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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 400 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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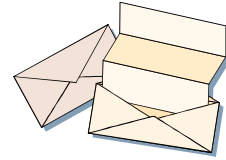
Contents

- President's Message
- Insurance Law Update – Non Marine
- The changing face of insurance education in Hong Kong
- CII & IIHK partner to raise industry standards
- The 2008 IIHK annual dinner
- Welcome & farewell
- Forthcoming event
- Membership application form



PRESIDENT'S LETTER

(The following speech was delivered in the 2008 Annual Dinner)



Honoured guests,
Ladies & Gentlemen,

Good evening and welcome to the annual dinner of the IIHK for 2008.

I have the privilege to be President of the Institute once again – my previous term was around the turn of the century! In that time many things have changed (especially during the last three weeks!) and yet many things remain the same.

The integrity of the Institute remains as important today as it was upon its formation in 1967. We are an apolitical entity, non-profit making and our activities are dedicated to the education of our peers and career entrants.

During the period since our 2007 annual dinner we have undertaken many activities on behalf of not only our own membership, but also the market practitioners as a whole. Let me briefly outline some of those achievements: -

IIHK seminars 13 (1,105 attendees)
CIB seminars 10 (558 attendees)

and for these seminars we are sincerely grateful to all of our friends in the legal and insurance fraternity who gladly volunteer their services to us – we have more than a dozen law firms who provide speakers to help the insurance community and several brokers who step up to the plate. We are eternally grateful.

We have also arranged with the Chartered Insurance Institute of London to bring their speakers from the UK to present topics such as Risk Management, Alternative Risk Transfer and the forthcoming International Liability programmes. These are always a sell-out and to date these full day workshops have welcomed over 100 participants.

Our Diploma examinations continue to be well regarded with 82 candidates over various subjects of which 17 completed the Diploma.

Our membership stands around 400 individuals and 14 corporate members representing a large cross section of the market.

The relationship we have with other Institutes continues to be very beneficial to our members here. As an example the Insurance School of Japan hosted three HK practitioners to their Non-Life Insurance course last year, two more to their advance course in May this year and three more will attend their session later this month.

And of course our relationships with the CII and ANZIIF remain strong with both of them offering qualification exemptions to IIHK Diploma holders.

All of these have been achieved with a minimal amount of fuss by our volunteer council members and our hardworking secretariat staff, Tania Lee, YO Choi and our new recruit Michael Kung.

Having shown you the scope of the Institute's work I would like to move on to another topic – namely professionalism in our industry.

During the past decade or so the financial world has evolved and our companies are much more driven by shareholder value and profitability than ever before. Obviously it is imperative to have profitable and financially robust insurers and intermediaries, but for much of the time now the pressure is on output and turnover – sometimes at the expense of professionalism.

The insurance practitioner often arrives straight from school or university and within a remarkably short period they are elevated to managerial positions without having had either the benefit of a lengthy period of “on the job training” or the benefit of structured professional qualifications.

The emphasis used to be on the grooming of an individual for future management roles whilst today it seems more emphasis is placed on filling vacancies with



anyone who has pretention to be a senior technician or manager.

Of course Hong Kong is a relatively compact market and the available talent pool is rather small which tends to encourage staff movement. The job switching tendency of junior to middle management employees is an issue we all living with but it certainly comes at a cost as recruitment is expensive and the wages bill spirals ever upwards.

For many years the Insurance Institute has tried to encourage employers to take the training of their professional staff more seriously. Certainly all of us who need to do so attend the CPD seminars and certainly there are many hours devoted to product training, but sadly the value attached to a career "professional qualification" has been left behind somewhat.

The IIQA examinations provide a reasonable ground level entry point and our own Diploma in Insurance Studies elevates the student to another level. However, we need to reverse a trend and positively encourage our juniors to embark on the path of industry qualifications.

And realistically the only way we shall achieve that is with the active support of all insurance related employers demanding that their staff are better qualified and suitably equipped to present a truly professional face to the customer.

Not surprisingly, the junior employee, suitably encouraged and supported by his/her employer and rewarded upon success will be more inclined to remain with the same company which they will come to regard as caring and forward thinking.

However, as I mentioned before, HK is a small market and the effort of creating high level qualifications is both expensive and time consuming.

