measure(s) to avoid further damage to the affected / damaged property;
- Policyholder should report to the police in the case of theft / burglary / malicious damage.

1.1.2 Potential supporting documents:

- Duly completed original Claim Form;
- Original purchase invoice(s) / past renovation record showing the affected / damaged property;
- The repair / replacement quotation for the affected/ damaged property;
- Colour photographs pertaining to the scene and the affected / damaged property;
- Police report number in case the incident is reported to the police.

1.2 Consequential Loss

Apart from the information provided in the property insurance, the estimated loss of the following insured items may need to provide and subject to the evaluation by the loss adjuster.

- Loss of Gross Profit
- Employee Wages
- Other Standing Charges (fixed cost)

1.3 Employees' Compensation Insurance

- Accident report - Form 2, 2A or 2B
- Cause of work injury and witness statement
- The original sick leave certificate(s)
- The original medical expenses receipt(s) (if applicable)
- Payment record for Compensation paid to Injured Employee
- Loss adjuster / Investigation / police report (for serious injury cases)
- Medical assessment form – Form 7
- Settlement form – Form 5

1.3.1 Common practice of claims procedures:

In the event of loss, policyholder should take the following steps to process the relevant Employees' Compensation insurance claims application.

Step 1: Notify the Labour Department

Step 2: Complete forms

Step 3: Send document to insurance company

1.4 Motor Insurance

Key Claims Information:

- Claim form with the details
- e.g. date, time, location and accident details and contact information
- Letter of Authorization duly signed by the driver
- Driver's Hong Kong Identity Card

- Driver's driving licence
- Vehicle Registration Document (Both sides)
- Motor vehicle licence
- Police statement and police case reference number
- Screening breath test result form, if any
- Photos showing the accident scene and involved vehicles, if available
- Car camera record, if any
- Repair quotation, if available
- Any third-party correspondences

1.4.1 Common practice of claims procedures:

In the event of a traffic accident, policyholder should take the following steps to process the claims application.

- Report to the police immediately;
- Not to discuss or admit legal liability or make payment with any parties;
- If possible, take photos / videos of the scene before anything is moved;
- Record important information, e.g. Registration numbers of involved vehicles, exact location of accident, damaged property, witnesses, etc.;
- Exchange contact and personal details with other drivers, passengers, injured parties;
- Report the accident to insurance company immediately.

1.5 Public Liability Insurance

1.5.1 Key Claims Information:

- Claim Form;
- Incident report prepared by the relevant authorized parties (e.g., Building Management) as a proof of the occurrence of the incident;
- Witness's statements, if any;
- Copy of the police report, if applicable;

	<ul style="list-style-type: none"> ▪ The third party's name, Hong Kong Identity Card No., telephone number and address, if available; ▪ Colour photographs pertaining to the scene of the incident, the injury of the third party and / or damage to the third-party property; ▪ CCTV footage pertaining to the occurrence of the incident; ▪ All correspondences from the third party and / or the representative(s) of the third party; ▪ Other relevant supporting documents regarding the incident, if any. <p>1.5.2 Common practice of claims procedures:</p> <p>In the event of loss, policyholder should take the following steps to process the claims application.</p> <ul style="list-style-type: none"> ▪ Notify insurance company of any potential claim and submit the claim form with all relevant information such as date, time, location, detail of accident and third-party contact information. ▪ Retain the defective part(s), which cause the loss of / damage to third party property or bodily injury of third party for investigation; ▪ Keep the relevant CCTV footage pertaining to the occurrence of the incident for investigation; ▪ Not to promise the third party to make good the affected / damaged property in their premises or make payment to the third party or admit liability after the occurrence of this incident without prior written consent from insurance company; ▪ Carry out necessary remedial measure(s) to avoid further damage to the third-party property and prevent recurrence of similar incident after the occurrence of the loss / damage / injury. ▪ Report to the police or relevant authorities. Obtain the relevant reports. e.g. Police report / accident report / property management incident report 	
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1.6 Medical Insurance

1.6.1 Key Claims Information:

Outpatient Benefits

- Original Receipts issued by the doctor or certified true copy of receipts issued by other insurance company (if applicable). Each receipt MUST state the following information:
 - Full name of the insured (patient)
 - Date of consultation/date of treatment
 - Diagnosis
 - Bills with breakdown of charges
 - Doctor's signature and official stamp

Additional documents (if any):

