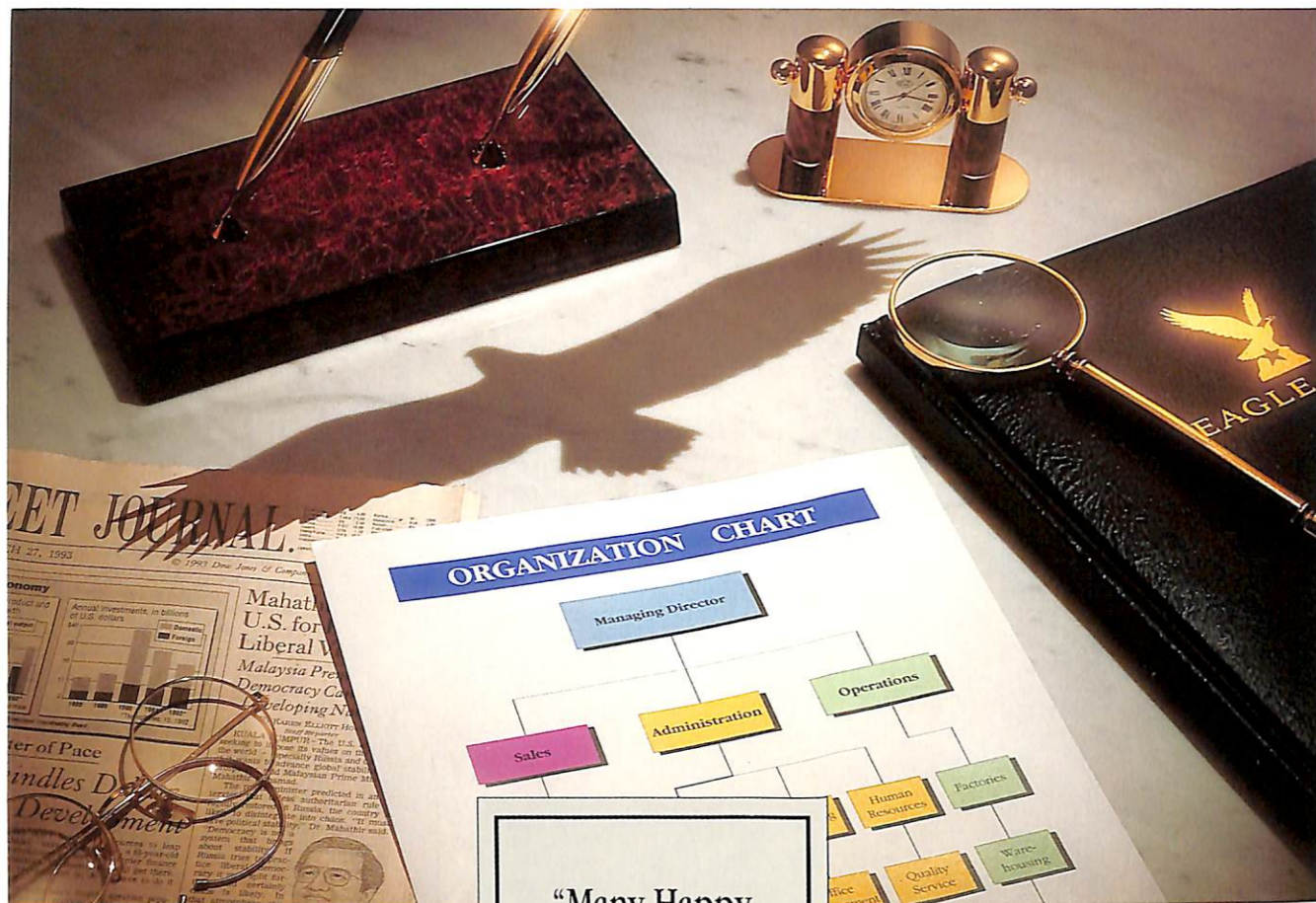




HONG KONG
CHAMBER OF
INSURANCE
INTERMEDIARIES
香港保險中介人協會

CHARTER ISSUE
FEBRUARY 28, 1994



Eagle Star Life can now help companies of all sizes to earn good returns on Employee Benefits programmes

It's true. Companies can now offer employees a comprehensive Provident Fund, plus Life Insurance or Medical Insurance or both - and still earn some "very happy returns".

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Our Eagle Star Life investment experts have created an entirely new kind of Provident Fund which is 20% equity fund and 80% bond fund to optimize your earnings. (Just for reference, last year the equity fund delivered a return of 23.49% and the bond fund yielded a 14.24% return.*) It's a combination conducive to earning many happy returns. Moreover, the Provident Fund assures employees a minimum guaranteed return of all monthly contributions.

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"Many Happy Returns!"
It's the Eagle's way of celebrating the ultimate Employee Benefits scheme

ORGANIZATION CHART



do not meet this standard, for whatever reason, we will pay a cash penalty to companies or to their employees. Commitment to servicing your needs is as important to us, as it is to you.

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Explain the Eagle Star Life Employee Benefits Programmes & their many happy returns.

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* The equity fund is the Schroders Asian Fund and the bond fund is the GT Bond Fund. Figures are April 1, 1992 to March 31, 1993 performance, compiled by Eagle Star Life from data supplied by Schroders Asia Ltd. and GT Management (Asia) Ltd. respectively and are net of charges.

Note: Past performance figures are for information only and are not necessarily an indication of future performance. It should be noted that the investment return may go down as well as up.



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5 Missions

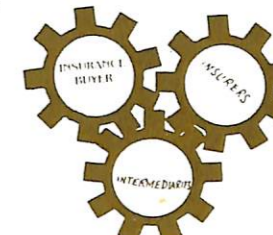
CONCERN

To communicate and to coordinate with government, associations, insurance companies or any other persons in regard to all matters relating to insurance, or insurance intermediaries which may be considered to be for the benefit of members and the general public.



HARMONY

To promote and maintain the spirit of fair deal and harmony between and among insurance buyers, intermediaries and insurers.



KNOW-HOW

To prepare, promote and conduct educational seminars, forums, lectures, workshops for the benefit of its members.



INFORMATION

To collect and disseminate amongst the members information in regard to all matters relating to insurance or to the practice, duties and obligations of insurance intermediaries by means of periodical newsletter and alike.



INTEGRITY

To enhance self-dignity of the insurance intermediaries through deeds of integrity.





Message from the Commissioner of Insurance, Hong Kong

I am pleased to extend my congratulations to the Hong Kong Chamber of Insurance Intermediaries on the occasion of its inauguration.

Insurance intermediaries form an integral part of the insurance industry as they provide an important link between the insuring public and the insurance companies. By promoting high professional standard of insurance intermediaries in the marketing of insurance products and servicing of policy holders, I am confident that the insurance industry will continue to prosper. I hope the Chamber will provide a further forum to discuss matters of concern to insurance intermediaries and contribute towards better protection for the insuring public.

I wish the Chamber every success in its endeavours and its Members a successful and prosperous Year of the Dog.

Stephen Ip, J. P.
Commissioner of Insurance



Message from The Honourable Chim Pui Chung

Member of the Legislative Council, Hong Kong.

時代不斷進步，可以說沒有人不認識到投購保險之需要。形形式式之保險，日新月異，由以往單純之風險承擔，演變為儲蓄及投資兼而有之。保險業務變成與市民生活息息相關，更為普及。

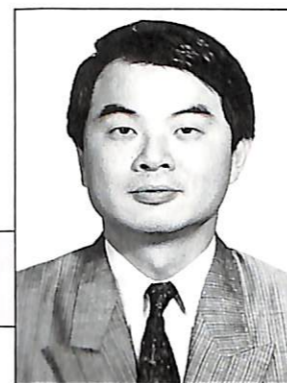
保險業之生存，及得以不斷擴展，保險中介人發揮了極重要的作用。保險中介人服務了保險公司及市民，三者關係異常密切。

保險中介人聯合起來成立商會，相信對促進保險業自律及未來進一步發展，有重大影響。更希望香港保險中介人商會的成立，能促成業界人士受重視，發揮更輝煌成果。

詹培忠
立法局議員



Message from Consumer Council



Message from The Hong Kong Federation of Insurers



Congratulation to
the inception of
Hong Kong Chamber of
Insurance Intermediaries

It is hoped
in pursuing its objectives
the Chamber will
take regard of consumer interest

Prof Edward K. Y. Chen
Chairman
Consumer Council

The Federation of Hong Kong Insurers' current mandates are to upgrade the professionalism of the insurance industry through a series of self-regulatory processes and to improve the public understanding and image of the industry through education and positive pro-active measures. Both of these mandates cannot succeed without the strong support of the insurance intermediaries. We, therefore, welcome any organizations of insurance intermediaries whose objectives align with those of the Federation and whose efforts would help the Federation achieve its aims. We strongly hope the Hong Kong Chamber of Insurance Intermediaries can develop towards this end.

I look forward to seeing the Chamber's continuous growth and prosperity in future.

Joseph Ip
Chairman
The Hong Kong Federation of Insurers



Message from The Hong Kong Chamber of Insurance Intermediaries



Towards the closing of Year of Monkey, a group of 15 insurance intermediaries discussed the feasibility of forming an association which includes all insurance intermediaries, agents or brokers, general or life.



During the Year of Rooster, an Organizing Committee comprising 12 insurance intermediaries worked recklessly to get the proposed Chamber off the ground.



In this Year of Dog, the first Executive Committee of 19 members endeavors to nourish the newly formed Chamber in accordance with the 5 missions as laid down by the Organizing Committee.

The last and the coming year will turn the long quiet story book of insurance intermediaries in Hong Kong to a new and vigorous chapter. Please step forward if you can, and join us to work hand in hand towards the enbetterment of our insurance industry.

Taking the opportunity of this writing, I salute to those who have rendered their kind assistance in making this Chamber a reality.

Gregory Fong
Charter President
Hong Kong Chamber of
Insurance Intermediaries



Vote of Thanks From the Inauguration Ceremony Organizing Committee

It is with our warmest greeting that we welcome all of you to the Inauguration Ceremony of our Hong Kong Chamber of Insurance Intermediaries.

I take complete pride in being a member as well as the Public Relation Director of its Executive Committee in the involvement of its formation. Furthermore, it is my distinct honour of being appointed Chairman of the Inauguration Ceremony Organizing Committee. My deep appreciation goes to Mr C.S. Diu, Director of Finances; Mr Kendy Yau, Director of Publication; Miss Bie Tong and Mr Tony Kwong, Masters of Ceremony and other committee members as well as the assistance from our President, Mr Gregory Fong for their enthusiasm in participation to make the Inaugural Night a success.

We are especially privileged to have Mr Stephen Ip, J.P., Commissioner of Insurance; Mr Chim Pui Chung, Member of the Legislative Council and Mr Joseph Ip, Chairman of The Hong Kong Federation of Insurers to attend our ceremony, whose presence bestow great honour upon us.

Our sincere thanks go to the advertising support from friends of insurance principals and related friends for their generosity and assistance in our mission of service.

Finally, we thank you for your attendance.

May I wish the year of Dog be a fruitful and memorable year ahead for our pledging organization.

Jameson Leung
Inauguration Ceremony Organizing Committee Chairman
Hong Kong Chamber of Insurance Intermediaries



Message from the Actuarial Society of Hong Kong

Congratulations on the formation of the Hong Kong Chamber of Insurance Intermediaries. This marks one more solid step down the road of professionalism and quality service to the people of Hong Kong.

Terry D. Jenkins
President
Actuarial Society of Hong Kong



Message from the Chinese Underwriters Club

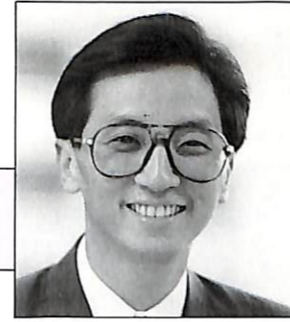


From the Chinese Underwriters Club Ltd., we sincerely send our best regards to all the members of H.K.C.I.I. committee that you will strive with every strength to successfully attain the objectives in your constitution.

