

Key Roles of the Insurance Authority and New Regulation Landscape for Insurance Companies

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The Hong Kong Insurance Authority

- established in December 2015 to comply with the requirement of the International Association of Insurance Supervisors (IAIS)
- insurance regulators should be financially and operationally independent

Purpose

To facilitate sustainable development of the insurance industry and protect policyholders with a modernized regulatory infrastructure

Key statutory functions

Regulate insurers and insurance intermediaries

Promote proper conduct and practices

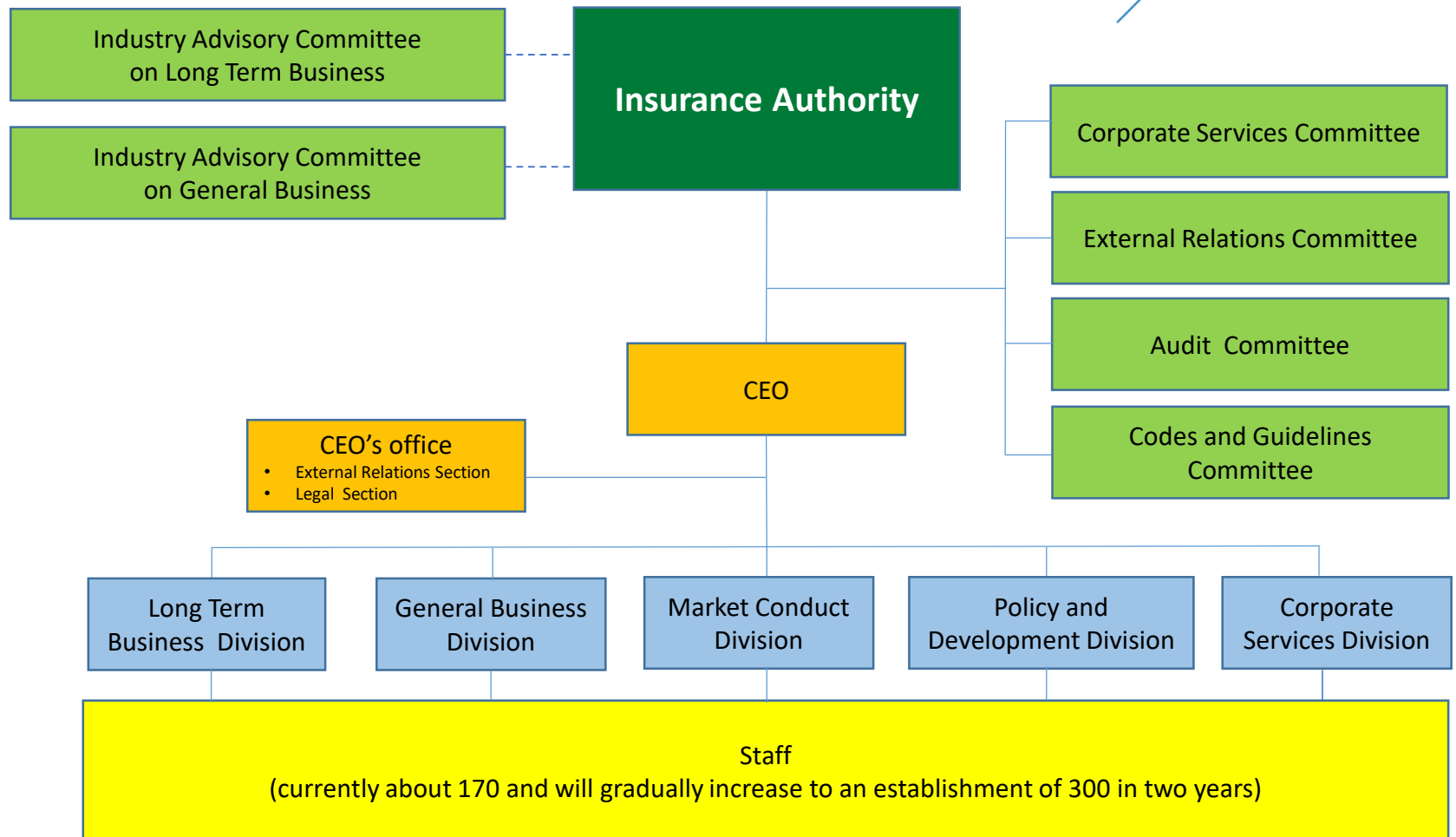
Conduct studies, propose law reforms

Assist Financial Secretary to maintain financial stability

Facilitate market development, promote competitiveness

Promote public education

Our Organization



Core values

Agile

Accountable

Building trust

Collaboration

Driving change

Embracing innovation

Phased approach

Phase 1

- 7 Dec 2015 to 26 June 2017
- IA was vested with certain administrative functions only and co-existed with the Office of the Commissioner of Insurance (OCI)

Phase 2

- From 26 June 2017
- Takeover of OCI's statutory functions
- Self-regulatory regime for intermediaries remains unchanged

Phase 3

- Within 2 years after 26 June 2017
- Takeover of the direct regulation of intermediaries

Key tasks

- Prudential regulation
 - Risk-based Capital Regime (RBC)
- Promote Insurtech
- Policyholders' Protection Scheme
- Regulation of intermediaries
- Fees and levy

Insurance Ordinance: key amendments

- Approval of Key Persons in Control Functions
 - Transitional arrangements for Pre-existing Appointments
- Determination of fit and proper (*s. 14A(1)*)
