ASHK Appointed Actuaries Symposium

Hong Kong Insurance Market

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- Voluntary Health Insurance Scheme (VHIS)
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Overview

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Establishment of an Independent Insurance Authority (IIA)

- The Insurance Companies (Amendment) Ordinance 2015 was passed by the LegCo on 10 July 2015 and opened a new and important chapter of the Hong Kong Insurance Industry.
- The Provisional IA will take over the prudential regulation work in early 2017 and move into the regulation of insurance intermediaries by 2017 and early 2018.
- IIA Chairman Dr Moses Cheng delivered the following key messages at the HKFI lunch talk:
  - Striking a proper balance between regulation and market development
  - Promoting professionalism
  - Effective consumer protection
  - Talent development for a sustainable growth of the industry
- HKFI is working closely with FSTB and OCI. We reflect our concerns and comments on regulated activities by employees of insurers, collection of levy and fee for the IIA and draft guidelines for the compliance of insurance intermediaries.
- Levy collection mechanism will be kick in as from 1 January 2018
Voluntary Health Insurance Scheme (VHIS)

- The Food and Health Bureau (FHB) may release some update on VHIS soon.
- Highlight of key facts pertaining to the HKFI's position:
  - **We are largely agreed with FHB on the features of the standard scheme** (guaranteed renewal, minimum benefits, transparent premiums, standard wording and exclusions, etc). Guaranteed issue and High Risk Pool likely not included but tax relief is likely.
  - On the implementation of the VHIS, the industry supports a market agreement for which exception from the Competition Commission may be required or a **Guidance Note to be issued by the Office of the Commissioner of Insurance or the IIA**.
  - Regulatory oversight, if needed, should be conducted by the OCI or IIA as appropriate with claims complaints to be handled by the Insurance Claims Complaints Bureau as at present.
Financial Technology (FinTech) in Insurance

- In the 2016-17 Budget, the Financial Secretary has allocated funding to support the Innovation and Technology Fund.
- A dedicated platform will be set up under the OCI to liaise with and provide assistance to the industry. **OCI set up a working group with the HKFI to further advance FinTech in the context of insurance.**
- A HKFI Task Force on FinTech was set up last September and is co-chaired by GIC and LIC Councillors for better coordination and industry representation.
  - How our regulator could facilitate the application of FinTech to improve market efficiency and serving our customer
  - Met the FSTB and OCI and shared with them our observations and aspirations in making Hong Kong the FinTech Hub and centre of excellence
Insurance Claims Database for Prevention of Fraud

- First major FinTech project for the industry and the ultimate benefit of the insuring public through reduced fraudulent claims
- Improve market efficiency
- Townhall meeting and vendors’ demonstration held on 30 August 2016 with participation of more than 160 representatives from 67 insurance companies
- Legal consultant beefs up the privacy proposal to address all potential privacy and legal risks
- Work with regulators on the legal aspect of the database
OCI advised that they have recently commissioned a Consultancy Study on Formulation of RBC Rules for the Insurance Industry of Hong Kong.

The consultant will assist OCI in developing a set of preliminary detailed rules and technical guidance for Quantitative Impact Studies (QIS) valuation methodology and QIS completion instructions.

QIS is expected to be conducted by the Independent Insurance Authority some time mid 2017.

Based on the Consultation Conclusions issued in September 2015 on the RBC framework, OCI has identified a number of technical issues which will require further deliberation. They are engaging relevant stakeholders during the course of development of preliminary detailed rules in the form of Industry Focus Groups (IFGs) focusing on specific areas of study.

