

**Consultation Paper on the
Draft Insurance
(Financial and Other Requirements
for Licensed Insurance Broker Companies)
Rules**

FOREWORD

- 1 This paper is published by the Insurance Authority (“IA”) to consult the public on the draft rules to be made under section 129 of the Insurance Ordinance (Cap. 41), namely the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules. The enclosed draft which is being consulted on has been prepared in anticipation of the IA taking over regulation of insurance intermediaries from the three existing self-regulatory organizations in mid-2019.
- 2 The IA welcomes written submissions on or before 23 January 2019 by any of the following means:

Mail: Insurance Authority
19/F, 41 Heung Yip Road
Wong Chuk Hang
Hong Kong
Fax: (852) 3899 9993
Email: comment_codeandguideline@ia.org.hk
- 3 Any person making a submission on behalf of an organization is requested to provide details of such organization.
- 4 Submissions will be received on the basis that the IA may freely reproduce and publish them, in whole or in part, in any form, and use, adapt or develop any proposal put forward without seeking permission or providing acknowledgement of the party making such proposal.
- 5 Please note that name(s) of respondent(s), their affiliation(s) and the contents of their submissions may be referred to in any forms of documentation the IA may publish or release. If you do not wish your name, affiliation and/ or submission to be disclosed, please expressly state so when you make your submission.
- 6 Any personal data submitted will only be used for consultation and its related purposes. For access to or correction of any personal data contained in your submission, please contact –

Personal Data Privacy Officer
Insurance Authority
19/F, 41 Heung Yip Road
Wong Chuk Hang
Hong Kong

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EXECUTIVE SUMMARY

1. Insurance brokers are vital to the efficient functioning of the insurance market in Hong Kong and in making that market an integral part of Hong Kong's position as an international financial centre. They advise individuals and companies on their insurance needs and, acting on their behalf, connect them to insurers to obtain suitable insurance coverage. The important professional role insurance brokers play engenders a need for trust in the relationships between insurance brokers and their clients and a key part of the foundation for that trust is suitable, practical, transparent and robust regulation.
2. Under the Insurance Ordinance (Cap.41)("the Ordinance"¹), as amended by the Insurance Companies (Amendment) Ordinance 2015 (Ord. No. 12 of 2015) ("the Amendment Ordinance"), the IA is empowered to make rules to set out the requirements applicable to licensed insurance broker companies including in relation to:
 - capital and net assets;
 - professional indemnity insurance;
 - keeping of separate client accounts;
 - keeping of proper books and accounts; and
 - submission of audit and related information .
3. Accordingly the IA has prepared the draft Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules ("Rules"), which are enclosed as **ANNEX A** for public consultation.
4. **CHAPTER 1** sets out the background to the draft Rules, which are chiefly modelled on the relevant requirements set out in the current Guideline on Minimum Requirements for Insurance Brokers ("Guideline") issued by the IA under the self-regulatory regime for insurance brokers.
5. The relevant minimum amounts (of share capital, net assets and professional indemnity insurance) were set two decades ago. Accordingly, the IA proposes to refine and update the relevant requirements to take into account inflation and other developments in the ensuing decades so as to enhance protection for policy holders and trust in the insurance sector.
6. In preparing the draft Rules, the IA has also considered the current requirements and guidance issued by the two approved bodies of insurance brokers (i.e. The Hong Kong Confederation of Insurance Brokers ("CIB") and Professional Insurance Brokers Association ("PIBA")), relevant requirements set out by local and overseas regulatory authorities and feedback from the industry.
7. **CHAPTER 2** (which is intended to be read alongside the draft Rules) discusses the key proposed changes and the rationale behind the changes. The key proposed refinements are:
 - increasing the minimum amounts of an insurance broker company's paid-up capital and net assets from HK\$100,000 to HK\$500,000;

¹ The new sections 53F, 64T, 64ZA, 64ZV, 73 and 129 of the Ordinance.

- increasing the amount of the minimum limit of indemnity under a professional indemnity insurance policy which an insurance broker company must have in place, from HK\$3 million to HK\$5 million;
 - capping the amount of the deductible under a professional indemnity insurance policy which an insurance broker company must have in place, to 50% of the insurance broker company's net assets;
 - introducing reconciliation requirements in respect of client monies which an insurance broker company holds; and
 - introducing additional disclosures to be made in the insurance broker company's financial statements.
8. The IA recognizes the need to accommodate a smooth transition to the new regime. Accordingly, the proposed Rules provide transitional arrangements for insurance brokers registered with the CIB and PIBA immediately before the commencement of the statutory licensing regime. Details of the proposed transitional arrangements are set out in **CHAPTER 3**.
9. The IA would like to express its gratitude to the industry, in particular, to members of the Working and Discussion Groups and the Hong Kong Institute of Certified Public Accountants for their valuable advice.
10. For ease of reference, references to section numbers in this consultation paper are made to the Ordinance as if the Ordinance incorporates the entire Amendment Ordinance unless otherwise specified.

CHAPTER 1 BACKGROUND

A. Current Regime

11. According to the statistics provided to the IA, as at 30 September 2018, there were 778 insurance brokers authorized in Hong Kong. All were members of either the CIB or PIBA, ranging from small and medium-sized enterprises to large international firms.
12. Insurance brokers play a vital role in the Hong Kong insurance market. This includes advising policy holders on their insurance needs, connecting policy holders to authorized insurers, acting for policy holders to arrange contracts of insurance and (in some cases) assisting policy holders with claims under contracts of insurance. In connecting policy holders to insurers, insurance brokers also have an important role to play in building, maintaining and enhancing public trust in the insurance sector and thereby contributing to Hong Kong's position as an international financial centre. Given their important role, it is vital that the insurance purchasing public is able to have trust and confidence in its dealings with insurance brokers. It is for this reason that the profession of insurance broking has long been subject to regulation.
13. The current regulation of insurance broker companies takes place through the self-regulatory regime operated by the two approved bodies of insurance brokers, namely the CIB and PIBA. Under this regime the minimum requirements with which an insurance broker should comply for the purpose of sections 69(2) and 70(2) of the Ordinance are specified in the Guideline issued by the IA pursuant to section 133 of the Ordinance. The Guideline covers the following matters:
 - minimum levels of qualifications and experience;
 - minimum levels for capital and net assets;
 - the requirement to have in place professional indemnity insurance and the minimum amount of limit of indemnity under that coverage;
 - the maintenance of client accounts to hold client monies and the requirement to keep these separate from the insurance broker's accounts in which it holds its own money;
 - the keeping of proper books and accounts;
 - fundamental principles relating to the test on fitness and propriety; and
 - the submission of annual financial statements and auditor's report.

