

20 June 2017

To: Chief Executives of all authorized insurers

Dear Sirs,

**Revised Subsidiary Legislation and Statutory Forms**

We refer to the Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2017 published in the Gazette on 21 April 2017, whereby the Secretary for Financial Services and the Treasury appoints 26 June 2017 as the day on which the relevant provisions of the Insurance Companies (Amendment) Ordinance 2015 come into operation to enable the independent Insurance Authority (the “IA”) to take over the statutory functions of the Office of the Commissioner of Insurance (the “OCI”) with effect from 26 June 2017. The OCI will be disbanded on the same day.

**Subsidiary Legislation**

The following pieces of subsidiary legislation were also published in the Gazette on 21 April 2017 and they shall take effect from 26 June 2017:

- (a) Insurance Companies (Actuaries’ Qualifications) (Amendment) Regulation 2017;
- (b) Insurance Companies (Register of Insurers) (Prescribed Fee) (Amendment) Regulation 2017;
- (c) Insurance Companies (Authorization and Annual Fees) (Amendment) Regulation 2017;
- (d) Insurance Companies (Determination of Long Term Liabilities) Regulation (Amendment) Rules 2017;
- (e) Insurance Companies (Margin of Solvency) Regulation (Amendment) Rules 2017;
- (f) Insurance Companies (General Business) (Valuation) Regulation (Amendment) Rules 2017; and
- (g) Insurance Companies (Actuaries’ Standards) Regulation (Amendment) Rules 2017.

There are no substantive amendments to the requirements set out in the existing Cap. 41A to Cap. 41H. The amendments are mainly updates to the cross-references and terms used in Cap. 41A to Cap. 41H to match the amendments introduced by the Insurance Companies (Amendment) Ordinance 2015, for example, replacing “保險業監督” by “保監局”, where applicable, and replacing “regulation” by “rule” in relation to Cap. 41E to Cap. 41H.

Your attention is drawn to the following non-textual amendments:

- (i) The existing Cap. 41A sets out the qualifications for appointment of an actuary by insurance companies of long term business. The Insurance Companies (Actuaries' Qualifications) (Amendment) Regulation 2017 amends Cap. 41A to reflect the merger of the Institute of Actuaries of England and the Faculty of Actuaries in Scotland into the Institute and Faculty of Actuaries of the United Kingdom.
- (ii) The Insurance Companies (Register of Insurers) (Prescribed Fee) (Amendment) Regulation 2017 sets out in Cap. 41B the 11 service items in relation to which user fees are payable to the IA.
- (iii) The Insurance Companies (Authorization and Annual Fees) (Amendment) Regulation 2017 provides in Cap. 41C that the annual authorization fees to be collected by the IA will consist of two elements, namely a fixed fee of HK\$300,000 (for a captive insurance company, HK\$30,000; and for a composite insurance company, HK\$600,000) and a variable fee of 0.0039% on insurance liabilities (capped at HK\$7 million annually for general or long term business or HK\$14 million annually for composite insurer). An incremental approach will be adopted in relation to variable fee. Please refer to the IA's circular titled "Operational Arrangement for the Collection of Authorization Fee" dated 21 April 2017 for details.

### **Statutory Forms**

In addition, the Insurance Ordinance (Amendment of Schedules) Notice 2017 was published in the Gazette on 21 April 2017 to introduce textual amendments and reflect new requirements on the prescribed forms set out in Schedules 2 to 6 of the Insurance Ordinance (Cap. 41) for submitting applications or notifications to the IA.

The revised prescribed forms shall take effect from 26 June 2017 and they will be made available at the IA's website: [www.ia.org.hk](http://www.ia.org.hk) (which will be launched on 26 June 2017). Submission of statistical returns by electronic means continue to be available. Please send your returns to the email address: [iafiling@ia.org.hk](mailto:iafiling@ia.org.hk) of the Insurance Authority.

### **Regulation of Insurance Intermediaries**

The timetable and detailed arrangements regarding implementation by the IA of the new statutory licensing regime for insurance intermediaries (including for example, section 13AE(12)(f) of the Insurance Ordinance (Cap. 41) in relation to appointment of a key person in intermediary management function) and taking over the regulation of insurance intermediaries from the existing three self-regulatory bodies (i.e. the Insurance Agents Registration Board established under The Hong Kong Federation of Insurers, The Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association) by the IA will be separately announced in about two years thereafter.

Accordingly, the prior approval requirement for key persons in intermediary management function will not come into operation on 26 June 2017. The transitional arrangements for key persons in control functions referred to in the IA's circular dated 5 June 2017 do not apply to individuals who are responsible for the intermediary management function. The relevant insurers are not required to submit application for the IA's approval under the transitional arrangements with respect to individuals for their respective intermediary management functions. For the avoidance of doubt, the transitional arrangements apply to other control functions, i.e. risk management function, financial control function, compliance function, internal audit function and actuarial function as referred to under sections 13AE(12)(a) to (e) of the Insurance Ordinance (Cap. 41).

Should you have any enquiries regarding the above matters, please contact your case officers.

Yours faithfully,

(Raymond Tam)  
Executive Director  
**Provisional Insurance Authority**