



# The Future of Conduct Supervision in the Hong Kong Insurance Market

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#### "To study the past, is to understand the present and foresee the future!"

What lessons did the IA learn from regulating during COVID-19, and how have these informed the IA's strategy for "conduct supervision" in the future?



#### What is Conduct Supervision?





Conduct supervision regulates how insurance business is conducted between the providers of insurance and buyers of insurance. It views matters through the lens of the "customers" or "clients" and asks whether they are being treated fairly.

## Conduct Principles (section 90, Insurance Ordinance)



#### **The 8 core Conduct Principles**

- 1) Honesty and integrity
- 2) Treating customers fairly and acting in their best interests
- 3) Exercising care, skill and diligence
- 4) Being competent to advise
- 5) Giving advice which is suitable to the customer's circumstances
- 6) Disclosing adequate information to the customers
- 7) Avoiding and managing conflicts interest; and
- 8) Protecting client's assets

Situation specific prescriptive regulatory standards and rules (e.g. financial needs analysis) are tied to Conduct Principles.

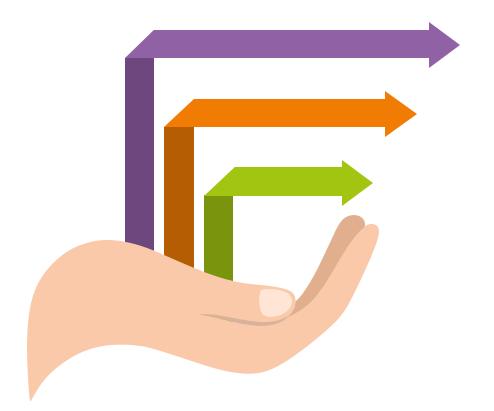
But the Conduct Principles are universal. They apply even if there is no specific requirement applicable to the situation.



### **Key Lesson 1 Adapting to regulate Digital Distribution**



COVID-19 social distancing restrictions accelerated the drive to digitalization and formulation of non-face-to-face digital distribution channels. We learned how to adapt our conduct supervision approach to new situations.



- Temporary Facilitative Measures
- Use of the Sandbox
- Explanatory Note on Regulated Activities

### **Key Lesson 2 Embracing RegTech**

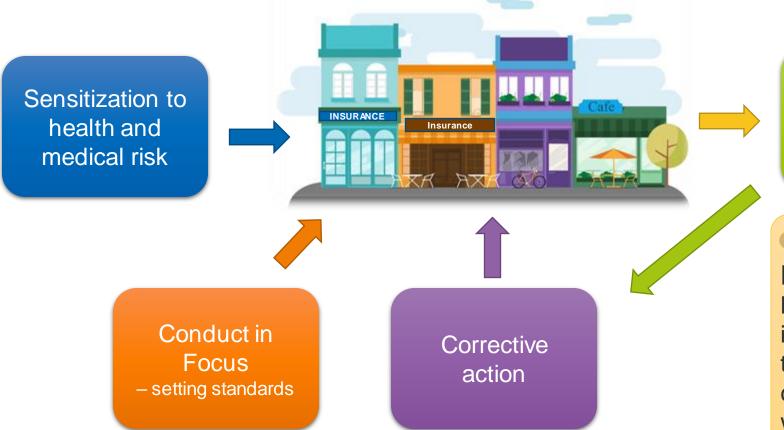


We learned the value of RegTech. **Licensing e-portal** Enabled completion of deemed licensee project (106,000 intermediaries) e-CPD Further enhancements to enable regulatory Business ethics for agents reporting e.g. CPD declarations Business ethics for brokers Fully subscribed e-IIQE VTC's forward-thinking "Remote invigilation mode **AML** screening software examination" for IIQE launched **Al transcription Disciplinary Panel** video conferencing REGTECH

### Key Lesson 3 The value of pro-active conduct supervision



We learned that pro-active conduct supervision works!



Informal mystery shopping

#### **Broker companies -**

Measurable improvement in compliance statistics in the first 3 years of the IA conduct supervision. What works for brokers can also work for insurers.

### Key Lesson 4 Using Conduct Indicators to identify emerging problems



Conduct indicators - key data on conduct-related matters that can be used to indicate emerging conduct issues before they become problems.



### **Key Lesson 5 Getting the culture right**



#### The importance of corporate culture in embedding ethics

#### Corporate culture –

- is the collective values and principles of the people who work for and who represent the insurer;
- dictates how the insurer and its agents deal with and treat customers no matter what the situation is;
- will be a key focus for our conduct supervision going forward.

A culture of acting ethically and with integrity in line with the Conduct Principles provides the foundation of trust in the insurance market







Continue to be proactive in adapting Conduct Principles to new distribution channels

Use conduct supervision to seek and prevent problems

2 Embrace RegTech further in our supervision

Collect and analyze conduct indicators to identify emerging issues

Assess corporate culture of insurers and intermediaries for ethics, integrity and understanding of the Conduct Principles





### Thank You

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