

**Spring Dinner of
The Hong Kong Confederation of Insurance Brokers
1 March 2018**

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

Chairman Rath¹, Ladies and Gentlemen,

Good evening, and happy lunar new year to all of you. Thank you for inviting me to CIB (The Hong Kong Confederation of Insurance Brokers)'s Spring Dinner. It's the third time for me to attend the Spring Dinner. The first two times in my capacity as the Commissioner of Insurance and this time as CEO of the Insurance Authority (IA). I hope to be able to join CIB's Spring Dinner in another capacity in future.

As you may be aware, the Financial Secretary has assigned two new tasks to the IA in his Budget speech delivered yesterday. First, to explore ways to enhance Hong Kong's competitiveness as an insurance hub, including tax arrangements and other regulatory requirements. Second, to prepare a guideline to provide tax concessions for contributions made to qualified deferred annuity products. The IA will continue to work closely with industry stakeholders, including the CIB, to explore ways to facilitate the sustainable development of the industry and enhance Hong Kong's competitiveness as an insurance hub.

It has been four months since I spoke at CIB's Annual Conference last October. Tonight, I would like to update you on the progress on the preparatory

¹ Mr. Bhabani Sankar Rath, Chairman of The Hong Kong Confederation of Insurance Brokers.

work for the implementation of the new licensing regime for insurance intermediaries.

Firstly, the Working Group on Direct Licensing Regime for Insurance Intermediaries has been providing useful contributions and valuable comments on the proposed requirements under the new regime. As you may know, the Working Group comprises representatives of the three SROs (Self-Regulatory Organizations) and other industry bodies, including Chairman Rath and Mr Adrian King².

We fully understand that insurance brokers and agents have different capacities. Hence, two separate Discussion Groups have been formed. One comprises only insurance brokers and the other engages representatives from major insurance agent bodies. We believe the two Discussion Groups will facilitate focused discussions to ensure the appropriateness of the licensing and conduct requirements of the new regime from both the brokers' and agents' perspectives.

Our discussions with the Working Group and Discussion Groups went very smoothly in the past few months. A wide range of key issues such as the fit and proper criteria, CPD (Continuing Professional Development) requirements and minimum requirements for insurance brokers have been discussed.

As far as the minimum education requirements for individual intermediaries and responsible officers are concerned, we have listened to the views of different stakeholders. Our two primary objectives are: (1) to raise the professional standards of insurance intermediaries and (2) to minimise the impact on existing practitioners. While striving to enhance the competence of insurance

² Mr Adrian King, Honorary Secretary of The Hong Kong Confederation of Insurance Brokers.

intermediaries, we also respect the experience and contributions of existing intermediaries and recognise the importance of continuation of their services to existing policy holders. The relevant requirements will be set out in the Guideline on the Fit and Proper Criteria for Licensed Insurance Intermediaries and soft consultation of the Guideline to be conducted later this year.

Besides review of the minimum education requirements, we have also reviewed the CPD requirements. We are glad to see a general consensus to raise the minimum number of CPD hours and to require compulsory attendance of courses in relation to ethics or regulations. To improve the learning experience of intermediaries and enhance the efficiency of course providers, we take this opportunity to promote e-learning through conditional recognition of online CPD courses.

Concerning the minimum requirements for insurance brokers, we also see a general consensus to raise the minimum capital and net assets threshold. Our current thinking is to increase the threshold from the current level of \$100,000 to around \$500,000.

We have also started discussion on the conduct requirements to be included in the Code of Conduct for Licensed Insurance Intermediaries. We are collecting views on insurance intermediaries' duty of integrity, acting in the best interest of clients and information disclosure. Other conduct requirements will be discussed in the coming meetings of the Working Group and Discussion Groups. We would like to thank CIB and the other two SROs for building a solid foundation of the self-regulatory regime. The existing rules and regulations issued by the SROs serve as very useful references for our drafting of the codes and guidelines for the new regime.

Nowadays insurance products and distribution channels are also becoming more innovative and diversified. Naturally, consumers are demanding more professional advice and quality service from insurance practitioners. Under the revised Insurance Ordinance, the IA has taken up statutory responsibilities to develop a robust regulatory regime for insurance intermediaries, not only to ensure the fair treatment of policy holders and potential policy holders, but also to facilitate the healthy development of the insurance industry. To achieve our common goals, we need your constructive comments on the proposed new regime.

In the coming months, we will conduct both soft industry consultation and public consultation on the draft codes and guidelines. All the comments received during the consultations will be duly considered before finalising the regulatory requirements for insurance intermediaries.

I would like to echo Chairman Rath that we should not be afraid of changes and challenges. New challenges will prove that we are adaptive and can overcome difficulties, and give us a chance to demonstrate the resilience of Hong Kong people.

Let me conclude by thanking CIB for its significant contributions to the insurance industry in the past 25 years. May I wish everyone a fabulous, prosperous, energetic and dynamic Year of the Dog.