- Referral letter issued by a Registered Medical Practitioner
- Claim for expenses incurred prescribed medicines/drugs must be supported by the doctor's prescription stating full name of the insured (patient), diagnosis, name of medication, dosage and treatment duration
- For treatment of Chinese Medicine Practitioner, please attach the original prescription (if applicable)
- For outpatient visits in public hospital/clinic, original receipts together with a copy of medical certificate/sick leave certificate with specified diagnosis.
- Copy of claim settlement report issued by other insurance company (if applicable)

Inpatient Benefits

Before discharge from the hospital, please get the following required documents:

- Original Receipts issued by the doctor and/or hospital or certified true copy of receipts issued by other insurance company (if applicable). Each receipt MUST state the following information:
 - Full name of the insured (patient);

	<ul style="list-style-type: none"> - Date of treatment - Diagnosis - Hospital bills with breakdown of charges - Doctor slips with doctor’s signature and official stamp - Name of surgery (if applicable) <p>Additional documents (if any):</p> <ul style="list-style-type: none"> ▪ Referral letters for any specialist consultation or SRN nursing ▪ Copies of histopathology, endoscopic, diagnostic/ laboratory tests reports or operating theatre summary ▪ For confinement in public hospital, please provide the original receipts issued by the hospital together with a copy of discharge summary. If no diagnosis is provided by the doctor, the insured (patient) is required to supplement the exact diagnosis (e.g. Hypertension) on the abovementioned documents and confirm with a signatory (only applicable to public charges) ▪ Copy of claim settlement report issued by other insurance company (if applicable) <p>1.6.2 Common practice of claims procedures:</p> <p>Inpatient</p> <ul style="list-style-type: none"> ▪ Pre-approval Pre-authorized prior to surgery or hospitalization, insurance company usually will settle the relevant medical expenses directly to Hospital. ▪ Reimbursement Submit all required documents to insurance company for medical expenses reimbursement. <p>Outpatient</p> <ul style="list-style-type: none"> ▪ Electronic claims application Submit all required documents to insurance company for medical expenses reimbursement through online claims portal. ▪ Panel / Credit facility Credit facility applicable for network doctors. ▪ Reimbursement Submit all required documents to insurance company for medical expenses reimbursement. 	
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	<ul style="list-style-type: none"> • Comprehend company claims handling procedures and service standard <ol style="list-style-type: none"> 1. Report Claims <p>Understand policy coverage including terms, and conditions, special exceptions, excess and claims reporting requirements under policy condition. e.g. Claims notification within reasonable period.</p> 2. Assignment <p>The claim is assigned to a claims representative.</p> 3. Initial contact <p>The claims representative or the appointed independent loss adjuster contacts the claimant to gather additional information, discuss insurance coverage, and provide a claim number which may be needed during future interactions.</p> 4. Evaluation <p>The claims representative or independent loss adjuster investigates and works on the claim. They may need to call witnesses to verify facts of accident, work with repair shops for damages, or talk with contractors to discuss repairs and cost. This may take some time, but the claims representative will provide regular updates on receipt of new information.</p> 5. Payment and settlement of claims <p>Once the claims representative or loss adjuster has completed the investigation, it's time to review payment details with the claimant. The relevant claims application can be accepted or rejected subject to the policy terms and conditions. Depending on the type of claim, payment (minus deductible) may be issued to the claimant or to another party working on the claim, including the repair shop or contractor. Once payment is made, the claim is closed.</p> • Well versed with company procedures, policy wordings, relevant compliance and regulatory requirements and service pledge in handling customer enquiries <ul style="list-style-type: none"> ○ Investigation ○ Appoint loss adjuster ○ Appoint legal professional or lawyer 	
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	<p>2. Class Activity - Around 30 minutes</p> <p>(1) Case Study Property Insurance</p> <p>For details, please refer to the sample class activities.</p> <p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> • The 4 Main Steps of an Insurance Claim Process <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(ii)	<p>Topic 2</p> <p>Handle claims applications and process applications</p> <p>1. Contents Review (0.5 hours) Trainer is suggested to review the relevant contents with students and explain the details by using the learning guide.</p> <ul style="list-style-type: none"> • Explain to clients the claim process and time it may take • Explain to clients the documents needed in particular claims • Explain to clients their responsibilities in claims process • Advise clients on progress of claims upon enquiries • Verify all required correspondences are submitted • Submit claims application forms with relevant correspondences to appropriate personnel for further processing • Handle customer data in accordance with regulatory requirements <p>2. Class Activity - Around 30 minutes</p> <p>(2) Case Study Employees' Compensation Insurance</p> <p>For details, please refer to the sample activities.</p>	1 hour

