

Chairman's Message



I am very pleased to have been re-elected by the General Committee members as Chairman after our Annual General Meeting on 10th December 2020. This year, we have two new members joining the General Committee, being Andy Wong of

Marsh and Mark Johnson of Howden. Mark, of course, is no stranger to us as he was a past Chairman of CIB. No doubt, he and Andy will be great assets to the General Committee. My sincere thanks go to Kevin Durrant, who stepped down from the Committee after serving us for a number of years.

Unfortunately, Lloyd's of London closed its underwriting floor yet again on 5th January 2021 following another national lockdown in the UK. 2021 will be another challenging year to the insurance industry, the economy and to all of us. At the General Committee, we continue to work hard for the benefit of our members. Our Help Desk service has been well received by our members,

and our lobbying with the Insurance Authority (IA) and other stakeholders has never stopped. IA will be launching the licence application process for deemed licensees of insurance broker companies. Before the launch, CIB had concrete discussion with the IA and gave them our comments regarding the application forms and the application process. We received very positive feedback from the IA.

Last year, we were pleased to welcome some new members. Very soon, we shall send out membership renewals to our members and we look forward to receiving your continued support.

Kung Hei Fat Choy! I take this opportunity to wish you all the best and a prosperous Year of the Ox! ■

Yours sincerely,

Patrick Chan
Chairman | January 2021

FACING THE FUTURE

New Articles for CIB

Members will be aware from previous consultations that the General Committee has been working with its legal advisor since last year to revamp the Confederation's Articles. Changes will remove the regulatory and disciplinary aspects and bring them in line with our future role as a professional association representing the interests of Broker members to the regulatory bodies and industry organisations, and promoting professional and technical education. The proposed EGM to formally approve these new Articles was postponed several times due to COVID, but we were finally able to achieve approval as a Special Resolution at the 2020 AGM. All necessary statutory requirements having now been complied with, the new Articles are now in effect and the Confederation is now governed by their new provisions. ■

Commencing Broker Licensing Applications

As reported in the last edition of the Bulletin, the IA will be inviting deemed licensed insurance broker companies and their TRs to apply for formal licences under the new regulatory regime. This process has now commenced, and the IA sent invitations to the first 80 companies last December, and a further 150 have been invited in January. To assist members with the process of completing these applications, the CIB Secretariat is formulating briefing sessions which will include time to answer participants' questions. These will be rolled out shortly free on Zoom in both Cantonese and English, and a Circular will be issued to advise on details. In the meantime, members are welcome to raise any queries they may have by contacting the CIB Helpdesk on e-mail helpdesk@hkсіб.org or telephone 2526 3951. ■

OUR NEW OPPORTUNITY

The 17th Annual CIB Conference for 2020 was held in a virtual format, driven by the restrictions resulting from COVID-19. The very topical theme attracted strong interest from members and opened a channel for discussion with the relevant Government agencies for CIB to represent brokers' needs, enabling them to support the insurance and risk management needs of Hong Kong entrepreneurs establishing businesses in this new development area.

THE ANNUAL CONFERENCE

The CIB's Annual Conferences have become an important and much-awaited fixture of the Hong Kong insurance calendar and we approached this, our 17th annual event for 2020, determined that it would meet our normal high standards. The Park Lane Hotel was booked, the theme decided, the speakers chosen, and nothing could go wrong – and then came COVID. Hopes for a vibrant gathering of old friends and colleagues in the broking industry were dashed as the inevitable decision was made to go virtual. The one yardstick to be followed was that the content and presentation must be up to expectations.

With the transition to the Insurance Authority (IA) of direct regulation an accomplished fact, one issue stood out above all others – the Greater Bay Area (GBA). Past conferences have generally dealt with regulatory matters or the maintenance of professional standards, so here was an opportunity to propose the expansion of our professionalism and specialist expertise into the GBA in support of Hong Kong's entrepreneurs.

A conference can only be as good as its speakers, and this year we were fortunate to have a group of experts in their fields. Our guest of honour, Mr. Clement Cheung, followed the tradition of our Conference's opening address being given by the Chief Executive Officer of the IA, as it was in the past by the Commissioner of Insurance. Mr. Tommy Yuen, recently appointed as Commissioner for the Development of

the Guangdong-Hong Kong-Macao Greater Bay Area to head the SAR Government's GBA initiative, set the scene with the Government's aims and intentions. He was followed by our own Mr. Mark Johnson, who laid out the opportunities and possibilities for brokers willing to take the leap into this new territory. Then our Deputy Chairman, Mr. Alex Yip, gave of his own extensive experience in the Mainland market to clarify the regulatory regime faced by new entrants.

The mix of theme and speakers obviously worked, as no less than 200 members, together with 40 invited guests from the industry, registered to attend. Also, we are grateful to 13 organisations which supported CIB with sponsorship for the Conference.

