



Article from

International News

September 2018

Issue 75

Interview with the Hong Kong Insurance Authority (IA)

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Editor's Note: This article originally appeared in the Actuarial Society of Hong Kong's newsletter in April 2018, and has been lightly edited for publication in International News. It is reprinted here with permission.

In June 2017, the Insurance Authority (IA) took over the regulatory functions of the then Office of the Commissioner of Insurance, which was a government department. It is expected that the IA will take over the regulation of insurance intermediaries from the three Self-Regulatory Organisations (SROs), and implement a new statutory regulatory and licensing regime within two years thereafter.

The ASHK is honoured to have Dr. Moses Mo Chi Cheng (MC), the Chairperson of IA, accept our interview to share some thoughts on the road ahead for the Insurance Authority.

ASHK: With the establishment of the Insurance Authority (IA), how do you foresee the changes in the industry?

MC: As you know, the insurance industry was self-regulated in the past. However, there is a worldwide trend to have an independent regulatory authority, like in most of the developed countries. Even in Hong Kong, we already have some independent regulatory authorities, like MPFA and SFC. Therefore, it's time for the insurance industry to take steps to move forward.

The establishment of IA should be beneficial to the industry:

1. IA is independent of the government. Its operation could be more flexible than a government department.
2. As IA is not a government department, it can work closely with the industry to explore different opportunities. IA will also provide support for the industry's continuous development, hence, there must be more potential for the industry to do even better.
3. More importantly, IA will strive to increase the awareness of insurance in the community, especially the full spectrum of functional positions and career prospects in different functions. Say actuarial, going forward, there will be many



From left to right: Mr. Simon Lam, President, the Actuarial Society of Hong Kong (ASHK); Ms. Rachel Chu, Chief Editor, ASHK Newsletter, Membership & Communications Committee of ASHK; Dr. Moses Cheng, Chairperson, the Insurance Authority (IA).

projects and more resources in this area will be required. Not only actuarial, but also the regulatory body, claim, underwriting and risk assessment functions are also in need of continuous supply of talents.

However, we observed that there is a lack of opportunities for young people to understand the career path of various insurance specialties. We hope to attract more talents, especially the youth, to join the insurance profession.

IA will cooperate with different institutions and universities in order to provide suitable training. Recently, Hang Seng Management College (HSMC) has started a new Bachelor programme in Actuarial Studies and Insurance. Compared to the existing insurance programmes which are more academic and theoretical, this programme emphasises more on the application to the industry.

This is one of the examples that IA as an independent authority could introduce more social resources into the industry. This has been one of the directions after the establishment of IA.

4. Another goal of IA is to develop a healthy insurance market. It promotes the importance of insurance and enhances the public knowledge about insurance products and the industry through the public education. Instead of relying on the insurance salespeople, we want to enhance the public's understanding of their insurance needs.

ASHK: Are there any plans in achieving these goals?

MC: The government has launched a series of videos¹ to promote the career prospects in the industry. Similar promotional

activities will be maintained. Moreover, we will communicate with the Education Bureau to discuss the possibility of including basic knowledge about insurance and risk management in the syllabus.

ASHK: Could you kindly share with us the future plans of IA? And how does IA help the industry to become the insurance hub in Asia?

MC: Currently, we have several projects going on:

1. Risk-based Capital Regime (RBC)

In September 2017, I attended a roundtable which is jointly organised by the OECD, U.S. National Association of Insurance Commissioners (NAIC) and the Office of Insurance Commission (OIC) Thailand to discuss issues that will lead to the sound development of insurance and private pensions markets in Asia. In the meeting, I strongly felt that the key stakeholders in Asia have been closely observing Hong Kong, especially on the development of the RBC. I'm not talking about the RBC framework, which in fact has been recognised globally. More importantly Hong Kong has gained the experience from various countries such as Europe, U.S., Britain and Australia. From these experiences, we can develop detailed rules which are suitable for Hong Kong or even the Asia region. As a result, Hong Kong is able to take on the leadership role for the Asia Pacific Region. This will be the first step to become a regional hub.

2. The second one is the coming launch of a statutory licensing regime for insurance intermediaries. The regional counterparts will also keep an eye on its development.

3. The third one is the application and sustainable development of Insurtech. The IA will work to promote Hong Kong as an Insurtech hub in Asia. IA has already introduced new initiatives to facilitate the development and application of Insurtech in Hong Kong. A crucial one is that the IA will line up the insurance industry and the Fintech community for more collaboration. We will work together to enhance communication with market participants in order to develop Insurtech which can be applied to various areas of the industry, e.g., sales, claim management or even for the application of the RBC framework.

4. The fourth one is to attract and expand the talent pool. We are not targeting to provide manpower for only Hong Kong, but also for the whole region. It is noted that professionals and skilled personnel in various sectors of the insurance industry are highly demanded in Southeast Asia. We hope to attract new blood, especially the young people and hope to enhance the professional competency and knowledge of the sector in order to fulfil the needs of the South East Asia region.

ASHK: Since Insurtech is a new trend for the industry, would you kindly share with us how IA helps the industry to catch up with this trend?