So, in order to try to improve the situation the HK Insurance Institute has entered into a partnership with the Chartered Insurance Institute of London. The agreement we have reached with the CII is that we will represent them in Hong Kong and actively promote the qualification pathway that eventually leads to the ACII and the FCII.

There is a new examination structure being created and we will work with the CII to bring not only their globally recognized products here but also to create a local qualification that allows HK practitioners to reach a much higher level of insurance education and professionalism than previously possible.

In order to achieve this aim and to enhance professionalism we need your help. As major employers we ask you to commit with us to support a number of your staff members through the qualification system every year as part of your training budget. We have a new marketing manager in the Institute and he will be seeking your overt support for the push to a higher educational platform. Please help us to "raise the bar" and create a heightened awareness of professionalism in our insurance business which for too long has worked under the banner of an "Industry" rather than a "Profession".

We look forward to a new working partnership with the CII, and should the proposed merger between CII and ANZIIF proceeds we anticipate a strong HK Institute being the link for all parties and increasing professional qualification exams in the future.

Thank you.

Mike Haynes
President ◆◆◆

*Insurance Law Update***Non-Marine****What business did you interrupt?***Ince & Co**Coromin v Axa Re*
Commercial Court Cooke J

The judgment in this matter came out shortly before Christmas and leave to appeal has since been sought and refused. We acted for Coromin, the captive insurer of a very large resources company, Anglo American Plc. The claim settled by Coromin, and then pursued on back-to-back terms against the reinsurers, was for business interruption (BI) losses suffered at a Chilean mining site. The judgment is in Coromin's favour, and it is of interest given how rarely major industrial BI claims receive judicial scrutiny.

In a nutshell, the policy was placed in June 2004 for 12 months and the incident giving rise to the claim occurred in March 2005, triggering a 24 month Indemnity Period for BI losses. When the policy was placed, when the incident occurred, and even when the original 12 month period expired, a key piece of the machinery, the molybdenum plant (MP) was not in place. But it did come on stream during the Indemnity Period sufficiently for the disruption caused by the March 2005 incident to lead to a loss of income specifically referable to it. Could Anglo recover from Coromin, and Coromin recover from reinsurers, a loss caused by interrupting "a business" which had, to that extent, not been in existence either when the incident happened or during the policy period?

The insurance provided that the BI Indemnity Period would run "for such length of time as would be required to rebuild, repair or replace the Property which has been lost, destroyed or damaged and to resolve the resulting interruption or interference, commencing with the date of Damage or interference and not limited by the date the Policy expires" but subject to a 24 month cap.

The trial judge concluded that Anglo had indeed been entitled to recover from Coromin,

and Coromin should be indemnified by the reinsurers. In short, he reasoned that the BI insurance insured "loss resulting from the interruption of or interference with the business". "Business" was to be given its ordinary meaning and was defined to include "all operations and activities of the Insured" without qualification or temporal limitation. The policy wording did not require the business which had been interrupted to be business which existed at the time of the placement or incident; the only requirement was that the business interruption was caused by the insured event and fell within the Indemnity Period. Cooke J refused to imply any term which sought to restrict the word "business" to business being carried on during the initial policy period.

As a decision, this seems sensible but it ought not to be taken out of context. The coverage secured for Anglo was undoubtedly broad. Moreover, a finding that post-placement expansions of a business will bind BI insurers carries with it an exposure. If the insured business does not make clear at placement what its settled future expansion plans are (or if insurers do not waive disclosure of such details) then insurers may look askance at losses which, because of the introduction of new and unheralded plant, accumulate at a faster-than-anticipated rate.

The article first appeared at Ince & Co's Insurance & Reinsurance Law Update (Issue 22, Summer 2008), which can be retrieved at <http://www.incelaw.com/publications/legalupdates/>.

For any question, please contact Kelvin Lee, Insurance partner of Ince & Co Hong Kong office, at kelvin.lee@incelaw.com or by phone at (852)28773221.





