



Newsletter Newsletter

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The Institute

The Insurance Institute of Hong Kong was founded in 1967 and is an independent professional body. It has more than 300 individuals and a growing number of corporate members.

The Institute's principle aim is to promote and advance the professionalism of the insurance industry and a well-recognised local qualification for the industry.

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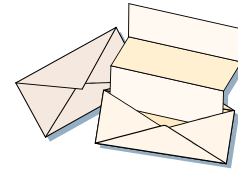
Contents

- President's Letter
- Welcome
- China Regulation – Fool's Gold or El Dorado?
- ISJ 2006 General Course
- Member's View – CII Face-to-Face Training 2006
- IIHK Legal Series CPD Seminar
- IIHK-CII Face-to-Face Technical Training
- IIHK Diploma - The 2006 Series II Examination
- Exemption to IVE (CW) Course
- Membership Application Form
- Job Opportunity (Advertisement)



PRESIDENT'S LETTER

(The following speech was made in the 2006 Annual Dinner)



Good evening ladies and gentlemen,

May I welcome our Guest of Honour Mr. Xia Lin, Chairman of China Pacific Property Insurance Company Limited, The Assistant Commissioner of Insurance, Mr. H Y Mok, honoured guests, ladies and gentlemen. Thank you all very much indeed for attending our major event of the year in spite of your very busy working and social schedules. Let me first of all report to you the developments of the Institute of last year.

IIHK Diploma

This is the most well organized and recognized professional examination in the local insurance industry. There were 166 enrollments into two sets of examinations in last year. We shall congratulate two outstanding students who will receive the IIHK scholarship. We are also very pleased to have the prize sponsors joining us tonight, who will present the awards later.

Training Seminars

IIHK offered the "Legal Series" CPD since late 2002 and the Legal Series had been recognized as one of the most popular and quality seminars in the industry. Last year there were six seminars with over 620 participants. Our Secretariat told me that the seminars are usually filled within two weeks from the date of launch and you are advised to enroll earlier. We are extremely grateful to the volunteer lawyers who contribute and make the seminars so successful. Some of the speakers are here with us tonight. Thank you for your generous support.

In addition to the Legal Series CPD seminars, we have also worked with the HK Confederation of Insurance Brokers to provide CPD trainings for their members on self-accredited basis. Over 400 CIB members had attended the joint program last year and our plan is to extend our experience in running quality trainings to the members of other self-accredited organizations.

In addition to the local CPD seminars, we continued to import the top quality CII Face-to-Face training to the local industry. Two training programs had been held last year and over 100 participants had enrolled to these programs. The first 2006 CII Face-to-Face workshop has been conducted in this March and excellent comments have been received from the participants. We will continue to work closely with those overseas institutes to introduce more world class expertise to the industry.

IIHK Project Award

The Institute launched the IIHK Project Award in 2004, aiming to encourage and promote professional researches and studies in insurance and management. We received very strong support from the industry. Several companies offered to sponsor this program and I would like to take this chance to thank the sponsors to the IIHK Project Award Fund.

Innovative submissions from students of different universities had been received in the last program and the judging panel had finally chosen two projects as the winning papers. The 2006 Project Award will be launched very



shortly and the result will be announced later this year.

Networking with other Institutes

From time to time ICHK had maintained regular contacts with the major insurance institutes in the world in order to update our members on the latest developments in professionalism.

The 2005 Annual Conference of the Institute for Global Insurance Education (IGIE) was held in Hong Kong last year and we have attended the event to share our experience with the delegates. We met the Chief Executives of many overseas insurance institutes such as the Chartered Insurance Institute, the Australian and New Zealand Institute of Insurance and Finance, Chartered Life Underwriters and Life Management Institute in this event.

We have signed a MOU with the Chartered Insurance Institute in 2004 to bring along the professional CII training programs such as the Face-to-Face trainings into the local market. Discussions had also been held with the Australian and New Zealand Institute of Insurance and Finance to held joint program to provide quality trainings to the members of both Institutes.

