

**消費者委員會**  
**就《2014年保險公司(修訂)條例草案》**  
**呈交立法會法案委員會的意見**  
**(2014年6月24日)**

1. 消費者委員會(消委會)支持政府成立獨立保險業監管局(保監局)和設立保險中介人法定發牌制度,改變現時的行業自律規管制度,加強保障投保人的權益。
2. 就條例草案的主要範疇,包括:保監局的職能、管治及財政機制、中介人發牌及規管要求、金融機構監管安排,消委會在過去回應政府諮詢文件中(見附件一及附件二),已詳細闡述了我們的意見。
3. 消委會希望藉是次法案委員會的會議,重申我們不贊同由保單持有人(即消費者)直接承擔保監局大部分經費的建議。
4. 關於保監局的建議財政機制,大部分經費將來自保費中徵收的0.1%徵費,換言之,所有的保單持有人,日後每年都要繳交額外的徵費去維持保監局的運作。根據政府諮詢文件,「最終以徵費支付保監局70%的開支,而餘下30%的開支則由各項牌照費和使用者服務費支付」。
5. 政府表示,保單持有人將來只須每年支付保費的0.1%作為徵費,是相當少的數目,且保單亦設徵費上限,徵費不會對保單持有人構成財政負擔。當然若以「個別」保單持有人單項保險產品計,徵費金額未必有很大影響,但對「家庭」而言,就可能需支付多項保險產品(包括人壽保險、醫療保險、家居保險、學業儲蓄保險及旅遊保險等)的徵費,增加整體及持續性的財政負擔。
6. 而更重要的是,保監局監管行業的成本不應轉嫁消費者。從基本原則來看,保監局的主要職能是規管保險公司及保險中介人,其中新加入的具體職能是「為促進保險業市場的可持續發展,並提升保險業界在環球保險業市場的競爭力」。若按「用者自付」的原則,既然大前提是透過成立保監局規管行業及推動保險業市場發展,成本理應由行業負責,歸入為個別公司運作成本的一部分,而非直接轉嫁由保單持有人支付。

7. 對保險業來說，個別保險中介人的操守行為，以及保險公司的風險管理直接反映監管成本（即當行業出現越多問題，監管工作增加而徵費亦會增加）。但相對於保單持有人，他們是最終使用者，不能藉任何方式（除非不購買任何保險產品）去減低徵費支出。因此，若採用向保單持有人徵費的方式，不單加重消費者在保險方面的支出，亦不能提供誘因令行業審慎管理公司運作和中介人操守，藉以減低自己所須繳付的徵費金額。

8. 在很多有關消費議題的討論過程中，個別消費者的議價能力一向較低，遠不及行業能夠發動強大的遊說行動。消委會不希望因消費者沒有集體的議價能力而成為被「開刀」的對象。更重要的是，若先例一開，相信會延伸至往後有更多不同行業的監管成本直接轉嫁由消費者支付。參考香港及外地的一些金融監管機構<sup>1</sup>，監管機構的經費來源主要由行業或政府負責，而非由消費者負責。所以，消委會希望法案委員會委員審慎考慮保監局的建議財政機制並定時作出檢討，務求將轉嫁消費者的監管成本減至最低。

**消費者委員會**

**2014年6月**

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<sup>1</sup> 例如：香港的金融管理局和強制性公積金計劃管理局，外地的 UK Financial Conduct Authority、the Office of the Superintendent for Financial Institutions in Canada、US Federal Deposit Insurance Corporation.

## Consumer Council

### Submission on the Key Legislative Proposals for the Establishment of an Independent Insurance Authority (February 07 2013)

1. The Consumer Council (the Council) is pleased to submit its views regarding the consultation document issued by the Financial Services and the Treasury Bureau (FSTB) on the key legislative proposals for the establishment of an Independent Insurance Authority (IIA) in Hong Kong.

