

The Honourable Ambrose Lau Hon-chuen, GBS, JP
Chairman
Panel on Financial Affairs
Legislative Council
8 Jackson Road
Hong Kong

Dear Hon. Lau,

Public Consultation Paper
Feasibility of Establishing Policyholders' Protection Funds in Hong Kong

At present, Hong Kong has no policyholders' protection funds ("PPFs") but only two insolvency funds for statutory motor and employees' compensation insurance respectively. An internal review carried out by the Office of the Commissioner of Insurance ("OCI") shows that most advanced economies have PPF in one form or another to provide assistance or compensation in case of insurer insolvencies. With a view to enhancing the protection of policyholders, the Government has appointed Messrs. PricewaterhouseCoopers ("PwC") to conduct a consultancy study on the need for and feasibility of establishing PPFs in Hong Kong.

PwC has now completed the international benchmarking and stakeholders interviews. On the basis of the findings it has prepared a Public Consultation Paper on the feasibility of establishing PPFs in Hong Kong. The Paper provides summaries of international benchmarking and preliminary proposals on PPF options. The OCI will hold a stakeholders briefing, followed by a press conference, on Wednesday, 17 December 2003, to launch the public consultation exercise.

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We will arrange for advance copies of the Public Consultation Paper to be distributed to Panel Members and other Legislative Council Members. We also plan to brief the Panel on the progress of the public consultation exercise at its meeting in March. In the meantime, should you or Panel Members have any questions on the proposals, please contact me at 2867 2546.

With best regards,

Yours sincerely,

(Richard Yuen)
Commissioner of Insurance

c.c. Clerk to Panel on Financial Affairs
(Attn. : Ms. Salumi Chan)