

**Action Minutes of the 2nd Meeting of the Working Group to Facilitate
Smooth Transition to an Independent Insurance Authority
held at 11:00 am on 13 February 2014
in Room 2491, Financial Services Branch, 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)

Mr Paul Wong, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) Special Duties (Member)

Miss Lynette Yau, Assistant Secretary for Financial Services and the Treasury (Financial Services) Special Duties 3 (Secretary)

Office of the Commissioner of Insurance

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

Mr Cyrus Wong, Assistant Insurance Officer (Enforcement) A1

Mrs Rose Chan, Chief Executive Officer/Special Duties

The Hong Kong Federation of Insurers

Mr Allan Yu, Chairman of Task Force on the Independence of the Insurance Authority (Member)

Ms Selina Lau, General Manager, Communications & Committee

Insurance Agents Registration Board

Mr Ambrose Cheung, Chairman (Member)

Ms Alice Kong, Secretary General

The Hong Kong Confederation of Insurance Brokers

Mr Patrick Chan, Chairman (Member)

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

Professional Insurance Brokers Association

Mr Philip Mak, Vice Chairman (Member)

Mr Jase Yiu, Chief Administrative Executive

Insurance Intermediaries

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

Mr Jeff Wong, Immediate Past President, LUAHK; Past President, GAMAHK (Member)

I. Matters arising from the first meeting

Action

1.1 The meeting agreed that action minutes for the Working Group meetings would be prepared.

FSTB

(a) Compilation of a list of past codes and guidelines published by SROs

1.2 The lists for IARB and CIB had been completed, while some information was still pending PIBA's confirmation.

PIBA

(b) Transfer of complaint/appeal cases to IIA

1.3 The transfer process was represented in a diagram for easy reference. FSTB would send out a revised diagram for members' comments and inputs on any missing scenarios by 19 February 2014.

All

The meeting acknowledged that the right of an aggrieved party to seek redress should not be disrupted by institutional changes in the regulatory regime.

1.4 IARB and PIBA would work out the arrangements on transfer of complaint cases received but had not yet been processed by the date of commencement of the new licensing regime.

IARB
PIBA

(c) Options for handling pre-IIA applications for registrations and notifications on changes lodged with SROs

1.5 The Convenor thanked members' contributions. As the subject matter required focused discussion on technical details, FSB would hold a meeting with the secretariats of the SROs to follow up on the detailed arrangements.

FSTB

1.6 On the question of whether a registrant with an SRO should be refunded of membership/registration fee on a pro rata basis for the period of unexpired registration after the commencement of the licensing regime, the Convenor suggested that each SRO should determine its own refund policy.

(d) Progress on the preparation for data transfer

1.7 OCI had obtained relevant information from the three SROs on their respective work procedures and record-keeping system, and proceeded to draw up user requirements for the tendering process in building the data system for the future IIA.

OCI

(e) Draft guideline on “acting in the best interest of policyholders”

1.8 The Convenor explained that the best interest principle was laid down in the Insurance Core Principles (ICPs) published by the International Association of Insurance Supervisors (IAIS). Hong Kong, as an international financial centre and a member of the IAIS, was obliged to comply with the ICPs. The principle did not require agents to act as brokers to seek the best product (e.g. product with the lowest premium) in the market for their clients. Instead, it required

intermediaries to take into consideration the suitability of the products for their clients when tendering advice and declare any conflict of interest to facilitate a client to make informed decisions. The Administration noted the industry's concern and was willing to work with the industry in drafting a dummy guideline with illustrative examples to help intermediaries understand the principle. The guideline could serve as a handy reference for IIA when it prepared the relevant Code of Conduct for the industry. Members suggested that there should be separate sets of guidelines applicable to agents and brokers respectively.

1.9 The meeting noted HKFI's suggestion of giving the assurance that compliance with the relevant guideline issued by the IIA would constitute compliance with the statutory principle. The Convenor said the Administration would consider but explained that, as a general rule, a non-statutory guideline usually had evidential value, i.e., it was admissible in court as evidence of how the regulator interpreted the law.

II. Items suggested by PIBA and HKFI/IARB

New items to be discussed by the Working Group

2.1 In its paper, PIBA proposed to (i) extend the function of the Working Group; (ii) set up a body similar to the Independent Police Complaints Council as one of the checks and balances; and (iii) make reference to the current structure of IARB for the composition of IIA's disciplinary boards. The meeting noted that the subject matters fell outside the scope of the Working Group. As the Working Group had to deal with more pressing transitional issues, a separate meeting with members would be arranged to discuss comments and suggestions on the disciplinary process.

FSTB

2.2 On the interface with the Liaison Meetings between OCI and the SROs, the meeting noted that all transitional issues related to the establishment of the IIA would be dealt with by the Working Group.

2.3 The meeting agreed that the handling of CPD reporting would

be discussed at the next meeting.

III. Any other business

3.1 There being no other business, the meeting was adjourned at 1pm.

END