2. The Council fully supports the establishment of the IIA to assume a direct supervisory role for rendering effective regulation of the insurance industry and protection of insurance policyholders' interests. The Council is glad to note from the proposals that the Government has taken into account a number of views <sup>[1]</sup>put forward by the Council in its previous submission.

3. With respect to the key legislative amendments proposed in the consultation document, the Council welcomes having provisions to enhance consumer protection, including the introduction of a licensing framework for insurance intermediaries to replace the existing self-regulatory regime, establishment of a register of insurance intermediaries for public inspection, requiring the appointment of a responsible officer (RO) by insurance companies to ensure compliance of their intermediaries, and introducing a stopgap damage control measure to suspend licensed insurance intermediaries (or an RO) from carrying on further damaging acts.

4. Whilst appreciating the positive aspects as mentioned above, the Council is of the view that there are areas which require further consideration to protect the interests of policyholders. These include:

- Composition of the Governing Board;
- Eligibility criteria for obtaining licenses;
- Funding principles;
- Regulatory arrangements with other financial regulators; and
- Disclosure of commission.

#### Composition of the Governing Board - Avoid conflict of interests

5. The Council supports establishing a Governing Board comprising a wide cross-section of the community to provide direction to the IIA.

6. Whilst recognizing the need for understanding and knowledge of the insurance industry, the Council considers that including representatives from the insurance industry on the Governing Board should be given more careful thoughts as this could undermine the purpose of setting up an independent regulator to oversee the insurance industry.

7. Despite that industry members may act on an ad personam basis, the general public may still perceive them to have substantial influence over the IIA and thereby cast doubt on the independence of the IIA.

8. In any case, the two proposed Industry Advisory Committees should provide adequate channels for the insurance industry to express their views and give advice to the IIA Governing Board.

9. If appointment of members with industry knowledge has to be made, the Council is of the view that consideration must be given to selecting people who are no longer insurance practitioners and who have no current link with any insurance associations and/or insurers.

**Eligibility criteria for obtaining licenses - Demand for raising qualification / standard**

10. It is noted from the consultation document that the IIA will adopt the existing eligibility criteria for licensing insurance intermediaries. However, it is not clear if such approach will apply to pre-existing licensed intermediaries only, or extend to all including existing and new intermediaries entering the insurance profession.

11. The Council urges the Government to consider raising the qualification required of insurance intermediaries, particularly for new entrants, in order to ensure that there are competent intermediaries to handle the more and more complicated insurance products emerging in the market. The Council believes it is very important for insurance intermediaries to be equipped with high academic qualification so that they will be capable to fully understand the relevant insurance products before they recommend them to consumers.

12. The Council is of the view that setting higher eligibility criteria will help enhance the professionalism of insurance intermediaries.

## **Funding principles - Justification for requiring insurance policyholders to bear most of the regulatory costs**

13. In its 2010 consultation, the FSTB proposed that the Government would introduce legislation to impose a market levy “a levy of 0.1% on premiums of all insurance policies” to fund the IIA. The Council had expressed in its previous submission great concern as to who should be responsible for paying the levy.

14. Under the current proposal on funding of the IIA, the vast majority of the regulatory costs (70% of the funding cost of the IIA) will be rolled over to insurance policyholders, in the form of a 0.1% levy on premiums of all insurance policies. On the other hand, insurance intermediaries will be waived payment of licence fees for the first five years.

15. Notwithstanding that the Government may consider the amount of levy to be paid by policyholders as “minimal”, the Council believes that the proposed funding mechanism should be given adequate disclosure and deliberation at various consultations and be brought to the attention of the public.

16. Whilst the rate of 0.1% on the premium may seem minimal (a levy of \$10 on a policy with annual premium of \$10,000), one should not lose sight of the fact that an individual often has more than one insurance policy (e.g. medical, travel, household contents, life, investment-linked policies). And for a household of many members each covered by various policies, the financial impact on the household cannot be overlooked.

