

**Action Minutes of the 12th Meeting of the Working Group to Facilitate
Smooth Transition to an Independent Insurance Authority
held at 3:00pm on 29 June 2016
in Meeting Room D, 24/F, West Wing, Central Government Offices**

Present:

Financial Services and the Treasury Bureau

Mr Eddie Cheung, Deputy Secretary for Financial Services and the Treasury (Financial Services) 2 (Convenor)

Ms Joan Hung, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) Special Duties (Member)

Miss Vinci Chan, Assistant Secretary for Financial Services and the Treasury (Financial Services) Special Duties 1

Mr Michael Li, Assistant Secretary for Financial Services and the Treasury (Financial Services) Special Duties 3 (Secretary)

Independent Insurance Authority (“IIA”)

Prof Chan Wai-sum, Non-Executive Director (In attendance)

Mr Kenneth Kwok, Non-Executive Director (In attendance)

Mr James Wong, Non-Executive Director (In attendance)

Office of the Commissioner of Insurance (“OCI”)

Miss Nancy Chien, Assistant Commissioner of Insurance (Enforcement) (Member)

Miss Peggy Fu, Senior Insurance Officer (Enforcement)

Ms Shirley To, Senior Insurance Officer (Enforcement)

The Hong Kong Federation of Insurers (“HKFI”)

Mr Ronnie Ng, Chairman of Task Force on the Independence of the Insurance Authority (Member)

Ms Selina Lau, General Manager, Communications & Committee

Insurance Agents Registration Board (“IARB”)
Mr Ambrose Cheung, Chairman (Member)

Ms Alice Kong, Secretary General

The Hong Kong Confederation of Insurance Brokers (“CIB”)

Mr Adrian King, Honorary Secretary & Convener of IIA Working Group

Professional Insurance Brokers Association (“PIBA”)

Mr Philip Mak, Chairman (Member)

Mr Gary Soo, Vice Chairman

Insurance Intermediaries

Mr Chan Yim-kwong, Convenor, Insurance Industry Regulatory and Development Concern Group (“ICG”) (Member)

Mr Jeff Wong, Past President, LUAHK; Past President, GAMA (Member)

Ms Joey Chan, Senior Manager – PR & Industry Affairs, LUAHK

Qualification Framework Secretariat (“QF Secretariat”)

Mr David Yu, Senior Manager (Item V only)

Miss Alice Wong, Assistant Manager; Secretary to the Insurance Industry Training Advisory Committee (Item V only)

I. Confirmation of action minutes of the 11th meeting

Action

1.1 Members’ comments have been incorporated and the minutes would be uploaded to FSB’s website.

II. Matters arising from the 11th meeting

(a) Progress on the preparation for data transfer

2.1 OCI reported that they were vetting proposals received for the service contract to set up the Insurance Intermediaries System (“IIS”) including the data transfer from the three Self-Regulatory Organizations

(“SROs”). Requisite time was necessary for OCI to review the technical details of the proposals as well as the contractors’ relevant credentials and experience. Under the anticipated timeframe for transition to IIA, the project would not be completed before IIA took up OCI’s regulatory functions and the service contract would need to be assigned to IIA. Hence, in tandem FSB/OCI needed to sort out with IIA issues on the transition of the service contract and the necessary interface of the IIS with IIA’s IT system before proceeding further. FSB/OCI would keep members informed of any updates.

FSB/OCI

(b) Draft guideline on pecuniary penalty, fit and proper criteria and continuing professional development (“CPD”) requirements

2.2 The Convenor said that written comments from HKFI on the draft guidelines on fit and proper criteria and CPD requirements, and from ICG on pecuniary penalty, fit and proper criteria and CPD requirements had been received and would be passed to IIA for consideration when finalising the relevant guidelines.

2.3 Regarding the proposed minimum education attainment of meeting the general entrance requirements for local undergraduate degree programmes which was discussed at the previous meeting, members opined that the minimum education attainment should be completing the senior secondary school curriculum (i.e. Form Six).

2.4 In response to Mr Y K Chan’s question on whether the Insurance Intermediaries Qualification Examination (“IIQE”) would still be valid if the licence of an insurance agent was revoked under the new licensing regime due to his cessation to be appointed by an authorised insurer for more than 180 days, the Convenor said that, under the current system, the IIQE qualification would become invalid if an insurance intermediary ceased to be engaged in insurance-related work in Hong Kong for two consecutive years. The two-year timeframe of the IIQE qualification would remain unchanged under the new licensing regime unless the IIA thought otherwise.

III. Update on the implementation of the Amendment Ordinance

3.1 PAS(FS)SD gave an update on IIA's recruitment exercise. Job advertisements for the recruitment of the directorate officers and other officers with direct regulatory duties had been published in end June 2016 with deadlines set on 23 July and 16 July 2016 respectively. In response to Mr Y K Chan's concern about staff retention by the SROs, the Convenor said he expected existing staff members of SROs would have an advantage in the recruitment exercise if they chose to stay until IIA took over the SROs' functions as their loyalty would count. IIA had briefed OCI staff on recruitment matters. The briefing was well received by OCI staff. As the current priority of IIA was to prepare for the taking over of OCI's statutory functions, it was anticipated that IIA would brief staff members of SROs similarly at a later stage to ensure a smooth transition and retain regulatory talents.