Another well established international alliance is the Insurance School of Japan who invited us to nominate candidates from Hong Kong to participate their courses every year. This year, two candidates had been selected to participate their Advanced Course which was held two weeks ago. This is definitely a valuable experience for the candidates as they can meet insurance professionals from different countries around Asia and share their experience.

ICHK had also expanded the network with institutions in Mainland China. Our Past President had been invited to attend two major conferences last year in Beijing and

Guangzhou organized by the China Insurance Institute. Regular contacts had also been established with the major universities in the Guangdong Province who offered insurance and risk management programs. We are now planning to invite lecturers from these universities to deliver quality trainings to our members in the near future.

We also treasure very much the relationships with our friendly insurance organizations in the local market. We have the honour to have the presence of many presidents and chairmen of different insurance organizations to be with us here tonight. We look forward to work closely with all of you for the mutual benefits of our members in the future.

Social and Publications

The annual dinner, held at the Bankers' Club in May 2005, was a successful event with more than 180 attendees. Our guest speaker, Mr. Max Taylor, Deputy Chairman of Aon UK shared his valuable experience in the insurance profession. In this event, seven prizes were awarded to high achiever students in the professional insurance examinations.

There were three newsletters published in 2005. We welcome the subscription of articles on insurance studies, legal developments and other industry topics.

Finance

The Institute finds itself in good shape financially with sufficient income being generated to cover the expenses of the Secretariat office and other activities.

Secretariat

Currently we have one full time executive supported by two part-time staff in the Secretariat office. They have done good jobs to support all the Council members in running



different programs and events for the Institute efficiently.

The Council

All the 2005 Council members accepted the nominations to re-elect as Council members for 2006 with the exceptions of Mr. Garrick Ho and Mr. Alan Tang. Both of them retired from the Council for personal reasons. I would like to take this chance to thank the two gentlemen for their valuable contributions to the Institute in the past years. This year, we have Mr. Michael Wellsted joining the Council as new member.

In addition, we must thank our Honourable Legal Advisor, Ms. Christine Koo and our

Honourable Advisor, Mr. Richard Yuen, for their valuable input. We are also grateful for the continued support of our Honourable Auditors, Price Waterhouse Coopers.

It is really time to close my long speech. Ladies and gentlemen, thank you for your patience. Keep supporting the Institute and enjoy your evening. Thank you.

Andrew Chow
President
2006◆◆◆



WELCOME

We are delighted to welcome Mr Alex Chu to join the 2006 Council.

Alex was co-opted onto the Council in June this year. With his many years of experience we are sure Alex will bring along new insight while helping the Council to make new development in different aspects.

Alex is currently working for HSBC Insurance (Asia-Pacific) Holdings Ltd. He is holding the titles of FCII, FLMI and Chartered Insurer.



China Regulation – Fool's Gold or El Dorado?

Gareth Thomas – Herbert Smith

They say you've got to be in it to win it but new regulations recently introduced by CIRC have prompted fears among those foreign reinsurers not already locally licensed in China that they may miss out on a substantial amount of business.

Gareth Thomas explains

Amid much fanfare on 11 December 2001, and following 15 years of negotiation the People's Republic of China joined the WTO. At the time there was a widespread belief that WTO membership would drive broad regulatory change and liberalise the Chinese market. While progress has undoubtedly been made in many sectors, this is not necessarily the case for reinsurance.

In December 2005 the China Insurance Regulatory Commission (CIRC) issued the 'Regulations on the Administration of Reinsurance Business' (the 2005 Regulations). The new regulations apply to both facultative and treaty insurance and Chinese and foreign-invested companies. At first glance they represent a major step in creating opportunities for foreign operators and increasing market competition. However, upon closer examination it appears they may have the opposite effect.