17. More fundamentally, there seems little justification for making policyholders bear the levy. The IIA will serve the primary objective of maintaining a healthy and stable development of the insurance market, but 70% of its cost is expected to come from policyholders. The Council is of the view that imposing the levy on policyholders is not substantiated and will not pose an incentive for the insurance industry to practise prudential management or to ensure insurance intermediaries will comply with the regulations.

18. On the contrary, if the levy is to be charged on the insurance industry using a risk-based approach, those who operate in a prudent/less-risky manner can save on regulatory cost.



19. Notwithstanding that policyholders may ultimately take on part of the cost indirectly, the Council is of the view that the cost of regulation should be charged on and borne by the insurance industry as part of its operational cost. The Council strongly urges the Government to commission research on using a risk-based approach in assessing the appropriate levy levels to be payable by industry participants.

20. If, however, it is considered that policyholders should fund the IIA, it is necessary to make clear to the public which part of the IIA's work relates directly to policyholders. The Council believes that the proposed establishment of the IIA should serve to instill public confidence in the insurance industry and the regulatory cost should not be seen to shift heavily onto policyholders. The Council urges that the levy to be imposed should be allocated to initiatives that of educational nature to strengthen the capability of policyholders and potential policyholders to understand the many insurance products available on the market.

### **Regulatory arrangements with other financial regulators - Need effective supervision**

21. With regard to the proposed regulatory arrangements for banks; insurance intermediary activities, the Council is of the view that the regulatory framework should be comprehensive enough so as not to leave any unregulated areas or regulatory gaps. It would be unsatisfactory if activities (e.g. the sale of ILAS products) were left unregulated due to lack of clarity as to which regulator is responsible.

22. The Council considers that if the proposed regulatory arrangements are to be adopted, it will be important for the IIA and other financial regulators to take collaborative efforts to deal with issues such as regulatory gaps, regulatory overlaps, inconsistency of regulations and differences in operational standards, so as to achieve effective supervision of the insurance intermediaries.

23. From a wider perspective, the Council is of the view that close cooperation amongst financial sector regulators (i.e. the IIA, HKMA, SFC and MPFA) is essential for ensuring the effective supervision of the financial system as a whole. This requires the IIA and other financial regulators to have close communication and cooperation to deal with innovations of new products

which may not have been envisaged at the time of establishment of their respective regulatory structure.

### **Disclosure of commission - Enhance consumer confidence**

24. To mitigate any potential conflicts of interest arising from the possibility that the level of commissions may encourage insurance companies to develop business strategies that inappropriately incentivize intermediaries to sell certain insurance products, the Council considers it important for the IIA to make a requirement for intermediaries to disclose to potential policyholders at the pre-sale stage the level of commission (or benefits) receivable from product issuers for the sale of the products concerned.

25. The Council believes that commission disclosure could enhance consumer confidence in the insurance industry and therefore should be required of the intermediaries.

### ***Footnotes:***

1. Including the establishment of the IIA should not be subject to political, governmental and industry interference (the current consultation proposes that there will be no government representative on the IIA Governing Board); the IIA should be empowered to direct insurers or insurance intermediaries to stop practices that are unsafe or unsound for the protection of policyholders (proposes the introduction of a stopgap damage control measure); the interests of policyholders would not be jeopardized as a result of lax regulation, for enhancing the competitiveness of the insurance industry (specifies that the IIA is to maintain competitiveness of the industry without undermining regulation); and introduction of other fees for demand-driven services to reflect regulatory effort (proposes service charges on insurers and licensees).

Consumer Council  
February 2013

## Consumer Council

### Submission on the Proposed Establishment of an Independent Insurance Authority

1. The Consumer Council (the Council) is pleased to submit its views regarding a consultation paper issued by the Financial Services and the Treasury Bureau (FSTB) on the proposed establishment of an Independent Insurance Authority (IIA) in Hong Kong.

2. The following sets out the Council's views to the questions raised in the consultation paper that have direct implications to the interests of consumers/insurance policyholders, for consideration of FSTB.