B. New Regime

14. In line with the overhaul of the insurance regulatory framework effected by the passing of the Amendment Ordinance, the IA will take over the regulation of insurance broker companies

from the CIB and PIBA and become the sole regulator to license and regulate all insurance intermediaries in Hong Kong. This change is expected to take place in mid-2019 and corresponding provisions of the Amendment Ordinance will commence at that time. When the new regulatory regime commences, the current provisions of the Ordinance under which the outgoing self-regulatory regime operates will be repealed. This means the provisions in the Guideline referenced in the paragraph 13 above will need to be replaced by equivalent provisions under the new regulatory regime.

15. Under the new regime, provided for in the Ordinance (as amended by the Amendment Ordinance), any company which wishes to apply to the IA for a licence as an insurance broker company, or to renew such licence, will have to be able to demonstrate its ability to comply, or continue to comply, with rules made by the IA under section 129 of the Ordinance in relation to:

- capital and net assets;
- professional indemnity insurance;
- keeping of separate client accounts; and
- keeping of proper books and accounts.

The Ordinance will also require a licensed insurance broker company to provide the IA with audited financial statements together with an auditor's report stating whether the auditor is of the opinion that the company has continued to comply with the rules made by the IA in relation to the above matters and any other information that is prescribed by rules made under section 129 of the Ordinance.

16. In other words, a number of the key matters referenced in the existing Guideline will, under the new regime, be addressed in rules made under section 129 of the Ordinance. It is for this reason that the IA proposes to make rules under section 129 of the Ordinance for the regulation of licensed insurance broker companies to address the matters referenced in paragraph 15 above.² The proposed Rules (which appear in draft in **Annex A**) are the subject of this consultation.

C. Consultation

17. The draft Rules have been prepared by the IA with reference to the following:

² The IA will also issue other rules, codes and guidelines for the implementation of the new regime.

- relevant requirements set out in the existing Guideline issued by the IA;
 - relevant requirements set out in the membership regulations/guidelines/circulars issued by the CIB and PIBA; and
 - relevant requirements laid down by overseas regulatory authorities.
18. Furthermore, in preparing the draft Rules, the IA has engaged with the Working Group on Direct Licensing Regime for Insurance Intermediaries (comprising the self-regulatory organisations (“SROs”)); and the Discussion Group (Insurance Brokers) (comprising the CIB and PIBA).
19. The draft Rules will be refined and finalized after taking into account the feedback collected during this public consultation, and will then be submitted to the Legislative Council for negative vetting. The Rules, which are subsidiary legislation, will be published in the Gazette.
20. The Rules will come into operation on the day on which section 74 of the Amendment Ordinance comes into operation (“commencement date”). The commencement date (which will be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette) will mark the commencement of regulation by the IA of insurance intermediaries which, as stated, is planned to be in mid-2019.

CHAPTER 2 DISCUSSION OF THE DRAFT RULES

21. The draft Rules (set out in **Annex A**) are modelled on the relevant requirements of the existing Guideline with certain refinements. In this chapter the various proposed refinements, and their underlying rationale, are described and discussed.

A. Share Capital and Net Assets

22. Given the important role insurance broker companies play in acting for and serving policy holders, regulation requires them to maintain a minimum level of share capital and net assets. The purpose of these requirements is to ensure that an insurance broker company is financially sound, adequately resourced to meet its operational needs to serve policy holders and sufficiently resilient to withstand the vagaries of the business cycle. Under the current self-regulatory regime, the existing Guideline requires insurance brokers to maintain a minimum capital and net assets value of not less than HK\$100,000. The IA proposes to maintain the requirement for insurance broker companies to maintain minimum capital and net assets, but to increase the respective minimum amounts.

Proposed increase in minimum amounts of paid-up capital and net assets

23. The current minimum amounts of paid-up capital and net assets (i.e. HK\$100,000) have been in place (and not been increased) for over two decades. The current minimum amounts are therefore well overdue for revision. The new proposed minimum amounts take account of inflation in the two decade time period since the existing requirements were set and its impact on the operating costs of insurance broker companies.

24. In addition, insurance broker companies are expected to maintain sufficient financial resources which are sufficient to cover a few months of operating expenses in order to provide continuous services to their customers.

25. In view of the above, the IA proposes to raise the minimum amounts of paid-up capital and net assets from HK\$100,000 to HK\$500,000.

Question 1

Do you agree with the proposal to raise both required minimum amounts of paid-up capital and net assets from HK\$100,000 to HK\$500,000?

B. Professional Indemnity Insurance

26. Professional Indemnity Insurance (“PII”) policies provide coverage for professionals against

claims for professional negligence. Requiring an insurance broker by regulation to have in place a minimum amount of PII coverage, operates as a way of ensuring the insurance broker has the means to meet claims for professional negligence made against it. This in turn helps reinforce the confidence policy holders can have in their dealings with insurance brokers and hence trust in the insurance sector.

27. Under the current self-regulatory regime, the minimum limit of indemnity is calculated as the greater of:

- 2 times the aggregate insurance brokerage income relating to 12 months immediately preceding the date of commencement of the PII cover (applicable to an insurance broker who has been in business for more than one year); and
- 2 times the projected insurance brokerage income for 12 months for the period of the PII cover (applicable to an insurance broker who has been in business for less than one year),

subject always to the minimum limit of indemnity being no less than HK\$3 million and not requiring the minimum of limit of indemnity to be more than HK\$75 million.

Proposed increase in minimum PII cover

28. The current requirements for an insurance broker to have in place PII cover and for that cover to have a minimum limit of indemnity, have generally served to provide confidence to policy holders in their dealings with insurance brokers, by providing a cushion to insurance brokers against disruption and reducing the possibility of a deficiency in funds in the event of professional negligence claims. The IA therefore proposes to maintain the requirement to have in place PII cover in the Rules, but it proposes an increase to the amount of the minimum limit of indemnity under such cover. The IA also proposes to retain in the Rules the minimum reinstatement requirements for the PII cover stated in the existing Guideline. Further, the IA proposes to introduce a cap on the amount of deductible an insurance broker company may have under its PII cover. Each of these is further discussed below.