We congratulate you on the very successful educational and fellowship projects you have so far achieved for your members, and we look forward to seeing you achieve even more in the coming future.

With our best wishes,

H. Joseph Lynn
President 1993/94
Chinese Underwriters Club Ltd.



Message from FLMI Society of Hong Kong



We are a large group of people with individual talents, characteristics and personal goals. We pride ourselves to have the chance to be together to share information and turning our valuable resources for growth in the right direction for the industry and the community.

On behalf of the FLMI Society of Hong Kong, I take pride to congratulate the chartering of the Hong Kong Chamber of Insurance Intermediaries a great success.

David Lo B. A., FLMI
President
FLMI Society of Hong Kong



Message from The Hong Kong Confederation of Insurance Brokers



The Hong Kong Confederation of Insurance Brokers congratulates the Hong Kong Chamber of Insurance Intermediaries on the occasion of establishing its charter. We hope that the Chamber will become an effective forum for all insurance intermediaries, both brokers and agents, to discuss matters of mutual interests and develop constructive ideas for the benefit of all in the insurance industry.

With best wishes

Adrian H. King
Chairman
The Hong Kong Confederation of
Insurance Brokers



Message from Hong Kong Loss Adjusters' Association

On behalf of the Hong Kong Loss Adjusters' Association, I would like to congratulate the Hong Kong Chamber of Insurance Intermediaries (HKCII) on its recent formation.

Since the Hong Kong Government has moved towards increased regulation of the insurance industry it is vital that as members of the industry we are seen as being both willing and capable of regulating ourselves. Increased liaison and cooperation between us can also create a useful collective bargaining power in the event of crises.

We wish you Chamber every success and look forward to a close association in the future.

Bill Howells
Chairman
Hong Kong Loss Adjusters' Association



Message from Hong Kong Insurers Club



On behalf of the Hong Kong Insurers Club I wish all success to the H.K.C.I.I. in their formation and ongoing work involving all aspects of issues affecting insurance intermediaries working in Hong Kong today.

May their concern and diligence ensure a fair, healthy and prosperous future for this important element of Hong Kong's insurance industry.

Walter C. Dewar
President
Hong Kong Insurers Club



Message from The Insurance Institute of Hong Kong



It is our pleasure to welcome a new central association to the Hong Kong insurance market and we congratulate the Hong Kong Chamber of Insurance Intermediaries on their formation.

The Insurance Institute of Hong Kong exists primarily to promote insurance education and training. It is also concerned with the welfare and reputation of the insurance industry at large. As such, it has some goals in common with HKCII. We therefore look forward to co-operating in matters of mutual interest as and when opportunity presents itself in the future.

We extend our best wishes to HKCII and its members.

Raymond Wong
President
Insurance Institute of Hong Kong



Message from The Insurance Training Centre, Vocational Training Council



The objectives of the HKCII as shown in their Memorandum of Association are praiseworthy, covering a wide field and embracing both the welfare of their members and larger interests of the insurance market and the insuring community of Hong Kong. In these endeavours I wish them every success. I am sure I have the support of the Vocational Training Council and the Insurance Training Board in pledging assistance wherever there is mutual concern and interests in our respective goals.

D S Hansell
FCII, Chartered Insurance Practitioner
Centre Manager, Insurance Training Centre,
Vocational Training Council, Hong Kong



Message from The Life Underwriters Association of Hong Kong



On the occasion of the inauguration of the Hong Kong Chamber of Insurance Intermediaries, we wish to send our warmest greetings and congratulations.

We are pleased to see the formation of this organization and will be happy to support it.

In particular, we strongly believe in promoting a strong public image of the insurance industry as a whole.

May we wish the Chamber every success in future endeavors.

Teresa Y. M. So
President
The Life Underwriters Association of Hong Kong



Message from Macau Insurance Agents and Brokers Association



WITH HEARTFELT CONGRATULATION ON
THE SUCCESSFUL FORMATION OF
HONG KONG CHAMBER OF INSURANCE INTERMEDIARIES.

Peter Kwok
President of Macau Insurance Agents
and Brokers Association, Macau



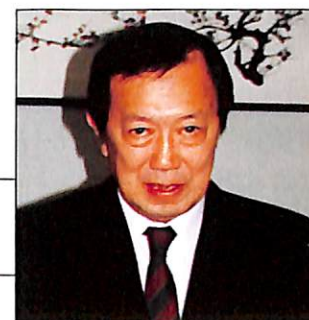
Message from Macau Insurers' Association

Congratulation to the formation of the Hong Kong Chamber of Insurance Intermediaries. We believed that HKCII is no doubt a successful organisation and their objectives will be conducted as accordingly.

It is my great pleasure as a President in Macau to write this message and sincerely wishing you a success in the year of "DOG".

Best regards.

Victor Wu
President
Macau Insurers' Association



Message from The Professional Insurance Brokers Association



It gives me much pleasure in extending my heartiest congratulations on the inauguration of the Hong Kong Chamber of Insurance Intermediaries.

HKCII is no doubt an organisation that intermediaries of the insurance industry have been longing for - a proper avenue where insurance intermediaries will be able to reflect their views objectively in order to safeguard their interests.

We assure you that the Chamber will receive our full support and we do wish you every success in the years to come.

WONG Hing-wah
Chairman
Professional Insurance Brokers Association Limited



Message from the Panel of Hon. Advisors, Hong Kong Chamber of Insurance Intermediaries

In March 1987, when the Self-Regulation Working Committee was formed by the insurance industry, I had been hoping that the intermediaries of insurance could be organized to protect their own interests.

It was comforting to see that the Confederation of Insurance Brokers was formed last year.

It is now a great pleasure to see the formation of Hong Kong Chamber of Insurance Intermediaries. The concerted effort of all these representative bodies in promoting professionalism of their respective sector will certainly be beneficial to the healthy development of insurance business and the protection of policyholders' interests.

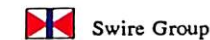
I wish the Chamber every success in its endeavours.

George Chu, OBE
Honorary Advisor
Hong Kong Chamber of Insurance Intermediaries

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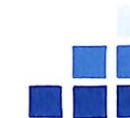
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SK Insurance Brokers Ltd.

By D S Hansell

FCII, Chartered Insurance Practitioner
Centre Manager, Insurance Training Centre, Vocational Training Council, Hong Kong

It is with great pleasure, but with considerable diffidence, that I write these thoughts on the rather daunting subject given to me by The Hong Kong Chamber of Insurance Intermediaries. It is an honour to be invited to contribute to their souvenir album, which accompanies the celebration of the formation of their association.

The objectives of the HKCII as shown in their Memorandum of Association are praiseworthy, covering a wide field and embracing both the welfare of their members and larger interests of the insurance market and the insuring community of Hong Kong. In these endeavours I wish them every success. I am sure I have the support of the Vocational Training Council and the Insurance Training Board in pledging assistance wherever there is mutual concern and interests in our respective goals.

As is usual in an article such as this, I must begin with the caveat that whilst I have permission to contribute my thoughts on this issue, the comments and views I express are entirely my own and may or may not coincide totally with the collective view of the Insurance Training Board or the Executive of the Vocational Training Council.

Perhaps we could begin by differentiating between education and training. Much ink has been spilt and much heat generated in this debate. For our purposes may we consider education as a process of developing critical faculties and intelligence, rather than a conscious endeavour to acquire technical knowledge and skills. The latter we may loosely define as training. Education is vital, for without it we remain in measure uncivilized. But training is also required, for without it we remain at best academics.

There will always be an overlap in the two concepts, but I must confine my observations to the field of insurance training, which was my brief. This could include specific studies for insurance qualifications, through such bodies as the Insurance Institute of Hong Kong, the Chartered Insurance Institute and the Australian Insurance Institute, and others. Important as these studies are, and despite having views on trends with such studies, I must not deal with them here. This is particularly so because development in these studies is largely determined outside the control of the local market.

What we can do here is to analyze, recognize and prepare for the technical training of ourselves and particularly our young colleagues as we face the challenging and exciting times ahead. I stress technical training not because I feel that management, personnel and other related disciplines are unimportant, but because after years of poor

"technical results" and loss of belief in "cash-flow underwriting" the whole world of insurance has once more recognised the importance of actually doing our job of underwriting risk.

And this is beginning to work. In the UK for instance companies which had been having disastrous results are once more now talking of "underwriting profit", a term that seemed to have become obsolete in the '80s. Two years ago the company with which I had the honour to start my career decided it would re-survey every single one of its commercial fire risks within the next year or so. This means technical understanding. This means technical rating. This is underwriting. And this is being backed by a tough attitude towards seemingly fraudulent claims.

In what seems to be the closing stages of my career, it gladdens my heart to see our business being practised again as it should be. "Underwrite well, pay the good claims quickly; be as generous as you can with the borderline cases, and fight the bad ones." That was the ethos of the companies I was privileged to work for. And this must be right.

But this pre-supposes that we are able to understand underwriting, that we know how to investigate claims and that we are able to distinguish between the good claims and the others. That comes back to training.

It has been my joy and privilege to lead the Insurance Training Centre in Hong Kong for almost eight years. I claim no credit for establishing the primary functions of the Centre. These were set by the then Insurance Training Board before I came, but I embraced them with enthusiasm, as "the way we should go". I still believe that.

The Centre is a happy collaboration between the Public Sector and the industry. It is well equipped and funded by government but staffed with experienced and well-qualified senior personnel with years of experience in the field. It is overseen by the Insurance Training Board, with representatives of most central insurance and other associations. Our major thrust is non-exam-related short courses entirely devoted to technical insurance training, mostly conducted by our full-time staff. This is supplemented by the occasional "Special Seminar" led by experienced practitioners from Hong Kong and elsewhere, who generously share their expertise with us.

I make no apology for this piece of self-marketing. We are not profit-seeking and the fees we charge are nominal, sometimes no fees at all are involved. Moreover, at the Centre we regard ourselves as part of the industry, seeking to serve it rather than feeding upon it. I personally may not be allowed much more time at the Centre, but it is my fervent hope that its work and essential character will not disappear. There was some

resistance to its formation, again before I came, but the industry members at the time insisted it was needed. Respectfully, I believe they were right and I think the Centre is now established as one of the features of our local scene. It is also known and respected near and far from Hong Kong.

But this is only one piece in the jig-saw. Training is far bigger than the Training Centre alone. An enormous amount of training, almost by definition, must be in-house. On that it really would be impertinent for me to comment, except in general terms. There are also several central associations in the market, not least the HKCII, whose concerns, inter alia, cover insurance education and training.

To them and to the whole industry may I make the following observations, which summarise my views on the immediate tasks ahead in our subject area:

- 1 May we please continue to insist that our training is technically sound, ethically tenable, and geared to the understanding that we are a major contributor to the economic and social welfare of the community in which we live.
- 2 In training at least, may we learn to complement rather than compete with each other. Thus, I would seek better communication and understanding between the central associations. Taking nothing from the rights of individual companies or associations to control their own destiny, may we recognise that there are areas where we can and should cooperate; and one of these is training.

This is a major issue and one which has caused its problems in Hong Kong and elsewhere throughout the ages. With central associations often governed by committees who are effectively only "passing through", the desire to "do one's own thing and make one's own mark" whilst in office is often irresistible. But it does not lead to continuity and may degenerate into unhelpful competition which is not good for quality training.

- 3 May we please be prepared to pay the price for training. We all know the old joke "If you think training is expensive, try ignorance." Old it may be, but it is still true. And the price is not just measured by the size of a cheque. Specifically, let my plea include:

- (a) Insist upon and be prepared to pay the right rate for experienced and qualified trainers.

