

Market Dynamics and Corporate Vision of the Insurance Authority

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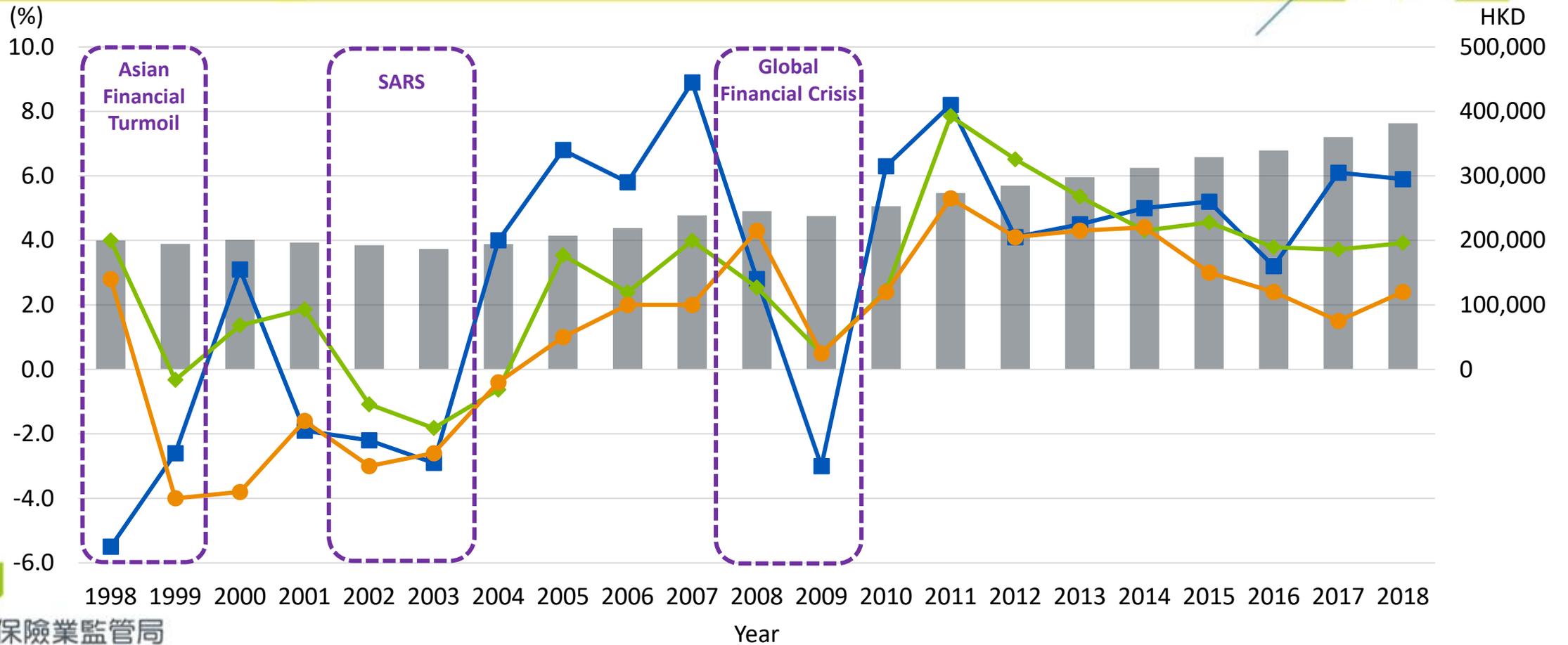
11 October 2019

Agenda

- 1 Macroeconomic Environment**
- 2 Market Overview**
- 3 Regulation of Insurance Intermediaries**
- 4 InsurTech Development**
- 5 New Initiatives**