29. The current floor amount of the minimum limit of indemnity (i.e. HK\$3 million) has not been revised for over 20 years and is, therefore, long overdue to be reviewed. Further, the coverage needs of policy holders have increased the range and (in some cases) complexity of insurance products on offer, enhancing the knowledge requirements and standards which insurance brokers must meet in carrying out their duties (and their consequent legal exposure). Accordingly, the IA proposes to raise the floor amount of the minimum limit of indemnity from HK\$3 million to HK\$5 million. The IA also proposes to maintain the alternative calculation based on aggregate insurance brokerage income to take into account the wide range of sizes of insurance broker companies operating in Hong Kong and the need for proportionality.

30. In addition to the above proposals, the IA proposes to simplify the PII requirements in respect of a licensed insurance broker company which is in its first 12 months of operation as a

licensed insurance broker company. It is proposed to set the applicable minimum limit of indemnity for such companies at a flat HK\$5 million.

31. In summary, it is proposed that the minimum limit of indemnity under an insurance broker company's mandatory PII cover be –

- 2 times the aggregate of the insurance brokerage income in the 12 consecutive months immediately preceding the date of commencement of the PII cover, subject to a floor of HK\$5 million and a cap of HK\$75 million; or
- in respect of an insurance broker company which is in its first 12 months of operation as a licensed insurance broker company, HK\$5 million.

Proposed refinements of the reinstatement requirement

32. At present, the Guideline provides that:

- a) if the minimum limit of indemnity is HK\$3 million, the PII policy must include a provision for one automatic reinstatement to the minimum limit of indemnity; and
- b) in any other cases, if as a result of a claim(s), the indemnity available falls below the minimum limit of indemnity, the insurance broker must effect a reinstatement of cover to the required minimum limit of indemnity.

33. The current requirement in (b) above places the onus on the insurance broker, after a claim has eroded the minimum limit of indemnity, to ensure the limit is reinstated. This may be done either by including an automatic reinstatement term in its PII policy, or alternatively by the insurance broker seeking to purchase reinstatement coverage after the indemnity limit has been eroded in the event of a claim. To provide a greater level of certainty, the IA considers the better approach would be (as in (a)) to require the insurance broker company to include an automatic reinstatement provision in its PII policy. However, it is proposed to set the minimum requirement to one full automatic reinstatement and leave it to the discretion of the insurance broker company as to whether it wishes to include provision for more than one reinstatement in its PII policy.

Proposed introduction of a maximum deductible

34. A deductible under a PII policy is the amount of any loss or claim covered under the policy that a company, as the insured, must itself bear in accordance with the policy's terms and conditions. The inclusion of a deductible in a PII policy broadly serves two functions. Primarily, the deductible encourages better risk management on the part of the professional (as the professional will be exposed to bearing the amount of loss under the deductible in the event of a professional negligence claim). Secondly, the inclusion of a deductible also enables a professional to source PII coverage at lower premium rates.
35. From a regulatory perspective, however, the inclusion of a deductible in a PII Policy (whilst encouraging better risk management) potentially adversely impacts clients of the professional as the payments under the deductible would have to be met from the professional's own resources. It is for this reason that regulations in other jurisdictions which mandate insurance brokers to purchase PII cover, place controls on the amount of the deductible which may be included under the terms of the cover. For instance, in Singapore, the deductible allowed under a PII policy taken out by an insurance broker must not be more than 20% of its paid-up capital/net assets.
36. The IA considers that it would be appropriate to include a maximum deductible requirement, but at a level which balances the benefits of a deductible (better risk management/ availability of lower premium) with the interests of insurance broker's clients (reduced prospect of strain on the insurance broker's financial resources in the event of a claim).
37. Having regard to the general financial resources of insurance brokers in Hong Kong and the net assets as a source of funds for the PII's deductible, the IA proposes to introduce a cap on the amount of the deductible under PII cover which an insurance broker company is required to have in place under the Rules. This cap will be set at 50% of the net assets of a licensed insurance broker company as at the end of its financial year immediately preceding the date of commencement of the PII cover. In relation to a licensed insurance broker company which is in its first 12 months of operation, the cap on the amount of the deductible will be set at 50% of the company's paid-up share capital as at the date of commencement of the PII cover.

Question 2

Do you agree with the proposal to raise the floor amount of the minimum limit of indemnity from HK\$3 million to HK\$5 million?

Question 3

Do you agree with the proposal to introduce a cap on the amount of the deductible which may be included under the terms of a licensed insurance broker company's PII cover, and setting that cap at 50% of a licensed insurance broker company's net assets or, in the case of a licensed insurance broker company in its first 12 months of operation, at 50% of its paid-up share capital?

C. Keeping of separate client accounts

Proposed new requirement for client monies reconciliation

38. It has long been a requirement that an insurance broker must keep client monies in a bank account separate from its own monies and must not use client monies relating to a client for any purpose other than for the purposes of the client. This is a vital policy holder protection measure, which aims to safeguard and protect policy holder funds held by the insurance broker. To reinforce this important requirement, it is proposed to adopt an additional measure to require an insurance broker company to carry on a monthly reconciliation exercise to reconcile its ledger for client monies and its bank statements for its client accounts. As such, the IA proposes the following new requirements:

- The insurance broker company must conduct a reconciliation between the bank statements for its client accounts and the ledger balances for its client monies at least once a month; and
- The insurance broker company must prepare a reconciliation statement showing the cause of the difference (if any) of the above reconciliation.

Question 4

Do you agree with the proposed introduction of a requirement for an insurance broker company to carry out monthly reconciliations between its ledger balances and bank account statements for the client monies it holds?

D. Audited Financial Statements

Proposed additional disclosure requirements on financial statements

39. The audited financial statements which an insurance broker company will be required to submit to the IA are a key tool for regulatory supervision. To this end, to promote levels of consistency and enable better comparability of financial statements of licensed insurance broker companies and to facilitate the supervision process, the IA proposes that insurance broker companies be required to make the following additional disclosures in their audited financial statements -

- The audited income and expenditure account must, in particular, include -
 - the insurance broker company's insurance brokerage income distinguishing between -
 - general business; and
 - long term business;
 - referral income; and

- referral expenses³.
- The insurance broker company's audited balance sheet must, in particular, include –
 - total sum of balances of client account(s);
 - insurance premiums receivable; and
 - insurance premiums payable.