#### The Council's Views

***Q1. Do you agree that an independent IA should be established along the principles set out in paragraph 2.6 (of the consultation paper)?***

3. The Council is glad to see that the Government has taken into account the Council's previous comments on the need for changes to the existing self-regulatory mechanism for the insurance industry by formulating proposals on establishing an IIA to regulate insurers and insurance intermediaries and protect the interests of insurance policyholders.

4. Given that the issue of establishing an IIA has been debated for a long time with not much progress made, the Council urges the Government not to delay any further especially in light of rising insurance complaints<sup>1</sup> which could reflect the inability of the self-regulatory mechanism to render effective regulation of the insurance industry and protection of policyholders' interests.

5. The Council believes it is necessary for the proposed IIA to assume a direct supervisory role over the insurance industry which can give it credibility and ensure impartiality in dealing with insurers and insurance intermediaries who breach fair practice.

6. As to the principles set out in the consultation paper, the Council believes that having principles alone is not sufficient to achieve any lasting result. It is important for the IIA to devise a guide to action for it to perform its functions and meet its supervisory objectives effectively.

***Q2. Do you think that there are other important principles in addition to those set out in paragraph 2.6 that the Administration should adopt in working out the detailed legislative proposals for the establishment of the independent IA? If so, what are they?***

7. Other than the proposed core principle for the IIA to be 'independent', both operationally and financially, of the Government in exercising its functions and powers, the Council considers the following fundamental principles should

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<sup>1</sup> In the period January 2000 - August 2010, the Council received a total of 4,155 insurance complaints (see Table 1) which might only represent the tip of the iceberg.



be clearly set out in the legislation for the establishment of the IIA:

- 'Accountability' - to clearly define its functions and responsibilities so that its performance can be objectively assessed and made accountable to the community;
- 'Transparency' - to maintain high level of transparency in its operations, for the purpose of ensuring accountability;
- 'Fairness' - to adopt processes which are fair and equitable; and
- 'Not subject to political, governmental and industry interference' - to carry out responsibilities without influence.

***Q3. Do you agree that the independent IA should have an expanded role beyond the existing functions of the IA as set out in paragraph 3.1? If so, do you agree that the independent IA should assume the additional functions as proposed in paragraphs 3.3 and 3.4?***

8. The Council considers that the IIA should have an expanded role in addition to directly supervising the conduct of insurance intermediaries. The Council welcomes the Government taking on board the Council's views on the need to enhance consumer financial capability by giving the IIA an explicit role in proactively educating the public about insurance matters, rather than merely giving it an institutional separation from the government system as proposed in the Government's 2003 consultation.

9. As consumers will be taking on more responsibility in future in financing their medical needs, it is expected that there will be increasing demand for enhancing consumer financial capability and greater consumer protection in relation to insurance products. The Council therefore supports making it one of the IIA's functions to give appropriate information and education program to enhance public understanding in view of the complex nature of insurance products which renders it difficult for consumers to fully understand and make choices appropriate to meet their needs.

10. Since a new dedicated Investor Education Council (IEC) will be set up in future to holistically oversee the need for investor education and delivery of related initiatives in respect of the entire financial sector in Hong Kong, the Council considers that necessary arrangements should be made by the IIA to ensure close collaboration with the IEC to minimize overlapping or gaps in education work with respect to insurance issues.

11. With regard to additional functions to be taken up by the IIA, the Council considers that the IIA has a role to play in addressing public concern about the reasonableness of insurance premium increases and the suitability of high risk and complicated insurance products on offer to the consuming public. The Council believes it is legitimate for the public to expect that the IIA will do more than what the existing self-regulatory mechanism is doing to ensure the interests of policyholders are well protected.

***Q4. Do you agree the independent IA should also have a duty to enhance the competitiveness of the insurance industry, which will help to reinforce Hong Kong's status as an international financial centre?***

12. Recognizing the need to strike a balance between regulation and market development, the Council agrees that the IIA should be given a duty to enhance the competitiveness of the insurance industry for reinforcing Hong Kong's status as an international financial centre.