Before the Accession

Prior to entering the WTO, China was slowly opening the insurance industry up to foreign investment. The 1995 China Insurance Law created the regulatory framework for both domestic and foreign insurance companies and from 1998 onwards the industry was regulated by CIRC, directly under the State Council. Foreign insurers were also permitted to establish joint ventures, joint stock limited

companies and branches in China to provide life and non-life insurance services. Approval was granted to foreign insurers who sought to acquire minority stakes in Chinese insurance companies. Potential acquirers faced two caveats: an acquirer was limited to 25% of the aggregate capital amount and no single foreign insurer could hold more than 5% of the total share capital.

Development of the local market remained under significant constraints due to the prohibition on foreign insurers offering approved policies to any parties other than foreign investment enterprises, companies or individuals. Furthermore, these policies could not be offered on a nationwide basis. Meanwhile, the reinsurance sector was effectively monopolised by China Re. In 2001 insurers were still required to cede 20% of all their written risks to China Re before offering this risk elsewhere.

On the eve of WTO accession, the Chinese insurance and reinsurance sectors were therefore still classified as restricted for foreign investment. China was highly selective about the foreign insurers allowed to enter the market and all foreign investment in insurance was subject to the approval of CIRC. Today, this situation remains largely unchanged.

Regulatory Reform and Market Growth

Since China entered the WTO, the insurance industry has undergone significant change, including an increased focus on complying with international best practice. While the market has also certainly grown, this is not due to an increase in foreign entrants. Similarly there remains a huge amount of uninsured risk. For example, some commentators estimate up to 70% of the property development projects currently



underway in Beijing do not carry any form of contractor's cover. The figures on the numbers of foreign insurers in life and non-life insurance also demonstrate how little has actually changed. While the overall number have increased from 19 in 2001 to 41 in 2005, the top three local insurers still write 80% of all cover and the top 10 have a combined market share of 95%. Even more telling is the fact that not one foreign insurer is represented in this group.

Change has also characterised the reinsurance market. In compliance with WTO obligations, the requirement of compulsory cession of risk to China Re was phased out on an annual basis from 2001 onwards. By 2005 insurers were only required to cede 5% of their local insurance premium and risk to China Re. The 'Regulations on the Establishment of Reinsurance Companies' became effective in September 2002 and formalised China's WTO commitment to open the reinsurance industry to foreign investment. They were the first set of regulations specifically governing Chinese and foreign-invested companies operating in the mainland reinsurance sector.

The situation in China and the prospects for foreign insurers who are already active in that market is not all doom and gloom. There is no doubting the efforts being made by CIRC to drive market reform. The 1995 Insurance Law was amended in 2002 to promote the development and reform of the industry and to harmonise regulatory requirements with China's WTO commitments. These amendments marked a shift towards market and policy-based industry regulation. However, CIRC is yet to make significant progress on the bureaucratic tangle faced by foreign applicants seeking to enter the China market. Foreign parties must still apply for a representative licence and only after two years are they entitled to apply for a full licence. Even then there is no time limit imposed on the regulator to approve or disallow the application.

Regulation in 2006

More recently, CIRC issued the 2005 Regulations. They apply equally to both Chinese and foreign-invested insurance companies. Of primary significance, the new regulations removed the compulsory reinsurance cession (5% of every risk written) to China Re. From 1 December 2005, at least 50% of all reinsurance contracts for reinsurance policies in China must first be offered to at least two locally licensed professional reinsurers. At the time of writing (April 2006), there was six locally licensed reinsurers in China: China Re; PICC Property and Casualty Re; China Life Re; Munich Re; Swiss Re and General Cologne Re. The concern is that this new requirement makes the reinsurance market even less attractive for those companies who do not already have established operations in China. In November 2005, Lloyd's was given approval to establish an onshore reinsurance operation in China, to be known as Lloyd's China Reinsurance Company. Additionally, foreign insurers operating in China will not be permitted to reinsure any share to affiliated companies without the approval of CIRC. To date CIRC has not issued guidelines on how these new procedures will operate. Other key feature of the new regulations include the following requirements: that a direct insurance company must not reinsure more than 80% of the value of its insurance policies or limitation of liability with a single reinsurance company; no single temporary reinsurance contract that is given to an affiliate of the insurer may exceed 20% of the value of the direct insurer's insurance business or limitation of liability; a ceding company must report all information concerning the direct investment and liability that the reinsurance provider has assumed to the reinsurance provider; and the solvency of reinsurance subsidiaries in China is to be determined by reference to the solvency of their parent companies.