	<p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> • The General Insurance Claims Form <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(iii)	<p>Topic 3</p> <p>Submit claims applications with sufficient correspondences</p> <p>1. Contents Review (1 hour) Trainer is suggested to review the relevant contents with students and explain the details by using the learning guide.</p> <ul style="list-style-type: none"> • Provide clients with clear and correct information on claims applications <p>Advise the key processes and the required information of claim application:</p> <ul style="list-style-type: none"> ○ Claim Reporting and Registration ○ Claim Assessment and Validation ○ Documentation and Investigation ○ Settlement Negotiation ○ Claims Payment ○ Claim Closure ○ Fraud Detection and Prevention ○ Customer Communication ○ Regulatory Compliance ○ Continuous Improvement <ul style="list-style-type: none"> • Submit claims applications with supporting correspondences to appropriate personnel. <p>Claims Personnel:</p> <ul style="list-style-type: none"> ○ License insurance intermediary ○ Claims team (insurer) ○ Designated claims handler (insurer) ○ Appointed loss adjuster 	1 hour

	<p>○ Lawyer</p> <p>2. Class Activity - Around 1 hour</p> <p>(3) Case Study Motor Insurance For details, please refer to the sample activities.</p> <p>(4) Case Study Property and Liability Insurance For details, please refer to the sample activities.</p> <p>(5) Role-play Exercise Liability Insurance For details, please refer to the sample activities.</p> <p>3. Suggested Readings for Self-Study:</p> <ul style="list-style-type: none"> • Breakdown of premiums and claims value of the non-life insurance and life insurance business in Hong Kong • Claims Journal <p>For details, please refer to the suggested readings for self-study.</p> <p>Remarks: Trainer is required to highlight all suggested readings for self-study.</p>	
(iv)	<p>Assessment (20% contributes to the overall mark of the programme)</p> <p>Exam</p> <p>15 minutes – Key Contents Revision Trainer is suggested to explain the format of examination and highlight the key contents</p> <p>45 minutes – Short Questions (20 Questions) (Please refer to the exam questions and answers sample)</p>	1 hour
	Total hours	10 hours

3.8 Sample Class Activities

(1)

Class Activity

Property Insurance

Hong Kong police is investigating a burglary case in an industrial commercial center located at Kwun Tung. The estimated loss is around HK\$5 million of computer equipment. Assuming that the computer equipment had been covered by the relevant property insurance, discuss and list out the required claims information for property insurance burglary claim.

Teaching Tips:

- **Trainer is suggested to direct the students to discuss and list the relevant claims information in property insurance and explain the reasons why the relevant information is required.**

(2)

Class Activity

Employees' Compensation

A fourth fatal work accident in a week has prompted Hong Kong labour rights advocates to call for employers and authorities to fix systemic problems, including substandard safety measures, unreasonably low tender prices, lenient punishments for offenders and a flawed subcontracting system.

Source:

<https://www.scmp.com/news/hong-kong/law-and-crime/article/3286289/fourth-work-death-week-spurs-hong-kong-labour-rights-groups-call-change>

12 November 2024

Discuss the common causes of work injury in Hong Kong. List out the relevant Employees' Compensation Insurance claims information and discuss why the relevant information is required.

Training Tips:

- **Trainer is suggested to highlight the relevant work injury notification process that required by the labor department in Hong Kong and discuss the usual Employees' Compensation insurance claims procedures and the required information.**

(3)

Class Activity

Motor Insurance

Three people were injured, including a driver left trapped in his seat, when a shuttle bus serving a luxury estate in southern Hong Kong slammed into a lamp post on Sunday evening. Police said the shuttle bus crashed on Pak Pat Shan Road near Redhill Plaza in Tai Tam at about 6.15pm, with the driver stuck in the damaged front part of the vehicle.

Source:

<https://www.scmp.com/news/hong-kong/society/article/3285970/3-injured-when-hong-kong-shuttle-bus-slams-lamp-post-redhill-peninsula>

11 November 2024

Discuss the cause of the above traffic accident in Hong Kong. List out the relevant motor Insurance claims information and discuss why the relevant information is required.

Training Tips:

- **Trainer is suggested to share the relevant traffic accident handling process and discuss the usual motor insurance claims procedures and the required claims information.**

(4)

Class Activity

Property and Liability Insurance

A gas explosion at a shopping mall in Taiwan on Thursday killed at least five people and injured several others, according to authorities. Dramatic videos of the explosion in the city of Taichung, on the island's west coast, showed debris and large panels of a mid-rise building's exterior blown out as a loud bang is heard. Footage shot by bystanders of the aftermath showed the street below littered with debris and two victims visible on the floor.

