

Forum on Proposed Establishment of an Independent Insurance Authority

Questions & Answers

1. Question from Mr. Wong (Realife)

Under the regular supervision of the government authorities, the problem of “Lehman Brothers” still happened. Will there be a rather comprehensive measure of supervision formulated in the independent Insurance Authority?

Answer (Annie Choi)

- Different sales environment and client profile between bank staff and insurance intermediaries outside banks
- Insurance Authority (IA) is the primary regulator. They are authorized to lay down rules and regulations on the supervision of insurance intermediaries.
- Hong Kong Monetary Authority (HKMA) may impose additional conduct requirements on bank employees, however, they are not given the power to approach insurers for investigation and instead, they have to report to IA.
- As bank employees selling insurance products are playing the role of agents of the insurers, they also have to follow the rules and regulations laid down by IA.
- With the establishment of independent IA, their operation will become more efficient in all aspects.

2. Question from Mr. Johnson Lee (Manchester)

As we understand that bank insurance sales are also agents of the insurers, why bank insurance sales and insurance intermediaries outside banks have to be supervised separately?

Answer (Annie Choi)

- IA is receiving more than 100 complaints each month. They have done lots of work, however, “Fairness is done but not seen to be done”.
- HKMA is also an independent body, they will not favour any bank insurance sales who have committed any wrongful act.
- The existing supervision regime was formulated more than 10 years, it may not be satisfied with the needs of the public nowadays.

3. Question from Mr. Philip Mak (Apex)

Bank insurance sales are actually agents of the insurers but they are under the supervision of HKMA. Insurers are responsible for Is HKMA authorized to approach insurers for investigation on the fraudulent act/misconduct of bank insurance sales?

Answer (Annie Choi)

- HKMA is not given the power to approach insurers for investigation and instead, they have to report to IA in this respect.

Comments from Mr. Philip Mak

Suggested that bank employees should not be allowed to sell insurance.

4. Question from Mr. Ricky Chu (SK Insurance)

What is mentioned in the Consultation Paper is to keep on saying that an independent Insurance Authority has to be established.

What is the reason why the existing self-regulatory organizations (SROs) could not be independent?

Answer (Annie Choi)

The proposed establishment of an independent IA is to keep in pace with international practices, in order to maintain the stability of the insurance industry.

Comments from Mr. Ricky Chu

Totally disagreed on the proposal of establishing an independent IA.

5. Question from Mr. Joseph Sit (JM Insurance)

Why should there be an independent IA? What is the advantage of establishing such organization? Is there any problem with the existing SRO system?

Answer (Annie Choi)

- After the financial turmoil, there is a multiple increase of workload and thus the increase of manpower is necessary.
- IA, as a government department, has to follow the governmental rules.
With the establishment of independent IA, they will have more flexibility in operations and staff recruitment etc.

Comments from Mr. Joseph Sit

IA should review the existing SRO system and seek for improvement, instead of establishing an independent IA

6. Question from Mr. Poon

What is the function of the Advisory Committee and the Directors of the Governing Board of the independent IA?

What is the advantage of establishing an independent IA?

Answer (Annie Choi)

- The Advisory Committee will be focused on the issues in relation to the insurance industry.
- Directors of the Governing Board are selected from a cross-section of the community but there will not be a representative from the insurance industry. As the independent IA will be financially independent, they will have more flexibility in operations and staff recruitment etc.

7. Question from Mr. Kamson Lam (TransPacific Insurance)

Where bank employees are allowed to sell insurance, will there be a conflict of interest in this respect? (Take for an example; it is revealed that the Octopus Card has been selling their clients' personal information to other commercial organizations for money making.)

Answer (Annie Choi)

- As mentioned before, bank insurance sales are also agents of the insurers; they have to also observe the rules and regulations laid down by IA.
- Talking about the Octopus Card incident, it is also where insurance companies are involved.

Comments from Mr. Kamson Lam

Do not believe that separate supervision on bank insurance sales and insurance intermediaries outside banks is a good system.

8. Question from Mr. Geoffrey Lung (MI Insurance)

With the proposed establishment of independent IA, will it create too much cost for the small and medium enterprises (SMEs)? And will it be difficult for the SMEs to follow the new code of practice?

Answer (Annie Choi)

In order to reduce the impact on the insurance industry, they have already figured out some mitigating measures in this respect. Therefore, the Code of Practice and fees etc. for intermediaries may not vary much.

Comments from Mr. Geoffrey Lung

The effect of supervision by the independent IA may not be so good as expected.

9. Question from Mr. Ricky Kan (Chartis Insurance)

To cap with the purpose of aligning with the international practices for the proposed establishment of independent IA, I doubt that which country in the world is adopting such system of separate supervisions over one particular industry?

Answer (Annie Choi)

As a matter of fact, independent insurance authority has been set up in most of the developed countries.

Comments from Mr. Ricky Kan

- Bankers have gathered/kept quite a lot of their clients' personal information which provides them with superior conditions in selling insurance products and this is unfair to the insurance intermediaries outside banks.
- Banks should sell insurance through their separate insurance divisions
- We do not mean that additional conduct requirements should be imposed to banks selling insurance but we support fair competition.

10. Comments from Mr. Eric Chui

- In Canada, banks are not allowed to sell insurance
- Not only bank insurance sales, loss adjusters should also be supervised

11. Comments from Mr. Patrick Ho (HKCII President)

- From the report of IMF, it indicates that many of the developed countries are still adopting the SRO system of supervision and they do not see there is any problem with the existing SRO system in Hong Kong.
- HKIA should increase its transparency and independency etc.

Answer (Annie Choi)

The IMF report as mentioned by Mr. Patrick Ho was made in Year 2003. Requirements on improvement have already been asked for in recent years.

12. Mr. Norman Tsang invited Comments from Mr. Bernard Chan

- HKIA's duty is to oversight the insurance industry but not overlook
- The problem is not how the insurance intermediaries are going to be supervised by IA, on the contrary, it should be a problem of how the IA is going to supervise the insurance intermediaries.

Answer (Annie Choi)

- Talking about supervision, may it be too mild or too harsh has nothing to do with the proposed establishment of independent IA, it all depends on the needs of the public.
- Welcome opinions on the charge of policy fees, should there be any maximum amount capped etc.

Summary on Transitional Arrangement by Annie Choi

- It is a rather complicated process, they have to discuss with the SROs.
- Requirement for licence issuance for intermediaries will not vary from the existing ones.
- Stressed that charge of licence fees must be written in the rules and prior consultation must be gone through.
- Would like to invite opinions of improvement, if any.