

保險業監理處

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In reply please quote this ref. INS/TEC/6/15/9

19 March 2010

來函檔號 Your ref.

電話 Tel. 2867 4631

To: Chief Executives of all authorized insurers

Dear Sirs,

**Financial Stability Board (“FSB”) Principles for
Sound Compensation Practices and Implementation Standards**

You may be aware that the G-20 Leaders have endorsed the FSB Principles for Sound Compensation Practices and Implementation Standards for the financial industry. The International Association of Insurance Supervisors (“IAIS”) is currently drafting its Standard and Guidance on Remuneration, taking into account the FSB Principles and the special operating environment of the insurance sector. Hong Kong, being a member of the FSB, fully supports the FSB Principles. The Insurance Authority will, upon promulgation of the IAIS Standard later this year, issue further guidance to all insurers.

In the meantime, I would urge you to review your company’s remuneration framework to ensure that it is in line with the FSB Principles. Briefly, the remuneration policies should promote stability and avoid excessive short-term returns or risk-taking. The board should set clear lines of responsibility and accountability throughout the organization to ensure that the remuneration system supports the company’s goals and overall risk tolerance, and that there are appropriate mechanisms to monitor the remuneration schemes.

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For further details, please refer to :

http://www.financialstabilityboard.org/publications/r_0904b.pdf

http://www.financialstabilityboard.org/publications/r_090925c.pdf

Please also note that our Guidance Note on the Corporate Governance of Authorized Insurers (GN10) has already stipulated that there shall be clear lines of reporting and division of responsibilities within the organization structure of an insurer (paragraph 8), and that the board shall establish a proper remuneration policy which should be periodically reviewed and adjusted in accordance with changes in the corporate strategies and the business environment (paragraph 11(d)).

Separately, I should be grateful if you could provide information on your current remuneration framework by completing and returning the attached questionnaire to us before 30 April 2010. Should you have any queries, please contact Miss Lily Chan, Acting Senior Insurance Officer at 2867 4631.

Yours faithfully,

(Ms Annie Choi)
Commissioner of Insurance

Encl.