They also articulate the following new rules in relation to insurance brokers: that insurance brokers may introduce and design new insurance contracts; they must handle account statements and invoices according to their agreements with ceding companies and must not misappropriate or withhold reinsurance premiums, claims recovered, reinsurance commissions or expenses recovered; at the request of ceding companies or reinsurance companies, brokers may assist in the claims handling process; and at the request of reinsurance companies, reinsurance brokers shall, according to their agreements with ceding companies, notify reinsurance companies of the retentions of their ceding companies and other circumstances relating to direct insurance. This last point has raised concerns among the intermediary community as it produces a conflict of interest for brokers if the requested information is not material to the underwriting decision.

Outside of China, Outside the Business

The concern is that the new regulations will restrict the reinsurance provided for Chinese risks by foreign insurers not licensed in China. This means a higher percentage of

reinsurance risk and premium remains in China, whether in the hands of Chinese entities or foreign reinsurers with operations in China. The potential limitations imposed by the new regulations on exportable reinsurance may result in substantial loss of business for foreign insurers who do not hold the appropriate licenses. Previously insurers could offer up to 95% of permitted reinsurance to reinsurers outside China. The requirement now is that at least 50% could pass to locally licensed reinsurers. Admittedly, the obligation is merely to offer up 50% of the written risk and at present it is difficult to speculate what percentage on the risk locally licensed reinsurers will take up. As the mainland insurance industry continues to expand however, the messages for the reinsurance market are mixed. While China appears to have met its WTO obligations in theory, in practice the regulatory structure may ensure the opportunities for overseas operators remain limited. ◆◆◆

This article was first published in the Review April 2006 issue. IIHK wishes to thank Mr Gareth Thomas for permission to feature this article.

The ISJ General Course

The 35th General Course Session

IIHK has been long co-operating with ISJ (The Insurance School (Non-Life) of Japan) to bring in overseas training. Every year the ISJ offers both the General and Advanced Course on different insurance subjects. The course provides an excellent opportunity for exchanging ideas and broadening insurance knowledge with overseas parties. Members should have received the latest circular however, you may also check our web site or call the secretariat office for details.

Course date	October 30 – November 10, 2006
Topic	Non-Life Insurance Business in Japan
Details	Please visit web site : www.iihk.org.hk



CII Face-to-Face Training 2006

- a member's view

IIHK has been jointly running the Face-To-Face training with CII since the autumn of 2004. This programme runs in a workshop style which provides intensive training for insurance professionals. Aiming at providing high quality training, IIHK always welcome comments and suggestions from participants. Below is a feed back from Mr Chris Kershaw, who attended the Business Interruption workshop in 2006.

“At the end of February this year (2006) I attended The CII Face to Face training, which the IIHK had organised. This year's course was on Business Interruption Insurance, and was offered at both an intermediate and advanced level. The first comment I have is that it surprises me that more people don't take advantage of the chance to learn from a really experienced practitioner, who can get across the specialist aspects of their subject.

The advantages which the Face to Face format brings are many. There is the access to the experience of the tutor - I have attended two F to F courses, and in both cases the quality of the tutor was high. We were a small group this year, which I think was great for those who attended, but I think many people would have benefited from the course.

The tutors are effective communicators who both looked to interact with their groups, and while this interaction may have been a little slow to start (maybe a wet Monday morning had something to do with it) by the time we arrived at Tuesday afternoon the group had really started to ask searching questions and challenge the tutor (and each other) with situations which would probably only arise in HK, but based around the course subject. The inclusion of practical exercises which had to be worked on in small groups was also useful, in that the information we were supposed to have absorbed was tested,

and we got to know our fellow attendees far better, and had a chance to learn from their different experience. In the case of this B.I. training course it did underscore that we tend to think we know about something, but that there is so much more to learn and understand.

