



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

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

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

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**

