

1988-1998
10TH
ANNIVERSARY
HKFI

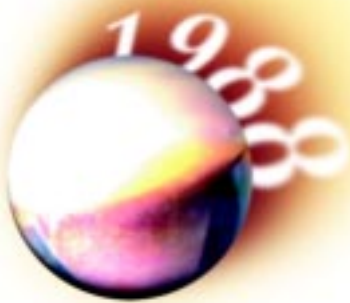
The Story of The Hong Kong Federation of Insurers



Something about the Front Cover Design

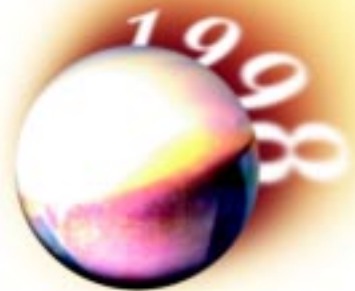
The background of the front cover illustrates Hong Kong's hectic pace of life and just some of its magnificent infrastructure. The history of insurance in Hong Kong spans more than 150 years. It has witnessed the history of Hong Kong and grown with the prosperity of Hong Kong's economy, which is characterised by its ever-continuing construction projects. Behind the scenes, the industry offers a wide range of insurance products and services, including employees' compensation, accident, public liability, medical insurance, etc. providing protection and security for all the individuals and businesses taking part in the building of a better and more prosperous Hong Kong.

The Hong Kong Federation of Insurers



10th anniversary

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Message from



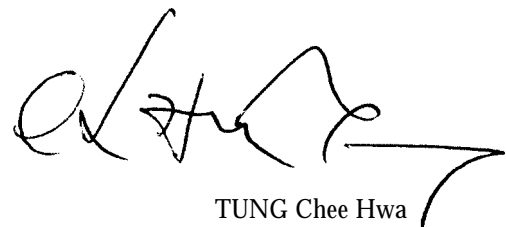
The Chief Executive Hong Kong S.A.R.



In recent years, Hong Kong has developed into a service-oriented economy as well as an international financial centre. The insurance industry in Hong Kong has taken this opportunity to expand considerably in terms of business size and product sophistication. Nowadays Hong Kong has become one of the leading insurance centres in the Asia-Pacific region, employing over 30,000 people, which is equivalent to 10% of Hong Kong's workforce in the financial services sector. A great deal of credit must be given to all insurance companies in Hong Kong which have been working hard in establishing a sound and healthy insurance industry.

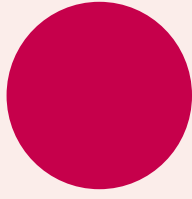
To maintain the momentum of growth and the competitive edge of the insurance industry, it is crucial that insurance companies must strive for excellence in order to meet the ever-rising expectations of policy holders. I am confident that through the industry's continuous pursuit of quality and dedication to high standard of professionalism, the interests of the insuring public will be best served.

Since its establishment in 1988, the Hong Kong Federation of Insurers has been co-operating with the Government in promoting the insurance industry of Hong Kong. The Federation has gone a long way in establishing consumer confidence and in serving the insurance needs of our community by rigorously pursuing high standards of ethics and professionalism. On the occasion of its 10th Anniversary, I wish to extend my heartiest congratulations to the Federation and wish it every success in the future.

A handwritten signature in black ink, which appears to be 'Tung Chee Hwa'. The signature is fluid and stylized, with a long horizontal stroke extending to the right.

TUNG Chee Hwa

Message from



The Insurance Functional Constituency Representative



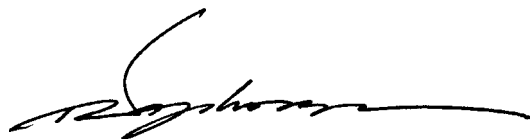
HKFI - Key To Promoting The Insurance Industry

With a history of over 150 years in the territory, the insurance industry has been playing a significant role in the Hong Kong economy. In the early days, the industry provided primitive general insurance coverages for commercial use. As time goes by, it has continuously advanced to develop a comprehensive range of insurance products, both general and life insurance, commensurate with today's needs. Hong Kong has rapidly developed to transform into an important insurance centre in the region.

Established in 1988, the Hong Kong Federation of Insurers (HKFI) has been successful to promote the future development of the insurance business. It serves as an effective medium for consultation and discussion between the industry and the Government body, protects the best interests of the industry and perfects a self-regulatory regime aiming to improve the professionalism to gain recognition from the general public.

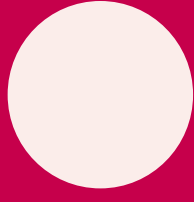
Although the Asian economic crisis is hindering the growth of the industry, the HKFI has been able to unify all practitioners to face such trying times. At the same token, all of us are proud of the HKFI's efforts of promoting the industry and contribution to Hong Kong's prosperity and stability.

May I take this opportunity to congratulate on the HKFI's 10th anniversary. Also, I tender my best wishes for the HKFI so that it will continue to move forward and exert its efforts in ensuring the industry's prospects and contributing to the economic prosperity of Hong Kong in the years to come.



Bernard Chan

Message from



The Commissioner of Insurance



I am very pleased to extend my best wishes to The Hong Kong Federation of Insurers on the occasion of its 10th Anniversary.

During the past 10 years, the Hong Kong insurance industry has flourished under a regulatory framework that places a good deal of emphasis on industry self-regulation. The success of the insurance industry can be attributed to a considerable extent to the work of the Hong Kong Federation of Insurers.

All through the years, the Federation has been actively representing the interests of the insurance industry and worked with the Government on matters regarding the development of the industry and its regulation. Through the Federation, an effective channel of communication has been built between the industry and the Government.

The Federation plays a pivotal and indispensable role in promoting professionalism among insurance practitioners and in carrying out the industry's initiatives on self regulatory measures. Its notable achievements include the adoption by members of various industry standards, the establishment and the proper functioning of the Insurance Claims Complaints Bureau and the Insurance Agents Registration Board.

Apart from representing the interests of the industry, the Federation is also committed to improving the public image of insurance practitioners. Through publications, radio programmes and a homepage on the Internet, it has evidently improved public knowledge on the concept and practices of insurance. It has also established an Educational Trust for the enhancement of the quality of insurance education in Hong Kong.

The accomplishments of the Federation in the past 10 years have laid a sound and solid foundation for the future growth of the Hong Kong insurance industry. Upon that foundation, I can foresee that the industry will continue to develop and prosper in the years ahead.

I am impressed by the efforts of the Federation made for the betterment of the well-being of the Hong Kong insurance industry. I would like to take this opportunity to offer my warmest congratulations to the Federation on this memorable occasion and wish it every success in its future endeavours.

A handwritten signature in black ink, appearing to read 'Alan Wong'.

