

CIB Annual Conference 2021
“Insurance Broking in a Changing
World - Negotiating Stormy Seas”
held at 2 p.m. on 25 October 2021

Opening Remarks by Mr Clement Cheung
Chief Executive Officer of the Insurance Authority

Patrick¹, Alex², Rath³, Adrian⁴, distinguished members of the Hong Kong Confederation of Insurance Brokers (CIB),

It is my great pleasure to speak again at the annual conference of CIB and to do so face-to-face since I am not quite used to talking in front of a camera crew instead of looking into the eyes of my audience.

The past two years have seen our daily lives disrupted in different ways, and many of these changes are likely to stay. Business trips are substituted by virtual meetings, overseas vacations are taken over by local adventures, and online grocery shopping becomes a fad. The theme chosen for the conference today - “Insurance Broking in a Changing World – Negotiating Stormy Seas” - gives us a chance to reflect on where we were, and explore where we should be heading for.

Navigating Through the Torrents

The insurance industry has displayed steadfast commitment, strong resourcefulness and deep resilience when confronted by COVID-19. Individual Life business saw a sharp drop of 20.9% in 2020 due to restricted cross-boundary passenger movement, but the shift of focus towards protective products targeted at local residents has led to a rebound of 23% in the first half of 2021. The situation is slightly complicated for the general sector where underwriting profit improved to \$2.3 billion in 2020 from \$869 million in the year before and continued to hold up at \$794 million in the first half of 2021, partly attributable to the extraneous factor of subdued economic activities, so things are murky. The Insurance Authority (IA) is glad to have played a part in navigating with CIB through the torrents by granting exemption for justified cases of failure to meet the deadline for filing of financial statements, merging the two CPD assessment periods lasting from September 2019 to July 2021 and raising

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² Mr Alex Yip, Deputy Chairman of CIB

³ Mr. Rath, Bhabani Sankar, Immediate Past Chairman of CIB

⁴ Mr. Adrian King, Honorary Secretary of CIB

the cap on e-CPD hours from five to seven for each period, pioneering the temporary facilitative measures so that designated insurance products could be transacted remotely, and enabling selected brokers to commission trial projects making use of the Insurtech Sandbox.

Although the pace of community vaccination is picking up and the Government has been engaging in an earnest dialogue with health authorities in the Mainland for lifting of restrictions on cross-boundary passenger movement, we should seek out for emerging opportunities in the new normal. The question is how to make a start?

Dual Circulation Economic Strategy

It might appear an anticlimax to suggest that we should first examine what role Hong Kong could perform in the oft-mentioned dual circulation economic strategy but, put simply, nobody could afford to ignore that the second largest economy is sitting on our doorstep. The logical move is therefore to derive maximum synergies between promoting Hong Kong as a global risk management centre and a regional insurance hub with development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and rapid pace of market liberalization in the Mainland.

On domestic circulation, the bulk of our attention is being placed on establishment of after-sales service centres and implementation of the “unilateral recognition” policy for motor insurance. The former is a stepping stone to closer financial connectivity with Shenzhen and Guangdong, the latter opens up more ample room for innovative cross-boundary insurance products. On external circulation, we are scaling up deal-matching efforts via the Hong Kong Specialty Risks Consortium, sustaining a dialogue with the State-owned Assets Supervision and Administration Commission (SASAC) on facilitating enterprises to station captives in Hong Kong, and drawing up a holistic plan to ride on momentum generated by the inaugural issuance of insurance-linked securities (ILS) spearheaded by China Re.

Climate Change

I will now move on to a sobering topic which has been somewhat overshadowed by COVID-19 recently. Climate change is acknowledged to be the biggest threat to mankind, entailing societal, environmental and economic impacts. Many of you should recall shocking images of wildfires in California and Australia, heatdome in Pacific Northwest as well as flooding in Belgium, Germany and the Henan Province. If these events took place too far away, how often do we have to shut down because of typhoon twice within one week in October? Last month is the hottest September

on record for Hong Kong, vindicating cautions made in a report published by the United Nations Intergovernmental Panel on Climate Change in August about unprecedented and irreversible damages inflicted on the planet that we call home.

As the Government announced a raft of initiatives including the Clean Air Plan for Hong Kong 2035 and the Climate Action Plan 2050, the IA is participating actively in the Green and Sustainable Finance Cross-Agency Steering Group and shaping up a multi-pronged approach for the insurance industry to contribute by way of public advocacy, corporate disclosure, risk modelling, differential underwriting, product innovation and impact investment. The objective is to create a vibrant ecosystem by balancing regulatory requirements with business prospects, earning our keep while making the world a better place to live for both the current and future generations. My team has imposed upon itself a mission of enabling the insurance industry to thrive while delivering its social value, and this is an ideal area to do so.

Conduct Supervision

Finally, let us revert to the very foundation of the IA as a conduct supervisor. Knowing that COVID-19 has rekindled awareness on different perils in life, we are rolling out the Public Education Campaign on Lifetime Risk Profiling comprising the Mortality Protection Gap Study, the Protection Needs Assessment Tool and the Thematic Sitelet. In support of our first attempt to provide the general public with authoritative information about protection needs, CIB has been involved by testing the assessment tool and reviewing contents of the sitelet. As a vigilant and informed customer is less vulnerable to unethical selling, this campaign could also reduce the number of complaints and uplift professionalism of insurance intermediaries.

Market stability is built upon the trust and confidence of policy holders. The timely introduction of a unified intermediary registration system and a robust disciplinary mechanism is essential to anchoring such trust and confidence. We are grateful to CIB for driving adoption of the on-line portal which is currently handling over 80% of licence applications. On deemed licensees, around 51,000 of applications for renewal have already been received and some 42,000 approved up to the end of September, led by Technical Representatives (Brokers) at a progress rate of 69%. Meanwhile, I have had the privilege of sitting on a disciplinary panel where three cases involving false academic qualifications were handled, and am indebted to CIB for fielding capable individuals to serve on both the Expert Advisor Panel and the Disciplinary Panel Pool.

Friends and colleagues, the insurance industry is still in a good fighting spirit despite numerous challenges and trepidations. The IA will continue to rely on your expert knowledge and staunch support in pursuing opportunities for brokers in the context of GBA, Insurtech, risk management, ILS and climate change.

I look forward to a fruitful and stimulating conference today. Thank you.