The blast took place midday on the 12th floor of a popular shopping mall, where a food court was under construction, according to Taiwan's National Fire Agency.

13 February 2025

Source: <https://edition.cnn.com/2025/02/13/world/taiwan-taichung-mall-gas-explosion-intl-hnk/index.html>

Training Tips:

- **Trainer is suggested to share the relevant shopping mall accident handling process and discuss the usual property liability insurance claims procedures and the required claims information.**

(5)

Class Activity – Role-play Exercise

Liability Insurance

At least six children sought medical attention on suspicion of food poisoning after dining at the Grand Hyatt Hong Kong hotel. It is understood the children had consumed ice cream at three restaurants within. The Centre for Health Protection of the Department of Health said yesterday it is investigating three epidemiologically linked food poisoning clusters.

13 June 2024

Source: The Standard

<https://www.thestandard.com.hk/breaking-news/section/4/217367/Food-poisoning-scare-hits-Grand-Hyatt-Hong-Kong-after-6-taken-to-hospital>

Training Tips:

- **Trainer is suggested to share the relevant food poisoning accident handling process and discuss the usual liability insurance claims procedures by a role-play exercise.**

(6)

Class Activity

Home Insurance

The owner, Mr. Chan, and his family travelled to Canada to visit his grandmother for two months. When he returned to Hong Kong after the long vacation, he discovered that his flat had been burgled when he was away, and several luxury watches and handbags had been stolen. Mr. Chan had purchased home insurance, so he made a claim to the insurer for his losses. His claim was denied by the insurer on the ground that his flat had been left unoccupied for more than 30 consecutive days.

Source: Insurance Authority

https://www.ia.org.hk/en/home_insurance/common_cases.html

Training Tips:

Trainer is suggested to explain the “Unoccupancy” is a common exclusion. Generally, insurers may deny a claim for losses if an insured property is left unoccupied and vacant (e.g. the policyholder is away from home for a long period of time or a property is left unoccupied for renovation) more than 30 consecutive days.

3.9 Suggested Assessment Method

Examination

Exam Questions and Answers – Sample

(Question)

1. Explain the relevant claims information for Motor Insurance

(Answer)

- Cause of accident
- List of damage
- Repairing quotation
- Loss adjuster report
- Police report

(Question)

2. Explain the relevant claims information for Employees' Compensation Insurance

(Answer)

- Form 2, 2A or 2B
- Cause of work injury and witness statement
- Loss adjuster report
- Accident report and supporting document
- Police report

***20 Short Questions per Exam.**

Passing Grade: 50% of examination

The sample exam questions and answers provided are for reference purposes only. Trainers are encouraged to develop their own exam questions and answers tailored to the specific learning outcomes and relevant learning materials.

3.10 Suggested Readings for Self-Study

1. The 4 Main Steps of an Insurance Claim Process

<https://www.torianinsurance.com/blog/a-brief-but-interesting-and-informative-guide-to-the-insurance-claim-process/>

2. General Insurance Claim Form

https://www.msig.com.hk/sites/msig_hk/files/downloads/General%20Insurance%20Claim%20Form%20HK.pdf

3. Breakdown of premiums and claims value of the non-life insurance and life insurance business in Hong Kong

<https://www.statista.com/statistics/1228243/hong-kong-value-of-insurance-premiums-and-claims-by-type/>

4. Claims Journal

<https://www.claimsjournal.com/mostpopular/>

3.11 Suggested Learning Materials (For Students)

Topic 1

Knowledge in general insurance claims processing

3.11.1 Insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. The insurance company validates the claim and once approved, issues payment to the insured or an approved interested party on behalf of the insured.

3.11.2 The claims process is the defining moment in a non-life insurance customer relationship. To retain and grow market share and improve customer acquisition and retention rates, insurers are focused on enhancing customers' claims experience.

3.11.3 From the insurance company perspective, they usually prepare standard claim forms or letters for claims application. For the standard claim forms, please refer to the appendix.

Understand information required in claims in different business lines:

Property Insurance

Key Claims Information

- Policy information
 - Policy number
 - Name of insured
 - Period of insurance
- Circumstances of loss or damage
 - Date and time of loss
 - Location of the loss
 - Description of incident
 - Witness of accident
- Loss report details
 - Police
 - Other authorities e.g. Property management
- Details of property loss or damaged
 - Description of articles
 - Date of purchase
 - Purchase price and amount claimed
 - Purchase receipt

Common practice of claims procedures:

In the event of loss, policyholder should take the following steps to process the relevant property insurance claims applications.