The whole event was excellently presented and feedback from attendees was almost unanimous in its support and praise. They also posed a number of questions for our final Panel Discussion, which was ably chaired by our Conference Moderator, Mr. Kevin Durrant, to whom we extend our grateful thanks, and also to our Chairman, Mr. Patrick Chan, who joined Messrs. Johnson and Yip on the Panel.

THE REGULATORY ENVIRONMENT

As our first speaker, Mr. Tommy Yuen, Commissioner for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area, Constitutional and Mainland Affairs Bureau of the Hong Kong SAR Government, said in his address, both the SAR and PRC Governments are keen to attract Hong Kong businesses to develop into the GBA, with particular emphasis on financial and legal services including expertise in risk management and insurance. Our second speaker, Mr. Mark Johnson, explained that brokers recognise the opportunity to follow their entrepreneurial Hong Kong clients into the GBA to provide them with the type of professional advice and service to which they are accustomed in Hong Kong, involving levels of risk management and types of insurance protection which are not customarily available on the Mainland. The availability of such traditional Hong Kong services in the GBA will ease the way and encourage young people to take the step. While many large international and Hong Kong companies, supported by their large insurance brokers, are already operating on the Mainland including in cities which are becoming part of the GBA, it is the young individuals and

— THE GREATER BAY AREA

SME businesses which are now in focus and who will be looking for small-to-medium specialist Hong Kong insurance brokers to support their new ventures. Herein lies an intrinsic problem.

Our third speaker, Mr. Alex Yip, addressed the regulatory hurdle which currently places the GBA out of the reach of Hong Kong's medium and SME brokers. While the nine Mainland cities enjoy free access to each other, the two external SARs are subject to regulatory barriers which, in some cases, do not recognise the circumstances and abilities of external service providers by virtue of their nature and scale. This applies specifically to SME niche brokers. To operate in the GBA, which is subject to the regulatory regime applicable to the whole of Mainland China with no special considerations allowed, a Hong Kong insurance broker is required to obtain a Mainland Insurance Agent's licence. This would require the applicant to have a capital value of not less than RMB20 million under CEPA for a provincial licence to operate in Guangdong Province. This is well beyond the means, or necessity, for a small niche broker dealing with SME clients and is a considerably greater financial imposition than that applicable for an Insurance Broker Company licence in Hong Kong. It would seem that the Mainland licence envisages larger corporate entities transacting large volumes of life or medical insurance or substantial general reinsurance lines, whereas the general speciality lines and related medical protection for small-scale SME start-ups are handled by small niche brokers with only a handful of staff. With a regulatory requirement for the broker to carry Professional Indemnity insurance to protect their clients against loss, the Hong Kong licence provision is able to accept a much lower capital requirement in line with their relatively smaller size. As the Mainland is predominantly a direct company and corporate

agency market, there has not been a need to consider regulatory provision for small niche speciality professional insurance brokers until now, but it is to be hoped that with the advent of the GBA, consideration will be given to new and appropriate regulations to permit the entrance of such brokers from Hong Kong to operate in the territory of the GBA. CIB believes that this aspect may have been overlooked in the drive to facilitate the entrance of large-scale life and medical insurers into this new market, but will make representations to have the importance and value of small general and medical specialist brokers recognised. CIB also believes that the availability of customary Hong Kong-style professional risk management and insurance services in the GBA will help to encourage Hong Kong entrepreneurs to establish high-tech and specialist businesses in the GBA.

MATTERS ARISING

The Conference provoked a number of questions from attendees, which fell largely into three areas. Firstly, whether there really is opportunity for smaller brokers in the GBA; secondly, the educational and regulatory requirements; and thirdly, the absence of approved speciality lines in the Mainland market. The first two relating to opportunity and regulatory level were well covered by the conference speakers and in the article, "The Regulatory Environment", printed on these pages. These are interrelated with the third as to the need by Hong Kong entrepreneurs to obtain the type of specialist advice and speciality coverage not currently available. CIB will assist brokers by bringing this lack to the attention of the authorities to broaden approved underwriting scope, and by allowing a beneficial transfer of technology by permitting Hong Kong brokers to freely provide internationally accepted speciality lines in accordance with professional risk management practice.