Question 5

Do you agree that the additional disclosures required in an insurance broker company's financial statements are appropriate?

³ Under the new section 64G of the Ordinance, a person must not carry on any regulated activity in the course of the person's business or employment or for reward, unless the person is a licensed insurance intermediary or exempted from the licensing requirement. The requirement for a licensed insurance broker company to account separately for referral income and expenses in its financial statements does not impact the licensing requirements in section 64G of the Ordinance as they apply to recipients of referral payments. If the recipient of a referral payment carries on regulated activities requiring the recipient to be licensed under section 64G of the Ordinance, then the recipient must be licensed.

40. On the commencement date, an insurance broker who is registered with the CIB or PIBA immediately before such date is regarded as having been granted a licence under Schedule 11 to the Ordinance (“deemed licensees”⁴). The IA will, staggered over the three-year transitional period, invite the deemed licensees to submit applications to the IA for formal licences.
41. To give deemed licensees time to adapt to the Rules, the IA proposes the following savings and transitional arrangements to ease the transition.⁵

A. Share Capital and Net Assets

42. The IA proposes to provide a transitional period of 3 years for deemed licensees. During this 3-year period, the minimum amounts of paid-up capital and net assets will be raised in 2 phases (assuming the new regime for insurance intermediaries commences in mid-2019):
- for the period that begins on the commencement date and ends on 31 December 2020, the minimum amounts of paid-up capital and net assets will be HK\$100,000;
 - for the period that begins on 1 January 2021 and ends on 31 December 2022, the minimum amounts of paid-up capital and net assets will be HK\$300,000; and
 - on or after 1 January 2023, the minimum amounts of paid-up capital and net assets will be HK\$500,000.

B. PII Policy

43. The IA recognizes that each deemed licensee will already have an in-force PII policy and may need time to negotiate with their relevant insurers new terms and conditions that comply with the Rules. As the proposed higher share capital and net assets requirements for deemed licensees will only be effective from 1 January 2023, the IA proposes that the following requirements also only take effect on the same date (i.e. 1 January 2023) –

⁴ For the purposes of this Chapter, a “deemed licensee” is a reference to the term “specified insurance broker company” in section 1, Schedule 1 of the draft Rules which means “a licensed insurance broker company which was registered with an approved broker body as a member, immediately before the commencement date, and regarded as having been granted an insurance broker company licence under section 66 of Schedule 11 to the Ordinance on the commencement date.”

⁵ For the avoidance of doubt, the transitional period will not apply in respect of insurance broker companies which are not registered with one of the approved broker bodies as members immediately before the commencement date, but which only become licensed for the first time under the new regime after the commencement date. These licensed insurance broker companies will have to comply with the new requirements discussed in Chapter 2 from the commencement date of their new licences.

- The increase in the floor amount of the minimum limit of indemnity of a PII policy from HK\$3 million to HK\$5 million. (Accordingly, during the period that begins on the commencement date and ends on 31 December 2022, the floor amount of the minimum limit of indemnity of a PII policy shall remain at HK\$3 million in respect of deemed licensees).
- The new restriction on the deductible under a PII policy of not more than 50% of a licensed insurance broker company's net assets as at the end of its financial year preceding the date of commencement of the PII cover, or in the case of a licensed insurance broker company in its first 12 months of operation, not more than 50% of the company's paid up share capital as at the date of the commencement of the PII cover. (Accordingly, during the period that begins on the commencement date and ends on 31 December 2022, the restrictions on the deductible requirement under the PII cover shall not apply in respect of deemed licensees).

C. Client Monies Reconciliations

44. The IA proposes that the relevant requirements in relation to monthly reconciliation of client monies for deemed licensees will only become effective 6 months after the commencement date.

D. Audited Financial Statements

45. To allow sufficient time for deemed licensees to prepare for the additional disclosure requirements in relation to their financial statements, the IA proposes that the relevant requirements will only apply to the audited financial statements of deemed licensees for a financial year or period beginning after 31 December 2020.

SCHEDULE 1

Part VIII A

Secrecy, Disclosure of Information and Examinations by Outside Authorities

53F. Prescribed person to send report directly to Authority in certain cases relating to licensed insurance broker companies, etc.

(1) This section applies if—

(a) a prescribed person who is an auditor of a specified broker becomes aware of evidence of a failure by the specified broker to comply with the specified rules when the person discharges duties in the capacity as an auditor of the specified broker; or

(b) a prescribed person who is a former auditor of a specified broker becomes aware of evidence of a failure by the specified broker to comply with the specified rules when the person discharged duties in the capacity as a former auditor of the specified broker.

(2) The prescribed person must, as soon as practicable after becoming aware of the evidence, send to the Authority a report in writing of the failure.

(3) In subsection (1)(b), a reference to evidence includes evidence of which the prescribed person became aware when the person was an auditor of the specified broker.

(4) In this section—

specified broker (指明經紀) means—

(a) a licensed insurance broker company;

(b) a former licensed insurance broker company; or

(c) a person who was formerly an authorized insurance broker within the meaning of the pre-amended Ordinance;

specified rules (指明規則)—

(a) in relation to a licensed insurance broker company or a former licensed insurance broker company, means rules made under section 129 that set out the requirements—

(i) in relation to the capital and net assets of a licensed insurance broker company;

(ii) in relation to the professional indemnity insurance taken out by a licensed insurance broker company;

(iii) in relation to the keeping of separate client accounts by a licensed insurance

broker company; and

(iv) in relation to the keeping of proper books and accounts by a licensed insurance broker company;

(b) in relation to a person who was formerly an authorized insurance broker within the meaning of the pre-amended Ordinance, means the minimum requirements specified by the former authority under the pre-amended Ordinance—

(i) in relation to the capital and net assets of an authorized insurance broker;

(ii) in relation to the professional indemnity insurance taken out by an authorized insurance broker;

(iii) in relation to the keeping of separate client accounts by an authorized insurance broker; and

(iv) in relation to the keeping of proper books and accounts by an authorized insurance broker.

Part X

Insurance Intermediaries

Division - 3 Licensing

Subdivision 1 - Register and Maintenance of Register

64T. Duty to notify Authority of cessation of carrying on of regulated activities by licensed insurance broker companies

(1) At least 3 months before a licensed insurance broker company ceases to carry on regulated activities, the company must notify the Authority in writing of the intention to do so and the intended date of cessation.