- Report the claims to the insurance company as soon as possible;
- Retain all of the affected / damaged property for inspection;
- Policyholder is not supposed to conduct any major repair / replacement to the affected / damaged property without insurance company prior written consent;
- Policyholder is not supposed to dispose the affected / damaged property without insurance company prior written consent;
- Policyholder should carry out remedial measure(s) to avoid further damage to the affected / damaged property;

- Policyholder should report to the police in the case of theft / burglary / malicious damage.

Potential supporting documents:

- Duly completed original Claim Form;
- Original purchase invoice(s) / past renovation record showing the affected / damaged property;
- The repair / replacement quotation for the affected/ damaged property;
- Colour photographs pertaining to the scene and the affected / damaged property;
- Police report number in case the incident is reported to the police.

Consequential Loss

3.11.4 Apart from the information provided in the property insurance, the estimated loss of the following insured items may need to provide and subject to the evaluation by the loss adjuster.

- Loss of Gross Profit
- Employee Wages
- Other Standing Charges (fixed cost)

Employees' Compensation Insurance

Key Claims Information:

- Accident report - Form 2, 2A or 2B
- Cause of work injury and witness statement
- The original sick leave certificate(s)
- The original medical expenses receipt(s) (if applicable)
- Payment record for Compensation paid to Injured Employee
- Loss adjuster / Investigation / police report (for serious injury cases)
- Medical assessment form – Form 7
- Settlement form – Form 5

Common practice of claims procedures:

In the event of loss, policyholder should take the following steps to process the relevant Employees' Compensation insurance claims application.

Step 1: Notify the Labour Department

- Notify the Labour Department within 14 days (in case of injury) or 7 days (in case of death) after the accident comes to knowledge.

Step 2: Complete forms

- For sick leave up to 3 days: Complete Form 2B
- For sick leave more than 3 days: Complete Form 2
- Forms are available from the Labour Department website

Step 3: Send document to insurance company

- Form 2 or Form 2B (send the original to the Labour Department and the copy to insurance company)
- Sick Leave Certificate(s) (Please keep insurance company informed as long as the injured employee is still under sick leave by submitting sick leave certificates on a monthly basis)
- Medical expenses receipt(s), if any

3.11.5 Employer should inform Labor department and fill in insurance claim form(s) as soon as the happening of an event giving rise to a claim and submit to insurance company with the supporting documents. Form 2/2B can be downloaded from the Labour Department website.

FIVE STEPS FOR EMPLOYEES' COMPENSATION CLAIMS

- 1 NOTIFY EMPLOYER**
Employee to notify employer/principal contractor immediately after work injury.
- 2 REPORT WORK INJURY**
Employer/principal contractor must report to Labour Department (LD) within 14 days, otherwise employee may seek LD's assistance.
- MEDICAL CLEARANCE** **3**
LD issues "Medical Clearance Notification" to employee, who should proceed with medical clearance accordingly.
- 4 MEDICAL ASSESSMENT**
LD arranges medical assessment for employee when necessary.
- 5 CASE SETTLED**
LD issues assessment certificates stating the assessment result and compensation amount. Employer/ principal contractor has to clear the compensation within 21 days to settle the case.

Enquiry: www.labour.gov.hk
2717 1771



勞工處
Labour Department

Source: www.labour.gov.hk

Motor Insurance

Key Claims Information:

- Claim form with the details
- e.g. date, time, location and accident details and contact information
- Letter of Authorization duly signed by the driver
- Driver's Hong Kong Identity Card
- Driver's driving licence
- Vehicle Registration Document (Both sides)
- Motor Vehicle Licence
- Police statement and police case reference number
- Screening breath test result form, if any
- Photos showing the accident scene and involved vehicles, if available
- Car camera record, if any
- Repair quotation, if available
- Any third-party correspondences

Common practice of claims procedures:

In the event of a traffic accident, policyholder should take the following steps to process the claims application.

- Report to the police immediately;
- Not to discuss or admit legal liability or make payment with any parties;
- If possible, take photos / videos of the scene before anything is moved;
- Record important information, e.g. Registration numbers of involved vehicles, exact location of accident, damaged property, witnesses, etc.;
- Exchange contact and personal details with other drivers, passengers, injured parties;
- Report the accident to insurance company immediately.

