

IIHK

The Insurance Institute of Hong Kong

**The Independent Insurance Authority
A response to the Insurance Companies
(Amendment) Bill 2014
by the Insurance Institute of Hong Kong
June 2014**

Executive Summary

The Insurance Institute of Hong Kong supports the creation of an Independent Insurance Authority however as an industry body focused upon the provision of education this support must be non-political.

The Institute aims to emphasize its role in the newly structured insurance market.

The creation of the I.I.A. will result in dramatic changes in the present insurance landscape in Hong Kong and this opportunity should be grasped to make changes to existing education arrangements. The IIHK proposes the following provisions with regard to insurance education and training:

- The recognition of the IIHK as the sole provider of compulsory insurance qualifications in Hong Kong
- The acceptance of the IIHK as the formally supported entity tasked with developing and promoting insurance education in Hong Kong
- The IIHK having jurisdiction as above across the whole insurance market including Bankassurance products.
- The IIHK expanding its role in Continuing Professional Development to fill the vacuum created by SRO cessation and to increase Chinese language capabilities.
- Continuous Professional Development should be mandatory for all practitioners
- Entry examinations for new entrants to the industry should be mandated to ensure a base level of knowledge regarding the Hong Kong insurance market

The elevation and recognition of the Institute to provide these services is predicated upon the following:

- Similar model to that currently accepted and operated in many countries including Singapore and Malaysia
- The Institute to be self-funding and independently operated
- IIA overview as necessary by provision of a seat on the Institute's Council
- The IIA being represented on the IIHK examination panel and being included in the development of all regulatory examinations
- The IIA having responsibility as a single regulatory authority over all insurance practitioners in Hong Kong
- The Institute to be self-accrediting in terms of examinations, product offerings and the like.

The positioning of the IIHK in this manner provides consistency of standards, cross-industry input and usage, and will encourage further education and learning. These changes would not restrict any other entity promoting and providing other education and training and it would not create any conflict within the industry.

Introduction

The Insurance Institute of Hong Kong (IIHK) was established in 1967 to provide insurance education and to promote the importance of professionalism in the insurance industry.

For the last 47 years the IIHK has been the cornerstone of further learning for insurance practitioners and has provided a range of activities dedicated to the improvement of knowledge, ethical conduct and professional qualifications for the Hong Kong market.

The IIHK is controlled by a Council of elected industry volunteers of senior standing. Honourary members are co-opted as needed and a full time Secretariat provides operational support for all activities. This is a not-for-profit organisation driven by the Insurance Industry solely for the benefit of its practitioners.

The Institute is actively supported by all areas of the insurance community as well as the legal and accountancy professions who provide trainers and speakers for educational events.

The IIHK provides the following service for the practitioner:

- Professional examinations leading to the highly regarded “Diploma in Insurance Studies”
- Continuing Professional Development courses, seminars and workshops
- Pathways for further learning and qualification provided by International Institutions such as the Chartered Insurance Institute of the UK and the Australian and New Zealand Institute of Insurance and Finance
- Close working relationships with the Insurance School of Japan, the Singapore College of Insurance, the Malaysian Insurance Institute and the various Insurance Institutes of China
- Hosting of Industry functions such as the Institute’s Annual Dinner, the Alumni association, talks and educational events.

In addition the Council will continue to provide advice to the Insurance Authority and other industry bodies in the provision of examinations, industry standards and further developments.

The Institute wishes to maintain and greatly enhance its position in the Hong Kong Insurance Industry.

Regional Comparisons

The Singapore College of Insurance and the Malaysian Insurance Institute operate within their markets in similar vein. They both interact with the regulator (MAS in Singapore and Bank Negera in Malaysia) and have a senior member of the regulator's staff on their boards, thus providing oversight.

Both also interact closely with their market practitioners whereby training products offered are relevant and in demand by all component bodies operating in the country. Singapore and Malaysia have strong-regulators however they have elected to allow their Insurance Institutes to operate freely in the very specific area of education.

Both Institutes administer all insurance regulatory qualifying examinations on behalf of the regulator and 100% of the revenue generated by that function credits to the Institute thus allowing financial independence.

In addition to the regulatory examinations both Institutes provide Continuous Professional Development training, both administer examinations on behalf of overseas education providers, and both operate otherwise in a fully competitive open market with other training providers.

The IIHK believes this model would work equally well in Hong Kong and that the existing Insurance Intermediary Qualifying Examinations presently regulated by the IA could pass to the IIHK as a truly independent body.

The IIHK Proposals

It is noted that the Bill does not include specific requirements of Insurance Education and Training. The provision of such services provides the bedrock upon which the insurance industry must be based to protect the consumer.

The Institute believes that a change in the way education and training has been structured in the past is inevitable and can be extremely beneficial to all parties. The creation of the IIA allows opportunity for a complete review of the education and training capabilities in Hong Kong and that such a review should lead to the appointment of an independent body such as the IIHK that works closely with the IIA and the insurance market to provide meaningful and relevant training.

Our key observations are:

- That the IIA should play a role in promoting healthy market development to enhance the competitiveness of Hong Kong
- That the existing SRO's may lose their self-regulatory position and by default this will possibly lead to a cessation of their training role, for example CIB
- That the Principal function of the IIA is to regulate and supervise

Presently the “accreditation” process for the IIHK rests with the Hong Kong Council for Accreditation of Academic & Vocational Qualifications (HKCAAVQ) and it would be essential for the Institute to be appointed in a “self-accreditation” role similar to the status granted to the SROs today.

In terms of market positioning the proposed role of the IIHK would allow our organisation to work closely with the Vocational Training Council in the execution of certain duties and to maintain at least part of their existing involvement. The Institute would also work in concert with any other insurance organisation, e.g. LOMA, LUA, CII, ANZIIF and others, who would have a distinct and definite role to play.

There would be no conflict of interest in the approach by the Institute amongst other training providers.

Additional Comments

While these do not relate directly to education we did notice a few opportunities to enhance the current draft legislation. These are namely:

- The industry representation on the board could be amended to include a minimum percentage representation, say 25%. As it currently stands if the minimum of 2 board members were appointed this has the potential of creating a gap in knowledge as the insurance industry is very broad, to adequately represent the industry you will need additional board members.
- The current Bill that makes no reference to captive service companies. If Hong Kong is committed to becoming a leading captive domicile we think that there is a great opportunity to create a specific category for Captive Managers and Captive Service companies to operate in the market, as they are materially different to Brokers and Agents and should be treated differently.
- Another area to clarify is around Brokers acting as Coverholders. This is a key operating model within the Hong Kong market and a paragraph to enshrine this into the legislation will ensure market continuity and that ability for brokers to expand into this business model, which typically services the SME customers very well.
- There is a conflict in the proposed wording relating to Agents and Brokers being treated the same when it relates to acting in policy holders best interests. This needs to be tidied up as proposed by HKFI and HILA.