

**Employees Compensation
Insurer Insolvency Bureau**
保險公司(僱員補償)無力償債管理局

18 June 2014

Clerk to Bills Committee on
Insurance Companies (Amendment) Bill 2014
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Sir

Bills Committee on Insurance Companies (Amendment) Bill 2014 ("the Bill")

We thank you and refer to your letter of 4 June 2014 on the Bill. Below please find for your consideration, our written submission focusing on the following two main matters.

1) The structure of the Governing Board of the IIA

Clauses 9 to 15 of the Bill provide for the establishment and functions of the IIA where we would suggest that an increase in the number of members from a minimum of 8 to 12 (both including the Chairman and CEO) would assist with the potentially extensive workload of the IIA where direct supervision of insurance intermediaries in addition to the prudential supervision on insurance companies, together with duties such as thematic researches and studies, consumer 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. of the Bill 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 who have insurance knowledge and experience 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 16, would then seem appropriate to facilitate a realistic management structure.

2) The Insurance Advisory Committee

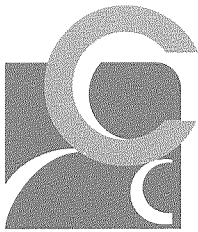
With further regard to the advisory committees proposed under clause 13 of the Bill, the Employees Compensation Insurer Insolvency Bureau (ECIIB) suggests that the IIA would benefit by appointing the highest feasible number of industry representatives, for example

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from industry bodies such as HKFI, MIB, ECIIB, 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.

The ECIIB is effectively the insurer of last resort and charged with responsibility for the settlement of claims relevant to insurer insolvency within its ambit. Of great interest to the ECIIB 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 of the Bill and including the addition of new Part VA to the ICO.

The ECIIB would trust that one of the major endeavours of the IIA, enabled by the legislation and enhanced manpower and resources, will be a continuing increase in prudential supervision of the solvency of insurers.

Thank you for your consideration of the above matters.

Yours truly

For and on behalf of
Employees Compensation Insurer Insolvency Bureau
Signed on behalf of the Chairman, Nick Helms
by Tricor Services Limited - Secretaries

Director

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