

Insurance (Amendment) Bill 2020 gazetted

The Government published the Insurance (Amendment) Bill 2020 (the Bill) in the Gazette today (March 20).

The Bill aims to amend the Insurance Ordinance (Cap. 41) to provide for a new regulatory regime for the insurance-linked securities (ILS) business and expand the scope of insurable risks of captive insurers set up in Hong Kong. It will implement the policy initiative in the 2018 Policy Address and the 2019-20 Budget Speech.

"The Bill is important for maintaining Hong Kong's competitiveness as an international insurance hub and risk management centre. It will also enable the insurance industry to capitalise on the new business opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative. Our target is to strive for early passage of the Bill so as to boost the financial services industry and the economy at large amidst the challenging times," a spokesman for the Financial Services and the Treasury Bureau said.

ILS are risk management tools that allow insurers/reinsurers to raise capital by offloading insured risks to the capital markets through securitisation. Given a rising trend of catastrophic events caused by climate change and urbanisation, the global issuance of ILS has grown substantially in recent years but currently the risk exposure of such ILS is mainly confined to the United States and Europe. It is necessary to make Hong Kong a more conducive domicile for ILS to capture potential business opportunities expected to arise in Asia.

A captive insurer is an insurance company set up by its parent company with the primary purpose of insuring and reinsuring the risks of the companies in the group to which the captive insurer belongs. Captive insurance provides multinationals with the ability to deploy a more holistic risk management strategy across their international business. With a sound regulatory regime and the availability of a wide range of professionals, Hong Kong is well-positioned to assist multinationals including Mainland enterprises going global to enhance their risk management.

The Bill will be introduced into the Legislative Council for first reading on March 25.