MC: In September 2017, IA announced several new initiatives to promote the sustainable development and the application of new technologies in the insurance industry.

1. Insurtech Sandbox

It is applicable to existing authorised insurers. Under this initiative, IA will provide some flexibility in the supervisory requirements in order to help authorised insurers to develop new Insurtech and other technology applications say, for sales growth and for claim handling, etc.

2. Fast Track

It provides a dedicated queue for new authorisation applications from applicants which own and operate solely digital distribution. Under this pilot scheme, the application process can be expedited and streamlined to speed up the launch of any innovative opportunity.

3. Insurtech Facilitation Team

IA has established a team to enhance communication with the industry regarding the development and application of Insurtech. It provides a platform for the exchange of ideas related to Insurtech initiatives among key stakeholders.

4. Working Group on Embracing Fintech in Hong Kong under Future Task Force

The taskforce comprises experts and professionals from the insurance industry and the academia. It is a sharing platform for the industry to explore the future and to draw up recommendations. In a recent meeting, we shared the challenges ahead of us and the new achievements by the industry.

ASHK: In the past years, Hong Kong Monetary Authority (HKMA) has imposed more requirements on banks in selling insurance products especially for unit linked products. In the future, will IA have any plan to coordinate with HKMA in order to help bancassurance growth?

MC: IA is dedicated to work closely and interactively with the financial services supervisory authorities of Hong Kong. We have close communication and will continue to set up communication channels regarding the approval process, supervisory issue, notification system, etc.

In response to the rapid development of the market, IA will keep open communication lines with other supervisory authorities and then provide updates to the public. For instance, on matters related to the supervisory of insurance intermediaries, IA has

communicated with different supervisory authorities in order to avoid any regulatory arbitrage.

Regarding the supervision of MPF intermediaries, under the Mandatory Provident Fund Schemes Ordinance (MPFSO), IA has been assigned as the frontline regulator responsible for the supervision and the investigation of registered MPF intermediaries whose core business is in the insurance sector. Under this enforcement, MPFA and IA require support from each other and we expect there will be more collaboration in the future.

ASHK: Recently, there are numerous insurance companies acquired by mainland investors. Could you kindly share with us on how to promote the Hong Kong insurance industry?

MC: Hong Kong adopts an open market policy; we welcome everyone to invest in Hong Kong's insurance business, whether through merger, acquisition or applying for a new insurance company licence. We want to attract more international insurers to set up their regional or even global headquarters in Hong Kong.

Reinsurance market is one of the areas that we are working on. We strive for the same regulatory requirements for Hong Kong reinsurers vis-à-vis mainland reinsurers. International insurers based in Hong Kong can then enjoy similar benefits as other mainland insurers do when they want to enter the mainland market.

IA is working closely with the China Insurance Regulatory Commission (CIRC) on more cross border regulation co-operation.

In May 2017, IA and CIRC signed the "Equivalence Assessment Framework Agreement on Solvency Regulatory Regime" - an agreement which allows IA to work together with the CIRC to strive for equivalent capital requirements. The objective of this agreement is to achieve mutual equivalence recognition of the solvency regulatory regimes and provide regulatory convenience over supervision of the insurance industry on both sides to avoid regulatory overlap. It is expected that the regime will promote the development of the insurance industry in both Hong Kong and China and encourage cross-border business.

In the coming future, IA will continue to strive for more reinsurance opportunities.

ASHK: Would you mind giving some advice to our readers?

MC: The most important is lifelong learning. We should keep enhancing our skills and professional knowledge, so as to further strengthen the professional image of Hong Kong. Our long term target is not only to focus on sales and profit, but also the training of professional talent.

Besides, buying an insurance policy is a long term commitment. A relationship of trust among policyholders and insurance

agents / insurance companies is very pivotal. Business growth aside, we should attach equal importance to integrity and professionalism. As the insurance industry becomes credible and trustworthy to the community, the insurance business will also become more profitable and successful in the long run. However, it cannot be done by one individual, rather it would require the cooperation of the whole community.

Last but not least, we should bear in mind the following points for developing a lifelong career:

1. Interest

If you do not like your job, you will not do it well. It will be an enjoyment if the job matches your interest. Like me, I welcome every new day as there will be new opportunities to learn more and to serve more.

2. Ambition to strive for the best

In this highly competitive society, we must keep improving and educating ourselves. To learn, unlearn and relearn is very important. Lifelong learning is a must.

3. Respect yourself and respect the others

If you do not respect others, you will never succeed. If you do not respect yourself, you will never have the confidence to serve others. It is essential to put the client's interest ahead of the company's and put the company's interest ahead of the individual's. Obsession with getting your own advantage and not working on the benefit of clients are not the right attitudes. In this generation, success is measured by the amount of pay check. But pay check does not reflect whether you are successful or whether you are being respected. My experience tells me that when you are being respected, you must be serving your clients very well and this will in turn earn you a satisfying and financially rewarding career. ■



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1 <https://www.instalent.org.hk/en/content/insurance-talents>