(2) A licensed insurance broker company which ceases to carry on regulated activities must prepare—

(a) an auditor's report on the financial statements which are to be made up to (and including) the date of cessation;

(b) an auditor's report stating whether the auditor is of the opinion that the company has, until the date of cessation, continued to comply with rules made under section 129 that set out the requirements—

(i) in relation to the capital and net assets of a licensed insurance broker company;

(ii) in relation to the professional indemnity insurance taken out by a licensed

insurance broker company;

(iii) in relation to the keeping of separate client accounts by a licensed insurance broker company; and

(iv) in relation to the keeping of proper books and accounts by a licensed insurance broker company; and

(c) any other documents that are prescribed by rules made under section 129.

(3) A licensed insurance broker company must submit to the Authority the documents specified in subsection (2) not later than 6 months after the date of cessation.

(4) The Authority must, as soon as practicable after receiving a notification under subsection (1), amend any relevant particulars in the register kept under section 64O.

(5) A licensed insurance broker company which, without reasonable excuse, contravenes subsection (1), (2) or (3) commits an offence and is liable to a fine at level 5.

Subdivision 2 - First Application

64ZA. Grant of licence—insurance broker company

(1) A company may apply to the Authority for an insurance broker company licence to carry on—

(a) regulated activities specified in section 1(a) of Part 1 of Schedule 1A in one or more lines of business, as an agent of any policy holder or potential policy holder; and

(b) regulated activities specified in section 1(b), (c) and (d) of Part 1 of Schedule 1A in one or more lines of business.

(2) An application made under subsection (1) must be accompanied by either—

(a) both of the following—

(i) an application made by an individual under section 64ZC for a technical representative (broker) licence;

(ii) an application made by the applicant under section 64ZF for the approval of the individual as a responsible officer of the applicant; or

(b) an application made by the applicant under section 64ZF for the approval of a licensed technical representative (broker) as a responsible officer of the applicant.

(3) On an application made in the manner specified by the Authority and on payment of a prescribed fee, the Authority may grant to the applicant an insurance broker company licence to carry on—

(a) regulated activities specified in section 1(a) of Part 1 of Schedule 1A in one or more lines of business specified in the licence, as an agent of any policy holder or potential policy holder; and

(b) regulated activities specified in section 1(b), (c) and (d) of Part 1 of Schedule 1A in one or more lines of business.

(4) The Authority must not grant the licence unless it is satisfied that—

(a) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned;

(b) each director of the applicant is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business;

(c) if there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business;

(d) the applicant is able to demonstrate that, if licensed, the applicant will be able to comply with rules made under section 129 that set out the requirements—

(i) in relation to the capital and net assets of a licensed insurance broker company;

(ii) in relation to the professional indemnity insurance taken out by a licensed insurance broker company;

(iii) in relation to the keeping of separate client accounts by a licensed insurance broker company; and

(iv) in relation to the keeping of proper books and accounts by a licensed insurance broker company;

(e) the applicant is neither the holder of a licence granted under section 64U nor applying for such a licence; and

(f) either—

(i) both of the following—

(A) an accompanying application is made for subsection (2)(a)(i) and the criteria for the grant of licence under section 64ZC(3) are satisfied;

(B) an accompanying application is made for subsection (2)(a)(ii) and the criteria for the approval under section 64ZF(4) are satisfied; or

(ii) an accompanying application is made for subsection (2)(b) and the criteria for the approval under section 64ZF(4) are satisfied.

(5) If the Authority grants an application made under subsection (1), the Authority must also grant the accompanying applications made for subsection (2).

(6) If the Authority rejects an application made under subsection (1), the Authority must also reject the accompanying applications made for subsection (2).

(7) The Authority must give the applicant a notice in writing of the result of the application made under subsection (1).

(8) If the application is rejected, the notice must include a statement of the reasons for the rejection.

Subdivision 4 - Renewal

64ZV. Renewal of licences

(1) A person licensed under section 64U, 64W, 64Y, 64ZA or 64ZC may apply to the Authority for a renewal of the licence.

(2) For a partnership, the application for a renewal of the licence may only be made by a partner authorized by the partnership on behalf of the partnership and, if the licence is renewed, it is to be expressed to be renewed to that partner on behalf of the partnership.

(3) An application under subsection (1) may only be made no later than 45 days before the licence is due to expire.

(4) On an application made in the manner specified by the Authority and on payment of a prescribed fee, the Authority may renew the licence.

(5) The Authority must not renew an insurance agency licence granted under section 64U unless—

(a) it is satisfied that—

(i) if the applicant was a sole proprietor at the time when the licence was first applied for, the applicant is a sole proprietor;

(ii) if the applicant was a partnership at the time when the licence was first applied for, the applicant is a partnership; or

(iii) if the applicant was a company at the time when the licence was first applied for, the applicant is a company;

(b) it is satisfied that—

(i) if the applicant is a sole proprietor—

(A) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; and

(B) where there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business;

(ii) if the applicant is a partnership—

(A) each partner of the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; and

(B) where there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; or

(iii) if the applicant is a company—

(A) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned;

(B) each director of the applicant is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; and

(C) where there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business;

(c) it is satisfied that the applicant is appointed as an agent by at least one authorized insurer; and

(d) it is satisfied that either—

(i) the applicant has a responsible officer; or

(ii) the applicant has made an application for the approval of an individual as a responsible officer of the applicant under section 64ZE, and the criteria for the approval under section 64ZE(4) are satisfied.

(6) The Authority must not renew an individual insurance agent licence granted under section 64W unless it is satisfied that—

(a) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; and

(b) the applicant is appointed as an agent by at least one authorized insurer.

(7) The Authority must not renew a technical representative (agent) licence granted under section 64Y unless it is satisfied that—

(a) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; and

(b) the applicant is appointed as an agent by a licensed insurance agency.

(8) The Authority must not renew an insurance broker company licence granted under section 64ZA unless it is satisfied that—

- (a) the applicant is a company;
- (b) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned;
- (c) each director of the applicant is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business;
- (d) if there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business;
- (e) the applicant is able to demonstrate that, if the licence is renewed, the applicant will be able to continue to comply with rules made under section 129 that set out the requirements—
 - (i) in relation to the capital and net assets of a licensed insurance broker company;
 - (ii) in relation to the professional indemnity insurance taken out by a licensed insurance broker company;
 - (iii) in relation to the keeping of separate client accounts by a licensed insurance broker company; and
 - (iv) in relation to the keeping of proper books and accounts by a licensed insurance broker company; and
- (f) either—
 - (i) the applicant has a responsible officer; or
 - (ii) the applicant has made an application for the approval of an individual as a responsible officer of the applicant under section 64ZF, and the criteria for the approval under section 64ZF(4) are satisfied.

