Information Note No.2/2015

Three Stages in Establishing the Independent Insurance Authority

Upon enactment of the Insurance Companies (Amendment) Bill 2014, the Government plans to commence the new Ordinance in three stages to allow a smooth transition from the existing regulatory regime to the new regime. To avoid the costly mode of setting up a provisional authority as a company and then subsequently winding it up, the Bill is so drafted that in Stage One, IIA will be renamed as "Provisional Insurance Authority" ("PIA") immediately after its establishment. PIA will be given certain administrative powers to undertake essential preparatory work, such as recruiting key personnel, leasing office premises and procuring office and IT equipment, etc., to prepare for the new insurance regulator to take over the work of the Office of the Commissioner of Insurance ("OCI").

2. In Stage Two, PIA will be renamed as "the Insurance Authority", the official name of IIA in the amended Insurance Companies Ordinance ("ICO"). IIA will take up the existing duties of OCI such as those on the prudential and conduct regulation of insurers and anti-money laundering regulatory ("AML") regime. During Stage Two, the self-regulatory system for insurance intermediaries will continue, allowing time for IIA to prepare the necessary tools for regulating insurance intermediaries in consultation with the industry and the general public. These will include subsidiary legislation and code of conduct for insurance intermediaries, guidelines for imposing financial penalty, etc.

3. Stage Three will commence after these regulatory tools are in place for IIA to take over the regulation of insurance intermediaries from the three existing SROs.

4. The tentative timeline is as follows –

Stage One: Establishment of PIA	Within three months after enactment of the Bill
Stage Two: IIA to take over OCI	Six to 12 months after PIA's establishment
Stage Three: IIA to take over the supervision of insurance intermediaries from the SROs	12 to 20 months after PIA's establishment

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