Alan Wong, JP

Retropective

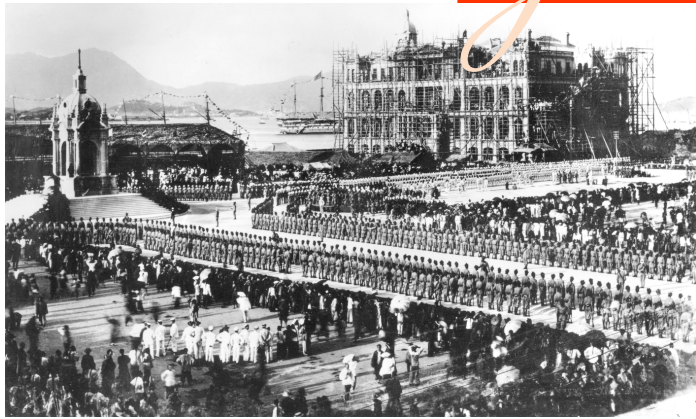
The history of insuran



ce in Hong Kong

spans more than

150 years



The history of insurance in Hong Kong spans more than 150 years with the first insurance company moving from Guangzhou to Hong Kong in the 1840s. In the early days, the development of the insurance industry was closely linked to trading activities, and insurance was widely used to protect cargoes and property. Thus, most insurance companies wrote fire, accident and marine business which belong to the general insurance category. Life insurance began much later and the first life insurance policy was not issued until 1898.

Different insurance bodies offering specific services to their lines or classes of business were established chronologically to the emergence of that particular line or class of business.

Although the Hong Kong Federation of Insurers was formed only ten years ago, on 8 August 1988, the various Technical Associations under its General Insurance Council have been in existence from as long as a few decades to more than a century ago. In the early days, these insurance bodies were established to provide technical support to members such as setting tariffs and premium rates.



The history of insurance



ce in Hong Kong
spans more than
150 years



*T*he first insurance industry body was the Fire Insurance Association of Hong Kong which was formed more than 100 years ago in 1895, some 40 years after the first insurance company was established in Hong Kong.

More than a decade later, in 1906, the Marine Insurance Association of Hong Kong was established as the second insurance industry body. It was not until another 40 years later that the Accident Insurance Association of Hong Kong came into existence in 1946.

In 1982, general insurers writing business in Hong Kong formed the General Insurance Council of Hong Kong. Both the Life Insurance Council of Hong Kong and the Medical Insurance Association of Hong Kong Limited were registered in 1984.

Despite each area of service being specific to its own line of business, the primary objective of these associations or councils was basically the same, and this was to secure joint action in all matters affecting the interests of the insurance members concerned.



The history of insurance



ce in Hong Kong

spans more than

150 years

*A*s the insurance business continued to grow and prosper, both the industry and the Government found it necessary to consolidate the resources that insurers and government officials spent on industry services. The Hong Kong Federation of Insurers (HKFI) was established in 1988 precisely for this reason. It was meant to integrate all of these industry bodies into one structure so that it would act as the medium for consultation and discussion with the Government on legislation and other matters affecting the insurance industry. In addition, “the” representative industry body could be charged with the duty to practise effective self-regulation with consolidated resources. After lengthy negotiation and planning, all the various Technical Associations eventually merged into the incorporated HKFI on 29 December 1994 and were formally dissolved in subsequent years.



In June 1995, less than seven years after the HKFI's inception and 18 months after the Insurance Agents Registration Board (IARB) was established, both the HKFI and the IARB were given statutory backing by the Insurance Companies Ordinance. This is a true reflection of the Government's recognition of the work being accomplished by the HKFI and acknowledges the HKFI as “the” representative insurer body in Hong Kong.

THE FIRE INSURANCE ACT
SECTION NO. 4
GENERAL RULES

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10/11/14
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CERTIFICATE OF INCORPORATION
公司註冊證書

I hereby certify that
本人謹此證明
SAR WITH HONG KONG PROTECTION OF INVESTORS

此項“有限公司”證書
乃根據香港公司條例
及《香港保護投資者條例》
之規定而發出。

第 4 號
第 10/11/14 號



FORM 3
SOCIETIES ORDINANCE
(CHAPTER 151)
CERTIFICATE OF REGISTRATION

(RULE 3)

It is hereby certified that the society known as
the Hong Kong Federation of Investors
(Name of society)

24/7, Kowloon Plaza, 30 Gloucester St., Hong Kong
(Address of society)
is registered in accordance with the provisions of section 5 of the Societies
Ordinance.
Dated this 10th day of August, 1914.

K. J. [Signature]
(K. J. [Name])
Assistant Registrar of Societies

10/11/14

No all
rate shown
for in Section

if rates for any particular risk are not included in the Tariff,
application shall be made to the Association for rating before any
quotation is made.

Re-printed—August 1914.
General Reprinting 1914.



The Birth of the HKFI

It is a great pleasure to be given the honour to contribute this article about the birth of the Hong Kong Federation of Insurers (HKFI).

It enables me to share some of the thinking and to relate some of the “blood sweat and tears” that went into the establishment of a credible voice for the industry. Looking at the achievements of the HKFI over the past decade as an interested but uninvolved observer there is no doubt in my mind that it has lived up to that objective with distinction. I am also convinced that without its unifying focus the insurance industry would not be enjoying the important status in the community that it does today.

There is a saying that Rome was not built in a day. In our own businesses much of our energies are taken up with short term goals and objectives - meeting the month's, quarter's or year's budget, winning or retaining specific accounts and so forth. In contrast, pursuing the common interests of any industry - insurance no less than any other - requires sustained effort by many people over lengthy horizons.

So it was with the birth of the HKFI. 8 August 1988 - 8.8.88 - was a most auspicious birthdate but one must look back several years before that to find the true conception date of a single representative body for insurance in Hong Kong.

A decade earlier, in the mid seventies, the industry was very different from what it is today. Life insurance, with the exception of operators representing international insurers catering primarily to the expatriate market, was minimal. General insurance was dominated by a few players, principally large general agencies representing big overseas insurers. Agents were mainly tied and, other than in marine hull, brokers were not a major force. Domestic insurers were struggling for a share of the market.

Prudential regulation and control were almost non-existent and capital requirements for insurers were derisory. One could register and operate an insurance company with a capital sum of HK\$10,000, if my memory serves me correctly. Fly by night operators without any sense of responsibility either to the industry or to the public cropped up continually. That most sensitive of all insurance buying groups, the motorists, were constant victims. At a time when the rights and interests of the consumer were increasingly coming into focus - the age of consumerism - the public perception of insurance was extremely negative. Alleged abuses and unprofessional conduct were constantly high on the hit list of the new Consumer Council, formed in 1974.

An earlier attempt by Government to introduce some form of regulation into this unregulated environment was delayed when the civil servant charged with its drafting retired before his work was sufficiently advanced for a bill to be tabled. However by mid 1975, the Registrar General - at that time the official responsible in Government for the supervision of insurers - had had enough. Leaders of the industry were called together and asked to work with him and his colleagues to develop a framework for proper regulation - whether by legislation, self-regulation or both - of the industry. The problem was that there was no formal body to

undertake this task and no relevant expertise in Government. The existing industry organisations were either technical (The Fire Insurance Association of Hong Kong, the Marine Insurance Association of Hong Kong and the Accident Insurance Association of Hong Kong) or concerned with domestic interests only (Chinese Insurance Association of Hong Kong).

So there was established an informal group, initially under the personal chairmanship of the Registrar General, named the Insurance Industry Working Group. Because of some previous experience with legislation matters in Australia, it fell to my lot to be named the convenor for the insurance industry representation on that group. This proved to be the first move in establishing an insurance industry lobby - albeit essentially to lobby Government only - and represented the true conception of what was eventually to become the HKFI.

