

**Consultancy Study on the Feasibility of  
Establishing Policyholders' Protection Funds  
in Hong Kong**

**Office of the Commissioner of Insurance  
Government of the Hong Kong Special Administrative Region**

**Presentation to the  
Financial Affairs Panel of the  
Legislative Council  
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# Purpose and limitations . . . . .

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# Summary

- PwC is engaged by Financial Services & Treasury Bureau/Office of the Commissioner of Insurance
- Research was performed in the first half of 2003 on:
  - International research on Policyholder Protection Funds (PPFs)
  - Local research:
    - Existing Hong Kong protection on insurer insolvency
    - Stakeholder interviews
- Public consultation paper issued in December 2003
- Comments requested by 31 March 2004
- No decisions taken on whether/how a PPF should be introduced
- 財經事務及庫務局轄下的保險業監理處委任了羅兵咸永道就保單持有人保障基金進行顧問研究
- 我們在二零零三年上半年進行了以下之調查：
  - 對海外司法管轄區的保單持有人保障基金(以下簡稱「保障基金」)進行調查
  - 本地調查
    - 香港現存就保險公司無力償債對保單持有人的保障
    - 與不同有關人士會面
- 公眾諮詢文件於二零零三年十二月發出
- 所有意見書須於二零零四年三月三十一日前遞交
- 現階段仍未就是否推行保障基金作出定案

# Hong Kong situation

- If an insurer is insolvent, compensation funds are in place to cover Employees Compensation and Motor Vehicle third party claims
  - Policyholders can claim 100% compensation
  - Pre-funded compensation schemes
  - Contribution levies are currently 2% of policy premiums
- No compensation funds/PPF for life insurance and other types of general (“non-life”) insurance
- Other existing protection mechanisms do not guarantee payment to policyholders
- 如保險公司無力償債，香港有賠償計劃對第三者汽車意外傷亡和僱員因工受傷的保單提供保障
  - 投保人可獲百分之一百的賠償
  - 屬事前徵費的保障基金
  - 目前供款率為保費的2%
- 所有類別的人壽保單及所有其他類別的非人壽保單是沒有賠償計劃或保障基金的
- 其他現存的保障機制並不能保證對保單持有人的賠償

# International comparison

## Research sample

- Sample included Australia, Japan, Singapore, South Korea, United Kingdom and several other European jurisdictions, Canada, five selected states of the United States

## Role of PPFs

- Commented on by Australian HIH Royal Commission, UK's FSA and a European Commission Insurance Working Group:
  - PPFs seen as a final safety net
  - Not a substitute for other layers of protection such as prudential supervision
  - Recognition that regulation cannot guarantee that no insurer failures will occur

## 調查樣本

- 包括澳洲、日本、新加坡、南韓、英國及其他數個歐洲國家、加拿大以及美國其中五個州。

## 保障基金的角色

- 澳洲HIH Royal Commission，英國財經事務管理局及歐洲委員會保險工作小組曾作出以下評論：
  - 保險基金可視為一個最後的安全網
  - 並非其他保障（例如審慎規管）的替代品
  - 承認監管並不能保證保險公司不會變成無力償債

# International comparison

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## Functions of a PPF

Can include:

- Pay compensation to policyholders
- Provide incentive payments/financing/reinsurance to:
  - the troubled insurer, a new special purpose insurer, or a potential buyer of the portfolio

## Design features

- Considerable differences in PPF approaches across jurisdictions
- Each jurisdiction is unique
- Some overseas PPF's have not yet been activated in practice

## 保障基金的功用

可包括：

- 為投保人提供賠償
- 支付具鼓勵性質的款項/財務支援/再保險予：
  - 有財政困難的保險公司，新成立的有特別作用的保險公司，或可能接收有關保單組合的保險公司

## 設計特點

- 海外保障基金之間有顯著不同之處
- 每個海外保障基金都是獨特的
- 一些海外保障基金從未被啟動

# International comparison



## Similarities/common themes amongst overseas PPFs

- Compulsory insurance is generally fully guaranteed
- Life and non-life insurance dealt with separately
- Membership of PPF scheme is a condition of insurance authorisation
- “Professional” classes of business usually excluded, e.g., reinsurance, aviation, credit, fidelity, marine risks
- Special arrangements for providing financial support to life portfolio transfers
  - Recognition that contract continuation may be preferable to compensation