13. Nevertheless, the Council is of the view that consideration should be given introducing measures to ensure the interests of policyholders would not be jeopardized as a result of lax regulation in licensing standards for market players, or to deter offer of inappropriate insurance products or use of aggressive marketing tactics which may be disguised as market competition.

***Q5. Do you agree that the independent IA should be vested with additional powers as proposed in paragraph 4.7 to enable it to regulate insurers more effectively?***

14. Yes, the Council supports vesting the IIA with explicit powers to enter into premises for inspection and investigation, powers to impose supervisory sanctions and power to prosecute summary offence, as proposed in the consultation paper.

15. To equip the IIA with a wider range of instrument of different intensity, the Council suggests the IIA should be empowered to take additional actions such as the delivery of a warning or the laying down of institution-specific standards and directions targeted at institutions wavering between compliance and deviance, in addition to the option of enforcing more severe measures such as imposing fines, public reprimand, and suspension or revocation of authorization.

16. If the above proposed tools are used appropriately, the Council believes that a market player who has attracted the IIA's special attention by failing to comply may need to bear the burden of extra, intensified requirements. The aim of having in place such additional tools is to help reduce at an early stage the likelihood of failure or non-compliance.

17. As regards the existing interventionary actions (e.g. limitation of premium income, custody of assets by an approved trustee, and requirement of a special actuarial investigation), the Council suggests that the IIA should be empowered to direct insurers or insurance intermediaries to stop practices that are unsafe or unsound, for the protection of policyholders.

***Q6. Do you consider that the existing self-regulatory arrangements for insurance intermediaries should be changed, and if so, do you support that Option 2 (i.e. direct supervision of insurance intermediaries by the independent IA) should be pursued? If not, why?***

18. Yes, in its previous submissions and consultancy interviews, the Council opined that the current regulatory system relies heavily on various

industry bodies (e.g. HKFI for insurers, IARB for insurance agents, CIB & PIBA for insurance brokers, ICCB for claim disputes) to assume the fragmented self-regulatory functions. The absence of a direct supervisory role across the insurance industry has caused confusion to consumers in particular when they are lodging complaints or seeking redress. The Council believes more effective and direct regulation of the insurance industry should be introduced to keep in line with Hong Kong's position as an international financial centre.

19. The Council is of the view that the self-regulatory mechanism may not be effective to provide adequate protection to consumers. The public may perceive that self-regulatory bodies often have vested interests as they are sponsored by their industry members and may be less than diligent in their pursuit against industry members who have breached fair practices. The Council has long urged that a review of the regulatory arrangements for the insurance industry in its entirety should be carried out.

20. The Council therefore supports that the existing self-regulatory mechanism for the insurance industry be changed and sees it as an advancement in protection of the interests of policyholders if the IIA is to assume a direct supervisory role over the insurance industry (i.e. Option 2).

***Q7. Do you consider that in relation to the sale of insurance products in banks, the HKMA should be vested with powers similar to those for the independent IA to allow HKMA to regulate bank employees selling insurance products given the different client profile and sale environment in banks?***

21. As to the proposed 'shared regulatory responsibility' between the IIA and HKMA, the Council is of the view that regulation should be comprehensive enough so as not to leave any unregulated areas, the so called 'regulatory gaps'. It would be unsatisfactory if activities were left unregulated due to lack of clarity as to which regulator is responsible.

22. In light that a single financial regulator (as advocated by the Council) may not be forthcoming in the near future, the Council considers that if the proposed 'shared regulatory responsibility' is to be adopted, it will be important for the IIA and HKMA to take collaborative efforts to ensure regulatory consistency, so as to achieve effective supervision of the insurance intermediaries. For example, there should be increasing cooperation and harmonization of policies and procedures and strengthened communication if HKMA is to be vested with powers similar to those of the IIA to regulate bank staff selling insurance products.