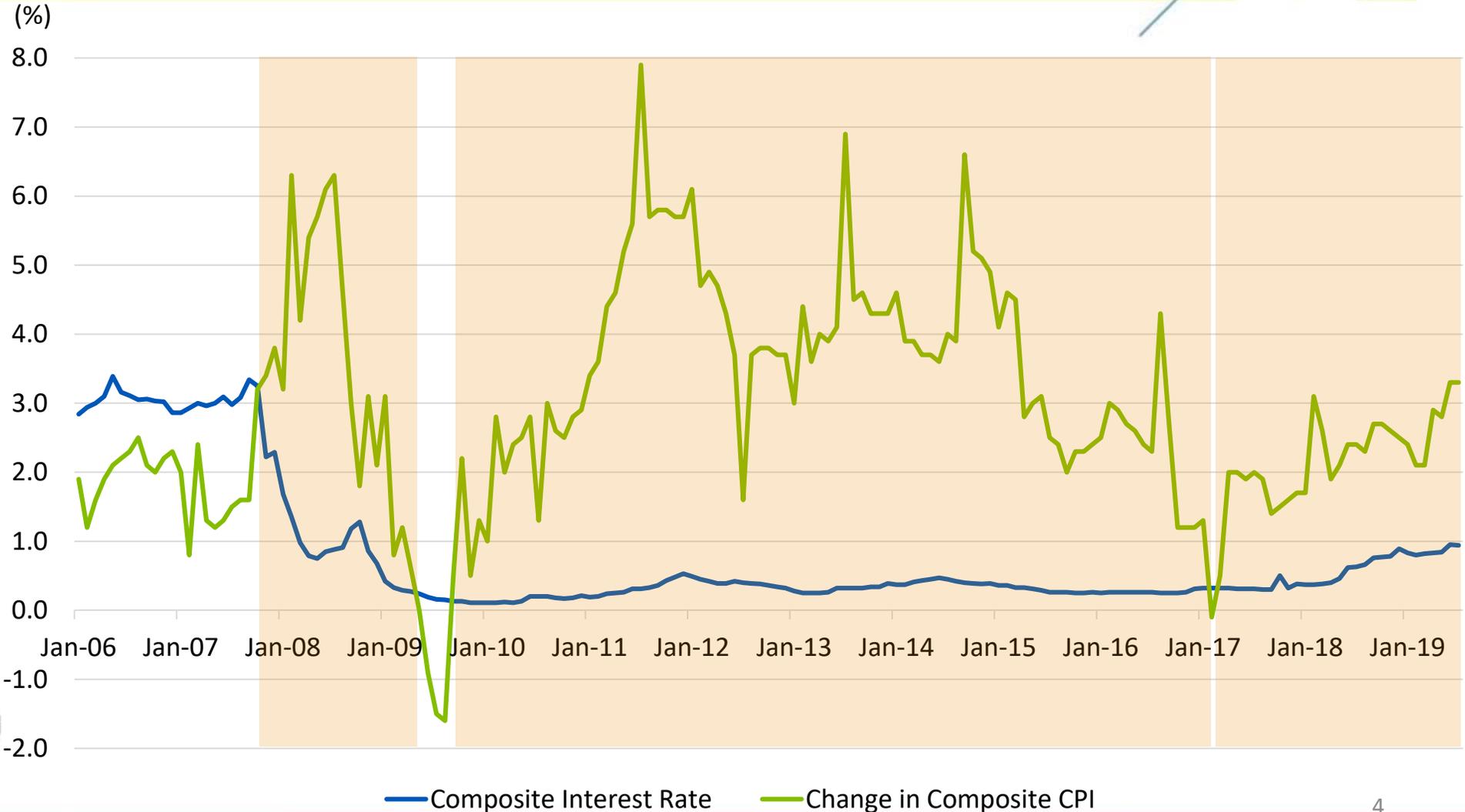
Macroeconomic Environment

Economic Cycle



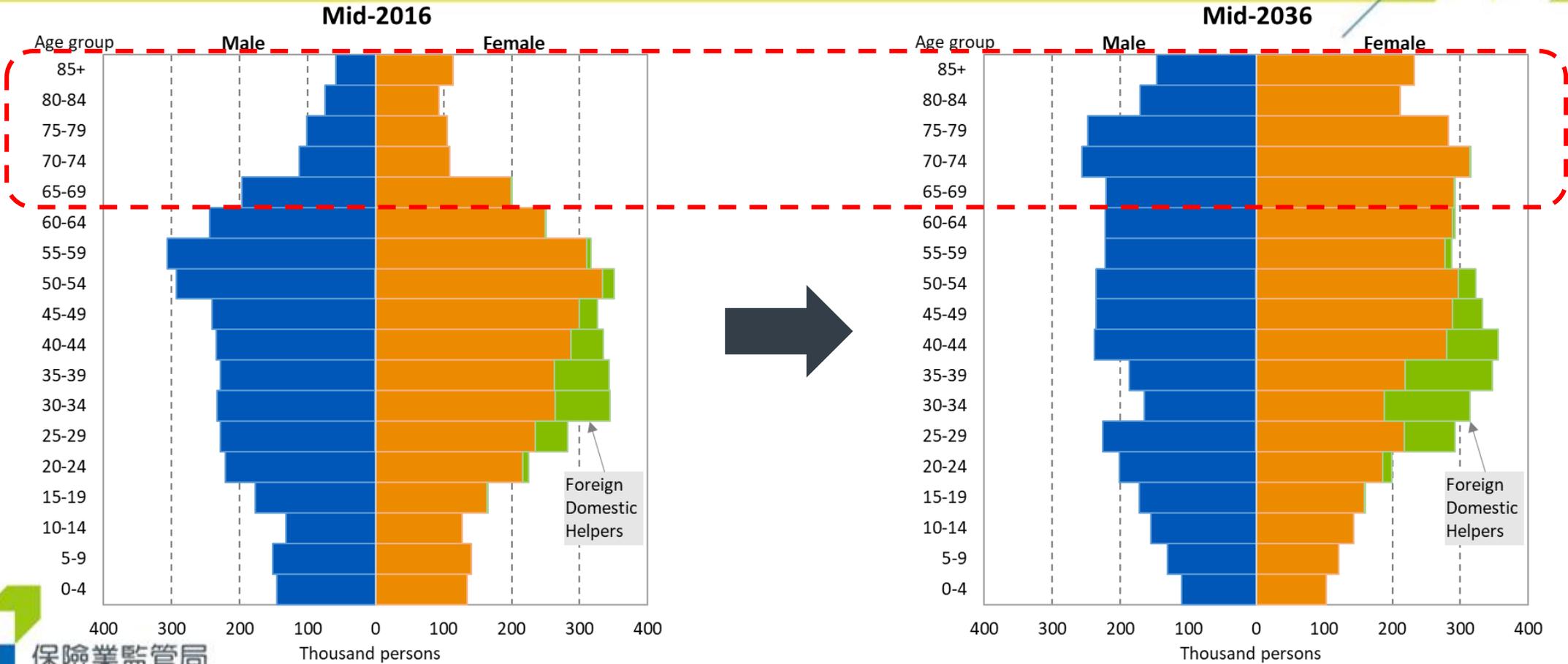
Macroeconomic Environment

Negative Interest Rates