Another advantage is that the subjects offered provide a chance to broaden our knowledge of a topic, of which we may already have a peripheral understanding, and to do so in a far more effective way than if we try and do it by self study. In two days I learned much about why B.I. is a separate discipline to property insurance, and though it is highly unlikely that I will need to use this knowledge on a daily basis, the fact that I know more on this subject will definitely assist me in advising clients and debating issues with underwriters. (You might have guessed by now that I am a broker!)

I am a strong supporter of the F to F training courses, and recommend to members that they take advantage of them. Its not just about the CPD requirement – they are an enjoyable chance to deepen knowledge of the business, and in a very time effective way. I look forward to learning what next year's topic(s) will be.” ◆◆◆



IIHK Legal-Series Seminar

2 CPD hours

Topic	China Insurance
Date	Thursday, 17 th August, 2006

Language	Cantonese
Venue	City University of Hong Kong, School of Continuing Professional Education, 8/F United Centre, 95 Queensway, Hong Kong.
Registration Date	For IIHK members : immediately For Non-members: on or after 24 th July, 2006
Fee	HK\$180 per person for IIHK members HK\$220 per person for Non-member (New member qualifies for the reduced seminar cost of HK\$180.)
Registration procedure	Download the reply slip from our web site and return together with your payment to our Secretariat at Room 1705 Beverly House, 93- 107 Lockhart Road, Wanchai, Hong Kong.

Reservation on first come first served basis and will only be confirmed upon receipt of payment. Fax registration is not accepted. A notice will be sent to you upon successful registration.

- The seminar is presented by an experienced insurance practitioner with practical experience in China Insurance market. Two credits points will be awarded for the two hours seminar being attended.
- A Certificate of Attendance will be issued upon completion of the seminar which should be retained as evidence of the two (2) CPD hours earned.
- All reservations must be paid in advance and there will be no refund for any fee paid.
- Please arrive early at the seminar (Registration commences from 3:45 p.m.). **One CPD hour will be deducted for late arrival of 15 minutes, no CPD hour will be awarded for late arrival of 30 minutes**, participants must attend the entire two hours seminar to earn the 2 CPD hours.

For further information, please call :
Tel : 2520-0098 Fax : 2295-3939 Email : enquiry@iihk.org.hk



Face-to-Face Technical Insurance Training

THE CHARTERED
INSURANCE INSTITUTE



International Liability Insurance

Tutor: Professor Christopher Parsons
BA LLB PhD Cert Ed FCII, Chartered Insurance Practitioner

17th – 18th October, 2006

Course aims

The aim of the course is to provide a thorough understanding of the ways in which business organisations can incur legal liability, how compensation is assessed and the role of liability insurance in accident compensation systems. The course also examines the main classes of liability insurance and the techniques of risk assessment and underwriting that apply to them. International aspects of liability insurance are considered, including the effects of international legislation and the alternative compensation systems of different jurisdictions. Current problems in the field of liability insurance are also examined, including the problems posed by gradually developing diseases and environmental liabilities.

Interest parties please visit our web site www.iihk.org.hk for enrollment details.◆◆◆



Moved? Changed job?

Don't forget to update your contact details with the secretariat office. You may send us a fax at 2520 0098 or email to enquiry@iihk.org.hk.

**IIHK Diploma in Insurance Studies
The 2006 Series II Examination Subjects & Time Table**

Subjects	Date of Exam.	Time
i) Introduction to Insurance (100)	Oct 26, 2006	6:30 pm – 9:30 pm
ii) Legal Principles (120)	Oct 27, 2006	6:30 pm – 9:30 pm
iii) Principles & Practice of Insurance (110)	Nov 2, 2006	6:30 pm – 9:30 pm
iv) Insurance of the Person (130)	Nov 3, 2006	6:30 pm – 9:30 pm

Enrollment form can be downloaded from web site www.iihk.org.hk.

