

Press release

Insurance Authority to start regulating insurance companies from June 26, 2017

Wednesday, April 19, 2017

The Insurance Authority (IA) will replace the Office of the Commissioner of Insurance (OCI) to regulate insurance companies with effect from June 26, 2017 (D-day). The OCI will be disbanded on the same day.

The Government will, on April 21, 2017, gazette the Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2017 (Commencement Notice), to specify June 26, 2017 as the date on which the relevant provisions of the Insurance Companies (Amendment) Ordinance 2015 (Amendment Ordinance) come into operation, to enable the IA to take over the statutory functions of the OCI.

To tie in with the planned commencement of the new regulatory regime, the Government will, on the same day, gazette the following pieces of subsidiary legislation, which enable the IA to collect authorisation fees from insurance companies and user fees on specific services provided, and introduce technical updates to various subsidiary legislation under the Insurance Ordinance (Cap. 41):

- (a) Insurance Companies (Actuaries' Qualifications) (Amendment) Regulation 2017;
- (b) Insurance Companies (Register of Insurers) (Prescribed Fee) (Amendment) Regulation 2017;
- (c) Insurance Companies (Authorization and Annual Fees) (Amendment) Regulation 2017;
- (d) Insurance Ordinance (Amendment of Schedules) Notice 2017;
- (e) Insurance Companies (Determination of Long Term Liabilities) Regulation (Amendment) Rules 2017;
- (f) Insurance Companies (Margin of Solvency) Regulation (Amendment) Rules 2017;
- (g) Insurance Companies (General Business) (Valuation) Regulation

(Amendment) Rules 2017; and
(h) Insurance Companies (Actuaries' Standards) Regulation (Amendment) Rules 2017.

The IA, a statutory body established by the Amendment Ordinance, is a new insurance regulator independent of the Government. At present, the OCI, a government department, regulates insurance companies and three self-regulatory organisations (SROs) supervise insurance intermediaries. To ensure a smooth transition from the OCI to the IA, the Amendment Ordinance is being commenced in phases. The IA will replace the OCI first and eventually take over the regulation of insurance intermediaries from the three SROs through a statutory licensing regime.

"The existing self-regulatory system for insurance intermediaries will continue in the meantime, allowing time for the IA to prepare the necessary tools, such as guidelines on conduct, for regulating insurance intermediaries. The IA is expected to take over the supervision of insurance intermediaries from the three SROs within two years from the D-day," a spokesman for the Financial Services and the Treasury Bureau said today (April 19).

"In the long-run, the IA will be financially independent of the Government. In addition to the two pieces of subsidiary legislation on the collection of authorisation fees from insurance companies and user fees, the Government will submit separate subsidiary legislation for the collection of a levy on insurance premiums from policyholders to the Legislative Council (LegCo) at a later stage," the spokesman added.

The Commencement Notice, together with the abovementioned subsidiary legislation (items (a) to (h)), will be tabled before LegCo for negative vetting on April 26, 2017.