- (b) Consider training as an integral part of the job. It is not therefore to be considered solely as an evening or week-end activity, designed to cause minimum disruption to the "real work" of the organization. Parents who neglect spending time with and for their children end up with the children they deserve.

- (c) Work with your trainers (in-house or centralized) to plan the training of your staff. Be involved in determining or recommending what is available and suggest improvements.

- 4 In conclusion may I return to my, or rather our, Training Centre. As a centralised facility I believe it is proving its worth. It represents not one section of our industry, but all. As such, it could and perhaps should be pivotal in insurance training in Hong Kong. May I therefore earnestly request your continuing support in word and deed.

Doubtless there is much more that can be said. Should opportunity arise, I would be delighted to participate in ongoing discussions. Let these comments suffice for now. Respectfully, I move the above.

By Joseph Lynn

Chartered Insurer, F.C.I.I., A.A.I.I., A.C.I.Arb., M.I.Mgt., Dip.Ch.Law

Insurers are profit making concerns, and they must sell their insurance products to consumers in order to generate income. There are some Insurers who try to sell direct to consumers as much as possible, whilst the rest are happy to use Intermediaries to service the selling. Let us examine what are the differences between selling direct and selling through Intermediaries?

When an Insurer sells direct, the Insurer must have:

- a) the connections or skills to penetrate the market segment and to compete with the existing Insurers in that market;
- b) enough manpower, skill, and supporting facilities to handle a large number of pre-sales enquiries and interviews, which are necessarily on-the-spot and under very tight timing constraints (note one basic principle of selling: the consumer's impulse to buy does not last long, and must be taken quickly or else the consumer will go away);
- c) ability to handle all the technical procedures like underwriting, quotations, documentations, reinsurance, accounting, claims.

On the other hand, when an Insurer sells through intermediaries:

- a) the Insurer need not have the connections or skills to penetrate the market segment;
- b) the Insurer needs manpower, skill, and supporting facilities to handle condensed information from Intermediaries;
- c) same as c) above.

Obviously, in theory there is more benefit from using Intermediaries under both conditions a) and b) above!

Also, the term “manpower” entails:

- employment costs like salaries, provident fund contributions, medical and employees compensation insurance costs, fringe benefit costs;
- facilities costs like office space rental, office furniture and equipment, stationery and consumable costs.

Obviously, the more staff members, the more the employment and facilities costs.

If we assume that one employee would need an office space of say average 100 sq. ft. for his desk including common areas at HK\$30 per sq.ft., the annual cost of this employee might be around:

HK\$	
100,000	Annual Salary
10,000	Fringe Benefits
36,000	Office space
4,000	Equipment & Consumables
150,000	Total Cost

If this employee's job is just like a salaried in-house agent handling pre-sale enquiries and servicing from the office, and if we assume average 15% commission for an Intermediary, we can easily work out that this employee is cost effect only if he can produce annual premium of at least HK\$1,000,000. And that is easier said than done!

If the Insurer is more aggressive and wish to send the employee outside the office to do the servicing, then more costs like travelling and communications would be incurred. Or if the Insurer is paying HK\$60 per sq.ft. for office rental, then the employee needs to work even harder:

HK\$	
100,000	Annual Salary
10,000	Fringe Benefits
72,000	Office space
8,000	Equipment & Consumables
50,000	Travelling, Communications, Entertainment
240,000	Total Cost

Divided by 15%, this means at least HK\$1,600,000 annual premium or else this employee is not cost effective.

Whilst Insurers, like banks, may have the need to give consumers an impression of security and grandeur, and so might need to have a large office in prestigious buildings. Intermediaries are not so inclined, and in fact would prefer to be close to their market segments. Intermediaries therefore usually have lower costs, and 15% of premiums is usually more efficiently spent on Intermediaries commission than on sales-staff costs.

So we can see that there is a lot of incentive for Insurers to use Intermediaries. Likewise, there is a lot of incentive for consumers to use Intermediaries because of easy access to competitive quotes. Had the consumer went directly to an Insurer, he could be dissuaded from seeking alternative quotes.

So we have a situation that benefits everyone:

- Consumers get good service from Intermediaries,

"Insure Direct, Or Insure Through Intermediaries"

- Insurers get premium income from the consumers,
- Intermediaries get commission income from Insurers.

But if this is so ideal, why have some Insurers ceased selling through Intermediaries and went direct? It is no secret that in the past, a few Intermediaries have had such good results that success went to their heads, and they squandered their clients' money instead of paying their Insurers, finally resulting in heavy bad debt write-offs for the Insurers. Also, a few Intermediaries had bad habits like poor payment patterns, or asking excessively for favours on doubtful claims. Finally, some Insurers got so disappointed that they decided to bear heavier admin costs by going direct, rather than to bear the bad debts and ex gratia claims.

Looking ahead as we approach the 21st Century, it seems that the Intermediaries market will be facing greater competition from the direct market, because of several factors:

- Overseas, advances in technology have enabled Insurers to penetrate into consumers' homes via television and fax interactive computer systems, permitting consumers to select from great choices of products without the need to depend on an Intermediary. Hongkong will soon catch up in this respect.

- As more people use credit cards, their product preferences and spending patterns go into computer databases which when analysed enable accurate targeting of market segments, hence direct mailshots are becoming more effective.

- As inflation in Hongkong races on, both Insurers and Intermediaries will face steeply rising rent costs and employee costs. To avoid the impact of inflation, once the communications technology breaks through, Insurers will depend more on computers to process orders, especially the mass off-the-shelf products which do not need to be tailor-made for each client. Intermediaries will have a hard time balancing their costs, and very likely small firms will be squeezed out.

- It has been promulgated in the market that each Intermediary (agent) should represent at most 4 Insurers, this limits the consumer's access into the market via Intermediaries (agent), and would create antagonistic feelings in consumers against Intermediaries (agent).

- Greater respect for consumers' rights have rendered greater transparency in many products, and consumers have learned to question why not get 7.5% discount by buying direct, rather than use an Intermediary who earns 15% commission and does not rebate.

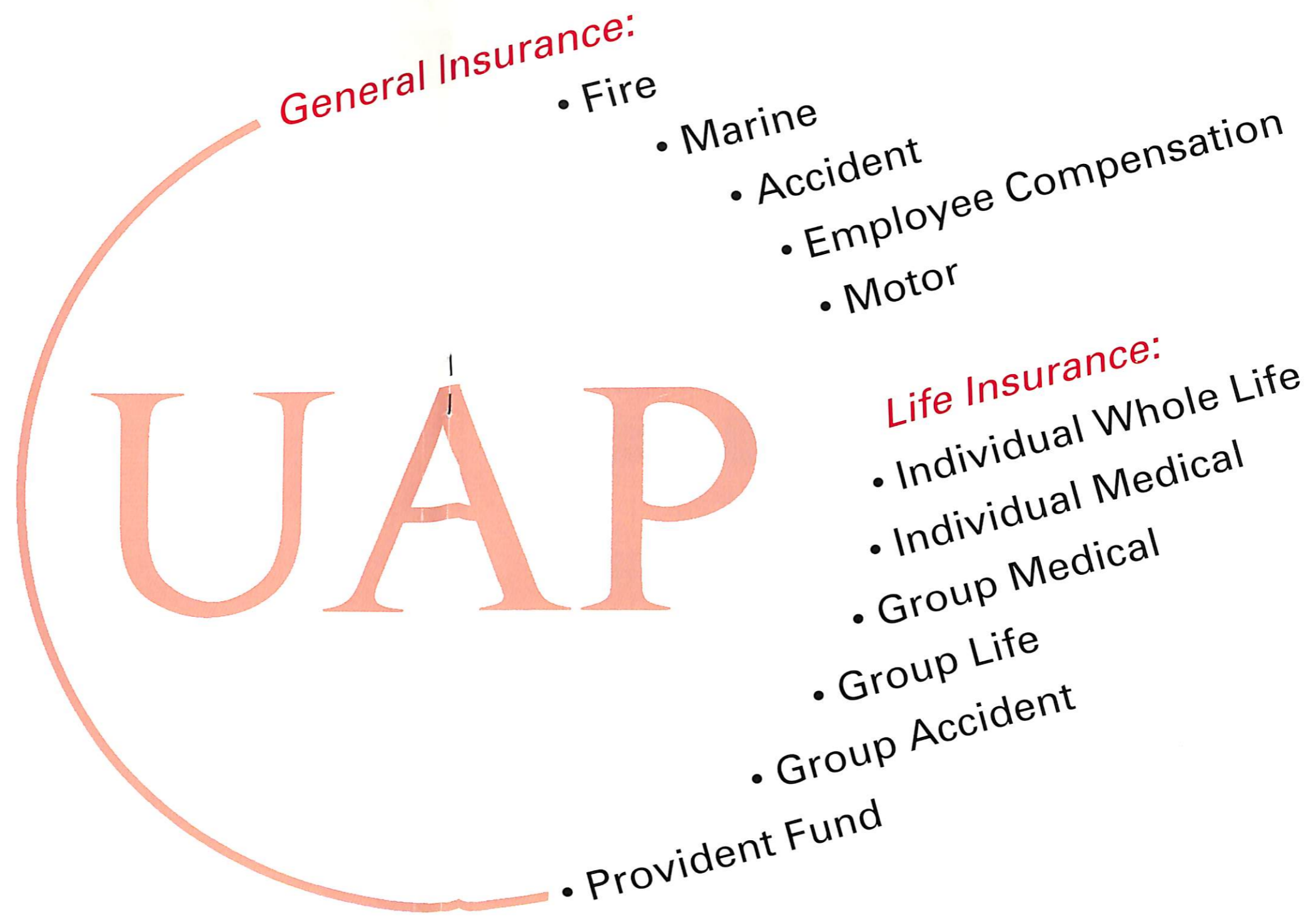
- The seemingly successful results achieved by certain Insurers in certain insurance schemes launched through non-insurance intermediaries like banks, credit card companies, motor dealers, have prompted great interest in Insurers to start competing in this manner. If this goes on, many trading companies will be tempted to link their products with insurance schemes, leaving less open market business for Intermediaries.

"Insure Direct, Or Insure Through Intermediaries"

If there is a silver lining to every cloud, then for insurance it must be the vast potential of the yet under-developed life insurance market in Hongkong and in China. Life insurance is still very much a people-to-people business, and no computer can yet replace the courteous and caring Intermediary. Let us look optimistically at 1997, not as a deadline when Hongkong returns to China, but as an opportunity when China opens up her markets to Hongkong. The skilled people that Hongkong has, will be in great demand to help organise and nurture the yet unexplored China markets.



Founded in 1828, UAP is now the largest insurance company in France and second in Europe. It is also ranked the 8th largest insurance company worldwide. UAP possesses a wealth of experience in direct insurance, reinsurance and banking industry. As of June 1993, its total assets value exceeded US\$120 billion. To cope with the drastic economic growth in Asia Pacific, UAP has committed itself to a long term investment in the region.