In this regard, four IFGs have been set up namely Pillar 1 on Life Insurance, Pillar 1 on General Insurance, Pillar 2 on Own Risk and Solvency Assessment (ORSA) and Groups Supervisory Arrangements.
Policyholders’ Protection Fund (PPF)

- Two key areas of major concerns:
  - Proposed level of levy cap of PPF Life Scheme
  - Unknown risk accumulation due to proposed offer of PPF world-wide cover for personal insurance
- Our submission to OCI:
  - Type of policy protected under PPF Non-life Scheme
  - SMEs
  - Levy charges
  - Refund of premium
  - Continuity of Cover
  - Exclusion of credit insurance
Competition Law

- Competition Law came into full force in Hong Kong on 14 December 2015.
- **HKFI has been doing self-assessment** in the areas of:
  1. **Internal practices** - Reviewed those practices with the aid of our legal counsel and sought to make the required changes in compliance with the law;
  2. **No Claims Discount (NCD)** - Removed the recommended NCD discount scale from the standard motor insurance policies, thus giving individual motor insurers total discretion in setting their NCD rates;
  3. **Standard policies for compulsory classes of insurance** - Removed the standard insurance policies from the HKFI website for the time being and advised Member Companies to observe the “overriding conditions” should they wish to use/adopt some of the wordings;
  4. **Liaison with regulators** - Met the Competition Commission and the OCI respectively for an exchange of views on the issues above as well as potential concerns over the regulation of insurance agents.

- **Organize briefings to update Member Companies** on the development of the law in Hong Kong and also on certain international practices including co-insurance and reinsurance, etc.
Holistic Consumer Protection Framework

- To fill the possible gaps in the existing Alternative Dispute Resolution mechanism in the insurance industry.
- Provide an option for the insurance industry other than joining FDRC
- Propose to expand the scope of ICCB and to enhance its independence
  1. Equip with power to handle non-claim related insurance disputes
  2. Include the “mediation” element in the system
  3. Add in non-industry representatives in the Governing Board
- Aim to organize a townhall presentation in Nov 2016 to convey the message to Members and to gather their views
Young Insurance Executive Development (YIE) Programme

- After a whole year of hard work, the majority of trainees of the first cohort have completed their YIE study in June 2016. The top 3 trainees with outstanding academic and work performance will be awarded the HKFI Scholarships.

- With the funding support under the Government’s Pilot Programme to Enhance Talent Training for the Insurance Sector, new student-trainees joining the YIE Programme will receive a salary subsidy of $2,500 x 16 months and be considered to be put on an overseas immersion programme. The November 2016 cohort is now open for application with more participating companies offering a range of back office positions.

- Knowing that applicants’ knowledge on insurance / insurers is somewhat limited and there can be possible misalignment of expectations, we organised a “Speed Dating” on 6 October 2016. Applicants were able to interact with their future employers (insurers) in a more relaxed atmosphere prior to the selection process. Through this novel platform, talents got to know more about different types of insurers in Hong Kong and the diverse job opportunities being offered.
Education in Marine Insurance

- A new element to the Young Insurance Executive Development (YIE) Programme.
- **Marine Insurance Stream under the YIE Programme**
  - Part of the surplus generated from hosting the International Union of Marine Insurance 2014 (IUMI) Conference was set aside to support local marine insurance education and talent development.
  - Two placements every year (for 3 years), partially funded by the IUMI conference surplus, will be dedicated to trainees working at the marine insurance department of the insurance companies.
Hong Kong as IUMI Asian Hub

- International Union of Marine Insurance (IUMI) is setting up its Asian hub in Hong Kong – its first permanent presence outside of Europe in IUMI’s 142 year history.

- This exciting news was formally announced by IUMI President Mr Dieter Berg at the 4th Asian Marine Insurance Conference co-organised by the HKFI and the Asia Insurance Review on 24 October 2016 and widely covered by local and international media. HKSAR Chief Executive Mr C Y Leung has also written a blog on this subject and given his words of encouragement on how Hong Kong can leverage on its strategic strength to become as a maritime centre of excellence.

- As IUMI’s Asian Hub, the HKFI will help promote marine insurance in the region and conduct quality training / conferences to upgrade the industry’s professional standard. As the same time, the HKFI will help IUMI raise its profile in this part of the world and build a broader and stronger network.