(9) The Authority must not renew a technical representative (broker) licence granted under section 64ZC unless it is satisfied that—

- (a) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; and
- (b) the applicant is appointed as an agent by at least one licensed insurance broker company.

(10) The Authority must give the applicant a notice in writing of the result of the application for a renewal made under subsection (1).

(11) If the application is rejected, the notice must include a statement of the reasons for the rejection.

Division 5 - Miscellaneous

73. Audit of licensed insurance broker company

(1) A licensed insurance broker company must, within 6 months after the end of each financial year, provide the Authority with all of the following—

- (a) a copy of the audited profit and loss account for that year;
- (b) a copy of the audited income and expenditure account for that year;
- (c) a copy of the audited balance sheet as at the end of that year;
- (d) an auditor's report on the financial statements;
- (e) an auditor's report stating whether the auditor is of the opinion that the company has continued to comply with rules made under section 129 that set out the requirements—
 - (i) in relation to the capital and net assets of a licensed insurance broker company;
 - (ii) in relation to the professional indemnity insurance taken out by a licensed insurance broker company;
 - (iii) in relation to the keeping of separate client accounts by a licensed insurance broker company; and
 - (iv) in relation to the keeping of proper books and accounts by a licensed insurance broker company;
- (f) any other information that is prescribed by rules made under section 129.

(2) A licensed insurance broker company which contravenes this section commits an offence and is liable to a fine at level 6, and in the case of a continuing offence, to a further fine of \$500 for each day during which the offence continues.

Part XIII

Miscellaneous

Division 4 - Regulations and Rules, etc.

129. Authority may make rules

(1) The Authority may by rules—

- (a) provide for the determination, in such different ways as may be necessary for different provisions, of the value of the assets and the amount of the liabilities of an authorized insurer for the purposes of this Ordinance;

- (b) prescribe, or provide for the determination of, any amount required or permitted to be prescribed or determined for the purposes of this Ordinance;
- (c) provide for the holding in any fund or funds maintained by an authorized insurer in respect of its long term business of part of any excess of the value of the assets of the insurer over the amount of its liabilities;
- (d) prescribe standards to be complied with by an actuary appointed under section 15(1);
- (e) provide for applications for licence, the issue of licences and incidental matters;
- (f) require licensed insurance intermediaries to carry on business in relation to a specified class of products or line of business, and in the specified manner and circumstances;
- (g) prescribe the qualifications and experience of, and training for, licensed insurance intermediaries, and provide for the obligations to be imposed in relation to the requirements, the examinations required for those purposes, and the circumstances under which exemptions may be granted;
- (h) provide for the maintenance of registers and the correction of errors in the registers maintained by the Authority;
- (i) provide for the admissibility in evidence in judicial or other proceedings of specified records, and extracts from specified records, kept by the Authority;
- (j) require documents and information required to be lodged, filed, submitted or retained for a provision of this Ordinance to be so lodged, filed, submitted or retained in the specified manner, whether by electronic or other means;
- (k) require documents and information lodged, filed, submitted or retained for a provision of this Ordinance to be completed, signed, executed or authenticated in the specified form and manner;
- (l) specify whether, when and the circumstances in which records compiled in a specified form or manner, or documents or information completed, signed, executed or authenticated in a specified form or manner, are acceptable or required for a provision of this Ordinance;
- (m) require authorized insurers and licensed insurance intermediaries to make returns at specified times to the Authority, and provide for the particulars, or the nature of particulars, to be contained in those returns, the person by whom, and the manner and circumstances in which they are to be made, and other matters related to those returns;
- (n) require a form or a return required to be submitted under a provision of this Ordinance to be received by the Authority by or within the specified time; and
- (o) prescribe any matter that, by this Ordinance, is required or permitted to be prescribed by rules made under this section.

(2) In addition to the power to make rules under subsection (1), the Authority may, after consulting the Financial Secretary, make other rules that are necessary for the performance of any of its functions.

(3) Except as otherwise provided in this Ordinance, rules made by the Authority—

- (a) may be of general or special application or may be made so as to apply only in specified circumstances;
- (b) may make different provisions for different circumstances and provide for different cases or classes of cases;
- (c) may authorize a matter or thing to be determined, applied or regulated by a specified person;
- (d) may provide for the exercise of a discretion in specified cases; and
- (e) may, for the better and more effectual carrying into effect of any provision of this Ordinance or the rules, include any savings, transitional, incidental, supplemental, evidential and consequential provisions (whether involving the provisions of a principal legislation or a subsidiary legislation).

DRAFT**Insurance (Financial and Other Requirements for Licensed Insurance Broker
Companies) Rules****Contents**

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Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules

(Cap. 41, sections 53F(4), 64T(2), 64ZA(4)(d), 64ZV(8)(e), 73(1) and 129(1))

1. Commencement

These Rules come into operation on the day on which section 74 of the Insurance Companies (Amendment) Ordinance 2015 (12 of 2015) comes into operation.

2. Interpretation

(1) In these Rules –

applicable accounting standards (適用的會計準則), in relation to a licensed insurance broker company, means -

- a) if the company is incorporated in Hong Kong, the accounting standards generally accepted in Hong Kong; and
- b) if the company is a non-Hong Kong company as defined in section 2(1) of the Companies Ordinance (Cap. 622), the accounting standards generally accepted in Hong Kong or in the company's jurisdiction of incorporation, as the company may select.

contract of insurance (保險合約) includes a contract of reinsurance or retrocession;

deductible (自付額), in relation to a professional indemnity insurance policy maintained by a licensed insurance broker company under rule 5, means the amount of any loss or claim covered under the policy that the company as the insured must itself bear in accordance with the policy's terms and conditions;

insurance brokerage income (保險經紀收入), in relation to a licensed insurance broker company, means the gross income derived from the business of carrying on of regulated activities by the company;

net assets (淨資產), in relation to a licensed insurance broker company, means the amount by which the aggregate of the company's assets exceeds the aggregate of its liabilities calculated in accordance with rule 4;

referral expense (介紹費支出) means commissions or fees paid by a licensed insurance

broker company to a person other than a technical representative appointed by the company in return for that person introducing clients to the company for the purpose of the company arranging contracts of insurance on behalf of those clients; ***referral income*** (介紹費收入) means commissions or fees received by a licensed insurance broker company from another insurance intermediary in return for the company introducing clients to the other insurance intermediary for the purpose of that other intermediary arranging contracts of insurance on behalf of those clients; ***insurance premiums receivable*** (可收取的保費), in relation to a licensed insurance broker company, means insurance premiums receivable by the company from policy holders or potential policy holders for contracts of insurance arranged by the company; ***insurance premiums payable*** (須付的保費), in relation to a licensed insurance broker company, means insurance premiums payable to insurers and reinsurers for contracts of insurance arranged by the company.

