

Bills Committee on Insurance Companies (Amendment) Bill 2014

**List of follow-up actions arising from the discussion
at the meeting on 30 June 2014**

Work Plan

1. The Administration is requested to provide a revised work plan in the light of members' view that the Bills Committee shall first complete discussion of the policy issues on each of the nine parts of the Bill as proposed by the Administration, and then examine the Bill clause-by-clause and consider the draft Committee Stage amendments.

Industry Advisory Committees

2. Some members have expressed concern about including the chairperson and the Chief Executive Officer of the future independent Insurance Authority ("IIA") as members of all its Industry Advisory Committees ("IAC"). The Administration is requested to explain the reasons for the above proposal, and compare the composition of the IAC with that of statutory advisory committees set up by other financial regulators, e.g. the Securities and Futures Commission and the Mandatory Provident Fund Schemes Authority.

Functions and powers of the IIA

3. The new section 4A(2)(ee) of the Insurance Companies Ordinance (clause 12(4)) provides the IIA with a new function to "assist the Financial Secretary ("FS") in maintaining the financial stability of Hong Kong by taking appropriate measures in relation to the insurance industry". The Administration is requested to (a) elaborate how the IIA will discharge this function and the "appropriate measures" it will use to achieve the purpose; and (b) compare the existing relationship between the Office of the Commissioner of Insurance and FS with that between the IIA and FS.

4. Regarding the IIA's functions to supervise the insurance intermediaries and regulate their conduct, the Administration is requested to address some members' suggestion of putting in place a mechanism with industry inputs during the investigation and/or disciplinary process for considering sanctions against misconduct of intermediaries.

Accounting and financial arrangements

5. In respect of the proposed injection of \$500 million from the Government for setting up the IIA, some members are concerned that as the IIA will have income from fees and levies, it may accumulate a huge reserve over the years. The Administration is requested to (a) explain how the proposed amount of \$500 million has been worked out; and (b) provide the projected income and expenditure of the IIA in the initial five years of operation.

Council Business Division 1
Legislative Council Secretariat
18 July 2014