23. In this context, the Council is of the view that enhanced insurance-banking linkages are necessary and that a formal inter-regulator communication platform as suggested in the consultation paper (para.7.7) should be established to promote regular exchanges on product trends and associated risks for insurance policyholders.

24. From a wider perspective, the Council is of the view that close cooperation amongst financial sector regulators (i.e. the IIA, HKMA, SFC and

MPFA) is essential for ensuring the effective supervision of the financial system as a whole. This requires the IIA and other financial regulators to have close communication and cooperation to deal with innovations of new products which may not have been envisaged at the time of establishment of their respective regulatory structure.

25. The Council is glad to note that the Council of Financial Regulators chaired by the Financial Secretary and the Financial Stability Committee chaired by the Secretary for Financial Services and the Treasury have been set up to provide regular inter-regulator forums to, amongst others, deliberate on regulatory and supervisory issues carrying a cross-sectoral impact. The Council expects to see that the forums will deal with issues such as regulatory gaps, regulatory overlaps, inconsistency of regulations and differences in operational standards.

***Q8. Do you agree that the recommendations as set out in paragraphs 6.5 to 6.8 should be pursued for the independent IA to operate as an independent entity? Any other views?***

26. In general, the Council supports the IIA be established and be organized along the proposed structure as set out in the Annex of the consultation paper.

27. Under the proposed structure, the Council notes that a new 'Market Conduct' division will be set up for 'supervision of sales conduct of insurers and intermediaries', alongside with 'complaints and investigations'. However, it is not clear to the Council as to its mode of operation in terms of 'complaints and investigations', for instance, whether the new division will handle and resolve complaints lodged by policyholders (i.e. to assume the responsibilities of the SROs for handling of complaints against insurance intermediaries), or it will simply act as a referral mechanism. It is important to give a clear message to the public on the responsibilities of the IIA in terms of complaints handling.

28. As the IIA will be the primary regulator to stipulate regulatory requirements for the insurance industry, the Council expects the IIA to act as a focal point for complaints handling, thereby enabling it to better understand what problems are encountered by policyholders and consider if any improvements are needed.

***Q9. Do you agree with the proposed checks and balances and governance arrangements for the independent IA as set out in this Chapter (Chapter 7 referred)?***

29. The Council fully supports establishing a Governing Board comprising a wide cross-section of the community to provide leadership and direction to the IIA. As an advocate for consumer interests, the Council welcomes its inclusion in the list of stakeholders for consideration of appointment as a member of the Governing Board. The Council will be happy to have a channel to express views from consumer perspectives for policy formulation.

30. The Council also considers that setting up an advisory committee with inputs from users/consumer groups is important for enhancing understanding of issues of interest to existing and potential policyholders.

31. Whilst recognizing the need to strike a balance, the Council cautions that the composition of the advisory committee should not be overwhelmed with industry body representatives as this would undermine the effectiveness of the advisory committee.

32. In respect of the proposed checks and balances, the Council considers that the proposed Appeals Tribunal and Process Review Panel, to ensure consistency and equity in the regulation of insurers and insurance intermediaries, are appropriate to oversee the proper exercise of the powers to be vested in the IIA.

***Q10. Do you agree that the Government should provide a lump sum to support the independent IA in its initial years of operation and the independent IA should seek to reach full cost recovery in six years?***

33. Yes, the Council believes it is important for the Government to provide adequate resources, both for financing and supporting services, to back up the IIA in its initial years of operation. Adequate resources are prerequisite to enable the IIA to recruit, train and retain a cadre of experienced professional staff.

34. If the IIA were to have only limited resources at hand and lacked staff experienced and skillful enough to ably fulfill the regulatory tasks in question for the protection of policyholders' interests, it would be very difficult if not infeasible for the IIA to render adequate regulation and supervision.