TECHNICAL GREMLINS

The Conference was originally scheduled for the afternoon of Monday 2nd November 2020 but, unfortunately, technical problems prevented registration. CIB had selected a first-class IT production company from a slate of three that were recommended, but they were let down by their hardware sub contractor. The senior management of our production company, together with a new subcontractor, successfully achieved a high-quality production on the morning of Friday 18th December 2020. The General Committee of the CIB wishes to express its apologies to members and guests for any inconvenience caused. ■



UK Supreme Court Decision on COVID-19 Insurance Claims

Contributed by BS Rath, Immediate Past Chairman of CIB

In a significant judgement handed down by the UK Supreme Court on 15th January 2021, it was found that insurers could be liable to pay compensation as a result of losses arising from the COVID-19 pandemic. This arose out of a test case brought by a UK regulatory body, the Financial Conduct Authority (FCA), on behalf of policyholders. The case was handled through a 'leapfrog' procedure, bypassing the Court of Appeal and being fast-tracked to the highest court to obtain a final verdict. The case focused on specific insurance policies which purported to cover a range of losses caused by business interruption (BI) outside the property damage context. The court scrutinised various sample insurance policy

wordings and focused on losses arising due to a disease such as COVID-19 in the first appeal, with the second being prevention of access to premises and the third being a hybrid clause covering both the above and, finally, trends clauses. The Supreme Court ruled substantially in favour of the FCA, allowing all four of its appeals albeit with two 'subject to qualification', and dismissing all those of the insurers. The FCA estimated that this will benefit 370,000 policyholders insured through 60 insurers.

Food for thought: would it compel the industry to use standard wordings in the future that are easy to read and interpret?

The IAIS Strategic Plan 2020-2024

IAIS

The International Association of Insurance Supervisors (IAIS) is a voluntary organisation of insurance supervisors and regulators from more than 200 jurisdictions. The IAIS mission is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability. The Insurance Authority of Hong Kong SAR is a member of IAIS.

WFII

The World Federation of Insurance Intermediaries (WFII) represents insurance agents and brokers from over 100 national associations (in over 80 countries) across the world. WFII represents the interests of intermediaries with international institutions and works to deepen the understanding of the role played by insurance brokers and agents in global commerce. WFII is recognised worldwide by leading and influential bodies such as the IAIS, OECD, FATF, WTO and the UN as an expert on insurance intermediaries' issues in international public affairs.

CIB is a member of WFII.



The Plan 2020-2024

The Strategic Plan sets out High Level Goals (HLGs) and Strategies of the IAIS. IAIS has identified trends and developments that will have a combined effect on our industry, such as fintech, cyber risk, climate risk and challenges of sustainable development. After a detailed strategic review and planning process, as well as an assessment of trends and developments, IAIS has recognised that their core functions must evolve in response to trends and developments. The integrated cycle will focus on certain key themes during this period, including technological innovations such as fintech, cyber resilience, climate risk, conduct and culture, and financial inclusion.

IAIS has also set HLGs for itself:

- HLG 1:** To assess global market trends and developments and respond to issues that present opportunities and challenges;
- HLG 2:** To set and maintain globally recognisable standards for insurance supervision that are effective and proportionate;
- HLG 3:** To support members by sharing good supervisory practices and facilitating understanding of supervisory issues;
- HLG 4:** To assess and promote observance of supervisory material; and
- HLG 5:** To operate effectively, efficiently and transparently in delivering its mission and communicating with stakeholders.

Insurance brokers will be expected to acknowledge and be in sync with the ever-changing world of business and to align with the strategic plan of IAIS. ■

Source of information: The IAIS Strategic Plan 2020-2024.

Contributed by BS Rath, who is the HKCIB representative on CAPIBA and WFII and an observer to the IAIS.

Office Bearers 2021

Following the Annual General Meeting held on 10th December 2020, new office bearers for the General Committee and various Sub-Committees and Working Groups have been updated as follows:

| General Committee 2020-2021 | | | |
|--|--------------------------------|--|---------------------------|
| Mr. Patrick CHAN Nova Insurance Consultants Limited | Chairman | Mr. Alex YIP Lockton Companies (Hong Kong) Limited | Deputy Chairman |
| Mr. Adrian KING Aon Hong Kong Limited | Honorary Secretary | Mr. Ricky SO Pacific World (Asia) Ltd | Honorary Treasurer |
| Mr. B. S. RATH Premier Insurance Brokers Limited | Immediate Past Chairman | Sub-Committees | Convenor |
| Mr. James BOLUS International Financial Services Hong Kong Limited | Committee Member | Finance and Administration | Mr. Patrick CHAN |
| Ms. Iris CHAN Willis Hong Kong Limited | Committee Member | Education including FIS (Financial Incentive Scheme for Professional Training) | Mr. BS RATH |
| Mr. Ricky CHAN Jebsen Insurance Brokers Limited | Committee Member | Legislation and Regulation | Mr. Adrian KING |
| Mr. Mark JOHNSON Howden Insurance Brokers (HK) Limited | Committee Member | Publicity and Promotion | Ms. Iris CHAN |
| Mr. Kenneth LAM Convoy Financial Solutions Limited | Committee Member | Greater China Affairs – Greater Bay Area (GBA) and Belt & Road Initiatives (BRI) | Mr. Patrick CHAN |
| Ms. Tiffany LUNG MI Insurance Brokers Limited | Committee Member | Working Groups | Convenor |
| Mr. Andy WONG Marsh (Hong Kong) Limited | Committee Member | Members Relations | Mr. Alex YIP |
| | | International Affairs | Mr. BS RATH |

Upcoming CPD seminars

At present, we are arranging for the below CPD courses to be offered in the coming months.