General Insurance:

- Fire
- Marine
- Accident
- Employee Compensation
- Motor

Life Insurance:

- Individual Whole Life
- Individual Medical
- Group Medical
- Group Life
- Group Accident
- Provident Fund



UNION DES ASSURANCES DE PARIS
North Asia

LIFE ASSURANCE & C.E.O. MAIL :
Rm.3204, 32/F, Admiralty Centre,
Tower I, 18 Harcourt Road, Hong Kong.
Tel: 865 2301 Fax: 804 1730, 804 1712

GENERAL INSURANCE:
1801-1808, 18/F, Admiralty Centre,
Tower II, 18 Harcourt Road, Hong Kong.
Tel: 527 8781 Fax: 861 0806



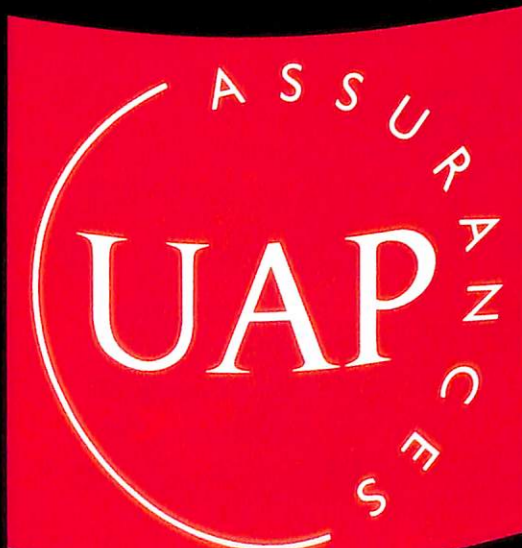
UAP - I.A.R.D.
Hong Kong Branch

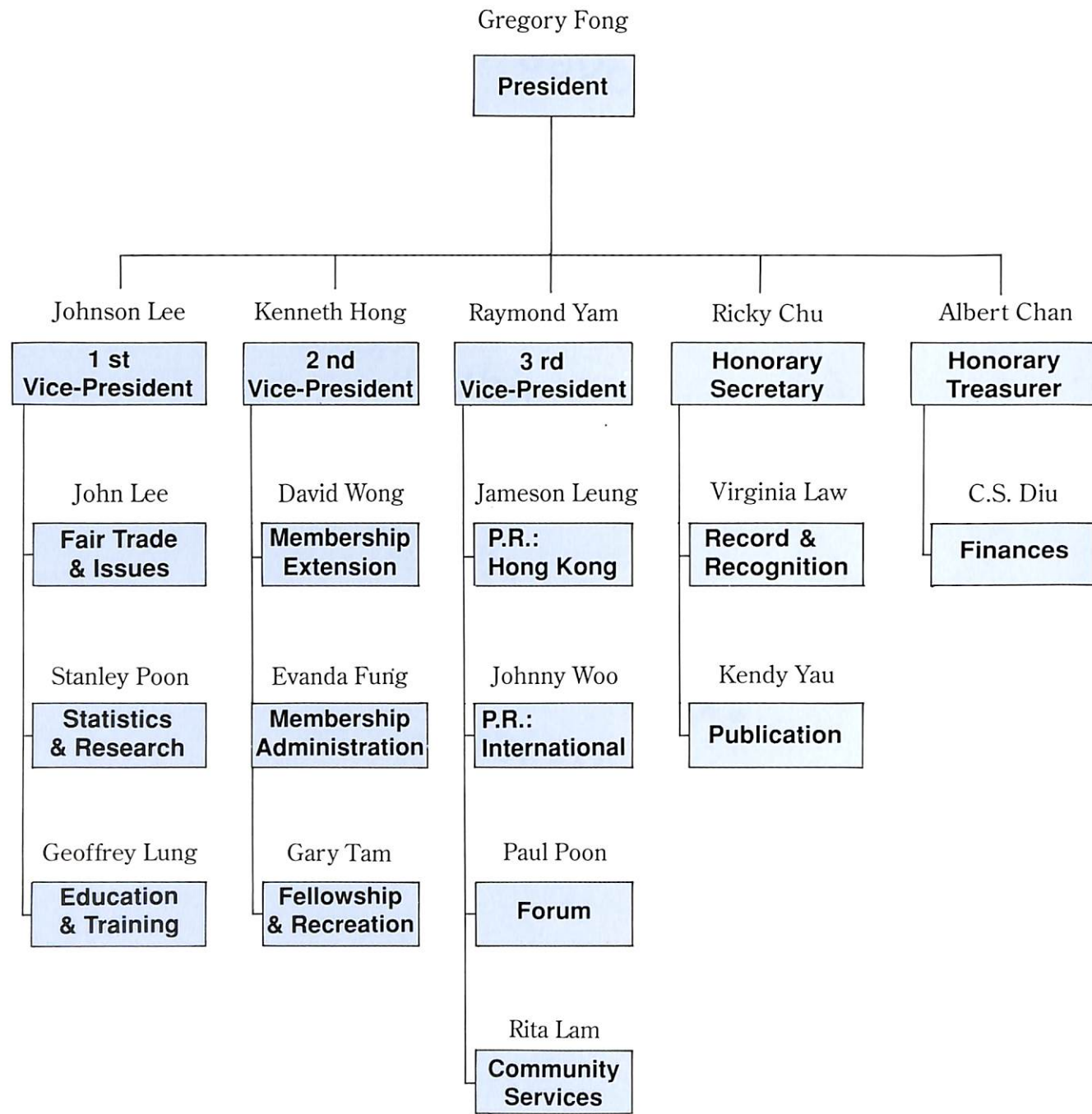
GENERAL INSURANCE:
1801-1808, 18/F Admiralty Centre,
Tower II, 18 Harcourt Road, Hong Kong.
Tel: 527 8781 Fax: 861 0806



UAP - VIE
Hong Kong Branch

LIFE OPERATION:
Rm.3204, 32/F, Admiralty Centre,
Tower I, 18 Harcourt Road, Hong Kong.
Tel: 865 3387 Fax: 804 1730





Hon. Legal Advisor: Mr. Simon Ip, YUNG, YU, YUEN & CO.
 Hon. Auditor : Mr. David Tsoi, WAN, TSOI & CO.

Month	1993 December	1994 January	February	March	April	May	June	July	August	September	October	November	December
Commission													
Fair Trade & Issues	1994 ECI Changes	Insurance Bill											
Statistics & Research	1994 ECI Changes	Insurance Bill											
Education & Training						Training Course							
Membership Extension	Membership Drive			Membership Drive			Membership Drive			Membership Drive			Membership Drive
Membership Administration	Setting-up of Membership Management System		Membership Conversion					Updating of Member's Information					Membership Handbook
Fellowship & Recreation	"Panchol" Fiesta				Fellowship					Fellowship			
P.R.: Hong Kong	Inauguration Ceremony												
P.R.: International													
Forum	5th Forum	6th Forum			Forum					Forum			
Community Services			Charity Walk										
Record & Recognition	① Preparation of recognition				② Policy manual					③ Full records of Chamber's operation			④ Awards Presentation
Publication	Charter Issue												4th Issue
Finances	Fund Raising												Financial Reports
Secretariat	ECM	ECM	ECM	ECM	ECM	ECM	ECM	ECM	ECM	ECM	ECM	ECM & AGM	Audited Accounts
													ECM

ECM: Executive Committee Meeting
 AGM: Annual General Meeting

Under the Insurance Companies Ordinance (Amendment of Third Schedule) Regulations 1990, insurers authorized to carry on insurance business are required to submit annual returns on their Hong Kong business. 1991 is the first year that Hong Kong market statistics of all authorized insurers have been reported. The statistics below are quoted from the Annual Report of the Office of The Commissioner of Insurance for 1992, giving results of companies for the fiscal year ended 1991.

Long Term Insurance Business

Policies In Force - Individual Life Insurance	
	HK\$
Number of Policies #	1,493,307
Total Office Premium	6,747,000,000
Average Premium per policy	4,518
Total Sum Assured	458,826,000,000
Sum Assured Relative to GDP	72.00%
Sum Assured per household	289,990
Policy Type	
	Market Share
Whole Life Policies	81.60%
Endowment Policies	12.50%
Term Policies	5.80%
Others	0.10%
Total	100.00%

Policies In Force - Group Life Insurance	
	HK\$
Number of Policies #	18,701
Total Office Premium	255,000,000
Average Premium per policy	13,636

Policies In Force - Retirement Schemes	
	HK\$
Number of Schemes #	5,949
Total Office Premium	3,734,740,000
Average Premium per Scheme	627,793
Total Accumulated Funds	15,902,000,000
Average Fund Bal per Scheme	2,673,054

Persistency - Overall Voluntary Termination Rate	
Whole Life Policies	12.60%
Endowment Policies	10.50%
Term Policies	14.80%

New Business - Individual Life Insurance	
	HK\$
Number of Policies #	442,725
Total Office Premium	2,528,000,000
Average Premium per policy	5,710
Policy Type	
	Market Share
Whole Life Policies	81.90%
Endowment Policies	12.50%
Term Policies	5.50%
Others	0.10%
Total	100.00%

Actual number of policies / schemes

Number of Authorized Life Insurers		
(as at 31.12.1992)		
Place of Incorporation	Pure	
	Long Term	Composite
Australia	1	
Bermuda	7	2
Canada	4	
China	2	1
France	1	
Germany		1
Guernsey	1	
Hong Kong	6	9
Isle of Man	4	
Italy		1
Switzerland	3	
Thailand		1
United Kingdom	5	4
U.S.A.	6	1
Total	40	20

Prepared on 18-Feb-94 by Stanley Poon, Director of Statistics & Research

No. of Agents Registered as at 14-Feb-94	General	Life	Both
Company Agents	2,281	85.60%	12.70%
Individual Agents	17,377	7.20%	83.10%

Source : The Hong Kong Federation of Insurers

General Insurance Business

(Source : Annual Report 1992 - Office of the Commissioner of Insurance)

Net Premiums Analysis for the year ended 1991				All amounts in HK\$'M	
Class of Business	Direct Business	Reinsurance	Total	Share %	
Accident & Health	898.02	28.99	927.01	13.07	
Motor Vehicle	1,913.47	145.28	2,058.75	29.03	
Aircraft	0.44	8.24	8.68	0.12	
Ships	33.11	37.15	70.26	0.99	
Goods in Transit	507.34	122.09	629.43	8.88	
Property Damage	788.89	708.77	1,497.66	21.12	
General Liability	994.13	133.45	1,127.58	15.90	
Pecuniary Loss	56.91	65.76	122.67	1.73	
Non-Proportional Treaty	--	91.56	91.56	1.29	
Proportional Treaty	--	557.10	557.10	7.86	
Total	5,192.31	1,898.39	7,090.70	100.00	

Direct Business Analysis for the year ended 1991				
All amounts in HK\$'M				
Class of Business	Commissions Payable	As % of Gross Premium	Net Claims Incurred	Claims Ratio in %
Accident & Health	210.63	19.00	496.12	57.40
Motor Vehicle	703.71	30.90	971.70	55.20
Aircraft	0.03	--	(0.10)	--
Ships	34.69	10.70	25.19	69.00
Goods in Transit	198.13	22.80	161.04	32.00
Property Damage	854.90	38.10	207.91	26.80
General Liability	455.74	30.30	637.76	66.40
Pecuniary Loss	42.67	22.90	17.59	35.10
Total	2,500.50	29.40	2,517.21	50.90

Result of Statutory Business for the year ended 1991				
All amounts in HK\$'M				
	Launch, Ferry Vessel & Pleasure Vessel	Employees' Compensation	Motor Vehicle	Total
Gross Premium	23.40	1,291.89	2,276.52	3,591.81
Net Premium	8.25	899.77	1,913.47	2,821.49
Net Claim Incurred	3.74	584.97	971.70	1,560.41
Underwriting Profit/ (loss)	0.67	(171.86)	(5.85)	(177.04)

Prepared on 18-Feb-94 by Stanley Poon, Director of Statistics & Research

WITH COMPLIMENTS OF



Corporate healthcare Schemes



Data Insurance Consultants Ltd
Data Life Insurance Consultants Ltd
集信保險代理有限公司
集信人壽保險代理有限公司



TRINITY GENERAL INSURANCE COMPANY LTD.
三聯保險有限公司




BONWICK INTERNATIONAL LTD
TRANS-PACIFIC INSURANCE AGENCIES LTD
TRANS-PACIFIC INSURANCE BROKERS LTD



民安保險


The Union Insurance Society of HK Ltd
congratulates the HKCII on its
inauguration, and wishes the organization
a long and successful role in representing
the legitimate wishes of its members.