From the outset we emphasised certain principles, which I believe have stood the test of time and have benefitted the industry in Hong Kong. Those were that prudential regulation should be tailored to Hong Kong's special circumstances, not blindly follow practise elsewhere, that the primary focus should be on directors and management being fit and proper persons backed by adequate financial resources and that, as far as possible, a responsible industry should be relied upon to regulate itself. Our negotiations were long, arduous and at times frustrating but finally after some seven years work the Insurance Ordinance 1983 was enacted. It largely reflected our recommendations and input, and in the process we learned the vital importance of including others in our lobbying work - the Legislative Council, the legal and accounting professions, the Consumer Council and others.

For its part, the Government made it clear that its willingness to go along with our self-regulatory approach depended on us having a body or bodies - preferably one - to which they and other community leaders could look for industry performance, information and reliable statistics.

But that was not the whole story. While regulation of insurance companies and the conduct of their affairs was taking shape, community attention was increasingly being directed at the abuses and inconsistencies within the intermediary system, both life and general. Questions were asked as to who was the principal and therefore accountable when things went wrong. The far growing brokerage community, emphasising their independence, were adamant that insurers were not the principals. But who were brokers and how could they be relied on to meet their commitments?

Once again the industry found itself unprepared, divided and on the defensive as the Law Reform Commission set up a sub committee to look into insurance contract law in general and that of intermediaries in particular. From the outset we had to fight a rearguard action against strongly held legal views that legislation should be enacted to follow closely the incredibly complex (and ultimately discredited) control of intermediaries recently enacted in the United Kingdom.

By 1981 it had become generally accepted by insurance industry leaders that something had to be done.

The industry was too inward looking, secretive and small thinking. We were constantly on the defensive in the face of growing consumer discontent. We were not chasing opportunities and had an inability to address or articulate our position on broader community issues. We lacked unity and were not pulling our weight in the rapid economic and social development of Hong Kong.

Following insurance industry meetings held in June 1982 the Insurance Council of Hong Kong was formed. Its constitution and structure were formulated by a steering group comprising all the existing Associations including the recently formed of Life Insurance Association and it was intended that this should become the overall representative body for both life and general insurance.

Sadly we fell at the first fence. Understandably the life insurance industry, which was enjoying very rapid growth, felt that the Council was weighted too heavily in favour of general insurers and would not adequately represent the special and, in many ways, very different interests of life insurers. The outcome was the creation of two Councils, the Insurance Council of Hong Kong (renamed the General Insurance Council of Hong Kong in April 1988) and the Life Insurance Council of Hong Kong, each with its own secretariat.


Whilst this was a pity in the short term, there were benefits in that each side of the industry was able to focus on its particular needs for promotion, protection and advancement, whilst learning from working closely together how many of the issues and objectives were shared and demanded unity. I recall particularly that we continued to work closely together on issues such as self-regulation, intermediaries, legislation, taxation and, on a domestic note, the duplication of expense involved in the maintenance of separate secretariats.

One development that certainly helped bring the need for unity into sharp focus was the perceived possibility for insurance to be included as one of the first functional constituencies. In the event, partly because we lacked one overall professional organisation, we missed out. However the message was clear and by the following year agreement was reached to bring the two Councils together under the umbrella of a single Federation.

The HKFI was thus born on the 8 August 1988 and it was my great privilege and honour to become its first Chairman.

Very soon thereafter I had a career change and moved out of insurance.* Whilst it was for others to build on the foundation which had taken so long to establish, I have watched developments with keen interest. Through the medium of the HKFI the industry has made great strides in the past ten years and has greatly enhanced its stature and importance in the community. Its share of Gross Domestic Product has more than doubled and it has come of age as a functional constituency. It has made a major and constructive contribution to the debates leading to the adoption of the Mandatory Provident Fund Scheme, in my view the most far reaching and important long term financial initiative taken by Government in recent times. It has won Government support for widening its base in the areas of reinsurance and captive insurance. It is also heart warming to see the Government's continuing faith in the ability of the industry to regulate itself so successfully.

Although insurance is a business like any other, it should never be forgotten that its conduct involves heavy fiduciary responsibilities which demand the maintenance of the highest professional standards. Much remains to be achieved but I am sure that in the years ahead the HKFI will continue to play its role in protecting the integrity of the industry and promoting its interests within the community.



Michael Somerville
Founding Chairman

* At the end of 1988, Mr. Michael Somerville resigned as Chairman of the HKFI to pursue non-insurance interests. Mr. Somerville was succeeded by Mr. Stephen Glanfield.



← At the annual dinner held on 22 April 1998, the Hon. Tung Chee Hwa (*third from left*), Chief Executive of the Hong Kong Special Administrative Region, raised his glass in a toast to members and guests of the Hong Kong Federation of Insurers. Joining Mr. Tung were (*from left*): Ed Lau, Robert Ka, Frank Chan, Ross Matthews and Robert Hubbard.



↑ Steven Lau (*centre left*), Convenor of the Hong Kong Insurance Industry Coalition, headed a delegation of 13 members to call on Chen Ziying (*centre right*), Deputy Director of the Hong Kong and Macau Affairs Office, in Beijing in June 1996 to seek support for the establishment of an independent insurance functional constituency seat at the Legislative Council of the Hong Kong Special Administrative Region.



↑ This picture shows (*from left*): the Hon. Choy So Yuk, the Hon. Ho Sai Chu, JP, the Hon. Andrew Wong, OBE, JP, the Hon. Leung Chun Ying, JP, Steven Lau, the Hon. Rita Fan, JP, Frank Chan, George Chu, OBE, and Y.K. Chan, at a cocktail party. The party, organised by the Hong Kong Federation of Insurers, was held on 21 October 1997 to celebrate the insurance industry's accomplishment in establishing an independent functional constituency seat at the First Legislative Council of the Hong Kong Special Administrative Region.



← (*From left*) Alex Wong, JP, Chairman of the General Insurance Council (1991/92), Bernard de Petrucci, Chairman of the Life Insurance Council (1991/92), Elvon Harris, Chairman of the Hong Kong

Federation of Insurers (1991/92) and Derek Sullivan, the then Commissioner of Insurance, officiated at a roast pig cutting ceremony on 12 February 1992 to mark the opening of a joint office at the Malaysia Building.

Highlights of the Last Ten Years



A famous Chinese proverb goes like this, “It takes ten years to grow trees but a hundred years to nurture people.” Comparing this against the 150 years of existence of the insurance business in Hong Kong, I would like to think that the proverb is more than appropriate to describe the happy occasion of the 10th Anniversary of the Hong Kong Federation of Insurers (HKFI).

The HKFI was registered on 8 August 1988, being the representative body of insurers in Hong Kong and with the objective to practise self-regulation. The formation of the HKFI was the realisation of the vision of a group of pioneer insurers who foresaw that self-regulation was the international trend, in view of the increasing complexity of the operation of insurance companies as well as the need to enable insurance companies to respond quickly to competitive challenges in a rapidly changing business environment. In the last decade, by practising self-regulation, the insurance industry has been able to enjoy a high degree of autonomy in regulating its own activities which is deeply valued given Hong Kong’s dynamic business and economic environment. The HKFI is proud to witness that the insurance industry has grown from strength to strength in the last ten years by positioning itself as a responsible corporate citizen.

