

**Action Minutes of the 4th Meeting of the Working Group to Facilitate
Smooth Transition to an Independent Insurance Authority
held at 3:00pm on 30 July 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)

Miss Christine Pang, Senior Executive Officer (Special Duties)

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)

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 Andrew Tong, Immediate Past Chairman

Mr Gary Soo, Hon Secretary

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. Confirmation of action minutes of the 3rd meeting

Action

1.1 The action minutes, with Members' comments incorporated, had been uploaded to FSB's website on 24 June 2014.

II. Matters arising from the 3rd meeting

(a) Progress on the preparation for data transfer

2.1 OCI reported that it was preparing the user requirements for the tendering process in building the data system for the future IIA. In preparation for the transfer of records kept by SROs to the IIA, OCI would like to seek SROs' assistance in stocktaking the format (e.g. hard copy, soft copy, scanned copy, etc.) and volume of all their records maintained over time since the start of the SRO regime in June 1995. These included information on records of registrations, complaint cases, disciplinary cases and appeal cases that had been dealt with by SROs. It was also explained that information on complaints that had had no prima facie cases or unsubstantiated cases were important for the IIA to uphold the principle that it would not re-open cases closed by SROs. SROs were requested to provide the above information to OCI for reference.

SROs

(b) Codes and guidelines to be issued by IIA

2.2 The Convenor said OCI had compiled a list of existing guidelines vis-à-vis possible codes and guidelines that the IIA might need to develop (WG Paper No.3/2014). The Convenor invited SROs to review the list and advise (i) whether there were any other existing codes and guidelines that should also be included for the future reference of the IIA; and (ii) whether there were any gaps or areas of improvement in the existing codes and guidelines which the IIA should look into in order to formulate its codes and guidelines under the statutory licensing regime. PIBA advised that it was amending its member regulations and would update the Working Group when the work was completed.

SROs

PIBA

[Post-meeting note: A revised WG Paper No.3/2014 was circulated to the secretariats of the SROs for comments after the meeting.]

2.3 The Convenor explained that the list of codes and guidelines was intended for the IIA's reference only and should not be taken as a commitment of the IIA to accept the content of the codes and guidelines. As the IIA would be required to consult the industry before issuing codes and guidelines, the industry could make use of the opportunity then to reflect their views on the drafts to the IIA.

2.4 On the "best interest" principle, the Convenor said that the Administration would keep this statutory principle of conduct requirement. IIA would issue guidelines to specify details of the requirements. FSB would continue to work with stakeholders to facilitate industry's compliance with the principle.

(c) CPD reporting

2.5 OCI presented a discussion note on CPD reporting under the IIA licensing regime. After considering that the majority of intermediaries were agents and the deadlines of other regulatory returns, OCI proposed to use IARB's current deadline of 31 July for reporting CPD requirements of insurance intermediaries for the future IIA regime. The current requirement for 10 CPD hours per year was expected to remain. As for intermediaries who had not been licensed for the full

assessment year, OCI proposed that the CPD requirement should be calculated based on a daily pro-rata basis. It was also clarified that CPD returns for insurance and MPF should be submitted to IIA and MPFA separately. SROs were invited to comment on the discussion note.

SROs

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 Bills Committee would first deliberate on the policy objectives of the IIA Bill, to be followed by clause-by-clause examination. The target was to complete the scrutiny of the Bill by mid-2015. The Bills Committee had held four meetings, including a session for public deputation, before the summer recess, and the next meeting was tentatively scheduled for 18 September 2014. FSB would continue to keep members posted of progress.

FSB

IV. Any other business

4.1 CIB explained that SROs were already having difficulties in retaining and hiring staff from now until the establishment of the IIA. In view of the uncertain job prospects after the IIA was set up, many experienced staff had left CIB and the problem would intensify nearer the establishment of the IIA. It suggested that after IIA started its recruitment, secondment of IIA's staff to SROs should be arranged to ensure the smooth operation of SROs until the commencement of the IIA's statutory licensing regime. Mr Y K Chan suggested that a "deferred employment" model could be adopted where SRO staff hired by IIA would continue working at their respective SROs until the commencement of the statutory licensing regime. PIBA said that it faced similar difficulties and supported the proposed solutions.

4.2 The Convenor responded that OCI was facing similar problems. He said that according to the latest progress, it was estimated that the statutory licensing regime would commence no earlier than mid-2017. He agreed that it was important to maintain staff stability during this transition period and would put forward Members' suggestions to the IIA for consideration.

END