Macroeconomic Environment

Changing Demographics

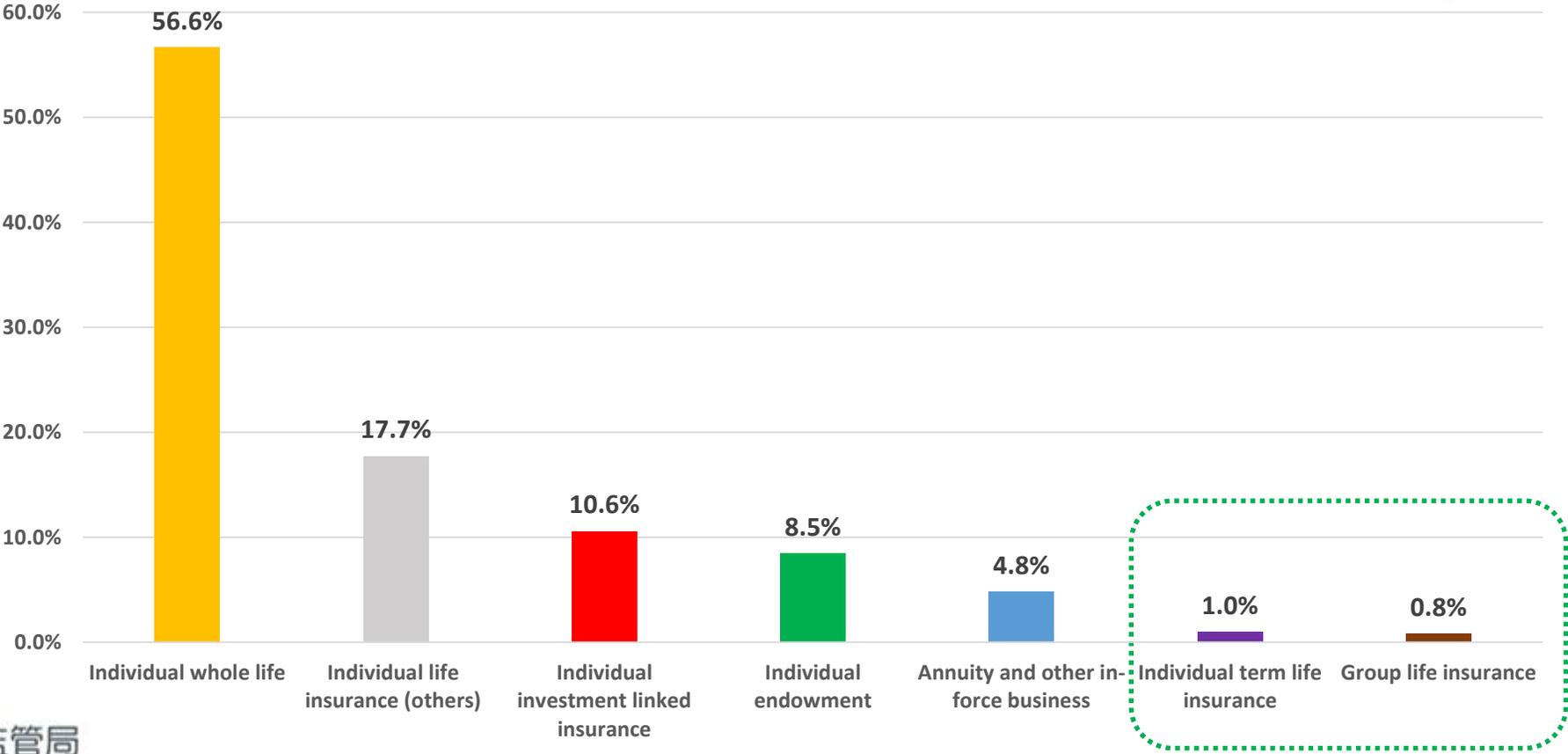


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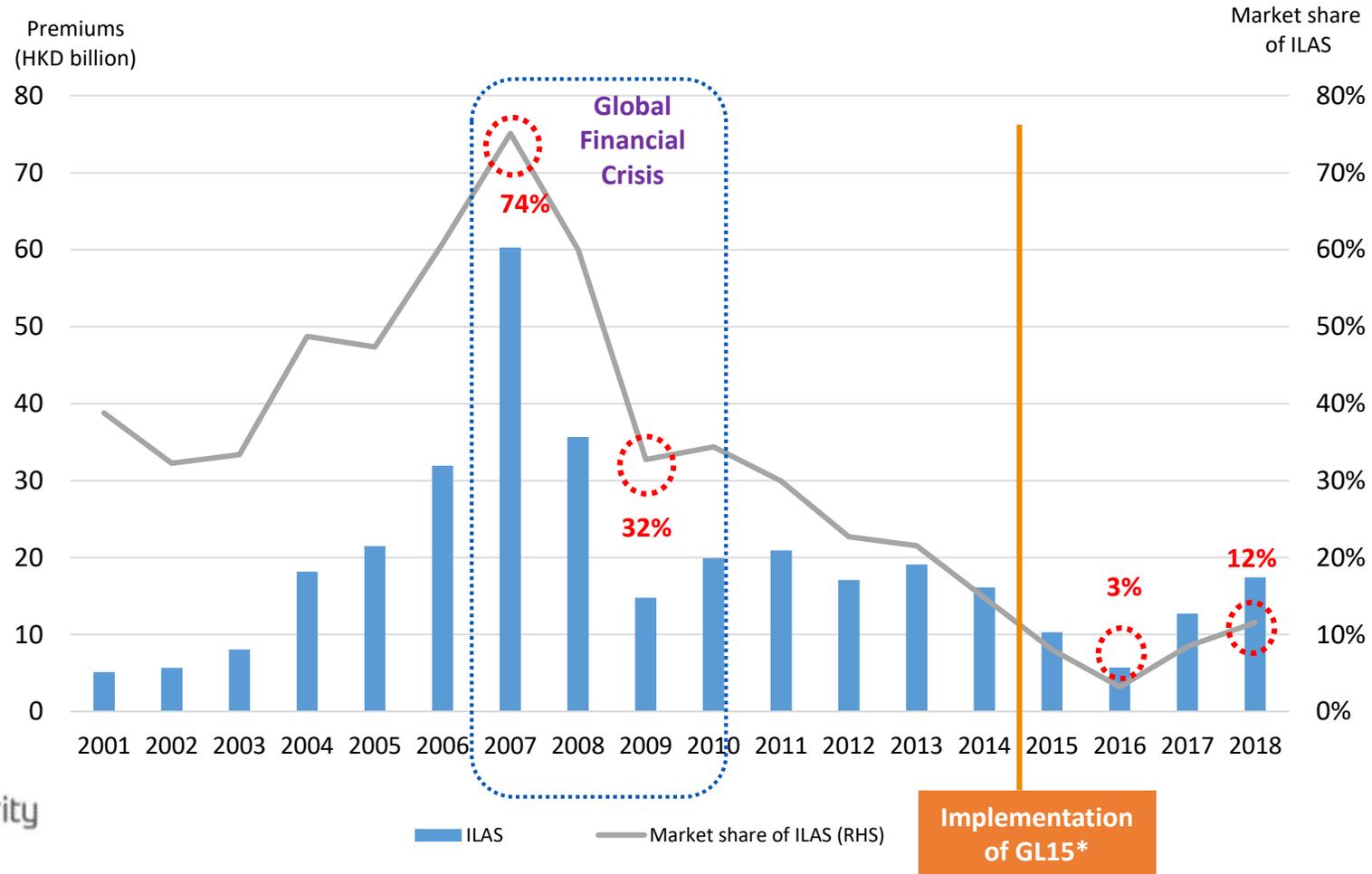
Market Overview