More importantly, the advocacy of professionalism and high quality of service has become a trademark of the HKFI in the eyes of the ever more sophisticated general public. The consumer confidence which the HKFI had nurtured in the people of Hong Kong over the last decade had yielded tremendous results. Members of the HKFI are now being recognised as being able to offer a guarantee of integrity, competence and a high standard of service.

It therefore gives me enormous pleasure to recap the major events that have taken place in the last ten years as a reminder of the insurance industry’s commitment to professionalism and consumer protection.

1988-89

In response to the Government’s intention to establish the Office of the Commissioner of Insurance, the HKFI advocated a division of labour between the Office of the Commissioner of Insurance and the HKFI, the former to be responsible for direct regulation over the financial strength of insurers and the latter to practise self-regulation where the public interest required this. The HKFI stressed that “A proper balance must be maintained”.

1989-90

This was a year of consolidation of the various insurers bodies. 1 April 1990 recorded the joining under the HKFI secretariat umbrella of the Accident Insurance Association of Hong Kong, the Fire Insurance Association of Hong Kong and the Marine Insurance Association of Hong Kong. The Medical Insurance Association of Hong Kong was also granted representation on the General Insurance Council of Hong Kong. This marked the important achievement of the consolidation of resources insurers spent on industry services and completed the consolidation of insurers' interests under the HKFI.

1990-91

The longstanding dream of having official dialogue and exchanging ideas with our counterparts in China eventually came true. In April 1991, the HKFI jointly organised an insurer delegation with the Insurance Institute of Hong Kong to visit the People's Insurance Corporation of China in Beijing and Shanghai. Since then, visits between Hong Kong and Mainland insurance practitioners have become an important annual event in the calendar of the HKFI.

1991-92

This was indeed a year of tremendous progress and accomplishment because the HKFI completed the drafting of its very first consumer protection initiative, i.e. the Code of Practice for the Administration of Insurance Agents. Not only was the Code a manifestation of the HKFI's firm commitment to self-regulation, it was also recognised as a fitting tribute to the healthy growth of the insurance industry and the protection of consumers.

1992-93

Driven by the HKFI's corporate spirit to promote professionalism and protect consumer interests, all members of the General Insurance Council of Hong Kong and the Life Insurance Council of Hong Kong signed a market agreement to pledge their support for the Code of Practice for the Administration of Insurance Agents. A central registry and accompanying infrastructure was put in place by the HKFI. On 1 January 1993, the Insurance Agents Registration Board established under the HKFI commenced operation to register insurance agents and receive complaints from the public about insurance agents.

1993-94

Following four years of co-operation and coordination among various industry bodies through the HKFI secretariat, the time had come for the integration of the various industry bodies into a corporation with liabilities limited by guarantee. On 29 December 1994 the various industry bodies merged into the incorporated HKFI structure in order to enhance the efficiency and effectiveness of services provided to insurers.

1994-95

The insurance industry has always longed for direct representation at the Legislative Council. In view of the establishment of the Finance, Insurance, Real Estate and Business Functional Constituency, the HKFI played a leading role in encouraging all practitioners in the insurance industry to register as voters and candidates to run for election.

1995-96

The HKFI and its Insurance Agents Registration Board were given statutory recognition by the Insurance Companies (Amendment)(No.3) Ordinance enacted on 30 June 1995. The law required all insurance agents to register with the Insurance Agents Registration Board established by the HKFI. An Appeal Tribunal was added to perfect the disciplinary mechanism in place since January 1993. The Code of Practice for the Administration of Insurance Agents was rewritten in accordance with the requirements of the legislation. Coupled with enabling legislation, the self-regulation regime of the HKFI entered into a new phase.

1996-97

The HKFI led a two-year crusade to seek an Insurance Industry Functional Constituency seat at the First Legislative Council of the Hong Kong Special Administrative Region. A full scale lobbying exercise was conducted to appeal to the authorities in charge of constitutional affairs and politicians in both Hong Kong and the Mainland. Thanks to the solidarity of all insurance practitioner bodies, the industry was granted an independent seat on the Legislative Council for the first time in the history of Hong Kong.

1997-98

Following a decade of continued success and sound experience in monitoring the activities of insurance agents, the HKFI endeavoured to perfect its self-regulation mechanism by setting the next milestone to expand its self-regulatory role to cover insurers. A Mission Statement was introduced setting out the goals and direction for all members to follow. The drafting of a Code of Conduct for Insurers which will set out what is good market practice and what is not is currently under way.

The above account of the important events of the HKFI reflects ten years of evolution and progress of the insurance industry in promoting insurance and building consumer confidence. The finale of the last decade will naturally lead to the prelude of a new decade. The HKFI has already reached a milestone to begin a new chapter of its self-regulatory regime and this is to implement a Code of Conduct for Insurers, which will greatly enhance the image and professionalism of the insurance industry.

As a succeeding member of the HKFI relay team who has the insurance industry's best interests at heart, I shall dutifully and whole-heartedly continue to pursue the concept of self-regulation knowing that this is the right way forward and a worthy cause supported by members in general, the regulator and more importantly, the public at large. By promoting the highest standards of professionalism and building consumer confidence, the HKFI plays an important part in promoting insurance to the people of Hong Kong, a role which it intends to continue to play in the future.



Robert Ka
1998-99 Chairman

Chairmen's Statements



Governing Committee

Chairman

Michael Somerville (July - December 1988)

Jardine Matheson Holdings Ltd

Stephen Glanfield (December 1988 - May 1989)

Carlingford Swire Assurance Ltd

Deputy Chairman

Simon Brett (December 1988 - May 1989)

Carlingford Insurance Co Ltd

Members

John Davidson

Commercial Union Assurance Co plc

Elvon Harris

Manufacturers Life Insurance Ltd

Ture Baron von Huene

Hong Kong Reinsurance Forum

Joseph Ip

Jardine Life Assurance Ltd

Terry Jenkins

National Mutual Insurance Co Ltd

Basil Slattery

East Asia Aetna Insurance Co

(HK) Ltd

Edmund Tse

American International Assurance Co Ltd

1988 - 1989

Chairman's Statement

The intention of the Government to appoint a Commissioner of Insurance in the Monetary Affairs Branch has been welcomed and it is hoped this will permit a single focus for the industry within Government in future. The higher profile though, encourages those who would seek to regulate the activities of insurers. On balance I favour self-regulation where the public interest requires it, but it needs to be remembered the ultimate costs are for the account of the consumer. A proper balance must be maintained.



CHAIRMAN STATEMENT

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accept that the costs of doing
supervision. However, such costs
financial strength of insurers must
a reasonable period. We have
are of the increase proposed to
published in the Insurance

Insurance (Amendment) Bill.

At the end of the year Michael Somerville resigned as
Chairman to pursue non-insurance interests. We all are grateful
to him for his contribution and leadership as the first Chairman
of the Federation.

The Executive Director and her staff have made a major
contribution in getting the Federation operational and I thank
them on your behalf.