- (2) In these Rules, a reference to an insurer includes a reference to a member of Lloyd's.

3. Share capital

A licensed insurance broker company must at all times maintain paid-up share capital of not less than \$500,000.

4. Net assets

- (1) A licensed insurance broker company must at all times maintain net assets of not less than \$500,000.
- (2) The amount of net assets referred to in subrule (1) is to be calculated by excluding all intangible assets and in accordance with applicable accounting standards.

5. Professional indemnity insurance

- (1) A licensed insurance broker company must maintain a professional indemnity insurance policy that provides coverage for claims made against the company for liability arising from breaches of duty in the course of carrying on its regulated activities. The professional indemnity insurance policy must have a limit of indemnity not less than the amount prescribed in subrule (2) or (3) (as the case may be) for any one claim and in any one insurance period of 12 months.
- (2) Subject to subrule (3), the amount of the limit of indemnity referred to in subrule (1) is the greater of the following –
 - (a) 2 times the aggregate amount of the licensed insurance broker company's insurance brokerage income in the 12 consecutive months immediately preceding the date of commencement of its professional indemnity insurance cover, up to a maximum of \$75,000,000; or
 - (b) \$5,000,000.
- (3) In relation to a licensed insurance broker company which is in its first 12 months of operation as a licensed insurance broker company, the limit of indemnity referred to in subrule (1) must not be less than \$5,000,000.
- (4) The professional indemnity insurance policy referred to in subrule (1) must include a provision for at least one automatic reinstatement which, in the event of the limit of indemnity under the policy being reduced by losses or claims, operates to reinstate the limit of indemnity up to the amount determined in accordance with subrule (2) or (3) (as the case may be).
- (5) Subject to subrule (6), the deductible amount under the professional indemnity insurance policy referred to in subrule (1) must not be more than 50% of the company's net assets as at the end of its financial year immediately preceding the date of commencement of the professional indemnity insurance cover.
- (6) In relation to a licensed insurance broker company referred to in subrule (3), the deductible amount under the professional indemnity insurance policy referred to in subrule (1) must not be more than 50% of the company's paid-up share capital as

at the date of commencement of the professional indemnity insurance cover.

6. Client account

- (1) A licensed insurance broker company that receives or holds client monies must maintain at least one client account in accordance with subrule (2).
- (2) The client account referred to in subrule (1) must be an account maintained with an authorized institution in the name of the licensed insurance broker company in the title of which the word “client” appears.
- (3) A licensed insurance broker company must provide to the authorized institution, with which the client account is maintained as referred to in subrule (1), written notice stating that the client account is maintained by the licensed insurance broker company pursuant to the provisions of section 71 of the Ordinance.
- (4) A licensed insurance broker company must keep proper records of the notice referred to in subrule (3).
- (5) A licensed insurance broker company must, as soon as practicable after its receipt, pay into a client account the monies specified in section 71(2) of the Ordinance, which include –
 - (a) monies received by the licensed insurance broker company from or on behalf of a policy holder or potential policy holder as premium payable to an insurer under a contract of insurance arranged by the company;
 - (b) monies received by the licensed insurance broker company from an insurer, a reinsurer, an insurance intermediary and any other party for the purpose of or relating to the settlement of a claim under a contract of insurance;
 - (c) monies received by the licensed insurance broker company on behalf of or on account of the policy holder or potential policy holder for any purposes which are incidental to the carrying on of regulated activities by the licensed insurance broker company in relation to the policy holder or potential policyholder; and
 - (d) other monies arising from the ordinary transactions of its business of carrying on of regulated activities specified in subrule (9).

- (6) A licensed insurance broker company may, for the purpose of complying with subrule (1), pay into a client account such monies as may be necessary for the opening or maintenance of the account and such monies shall be deemed as client monies for this purpose.
- (7) No monies other than monies which under subrules (5) and (6) a licensed insurance broker company is required to pay into a client account shall be paid into a client account.
- (8) A licensed insurance broker company may only make the following withdrawals from a client account –
 - (a) monies required to be paid to an insurer, a reinsurer or an insurance intermediary as premium under a contract of insurance arranged by the licensed insurance broker company;
 - (b) monies required to be paid to a policy holder, potential policy holder, a claimant or any other party who is entitled to receive the monies for the purpose of or relating to the settlement of a claim under a contract of insurance;
 - (c) monies drawn in accordance with written authority of a policy holder or potential policy holder;
 - (d) monies required to be paid by or on behalf of or on account of the policy holder or potential policy holder for any purposes which are incidental to the carrying on of regulated activities by the licensed insurance broker company in relation to the policy holder or potential policyholder;
 - (e) interest earned on monies in the client account in accordance with section 71(5) of the Ordinance; and
 - (f) other monies arising from the ordinary transactions of its business of carrying on of regulated activities specified in subrule (9).
- (9) The other monies arising from the ordinary transactions of the licensed insurance broker company's business of carrying on of regulated activities referred to in subrules (5)(d) and (8)(f) are –
 - (a) premiums, renewal premiums, additional premiums and return premiums of all kinds;
 - (b) claims and other monies due under contracts of insurance;
 - (c) refunds to policy holders;

- (d) policy loans and associated interests;
 - (e) fees, charges and levies relating to contracts of insurance;
 - (f) premium discounts, commissions and brokerage; and
 - (g) monies which by mistake or accident are paid into the client account in contravention of subrule (5), which mistake or accident must be remedied promptly upon discovery by the licensed insurance broker company.
- (10) A licensed insurance broker company which holds or receives client monies must –
- (a) at least once a calendar month compare the total of the ledger balances of client monies with the total of –
 - (i) the balances shown on the bank statements and passbooks (after allowing for all unrepresented items) of all client accounts; and
 - (ii) any client monies held by the company that have not been deposited into a client account; and
 - (b) as at the same date when a comparison is made pursuant to subrule (10)(a), prepare a reconciliation statement, which must show the cause of the difference, if any, shown by each of the comparisons referred to in subrule (10)(a).

