

**Annual Conference of The Hong Kong Confederation of Insurance Brokers
26 October 2017**

**Opening Address by Mr John Leung
CEO of the Insurance Authority**

Chairman Rath, Ladies and Gentlemen,

I am delighted to join you again at the CIB Annual Conference – this time in my new capacity as the CEO of the Insurance Authority (IA), which took over the regulatory functions of the former Office of the Commissioner of Insurance (OCI) four months ago on June 26.

Taking this opportunity, I must thank the CIB, not only for its long years of service under the self-regulatory system and its unfailing support to the OCI and the IA, but also for its continuous contribution as an effective communication conduit between the regulator and the broker community, as well as its dedication in upholding and enhancing the professionalism and integrity of insurance brokers.

Being the interface between the clients and insurers, insurance brokers use their in-depth knowledge of risk management and the market to give professional advice and recommend insurance solutions that most suit the needs of their clients, from individual customers to SMEs and large corporations. It is no doubt that insurance brokers play a significant role in improving the social well-being and economic development, and are indispensable for building a robust and sustainable insurance industry in Hong Kong.

The establishment of the IA has marked a new milestone in the development of the insurance industry in Hong Kong. I am glad to see a smooth transition from the OCI to the new IA. As an independent regulator, we strive for excellence and uphold a number of core values, what we call “ABCDE”, namely “Agile and Accountable, Building Trust, Collaboration, Driving Change and Embracing Innovation”. Same as any other newly established organisations, we are still tackling a number of teething issues such as building a performance-driven culture and formulating an enhanced training and development strategy within the IA. With high staff morale and a very strong executive team, I trust that the IA will showcase the qualities of an efficient, effective and a fair financial regulator.

On the logistics side, we will be moving to our new office in Wong Chuk Hang in mid-December. It is about seven or eight minutes’ walk from the Wong Chuk Hang MTR Station. We are planning to organise a housewarming especially for the industry and look forward to welcoming you in our new office before the Chinese New Year.

In 2018 and beyond, ahead of us will be a number of major tasks and challenges, including among others, promoting Insurtech, developing the Risk-based Capital Regime for insurers and the Policy Holders’ Protection Scheme, and most important of all, preparing for the new direct licensing and regulatory regime for insurance intermediaries.

Our target is to launch the new licensing regime by mid-2019, two years from the changeover this June. We are thankful to the CIB for its constructive comments given in the past few years on various issues, including new licensing and conduct requirements, transitional arrangements and transfer of data. We are now under a very tight timeframe with just 20 months ahead of us. We hope

the CIB will continue to give us staunch support in preparing for the new regime, in particular the transfer of data and records and outstanding cases to the IA so as to achieve a seamless transition.

We have set up a Working Group on Direct Licensing Regime for Insurance Intermediaries (Working Group) to succeed the Working Group on Transition convened by the Financial Services and the Treasury Bureau. The main functions of the new Working Group are to listen to comments from industry representatives on the draft rules, codes and guidelines to be issued by the IA, and to map out various transitional matters with the three Self-Regulatory Organisations (SROs). Our top priority is the drafting of some 20 sets of rules, codes and guidelines covering at least four aspects of the new licensing regime, namely licensing, conduct, selling process and disciplinary measures. When preparing these drafts, we will make reference to the prevailing requirements set out by the SROs, and take into consideration international best practice and current market situations.

We are adopting an interactive consultation process for drafting the rules, codes and guidelines. We will follow a three-step approach or what we call “三步骤” in Chinese. The first step is to seek the views of the Working Group on key areas of concerns. For instance, concerning the Guideline on Fit and Proper Criteria, what minimum educational qualification a new licensee should attain, to ensure he or she is competent in advising on various insurance products. As regards the Guideline on Continuing Professional Development (CPD), how we can ensure that licensees keep abreast of market developments and maintain

professionalism. The first meeting of the Working Group will be held tomorrow. There are certainly more questions to ask and we'll look to Working Group members for insights and suggestions.

As insurance brokers and agents have different capacities, we appreciate that some of their conduct requirements should differ. We therefore plan to form two sub-groups under the Working Group, one for agents and one for brokers, to facilitate more focused discussion on their respective conduct standards under the proposed Code of Conduct.

The second step is to conduct soft consultation on the drafts with the major stakeholders, including the industry bodies. Taking into account the feedback from the stakeholders, we will refine the drafts and proceed to the third step, i.e. to conduct public consultation on the drafts. The IA will finalise the rules, codes and guidelines after the public consultation and publish them in the Gazette before the D-day in mid-2019. For rules to be made by the IA, there may be additional statutory steps to be taken, such as publishing details of difference if the rules to be made are significantly different from the consultation draft.

Throughout the drafting and consultation process, we will adopt a risk-based regulatory approach and strike a balance between promoting the sustainable development of the insurance industry and ensuring fair treatment for the policy holders, especially individual customers. We will also uphold the principles of reasonableness and appropriateness in regulating the conduct of both agents and brokers.

We hope the participation of the industry in formulating the regulatory requirements for insurance intermediaries would create a strong sense of ownership and commitment on the part of industry practitioners, thereby building a solid foundation for the new regime. I will therefore appeal to all of you to tell us your views, or speak through CIB or other industry bodies, so that we are able to hear from you, even at an early stage of the discussion.

The overwhelming participation at the Annual Conference today speaks for itself. I am sure that the CIB will continue to carry on its mission to ensure the highest level of professionalism among its members and to produce a class of insurance brokers whom we can trust. I wish you all a very successful and fruitful Conference.

Thank you very much!