

## **Press Release**

### **Government welcomes passage of Insurance Companies (Amendment) Bill 2014**

Friday, July 10, 2015

The Secretary for Financial Services and the Treasury, Professor K C Chan, said he was pleased to see the passage of the Insurance Companies (Amendment) Bill 2014 by the Legislative Council today (July 10).

Introduced into the Legislative Council in April 2014, the Bill provides for, among other things, the establishment of the Independent Insurance Authority (IIA) and a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory system.

Professor Chan said, "The establishment of the IIA is the most important regulatory reform in the insurance sector since the passage of the Insurance Companies Ordinance (ICO) in 1983.

"Our policy objectives of setting up the IIA are to modernise the insurance industry's regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policyholders, and comply with the requirement of the International Association of Insurance Supervisors that insurance regulators should be financially and operationally independent of the government and the industry."

At present, the Insurance Authority is a public officer under the ICO, and is supported by the Office of the Commissioner of Insurance (OCI), which is a government department. The new Ordinance will commence in three stages to allow for a transition from the OCI and the existing self-regulatory regime for insurance intermediaries to the IIA. In the first stage, a Provisional Insurance Authority (PIA) is expected to be set up by the end of 2015. The PIA will be vested with certain administrative powers to undertake essential preparatory work such as recruitment of senior executives for taking over the work of the OCI in the second stage commencing in about a year after the setting up of the PIA.

In the interim, the existing self-regulatory system for insurance intermediaries will continue, allowing time for the IIA to prepare the necessary

tools for regulating insurance intermediaries in consultation with the industry and the general public. These will include subsidiary legislation, codes of conduct for insurance intermediaries, and regulatory guidelines. The third stage is the commencement of the licensing regime for insurance intermediaries to replace the existing self-regulatory regime. It is expected that the whole process will take two to three years.

Professor Chan said, "Since launching the first consultation on the IIA in 2010, we have been actively engaging the industry and other stakeholders. We thank all stakeholders who have provided us with valuable advice and input to improve the legislative proposals. The enactment of the Ordinance is only the beginning of the modernisation of the insurance regulatory framework. The Government will continue to work closely with the industry through the Working Group on Transition to IIA on the detailed transitional arrangements."

Ends