

18 June 2014

Hon WONG Ting-kwong, SBS, JP
Chairman of the Bills Committee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Sir

Bills Committee on Insurance Companies (Amendment) Bill 2014

Thank you for your letter of 4 June 2014 and having considered the Bill in detail, we are pleased to provide our written submission as follows.

Clauses 9 to 15 provide for the establishment and functions of the IIA where we would suggest that an increase in the number of members by, say one third from the current minimum, would assist with the potentially heavy workload of the IIA where direct supervision of insurance intermediaries in addition to insurance companies, together with duties such as research, insurance education and promotion of Hong Kong as a major insurance centre in Asia are evident.

Also, board members involvement with the number of industry advisory and other committees to be established in furtherance to Clause 13, 4C. and 4D. would seem to us only to be feasible if sufficient members are available to perform these requirements.

As many of the duties of the IIA will be technical in nature it would seem to us a necessary caveat that there would be a proportional industry representation on the board, a realistic percentage representation against total numbers, say 25%, and not limited to 2 non-executive directors as currently proposed particularly if the minimum number of directors were prudently increased as we suggest above.

An upper limit, where no cap is currently stated, on the total number of directors, to say 15, would then seem appropriate to facilitate a realistic management structure.

With further regard to the advisory committees proposed under clause 13, we would suggest that the IIA would benefit by appointing the highest feasible number of industry representatives, for example from industry bodies such as HKFI, MIB, ECIB, ECIRSB, CIB, PIBA and insurance agency bodies in order to provide their experience on how to manage the insurance industry effectively in the future and that a minimum number of industry representatives should therefore be stated in the Bill.



Motor Insurers' Bureau of Hong Kong
香港汽車保險局

The MIB is effectively the insurer of last resort within its ambit and charged with responsibility for the settlement of claims relevant to insurer insolvency within the provisions of its second Fund. Of great interest to MIB is therefore IIA regulatory supervision of insurance companies in the endeavour of avoidance of insolvency and we are pleased to note the addition of further regulatory powers proposed for the IIA under clauses 31 to 55 and including the addition of new Part VA to the ICO.

MIB would trust that one of the major endeavours of the IIA, enabled by the legislation and increase in staff numbers above that of the existing OCI, will be a continuing increase in prudential supervision of the solvency of insurers.

Thank you for granting the MIB the opportunity to provide you with consideration of the Bill.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kenneth J. Reid'. The signature is fluid and cursive, with a large initial 'K'.

Kenneth J. Reid
Chairman