The changing face of insurance education in Hong Kong

*By Irene Wong, FCII, ARe, FLMI, MBA, MSc(ITE),
Examination Director, The Insurance Institute of Hong Kong*

Ever since the late nineties industry practitioners have been getting more and more attuned to the requirements of the Insurance Intermediaries Quality Examination (IIQE) under the Insurance Intermediaries Quality Assurance Scheme (IIQAS). This is to be cherished because for decades the industry had no entry requirements even though products sold were complex and at times they were meant to last for the buyer's lifetime. In the past, the size of the intermediary community expanded and contracted in synchrony with the economy. Though this is still very much a feature nowadays, it is not as erratic as before because of this entry requirement on the intermediaries. The Scheme targets the middlemen, insurance agents and brokers alike. The intention of the Scheme is to upgrade their technical knowledge as they are the linchpin of buyers and sellers. Whilst corporate buyers are comparatively more sophisticated in their insurance knowledge, individual buyers are less well-informed and they have to rely on the knowledge and integrity of the middlemen for proper advice.

What is this IIQAS development to the general public? There is no study yet on how confidence has improved since the introduction of the IIQAS. One thing, nonetheless, for sure is the fact that the public are aware of the examinations under the IIQAS and in general think that everyone in the insurance industry must go through the sets of examinations before one can work in the industry, which is of course not totally true.

Interesting enough, one thing which I observe from recent years is that it seems there is another belief being developed amongst young practitioners in the industry. Most are of the view that IIQE is *the* professional examination for the people working in the industry. This is very much to the credit of the examination; but unfortunately this may not be

a desirable belief if the industry is to thrive and grow with vigour and remain competitive in the region. There is a lack of a desire to pursue the technical skills needed in good underwriting, in claims adjusting and in risk financing. In times when the economy is booming and there is a lot of money around, these technical skills may always be overshadowed by the banner of commercial considerations. I remember one senior in the industry once said, 'why bother about controlling claims so long as there is money coming in through the underwriting department.' This is true so long as there is no end of money feeding in from the buyers. Will this always be the case? Undoubtedly the answer is no; otherwise there would not be any need for prudential supervision.

The Manpower Survey of the Insurance Industry in 2007ⁱ indicated that there were 47,652 people working in insurance. Out of this, 56.2% (26,807) were intermediaries and the rest were in-house technical insurance and general supporting staff representing 37% (17,475) and 7% (3,370) of the total industry manpower respectively. If we take 2/3 of the in-house technical staff as those whose skills would affect the underwriting results of the company's business, there are about 11,650 who need technical skills which are deeper than what is required of a middleman. There are no statistics on the number of qualified insurance professionals in Hong Kong. I would guess there are around 1,500-2,000 qualified Chartered Insurance Institute (CII), Australian & New Zealand Institute of Insurance and Finance (ANZIIF) title holders in Hong Kong. There are other professional insurance title holders as well e.g. CPCU, FLMI etc. However, by far the more popular qualifications for general business and in-house technical staff are the CII and ANZIIF.

In terms of number of insurers in Hong Kong, we are one of those places with very high



insurer density. As at 30 June 2008, there were 176 authorized insurers in Hong Kong, of which 111 were pure general insurers, 46 were pure long-term insurers and the remaining 19 were composite insurers. If you compare the number of qualified professionals and the number of general insurers, we have around 15 per company, not forgetting that the actual number may be lower because qualified professionals also work for agencies and broking firms. If this tells us how strong our technical teams in the industry are, the figures are not very promising. When our Chief Executive first came into his office, he vowed that he would like to turn Hong Kong into a regional insurance hub. Hong Kong is located in the Southern tip of China. Shenzhen is the financial centre in southern China where insurance plays an important part as it has seen the establishment of the first joint stock insurance company in China. Ping An Insurance, China's second largest insurer, has its training centre called the Ping An Financial University by its staff in Kwenlan, Shenzhen. With Mainland's key insurers settling in just across the border, there are ample opportunities that open to Hong Kong and China in developing this area into a good regional insurance market. If we have on average 15 insurance qualified professionals per company, are we ready to seize this golden opportunity?

