

**Action Minutes of the 8<sup>th</sup> Meeting of the Working Group to Facilitate  
Smooth Transition to an Independent Insurance Authority  
held at 3:30pm on 24 June 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)

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

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

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

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 (ICG) (Member)

**I. Confirmation of action minutes of the 7<sup>th</sup> 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 7<sup>th</sup> meeting**

**(a) Progress on the preparation for data transfer**

2.1 OCI said that for the purpose of preparing the tender document, it had issued letters to the three SROs to enquire about the volume of their registrants' data. The consent of the three SROs were also sought for the disclosure of the aforementioned data as well as the specifications of their computer systems in the tender document to facilitate bidding contractors' evaluation of the resources required.

OCI/SROs

**III. Progress update on the IIA Bill**

3.1 The Convenor said that the LegCo Bills Committee had completed scrutiny of the IIA Bill and the proposed Committee Stage Amendments on 5 June 2015. The resumption of Second Reading debate and Third Reading of the Bill was scheduled for 8 July 2015. He thanked Members for their contributions throughout the legislative exercise. He said that the Government had endeavoured to incorporate comments from the industry as much as possible while maintaining a balance among different policy considerations. He appealed for Members' continuous support for a seamless transition from the current

self-regulatory regime to the IIA regime.

3.2 The convenor invited Members' view on engaging practitioners to keep them updated of the final version of the Bill and the timetable of establishing IIA. CIB suggested keeping the communication channels simple and considered that SROs could disseminate to their members the Government's information on the timetable and significant changes to the current regime. PIBA agreed to CIB's suggestion and requested bilingual information be prepared to cater for some small-scaled local broker members. HKFI said apart from issuing circulars to its member insurers, it would also hold briefing sessions and advise insurers to further disseminate the messages to their agents.

3.3 The Convenor noted that some intermediaries still had misunderstandings towards the new IIA regime and suggested preparing FAQs to address these issues. Mr Y K Chan proposed that the FAQs could include topics on the drafting of conduct guidelines, pecuniary penalty and disciplinary process, in particular whether any misconduct would constitute criminal offence. He also requested a copy of the FAQs be sent to ICG. The Convenor said that FSB would issue a letter to SROs and relevant trade bodies to announce the enactment of the Bill and publish a set of FAQs in simple language for dissemination to individual practitioners through Members. FSB would prepare a list of draft questions and invite further suggestions from Members.

All

#### **IV. Costs incurred by SROs for transitional arrangements**

4.1 HKFI said that after the IIA Bill was enacted, SROs would be required to transfer all data related to the current self-regulatory regime to the future IIA. It was obtaining a quotation from its vendor and considered that the costs of the data transfer should be counted as part of IIA's setup cost and reimbursed by the Government. PIBA agreed and said that it had to hire additional staff for carrying out transitional work. CIB added that administrative costs incidental to the establishment of IIA should also be reimbursed by the Government. For example, the preparation of case briefs for handing over disciplinary cases to IIA for follow up and the increase of legal cost for speeding up disciplinary proceedings before the transition.

4.2 The Convenor responded that the Government could not make any commitment at this stage. He invited SROs to prepare a detailed breakdown listing out all relevant items and costs for further discussion at the next meeting.

## **V. Any other business**

### **(a) Code of Conduct – Draft Guidance on “Best Interests Requirement”**

5.1 The Convenor said that members of the Bills Committee agreed that the Code of Conduct should be set out in non-statutory guidelines. To serve as a handy reference for IIA when it prepares the Code of Conduct, a think piece on the “best interests requirement” for insurance agents was prepared and issued to members of the Working Group on 30 October 2013 for comments. It would be useful for the industry to come up with more illustrative examples to beef up the document.

5.2 Mr Y K Chan appreciated that the paper, which targeted at insurance agents, had indicated a separation between insurance brokers and agents. However the proposed rules covered mainly the financial planning process involved in handling life insurance policies with cash values or account values, which were not applicable to the sale process of general insurance policies or long term insurance policies without cash value. He suggested setting up a sub-group to be led by OCI to further work out the details of the draft guidance. The sub-group should comprise representatives from other agent associations, such as those representing general insurance agents. He believed that agents were willing to work with the Government and provide further inputs to improve the draft guidance.

5.3 HKFI said that it would study the draft guidance and revert.

## **VI. Date of next meeting**

6.1 The next meeting was tentatively scheduled for September 2015.

**END**