CHARLES MONAT LTD
Suite 702 Dina House 11 Duddell Street Hong Kong
Tel: 524-8176 Fax: 845-9149



B & J Company
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中國人民保險公司
瀋陽市分公司
The People's Insurance Company of China
Shenyang Branch



National Mutual Insurance Co., Ltd.
國衛保險有限公司

WITH COMPLIMENTS OF



Tugu Insurance Company Limited.
德高保險有限公司




PRUDENTIAL
The Prudential Assurance Company Limited
General Branch
11/F., The Prudential Assurance Tower,
79 Chatham Road, T.S.T. Kowloon.
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UNITS C & D, 8TH FLOOR, TRUST TOWER,
68 JOHNSTON ROAD, WANCHAI, HONG KONG.
TEL: 5271188 FAX: 5271277



HKSI
香港上海聯保保險有限公司
HONGKONG & SHANGHAI INSURANCE CO., LTD.
(Incorporated in Hong Kong)
Associated with Bank of America (Asia) Ltd.



New York Life Insurance Worldwide Ltd.
(Incorporated in Bermuda with Limited Liability)
紐約人壽環球保險有限公司



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SINCE 1939
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China Hong Kong Insurance Consultants Ltd.
中港保險顧問有限公司

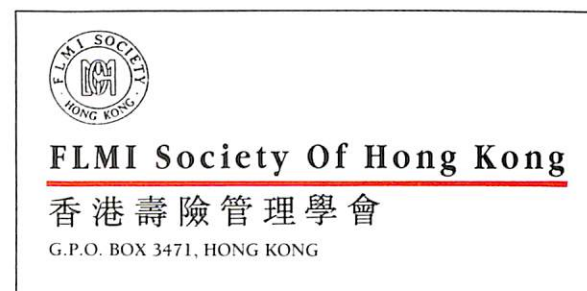
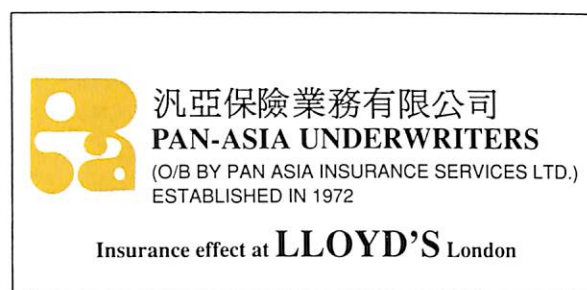


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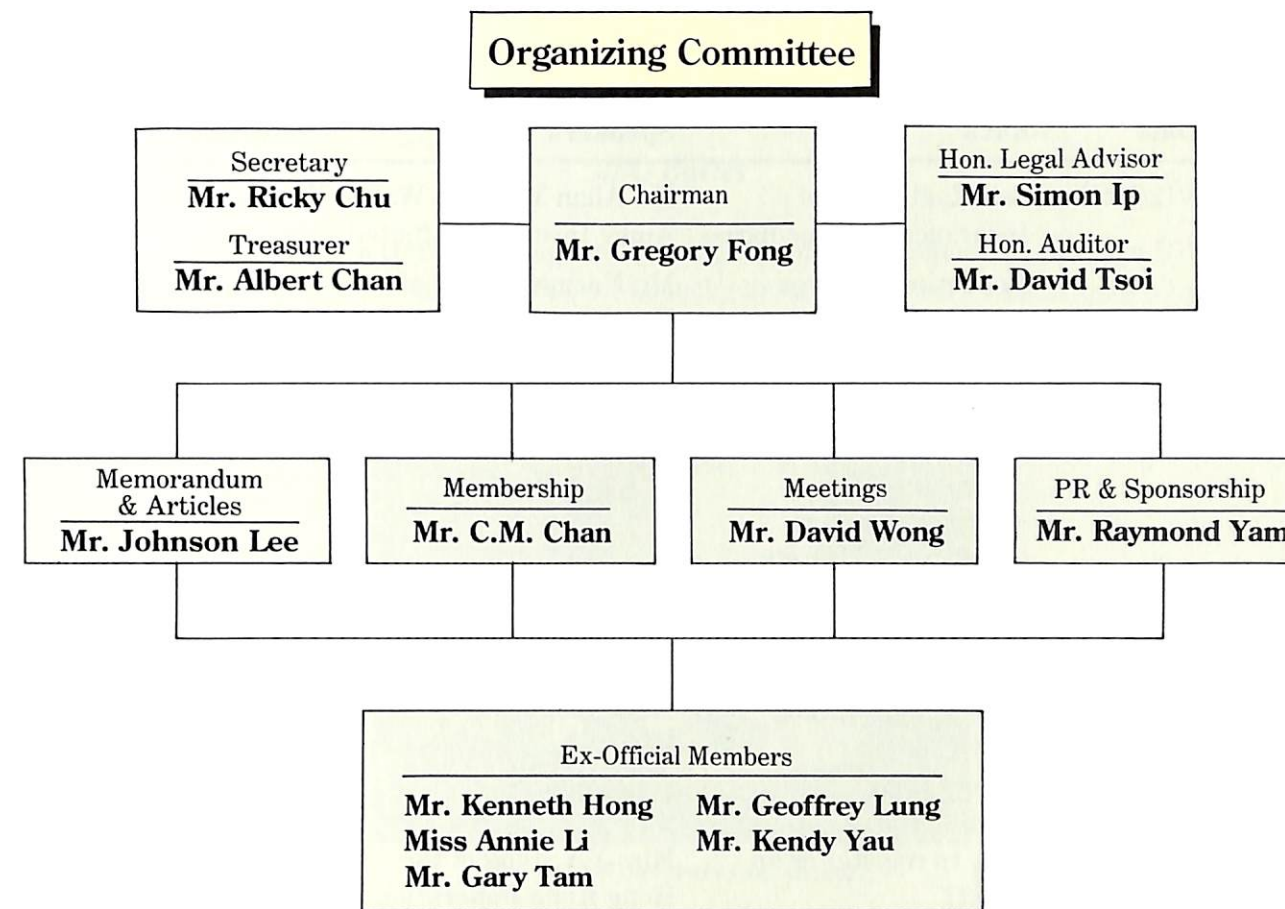


中國人民保險公司
福建省分公司
THE PEOPLE'S INSURANCE COMPANY
OF CHINA FUJIAN BRANCH

WITH COMPLIMENTS OF



Snap Shots During Formation



Forums

During the formation period of our Chamber, a total of four forums were held for the discussion of some key issues prevailing in the industry. Sincere thanks to all our guest speakers of the following forums.



Our friend Mr. Hilson Ng speaking on "Is 4 an appropriate number?" (Is he not from Family Planning?)



Our box office record were: 60, 70, 140, 160.

Forums

Forum	Date	Topics	Speakers	Convener
1st	8/12/1992	<ul style="list-style-type: none"> - Self Regulation of Insurance Intermediaries - Reduction of Motor commission 	Mr. Allan Yu of Ka Wah Amev Insurance Limited Mr. Norman Tsang of Sun Alliance Hong Kong	Mr. Raymond Yam
2nd	5/1/1993	<ul style="list-style-type: none"> - The existence of non-insurance major: <ul style="list-style-type: none"> - travel agent; - car salesman; - bank & credit; & - part time sales, etc. - Can sub-agent survive? 	Mr. Lawrence Li of QBE Insurance (Hong Kong) Limited Mr. Joseph Lynn of Euro-America Insurance Ltd.	Mr. C. M. Chan
3rd	16/2/1993	<ul style="list-style-type: none"> - Is '4' an appropriate number? - Should Commission be regulated ? 	Mr. Hilson Ng of Provincial Insurance Hong Kong Ltd.	Mr. Gregory Fong
4th	13/5/1993	<ul style="list-style-type: none"> - How to register as an agent? - How to become a licensed broker? - The introduction of the proposed Hong Kong Chamber of Insurance Intermediaries 	Miss Y.Y. Tang of the Hong Kong Federation of Insurers Mr. Raymond Sit of the Hong Kong Confederation of Brokers Mr. Gregory Fong of the proposed Hong Kong Chamber of Insurance Intermediaries	Mr. Geoffrey Lung

Public Relation

During the formation period, Organizing Committee had made extra efforts to visit various associations and authorities, to promote the formation of our Chamber, as well as to enbetter mutual understanding.

- The Office of the Commissioner of Insurance
- The Hong Kong Federation of Insurers
- Consumer Council
- Insurance Training Board
- The Life Underwriters Association of Hong Kong Ltd.
- Professional Insurance Brokers Association
- Chinese Underwriters Club



Fellowships

BBQ Buffet

To enhance better friendship and bondage among provisional members, a BBQ buffet dinner accompanied by rock music, with over 50 lucky draw prizes, were well attended by over 70 people on 14/7/1993 at Hotshot, one of the most popular teenager joints in town.



Provisional members exchanging ideas.



Let's get drunk!



Good food and plenty of smiling faces.

First General Meeting

On September 7, 1993 over 50 odd provisional members gathered together and voted unanimously for the formation of the Chamber and adoption of its Memorandum and Articles of Association as well as its English & Chinese name.

Also 19 Executive Committee members were elected in the course of meeting. So please remember, Sept. 7, 1993 is the Chamber's birthday.



Let's vote.



"Why? Why we need to form the Chamber?" Explaining by Organizing Committee Chairman Gregory.



Our devoting Organizing Committee members awaiting anxiously at the front desk receiving provisional members.



Karaoke immediately after AGM. Must be a big relief.

First General Meeting

M & A

MEMORANDUM
AND
ARTICLES OF ASSOCIATION
OF
HONG KONG CHAMBER OF INSURANCE INTERMEDIARIES
(香港保險中介人商會)

Incorporated the _____ day of _____ 1993

YUNG, YU, YUEN & CO.
Solicitors & Notaries
10th-12th Floors
Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

Agenda

HKCIIE
HONG KONG CHAMBER OF INSURANCE INTERMEDIARIES
PROPOSED

NOTICE OF FIRST GENERAL MEETING

Notice is hereby given that the First General Meeting will be held on Tuesday, 7th September 1993 at 6:15 p.m. at the Royal Hong Kong Auxiliary Officers Mess, 3/F., Beaconsfield House, 4 Queen's Road, Central, Hong Kong.

A G E N D A

1. Meeting called to order
2. Establishment of Voting Strength
3. Adoption of Agenda
4. Reports by Chairman of the Organising Committee
5. Adoption of Statements of Accounts for the formation period of the Chamber, as examined by Hon. Auditor
6. Adoption of Memorandum and Articles
7. Adoption of proposed First Year Executive Committee
8. Appointment of Honorary Legal Advisor
9. Appointment of Honorary Auditor
10. Any other business
11. Adjournment

By Order of the Organising Committee
Ricky Chu
Ricky Chu
Secretary

Organising Committee
Chairman: GREGORY HONG Tai Hing Tai Fax 481515 Secretary: RICKY CHU Tai Hing Tai Fax 481506 Treasurer: ALBERT CHAN Tai Hing Tai Fax 481507
Sub-Chairman: CHUNG HING Tai Hing Tai Fax 481515 PA & Secretary: LEE Tai Hing Tai Fax 481515 Membership: CHAN CHAN Tai Hing Tai Fax 481515 Honorary: DAVID WONG Tai Hing Tai Fax 481515
Hon. Auditor: BALWIND YAM Tai Hing Tai Fax 481515
Hon. Legal Advisor: SHUM Tai Hing Tai Fax 481515
Hon. Treasurer: ALBERT CHAN Tai Hing Tai Fax 481507
Hon. Secretary: RICKY CHU Tai Hing Tai Fax 481506
Hon. Chairman: GREGORY HONG Tai Hing Tai Fax 481515
Hon. Sub-Chairman: CHUNG HING Tai Hing Tai Fax 481515
Hon. PA & Secretary: LEE Tai Hing Tai Fax 481515
Hon. Membership: CHAN CHAN Tai Hing Tai Fax 481515
Hon. Honorary: DAVID WONG Tai Hing Tai Fax 481515
Hon. Honorary Auditor: BALWIND YAM Tai Hing Tai Fax 481515
Hon. Honorary Legal Advisor: SHUM Tai Hing Tai Fax 481515

Accounts

**The Proposed
Hong Kong Chamber of Insurance Intermediaries
Income & Expenditure Account for the Period
Ended August 31, 1993**

	Notes	HKS	HKS
INCOME			
Membership Subscriptions			72,000.00
30 Patronizing Members @ \$2,000. each		72,000.00	
60 Provisional Members @ \$200. each.		60,000.00	
Sponsorship & Donation	9	12,000.00	
			0.00
EXPENDITURE			
Advertising & Promotion			(8,658.70)
Bank Charges			
O.C. Function Expenses	10	1,300.00	
Postage		0.00	
Printing & Stationery	11	1,761.60	
Sundry Expenses		1,159.60	
		4,397.50	
			0.00
Surplus for the Period			63,341.30
Accumulated Funds brought forward			0.00
Accumulated Funds carried forward			63,341.30

Approved by the Organising Committee on September 3, 1993

On behalf of the Organising Committee

Chairman: *[Signature]*
Deputy Treasurer: *[Signature]*
Treasurer: *[Signature]*

WITH COMPLIMENTS OF



曼徹斯特保險顧問公司
MANCHESTER INSURANCE



萬事保險代理有限公司
Mass Insurance Management Ltd.

