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www.hkcii.org

16 June 2014

The Hon Wong Ting Kwong
Chairman of the Bills Committee
Legislative Council
Hong Kong

Dear Mr. Wong,

Insurance Companies (Amendment) Bill 2014

Thank you for your invitation dated 4 June 2014 and we are delighted to give our views in respect of the captioned bill for your reference.

In order to evaluate the implications of the bill to our industry especially to the current insurance intermediaries in Hong Kong, we have established a task force to study the bill and identify different issues that we want to further discuss and draw your attention to the future impact. Three meetings had been held by our task force in the last 10 days after we received the written invitation. We do appreciate the invitation and we are sincerely value the opportunity to contribute our views for facilitating the long-term success of our industry.

Objectives of HKCII Insurance Companies (Amendment) Bill 2014 Task Force

To ensure the stable development of the insurance industry.

To protect the policyholder's interest with a balance to ensure the survival of insurance intermediaries.

To identify the concerns in respect of the proposed amendments from the insurance intermediary perspective.

In fact, we agree with the proposed establishment of "Insurance Authority" and we do believe that the new regulatory framework benefits to the continuous development of industry. However, a balance between consumer interest protection and insurance industry development are important to all insurance intermediaries in Hong Kong. Therefore, we are delighted to summarize our concerns in the following table for your consideration.

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Honorary Advisor

Legislative Council Member

THE HON. CHAN Kin-pong, JP

Honorary Lead Advisor

Simon Ip

Honorary Auditor

Ricky Cheung

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Summary of Our Concerns:

Clause Number	Wording	Our Concerns
Clause 84 Part XI Division 4, 89 (a) - Conduct Requirements for licensed insurance intermediaries	must act honestly, fairly, in the best interests of the policy holder concerned or the potential policy holder concerned, and with integrity;	(1) Licensed insurance agent is difficult to fulfill the requirement of "best interests of the policy holder". (2) The number of authorized insurers represented by licensed insurance agent should be increased.
Clause 84 Part XI Division 2, 80 (4e) - Disciplinary action in respect of regulated persons	for a person who is or was a regulated person - to order the person to pay a pecuniary penalty not exceeding the amount which is the greater of - (i) \$10,000,000; or (ii) 3 times the amount of the profit gained or loss avoided by the person as a result of the misconduct, or of the other conduct of the person which leads the Authority to form the opinion referred to in subsection (1)(c).	(1) It would be better if inspection, investigation and disciplinary action power are separated. (2) The pecuniary penalty is too high and the guidelines for exercising penalty disciplinary action are not clear. (3) The detail guidelines for exercising of power to impose pecuniary penalty should be discussed with the industry before publishing.
Part 2 Clause 11 Section 4AA - Composition of Authority	Of the non-executive directors - (a) at least 2 are to be appointed from among persons who, because of their knowledge of and experience in the insurance industry, appear to the Chief Executive to be suitable for appointment; and	(1) It would be better if the Authority consists 25% of members from the insurance industry. Representative from insurance intermediary is highly recommended.

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香港保險中介人商會
Hong Kong Chamber of Insurance Intermediaries
G.P.O. Box 6542, Hong Kong
Tel: (852) 8108 1238 Fax: (852) 8108 1262
E-mail: admin@hkcli.org

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Honorary Advisor

Legislative Council Member

The Hon. **CHAN Kin-por**, JP

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Simon Ip

Honorary Auditor

Ricky Cheung

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Summary of Our Concerns: (continue)

Clause Number	Wording	Our Concerns
Schedule 11 - Saving and Transitional Arrangements for Insurance Companies (Amendment) Ordinance	transitional period means the period of 3 years beginning on the commencement date.	(1) Grandfathering the existing requirements of insurance intermediary. (2) To ensure the existing insurance intermediary obtains license automatically after the transitional period.
Part 2 Clause 84, 92k - Rules on conduct requirements for licensed insurance intermediaries	prohibit the receipt by a licensed insurance intermediary of any property or services from another licensed insurance intermediary in consideration of directing business to that other licensed insurance intermediary, except in specified circumstances and under specified conditions; and	(1) Referral business from insurance intermediary to intermediary should be allowed.
Part 2 Clause 71, 64k - Restrictions in relation to personnel of licensed insurance broker companies	(2) The person must not also be - (a) a proprietor or a partner of a licensed insurance agency; (b) a licensed individual insurance agent; (c) a licensed technical representative (agent); or (d) a director or an employee of a licensed insurance agency who deals with any matter that relates to a regulated activity of the agency.	(1) Being an investor of licensed insurance agency should not be restricted. (2) "any matter" is not clear.

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We trust you will find the above concerns reasonable and please do not hesitate to contact us if any questions. Thank you.

Yours sincerely,

Danny Yiu
2014 HKCII President

Mobile : +852 9092 3416
Fax : +852 2311 3055
Email : danny@hkcii.org
Web : <http://www.hkcii.org>

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香港社會服務聯會頒發

香港保險中介人商會
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