Long Term Business – Product Mix



Market Overview

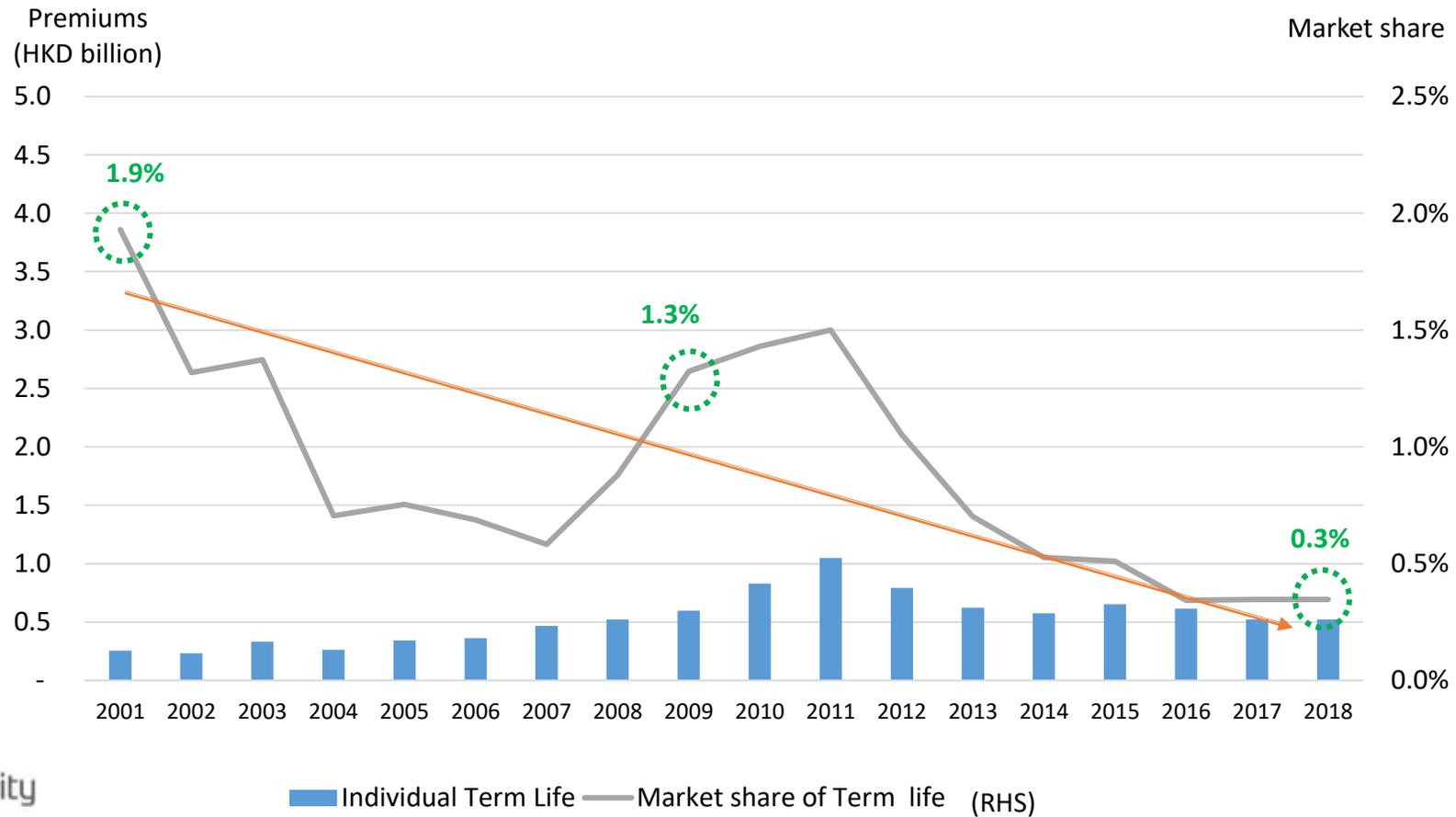
Long Term Business - ILAS products



* Previous known as Guidance Note on Underwriting Class C Business

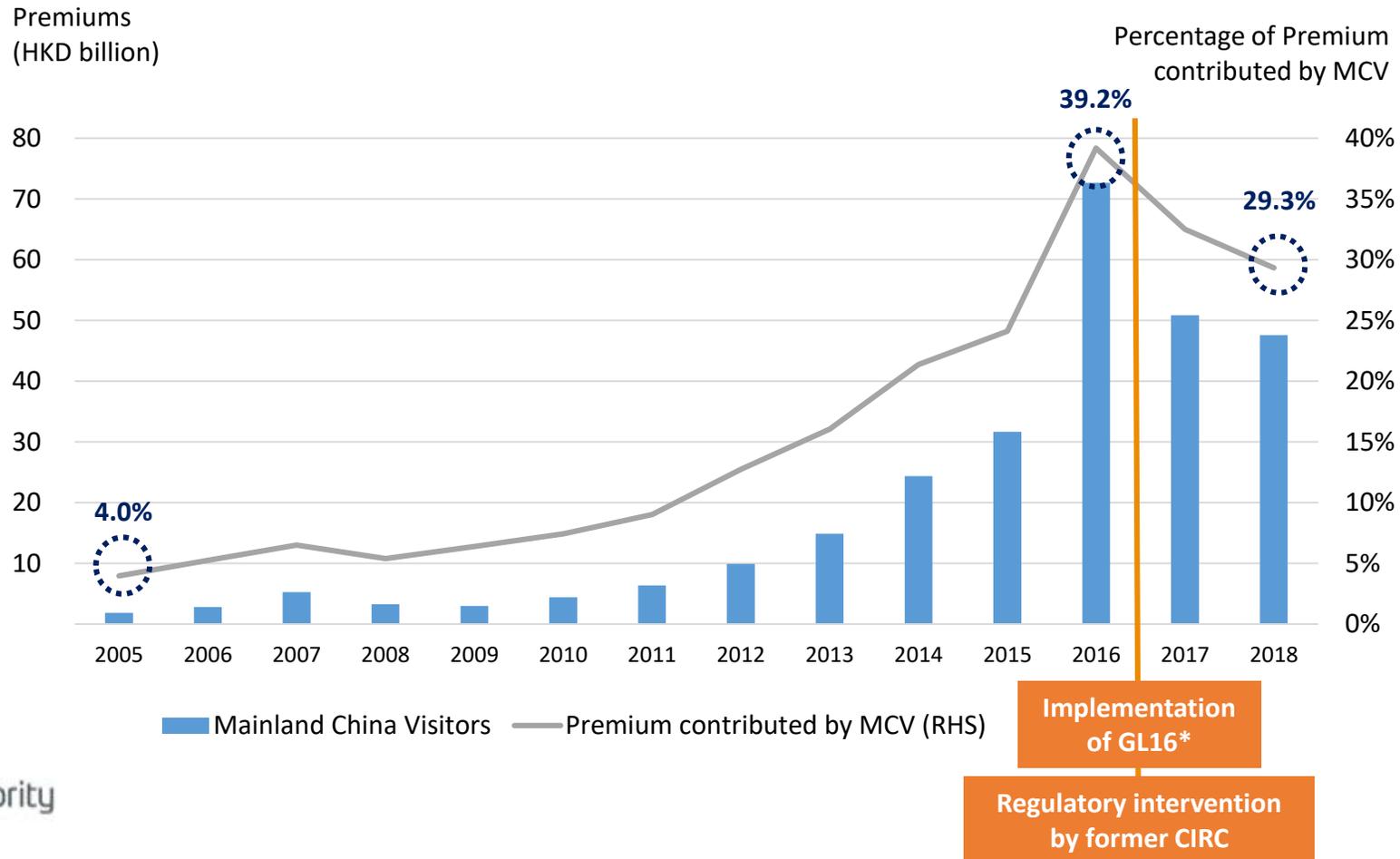
Market Overview

Long Term Business – Term Life Products



Market Overview

Long Term Business – Mainland Chinese Visitors



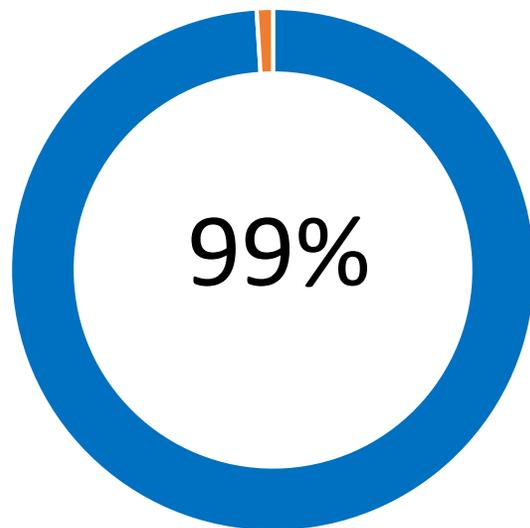
* Previous known as Guidance Note on Underwriting Long Term Insurance Business (other than Class C Business)