Sunny Yau Motor Survey Co Ltd

Rm 2020, Metro Centre II, 21 Lam Hing Street, Kowloon Bay, Kowloon
Tel: 7563328 Fax: 7969690



PIONEER INSURANCE & SURETY CORPORATION
HONG KONG BRANCH



環球保險業務公司
Universal Insurance Services

香港九龍旺角西洋菜街1A-1K百寶利商業中心1106-7室
Rm. 1106-7, Pakpolee Commercial Centre,
1A-1K Sai Yeung Choi St., Mongkok, Kowloon, Hong Kong.
Tel: 7700291 (5 Lines) Fax: 3856363



太平保險有限公司 香港分公司
THE TAI PING INSURANCE CO., LTD. HONGKONG BRANCH



Thomas Howell Group (Hong Kong) Ltd.
湯馬遜 (香港) 有限公司



SHERATON UNDERWRITERS LIMITED
喜來登保險



中國保險公司香港分公司
CHINA INSURANCE CO., LTD. HONGKONG BRANCH



輝巽保險有限公司

FAI First Pacific Insurance Company Limited

WITH COMPLIMENTS OF



SINCERE INSURANCE AGENCY LTD.
盛勢保險代理有限公司



Acanda International Ltd.
Insurance Services

雅德保險服務有限公司



The Pacific Insurance Co., Ltd.
(Member of The Pacific Group)
太平洋保險有限公司
(太平洋集團機構)



GREAT EAST ASIA SURVEYORS & CONSULTANTS CO. LTD.
東亞公証行有限公司



TRANSAMERICA
LIFE COMPANIES



CHINA MERCHANTS INSURANCE COMPANY LIMITED
招商局保險有限公司



ROGER HOUGHTON LOSS ADJUSTERS LTD
ROGER HOUGHTON MOTOR SURVEYS LTD
候頓公証行



HANSON INSURANCE SERVICES LIMITED
(IN ASSOCIATION WITH HOLLAND INSURANCE BROKERS (FAR EAST) LTD)
恒信保險顧問有限公司



Alliance Adjusters Company
LOSS ADJUSTERS & ASSESSORS
聯昌公証行

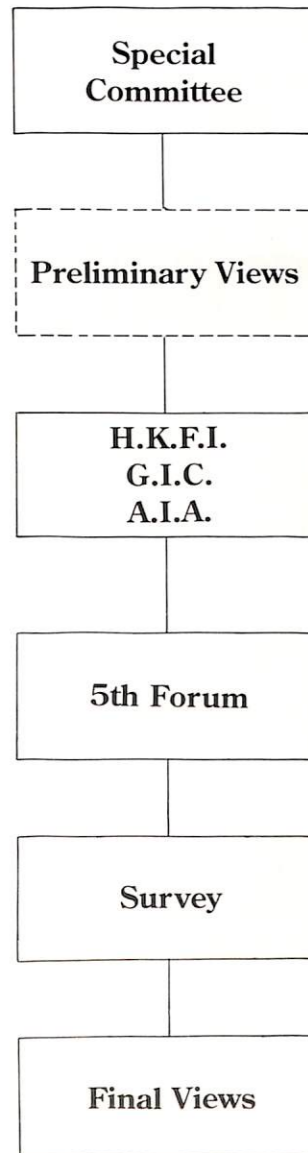


恒進公司
PROGRESS CO.
(INSURANCE SERVICES)

Fair Trade & Issues

2 issues were tackled by the Chamber immediately after formation.

(1) Proposed changes in Employees' Compensation Insurance effective from 1.1.94:



A special committee headed by Mr. John Lee, Director of Trade Issues, was formed to collect and gather information regarding the issue.

Interview with representatives of H.K.F.I, G.I.C. & A.I.A. on 29.10.93 on presentation of our Chamber's preliminary views.

Our fifth forum with attendance over 160, convened by Mr. Ricky Chu, was held on 11.11.93 for the discussion of this subject.
(Guest Speaker: Mr. Paulus Kam, Deputy Chairman of Accident Insurance Association of Hong Kong.)

Immediately after the 5th forum, questionnaires were sent out to our members and concerned parties for compilation of views and opinions in statistical forms.

Final views in respect of the Issue were drafted up by our Director of Trade Issues and despatched to HKFI, GIC, AIA, Local Insurers, concerned parties and our members.

Survey

Statistical Summary of Survey dated 22-Nov-93 on Employee Compensation Insurance

		A	B	C	D	E	X
		Strongly Agree	Agree	No Comment	Strongly Disagree	Disagree	No Comment
Part I - Increase in Tariff Rates by 40 %							
Q1. Do you agree that increase of the tariff premium by 40 % is a reasonable move ?	No. %	1 1.61	26 41.94	10 16.13	7 11.29	18 29.03	
		No Inceas.	+ 20%	+ 80%	+ 100%	+ 30%	
Q2. If not, what other percentage of increase is acceptable ?	No. %	0 0.00	21 33.87	6 9.68	0 0.00	2 3.23	33 53.23
Part II - Intermediaries' Commission							
		Strongly Agree	Agree	No Comment	Strongly Disagree	Disagree	
Q1. Do you agree that cutting intermediaries' commission is a good solution to improve underwriting results ?	No. %	0 0.00	3 4.84	4 6.45	28 45.16	27 43.55	
Q2. If intermediaries' commission is reduced to 15 %, do you agree that No rebating to customers is feasible and practical ?	No. %	12 19.35	26 41.94	4 6.45	7 11.29	13 20.97	
Q3. Do you agree that a 15 % commission to intermediaries may still maintain a reasonable profit margin to compensate their operating costs and risks involved ?	No. %	0 0.00	10 16.13	1 1.61	22 35.48	29 46.77	
Q4. Do you agree that a minimum commission amount should be adopted to all employees' compensation insurance policy to protect the interest of intermediaries ?	No. %	19 30.65	26 41.94	7 11.29	5 8.06	5 8.06	
Q5. Do you agree to the comment that " cutting intermediaries commission has now become a trend threatening the survival of insurance intermediaries in the market " ?	No. %	28 45.16	20 32.26	10 16.13	2 3.23	2 3.23	
Solution ranked fm (1) to (5), with (1) the top priority, (5) the lowest, (X) is NOT regarded as a solution.							
		(1)	(2)	(3)	(4)	(5)	(X)
S1. Cutting Intermediaries' Commission	No. %	1 1.64	2 3.28	1 1.64	6 9.84	32 52.46	19 31.15
S2. Encourage accurate wages declaration	No. %	44 70.97	8 12.90	4 6.45	1 1.61	2 3.23	3 4.84
S3. Different commission percentage for different risks	No. %	3 4.92	12 19.67	15 24.59	18 29.51	6 9.84	7 11.48
S4. Discourage premium rate cutting	No. %	2 3.23	22 35.48	16 25.81	17 27.42	0 0.00	5 8.06
S5. Encourage more liberal risk acceptance by insurer at adequate rate	No. %	9 14.52	16 25.81	18 29.03	12 19.35	2 3.23	5 8.06
Part IV - Portfolio Mix of Your Business							
		Below 10 %	10 to 20 %	20 to 30 %	30 to 40 %	40 to 50 %	above 50 %
Q1. What is the percentage of derived from Employee's Compensation Insurance in your total commission income ?	No. %	11 18.33	11 18.33	16 26.67	12 20.00	6 10.00	4 6.67
Q2. How serious do you think your income will be affected, if Insurance Intermediaries' commission is reduced to 15 % as proposed by the Fed'n of Insurers is going to be implemented ?	No. %	Very Serious 14 23.33	Serious 18 30.00	Moderate 20 33.33	No Comment 4 6.67	No Effect 4 6.67	Improving 0 0.00

Prepared on 07-Dec-93 by Stanley Poon, Statistics & Research

Survey

Hong Kong Chamber of Insurance Intermediaries

Result of Survey dated 22-Nov-1993 on Employee Compensation Insurance

- Method of Survey : By means of opinion questionnaires as per Appendix I enclosed. The questionnaires were sent out to the sample group by fax to their last known fax numbers recorded with the Chamber.
- Sample group : All members of Hong Kong Chamber of Insurance Intermediaries and those who attended the Forum organised by the Chamber on "The Proposed Changes on Employee Compensation Insurance" on November 11, 1993. A total of 108 questionnaires were sent out.
- Responses : A total of 62 replies were received via fax, representing a response rate of well over 57%.
- Result of the findings : A full statistical summary of the survey is enclosed as per Appendix II.

Interpretation :-

Part I - Increase of Tariff by 40%

- Q1. More than 41% of the respondents regarded the increase of the tariff rate by 40% to be a reasonable move. This is probably due to the detail statistical figures provided by the Federation of Insurers during the 5th Forum organised by the Chamber.
- Q2. A 53.23% of the replies placed *no comment* to what other percentage of increase is acceptable, which is a result of those who have agreed on Q1, i.e. a 40% increase, would simply leave this question blank. Quite a number of respondents, i.e. 33.37%, however felt that a more moderate increase of say 20% as a better approach.

Cont'd.../2

Part II - Intermediaries' Commission

- Q1. Almost 90% of the respondents, out of which 45.16% strongly, felt that cutting Intermediaries' Commission is NOT a good solution to improve underwriting results.
- Q2. 41.96% tends to agree that a 15% commission to intermediaries has to be followed by NO rebating to customers. However, a 20.97% felt that NO rebating to customers is NOT feasible and practical.
- Q3. A 82.25% of the replies, out of which over 41% strongly, stated that a 15% commission to intermediaries may NOT maintain a reasonable profit margin to compensate their operating costs and risks involved.
- Q4. More than 72% of the respondents agreed that a minimum commission should be adopted to all employees' compensation insurance policy.
- Q5. A 77.42% of the respondents felt that cutting intermediaries commission has now become a trend threatening the survival of insurance intermediaries in the market.

Part III - Long term solution

- S1. Less than 7% of the replies felt that cutting Intermediaries' commission as a long term solution.
- S2. More than 83% of the replies regarded "Encourage accurate wages declaration" as the best long term solution among all other alternatives.
- S3. "Different commission percentage for different risks" was ranked a lower priority among others.
- S4. More than 38% ranked "Discourage premium rate cutting" as a higher priority.
- S5. More than 40% of the replies regarded that "Encourage more liberal risk acceptance by insurer at adequate rate" is a second to best long term solution.

Cont'd.../3

Part IV - Portfolio Mix of Your Business

- Q1. A closer look of the the portfolio mix of the respondents reflected that a 27% of them have a 20 to 30% of EC portfolio in their business, while 20% have a higher portfolio of 30 to 40%.
- Q2. Nobody regarded the proposed change will improve their premium income, despite the fact that there is a 40% increase in the tariff rates across the board. Some 53% of the replies felt that the change will seriously affect their business, while a 33% regarded the effect as moderate.

