

**For information
on 18 December 2018**

Legislative Council Panel on Financial Affairs

Collection of User Fees by the Insurance Authority

PURPOSE

This paper informs Members of the proposal for the Insurance Authority (“IA”) to collect new user fees to recover the cost of providing specific services.

BACKGROUND

2. The Insurance Companies (Amendment) Ordinance 2015 (“Amendment Ordinance”) provides for, among other things, the establishment of the IA to take over the statutory functions of the then Office of the Commissioner of Insurance (“OCI”) to regulate insurance companies and the supervisory functions of the existing three Self-regulatory Organizations (“SROs”) ¹ to regulate insurance intermediaries.

3. To ensure a smooth transition, the Amendment Ordinance is being commenced in three stages as follows –

Stage 1: The IA was established on 7 December 2015 via the Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2015 and was immediately renamed as the Provisional Insurance Authority (“PIA”) to undertake essential preparatory work;

¹ The three SROs are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

Stage 2: The PIA was renamed as the IA, which took over the functions of the then OCI to regulate insurance companies on 26 June 2017 via the Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2017; and

Stage 3: The IA is to commence the new statutory licensing regime for insurance intermediaries and take over the regulation of insurance intermediaries from the three SROs tentatively in mid-2019.

4. As an independent body, the IA will be financially and operationally independent of the Government in the long run. The IA is empowered to collect a levy on insurance premiums from policy holders and various fees including authorization fees from insurance companies, licence fees from insurance intermediaries² and user fees on specific services provided. The long-term target is that about 70% of the IA's expenditure will be met by income from the levy and the remaining 30% by income from various fees.

5. Section 128 of the Insurance Ordinance (Cap. 41) ("IO") stipulates, amongst other things, that the Chief Executive in Council ("CE-in-C") may, after consulting the IA, by regulations provide for the payment to the IA of, and prescribe fees for anything done by the IA in performing a function under the IO. The regulations are subject to negative vetting by the Legislative Council ("LegCo").

6. To tie-in with the commencement of Stage 2, relevant subsidiary legislation made by the CE-in-C have come into operation to enable the IA to collect levy on insurance premiums³, authorization fees⁴ and user fees. On user fees, the first batch of 11 more frequently used service items has come into effect since the commencement of Insurance Companies (Register of Insurers) (Prescribed Fee) (Amendment) Regulation 2017 on 26 June 2017. The levels of the first batch of fee

² Licence fees payable by insurance intermediaries will be dealt with in the next stage, when the statutory licensing regime for insurance intermediaries is in place.

³ Via the Insurance (Levy) Order and the Insurance (Levy) Regulation, which came into operation on 1 January 2018.

⁴ Via the Insurance Companies (Authorization and Annual Fees) (Amendment) Regulation 2017, which came into operation 26 June 2017.

items are set according to the operation experience of the then OCI. For the remaining service items, the IA should conduct its own costing exercise after it has accumulated adequate operational experience.

PROPOSAL

7. The IA proposes to charge a second batch of 12 items of user fees to recover the costs of providing specific services as set out at Annex. The proposed items cover mainly fees in relation to transfer of businesses and various modifications to the accounting requirements under different sections of the IO and apply primarily to the insurers or their auditors. In determining the proposed fee levels, the IA has used the same computation methodology as that for the first batch of user fees, and such methodology is largely in line with the approach used by the Government.

8. The IA has consulted the insurance industry on the proposal. The industry generally finds the proposed items and fee levels acceptable.

WAY FORWARD

9. We aim to table the relevant subsidiary legislation before the LegCo for negative vetting in Q2 2019.

10. Members are invited to note the proposals.

**Financial Services and the Treasury Bureau
Insurance Authority
December 2018**

New User Fee Items Proposed by the Insurance Authority (“IA”)

	Section of the Insurance Ordinance (“IO”)	Service Items	Proposed Fee Levels (HK\$)
1.	Section 64O(3)	Obtaining copy/ certified copy of entry/ extract of the register of licensed insurance intermediaries under section 64O(3)(a) and (b) of the IO	6 per page (without certification) 100 plus 6 per page (with certification)
2.	Section 128(1)(a)(ii)	Application for waiver of annual fee under section 13(3) of the IO where an authorized insurers does not intend to effect any contracts of insurance after any anniversary of its authorization date	2,000
3.	Section 128(1)(a)(ii)	Extension of deadline for submission of accounts under section 20(1) of the IO	2,000
4.	Section 128(1)(a)(ii)	Request for confirmation to an authorized insurer’s auditor about the authorization status and other matters relating to the insurer	2,000
5.	Section 128(1)(a)(ii)	Application for acceptance by the IA other actuarial standards as being comparable to the prescribed standards under section 15C of the IO	5,000
6.	Section 128(1)(a)(ii)	Obtaining approval from the IA of terms and conditions of a letter of credit or other commitment from a bank under section 25C of the IO	5,000
7.	Section 128(1)(a)(ii)	Obtaining written consent from the IA for use of certain terms and representations associated with insurance under section 56A of the IO	5,000

	Section of the Insurance Ordinance (“IO”)	Service Items	Proposed Fee Levels (HK\$)
8.	Section 128(1)(a)(ii)	In relation to the submission of financial information, request for modifying or varying any of the requirements of Schedule 3 to the IO in relation to an authorized insurer in such respects and for such period as the IA and the insurer may agree under section 17(2) of the IO	30,000
9.	Section 128(1)(a)(ii)	Request for relaxation of rules to be provided for determination of the value of the assets and the amount of the liabilities of an authorized insurer under section 130 of the IO	30,000
10.	Section 128(1)(a)(ii)	Application by foreign insurers for maintaining separate accounts of long term business carried on in or from Hong Kong under section 22A to the IO	50,000
11.	Section 128(1)(a)(ii)	Application for transfer of long term business under section 24 of the IO	300,000
12.	Section 128(1)(a)(ii)	Application for transfer of general business under section 25D of the IO	300,000