

Press Release

Bill to establish independent Insurance Authority to be gazetted on April 25

Wednesday, April 16, 2014

The Government announced today (April 16) that the Insurance Companies (Amendment) Bill 2014 will be gazetted on April 25.

The Bill provides for a legal framework for establishing an independent Insurance Authority (IIA) and a statutory licensing regime for insurance intermediaries.

"The Bill marks a significant step forward for establishing an insurance regulator which is independent of the industry and the Government, in line with international practice," the Secretary for Financial Services and the Treasury, Professor K C Chan, said.

The policy objectives of establishing the IIA are to modernise the regulatory infrastructure of the insurance industry, provide better protection for policyholders and facilitate the sustainable development of the industry. The establishment of the IIA is the most important regulatory reform in the insurance sector in the past 30 years.

The Bill is a result of four years of intensive industry and public engagement starting from 2010 when the Government first consulted the public on the broad framework for the establishment of the IIA.

"We are glad to have worked closely with the Hong Kong Federation of Insurers and the three self-regulatory organisations (SROs), namely the Insurance Agents Registration Board, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association, as well as other stakeholders in formulating the legislative proposals," Professor Chan said.

In finalising the Bill, the Government has taken into account the industry's views and balanced the following considerations:

- (a) enhancing consumer protection and education to promote public understanding of and confidence in insurance;
- (b) promoting professionalism of insurance intermediaries;
- (c) avoiding unnecessary regulatory burden that would hinder business growth and

innovation;

- (d) minimising any disruption and uncertainties during the transition to the new regulatory regime;
- (e) maintaining fairness, effectiveness and transparency of the regulatory process; and
- (f) fulfilling international obligations.

The key aspects of the Bill are:

- (a) the formation of the IIA, its functions and accountability measures including the establishment of a statutory Insurance Appeals Tribunal to review the IIA's decisions;
- (b) statutory requirements to enhance corporate governance of insurers;
- (c) the IIA's powers of inspection, investigation and imposing disciplinary sanctions on insurers and insurance intermediaries;
- (d) a statutory licensing regime for insurance intermediaries, i.e. insurance brokers and agents, and the conduct requirements; and
- (e) transitional arrangements.

The IIA will take up the Office of the Commissioner of Insurance (OCI)'s regulatory responsibilities and the OCI will be disbanded on the establishment of the IIA.

To ensure timely establishment of the IIA, the Government will continue to work with the industry and other stakeholders to ensure a smooth and seamless transition. To this end, the Government has set up a Working Group on Transition comprising members from the Hong Kong Federation of Insurers, the three SROs and insurance intermediaries to work out detailed transitional arrangements.

"By enhancing public confidence and professionalism in the insurance industry, the establishment of the IIA will bring the development of the insurance industry to a higher level and help consolidate Hong Kong's status as an international insurance hub," Professor Chan added.

The Bill has been uploaded to the Financial Services and the Treasury Bureau's website (www.fstb.gov.hk/fsb/iia/eng/establishment/index.htm) and the OCI's website (www.oci.gov.hk/about/index.html) for public viewing.

The Bill will be presented to the Legislative Council for first reading on April 30.

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