



**Financial Services and the Treasury Bureau  
The Government of the Hong Kong Special Administrative Region**

**CB(1)2604/09-10(01)**

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# *Proposed Establishment of an Independent Insurance Authority*

19 July 2010

# Functions of the Independent Insurance Authority

## Existing Principal Functions

Supervise insurers  
(prudential supervision)

Maintain general stability  
of the insurance market

Protect policyholders'  
interests

## Proposed Additional Functions

Supervise intermediaries  
(conduct supervision)

Thematic researches &  
studies

Consumer education



# Regulation of Insurers

## Proposal

**The IIA to be empowered to –**

- a) Conduct inspections on regulated entities;**
- b) Initiate and pursue investigations;**
- c) Make enquiries;**
- d) Have access to records and documents;**
- e) Apply to the Court of First Instance for court orders to compel compliance with the requirements;**
- f) Impose supervisory sanctions such as reprimands and fines; and**
- g) Prosecute offences summarily.**



# Regulation of Insurance Intermediaries

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## Existing Regime

- **Self-regulation by self-regulatory organisations (viz. Insurance Agents Registration Board; Hong Kong Confederation of Insurance Brokers; Professional Insurance Brokers Association)**

## Proposal

- **Direct licensing and supervision by the IIA**



# Intermediaries selling insurance products in Banks

## Proposal

**IIA administers the licensing regime and sets conduct requirements for intermediaries**

**But in light of the different client profile and sale environment in a bank, the HKMA -**

- **should be given powers similar to those of IIA for the regulation of bank employees selling insurance products; and**
- **may impose additional conduct requirements specific to banks, on top of those set by IIA.**



# Funding Mechanism

## Existing Arrangement

- Fixed annual licence fee for insurers
- Could cover only 37% of OCI's operating cost

## Proposal

- A fixed licence fee payable by all insurers and insurance intermediaries;
- A variable licence fee payable by insurers – to be calculated on the basis of individual insurers' liabilities;
- User fees for specific services; and
- A levy of 0.1% on insurance premiums for all insurance policies.



# Funding Mechanism (Cont'd)

## Full-Cost Recovery Over Time

- **An incremental approach for achieving the target levels of variable licence fee on insurers and levy on insurance policies in the first five years of IIA's operation**
- **Proposed one-off provision of \$500 million by Government to IIA upon inception**
  - **Partly to help meet IIA's expenses during the first five years of its operation**
  - **Partly as contingency reserve**



# Next Steps

- **Public consultation exercise : 12 July – 11 October 2010**
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- **Take forward preparatory work: Proposed creation of a supernumerary team in the Financial Services Branch, with aim to introduce a bill into Legislative Council in 2011**