Market Overview

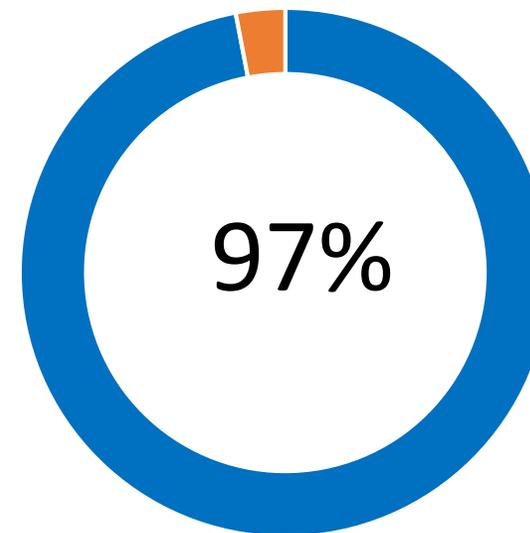
Distribution Channels

Insurance intermediaries contribute...

New Individual Life premium in 2018



New Individual Life policies in 2018



Market Overview

Implications

Social Implications

- Low interest rate and excess liquidity
- Decent economic and salary growth
- Desire to preserve wealth
- Aggressive investment appetite
- Bank deposits unable to hedge against inflation

Market implications

- Poor awareness of risks exposure
- Focus on short-term returns
- Attempt to capture low cost of borrowing
- Incomplete perception of market volatility
- False sense of security

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Regulations of Insurance Intermediaries Widened Mandate and Mission

Protection of
existing and
potential policy
holders

Solvency and
Governance



Deepen public
understanding



Facilitate
sustainable market
development



Perform conduct
regulation

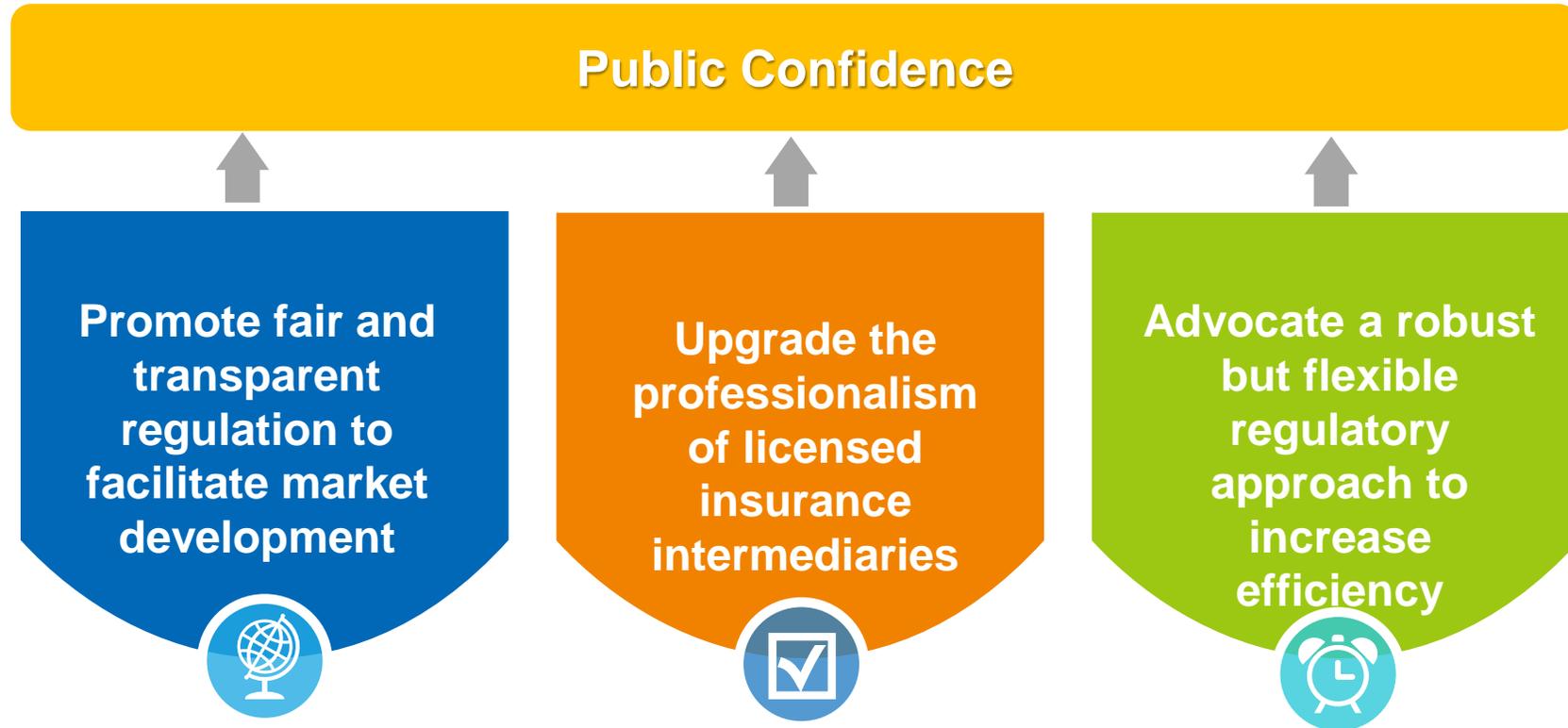


Promote market
breadth and depth



Regulation of Insurance Intermediaries

Policy Objectives



Regulations of Insurance Intermediaries

Promote Fair and Transparent Regulation

Set out licensing,
Fit and Proper
and conduct
requirements

Impose
disciplinary
actions

Perform
inspection and
investigation



Regulation of Insurance Intermediaries Licensing Requirement

Previous framework

Form 5 or equivalent

New regulatory regime

Individual Licensee - **Level 2 in 5 HKDSE subjects**
Responsible Officer - **Bachelor degree**
or other acceptable qualifications

Examination and Professional Qualification by VTC/PEAK

Insurance Intermediaries Qualifying Examination (IIQE)

The Professional Diploma in Insurance (PDI)

Postgraduate Diploma in Insurance in Risk Management (PgDIRM)



Regulation of Insurance Intermediaries

Code of Conduct

General Principles:

GP 1 - Honesty and Integrity

GP 2 - Acting Fairly and in the Client's Best Interests (Agents); Acting in the Best Interests of Clients and Treating Clients Fairly (Brokers)

GP 3 - Exercising Care, Skill and Diligence

GP 4 - Competence to Advise

GP 5 - Disclosure of Information

GP 6 – Suitability of Advice

GP 7 - Conflicts of Interest

GP 8 - Client Assets

Regulation of Insurance Intermediaries Continuous Professional Development

Previous framework

10 hours

New regulatory regime

15 hours*

At least 3 hours on Ethics or Regulations*
Online training courses max 5 hours annually