- Further regulatory powers on insurers
- Appellate mechanism and checks and balance

Key persons in control functions

- Control Functions –
 - Risk management
 - Financial control
 - Compliance
 - Internal audit
 - Actuarial
 - Intermediary management (*not yet in operation*)
- Designated individuals, not necessarily a staff/employee
- Solely or jointly responsible
- Transitional arrangements for individuals already responsible for control functions before 26.6.2017

New regulatory powers on insurers

- New regulatory powers (*ss.41A – 41W*)
 - To conduct inspection without warrant
 - To conduct investigation without warrant
 - Apply to court for inquiry into failure
 - Obtain Magistrate's warrants to enter premises and seize records and documents
 - Take disciplinary actions against insurers
- Grounds on which such powers may be exercised clearly set out
- Procedure requirements for exercising such powers
- Take note of GL 18

Insurance Appeals Tribunal (IAT)

- The IAT has been established to review specified decisions (including disciplinary decisions) made by IA (*s.97 and Sch.10*)
- Mr Douglas Tam Tak-yip, SC appointed as chairperson for a 3-year term; 23 other individuals appointed as members for a 2-year term from 26.7.2017
- The IAT (Chairperson + 2 ordinary members) will be formed when there is a case to be reviewed

Checks and balances

- Must publish draft rules to be made under an IO provision for public consultation
- Must submit annual budget and corporate plan to the Financial Secretary for approval
- Must table annual report before LegCo
- Bound by the Ombudsman Ordinance and Prevention of Bribery Ordinance; must comply with Personal Data (Privacy) Ordinance
- Director of Audit may conduct value for money audit on IA

