

**Annual Reception of the Hong Kong Federation of Insurers
24 April 2017**

Speech by Dr Moses Cheng, Chairman, Insurance Authority

Chairman Ronnie, honoured guests, colleagues and friends, ladies and gentlemen,

Good evening!

2. It gives me great pleasure to join you all this evening and I thank the Chairman for giving me this opportunity to share with you some of the latest developments of the Insurance Authority (IA).

3. It seems not too long ago that I attended the previous Annual Reception of the Hong Kong Federation of Insurers (HKFI). Time flies and here we are, I am attending the second Annual Reception of the HKFI in my capacity as the IA Chairman.

4. When I walked into this room tonight. The first thing I noticed was the colours of the backdrop. I thank you for choosing two of the three corporate colours of the IA – light green and orange to be the theme colours of your reception this year. This is the reflective of our shared philosophy of a “modern and forward thinking Insurance Industry”. Let’s work together closely to realise this.

5. As you would most probably know by now, the IA will take over the

regulatory functions of the Office of the Commissioner of Insurance (OCI) on the 26 of June. There is no magic behind choosing this date for the changeover. It is just the earliest date that we are ready for a smooth transition. I only found out recently that Hong Kong was proclaimed a British colony on the same day in 1843. What a coincidence!

6. Our next target is to take up the regulation of insurance intermediary within two years from now. Hopefully, the transition from the existing regime to the new one can be achieved within my term as the Chairman of IA. I owe much to the dedication of my fellow authority Members and the hard work of the staff working diligently in building up this new body.

7. According to the advice of the consultant, the IA will start with a team of about 180 staff members at the beginning, gradually expanding to about 300 when the IA starts regulating insurance intermediaries. The team of executives is a good mix of existing regulatory talents from the OCI and new recruits from the industry. I know you are all very eager to know who the top executives of the IA are. I promise you that I would introduce them to you very when ready. But I can confirm this evening that the Honourable Bernard Chan and KP Chan are not joining the IA because firstly we cannot afford them; furthermore their expertise in electioneering and halting filibustering are in high demand in organizations other than the IA. However, I am quite sure that they would continue their support and guidance to the IA in the days to come.

8. Engineering a smooth transition from the current regulatory regime to the new Insurance Authority is no easy task. The IA alone could have never

made this happen without the support of the Government, the OCI and the industry. On this note, I wish to emphasize once again that effective communication between the Authority and the industry is of paramount importance. I am sure the HKFI will continue to perform its role as the vital link between the industry and the Authority, as well as the Government.

9. In fact, the HKFI has recently been facilitating the deliberations on a range of important issues such as the Risk-based Capital regime (RBC), the mechanism for collecting levy on premium, implementation of GN16, revisiting the requirements in GN15, and Fintech, just to name a few.

10. I believe it may not be appropriate for me to bore you this evening with these heavy and technical subjects. However I would like to say a few words on a document newly released by the International Association of Insurance Supervisors (IAIS).

11. On 20 March this year, the IAIS released its “Stakeholder Engagement Plan”. In it, the IAIS suggests that “Effective stakeholder engagement should ensure that stakeholders are properly consulted in the development of IAIS policy and that the opportunity for timely, substantive and high quality contributions from stakeholders is maximised.”

12. I fully subscribe to this principle of stakeholders engagement. The key words are “timely, substantive and high quality contributions”. To me, from a regulator’s perspective, stakeholders engagement is a process to achieve the following:

- (a) Firstly, to enable stakeholders to understand the objectives and value of a proposed regulatory proposals;
- (b) Secondly, to allow stakeholders a genuine opportunity to refine a regulatory proposal for achieving the objective more effectively and efficiently; and
- (c) Thirdly, to allow the regulator and stakeholders to exchange experience and expertise, and validate information.

13. I firmly believe that when a regulatory policy or measure is proposed, intensive deliberation is unavoidable but confrontation is definitely to be avoided. More often than not, different stakeholders might have different views on a policy or measure. But it doesn't mean that the gap cannot be bridged by effective stakeholders' engagement.

14. Take the preparation for the first Quantitative Impact Study (QIS) for the RBC as an example. Through a series of industry focus group workshops, the objective and technicalities of the QIS have been clearly explained to the industry, relevant information has been shared, and the OCI has been receiving quality feedback from the industry to refine implementation details. The QIS is a tremendously difficult task. I can see that there has been a lot of collaboration instead of confrontation between the OCI and the industry. If you agree with me that the QIS exercise is a quality stakeholder engagement exercise, I can assure you that the good practice will be followed by the IA. If you think that there is still room for improvement, the IA's door is always open for quality feedback. As I said on previous occasions, the IA is committed to doing the right things, and

doing things right.

15. Ladies and Gentlemen, we are about to have a more robust independent insurance authority for more robust developments of the insurance industry. The IA will have the much needed power and operational flexibility to maintain a fair and conducive environment for the sustainable development of the insurance industry. The partnership between the Authority and the industry will continue to thrive, with the facilitation of the HKFI.

16. All of us at the IA are looking forward to working closely with all of you. Let me conclude by wishing the Federation continual prosperity and success; and wishing all of you a very enjoyable evening. Thank you very much.