**New requirement
on Ethics or
regulation training
– Aiming to
further enhance
professionalism**

PE4200140	Employee Benefits Series - Employees' Compensation Insurance	Short Course	2019-09-20
260I2	Employees' Compensation Ordinance	Short Course	2019-09-20
PE4200268	Enhancing Interpersonal Relationships - Enneagram: Overview and Personality Development	Short Course	2019-09-21
724F2	Best Practices for Financial Products Intermediaries Module 5 – Surviving the Financial Crisis with Investment / Insurance Customers I	Short Course	2019-09-23
PE4200292	Behavioral Economics for the Finance Industry Module 1	Short Course	2019-09-24
PE4200104	Legacy Planning and Legacyology Module 5: Legacy Planning Solutions for High Net-worth Customers	Short Course	2019-09-25
PE4200345	Electronic Financial Service and Big Data Module 3: Big Data Concepts and Applications in Insurance	Short Course	2019-09-26
PE4200267	Enhancing Interpersonal Relationships - Enneagram: Overview	Short Course	2019-09-27
445E2	Health Insurance : Medical Expenses and the Insurance Market	Short Course	2019-09-28
607F2	Industry Analysis and Stock Investment Series for Insurance Practitioner (Module Two: Properties and Construction)	Short Course	2019-09-28
780E2	Alternative Insurance Dispute Resolution	Short Course	2019-10-02
725F2	Best Practices for Financial Products Intermediaries Module 6 – Surviving the Financial Crisis with Investment / Insurance Customers II	Short Course	2019-10-02
PE4200181	Legacy Planning and Legacyology Module 6: Legal Principles and Tools of Legacy Planning for High Net-worth Customers	Short Course	2019-10-03

Certain insurance-related CPD courses provided by the Institute of Professional Education And Knowledge (PEAK), retrieved on 19/9/2019

*Effective on 1 Aug 2021

Continuous &
Professional
Development (CPD)

Regulation of Intermediaries

Investigation and Disciplinary Action



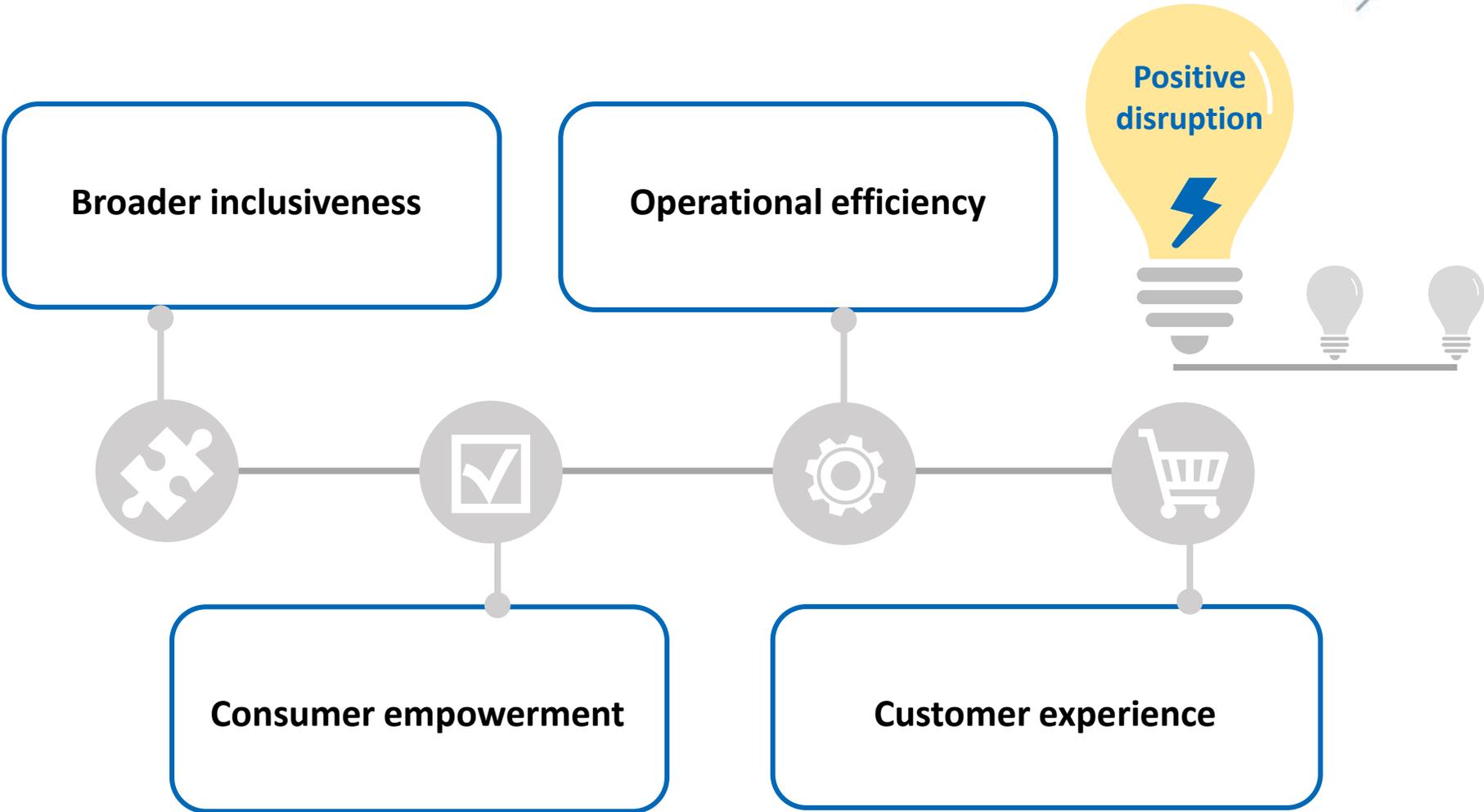
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Market Development