S. G. Glanfield
Chairman

Governing Committee

Chairman

Stephen Glanfield
Carlingford Swire Assurance Ltd

Deputy Chairman

Simon Brett
Carlingford Insurance Co Ltd

Members

John Davidson
Commercial Union Assurance Co plc

Elvon Harris
Manufacturers Life Insurance Co

Ture Baron von Huene
Munichre Service Ltd

Joseph Ip
Jardine Life Assurance Ltd

Terry Jenkins
National Mutual Insurance Co Ltd

Basil Slattery
East Asia Aetna Insurance Co (HK) Ltd

Edmund Tse
American International Assurance Co Ltd

Alex Wong
Taikoo Royal Insurance Co Ltd



1989 - 1990

Chairman's Statement

Statement by the Chairman The Hong Kong Federation of Insurers

The attached report indicates the scope and scale of the Federation's activities, and those of its constituents, in the period under review.



As I remarked in our first annual report, insurance is now a significant factor in the economy of Hong Kong. An important objective for the past year was therefore to consolidate the resources insurers spent on industry services. With the integration of the Fire, Accident and Marine Insurance Associations under the Federation secretariat umbrella with effect from 1 April 1990, this has now been achieved. Also in April, in recognition of the fast growth of the medical insurance sector and its social importance, medical insurers were granted representation on the General Insurance Council, thus completing the consolidation of insurers' interests under the Federation. We are now well placed to respond to the challenges of the future.

Stephen Glasfield



Governing Committee

Chairman

Simon Brett
Carlingford Insurance Co Ltd

Deputy Chairman

Elvon Harris
Manulife Financial
(The Manufacturers Life Insurance Co)

Members

Paul Britton (May - August 1990)
Sun Alliance & London Insurance plc

Stephen Glanfield
Carlingford Swire International Assurance Ltd

Ture Baron von Huene (May - November 1990)
Munichre Service Ltd

Joseph Ip
Jardine Life Assurance Ltd

Terry Jenkins
National Mutual Insurance Co (Bermuda) Ltd

J C D Long-Price (December 1990 - May 1991)
The Mercantile and General Reinsurance Co plc

George Miller (September 1990 - May 1991)
Pafoong Insurance Co (HK) Ltd

Bernard de Petrucci
Eagle Star Life Assurance Co Ltd

Edmund Tse
American International Assurance Co Ltd

Alex Wong
Taikoo Royal Insurance Co Ltd

1990 - 1991

Chairman's Statement



The Federation also initiated dialogue with the industry in China. A delegation jointly organized with the Insurance Institute of Hong Kong visited Beijing and Shanghai in April 1991. The visit succeeded in achieving its objective and both the People's Insurance Corporation of China and the Insurance Institute of China have accepted an invitation to visit Hong Kong in the coming year. It is hoped that these exchanges will further enhance the understanding between the industry in China and that in Hong Kong.

In the past year, Baron von Huene resigned from the Governing Committee and the vacancy created was filled by Mr. J.C.D. Long-Price. At the Annual General Meeting, Mr. Stephen Glanfield retired from the Committee. I am grateful to both Baron von Huene and Mr. Glanfield for their contribution to the industry since the formation of the Federation. I would also like to express my appreciation to all members of the Committee and Sub-Committees for their support and advice and to also thank the Executive Director and staff of the Federation for their hard work throughout the year.

A handwritten signature in dark ink, appearing to read 'Simon L. Brett'.

Simon L. Brett



Governing Committee

Chairman

Elvon Harris
Manulife Financial

Deputy Chairman

Edmund Tse
American International Assurance Co Ltd

Members

Simon Brett
Carlingford Insurance Co Ltd

Joseph Ip
Jardine Life Assurance Ltd

Terry Jenkins
National Mutual Insurance Co (Bermuda) Ltd

J C D Long-Price
The Mercantile and General Reinsurance Co plc

George Miller (May - June 1991)
Pafoong Insurance Co (HK) Ltd

Bernard de Petrucci
Eagle Star Life Assurance Co Ltd

Davinder Rajpal (July 1991 - May 1992)
Insurance Co of North America

Mark Tucker
The Prudential Assurance Co Ltd

Alex Wong
Taikoo Royal Insurance Co Ltd

1991-1992

Chairman's Statement



The year under review ended with the completion of discussion with the Commissioner of Insurance on the scheme for the second stage of self-regulation of the industry. The proposal of the industry on the regulation of agents was submitted in the form of a draft Code of Practice for the Administration of Agents. It laid out the respective role of the Federation, its constituent Councils, their member companies and the agents they appoint in the system. When implemented, it will put the marketing of insurance in an environment that was unknown before. We believe the control in its proposed form will be beneficial to the healthy growth of the industry and the protection of consumers. With the implementation of the scheme, the industry will have fulfilled its commitment to put self-regulatory measures in the place of the recommendations of the Law Reform Commission for more legislation for consumer protection. It is gratifying to see that the Federation can now move ahead with the scheme it designed.

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of the industry since its formation. The fruits of these efforts
election held last September. Members of the industry can
demonstrated in their support to the election and the

even size of the tasks in hand in the past year. Organisations
looking into the suggestions drawn up by Coopers and
ative is to rationalise the structure of organisations for
anticipated that it will help to clear some of the confusion
between the community and various sectors of the industry.

the industry in China continued. At the invitation of the
being, a five-member delegation from the industry in China
relevant organizations. The interaction between the two will

The Federation also worked to foster its relations with other local trade and professional bodies. We were glad to have guests from many of them at our first annual dinner and look forward to closer cooperation with them in promoting the economic development of the territory. At the same time, we also maintained our contacts with insurance organisations overseas and benefited from an exchange of information and experience.

Governing Committee

Chairman

Edmund Tse
American International Assurance Co Ltd

Deputy Chairman

Joseph Ip
Jardine Life Assurance Ltd

Members

Victor Apps (February - April 1993)
Manulife Financial

Werner Bugl (March - April 1993)
Munichre Service Ltd

Malcolm Clarke
The Continental Insurance Co

Paul Frankland
Commercial Union Assurance Co plc

Elvon Harris (May 1992 - January 1993)
Manulife Financial

Terry Jenkins (May - September 1992)
National Mutual Insurance Co (Bermuda) Ltd

J C D Long-Price (May 1992 - February 1993)
The Mercantile & General Reinsurance Co plc

Bernard de Petrucci
Eagle Star Life Assurance Co Ltd

Trevor Raper
The New Zealand Insurance Life (Bermuda)
Ltd

Stan Vyner (October 1992 - April 1993)
HSBC Life (International) Ltd

Alex Wong
Taikoo Royal Insurance Co Ltd



1992 - 1993

Chairman's Statement

Members of the constituent Councils signed a Market Agreement to pledge their commitment to the Code of Practice for the Administration of Insurance Agents. At the same time, the Federation provided the infrastructure by setting up the central registry of agents and an Insurance Agents Registration Board to oversee the working of the registry and to handle complaints against agents.



STATEMENT BY THE CHAIRMAN The Hong Kong Federation of Insurance Agents

During the year under review, the Federation of Insurance Agents and its constituent Councils have been actively engaged in the implementation of the Code of Practice for the Administration of Insurance Agents. Since the Federation since its formation in 1987, the industry has been working towards the implementation of the Code of Practice for Insurance Agents, which was finalized and launched in 1992.

