

Bills Committee on Insurance Companies (Amendment) Bill 2014

**List of follow-up actions arising from the discussion
at the meeting on 27 May 2014**

1. The Administration is requested to provide the following information:
 - (a) in respect of conduct regulation of insurance intermediaries, (i) to provide the details of the relevant code of conduct/guidelines to be issued by the independent Insurance Authority ("IIA"), including whether they would be subject to the scrutiny of the Legislative Council; and (ii) to provide the draft code of conduct/guidelines to the Bills Committee; and
 - (b) on the two Advisory Committees, to provide the details of operation, including expected meeting frequency and consultation/communication with the insurance industry and relevant stakeholders.
2. The Administration is requested to provide written response to address members' concerns/views as follows:
 - (a) on the composition of IIA Board, (i) the Administration should ensure that the majority of Board members would be lay persons; and (ii) the Administration should consider specifying in the Bill the proportion of Board members from the insurance industry (e.g. intermediaries including companies and individuals) and outside the industry in order to ensure balanced representation of interests;
 - (b) in respect of conduct regulation of insurance intermediaries, the Administration should (i) clarify the requirement for insurance intermediaries to act in "the best interest" of their clients; and (ii) provide in the Bill/relevant code of conduct/guidelines the factors IIA would take into account or measures IIA expects intermediaries to take in complying with the requirement;

- (c) on the disciplinary mechanism, the Administration should consider setting up an independent disciplinary committee (comprising members from the insurance industry) to review IIA's disciplinary decisions where further appeals would be handled by the Insurance Appeals Tribunal ("IAT"). This will address concern about the potential huge legal costs involved in IAT proceedings and enable tapping of the experience and expertise accumulated by the three Self-regulatory Organizations in handling appeals;
- (d) as regards the proposed disciplinary fines on misconduct of insurance intermediaries, the Administration should specify the factors IIA would consider in imposing the level of fines, and that the fines to be imposed would not put the intermediaries in financial jeopardy; and
- (e) on the licensing of insurance intermediaries, the Administration should allow an insurance agent, as in the case of insurance brokers, to be the Director of another company.

Council Business Division 1
Legislative Council Secretariat
18 June 2014