

**Cocktail Reception of Hong Kong Confederation of Insurance Brokers
3 November 2016**

Speech by Dr Moses Cheng, Chairman, Insurance Authority

Chairman Mr Rath, my friends, Ladies and Gentlemen, good evening!

1. Thank you so much for your invitation, I am delighted to join you all here this evening.
2. Last Monday, the International Union of Marine Insurance announced the setting up a new Asian hub in Hong Kong. It is the first time in the Union's 142 year history to establish a permanent presence outside of Europe. The Union's choice of Hong Kong exemplifies Hong Kong's unique role as a superconnector in the Asia Pacific Region. I firmly believe that Hong Kong is well positioned to maximize its potential as an insurance hub in the region because we have quality professionals in the insurance industry here.
3. Insurance is a very much people-oriented business. And I begin to appreciate it more as that the independent Insurance Authority ("IIA") is starting to compete with the industry for talents. Lately, my colleagues and I have been heavily engaged in the hiring of regulatory professionals for the IIA. There are candidates from the regulatory circle as well as highly qualified people from the industry, local and overseas. Our target is to hire about 130 regulatory officers in the first stage with a view to taking over the regulatory functions of OCI early next year.

4. As I have said on many occasions, regulation is an art of balancing. It is about setting the appropriate standards for prudential and conduct regulation and promoting voluntary compliance by the regulatees. Disciplinary actions are not meant to coerce compliance but a tool to punish free-riders who wish to outsmart the system to the detriment to their fellow regulatees as well as to their clients. So, regulation is about partnership. I understand the Working Group on IIA Transition has been discussing with the industry the details of conduct requirements to facilitate IIA's work of drawing up the Code of Conduct in future. This is a good start. And I would appeal to the industry to take the role as a partner of the IIA to work out fair and reasonable conduct standards to promote good business practice and to enhance public confidence in the insurance industry.

5. In addition to good business practice, competence of practitioners is equally important in the insurance business. And this is particularly true in insurance brokerage. For one thing, the Latin origin of the word "client" ["clientern"] means "follower". Clients follow the advice of insurance brokers in seeking the most suitable risk management solution. Brokers have to be competent to give the best advice to their clients. It is part of their duties. In future, when the IIA is fully staffed, I would like to have focused discussions with the industry to map out a strategy for effective continuous professional development of insurance professionals in Hong Kong. This in fact should be a priority because if we want to strengthen Hong Kong as an insurance hub, we need highly competent professionals as magnets to draw business from different corners of the region. So, we

should all be prepared to “learn, unlearn and relearn”¹ to equip ourselves to meet future challenges and make innovation.

6. Talking about innovation, I am personally very interested to see how Insurtech would shape the development of the insurance industry. Yes, I said “Insurtech”, not “Fintech”. A friend told me recently if you are in the insurance industry and still talking about Fintech, you are out. Insurtech start-ups are mushrooming. On 3rd October, the Financial Times carried an article listing 10 promising Insurtech start-ups. For example, a start-up called “Cyence” is developing a system that could help both insurers and potential clients to assess cyber risks in monetary terms. Another start-up called SPIXII is developing a software that allows insurers, brokers and price comparison websites to talk to customers via Facebook Messenger and Skype. So, Insurtech is not something that is going to happen. It is actually happening. We must have a mindset to embrace technology now. And I envisage that staff in IIA will have data analysts working with actuaries in the near future.

7. Ladies and gentlemen, you would probably agree with me in saying that the establishment of IIA is timely. With more operational flexibility than a government department, the IIA can collaborate with the industry more effectively to harness technologies, raise the competence of insurance professionals, promote good business conduct, and after all win stronger public confidence in insurance to usher the industry in scaling new heights.

¹ “The illiterate of the 21st Century are not those who cannot read and write but those who cannot learn, unlearn and relearn.”
— Alvin Toffler, Powershift: Knowledge, Wealth, and Power at the Edge of the 21st Century

Let's get prepared to learn, unlearn and relearn together!

8. May I conclude by wishing you all a very enjoyable evening and a good year ahead. Thank you very much!