Closing date is 13th October, 2006.

**Exemption granted to holders of the IIHK's Diploma in Insurance Studies
by the Hong Kong Institute of Vocational Education (Chai Wan) [IVE(CW)]
in their Professional Certificate in Personal Financial Planning and Securities
Advising**

The IVE(CW) has given our IIHK Diploma holders one module exemption (PFP 1603 – Insurance) from their newly developed course - Professional Certificate in Professional Financial Planning & Securities Advising (Course code 25002M). One of the aims of the course is to help insurance professionals to expand their career competency to the field of financial planning and securities advising.

The course is currently open for admission and classes will start in September. There are five modules in the Professional Certificate and they are offered on sequential basis. Students can either take the whole course to obtain the Professional Certificate in a year or take individual modules which are designed in such a way that students taking relevant modules will be able to sit the Securities and Future Commission's Papers 1, 7, and 8 examinations and the Financial Advisers' International Qualification (FAIQ) jointly offered by the Chartered Insurance Institute and the Institute of Financial Planners of Hong Kong.

For details of the course, interested diploma holders could visit the following Web Site or contact Ms Katherine Wong of IVE(CW) on 2595 8204:

<http://www.vtc.edu.hk/tc/cwtc/ba/enweb/25002m.htm>



MEMBERSHIP APPLICATION

IIHK Membership No. (for office use only)

(Please complete in BLOCK letters)

Surname	_____	Given Name	_____
Chinese Name	_____	ID/Passport No.	_____
Sex	Male <input type="checkbox"/>	Female	<input type="checkbox"/>
Name of Employer (if any)	_____		
Position Held	_____		
Office Address	_____		
Home Address (Optional)	_____		
Tel. No.	Home _____	Office	_____
Fax No.	_____	E-mail Address	_____

Insurance Qualification : (Please tick whichever is applicable)

FCII ANZIIF Others : _____
 ACII Mem. ANZIIF (Please specify in details)
 Dip. IIHK

I hereby apply to join as:- (Please tick as appropriate)

Ordinary membership Non-Voting Membership Student membership
 [For full time student]

of the Insurance Institute of Hong Kong Ltd and, if I am elected, I agree to abide by the Constitution.

I enclose my cheque HK\$120.00 payable to "The Insurance Institute of Hong Kong Ltd." being my subscription for current year.

Date : _____

Signature : _____



Job Opportunity

永亨銀行
WING HANG BANK

Senior Marketing Executive - Life Insurance & Pension (Ref: KSH/LIP-ME/II)

Responsibilities:

- Promote life insurance products & MPF services and provide marketing support to branches and departments
- Assist in developing and implementing promotion programs of life insurance and MPF products

Requirements:

- F.7 or above
- Minimum 2 years' relevant experience
- Pass in Papers I, III, IV & V of Insurance Intermediaries Examinations
- Strong market sense and selling skills
- Good interpersonal skills, outgoing and independent

(Candidates with less experience will be considered for the post of Marketing Executive)

WING HANG INSURANCE AGENCY LTD.

Marketing Officer - General Insurance (Ref: KSH/INS-MO/II)

- F.5 or above, preferably with achievement or progressing in ACII, ANZIIF, Dip. ICHK
- Minimum 2 years' experience in Sales & Marketing
- Licensed insurance intermediaries
- Independent, aggressive and able to work under pressure
- Good customer services skills
- Good command of spoken Putonghua is an advantage
- Travel to PRC is required

(Candidates with less experience will be considered for the post of Marketing Assistant)

Attractive remuneration package will be offered to the right candidates. Please apply with full resume stating present & expected salary and contact phone number to **The Human Resources Manager, 10/F, 161 Queen's Road Central, Hong Kong** or by fax to 2851 3798 or via email to whbhrd@whbhk.com. Please quote the reference.

Personal data collected will be used for recruitment purpose only. For more information, please visit our website: <http://www.whbhk.com>.

(Advertisement)