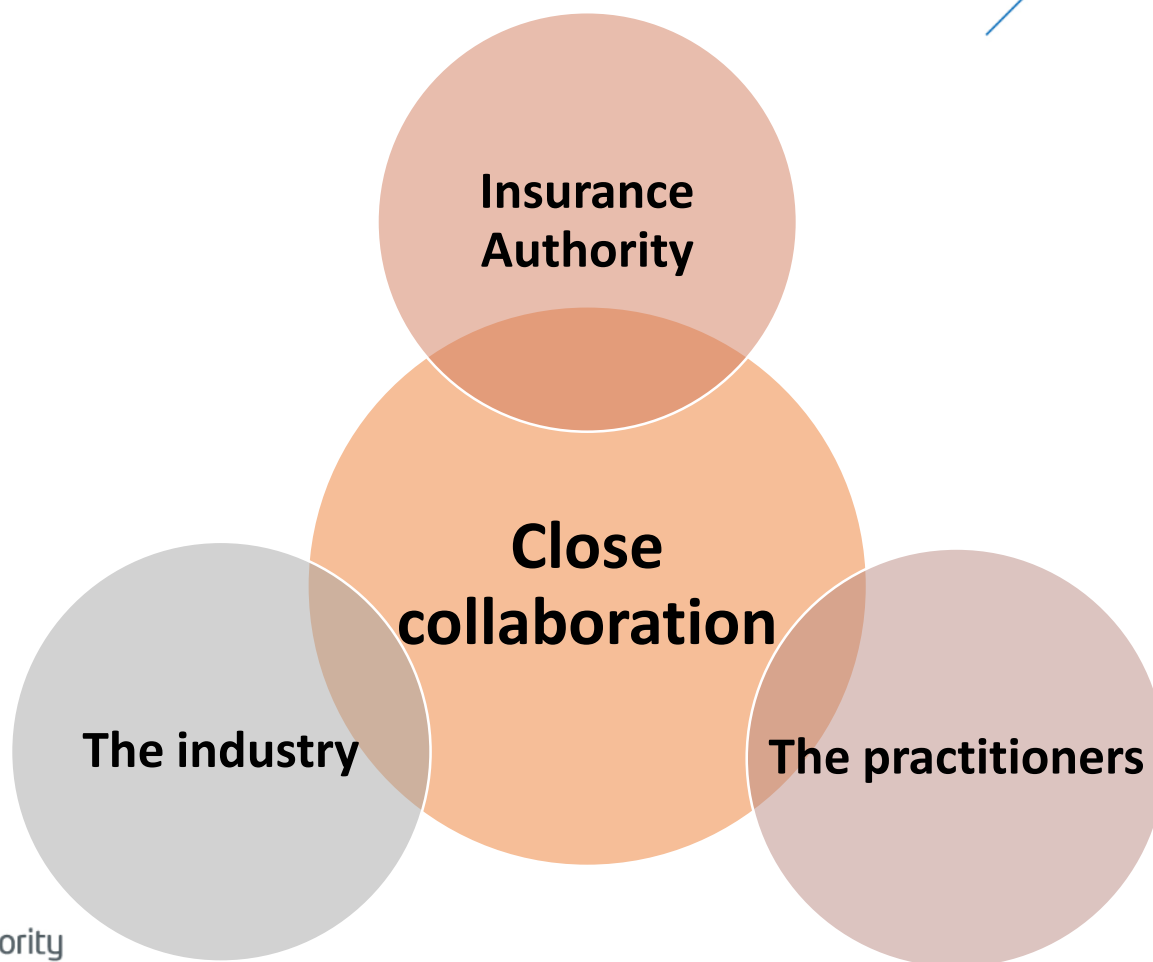
Fees and Levy

- Insurance (Prescribed Fees) Regulation
- Additional user fees will be introduced, e.g.
 - Application for authorization of insurer
 - Application for additional class of business
 - Application for transfer of business of insurer
 - Request for accounting concession
- Levy on insurance premiums from policyholders from 1.1.2018

Levy rates

	Phase 1	Phase 2	Phase 3	Phase 4
	1.1. 2018 to 31.3.2019	1.4. 2019 to 31.3. 2020	1.4. 2020 to 31.3. 2021	From 1.4.2021 onwards
Levy rate	0.04%	0.06%	0.085%	0.1%
Levy cap				
Life insurance	\$40	\$60	\$85	\$100
General insurance	\$2,000	\$3,000	\$4,250	\$5,000

Future of insurance industry depends on...





保險業監管局
Insurance Authority

thank you!