



obtaining cost effective insurance. For this reason alone it is not in the public interest for the Insurance Functional Constituency representative to only be elected by insurance companies.

#### **Insurance Intermediaries**

Insurance agents and brokers are not employees of insurance companies and are not represented by them; they have separate legal identities and operate as either sole proprietors, partnerships, or as limited companies. Most insurance agents operate as sole proprietors, holding business registration certificates, and operating under regulatory frameworks laid down by the Insurance Authority, the Mandatory Provident Fund Schemes Authority and the Futures and Securities Commission. Brokers operate under similar regulatory frameworks.

Insurance intermediaries are in daily direct contact with the insurance buying public in ways that insurance companies are not. As intermediaries between the insurance companies and the public, agents and brokers are in the best position to identify and understand the needs of the public and to reflect those needs to the regulatory authorities and to the Legislative Council.

At the same time, insurance intermediaries are able to observe at first hand the operation of the regulatory framework under which they operate and to reflect their opinions on aspects of it that, in the public interest, might need amending.

#### **Equity between functional constituencies**

Other functional constituencies extend voting rights to all members of their profession, but the voting system in the insurance functional constituency deprives the majority of those involved in the profession of any say in the industry. This is plainly illogical, unfair and not in the public interest.

#### **Proposal**

To widen the representation of the insurance industry and to improve the representation of consumer needs within the Legislative Council, it is proposed that voting rights in the Insurance Functional Constituency be extended to all registered insurance agents and authorized insurance brokers.

#### **Options for consideration**

- Option 1  
Maintain a single insurance functional constituency and allow all registered insurance agents and authorized insurance brokers to vote in addition to the representatives of insurance companies.
- Option 2  
Create an Insurance Intermediary Functional Constituency with voting by registered insurance agents and authorised insurance brokers.

**Recommendation**

Option 2 is preferred – an Insurance Intermediary Functional Constituency. This would allow the insurance companies to continue to be represented in the Legislative Council, while allowing the distribution side of the industry and, through it, the interests of the general public to be heard within the legislature, something that cannot happen under the present system.

If it is considered desirable to continue to have only one insurance functional constituency, then Option 1 is acceptable.

Whichever option is chosen, the Legislative Council will benefit from the advice of the insurance intermediary, that is best able to reflect the needs of the public and to provide a balance to the views of insurance companies in representing their shareholders.

We trust that the merits of the case for amending the existing voting system are obvious and we would welcome an opportunity to discuss this proposal, if need be.

(Signed)

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Dated May 30, 2005