

**Updates on the Implementation of
the Insurance Companies (Amendment) Ordinance 2015**

A. Overall progress

- Selection interviews for non-directorate officers with direct regulatory duties were conducted in the latter half of 2016, with offers to candidates from the Office of the Commissioner of Insurance (“OCI”) made in December 2016. Offers to non-OCI candidates will be made after completion of recruitment formalities. The recruitment exercise for the senior executives is at an advanced stage.
- The Government has agreed that the independent Insurance Authority (“IA”) could temporarily occupy the existing premises of the OCI at the Queensway Government Offices before relocation to the long term office. The IA is expected to be in a position to confirm the location of the long term office soon.
- Having regard to the timeframe of relocation to the long term office and the phased commencement of the new regulatory regime, the IA has developed a holistic IT strategy. Under the strategy, the IA will set up its IT infrastructure by phases. In the first phase, the IA will ride on existing OCI’s resources to ensure continuous operation of essential regulatory and internal systems. In the second phase, the IA will upgrade the existing system to cater for other planned regulatory functions, including collection of levy on insurance premiums, development of the risk-based capital regime and regulation of insurance intermediaries. The Insurance Intermediaries System will be developed in the second phase of the project. The IA will liaise with the Self-Regulatory Organisations for data transfer and other technical arrangements at an appropriate juncture.

B. Transition of codes and guidelines

- Pursuant to the savings provisions of the amended Insurance Companies Ordinance (“ICO”), the existing guidance notes and guidelines promulgated by the OCI will continue to have effect after

the transition as if they were issued by the IIA.

- To prepare for taking up the regulatory functions of the OCI, for guidance notes / guidelines in relation to insurers, the IIA agreed to –
 - (a) Guideline on “Fit and Proper” Criteria (GL4)¹ and Guideline on Exercising Power to Impose Pecuniary Penalty in respect of Authorized Insurers (GL18): update the existing GN4 to incorporate new requirements under (i) new section 14A of the amended ICO on a list of matters the IIA must have regard to when determining whether a person is “fit and proper”; and (ii) the revised Insurance Core Principle 5 on Suitability of Persons promulgated by the International Association of Insurance Supervisors. The IIA will issue a new GL18 setting out the considerations in exercising its power to impose pecuniary penalty.
 - (b) Other existing guidance notes / guidelines: make only technical amendments to these existing guidance notes / guidelines. The amendments, which include updating references to the law and changing the issuing authority from the OCI to the IIA, will not change the regulatory effect of the guidance notes / guidelines.

For (a), the IIA has written to The Hong Kong Federation of Insurers (“HKFI”) to seek the industry’s comments on the two draft guidelines. For (b), the IIA will inform insurers of the technical amendments in due course.

- For the existing Minimum Requirements for Insurance Brokers promulgated by OCI, similar to (b) above, only technical amendments will be proposed and the two broker bodies will be kept informed of the progress.
- At present, HKFI has promulgated a number of codes and guidelines setting out the standards and conduct requirements for authorised insurers when carrying on insurance business. The IIA agreed that these codes and guidelines will continue to have effect and be administered by HKFI under the existing self-regulatory regime. The IIA will write to HKFI on the arrangement.

¹ To align with the terminology in the amended ICO, all existing Guidance Notes promulgated by the OCI will be renamed as Guidelines, and the abbreviation will be changed from “GN” to “GL” accordingly.

Next Step

- We will liaise closely with the IIA on transitional issues and will keep the Working Group informed of the progress.
- The IIA will inform the industry of the technical amendments made to the existing guidance notes / guidelines promulgated by the OCI when the amended guidelines are ready.

**Financial Services and the Treasury Bureau
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