- As part of HKFI continuous efforts to provide quality training on marine insurance, we have invited renowned scholar Professor Robert Merkin to conduct a talk on 25 November 2016. His presentation will be followed by a panel discussion among marine insurance / legal experts. This will be held in conjunction with the first Hong Kong Maritime Week organized by the Transport and Housing Bureau.
From Compensation to Rehabilitation – A Social Review of the Employees’ Compensation (EC) Insurance System in Hong Kong

- Commissioned the University of Hong Kong’s (HKU) Department of Social Work and Social Administration to conduct the above study.

- The consultant has pointed out two major challenges in the current EC system - compensation-focused culture and barriers for Return-To-Work (RTW) experienced by workers.

- Discussing with the Government on the implementation of a series of improvement measures recommended in the report including shortening the waiting time for medical assessment, working with the Occupational Safety & Health Council to promote case management, setting up a centre to support related work on research and education, etc.
Third Party Risks Insurance (Public Liability Insurance) for Licensed Hotels and Guesthouses

- The Home Affairs Department (HAD) has adopted HKFI’s suggestion of including the procurement of third party liability insurance as one of the licensing conditions of Hotel and Guesthouse, instead of doing it through legislation. The new licensing requirements took effect from 28 December 2015.

- To assist HAD in promoting this to operators and help hotels and guesthouses to obtain the relevant insurance cover, HKFI has uploaded a list of General Insurance Members authorized to write such business to HKFI website for public information.

- HKFI’s representatives have been conducting seminars/briefings on the procurement of the relevant insurance for the hotel and guesthouse operators in these months.
Accidental Pollution Clause under the Standard Building Owners’ Corporation Third Party Liability (BOCTPL) Policy

- Owing to the fatal accident arising from a falling tree occurred at the Mid-level in August 2014, concern was raised on the Pollutant Exclusion in the BOCTPL Policy.
- In the pursuance of public interest, the General Insurance Council has provided Member Companies with the sample clause wording to extend the coverage to accidental pollution happenings under the BOCTPL policy.
Standard Benefit Illustration for Participating Policies and Universal Life (Non-Linked) Policies

- On 13 Oct 2015, LIC issued the Benefit Illustrations (BIs) for Par and UL (Non-Linked) Policies to member insurers for implementation in line with GN16 issued by OCI.
- On 19 Feb 2016, the LIC has collected comments / questions from the LIMs and come up with FAQs on Standard Benefit Illustrations for Participating Policies and Universal Life (Non-Linked) Policies to facilitate compliance by LIMs with the Illustrations.
Investment Linked Assurance Schemes (ILAS)

- The LIC will launch publicity and education programmes on life insurance by the end of 2016 via mobile platforms as well as the conventional print media.

- The education programmes will:
  - ride on the theme of 2016 “Protection Gap” in retirement, saving and health protection; and
  - synchronize with the release of the “Consultancy Report on the Effects of New Requirements on ILAS and Guidance Note on Underwriting Class C Business (“GN15”)”. LIC’s intention is to share an overview of the report with the industry, including regulators, SROs and industry bodies, in due course.
Initiative on Financial Needs Analysis (FNA)

- To strengthen the industry-wide consumer protection framework, the LIC introduced an Initiative on Needs Analysis in 2007 to help intermediaries understand customers’ needs during the sales advisory process.
- To alignment with GN16 and the Updated Requirements applicable to ILAS policies, the LIC took the initiative to review the FNA.
- To strike a good balance between customer protection and practical business operations, we had been in close discussion with the OCI and collected views from LIMs and intermediaries’ bodies.
- As a result, the LIC issued a revised FNA form which is applicable to all life insurance products falling under Class A and Class C in July 2015 with effect from 1 January 2016, and a set of FAQs in November 2015.
Mandatory Provident Fund (MPF) Scheme (Amendment) Bill 2015

- The captioned Bill introduced the Default Investment Strategy (DIS) which will transfer a scheme member’s accrued benefits into a DIS fund unless the relevant scheme members opt-out from the scheme within the specified period.