The constituent Councils have also been actively engaged in the implementation of the Code of Practice for Insurance Agents. At the same time, the Federation provided the infrastructure by setting up the central registry of agents and an Insurance Agents Registration Board to oversee the working of the registry and to handle complaints against agents.

On the ground, the industry has completed its response to the Code of Practice. A practical, cost effective and user friendly system of self-regulation has been put in place. The enthusiastic support of members to the self-regulation system and quality service to the consuming public.

The year under review, much of the effort and time have also been spent on the implementation of the Insurance Agents (Registration) Ordinance (No. 114 of 1992) and the Insurance Agents (Registration) Regulations (No. 114 of 1992). This piece of legislation may have some effect on the operation of the industry. The Federation is glad to have the opportunity to discuss the Ordinance and the Regulations with the Legislative Council on this Bill. We look forward to the implementation of the Ordinance and the Regulations in achieving its objectives.

On the subject of retirement schemes, the past year saw the passage of the Occupational Retirement Schemes Ordinance and the issue of the Consultative Paper on the Community Wide Retirement Protection System. The Federation was active in the debate on retirement protection. We favour a decentralized system that provides retirement protection to all the employed and are confident that the industry and the related financial services in Hong Kong are well-equipped and experienced to run efficiently private schemes for employees of all sizes.

On the general side, the major legislative proposals are those on solvency margin valuation and on coverage to match local liabilities. We support protection of policyholders' interests but the proposals caused concern because it might go in areas of over-restriction on investment. A prudent investor can make use of the flexibility of policyholders. The industry is therefore anxious to work out with the authorities the means that will achieve the objective of protecting the interests of policyholders and at the same time allow investors sufficient flexibility in making their investment decisions.

Throughout the year, communications with the Insurance Commissioner's office and other Government Departments were maintained and further is intended to ensure that the voice of the industry was heard and views were exchanged on issues relating to the industry and the economy as a whole.

Last year, the Educational Trust of the Polytechnic gave away for the first time scholarships to the tertiary education institutions. Scholarships were awarded to three final year students in business studies from the University of Hong Kong, Chinese University of Hong Kong, and Hong Kong Baptist University respectively in recognition of their distinguished academic achievement and extra-curriculum activities. At the same time, a prize was also presented to the best candidate among the Hong Kong Insurance Institute Diploma Examinations in 1992.



Governing Committee

Chairman

Joseph Ip
The Prudential Corp Asia Ltd

Deputy Chairman

Alex Wong, JP
Paofong Insurance Co (HK) Ltd

Members

Malcolm Clarke
The Continental Insurance Co
Paul Frankland
Commercial Union Assurance Co plc
Sebastian Lau
The Asia Insurance Co Ltd

Dennis Pedini
East Asia Aetna Insurance Co (HK) Ltd
Bernard de Petrucci (May 1993 - January 1994)
Eagle Star Life Assurance Co Ltd

Trevor Raper
Top Glory Insurance Co (Bermuda) Ltd

Edmund Tse
American International Assurance Co Ltd

Stan Vyner (May - October 1993)
HSBC Life (International) Ltd

Denis Wilkinson (November 1993 - May 1994)
The Prudential Assurance Co Ltd

1993 - 1994

Chairman's Statement

At the same time, continued efforts have also been made to enhance co-operation and coordination among industry bodies. For this purpose, the process of forming a corporation with liabilities limited by guarantee is now underway and it is hoped that it will be established in the coming few months. We will probably see in 1994 the merging of various industry bodies into one structure. We believe this will help to enhance the efficiency and effectiveness of the industry bodies. For this, we need input from members and we look forward to your continuous support.



GOVERNING COM

Chairman

Mr. Joseph Ip
The Prudential Co

Deputy Chairma

Mr. Alex P.H. Wo
Paofoong Insura

Members

Mr. Malcolm R.
The Continenta

Mr. Bernard d
Eagle Star Lif
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Mr. Paul Fran
Commercial

Mr. Sebastia
The Asia In

Mr. Dennis
East Asia

Mr. Trevo
Top Glor

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Councils for their support to the activities of the Federation. I would also like to express my appreciation to all members of the Committee and the Sub-Committees for their participation and advice. My thanks also go to the staff of the Federation for their hard work in the past year.

A handwritten signature in red ink, appearing to be 'Joseph Ip'.

Joseph Ip



Governing Committee

Chairman

Alex Wong, JP
Pafoong Insurance Co (HK) Ltd

Deputy Chairman

Dennis Pedini
East Asia Aetna Insurance Co (Bermuda) Ltd

Members

Victor Apps
Manulife Financial

Malcolm Clarke
Lombard General Insurance Ltd

Robert Duggins (July 1994 - May 1995)
HSBC Life (International) Ltd

Peter Dunn
Eagle Star Insurance Co Ltd

Sebastian Lau
The Asia Insurance Co Ltd

Trevor Raper
Top Glory Insurance Co (Bermuda) Ltd

Geoffrey Riddell
American International Underwriters Ltd

Terence Smith (June 1994 - May 1995)
National Mutual Insurance Co (Bermuda) Ltd

Denis Wilkinson (May - June 1994)
The Prudential Assurance Co Ltd

1994 - 1995

Chairman's Statement

STATEMENT OF THE CHAIRMAN OF
THE HONG KONG FEDERATION OF INSURERS
26 MAY 1994 - 12 MAY 1995

The introduction of the Finance, Insurance, Real Estate and Business Services functional constituency will enable the insurance industry to seek further direct representation on the Legislative Council. As a responsible corporate citizen, the Federation supported the Government's initiative by sending two rounds of circular letters to member and non-member companies inviting them to register their employees and agents. The Federation has undertaken to assist election candidates to reach voters in the insurance industry in Hong Kong.



The People's Republic

The People's Republic
a huge market for the
business. As at 30
insurers had more than

in the PRC. The Federation has paid two visits to
maintaind China, one in December 1994 to Shenzhen
and Guangzhou and the other in April 1995 to
Beijing, Shanghai, Nanjing and Yangzhou.

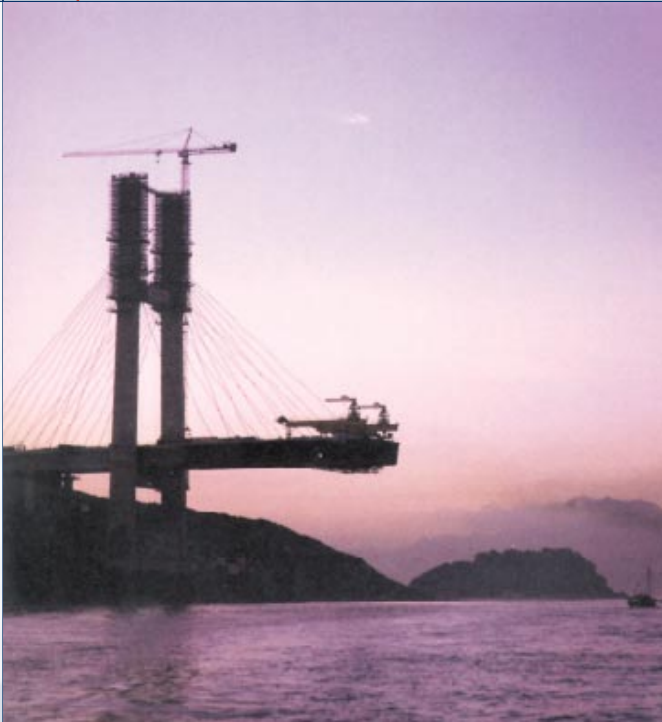
Whilst it is foreseeable that future contacts
with the PRC will be on a smaller scale and on an
individual company basis, the Federation's
communication with the authorities there on an
industry wide basis will continue to play an
important role.