Insurance is a 'people's business'. It cannot thrive without a well trained workforce. So what has happened in insurance education and in-service training in the last decade or so? To be honest, most education providers have shied away from using insurance in their programme titles. Why? Despite all the efforts put in to upgrade the industry image, old beliefs dies hard. People still think selling is the main activity in insurance. There is nothing wrong with selling except when people view insurance as forced selling. Forced selling is asking or sometimes coercing customers to buy products that they do not really need. Parents are unwilling to support their children in pursuing an insurance programme when there are other business programmes e.g. accountancy to choose from. Offering education programmes, in this sense, is more akin to doing business. This is more

so when there is very little or no government funding. When there is low demand from students, the programme cannot run and will be removed. The old Higher Diploma and Professional Diploma in Insurance offered by the Hong Kong Polytechnic and The Hong Kong Technical College that produced many good graduates for the insurance industry have stopped running for a long time. There are now only one or two programmes that carry the word insurance in their titles.

Has all insurance education stopped? Thankfully, the answer is no. Insurance education is still provided but in a different way. Instead of dedicated vocational programmes, insurance modules are subsumed into other financial services curricula e.g. Financial Services, Risk Management, Financial Planning etc. From the industry's point of view, this is a less than desirable development because the subjects are likely to be watered down or to be dealt with only in breadth and not in depth, as insurance is only part of a wider curriculum.

Although there are fewer insurance graduates, employers are not crying out for help because increasingly employers can turn to universities for graduates to fill their vacancies as tertiary education has expanded quickly in the last two decades. Maybe insurance employers are not too concerned about the pre-employment insurance training as long as they can hire the ones who are 'trainable'. However, is it true that there is nothing for concern?

When pre-employment education or training is not in insurance, job finders get into insurance may not stay with the employer for long. Many employees particularly university graduates are waiting for other offers – offers from the more glamorous financial institutions like banks and fund houses. Employers will usually spend the first six months or so to get them trained and will sadly find out from the staff that they have better offers elsewhere which the new staff say fit their business acumen more. This probably explains the high staff turnover rate in the industry. Moreover, graduates are not happy to start with junior posts even though they have very little technical knowledge in insurance.



What about insurance training? The Vocational Training Council is still the major provider in providing courses to in-service personnel though the Insurance Training Centre is no longer in existence. The Insurance Institute of Hong Kong (IIHK) continues in its effort to provide quality education and training to in-service people by operating the IIHK's Diploma in Insurance Studies examination and offers accredited CPD seminars to middlemen whilst maintaining close relationship with The Chartered Insurance Institute in offering their quality face-to-face programmes in Hong Kong.

The demand for professional examination is falling. This is evidenced by the reducing number of candidates taking the IIHK's Diploma and the associateship examinations by the CII and ANZIIF. Demand for examinations comes from the employer's requirement for staff's technical soundness. What has happened in the industry? Is it now back to the days that it once was - so long as money is coming in, why bother about the technical side of the business? Perhaps young practitioners are more willing to pursue academic qualifications like Bachelor and Masters degrees because these carry a higher

value to them, for these enable them to change career and move across industries. Is this what the employers want?

Education and training is a long-term investment. Perhaps this is also the time that employers can reflect on what they want from their staff to be able to tap into the opportunities and challenges offered in the region. The insurance industry contributes 9% of Hong Kong's GDP. Out of the insurers here, more than half are from overseas and 12 are the world's top 20 insurers along with world's top 25 reinsurers. Wouldn't it be appropriate to think about how we should train up our workforce to face up the challenges and take up what the Chief Executive has vowed to achieve? Wouldn't it be appropriate to review whether the education/training sector has put in enough resources to help train our future employees? Wouldn't it be appropriate to ask employees to take up professional qualification examinations to beef up their technical skills? I hope in this article I have given you some food for thought.◆◆◆

ⁱ Report produced by the Vocational Training Council.

If you have any interesting articles and would like to contribute to this newsletter please contact our secretariat at tel. 2520-0098.



CII & IIHK Partner to Raise Industry Standards

The Chartered Insurance Institute (CII) and the Insurance Institute of Hong Kong (IIHK) recently signed a Memorandum of Understanding which will see IIHK become the exclusive provider of the CII's General Insurance courses in Hong Kong.

CII qualifications are considered the Gold Standard by industry practitioners not only in the United Kingdom but around the World. Practitioners who wish to obtain these qualifications currently do so via distance learning. Now, through the new partnership, IIHK will exclusively provide CII face-to-face training courses and professional qualifications right here in Hong Kong.

Through this new partnership it is also planned that IIHK will look to provide new modules to its existing Diploma programme in general insurance that will be aligned to the CII qualifications. Additional programmes in the pipeline include the possibility of joint qualifications in English and Chinese, as well as professional development workshops.