Public Liability Insurance

Key Claims Information:

- Claim Form;
- Incident report prepared by the relevant authorized parties (e.g., Building Management) as a proof of the occurrence of the incident;
- Witness's statements, if any;
- Copy of the police report, if applicable;
- The third party's name, Hong Kong Identity Card No., telephone number and address, if available;
- Colour photographs pertaining to the scene of the incident, the injury of the third party and / or damage to the third-party property;
- CCTV footage pertaining to the occurrence of the incident;
- All correspondences from the third party and / or the representative(s) of the third party;
- Other relevant supporting documents regarding the incident, if any.

Common practice of claims procedures:

In the event of loss, policyholder should take the following steps to process the claims application.

- Notify insurance company of any potential claim and submit the claim form with all relevant information such as date, time, location, detail of accident and third-party contact information.
- Retain the defective part(s), which cause the loss of / damage to third party property or bodily injury of third party for investigation;
- Keep the relevant CCTV footage pertaining to the occurrence of the incident for investigation;
- Not to promise the third party to make good the affected / damaged property in their premises or make payment to the third party or admit liability after the occurrence of this incident without prior written consent from insurance company;
- Carry out necessary remedial measure(s) to avoid further damage to the third-party property and prevent recurrence of similar incident after the occurrence of the loss / damage / injury.
- Report to the police or relevant authorities. Obtain the relevant reports. e.g. Police report / accident report / property management incident report

Medical Insurance

Key Claims Information

Outpatient Benefits

3.11.6 Original Receipts issued by the doctor or certified true copy of receipts issued by other insurance company (if applicable). Each receipt MUST state the following information:

- Full name of the insured (patient)
- Date of consultation/date of treatment
- Diagnosis
- Bills with breakdown of charges
- Doctor's signature and official stamp

Additional documents (if any):

- Referral letter issued by a Registered Medical Practitioner
- Claim for expenses incurred prescribed medicines/drugs must be supported by the doctor's prescription stating full name of the insured (patient), diagnosis, name of medication, dosage and treatment duration
- For treatment of Chinese Medicine Practitioner, please attach the original prescription (if applicable)
- For outpatient visits in public hospital/clinic, original receipts together with a copy of medical certificate/sick leave certificate with specified diagnosis.
- Copy of claim settlement report issued by other insurance company (if applicable)

Inpatient Benefits

3.11.7 Before discharge from the hospital, please get the following required documents:

Original Receipts issued by the doctor and/or hospital or certified true copy of receipts issued by other insurance company (if applicable). Each receipt MUST state the following information:

- Full name of the insured (patient);
- Date of treatment
- Diagnosis
- Hospital bills with breakdown of charges
- Doctor slips with doctor's signature and official stamp
- Name of surgery (if applicable)

Additional documents (if any):

- Referral letters for any specialist consultation or SRN nursing
- Copies of histopathology, endoscopic, diagnostic/ laboratory tests reports or operating theatre summary
- For confinement in public hospital, please provide the original receipts issued by the hospital together with a copy of discharge summary. If no diagnosis is provided by the doctor, the insured (patient) is required to supplement the exact diagnosis (e.g. Hypertension) on the abovementioned documents and confirm with a signatory (only applicable to public charges)
- Copy of claim settlement report issued by other insurance company (if applicable)

Common practice of claims procedures:

- Inpatient
 - Pre-approval
Pre-authorized prior to surgery or hospitalization, insurance company usually will settle the relevant medical expenses directly to Hospital.
 - Reimbursement
Submit all required documents to insurance company for medical expenses reimbursement.
- Outpatient
 - Electronic claims application
Submit all required documents to insurance company for medical expenses reimbursement through online claims portal.
 - Panel / Credit facility
Credit facility applicable for network doctors.
 - Reimbursement
Submit all required documents to insurance company for medical expenses reimbursement.

Comprehend company claims handling procedures and service standard

1. Report Claims

Understand policy coverage including terms, and conditions, special exceptions, excess and claims reporting requirements under policy condition. e.g. Claims notification within reasonable period.

2. Assignment

The claim is assigned to a claims representative.

3. Initial contact

The claims representative or the appointed loss adjuster contacts the claimant to gather additional information, discuss insurance coverage, and provide a claim number which may be needed during future interactions.

4. Evaluation

The claims representative or loss adjuster investigates and works on the claim. They may need to call witnesses to discuss facts, work with repair shops for damages, or talk with contractors to discuss repairs. This may take some time, but the claims representative will provide regular updates when they have new information to share.