Conclusion

- From the opinion survey received from the respondents, we see that people are more supportive to the proposed increase of the tariff rates, after they are better informed of the real situation. This reminds us of the importance of the role of the Chamber in improving the communication between insurers and intermediaries.
- Insurance intermediaries in general have a very strong hard feeling towards the cutting of their commission, the bread and butter of their business, whenever there is a deteriorating of the underwriting results. Most regarded this to be unfair and the last resort of insurers towards the pressure of consumers in increasing the tariff rate. If this trend is to continue, without proper improvement in communication between insurers and intermediaries, the hand-in-hand working relationship of the two functional groups may be in doubt.
- Most intermediaries realized that cutting intermediaries commission has now become a trend threatening their survival. More active steps appears into consideration of the position of intermediaries concerned to take dramatic changes to the commission rewarding systems.
- With regard to the specific issue of improving the underwriting result of Employee Compensation Insurance, the general view appears to be to place more emphasis on encouraging more accurate wages declaration, and more liberal risk acceptance by insurers at adequate rate.

Stanley Poon
Director, Statistics & Research
January 3, 1994

Final Views on Proposed Changes in Employees' Compensation Insurance

A survey has been conducted by the Chamber in last December on the above issue. 62 questionnaires were received representing a response rate of 57% out of 108 questionnaires sent.

Based on the results of the survey and the forum held in December, 1993, we would like to present our final views on the Proposed Changes in Employees' Compensation Insurance as follows:

(1) Increase in Tariff Rates

Based upon the statistical figures given by the Federation of Insurers during the Forum organised by the Chamber, we think that the present increase of tariff rate by 40% is reasonable.

However, we do not anticipate that the present increase in premium will improve the commission income of the intermediaries. On the contrary, most of the Intermediaries feel that their business and hence profits will be adversely affected due to the reduction in commission rate.

(2) Intermediaries' Commission

We strongly oppose to the proposal of cutting of intermediaries' commission as a mean to improve the underwriting results and operating performance of the employees' compensation insurance of the industry. Moreover, we feel that 15% commission will not be sufficient to maintain our services at a reasonable profit margin in view of escalating operation costs and risks involved. Besides, more money, effort and time will be required by the Intermediaries to improve their professional standard and services following the implementation of the Codes of Conduct and Registration requirements. The restriction to a maximum representation of four insurers also limits the business opportunity of the agents. All these will have adverse effect on the income of the intermediaries.

While there is minimum premium set by insurers for the sake of administration costs and overhead involved in issuing policies, the Chamber is afraid that the reduction of Intermediaries commission may become a trend threatening the survival of the Intermediaries in the market. The Chamber is very concerned about whether opinion of the Intermediaries will be consulted and taken into consideration in similar reduction in future.

(3) Long Term Solutions

We will support any reasonable long term means to improve the underwriting results and hence the profits of the insurers. Any such changes should be carefully studied. Intermediaries should be given a chance to express their opinion and a right to be heard. Any changes that cannot achieve mutual benefits will only jeopardize the relationship between insurers and intermediaries. The present deduction in commission rate at the sole expense of Intermediaries should not be treated as a permanent solution to the Employees' Compensation Insurance problems faced by the industry. Instead, the following suggestions should be considered:

- To encourage more accurate wages declaration

This will call for more marketing effort from the intermediaries to educate and to ensure the insured to insure adequate amount.

2. Different percentage of premium increase for different risks

There should be different percentage increase in the tariff rates for different risks and occupational classes. This can avoid unfair situation where the low risks category policyholders subsidising the higher risks category policyholders.

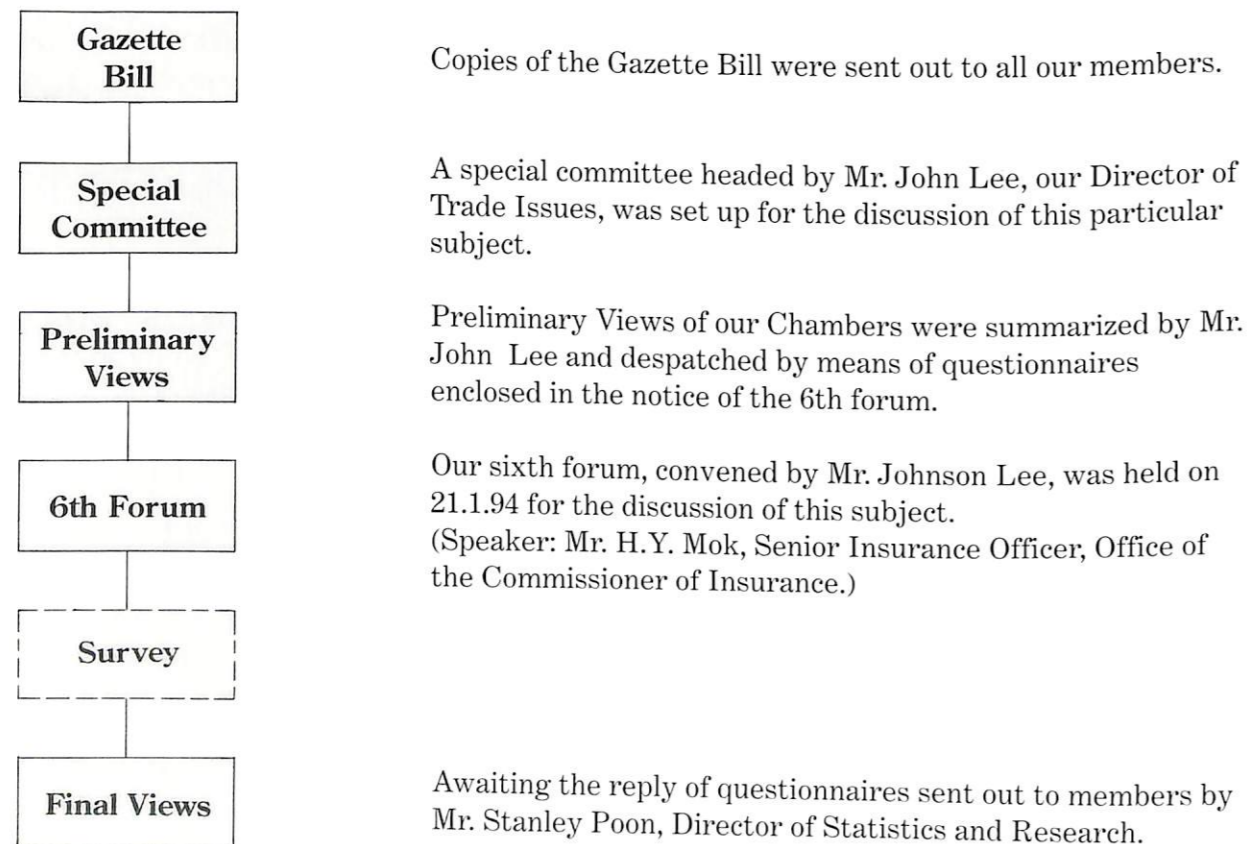
3. Discourage rate cutting

Sufficient rating should be charged for the relevant risks and rate cutting practice should be sanctioned. Insurers should be encouraged to accept higher risks business on basis of adequate premium rate.

(4) Conclusion

In order to maintain and to promote a healthy growth of the insurance industry, mutual understanding, cooperation between insurers and the intermediaries are indispensable. In order to maintain a harmonic working relationship, there should be communication channel among the bodies to communicate and discuss the issues relating to the development and growth of the insurance industry. Only through consultation and not confrontation can we arrive at the best solution that will be beneficial to all parties.

(D) Proposed "Insurance Companies (Amendment) (No.3) Bill 1993"



Preliminary View for the Proposed "Insurance Companies (Amendment) (No.3) Bill 1993"

1. There should be transitional period to allow the intermediaries to adapt to the proposed amendment.
2. The law should permit the agents to continue the service of those contracts of insurance arranged prior to the commencement of the proposed amendment (similar to s.77(4) for brokers).
3. The law should clarify whether those agents can still be entitled to commission on previous business (e.g. life business renewal commission) introduced to insurers with whom they have not currently registered.
4. S.66 should be amended to allow sufficient time (e.g. 30 days) for the agent to defend. The burden of proving that the agent has breached the code should lie on the Insurance Authority or the complainant and the agent should be presumed to be innocent until such allegation has been proved.
5. Deregistration duration is not specified in the Bill.
6. There should be an independent board instead of Financial Secretary to hear the appeal.
7. Agents/Brokers should be allowed to continue their business during the appeal period.
8. There should be mechanism to ensure that the Insurance Authority will exercise its power properly. The Bill should provide remedies and compensation in the event of wrongful deregistration?
9. *s.76 Offences-The Penalty is Too Heavy!!*
 - a. operating as travel agent without a licence:
 - upon indictment to a fine of \$100,000 and to imprisonment for 2 years
 - on summary conviction to a fine of \$10,000 and to imprisonment for 6 months
 - b. unqualified person unlawfully practising as a barrister or notary public:
 - summary conviction to a fine of \$10,000
 - c. unqualified person pretending to be a solicitor:
 - summary conviction to a fine of \$10,000
10. *s.76 Offences*
The wordings for the penalty sections should be changed to: "... a maximum fine of \$... and to maximum imprisonment for...years" so as to allow discretionary power for the judge to decide the appropriate penalty according to the seriousness of the offence.

Survey

HONG KONG CHAMBER OF INSURANCE INTERMEDIARIES
香港保險中介人協會

To : Stanley Poon, Statistics & Research (Fax #5280609 /8156015 /8345195)
Tel _____ Fax _____

From : Name _____
Company Name _____
Member of Hong Kong Chamber of Insurance Intermediaries? (Yes/No) _____

February 16, 1994

HKCII - Statistics & Research (SP01/94 Page 1 of 2)

Based on the background details provided during our Sixth Forum organised on January 21, 1994 in respect of the Insurance Companies (Amendment) (No.3) Bill 1993, please give your opinion as follows :-

Part I - Transition Period

- Do you agree that a transition period should be allowed to intermediaries to adapt to the proposed amendment? Agree No comment
 Strongly agree Disagree
 Strongly disagree
- If yes, how long do you think the transition period is acceptable?
 Three months Six months No comment
 One year Two years
- Insurance brokers are exempted from seeking authorization to service the requirements of those contract of insurance arranged prior to the commencement of the proposed amendment. Do you agree that insurance agents should be treated similarly? No comment
 Strongly agree Agree Disagree
 Strongly disagree
- Do you agree that the renewal commission on previous business introduced to insurers by agents to whom they have not currently registered with are a matter of private arrangement among the parties concerned?
 Strongly agree Agree No comment
 Strongly disagree Disagree
- Do you agree that the law should clarify this issue more precisely?
 Strongly agree Agree No comment
 Strongly disagree Disagree

Cont'd .../2 G.P.O. Box 6542, Hong Kong

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Part II - Burden of Proof and Appeal

- Before there is any concrete evidence that an agent/ broker is in breach of the Ordinance, do you agree that the agent / broker should be presumed to be innocent and the burden of proving to the contrary should be left with the authority concerned?
 Strongly agree Agree No comment
 Strongly disagree Disagree
- During the period of appeal, do you agree that the agent / broker should be allowed to continue their business?
 Strongly agree Agree No comment
 Strongly disagree Disagree
- Do you agree that an independent board should be established to hear the appeal instead of the Financial Secretary?
 Strongly agree Agree No comment
 Strongly disagree Disagree

Part III - Offence vs. Penalty

- Compared with existing Ordinance applicable to other professional bodies, do you agree that the penalty imposed on insurance intermediaries for offences is far too harsh?
 Strongly agree Agree No comment
 Strongly disagree Disagree
- Travel agents may have chances of handling millions of dollars. Do you agree that the penalty applicable to insurance intermediaries should not in anyway more heavy than industry such as travel agents?
 Strongly agree Agree No comment
 Strongly disagree Disagree

Part IV - Enforcement of Penalty

- Do you agree that the judge should be allowed a discretionary power to decide the appropriate penalty according to the seriousness of the offence?
 Strongly agree Agree No comment
 Strongly disagree Disagree
- If yes, do you agree that the wordings for the penalty sections under s.76 Offences, should be changed to "... to a maximum fine of \$... and to maximum imprisonment for ... years".
 Strongly agree Agree No comment
 Strongly disagree Disagree

*Thank you for your time and effort for completing the above.
Please fax this form immediately to 5280609/ 8156015/ 8345195 .
If you have additional comments, please use separate sheets.*

Fellowship

"Panchoi" Fiesta

One of our successful programmes, the 'PANCHOI FIESTA' at the New Territories, was held on December 12, 1993. It was organized by Mr. Gary Tam, our Director of Fellowship.