Mr Ian Porteous, CII's Head of Regional Business Development in South-East Asia

said the partnership will benefit a large cross-section of industry professionals from underwriters and reinsurers to insurance agents and brokers. "Since CII set up its regional headquarters in Singapore in 2004, we have been working closely with regulators and key industry partners throughout the region," he said. "This alliance with IIHK is part of the overall effort to develop greater professionalism in the insurance industry and to enhance the positioning of Hong Kong as a major insurance centre in the region."

Added Mr Mike Haynes, IIHK's President: "We are very excited about this partnership. It will allow us to offer a much wider choice of programmes and create accreditation pathways for practitioners in Hong Kong and Southern China to achieve both the CII's and IIHK's qualifications as well as joint qualifications to be awarded by both institutions. Ultimately, we believe this initiative will help to raise educational and professional standards of industry practitioners to meet the highest international benchmarks."◆◆◆

Mr Mike Haynes (left) – President of IIHK and Mr Ian Porteous – CII Head of Regional Business Development





2008 IIHK Annual Dinner

The 2008 IIHK Annual Dinner was held on Thursday, 16th October, 2008 at the Hong Kong Bankers Club. This year we have had the pleasure of Mr. Andrew Fung, General Manager and Head of Investment and Insurance of Hang Seng Bank, to be the keynote speaker. Mr Fung delivered a talk on the recent financial tsunami and situation in Hong Kong as well as in worldwide. The dinner was well attended by other honourable guests such as Mrs Agnes Koon, Chairman of Hong Kong Federation of Insurers (HKFI); Ms Carol Hui, Acting Assistant Commissioner of Insurance (OCI); Dr. Detloff Rump, President of ANZIIF Hong Kong Branch and Mr. Ian Porteous, Head of Regional Business Development - SE Asia, CII who made a short speech on the recent development between CII and ANZIIF's planned merger.

There were over 160 guests attending the dinner with insurance practitioners from insurance companies, agents and brokers. The evening was enchanted by a touch of magic and sleight of hand that mystified us all.

The evening's highlight was a presentation of scholarships to students who achieved the best examination results in their local or overseas examinations such as the IIHK Diploma of Insurance Studies, the CII examination and the ANZIIF examination



etc. We take this opportunity to thank all the scholarship sponsors. We hope this will encourage and enhance the level of insurance education in Hong Kong. ◆◆◆

Acknowledgement with thanks (in alphabetical order):

Everbest Insurance Holdings Ltd
The Hong Kong Confederation of Insurance Brokers
The Hong Kong Federation of Insurers
The Hong Kong Insurer's Club



Mr Ian Porteous making a short speech.



Mr Y O Choi (second from right) together with our guests.



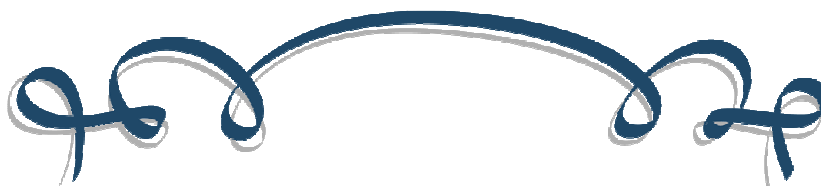
The 2008 Council and Mr Ian Porteous (back row, second from the right).





Welcome and farewell

Welcome to Mr Michael Kung who joined the IIHK Secretariat on 2nd October, 2008. Michael joined us with the aim to promote the CII examinations and its products. Michael will soon be visiting insurance companies, meeting with HR managers and training managers to enhance their awareness of IIHK and CII's services. Your support would no doubt be a valuable asset.



While welcoming Michael on one side we have to bid farewell to Mr Y O Choi on the other. Y O has been a 'founding staff' of the IIHK secretariat since 2002 and has made ample contribution to the rolling out and the continuity of the IIHK Legal Series – our CPD seminars provided to all of you.

With all these years' hardwork we wish Y O a happy retirement, good luck and good health!

Forthcoming Event



The 2009 Bowling Tournament will be held in January 2009. We will announce and circulate details closer to the date. Enrol early to enjoy this relaxed evening.

