

CIB Annual Conference 2019

4 November 2019

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

Rath¹, Patrick², Adrian³, Elves⁴, members of CIB, friends and colleagues,

It is my honour and pleasure to participate for a second time in the CIB Annual Conference, and you could not have chosen a more pertinent theme than one that focuses on “dealing with the transition”.

When I spoke on the first occasion, the Insurance Authority (“IA”) was a start-up, a piece of work-in-progress. The past year has been bitter-sweet for me and my team as we cope hectically with the duties expected of a prudential supervisor while we attempt to formulate a set of corporate vision and mission, to map out our strategic goals, to build up a user-oriented service culture, and to sustain impetus on several key reform packages.

The journey was not entirely smooth, bumpy at times in fact, but the hard work and sacrifices yielded handsome dividends. Notable progress has been

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⁴ Mr Elves Leung Ying-wai, General Committee Member of The Hong Kong Confederation of Insurance Brokers

achieved on field testing of the Risk-based Capital Regime; legislative drafting is well advanced on the bills relating to group-wide supervisory framework, setting up of special purpose vehicles for insurance-linked securities, tax concession and enlarged business scope for captives, tax concession for marine insurance and specialty insurance as well as the Policy Holders' Protection Scheme. And do not forget the statutory regulatory regime for insurance intermediaries that commenced six weeks ago. I do not dare to lift the curtain too soon and preempt Stephen⁵ on the compliance monitoring programme and disciplinary mechanism, suffice it to say that this represents the most important reform in two decades that unified three Self-Regulatory Organisations and which affects close to 120,000 practitioners. So the IA is also going through rough turbulences and could empathise with the enormous change ahead for CIB.

Now that this project is out of the way, however, CIB should join me in setting sights on shaping the future. Although Hong Kong has a mature insurance market that boasts world-leading penetration rate and density, there is still plenty that could be done. On long term business, we should expand the product mix to address holistically the protection needs of individuals and strengthen the status of Hong Kong as a preferred base for headquarters of insurance groups – resounding success of our promotion campaign on the Voluntary Health Insurance Scheme and the Qualifying Deferred Annuity Policy as well as the demerger of Prudential plc are vivid examples of what we could accomplish. On general business, dual emphasis must be placed on tackling losses sustained by the statutory compulsory lines and on opening up

⁵ Mr Stephen Po Wai-kwong, Executive Director, Market Conduct, Insurance Authority

new frontiers that play to the core competence of Hong Kong – gradual recovery of profitability for Employees’ Compensation insurance and joint efforts with Mainland authorities to encourage State-owned Enterprises to set up captives in Hong Kong bode well for a potential breakthrough. The membership of CIB covers a wide breadth of professionals with relevant expertise who could support these initiatives, and I call on you to get prepared for playing an active part.

The world is facing a host of emerging challenges – climate change caused by global warming, terrorist attacks targeted at different nations or ethnic groups, on-going saga (some say melodrama) of Brexit, persistent low interest rate environment resulting from monetary easing by central banks are arousing deep concern. Closer to home, fiscal burden posed by an ageing population, increasing strain borne by the public health care system and recurring social unrests are casting a dark shadow on the local economy. But insurance is a trade that thrives on uncertainties as it is our job to handle risk mitigation, transfer and management. So the future is indeed now. I look forward to a trustful and enduring partnership with CIB in safeguarding the insuring public and serving the community.

Let me conclude by sharing a quote from President John F Kennedy, “*Change is the law of life. And those who look only to the past or present are certain to miss the future.*”

Have a stimulating and rewarding conference today.