

Asian Insurance Forum 2019
***“Connectivity and Innovation -
The Key to Competitiveness and Inclusiveness”***
10 December 2019

Welcome Remarks by Dr Moses Cheng
Chairman of the Insurance Authority

The Honourable Chief Executive, Ms Qiu¹, Mr Liu², Mr Dixon³, Bernard⁴, K P⁵, Laurence⁶, friends & colleagues, ladies and gentlemen,

On behalf of the Hong Kong Insurance Authority (“IA”), it is my great privilege and honour to welcome you all to this Asian Insurance Forum 2019.

When I addressed the audience at the inaugural Asia Insurance Forum last December, the IA was still a start-up. We regulated insurers, but not insurance intermediaries.

Over these 12 months we had moved on as planned. On 23 September this year, we took on the task of directly regulating all insurance intermediaries.

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² Mr Liu Fushou, Chief Counsel, China Banking and Insurance Regulatory Commission

³ Mr Jonathan Dixon, Secretary General, International Association of Insurance Supervisors

⁴ The Hon Bernard Charnwut Chan, GBS, JP, Convenor of the Non-Official Members, Executive Council, HKSAR

⁵ The Hon Chan Kin-por, GBS, JP, Member of Legislative Council (Insurance), HKSAR

⁶ Mr Laurence Li, SC, JP, Chairman, Financial Services Development Council

The transition from the self-regulatory regime is now complete. We have taken on the full remit of our functions under the Insurance Ordinance. To borrow the words of Sir Winston Churchill, we have reached “the end of the beginning”.

The past 12 months have been a challenging but exciting journey, which exemplifies the theme of today’s forum: “Connectivity and Innovation - The Key to Competitiveness and Inclusiveness”. Please allow me to elaborate:

Firstly, the entire process of giving life to the new regulatory regime has been conducted in a spirit of openness and inclusiveness. We are living up to our commitment of being fully connected with the industry. We listened and learned from your valuable inputs and feedback. The result is a set of Codes of Conduct and new Guidelines that are practical for the industry to comply with, whilst better safeguarding policy holders’ interests because of their practicality. Precisely, as we are fully including the industry in its development, we are confident that we have a regulatory regime that is fit for purpose, fit for the industry and fit for Hong Kong.

Secondly, in connecting closely with the industry in developing the new regime, we have built upon the industry’s heritage. I wish to thank the Hong Kong Federation of Insurers (“HKFI”), the Confederation of Insurance Brokers (“CIB”) and the Professional Insurance Brokers Association (“PIBA”), for their contributions as Self-Regulatory Organisations in the past three decades. Much of your work, we know, was performed by your members on a voluntary basis. That sense of civic duty certainly deserves our appreciation and recognition.

We have now taken on that important duty, fully appreciating the weight of the responsibility it represents. As we take on our new functions, so too the roles of the HKFI, CIB and PIBA evolve. We shall, however, remain forever connected by the dynamic of the insurance market which we all serve, exchanging views and constantly striving for progress.

Thirdly, the connective and inclusive approach that characterised the development of the new regime, means that we now have a regime that can respond efficiently as the industry innovates. By staying closely connected to the market, we can evolve and respond effectively. We are not, however, only a responsive regulator, but a fully proactive one, tasked with the function of promoting the insurance market both domestically and globally. Our message is this: effective regulation is dynamic and not static. It should promote the sustainable development of the insurance industry, and provide for the institutional context of public trust and predictability within which the insurance market can grow and flourish.

So ladies and gentlemen, with your guidance and support, the IA is now drawing to a close its start-up phase and embarking upon the new phase of our further development. Allow me to give you a few examples of the initiatives we have already launched.

In April, we saw the launch of QDAP – “Qualifying Deferred Annuity Policy” - a product which in combination with a tax incentive, empowers people to plan for their retirement and mitigate the risks associated with growing longevity. QDAP has been hugely successful with 82,500 policies issued so

far and the total annualised premium of HK\$6 billion. The average age of the persons taking up such policies is 48.5 years old, precisely the demographic at which QDAP is targeting. In QDAP, we see how the Government, the IA and the insurance industry can come together, to harness insurance to fulfil a social need. The right mix of regulation, competition, innovation and inclusion can address risk and build resilience in our society, which is precisely what insurance has done for generations. I cannot speak of resilience, without acknowledging the difficulties that Hong Kong has faced this year in the light of the ongoing social events. The role that insurers and brokers are now playing is absolutely vital; in assessing the damage caused and in ensuring that, where coverage is in place, claims are being paid as efficiently as possible. Our industry goes about its work diligently, assessing and paying claims without fanfare. But the great contribution that insurance can make in these situations to underpin a resilient society should not be overlooked by any of us. Our practitioners deserve recognition for the job they do. Indeed, the fact that this conference is so well attended, is itself a demonstration of the robustness and resilience of our great industry.

