

23 November 2021

By Email

To: Responsible Officers of all Licensed Insurance Broker Companies

Dear Sirs,

Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41L) Savings and Transitional Arrangements

The Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41L) (“Broker Rules”) came into force on 23 September 2019. The Broker Rules set out the requirements applicable to licensed insurance broker companies for minimum share capital, net assets, professional indemnity insurance, the keeping of proper books and records, and contents for audited financial statements and auditor’s report.

To ameliorate the impact of those requirements in the Broker Rules which are new (compared to the requirements under the previous self-regulatory regime), the Broker Rules include Savings and Transitional Arrangements (“Transitional Arrangements”). These Transitional Arrangements gradually step-up the new requirements for “specified broker insurance companies”¹, being licensed insurance broker companies which were previously registered under the self-regulatory regime (and which continue to be licensed under the new regulatory regime). This stepping-up takes place in phases until 31 December 2023.

In line with this phased stepping-up of the new requirements, we take this opportunity to remind specified insurance broker companies of the following requirements under the Broker Rules which they must comply with as of the dates as mentioned below:

Share Capital and Net Assets

As from 1 January 2022, the amount of paid-up share capital and net assets which a specified insurance broker company must maintain at all times increases from HK\$100,000 to HK\$300,000 (pursuant to rules 3 and 4(1) of the Broker Rules).

To comply with these requirements from 1 January 2022, specified insurance broker companies (which have not already done so) must increase their paid-up share capital and net assets to an amount of not less than **HK\$300,000 by 31 December 2021**.

¹ Specified insurance broker company means a company which was immediately before the commencement date (i.e. 23 September 2019) registered with an approved broker body as a member and regarded as having been granted an insurance broker company licence under section 66 of Schedule 11 to the Insurance Ordinance on the commencement date.

Audited Financial Statements

Specified broker companies must comply with the requirements in relation to audited financial statements under rule 8(2) of the Broker Rules, for each financial year beginning on or after 1 January 2021 onwards. As such, the period from 1 January 2021 to 31 December 2021 is the first financial year to which rule 8(2) of the Broker Rules will apply.

Rule 8(2) of the Broker Rules requires a licensed insurance broker company to include the following information in its financial statements to be submitted to the Insurance Authority under section 73(1) of the Insurance Ordinance (Cap. 41) (“IO”):

- (a) insurance brokerage income for the financial year distinguishing between general business and long term business;
- (b) aggregate balances of cash held in its client accounts as at the end of the financial year; and
- (c) insurance premiums payable as at the end of the financial year.

Accordingly, specified insurance broker companies must ensure their books and records have captured the above information since 1 January 2021 so that it can be included accurately in their financial statements for each financial year commencing on and after 1 January 2021 (including the financial year running from 1 January 2021 to 31 December 2021).

Consequence of Non-compliance with the Broker Rules

Any failure to comply with the Broker Rules may jeopardize a licensed insurance broker company’s fitness and properness and give rise to disciplinary action under section 81 of the IO. The penalties include reprimand, pecuniary fine, suspension of licence or revocation of licence. Specified insurance broker companies must therefore ensure they comply with the new requirements by the above effective dates.

Should you have any questions, please contact us via brokers@ia.org.hk.

Yours faithfully,

Peter Gregoire
Head of Market Conduct Division
General Counsel
Insurance Authority

c.c. Professional Insurance Brokers Association
The Hong Kong Confederation of Insurance Brokers