InsurTech Strategy

Positive disruption



InsurTech Development

Positive Disruption

Digital insurers*



Traditional insurers with digital channel



ZURICH



中國人壽
CHINA LIFE

海外



中銀人壽
BOC LIFE



PRUDENTIAL
英國保誠



豐隆保險
HLIA



GENERALI



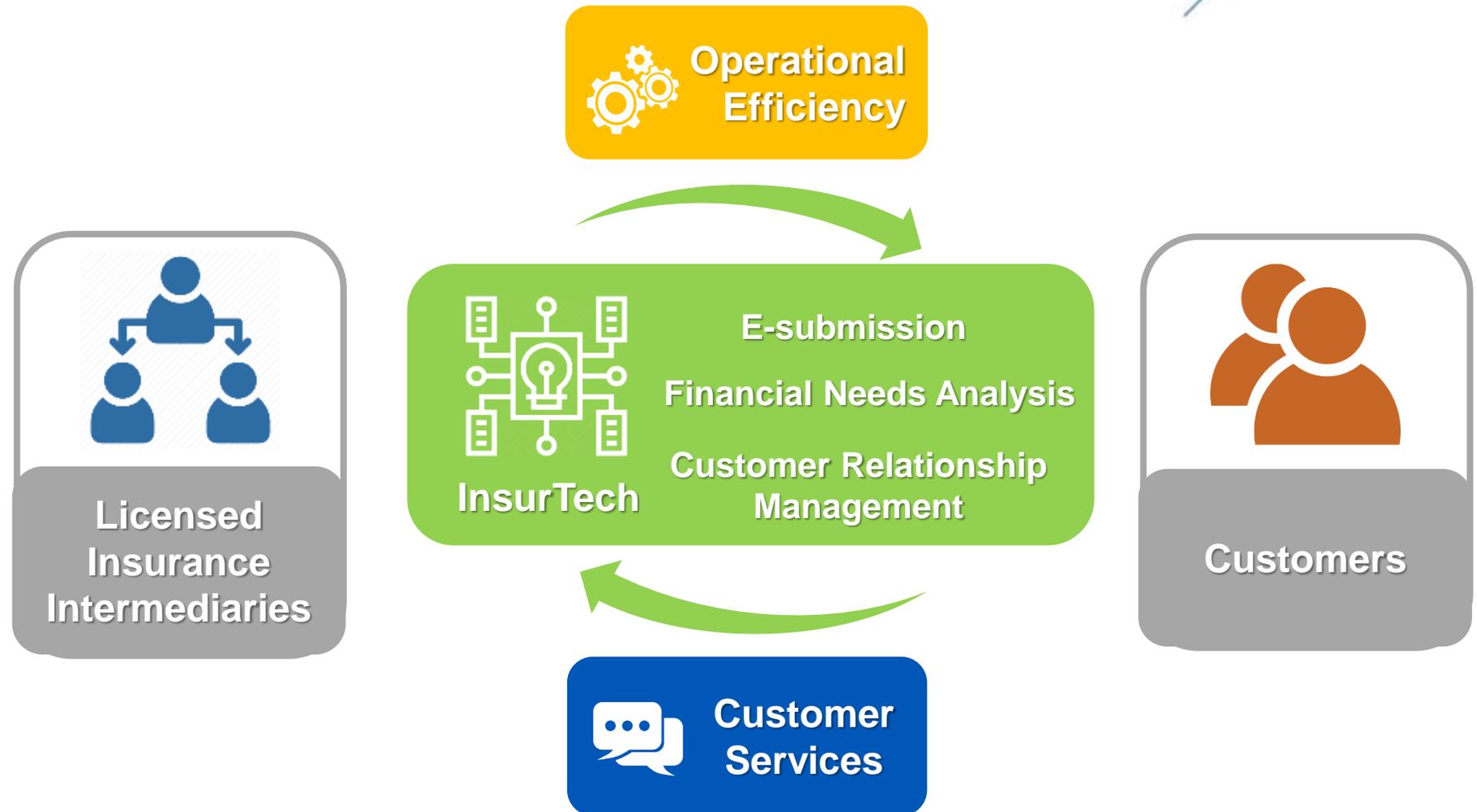
Blue Cross 藍十字

Member of BEA Group 東亞銀行集團成員

and more...

*Avo will be a virtual insurer authorized under the Fast Track (to be announced)

InsurTech Development Positive Disruption



InsurTech Development Broader Inclusiveness



**Non-invasive
sensors**



Mobile app



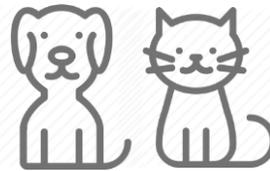
API



Blockchain



Uninsurable / Emerging risks / New opportunities



Pet insurance



**e-wallet
insurance**



**Wearable
insurance**



**Parametric travel
delay**



ID-theft insurance



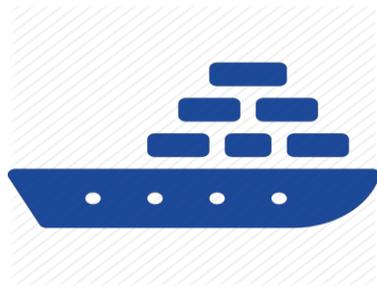
**On-demand
Insurance**

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New Initiatives

Tax incentives



Marine and Specialty Insurance

- 50% reduction in profits tax rate for marine insurance and underwriting of specialty risks

P&I Clubs

- Regulatory concessions and business facilitation



Captives

- Tax incentives and scope of insurable risks
- Dialogue with State-owned Assets Supervision and Administration Commission

New Initiatives Product Innovation



合資格延期年金保單
Qualifying Deferred
Annuity Policy

- Increase awareness of longevity risk
- Induce retirement planning
- Enrich available choice of protective products