5. Payment and settlement of claims

Once the claims representative or loss adjuster has completed the investigation, it's time to review payment details with the claimant. The relevant claims application can be accepted or rejected subject to the policy terms and conditions. Depending on the type of claim, payment (minus deductible) may be issued to the claimant or to another party working on the claim, including the repair shop or contractor. Once payment is made, the claim is closed.

Well versed with company procedures, relevant compliance and regulatory requirements in handling customer enquiries

- Investigation
- Appoint loss adjuster
- Appoint legal professional or lawyer

Topic 2

Handle claims applications and process applications

- Explain to clients the claim process and time it may take
 - Claims notification / acknowledgment
 - Submit the relevant claim form
 - Prepare the relevant supporting documents
 - Loss evaluation by the professional
 - Claims processing with calculation
 - Settlement

- Explain to clients the documents needed in particular claims
 - Accident report
 - Police report
 - Invoice or receipt

- Explain to clients their responsibilities in claims process
 - Minimize the loss
 - Report to police
 - Report the claims

- Advise clients on progress of claims upon enquiries
 - Communication
 - Additional claims document
 - Estimated turnaround time

- Verify all required correspondences are submitted
 - Checklist
 - Original document
 - Authorization for collecting documents from third parties

- Submit claims application forms with relevant correspondences to appropriate personnel for further processing
 - The detail correspondence with different parties
 - Photos or videos

- Handle customer data in accordance with regulatory requirements
 - Personal Data (Privacy) Ordinance

3.11.8 Following the passing of the Personal Data (Privacy) (Amendment) Bill 2021 (the Amendment Bill) on 29 September 2021, we must comply with the relevant privacy requirements. For details, please refer to the Office of the Privacy Commissioner for Personal Data (PCPD).

https://www.pcpd.org.hk/english/data_privacy_law/amendments_2021/amendment_2021.html

Topic 3

Submit claims applications with sufficient correspondences

Provide clients with clear and correct information on claims applications

3.11.9 Advise the key processes and the required information of claim application:

- Claim Reporting and Registration

This process begins with policyholders reporting their claims to the insurance company. It includes gathering essential information such as the policy number, incident details, and contact information.

- Claim Assessment and Validation

After a successful claim registration, the insurers carefully assess the validity of the claim. This step involves reviewing the policy terms and conditions to determine if the claim falls within the coverage scope.

- Documentation and Investigation

Thorough documentation of the claim is essential. This includes collecting evidence, witness statements, and any other relevant information. Investigators may also be employed to assess complex claims, such as those involving large losses or suspected fraud.

- Settlement Negotiation

Once the claim's validity is established, insurers negotiate the settlement amount with the policyholder. This process aims to reach a fair and mutually agreeable resolution.

- Claims Payment

After settling on the terms, the insurance company disburses the payment to the policyholder or a designated beneficiary. The payment should cover the insured loss or damage as per the policy.

- Claim Closure

After the payment is made, the claim is officially closed. The policyholder acknowledges the resolution, and all parties involved consider the matter settled.

- Fraud Detection and Prevention

Detecting and preventing fraudulent claims is a critical component of claim management. Insurance companies employ various tools and techniques to identify fraudulent activities.

e.g. Insurance Fraud Prevention Claims Database (IFPCD)

<https://minisites.hkfi.org.hk/ifpcd/en/index.html>

Why does Hong Kong need an Insurance Fraud Prevention Claims Database (IFPCD)?

- To detect, combat and prevent insurance fraud, which is a serious criminal offence
- To stop honest policyholders from being penalized by paying higher premiums to cover the cost of fraud
- To deter fraudsters from committing fraud because they will be detected
- Hong Kong as an international financial hub needs to be in par with other major markets e.g. US, UK, Canada, Australia, China, Singapore, Malaysia, where a claims database already exists

Source:

<https://minisites.hkfi.org.hk/ifpcd/en/IFPCD-Fights-Fraud.html>

- Customer Communication

Effective communication with policyholders throughout the claims process is essential for transparency and customer satisfaction. Regular updates and clarity of information are vital for enhanced customer experience.

- Regulatory Compliance

Claims management must adhere to regulatory and legal requirements. It should ensure that all actions taken are compliant with industry standards and government regulations.

- Continuous Improvement

Insurance companies often review their claims management processes to identify areas for improvement. Continuous improvement ensures efficiency, accuracy, and customer-centric service.

Submit claims applications with supporting correspondences to appropriate personnel.

Claims Personnel:

- License insurance intermediary

Insurance intermediaries facilitate the placement and purchase of insurance and provide services to insurance companies and consumers that complement the insurance placement process and claims application. Traditionally, insurance intermediaries have been categorized as either insurance agents or insurance brokers.