## 海外保障基金的相同之處

- 強制性保單一般可獲全數賠償保證
- 人壽及非人壽保險分別獨立處理
- 保險公司必須參加保障計劃才能獲得經營牌照
- 「專業」類別的保單通常不被涵蓋(如再保險、航空、信用、誠信風險保證及水險等)
- 人壽保單轉讓會獲得特別財務支持：
  - 同意延續保單可能較賠償為佳

# International comparison

## Significant differences

- Coverage of insurance classes/types of product differs in each jurisdiction
- Coverage of un-expired premiums
- Eligibility of non-life claimants
  - Individuals only: Ireland, South Korea
  - Individuals + “small” companies: UK, Australia, some US states
  - All policyholders: other US states
- Compensation limits
  - Dollar vs percentage limits, or a combination
  - Different limits for different products

## 顯著不同之處

- 對不同類別保單的涵蓋
- 對未到期保費的涵蓋
- 非人壽保單持有人的索償資格
  - 只限個人：愛爾蘭、南韓
  - 個人及「小型」公司：英國、澳洲及部份美國州份
  - 所有保單持有人：其他美國州份
- 賠償上限
  - 金額上限/百份比上限，或是兩者的組合
  - 不同保險產品有不同的上限



# International comparison

## Funding

- PPFs are typically funded by industry
- Life PPFs are usually post-event funded:
  - E.g., the UK, Singapore, Isle of Man, and the US
- Most non-life PPFs in the research sample were also post-funded (excl PPFs for compulsory insurance)
  - However several have pre-funding, or are a mixture
- Levies are often a percentage of premiums
  - A minority use a percentage of reserves (e.g., Canada)

## 資金

- 費用通常由業界分擔
- 人壽保障基金通常屬事後徵費
  - 例如英國、新加坡、曼恩島及美國
- 在我們的調查樣本中，大部份非人壽保障基金也屬事後徵費(不包括強制性保險的保障基金)
  - 但有一部份屬事前徵費，或兩者混合形式的
- 徵費通常是根據保費的某個百分比計算
  - 少部份是根據保險儲備金的一個比例(例如加拿大)

# Key questions

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Key questions identified from international and local research:

- Whether to introduce a PPF in Hong Kong?
  - Potential consumer benefits vs cost/moral hazard
- If a PPF is introduced...
  - Should it cover all/most policies or only some?
  - In particular: should it cover life insurance savings products?
  - Should corporate policyholders be protected?
  - What compensation limits?
  - Pre- or post-event funded?
  - Should levies take into account insurers' financial strength?

以上研究帶出下列關鍵問題：

- 應否在香港推行保障基金？
  - 對消費者潛在利益以及相應成本及道德危險的利弊
- 如推行保障基金，
  - 應否涵蓋所有絕大部份保單或部份保單？
  - 應否涵蓋人壽保險中的儲蓄產品？
  - 公司保單持有人應否被涵蓋？
  - 賠償的上限應為多少？
  - 事前或事後徵費？
  - 徵費應否考慮保險公司的財政實力？

# PPF options

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- The public consultation paper sets out various PPF options (see Appendix A and Appendix B of the consultation paper)
- Respondents may suggest other PPF options
- Status quo is also an option
- Objective of presenting PPF options is to assist and structure the public comment process
- The PPF options take into account research on stakeholder views and local/international precedent
- 諮詢文件列出了各種方案(請參閱諮詢文件附件A及附件B)
- 有興趣人士亦可提出其他方案
- 維持現狀不變亦是其中一個方案
- 列出各方案的目的是為協助籌劃公眾諮詢的過程
- 列出的方案參考了本地及國際間的先例，以及有關人士的意見

# PPF options

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The PPF options presented show separate funds for life and non-life insurance sectors

Two main options are illustrated under each:

- Broader scheme (90% limit, broader range of products)
- Limited scheme (Dollar limit, narrow range of products)

Further sub-options under each, for example:

- For life: dealing with savings products
- For non-life: dealing with corporate policyholders

在我們所列出的保障基金方案中，人壽及非人壽保險分別設有獨立基金

以上兩類保險均列出兩個主要方案：

- 「較廣泛」的方案 (90% 限額及涵蓋較多保單種類)
- 「有限制」的方案 (有設定金額上限及涵蓋較少保單種類)

每個主要方案均列有副方案，例如：

- 人壽保險 – 對於儲蓄產品的處理
- 非人壽保險 – 對於公司保單持有人的處理