

Written Submission to the LegCo Panel Meeting

From

The Hong Kong Confederation of Insurance Brokers

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The Hong Kong Confederation of Insurance Brokers (“CIB”) was established in 1993 and is a body of professional insurance brokers authorized by the Commissioner of Insurance as a self-regulatory organization with 248 corporate members registering over 4,000 Chief Executives and Technical Representatives.

CIB agree that insurance is the right supplementary financing mechanism to the pre-dominantly publicly funded healthcare service in Hong Kong, but it remains in Hong Kong a commercial practice to pool and to spread health-related financial risk when individuals become sick or injured.

We hold the view that,

Firstly, priority should be given to the formulation of effective preventative healthcare systems, work and traffic safety measures to mitigate such risk to emerge,

Secondly, there should be a right balance to be struck to avoid excessive regulatory intervention when a set of minimum requirements are to be agreed between the Government and the providers. Any form of Government-run operation due to insurers lacking interest in participating will just end up with another publicly funded subsidy scheme in disguise of insurance, thus deviating from the community’s preference.

In regard to the specific suggestions about the Health Protection Scheme (“the HPS”), we opine that, when the aim is to provide more choices to those who can afford and are willing to, the coverage shall be applicable for treatments at public hospitals as well, including those payable under the Public Charges or the Private Charges of the Hospital Authority; otherwise, when the HPS subscribers who may elect to receive treatments from public hospitals, say for illnesses that entail high cost, advanced

technology or multi-disciplinary professional team work, they will not be benefiting from the coverage to fund the self-financed medical treatments and services at the Hospital Authority, and the Hospital Authority miss the chance to tap in the insurance funds for cost recovery.

We would also suggest that currently the Private Charges schedule of the Hospital Authority is a flat-rate packaged pricing, which could be revamped to be DRG-based and be used as the benchmarks for premium setting and product design of HPS by insurers and the benchmarks for setting competitive price by private hospitals.

There is reservation towards requiring No-Claim Discount (“NCD”) to be one of the core requirements of HPS.

Majority of in-patient medical treatments are due to illnesses or accidents which are not self-inflicted and are beyond control of the insured or the policyholders. NCD in this context would be seen as a penalty on the unfortunate than an inducement for maintaining good health. The Government incentive had better not to be linked to claims.

We further consider that NCD may not be viable for the group medical insurance market, and even worse it may potentially disturb this well established market segment, with a sizable insured population closed to a million, afforded with medical cover funded by the caring employers.

To cite two examples:-

- A staff member makes a minor medical claim will cause the employer to lose the full NCD at the next policy renewal. This may weaken the good labour relationship;
- A staff member is insured both under his own employer’s medical scheme as well that of his spouse as a dependant member. There need to be difficult and administratively burdensome procedure, as well as negotiation, to decide which employer will benefit from the NCD subsidy by the Government.

The Government’s incentive is more ideal to be provided through encouraging

savings by individuals for paying future HPS premiums. The proposal in the Consultation Document of offering such incentive proportional to the length of the individual continuous stay being insured under HPS is a viable option.

The insurance industry shares the same wish as the general public and the Government that people stay healthy.

The sustainability of HPS will highly depend on the number of young and healthy enrollees.

CIB believe a well-designed and formulated promotion and marketing campaign is definitely required to attract the target population. In this regard, the active involvement of insurance brokers would be essential. Our proven efficiency in promotion and marketing will contribute to the success of the HPS when it is launched and to sustain.