3.2 In response to Mr Y K Chan's question, the Convenor said that OCI staff members who were hired by IIA would have to continue working in OCI until the transition took place to ensure that OCI's functions would not be disrupted. In response to PIBA's question, the Convenor said that all applicants, including those from OCI and the SROs, would have to follow the same application procedure for IIA's openings.

3.3 PIBA expressed dissatisfaction with the absence of CIB and PIBA representatives at the new Industry Advisory Committees ("IACs"), though they noted that a representative from the insurance brokerage sector had been appointed. CIB opined that the IACs should have sufficient understanding of the functions of the SROs. The IAC for general business should have sufficient insurance brokers as members because they were professional advisors on general insurance businesses. Mr Y K Chan concurred that candidates with SRO experience would make valuable contributions to IIA. In response, the Convenor said that appointments to the IACs were made on a personal rather than institutional basis. Candidates with suitable experience and background would be considered for appointments to various committees such as the IACs and the future Insurance Appeals Tribunal and Expert Panel as appropriate.

IV. Elaboration on statutory conduct requirements for licensed insurance intermediaries to be prescribed by IIA

4.1 The Convenor said that the draft document, without pre-empting the decision of IIA, aimed at facilitating licensed insurance intermediaries to understand and comply with the relevant statutory conduct requirements. Having regard to the concerns raised by the industry during the legislative process, the first phase of the discussion would focus on three particular aspects i.e. the statutory conduct requirements on “best interests”, information disclosure and suitability. When preparing the draft, references had been made to the existing conduct requirements for insurance intermediaries promulgated by the SROs, other local and overseas financial regulators, and relevant international standards.

4.2 CIB opined that the same code of conduct should not be applied to both insurance agents and brokers as the role and legal obligations of the two types of licensed insurance intermediaries were very different. For instance, CIB opined that several items, namely “A licensee must only use the marketing materials approved or authorized by its or his appointing principal(s)”, “A licensee must not withhold from the client any written documentation relating to the insurance product” and “A licensee must not make comparisons of insurance products without clarifying the different product features” under item (e) on page 6 of the draft document were not applicable to insurance brokers. PIBA and HKFI/IARB concurred that there should be separate codes of conduct for insurance agents and brokers respectively.

4.3 Mr Y K Chan agreed with the approach of first focusing on the three aspects which had drawn particular attention during the legislative process. He also agreed with the principle stipulated under item (a) on page 1 of the draft document. He added that, while insurance brokers normally involved in specialised general insurance products, some of them also sold life insurance as in the case of insurance agents. He further opined that the future code of conduct should be formulated in tandem with industry development.

4.4 The Convenor explained that based on previous discussions at the Working Group, the draft elaborations aimed at identifying common

conduct principles and requirements which were applicable to both insurance agents and brokers though there were also broker-specific or agent-specific conduct principles. There could also be separate codes/guidelines for specific products or situations. CIB considered that the code should maintain a certain level of generality to set out the basic conduct requirements. Detailed guidelines specifying the conduct requirements that were specific to insurance agents and brokers respectively could be specified separately. CIB further suggested that consideration could be given to whether the code should spell out particular scenarios applicable to life insurance as against general insurance, and corporate clients as against individual clients.

4.5 The Meeting agreed with the working assumption that separate codes would be formulated for insurance agents and brokers respectively. Members' comments would be sought on whether particular conduct principles were applicable to insurance agents and brokers respectively. Members were also invited to provide relevant illustrative scenarios. FSB/OCI would then proceed with the drafting of the next version.

SROs
FSB/OCI

VI. Any other business

(a) Proposal to enhance recognition mechanism for Qualification Framework (“QF”) accredited programmes as qualified continuing professional development activities

5.1 As a related issue to the competence requirement that was discussed at the previous meeting, QF Secretariat made a presentation on the proposal to enhance recognition mechanism for QF accredited programmes as qualified CPD activities. The PowerPoint presentation is attached at Annex.

5.2 Mr Y K Chan said that as the proposal was not related to the transition to IIA and without a proper consultation, it was not appropriate for the WG to offer detailed comments on the proposal. CIB raised several concerns regarding the proposal: –

- (i) there were limited QF accredited programmes available in

- the market;
- (ii) while QF was helpful for the younger practitioners, it was unnecessary to mandate practitioners with more experience to attend QF programmes;
 - (iii) under the current arrangement, brokers could attend activities organised by relevant professional bodies as qualified CPD activities. Mandatory participation in QF programmes would restrict the options available to brokers;
 - (iv) the proposed minimum requirement of 15 CPD hours was too much; and
 - (v) IIA could consider setting up a CPD committee for accreditation of qualified CPD activities as the current accreditation fee was too high.

5.3 QF Secretariat explained that QF accreditation and participation in QF programmes were voluntary, and QF programmes targeted at practitioners with various experience levels. The quality of QF programmes was assured as they had to undergo accreditation by the Hong Kong Council of Accreditation of Academic and Vocational Qualifications (“HKCAAVQ”). QF Secretariat also explained that the accreditation fee was charged on a cost-recovery basis by HKCAAVQ.

5.4 In response to PIBA’s question, the Convenor explained that, as in other jurisdictions, the QF aimed at enabling employers to recognise skills acquired by individuals. QF Secretariat added that QF programmes normally consisted of assessments such as exams to assess the outcome of the programmes.

5.5 The Convenor said that the presentation by QF Secretariat was meant to be an information session and any proposal on the CPD framework would be subject to future discussions. Members could contact the QF Secretariat directly for any further comments or enquiries on the proposal.

END