

PRACTICE NOTE
810.1
INSURANCE BROKERS
COMPLIANCE WITH THE MINIMUM REQUIREMENTS
SPECIFIED BY THE INSURANCE AUTHORITY
UNDER SECTIONS 69(2) AND 70(2) OF THE
INSURANCE COMPANIES ORDINANCE

(Issued June 1997)

The purpose of Practice Notes issued by the Hong Kong Society of Accountants (HKSA) is to assist auditors in applying Auditing Standards of general application to particular circumstances and industries.

They are persuasive rather than prescriptive. However they are indicative of good practice and have similar status to the explanatory material in Statements of Auditing Standards (SARs), even though they may be developed without the full process of consultation and exposure used for SARs. Auditors should be prepared to explain departures when called upon to do so.

Keeping of separate client accounts

18. An insurance broker is required to keep client monies in a client account separate from his own monies. He is not allowed to use client monies for any purpose other than for the purposes of the client. The "client account" shall be designated as such and held by the insurance broker for his clients. There shall also be evidence that the provisions of section 71 have been notified to and acknowledged by the bank with which the "client account" is maintained:
- a. A "client account" means a current or deposit account maintained with an authorized institution as defined under the Banking Ordinance in the name of the insurance broker in the title of which the word "client" appears.
 - b. An insurance broker shall keep at least one client account and may keep as many such accounts as he thinks fit.
 - c. An insurance broker who receives or holds monies on behalf of his clients in relation to insurance broking business shall, without delay, deposit such monies into the client account (refer paragraph III (D) of the Guidelines issued by the IA).

An insurance broker is expected to pay all client monies upon receipt, into a client account except

- i. such monies are immediately paid over to or on behalf of the client;
- ii. they are paid into a bank account in the name of the client or his nominee who has been designated in writing;