***Q11. Do you agree with the proposed fee structure as set out in paragraphs 8.2 and 8.6?***

35. It is noted in the consultation paper that the proposed fee structure requires funding by a combination of levy, various licence and users fees. However, it is not clear from the consultation paper whether the proposed 0.1% levy on insurance premiums for all insurance policies will be charged from insurers or insurance policyholders. Clarification of how the levy would be raised is required.

36. In the consultation paper, SFC is quoted as an example to illustrate funding source can be contributed by market levy from investors. However, as far as the Council is aware, many regulators or industry associations tasked with supervision roles for protection of public interests in Hong Kong, such as HKMA, the Mandatory Provident Fund Authority, the Hong Kong Deposit Protection Board, the Estate Agents Authority, etc are not funded (or directly funded) by levy collected from consumers.

37. With respect to other jurisdictions, the Council understands that financial regulators (e.g. the Financial Services Authority of the UK, the Office of the Superintendent for Financial Institutions of Canada, the Federal Deposit



Insurance Corporation of the US) raise funding from industries (or through industry levy paid to the government which in turn allots funding to regulators) instead of from consumers.

38. The Council is of the view that in determining the appropriate funding arrangement, there should be a means of recovering from the insurance industry the costs of the prudential supervision and regulation of that sector and for the market integrity maintenance functions to be performed by the IIA.

39. If the market levy is to be raised from policyholders, the Council believes it is necessary to make clear to the public which part of the IIA's work relates directly to policyholders which would require raising of a substantial portion (70%) of the IIA's expenditure from the consuming public. The Council considers that the proposed establishment of the IIA should serve to instill public confidence in the insurance industry and not to shift regulatory cost to policyholders.

40. Notwithstanding that policyholders may eventually take on the cost indirectly, the Council feels strongly that the cost of regulation should be borne by the insurance industry as part of its operational cost, instead of by policyholders.

41. In relation to the proposed mitigating measures to reduce the impact on the insurance industry, it is noted that a waiver of licence fee for insurance intermediaries will be provided in the first 5 years after the establishment of the IIA. The Council is of the view that if any levy is to be raised directly from policyholders, a waiver should also be considered for policyholders.

42. As to the funding ratio (i.e. 70% from market levy, 30% from various licence fee and users fees), the Council is of the view that the direct cost of regulation in terms of market levy should be reasonable and not pose an undue burden. This is especially important where, as is usually the case, costs are ultimately passed on to policyholders. It is therefore important for the amounts raised and how they are utilized to be transparently disclosed and accounted for to the public.

43. Apart from annual charges by reference to the type of license and volume of business of a regulated entity, the Council considers it possible to introduce other fees for demand-driven services e.g. charging regulated entities for complaints handling to reflect regulatory effort.

#### **Other comments**

44. From the long term, the Council would like to take this opportunity to put forward its view on the need for the Government to carry out reviews to assess the effectiveness of having separate financial regulators to take on supervisory responsibilities in regulating the financial sector, from the perspectives of consumers and the economy as a whole.

45. Traditional distinctions between different types of financial institutions, financial products and distribution channels have become

extremely blurred. This could make sectoral supervision less meaningful (as reflected in the proposal of empowering HKMA to take on powers similar to those of the IIA in supervising bank staff selling insurance products) or at least more complicated (as a result of the presence of financial conglomerates engaging in banking, insurance and securities activities which makes it difficult for a regulator for a particular sector to form a view of the overall risks facing the entire conglomerate). It is therefore important for the Government to conduct periodical reviews to assess the appropriateness of the existing regulatory models to suit the changing needs of Hong Kong.

**Consumer Council  
October 2010**

**Table 1: Consumer Council's insurance complaint statistics**

<b>Year</b>	<b>No. of insurance complaints</b>
2000	246
2001	338
2002	380
2003	472
2004	401
2005	404
2006	414
2007	398
2008	425
2009	447
2010 (1-8)	230
<b>Total:</b>	<b>4155</b>