

**Action Minutes of the 3rd Meeting of the Working Group to Facilitate
Smooth Transition to an Independent Insurance Authority
held at 11:00 am on 5 June 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)

Miss Peggy Fu, Senior Insurance Officer (Enforcement)

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)

Insurance Agents Registration Board

Mr Ambrose Cheung, Chairman (Member)

Ms Alice Kong, Secretary General

The Hong Kong Confederation of Insurance Brokers

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

Mr Eric Lee, Secretary-General & Registrar

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; (Member)
Past President, GAMAHK

I. Confirmation of action minutes of the 2nd meeting Action

1.1 The action minutes, with Members' comments incorporated, had been uploaded to FSB's website on 11 April 2014.

II. Matters arising from the 2nd meeting

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

2.1 OCI reported that the list had been completed. OCI would keep in view any revisions to the codes and guidelines to be introduced by SROs before the establishment of the IIA and update the list accordingly. The compendium of past codes and guidelines would be the reference for the IIA when handling a conduct complaint in relation to an event occurred in pre-IIA period as it was stated in the IIA Bill that the IIA as well as the Insurance Appeals Tribunal had to adopt the prevailing standard at the time the pre-IIA event occurred because new standards would not have retrospective effect. OCI

(b) Transfer of complaint/appeal cases to IIA

2.2 CIB would provide inputs on its additional scenarios (including that related to a special suspension power that could be exercised by its Disciplinary Committee in the public interest and suspension during appeal period) as supplementary information to the flow charts in WG Paper No. 2/2014 after the meeting. The paper with the flow charts would be uploaded onto FSB's website so the industry practitioners as CIB

well as members of the public would have a better idea of the proposed arrangements in detail. Members would update the flow charts if necessary nearer to the D-day.

[Post-meeting note: The revised WG Paper No. 2/2014 was circulated to members for further comments by 11 June 2014 before uploading it onto FSB's webpage.]

All

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

2.3 The Meeting agreed to upload WG Paper No. 1/2014 onto FSB's webpage for public information. There would not be a specific date for the D-day for the time being so as to avoid any confusion. The Meeting also agreed that the publicity plan should be discussed at an appropriate juncture when a more concrete date of the commencement of the new licensing framework was clearer.

[Post-meeting note: The revised WG Paper No. 1/2014 was circulated to members for further comments by 11 June 2014 before uploading it onto FSB's webpage.]

All

2.4 The Meeting agreed that it would be left to each SRO to decide on whether there would be any partial refund of unexpired membership/registration fee.

SROs

(d) Progress on the preparation for data transfer

2.5 OCI was formulating the user requirements for the tendering process in building the data system for the future IIA. This piece of infrastructure was essential to the operation of the licensing framework. Steady progress was made in this regard.

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

2.6 This item was discussed together with Item V below.

III. Progress update on the IIA Bill

3.1 FSB briefed members on the latest progress on the legislative exercise for establishing the IIA. The Bill was introduced into the Legislative Council on 30 April. A Bills Committee, chaired by the Hon. Wong Ting-kwong, had been formed and the Administration's communication with the Bills Committee would be uploaded on to the dedicated webpage of the Bills Committee. FSB undertook to circulate to Members papers/responses issued to the Bills Committee for information. The Meeting noted that the Bills Committee would hold meetings for public deputation on 24 and 30 June 2014. FSB briefed Members on the legislative process and explained how committee stage amendments could be proposed to further refine the legislative provisions.

FSB

IV. CPD requirement

4.1 Noting that SROs had different cut-off dates for reporting CPD hours and used different pro-rata bases for calculating the number of CPD hours for registration period less than one year, OCI undertook to prepare bridging options for consideration by the Working Group. The proposal would be circulated for comments when ready and a sub-group could be convened if necessary.

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V. Drafting of conduct guidelines for IIA's reference

5.1 FSB explained to the meeting that there were provisions covering the transition of powers from OCI to the IIA and the existing notices and guidelines issued by OCI would continue to be effective upon the establishment of the IIA. The IIA would also need to issue new rules, guidance notes and codes, some of which were required statutorily (e.g. the guidelines on pecuniary penalties). OCI undertook to prepare a list of guidelines that IIA would be required to issue for Members' reference. FSB and OCI might attempt to draft the envisaged outline of code of conduct for insurance intermediaries. IARB suggested that the draft documents should be available for comments by the industry and reference by the Bills Committee. The Convenor emphasized that all such preparatory work was meant to

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facilitate the IIA to get prepared to administer the licensing framework as soon as practicable but would not pre-empt the formulation of IIA's regulatory tools and guidance documents to be promulgated by it after industry/public consultation. CIB suggested that current professional ethical standards of the SROs should be retained as far as practicable in the regulatory tools and guidance documents issued by the IIA in future. ICG suggested the future codes of conduct for insurance intermediaries should be separated into those applicable to agents, and to brokers, and should incorporate the essence of the codes now promulgated by the respective SROs.

VI. Any other business

6.1 FSB undertook to clarify in writing that the establishment of the IIA did not intend to eliminate any existing group(s) of practitioners. FSB

6.2 CIB was of the view that the requirement for an insurance broker company to notify IIA at least one month before the appointment of a TR was too long. CIB would submit a proposed revision to the requirement. CIB

6.3 CIB commented that if a wrongdoing deserved a reprimand, it should be made public. Private reprimand was inappropriate as an effective disciplinary sanction because employers and members of the public would not be informed that an intermediary had been reprimanded previously. If the private reprimand was meant to serve the purpose of a warning against minor or technical breach, it should be termed as "warning". The Convenor said the suggestion could be debated at the Bills Committee.

6.4 FSB explained that the existing restrictions on an individual dealing with agency business for more than one agency, and dealing with agency and broking business simultaneously remain the same under the new regime (section 64J and 64K of the Bill). The policy intention was to retain such restrictions. If the industry considered that the relevant provisions in the IIA Bill were ambiguous, the Administration was happy to further refine the drafting in consultation with the Department of Justice. It would be helpful if the industry could let FSB know exactly the ambiguity identified for further follow up actions.

FSB and HKFI would discuss at a separate meeting on the drafting issue.

FSB &
HKFI

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

END