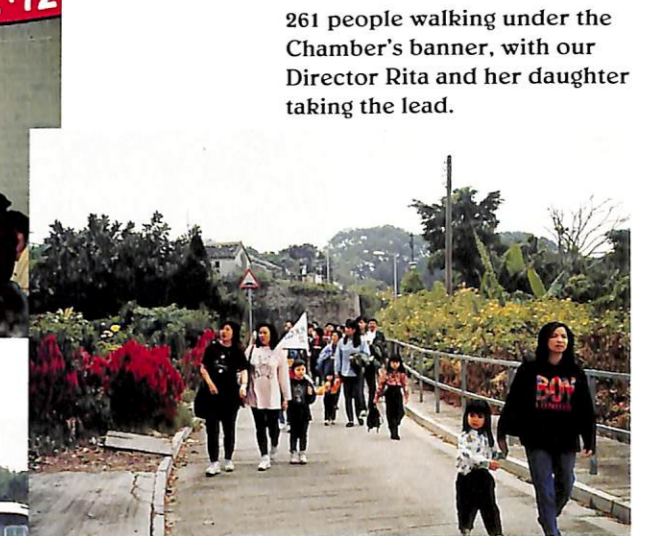
The success was evidenced by our 261 attendance, which include our fellow members, insurers, friends and their families.

Special thanks to the coaches-in-charge, Mr. Kendy Yau, Mr. Ricky Chu, Mr. Kenneth Hong, Mr. C.S. Diu, Miss Florence Ng, Mr. Stanley Poon.

The programme was highlighted by a lucky draw of 50 presents donated by our Executive Members and business entities.



Guess who was the winner?



261 people walking under the Chamber's banner, with our Director Rita and her daughter taking the lead.



6 buses altogether. Don't worry, our PL lies in the good hand of CU.



No joke. This is a 400 years old antique. Who is the insurer?

Forums

After formation, two forums were held and various prominent insurance people were invited as speakers to address insurance intermediaries on key issues prevailing in the insurance industry.

Forum	Date	Topics	Speakers	Convener
5th	11/11/1993	- Introduction of Employees' Compensation Insurance Changes in 1994 - Preliminary Views of the Chamber on proposed changes in Employees' Compensation Insurance	Mr. Paulus Kam, Deputy Chairman of Accident Insurance Association of Hong Kong, Assistant General Manager of The Prudential Assurance Co., Ltd. Mr. Gregory Fong, President of the Hong Kong Chamber of Insurance Intermediaries	Mr. Ricky Chu



Thank you Paulus for serving as our speaker.



Full house, of course. Topic: Salary cut.



Our tough member comes up with a tough question.

Forum	Date	Topics	Speakers	Convener
6th	21/1/1994	- Introduction on Insurance Companies (Amendment) (No.3) Bill 1993 - Preliminary Views of the Chamber on Insurance Companies (Amendment) (No.3) Bill 1993	Mr. H.Y. Mok, Senior Insurance Officer, The Office of the Commissioner of Insurance Mr. John Lee, Director of Fair Trade & Issues, Hong Kong Chamber of Insurance Intermediaries	Mr. Johnson Lee



Our member Mr. Joseph Lynn addressing a question to speaker.



Our applause goes to our speaker Mr. H. Y. Mok.

Public Relation

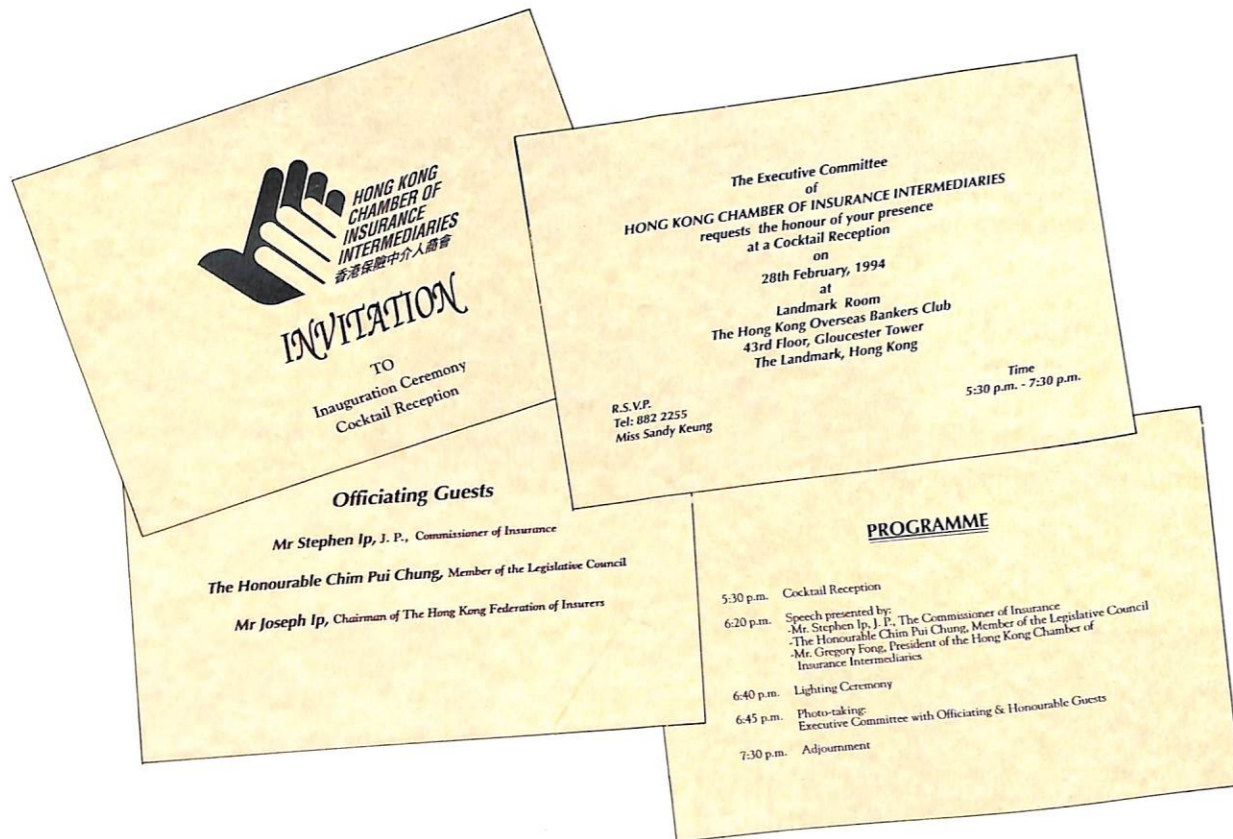
A casual meeting with CIB, PIBA and LUA in the form of happy-hour drink was arranged on October 19, 1993 at Louis Steak House.



Inauguration Ceremony Organizing Committee

Chairman: Mr. Jameson Leung
Publication: Mr. Kendy Yau, Mr. Ricky Chu
Advertisement: Mr. C. S. Diu
Master of Ceremony: Miss Bie Tong, Mr. Tony Kwong

Chairman Jameson seeking the Executive Committee's approval on his Inauguration Ceremony's proposal.



**Thank You
&
Kung Hei Fat Choy!**

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Your insurance specialist in every kind of insurance matter

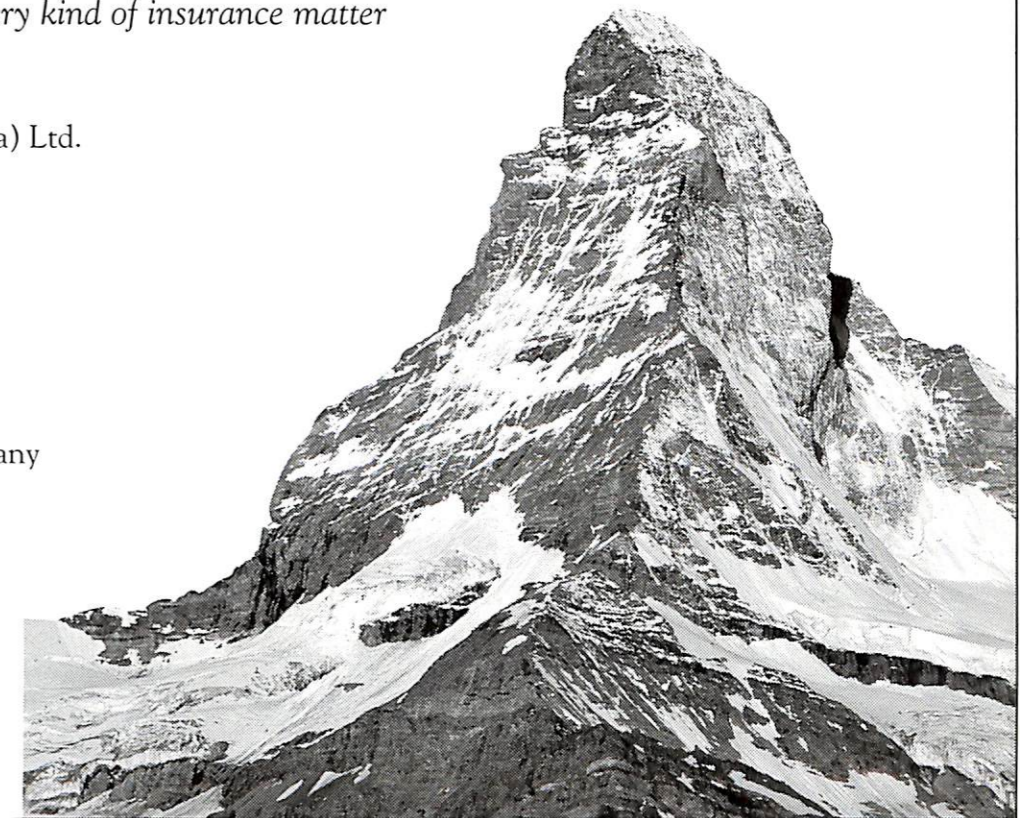
General insurance

Winterthur Swiss Insurance (Asia) Ltd.
瑞士豐泰保險(亞洲)有限公司
19/F, Dah Sing Financial Centre
108 Gloucester Road, Wanchai
Hong Kong
Tel no: 598 6282
Fax no: 598 5838

Life insurance

Winterthur Life Insurance Company
Suite 1801-1806 A
18/F, Dah Sing Financial Centre
108 Gloucester Road, Wanchai
Hong Kong
Tel no: 598 7088
Fax no: 598 6525

winterthur



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Member of Robert E. Lee Group / International

A National Life / Health Brokerage Marketing Organization

Life
Eagle Star Life Assurance Co., Ltd.
Sun Life Assurance Co. of Canada

Health
American Family Life Assurance Co. (Cancer Care)
Winterthur Swiss Insurance (Asia) Ltd. (Relee Care*)
* A medical scheme which is not bound by any surgical schedule or miscellaneous sub-limits