- Claims team (insurer)

An insurance claim is a formal request to insurance provider for reimbursement against losses covered under insurance policy. Therefore, insurance companies usually formulate a claims team to handle and process the relevant claims applications.

- Designated claims handler (insurer)

For the specific distribution channels or customers, insurance companies may assign a designated claims handler to manage and process the relevant claims applications.

- Appointed loss adjuster

Loss Adjusters are professionals appointed by insurance companies to investigate and assess insurance claims, particularly those of a larger or more complex nature.

- Lawyer

A lawyer is a person who is qualified to offer advice about the law, draft legal documents, or represent individuals in legal matters. Insurance companies usually appoint lawyer to handle the relevant legal disputes.

E. Appendix – Forms (Risk Survey, Application and Claims Forms)

1. Employees' Compensation – Form 2, 2A, 2B and Form 5 or Form 7 Assessment Notes

- https://www.labour.gov.hk/form/ecd/pdf/f2_c.pdf?formcatid=1911&formcatlang=tc&formcatformat=pdf
- https://www.labour.gov.hk/form/ecd/pdf/f2a_c.pdf?formcatid=1909&formcatlang=tc&formcatformat=pdf
- https://www.labour.gov.hk/form/ecd/pdf/f2b_c.pdf?formcatid=1913&formcatlang=tc&formcatformat=pdf
- [Points to Note on Medical Clearance and Assessment of Injury https://www.labour.gov.hk/eng/public/ecd/ClaimInjury.pdf](https://www.labour.gov.hk/eng/public/ecd/ClaimInjury.pdf) (Form 5 is mentioned on page 3 and Form 7 is mentioned on page 6).

2. Insurance Package Brochure and Proposal Form incl. Property, Liability and Employees' Compensation - Sample

https://www.generali.com.hk/EN_US/commercial/office-package-insurance

3. Property Insurance Risk Engineering Survey Form - Sample

<https://www.chubb.com/content/dam/chubb-sites/chubb-com/sg-en/customer-service/idp-distribution-products/documents/pdf/property-risk-questionnaire.pdf>

4. Public Liability Insurance Claim Form - Sample

https://www.msig.com.hk/sites/msig_hk/files/downloads/Public%20Liability%20Claim%20Form-HK.pdf

5. Property Insurance Claim Form – Sample

<https://www.hsbc.com.hk/content/dam/hsbc/hk/docs/insurance/home/property-claim-form.pdf>

6. Directors' and Officers' Liability Insurance Proposal Form – Sample

https://www.msig.com.hk/sites/msig_hk/files/Directors%20and%20Officers%20Liability%20proposal%20form.pdf

7. Product Liability Insurance Proposal Form – Sample

https://www.chubb.com/content/dam/chubb-sites/chubb-com/sg-en/customer-service/idp-distribution-products/documents/pdf/product-liability-insurance-proposal-form_chubb_editable.pdf

8. Professional Indemnity Insurance Proposal Form – Sample

<https://www.chubb.com/content/dam/chubb-sites/chubb-com/sg-en/business/professional-indemnity-insurance/documents/pdf/professional-indemnity-proposal-form-miscellaneous.pdf>

9. Cyber Insurance Proposal Form – Sample

<https://www.chubb.com/content/dam/chubb-sites/chubb-com/au-en/business/cyber-insurance/documents/pdf/cyber-erm-short-marketplace-proposal-form.pdf>

10. Crime Insurance Proposal Form – Sample

https://www.chubb.com/content/dam/chubb-sites/chubb-com/hk-en/business/commercial-crime-insurance/documents/pdf/chubb_crime_insurance_proposal_form_la1_20200514_editable.pdf

11. Public Liability Insurance Proposal Form – Sample

<https://www.sg.cntaiping.com/media/attachments/2021/06/10/ctp-public-liability-proposal-declaration-form-1-fa-web.pdf>

12. Motor Insurance Claim Form - Sample

https://www.aig.com.hk/content/dam/aig/apac/hong-kong/documents/forms/20200427_auto_claim_form_hkfps_fi_v7fill_copy.pdf

13. Accident Insurance Claim Form - Sample

<https://www.hsbc.com.hk/content/dam/hsbc/hk/docs/insurance/accident/presonal-claim-form-incomesurance.pdf>

14. Self-Study Register Form – Sample Worksheet

Self-Study Register Form		
Title of suggested Readings	Finished (Yes / No)	Date

- End -