7. Keeping of proper books and accounts

- (1) A licensed insurance broker company must, in relation to its business which constitutes the carrying on of regulated activities –
- (a) keep, where applicable, such accounting and other records (including records relating to the assets or affairs of the company's clients) as are sufficient to –
 - (i) explain, and reflect the financial position and operation of, such business;
 - (ii) enable profit and loss accounts, income and expenditure accounts and balance sheets that give a true and fair view of its financial affairs to be prepared from time to time;
 - (iii) account for all client monies that it receives or holds; and
 - (iv) demonstrate –
 - (A) compliance by it with these Rules; and
 - (B) compliance by it with sections 71(1), 71(3), 71(4), 71(5) and 71(6) of the Ordinance; and
 - (b) keep those records in such manner as will enable an audit to be conveniently

- and properly carried out; and
- (c) make entries in those records in accordance with applicable accounting standards.
- (2) A licensed insurance broker company must keep all records in writing in the Chinese or English language or in such a manner as to enable them to be readily accessible and readily converted into written form in the Chinese or English language.
- (3) A licensed insurance broker company must retain the records that are required to be kept under these Rules for at least 7 years.

8. Audited financial statements

- (1) The audited income and expenditure account provided by a licensed insurance broker company under section 73(1)(b) of the Ordinance must include the licensed insurance broker company's –
- (a) insurance brokerage income distinguishing between -
 - (i) general business; and
 - (ii) long term business; and
 - (b) referral income; and
 - (c) referral expense.
- (2) The audited balance sheet provided by a licensed insurance broker company under section 73(1)(c) of the Ordinance must include the licensed insurance broker company's –
- (a) aggregate balances of its client accounts;
 - (b) insurance premiums receivable; and
 - (c) insurance premiums payable.
- (3) Any document (except an auditor's report) provided by a licensed insurance broker company under section 73(1) of the Ordinance must be —
- (a) approved by the directors of the company; and
 - (b) signed —
 - (i) by 2 directors of the company on its directors' behalf; or

(ii) in the case of the company having only one director, by the director.

9. Auditor's report

- (1) The auditor's report on the financial statements provided by a licensed insurance broker company under section 73(1)(d) of the Ordinance must contain statements stating whether, in the auditor's opinion, a true and fair view is given -
 - (a) in the case of the income and expenditure account, of the company's income and expenditure for its financial year;
 - (b) in the case of the profit and loss account, of the company's profit and loss for its financial year; and
 - (c) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year.

- (2) The auditor's report provided by a licensed insurance broker company under section 73(1)(e) of the Ordinance must contain statements stating whether, in the auditor's opinion, the company has continued to comply with the requirements under these Rules and relevant provisions of the Ordinance in relation to –
 - (a) the capital and net assets of the company;
 - (b) the professional indemnity insurance taken out by the company;
 - (c) the keeping of separate client accounts by the company; and
 - (d) the keeping of proper books and accounts by the company,as at the end of the company's financial year and 2 such other dates in the company's financial year as the auditor may elect, provided that the intervening period between those 2 dates must not be shorter than 3 months.

10. Savings and transitional arrangements

Schedule 1 provides for the savings and transitional arrangements that relate to these Rules.

Schedule 1

Savings and Transitional Arrangements

1. Interpretation

In this Schedule –

approved broker body (認可經紀團體) has the meaning given by Schedule 11 to the Ordinance;

commencement date (實施日期) has the meaning given by section 64O(7) of the Ordinance;

specified insurance broker company (指明保險經紀公司) means a licensed insurance broker company which was registered with an approved broker body as a member, immediately before the commencement date, and regarded as having been granted an insurance broker company licence under section 66 of Schedule 11 to the Ordinance on the commencement date;

2. Share capital and net assets

For the period from the commencement date to 31 December 2022, the amount of paid-up share capital and net assets which a specified insurance broker company must maintain at all times pursuant to rules 3 and 4(1) respectively are –

- (a) for the period that begins on the commencement date and ends on 31 December 2020, not less than \$100,000; and
- (b) for the period that begins on 1 January 2021 and ends on 31 December 2022, not less than \$300,000.

3. Professional indemnity insurance

- (1) In relation to a specified insurance broker company, for the period from the commencement date to 31 December 2022, the reference in rules 5(2) and 5(3) to

\$5,000,000 is replaced with \$3,000,000.

- (2) Rule 5(5) does not apply to a specified insurance broker company for the period from the commencement date to 31 December 2022.

4. Client monies reconciliation

Rule 6(10) does not apply to a specified insurance broker company for the first 6 months after the commencement date.

5. Audited financial statements

Rules 8(1) and 8(2) do not apply to audited financial statements of a specified insurance broker company for a financial year or period beginning before 31 December 2020.

[Name]

[Title]

Insurance Authority

**Feedback to Consultation Paper on the Draft Insurance
(Financial and Other Requirements for Licensed Insurance Broker Companies) Rules**

(Comments should be sent to the Insurance Authority on or before 23 January 2019.)

To: Insurance Authority

(email: comment_codeandguideline@ia.org.hk)

Name of Respondent:

Contact Person (if Respondent is an organization):

Contact Details:

Question 1

Do you agree with the proposal to raise both required minimum amounts of paid-up capital and net assets from HK\$100,000 to HK\$500,000?

Question 2

Do you agree with the proposal to raise the floor amount of the minimum limit of indemnity from HK\$3 million to HK\$5 million?

Question 3

Do you agree with the proposal to introduce a cap on the amount of the deductible which may be included under the terms of a licensed insurance broker company's PII cover, and setting that cap at 50% of a licensed insurance broker company's net assets or, in the case of a licensed insurance broker company in its first 12 months of operation, at 50% of its paid-up share capital?

Question 4

Do you agree with the proposed introduction of a requirement for an insurance broker company to carry out monthly reconciliations between its ledger balances and bank account statements for the client monies it holds?

Question 5

Do you agree that the additional disclosures required in an insurance broker company's financial statements are appropriate?