FIS Seminars

- Financial analysis and portfolio management (General Insurance)
- Insurance and Risk Based Capital – RBC and solvency
- Insurance and Risk Based Capital – MCR capital charges and approaches of Australia and Hong Kong
- Life Insurance Sales and Distribution – Overview of life insurance products
- Life Insurance Sales and Distribution – Implementing the plan and providing advice
- Management of Environmental Risks – Various environmental risks and their impact on business
- Management of Environmental Risks – Environmental risk management plan

Non-FIS Seminars

- **23 February 2021, 4-6pm**
VHIS – How to select an appropriate plan for your clients (Cantonese)
- **24 February 2021, 4-6pm**
A Holistic Approach to Power Presentation: Public Speaking and its Etiquette (Cantonese)

Please watch for CIB Circulars for final details. ■

FIS Figures – January 2019 to December 2020



Number of courses

32



Number of course hours

146



Number of participants

1,933

CIB Helpdesk

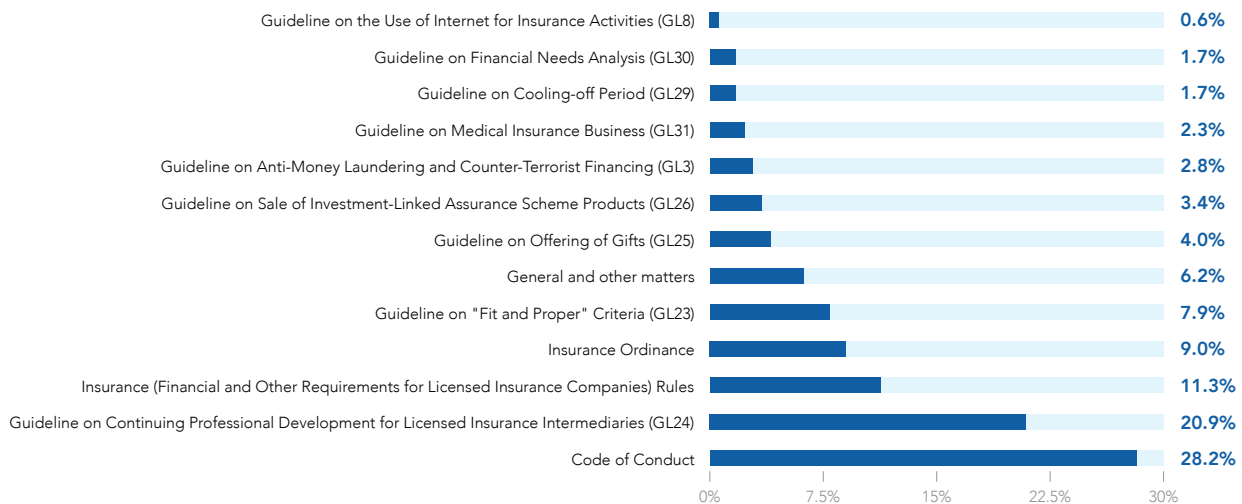
Since its launch in April 2020, the CIB Helpdesk has been working with members on enquiries on the Code of Conduct and Guidelines to strive for best practices and full compliance of the new rules and regulations.

The CIB Helpdesk has recently received a number of enquiries from members over the practical implication/implementation of GL25 and GL31 surrounding issues of gifts, rebates and discounts. We are discussing the issues within CIB and will revert to members as soon as the matter has progressed.

COVID Casualty

The General Committee regrets to advise that due to the COVID situation, the CIB Spring Dinner for 2021 originally scheduled for February will have to be postponed indefinitely. We much regret that this very popular annual get-together event cannot take place under the social distancing rules, but the General Committee will closely monitor the situation as it develops with a view to reinstating this enjoyable dinner gathering as soon as circumstances allow. ■

Nature of Enquiries (handled between April to December 2020)



IA's New Guidelines effective on 1st April 2021

The transitional period for the following guidelines will expire on 31st March 2021 and the Insurance Authority has advised compliance with these guidelines with effect from 1st April 2021. ■

- **GL25:** Guideline on Offering of Gifts
- **GL27:** Guideline on Long Term Insurance Policy Replacement
- **GL28:** Guideline on Benefit Illustrations for Long Term Insurance Policies
- **GL29:** Guideline on Cooling-off Period
- **GL30:** Guideline on Financial Needs Analysis
- **GL31:** Guideline on Medical Insurance Business

Talk to us today – CIB is your voice within the industry!

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