- The LIC is supportive of DIS in principle but is concerned about the risks of the proposed opt-out approach, which will affect over 554,200 default scheme members involving almost $60 billion of assets. As a better alternative, the LIC proposed an opt-in approach which gave scheme members the opportunity to make an informed decision after considering the pros and cons of DIS. To achieve this, LIC had been in action including presenting views and proposal at the Bills Committee meeting, explaining to individual Bills Committee members and other stakeholders like the Consumer Council our serious concerns and how best they should be addressed; and indicating our readiness work with the Government to try and reduce risks identified to ensure the ultimate success of DIS.

- The Government gazetted on 14 Oct 2016 the Commencement Notice stipulating that the Mandatory Provident Fund Schemes (Amendment) Ordinance 2016 will come into effect on 1 April 2017 and the DIS will be launched on the same day.
Inland Revenue (Amendment) (No. 3) Ordinance 2016

By providing a legal framework in Hong Kong for implementing automatic exchange of financial account information in tax matters (AEOI), the Amendment Ordinance enables Hong Kong to deliver its pledge of support for the new international standard on AEOI as promulgated by the Organisation for Economic Cooperation and Development (OECD).

On 30 Jun 2016, the Inland Revenue (Amendment) (No. 3) Ordinance 2016 came into effect. The Ordinance has incorporated the industry’s suggestion to exclude term life and pension plans from the relevant accounts.

Financial institutions will furnish information of reportable financial accounts for 2017 to the Inland Revenue Department (IRD) in May 2018. IRD will then transmit the information to the relevant AEOI partner by around September 2018. IRD will set up a secure and dedicated AEOI Portal for access by financial institutions.
The Hong Kong Insurance Awards

- The first of its kind, “The Hong Kong Insurance Awards” is set to be one of the most prestigious brand elections in the Hong Kong insurance industry.

- The prize presentation ceremony and gala dinner of the Hong Kong Insurance Awards 2016 was successfully held on 27 October 2016. The long-awaited list of winners for the 15 categories was revealed. More than 370 guests including our distinguished panel of judges, the top three finalists, contestants and industry leaders gathered together to recognize and celebrate the outstanding performance and remarkable achievement of our industry.
Publicity Programme

- Hong Kong people are spending more and more time online. Digital platform is one of the most efficient ways to reach out the public. **HKFI publicity drive also goes with this flow and more engagement is now conducted online through different digital platform.**
  - HKFI Website remains the most effective platform in disseminating latest and important messages from the HKFI and serving as a portal of consumer protection mechanism.
  - We launched the first ever HKFI Facebook Fanpage “HKFI Smart Union (保聯同學會)” in July 2015.
  - HKFI Youtube channel and insurance video production with youtuber
  - E-message to insurance intermediaries, practitioners and friends of the industry on the latest HKFI events and initiatives
  - Bloggers/celebrities share articles related to insurance
Publicity Programme

- Adopt the theme of Protection Gap and arouse the public awareness towards the concept.
- Educational segment at Commercial Radio – disseminating various scenarios or stories related to Protection Gap to alert the general public to be aware of the gaps in their daily life.
- HKFI Insurance Mini-carnival – Interactive games designed to highlight the importance of understanding and properly addressing various kinds of protection gap.
- Micro Film Production Partnership Scheme - Protection Gap (PG) – Through the innovative eyes of the U35 participants and their film production skills, we hope to illustrate the adverse impact of Protection Gap on our daily lives and how they can be addressed by simple, practical insurance solutions. A ‘PG’ training session was held to help potential participants better understand what PG is and the role of insurance in filling those gaps.
- Production of comic booklet on Protection Gap with lively illustrations by popular cartoonist Cuson Lo.
- Website, Facebook, Youtube, Newsletter and e-message
Thank you!