Underpinning all the initiatives that we are working on, is the fact that a sustainable insurance market translates into a robust society able to cope with risk and recover from adverse events. Hence, we are working with the Government on legislative initiatives to enable the market to grow. These are initiatives to enhance the supervision of insurance groups and to enable the issue of insurance-linked securities by special purpose insurers in Hong Kong. We are also working to expand the scope of business which captive insurers can underwrite if they set up business here.

Ladies and gentlemen, these initiatives will further enhance Hong Kong's status as a regional and international risk management centre and as an important source of insurance and reinsurance capital. In turn, our insurance industry will be empowered to support the infrastructure projects on the Belt and Road Initiative ("BRI") and the policy of the Greater Bay Area ("GBA") going forward. We shall hear more about the prospect and potential of the GBA and BRI at the two panel discussions moderated by Mr Laurence Li and Mr Chan Kin-por this morning. As my contribution to that, let me reiterate that it was at this conference last year when we announced the formation of the Belt and Road Insurance Exchange Facilitation, known as BRIEF. The response has been great. We now have 39 insurers, reinsurers, captive insurers and brokers participating as BRIEF members.

The account on the IA emerging from its start-up phase would not be complete without addressing the work we have done to support the myriad of our Insurtech start-ups. Indeed, in Insurtech we really see connectivity and innovation translating into competitiveness and inclusiveness. It provides the promise of transformative change for our industry. On the distribution side, it opens up the possibility for insurers to reach new target segments. It also provides diverse channels for connecting and delivering information to customers to assist them in making better informed insurance decisions. Usage-based insurance and bespoke health and driving data can bring precision to insurance pricing that we have never seen before. Faster claims payments are made possible, with reduced leakage coming through optimised fraud detection. Let us learn from the expert views on the dividend and disruption brought about by Insurtech in the afternoon sessions led by Mr Jonathan Dixon and Mr Bernard Chan.

As a regulator, we do see Insurtech as a positive disruption to the market and we have a role to foster its adoption to enhance policy holder protection, and to bring insurance to under-served segments of the population. Our Insurtech strategy involves several different mechanisms. We have in place our Fast Track licensing scheme for new insurers seeking to operate solely through digital distribution channels. We have so far granted authorization to one long-term insurer and one general insurer, both of which are now operational. The birth of virtual insurers demonstrates that Hong Kong promotes a testing ground for innovative ways of doing insurance business.

Our Insurtech Sandbox provides a controlled environment to test innovative solutions using real market data. We have so far approved six applications for Sandbox trial, four of which have been successfully brought to market. The majority of these cases are on-line sale platforms with embedded financial need analysis. We see here how Insurtech is being utilised by insurers to assess policy holder needs while complying with regulatory requirements. Indeed, there is a significant intersection between Insurtech and Regtech and we expect this trend to continue as insurers prepare for the Risk-based Capital Regime, another key initiative which we are working on and target to implement by 2022.

Ladies and gentlemen, this is indeed an exciting time for our industry, a time which provides great opportunity for insurance to continue to demonstrate itself as an important mechanism for managing risks and underpinning society's resilience.

Alvin Toffler, the famous futurologist and writer said and I quote,
“The illiterate of the 21st century will not be those who cannot read and write,
but those who cannot learn, unlearn, and relearn.”

Confucius, the celebrated philosopher in ancient China, once said and I quote

“子曰：「三人行，必有我師焉」”⁷

Translated into English:

“When I walk along with two others, from at least one I will be able
to learn.”

At the IA, we would keep on our learning by walking with many more others,
be they from the diverse membership which makes up our great industry, the
service providers who support them, or our fellow regulators both in Hong
Kong and abroad. I am most grateful to see all our fellow regulators being
represented here today. I welcome you all and look forward to sharing our
fantastic agenda with you, pooling our collective learning together.

In closing, I sincerely hope that all of us would come away from this forum
buzzing with new ideas.

May I take this opportunity to wish you all a very healthy and successful year
ahead.

Thank you very much.

⁷ 《論語·述而》：“子曰：「三人行，必有我師焉」”