New Functional Constituency in the Legislative Council

The introduction of the Finance, Insurance,
Real Estate and Business Services functional
constituency will enable the insurance industry to
seek further direct representation on the
Legislative Council. As a responsible corporate
citizen, the Federation supported the Government's
initiative by sending two rounds of circular letters
to member and non-member companies inviting
them to register their employees and agents. The
Federation has undertaken to assist election
candidates to reach voters in the insurance industry
in Hong Kong.

Whilst gross premium for 1994 is not available,
the 1994 Annual Report of the Office of the
Commissioner of Insurance and the Registrar of
Occupational Retirement Schemes Hong Kong
indicated that gross insurance premium for Hong
Kong general and life insurance business for 1993
amounted to HK\$2.9 billion which was an increase
of HK\$5.4 billion, or 20% compared with 1992.

In his speech delivered at the Fourth Annual
Dinner of the Hong Kong Federation of Insurers,
the Honourable Sir Hamish Macleod, KBE, JP, the
Financial Secretary, indicated that gross premium
of the general and life insurance business in 1993
represented approximately 3.7% of Hong Kong's
gross domestic product.



Governing Committee

Chairman

Dennis Pedini
East Asia Aetna Insurance Co (Bermuda) Ltd

Deputy Chairman

Steven Lau
Union Insurance Society of Hong Kong Ltd

Members

Victor Apps
Manulife (International) Ltd
Frank Chan (December 1995 - May 1996)
American International Assurance Co (Bermuda) Ltd
Malcolm Clarke (September 1995 - May 1996)
HSBC Lombard Insurance Ltd
Robert Duggins (May 1995 - January 1996)
HSBC Life (International) Ltd
Peter Dunn
Eagle Star Insurance Co Ltd
Davinder Rajpal
National Mutual Insurance Co (Bermuda) Ltd
Trevor Raper (May - November 1995)
Top Glory Insurance Co (Bermuda) Limited
Geoffrey Riddell (May - September 1995)
American International Underwriters Ltd
Terence Smith
National Mutual Insurance Co (Bermuda) Ltd
Alex Wong, JP (May - October 1995)
Pafoong Insurance Co (HK) Ltd

1995 - 1996

Chairman's Statement

The Professional Standards Committee of the Federation has a very busy year, producing guidelines to assist member companies comply with the new requirements of insurance agents with the enactment, on 30 June 1995, of the Insurance Companies (Amendment) (No. 3) Ordinance. Considerable work has been done to revise the "Code of Practice for the Administration of Insurance Agents" (Code of Practice). Three sets of guidelines were also issued namely, the "Definition of Insurance Agents", "The Transitional Arrangements regarding Representation of Principals", "Minimum Qualifications and Experience for Corporation and Individuals Acting as Insurance Agents" and the "Guidelines on Training Courses for Insurance Agents". The revision aimed to tighten up and make improvements to the current self-regulatory framework. Following the publication of the Code of Practice and respective guidelines, an electronic enquiry system was installed in December 1995 through which the public is able to check the representation of registered agents.



The Training and Education Sub-Committee of the General Insurance Council has been working on the revision of the book for the Certificate of Proficiency Examination in General Insurance Studies, which targeted for completion in August 1996. In 1995, candidates passed the examination and are now expected to be agents representing more than one insurer.

The Professional Standards Sub-Committee of the Insurance Council organised a highly successful symposium in May 1995 to correct problems with the documentation of certain children's life insurance policies that have been issued in Hong Kong. The business on children was recommended to be written with a trust provision to name the child as absolute beneficiary. Prompt advice and recommendations were offered to life insurance members on how to correct the documentation of children's policies.

Lately, the Sub-Committee has been dedicating its efforts to produce a cooling-off mechanism, the benefits illustration and revise the Customer Protection Declaration Form. In response to the request to implement a cooling-off period to give



Governing Committee

Chairman

Steven Lau
Union Insurance Society of Hong Kong Ltd

Deputy Chairman

Frank Chan
American International Assurance Co (Bermuda) Ltd

Members

Malcolm Clarke
HSBC Lombard Insurance Ltd

Peter Dunn
Eagle Star Insurance Co Ltd

Eddie Fong (May 1996 - March 1997)
The Prudential Assurance Co Ltd

Robert Ka
AXA Insurance Hong Kong Ltd

Alwin Lam (May - December 1996)
American International Assurance Co (Bermuda) Ltd

Peter Luk (December 1996)
Top Glory Insurance Co (Bermuda) Ltd

Dennis Pedini
East Asia Aetna Insurance Co (Bermuda) Ltd

Davinder Rajpal
National Mutual Insurance Co (Bermuda) Ltd

Terence Smith (January - May 1997)
National Mutual Insurance Co (Bermuda) Ltd

Terence Wu
CEF Life

1996 - 1997

Chairman's Statement

STATEMENT OF THE CHAIRMAN 15 May 1996 - 10 May 1997



On 24 March 1997, the Hong Kong Insurance Industry Coalition established by the Hong Kong Federation of Insurers, submitted its proposal on the method for forming the Legislative Council in 1998 to the Secretariat of the Preparatory Committee. In the proposal, the Coalition states the importance of the insurance industry as an integral part of the financial sector in Hong Kong and in providing protection for people from all walks of life. The proposal also highlights the fact that the insurance industry fulfils the four criteria laid down by the Preparatory Committee's Panel of Making the Method of Forming the First Legislative Council of the Special Administrative Region. Following the submission of the proposal, the Coalition was received by the Panel on 8 April 1997. At the meeting, the Coalition presented the insurance industry's platform on the establishment of an independent insurance functional constituency.

INSURANCE FUNCTIONAL CONSTITUENCY SEAT

The Hong Kong Insurance Industry Coalition (Coalition) has devoted its efforts to securing the establishment of an independent insurance functional constituency seat in 1998 at the Legislative Council of the Special Administrative Region of the Hong Kong Special Administrative Region of the People's Republic of China. Inspired by the Provisional and conceived by the Coalition was established on 28 February 1996 with the objectives of enhancing the industry's involvement in government affairs, promoting the expansion of insurance business in Hong Kong, developing Hong Kong into a regional insurance and reinsurance centre and strengthening Hong Kong's position as a leading financial centre. Corporate members include the Chinese Insurance Association of Hong Kong, the General Agents and Merchants Association, the General Insurance Council of the Federation, the Hong Kong Confederation of Insurance Brokers, the Hong Kong Life Adjunct Association, the Life Insurance Council of the Federation, the Life Underwriters Association of

the total assets portfolio in 1994 were valued at HK\$19.4 billion in 1991 to HK\$25.7 billion in 1994, representing growth of 25%.