自願醫保計劃
Voluntary Health Insurance Scheme

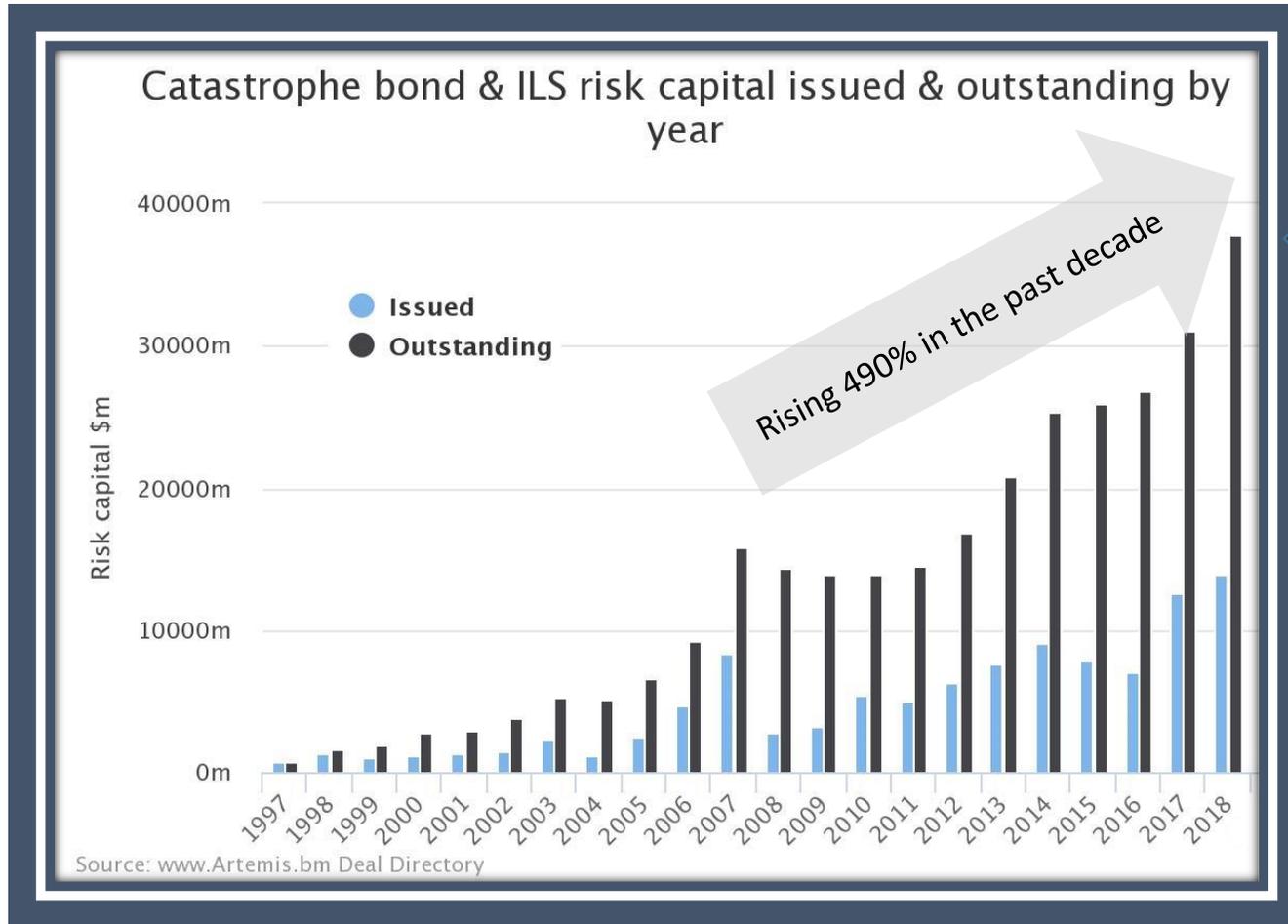
- Focus attention on medical needs
- Shift demand towards private sector
- Lay foundation for further development



保險業監管局
Insurance Authority

New Initiatives

Insurance-linked Securities (ILS) – Prospects and Opportunities



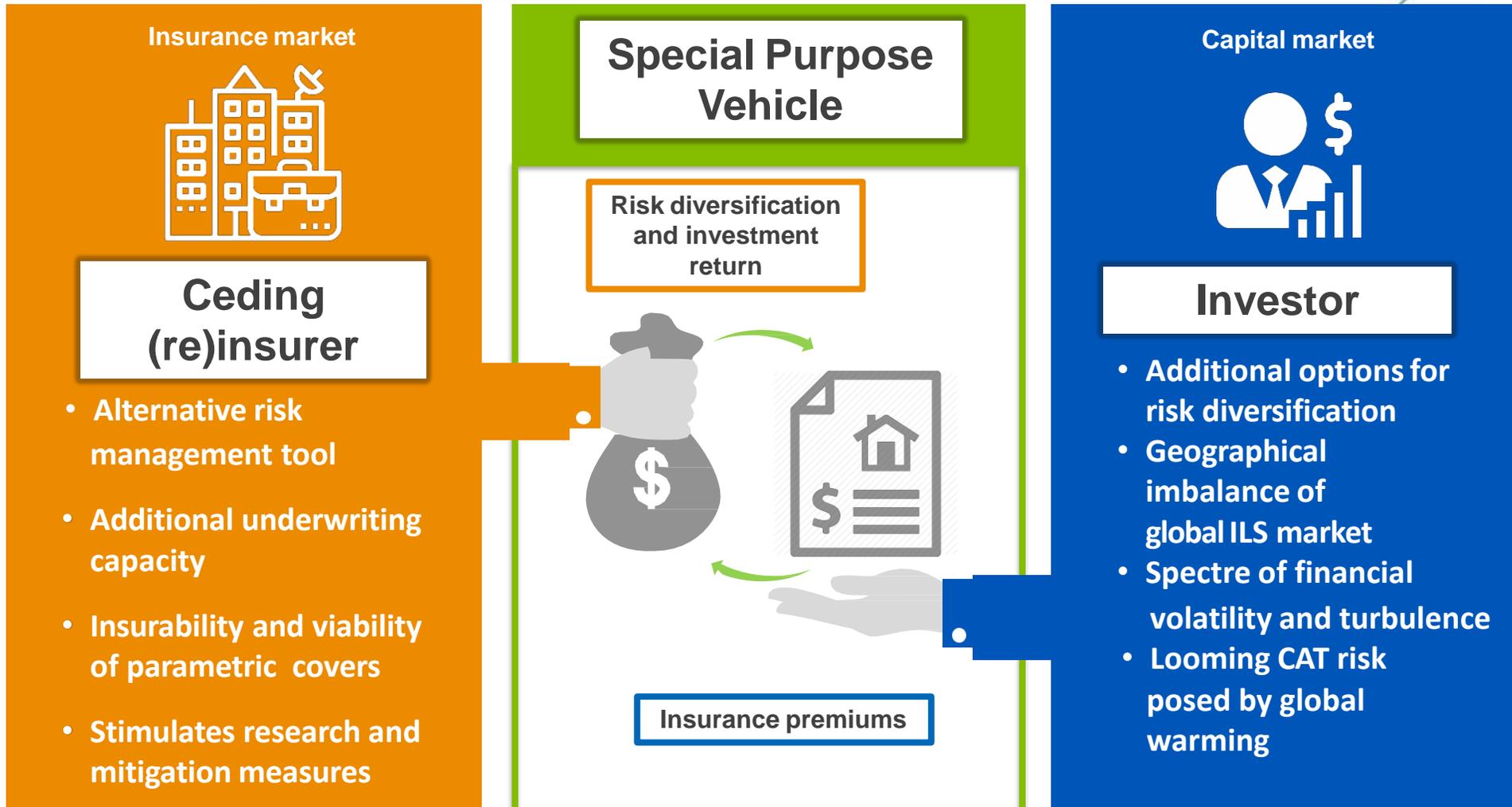
← USD\$37.8bn

← USD\$ 13.8bn



New Initiatives

Insurance-linked Securities – Basic Concept



New Initiatives

Thematic Research and Public Education

Research Publications on “Mortality Protection Gap”

- Research Report on Mortality Protection Gap in Hong Kong



“Koi Sai Po Kam” (蓋世保鑑) Facebook page

- Provide credible, impartial information and knowledge about insurance to the public



Collaboration with Investor and Financial Education Council

Examples:

- “Tips on Buying Insurance” Publicity Leaflet
- Insurance Education Seminar
- Education campaign on deferred annuity products



Corporate Vision of Insurance Authority



Insurance Authority

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Fax: (852) 3899 9993

Email: enquiry@ia.org.hk

Website: <https://www.ia.org.hk/en/index.html>

Facebook: <https://www.facebook.com/KoiSaiPoKam/>