

**Action Minutes of the 9th Meeting of the Working Group to Facilitate
Smooth Transition to an Independent Insurance Authority
held at 3:00pm on 22 October 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 Vinci Chan, Assistant Secretary for Financial Services and the Treasury (Financial Services) Special Duties 1

Mr Michael Li, 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

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)

Insurance Intermediaries

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

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

I. Confirmation of action minutes of the 8th meeting

Action

1.1 Members' comments had been incorporated and the minutes had been uploaded to FSB's website.

II. Matters arising from the 8th meeting

(a) Progress on the preparation for data transfer

2.1 OCI reported that it had recently received all the replies from SROs and was reviewing the information provided. In response to CIB's query, OCI explained that information on the data volume and system specifications of the existing databases of SROs would be essential for inviting tenders from IT contractors for the new computer system for insurance intermediaries. OCI would follow up with OCI/SROs individual SROs on their replies as necessary.

2.2 CIB expressed concerns that the transfer of data might possibly contravene the Personal Data (Privacy) Ordinance ("PDPO"). The Convenor assured the meeting that the Insurance Companies (Amendment) Ordinance 2015 ("Amendment Ordinance") had built in provisions to take care of the situation.

[Post-meeting note: Sections 120 and 121 under Part 9 of new Schedule 11 added by section 98 of the Amendment Ordinance impose a statutory requirement on the SROs to provide IIA with necessary records and assistance. Section 122(5) further provides that such a data transfer does not amount to a breach of duty of confidentiality or a

contravention of the PDPO.]

III. Cost incurred by SROs for transitional arrangements

3.1 HKFI presented the quotation from its contractor and pointed out that depending on the actual work required on the SROs, some of the items might not be applicable. OCI explained that the data transfer would mainly involve (i) downloading the existing data from SROs' systems, and (ii) uploading them to the new system of IIA, and SROs' involvement would be required for the former step only. As downloading of data would be a relatively simple task, it was anticipated that SROs' involvement and hence the cost incurred by SROs should not be too significant. In response to SROs' query, the Convenor said that discussions on technicalities of the transfer process could be arranged later after OCI's contractor came on board. It was also noted that some peripheral systems necessary to maintain and/or administer the database should be taken into account in estimating the system requirement for data transfer.

3.2 CIB opined that in case SROs' data could not be simply transferred to the new system of IIA, there should be an undertaking from the Government or IIA that additional costs incurred for any modifications or programming to the SROs' database should not be borne by the SROs. CIB further requested information on the specific details of the new computer system for insurance intermediaries be shared with the SROs. HKFI suggested that the seed money of IIA be used to finance the data transfer process. In response, the Convenor said that the tender document would be a confidential document but we could arrange meetings between the contractor and the SROs after the award of the contract. Since OCI had yet to assess the system specifications of the existing databases of SROs and the actual cost that might be incurred by SROs had yet to be identified, FSTB would keep an open mind at the current stage as to the source of financing such additional costs.

(The Convenor excused himself from the meeting after concluding the discussion of this item.)

IV. Update on the implementation of the Amendment Ordinance

4.1 PAS(FS)SD reported that the Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2015 (“the Notice”) was tabled in the Legislative Council on 14 October 2015. The Notice aimed to bring into effect from 7 December 2015 provisions of the Amendment Ordinance necessary for the establishment of the Provisional Insurance Authority (“PIA”).

4.2 Regarding the indicative timeline of the phased commencement of the Amendment Ordinance, CIB suggested that a more specific timeline should be prepared to facilitate the SROs to better plan for their operation, such as leasing of office premises and staffing, during the transition period. IARB added that the timeline should list out critical tasks to be completed at a particular stage. In response, PAS(FS)SD said that the current timeframe was the best estimate at this stage and the actual timeline would depend on the readiness of PIA/IIA to take up the regulatory functions of OCI and the three SROs. FSTB would keep the Working Group informed of the progress. In response to PIBA’s query, PAS(FS)SD added that after the setting up of PIA, FSTB would discuss with PIA on its involvement in the Working Group to facilitate the transition of tasks to be taken up by IIA in the future.

FSTB

V. Work plan for discussions on codes and guidelines

5.1 PAS(FS)SD briefed the meeting on the proposed work plan for discussion on codes and guidelines that may be issued by IIA. Making reference to the Appendix of WG Paper No. 3/2014 first prepared for the meeting held on 30 July 2014, CIB raised that insurance agents should be subject to the same remuneration disclosure requirement as insurance brokers. In response to CIB’s comment, PAS(FS)SD said that the Appendix aimed to reflect the current practice and as indicated at the Bills Committee, it was not our intention to change the existing requirement on remuneration disclosure. Mr Y K Chan added that the different disclosure requirements reflected the different roles of agents and brokers, and such a principle had been upheld on various occasions. In response, CIB disagreed with establishing differential standards just because it was the current situation as CIB considered that it was still

“work in progress” and should be subject to further discussion in the interests of consumers. After discussion, the meeting agreed to adopt the proposed work plan for discussions on codes and guidelines.

VI. Any other business

(a) Licensing of employees of insurers as insurance agents

6.1 HKFI said that it had received enquiries from insurers on whether certain activities would constitute “regulated activities” under the Amendment Ordinance and thus subject to licensing requirement. It was consolidating these insurers’ enquiries and would approach OCI in due course.

(b) Meeting schedule in 2016

6.2 The meeting agreed that the meeting schedule in 2016 would follow the proposed work plan for discussions on codes and guidelines. The next meeting would be tentatively scheduled for January 2016.

END