Forecast of Growth
For the year 1996, it is estimated that the growth rate of the general business will be negative because



Governing Committee

Chairman

Frank Chan
American International Assurance Co (Bermuda) Ltd

Deputy Chairman

Robert Ka
AXA Insurance Hong Kong Ltd

Members

Roddy Anderson
Dah Sing Life Assurance Co Ltd
Malcolm Clarke (May - July 1997)
HSBC Lombard Insurance Ltd

Robert Hubbard
HSBC Life (International) Ltd

Andrew Kirkland (September 1997 - May 1998)
Royal & Sun Alliance Insurance (HK) Ltd

Ed Lau
Manulife (International) Ltd

Steven Lau
Union Insurance Society of Hong Kong Ltd

Ross Matthews
American Home Assurance Co Ltd

Davinder Rajpal
National Mutual Insurance Co (Bermuda) Ltd

Terence Smith
National Mutual Insurance Co (Bermuda) Ltd

1997 - 1998

Chairman's Statement



Encouraged by the Chief Executive and coupled with our tremendous success in controlling the activities of insurance agents, the HKFI, which is the self-regulatory insurer body in Hong Kong, felt that the time has come for it to expand its self-regulatory role to cover insurers. This worthy objective receive general support from members and the Insurance Authority as well as the public because it will enhance the image and professionalism of the insurance industry as well as consumer protection. In pursuit of this cause, the HKFI embarked on several important initiatives during the period under review aimed at raising members' awareness of the importance of good market practices.



The PRESENT and The FUTURE

Following almost a decade of operation in December 1997, the HKFI established its Mission Statement setting out its aims and endeavours: "The HKFI exists to promote insurance to the people of Hong Kong and build consumer confidence in the industry by encouraging the highest standards of ethics and professionalism amongst its members." Promoting insurance and building consumer confidence will remain the essence of the HKFI currently and in future decades to come for as long as the HKFI exists.

Business Development

As at 30 June 1998, the HKFI had 118 General Insurance Members and 45 Life Insurance Members, a figure which remained more or less the same as ten years ago. In recent years, mergers of insurance giants have been an international trend for reasons of economies of scale and competitive advantage. It is therefore expected that the total membership may decrease in future.

Nevertheless, on the business side, the insurance industry in Hong Kong as a whole can be depicted in rosy terms, and has become an increasingly important financial services industry in recent years. The total gross premium income in 1996 amounted to HK\$46.4 billion, which was 3.9% of the Hong Kong Gross Domestic Product (GDP). The growth rate of the insurance industry had been consistently higher than that of the GDP between 1991 and 1995.

In the short term, the growth of the general insurance industry is prone to follow the economic climate and should experience a decline in view of the poor economic conditions in the region as a result of the currency turmoil in October 1997. However, the life assurance business is expected to continue to prosper and enjoy double-digit growth.

Whilst the currency turmoil has hit Hong Kong's economy badly and accelerated the unemployment rate to all time high in the second quarter of 1998, the total number of registered insurance agents, on the contrary, grew by 17.4% to 39,117 from October 1997 to 30 June 1998. The ability of the insurance industry to immediately absorb several thousand more people in its agency force was highlighted in the reply, in May 1998, of the Chairman, Mr. Robert Ka, to the invitation from the Financial Secretary, the Honourable Mr. Donald Tsang, JP, for suggestions to tackle the rising unemployment problem. Mr. Ka advised that, as a short term measure, in order to ameliorate unemployment the Government should utilise its communications channels to encourage the unemployed to consider joining the insurance industry as insurance agents. The continued growth of the agency force will generate enormous business opportunities for the insurance industry and contribute positively to its further growth.

The imminent implementation of the Mandatory Provident Fund Scheme (MPFS) towards the end of 1999 or early 2000 is anticipated to create HK\$12 billion worth of new capital during its first year of operation, and this will grow exponentially. The life assurance industry, which currently accounts for the management of more than half of the total number and more than 30% of the total asset size of registered retirement schemes in Hong Kong, is expected to become a major service provider of the MPFS. In doing so, the insurance industry will contribute increasingly to the economic growth and prosperity of Hong Kong in the long term.

We are given to understand that the Government is considering the introduction of compulsory medical insurance following the smooth implementation of the MPFS. The industry naturally welcomes this idea which will provide more business opportunities in the insurance industry as well as many other fields. When this time does come, the HKFI will offer industry expertise and advice to the Government to assist it to devise a cost-effective compulsory medical insurance scheme.

The Government's continued efforts to promote captive insurance and reinsurance business will also help the Hong Kong insurance business to grow in the long term. The HKFI welcomes the Government's adoption of its tax reduction recommendation to provide tax relief on profits arising from offshore reinsurance business. It will explore the possibility of further tax incentives with the Government in order to make the Hong Kong market more competitive with neighbouring regions and more attractive to users.



Self-regulation

The HKFI enjoys an excellent working relationship with the Insurance Authority. The insurance industry's regulatory framework, which is based on the complementary functioning of direct regulation by the Insurance Authority and self-regulation by the HKFI, is the result of many years of evolution.

As a means to build consumer confidence, the HKFI will continue to improve upon current customer protection schemes and introduce new initiatives.

The next deliverable already on the agenda is the adoption of a Code of Conduct for Insurers, which expands upon the Statement of General Insurance Practice and Statement of Long-Term Insurance Practice introduced in January 1991. The same laborious experience that the HKFI went through during the compilation of the Code of Practice for the Administration of Insurance Agents (Code of Practice for Insurance Agents) is now being repeated. We heard one or two opposing voices, we took pains to strike a balance between business interests and consumer interests, and had to decide who would have the power to take disciplinary actions, etc..

Nevertheless, the Code of Practice for Insurance Agents sets a good example - despite all of the objections, we have to start somewhere. The first edition of the Code of Conduct for Insurers will be put to good use by the consuming public. By a process of trial and error, the HKFI will improve upon this new code just as it has done with the Code of Practice for Insurance Agents. In a five years period, three different editions of the Code of Practice for Insurance Agents have been published, each of which has succeeded in addressing certain drawbacks of the previous version. Moreover, we are expecting more improvements in the years to come in order to perfect the Code of Practice for Insurance Agents, having taken into account the constantly changing business environment.

The HKFI looks forward to the adoption of the Code of Conduct for Insurers in the near future because we are confident that this Code will greatly enhance the image and professionalism of the insurance industry. As a result, both the public and our industry will benefit. The adoption of this Code will also place the Hong Kong insurance market in the same league as developed markets overseas in terms of practising the highest standards of ethics and professionalism.

We know that the compilation of the Code of Conduct for Insurers is a painful exercise. However, being a responsible corporate citizen who has consumers' best interests at heart, we shall take pride in eventually seeing it through. When we look back on the occasion of the 20th Anniversary of the HKFI, we shall see that it has all been worth while.





Acknowledgement

Sources of photos: P.12(left), 24, 26, 28, 30, 34, 38, 40, 42
The Government of the Hong Kong Special
Administrative Region

P.12(right), 13(right)
South China Morning Post

P.36 (right)
Provisional Urban Council



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