

Transcript of remarks by SFST at media session

Monday, July 12, 2010

Following is the transcript of remarks (English portion) by the Secretary for Financial Services and the Treasury, Professor K C Chan, at a media session on the release of the consultation paper on "Proposed Establishment of an Independent Insurance Authority" today (July 12):

Secretary for Financial Services and the Treasury: Today, we will commence a three-month public consultation on the proposals for the establishment of an independent Insurance Authority.

We propose that we should, in line with the international regulatory principle, establish an insurance regulatory organisation that is financially and operationally independent of the Government. The objectives are to enhance the regulation of insurance companies and insurance intermediaries for better protecting the interests of policyholders, maintaining market stability and increasing the competitiveness of the insurance industry. All these would help to strengthen our position as an international financial centre.

We propose that the independent Insurance Authority should be given additional regulatory powers, including powers to conduct routine supervision, inspection and investigation, and impose disciplinary sanctions against breaches, etc.

We also propose that, all the insurance intermediaries, namely insurance agents and insurance brokers, should be licensed by the independent Insurance Authority before they could sell insurance products. Compared to the existing self-regulatory system for insurance intermediaries, we believe that the proposed arrangements should be more efficient, better meet the needs of market development, and help enhance public confidence in the professional standards of our insurance practitioners.

Our proposals cover various areas, including the functions and regulatory powers of the independent Insurance Authority, organisation structure, governance arrangements and funding mechanism.

We will listen to the views of the industry and the public during the three-month public consultation and then draw up detailed legislative proposals. We plan to submit a bill into the Legislative Council in 2011 on the proposed establishment of an independent Insurance Authority.

Reporter: How will the new independent Insurance Authority differ from the Office of the Commissioner of Insurance? How will it further enhance the monetary function of the insurance companies?

Secretary for Financial Services and the Treasury: First of all, this is an insurance authority which is independent of the Government, both financially and operationally. The current Office of the Commissioner of Insurance is a government department. So we are moving from a government department to an independent regulatory authority, which is in line with the international regulatory practice. We believe that with the proposal of enhanced regulatory powers together with better resources provided to the Insurance Authority, this will improve the regulation of the insurance industry as well as, in the long term, enhance the competitiveness of the insurance industry.

(Please also refer to the Chinese portion of the transcript.)

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