

**Action Minutes of the 6th Meeting of the Working Group to Facilitate
Smooth Transition to an Independent Insurance Authority
held at 2:30pm on 3 February 2015
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)

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

Mr Adrian Lam, Assistant Secretary for Financial Services and the Treasury (Financial Services) Special Duties 1

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 (HKFI)

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 (IARB)

Mr Ambrose Cheung, Chairman (Member)

Ms Alice Kong, Secretary General

The Hong Kong Confederation of Insurance Brokers (CIB)

Mr Bhabani S. Rath, Chairman

(Member)

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

Mr Eric Lee, Secretary-General & Registrar

Professional Insurance Brokers Association (PIBA)

Mr Philip Mak, Vice Chairman

(Member)

Mr Gary Soo, Hon Secretary

Insurance Intermediaries

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

(Member)

Mr Jeff Wong, Past President, LUAHK; Past President, GAMAHK

(Member)

I. Confirmation of action minutes of the 5th meeting

Action

1.1 There were no comments on the action minutes and the minutes had been uploaded to FSB's website.

II. Matters arising from the 5th meeting - Progress on the preparation for data transfer

2.1 OCI reported that it was drafting the tender document for building the information system for the direct supervision of insurance intermediaries of the independent Insurance Authority ("IIA") and would be seeking SROs' consent to set out their current computer system specifications in relation to data transfer in the document therein.

OCI/SROs

2.2 OCI had scheduled a follow-up meeting with PIBA to further go over their record-keeping system prior to its system revamp. The Working Group noted that IARB had agreed to retain the records of appeal cases until the establishment of IIA.

OCI/PIBA

III. Progress update on the IIA Bill

3.1 PAS(FS)SD briefed Members on the latest progress on the legislative exercise for establishing the IIA. The target was to complete scrutiny of the Bill by the Legislative Council by July 2015.

3.2 On CIB's proposal to shorten the notification period prior to the appointment of Technical Representative (broker), etc. from one month to seven days (section 64Q under Clause 71 of the Bill), PAS(FS)SD said the initial proposal was to shorten the notification period to ten working days. In response to CIB's suggestion that the notification period should be further reduced, the Convenor said that the Bureau would consider the proposal having regard to practical operational considerations.

FSB

3.3 On CIB's proposal to lower the pecuniary penalty for failure in filing or late notification of changes in particulars of an insurance intermediary which would not be shown on the public register (section 64P under Clause 71 of the Bill), PAS(FS)SD said that the Department of Justice was being consulted.

3.4 The Working Group noted that HKFI was awaiting legal advice regarding possible refinement to the wording of the "best interest" conduct principle and would submit its proposal in two weeks' time.

3.5 The Convenor clarified that disciplinary proceedings would not lead to criminal liability on insurers or insurance intermediaries. Only criminal acts such as knowingly misleading IIA or intentionally giving false information during inspections and investigations would constitute criminal offences. The Bill also did not have provisions denying rights to legal representation in disciplinary proceedings.

IV. SROs' presentation on existing disciplinary proceedings

4.1 The Convenor invited the SROs to present to Members their existing disciplinary proceedings. He then tasked the Bureau to prepare a summary to highlight key differences between the existing practices of the SROs and the views of Members to facilitate IIA to

FSB

formulate its disciplinary procedures.

V. Any other business

5.1 In response to HKFI's query on the latest timetable for establishing IIA, the Convenor said that within three months after enactment of the Bill, the Provisional Insurance Authority ("PIA") would first be established to carry out preparatory work. When ready, PIA would be renamed and take up the existing duties of OCI in the second stage, then take over the regulation of insurance intermediaries from the SROs in the third stage. Assuming that scrutiny of the Bill by the Legislative Council could be completed by July 2015, the statutory licensing regime for insurance intermediaries was expected to commence in around mid-2017. The Bureau would circulate a note to explain the steps and timeframe in establishing the IIA for Members' reference.

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[Post-meeting note: The note on Three Stages in Establishing the Independent Insurance Authority was circulated to Members on 10 February 2015.]

5.2 CIB followed up on its suggestion raised at the last meeting on waiving its annual fee payable to OCI in order to relieve its financial burden during the period leading to the transition to IIA. HKFI requested similar compensation/subsidy for the cost incurred before, during and after the transitional period, e.g. transfer of data. The Convenor responded that it would be difficult to justify the use of public money for such a purpose.

5.3 OCI had worked with the SROs in compiling the past and existing codes and guidelines issued by them for IIA transitional arrangement purpose. It was put forward that such information be posted on FSB's website corner of "Working Group on Transition" for the public's reference. SROs responded that the effective and expiry dates of such codes and guidelines should be clearly stated, and agreed to consider the matter and revert back.

SROs

VI. Date of next meeting

6.1 The meeting originally scheduled for 25 March 2015 would be rescheduled.

END