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## 2008 YEARBOOK 年刊

### 金融海嘯

## Insurance Industry

after current financial tsunami

保險業之去向

HONG KONG CHAMBER OF INSURANCE INTERMEDIARIES 2008 YEARBOOK

香港保險中介人商會 2008 年刊

Hong Kong Chamber of Insurance Intermediaries 香港保險中介人商會  
[www.hkcii.org](http://www.hkcii.org) GPO Box 6542 Hong Kong

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

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提供保險學術講座，讓會員通過研討及交流，提升其專業知識。

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

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## Message from the President



I am so pleased to serve the Chamber as the President in 2008. With the strong support and effort of my fellow directors, Hon. Bernard Chan Honorary Adviser of the Chamber and members of the Board of Councilors, the Chamber had experienced a fruitful and successful 2008.

Year 2008 was an unprecedented year in the wake of the Financial Tsunami. The current financial crisis starts in the United States and quickly spreads out to all over the world. It is serious in magnitude, contagious in relations and provocative in thought. Nobody can yet quantify the consequence.

Much is printed every day about its background, causes and impact. For the past few months, governments have been taking unprecedented level of efforts in restoring the stability of financial market and avoiding a deep depression. In Hong Kong, our Commissioner of Insurance and the SAR government have been acting thoughtfully and responsibly to restore public confidence in the insurance industry.

What lies ahead is perhaps unpredictable but certainly not invincible. I am confident that difficult times will be over. It is time to rethink our core value and take a 'make sense approach'.

It seems to us at HKCII that it would be helpful to the insurance community to produce articles which give readers insights of what the insurance industry in Hong Kong can do to make our industry sustainable in long term and to serve the public better.

I sincerely thank all writers who are so generous to share their views with us and I am sure that these articles are of great value to all of us in the insurance industry.

Joseph C.L. Sit  
President 2008

## Message from the Commissioner of Insurance



保險業監理專員張雲正

業界津梁

香港保險中介人協會二〇〇八年年刊

## Message from the Legislative Councillor



香港經過了驚濤駭浪的一年，保險業至今仍可處於相對穩健的狀態，實在有賴業界各自謹守崗位，做好應付金融海嘯的工作。面對困難的局面，香港保險中介人商會在過去一年，積極地與業界人士一起努力，做了不少有利業界改善經營環境的工作。

展望將來，經濟環境即使依然未明朗，但我對保險業的前景信心十足，並相信社會各界人士對保險的需求，將會隨著經濟好轉而不斷上升。不過，我們不能忘記，業界還有不少問題等待大家去解決，而保險市場也有待我們去進一步開拓。所以，保險業界不能鬆懈，要為將來的發展做好準備，特別在產品的認識及投保過程，例如分析客戶風險程度、填寫投保書、解釋產品的條款及不保事項等，要做到專業水平，以迎接下一個輝煌的機遇！

我在此謹祝香港保險中介人商會會務興隆，繼續為保險業作出貢獻。

陳健波 太平紳士  
立法會議員-保險界

## Message from the Consumer Council



The insurance industry, like all other sectors of the society, faces unprecedented challenges brought by the global financial tsunami. One of the biggest challenges is to rebuild consumer confidence which has been tarnished by the financial crisis and credit downgrading faced by some insurance giants.

Consumers look upon the professional and unbiased advice provided by insurance intermediaries to help them seek appropriate and affordable insurance coverage to get through difficult times. The distinguished leadership of the Chamber and its support to Members are of particular importance during this critical time. The Consumer Council will continue to join hands with the industry to ensure a fair marketplace which is beneficial to both consumers and businesses.

I congratulate the Chamber for its past achievements and wish it every success in meeting all future challenges.

Prof. Anthony CHEUNG, BBS, JP  
Chairman  
Consumer Council



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- ▶ 拖欠貨款
- ▶ 買家拒收貨物
- ▶ Bankruptcy or insolvency
- ▶ Payment default
- ▶ Refusal to take delivery of goods

國家風險 Country risks

- ▶ 外匯禁制及阻延
- ▶ 入口證被取消
- ▶ 貨物被禁入口
- ▶ 延遲償還外債
- ▶ 戰爭、革命、暴動及天災
- ▶ Blockage or delay in foreign exchange remittance
- ▶ Cancellation of import licence
- ▶ Import ban
- ▶ Payment moratorium
- ▶ War, revolution, riot and natural disaster

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Tel: 2882 2200 Fax: 2882 2211



## The Insurance Industry after the Financial Tsunami

Nobody is going to dispute that 2008 will go down in the history books as one of the most eventful and tumultuous year of all times. The global financial crisis built up its potency in the summer of 2007 against a backdrop of robust economic growth, low inflation and almost negligible unemployment. As structural weaknesses began to emerge in the United States where the real estate market was boosted by a flush of excess liquidity that allowed credit to be extended to people with dubious repayment ability and innovative financial products that compressed risk premiums to unrealistic levels, many were still basking in the hopeful belief that developing economies would be decoupled from the calamity. Perhaps not surprisingly, this theory soon succumbed to tumbling flow of trade and production activities as prosperity acquired exclusively through buoyant exports and inward investment inevitably fell prey to recession enveloping the wealthy nations.

The failure of Lehman Brothers, a stalwart of investment banking, sparked off growing concern about the exposure of financial institutions to high leverage and complex bilateral swap arrangements. Widespread reliance on securitization backfired due to sharpened focus on counterparty credit risk, while rising default rates prompted banks to hoard liquid assets and tighten up lending policies. Investors reacted by shunning all forms of risk, causing asset prices to depreciate dramatically, bringing the global financial system to its knees, to the brink of collapse. This episode, candidly dubbed the "financial tsunami", revealed serious flaws in the financial supervisory architecture and posed unprecedented challenges for politicians and regulators alike. As some bright minds are working tirelessly to devise countermeasures, a secondary implosion is heading our way since financial paralysis will quickly transform into corporate downsizing and staff retrenchment.

Against this gloomy backdrop, the Government must do all it can to sustain economic activities and preserve market stability. From an external perspective, Hong Kong is actively contributing to deliberations of working groups formed to take forward an action plan promulgated by the G20 Leaders Summit. At the domestic front, targeted measures have been introduced to support small and medium sized enterprises, stimulate consumer spending and create job opportunities.

On market stability, my office has launched a vigorous exercise to ensure that all insurers are capable of satisfying the stipulated solvency requirements and meeting their on-going liabilities. The industry also responded positively by pursuing the establishment of a policyholders' protection fund, enhancing

information disclosure and strengthening the client needs analysis process. Although it may be unwise to venture an opinion on when the wave of turmoil will pass its crest, the industry should take a critical look at the foundation that it has been relying upon to chalk up an impressive track record of growth. For me, the answer rests with getting back to basics, to the mission of offering personal and family protection against the vicissitudes of life. This is already taking place because many insurers find it difficult to replicate the same success achieved in the last few years through marketing of investment linked assurance products. Such a paradigm change call for participation from the entire supply chain, notably frontline personnel who interact directly with customers. I look forward to receiving advice and counsel from the Hong Kong Chamber of Insurance Intermediaries in embracing this transition that will build up a robust platform for sustainable growth.

Hong Kong is no stranger to the problems and adversities that the world is facing today. Our resilience, dynamism and commitment to free trade have guided us through countless adversities. I am confident that so long as the community is bonded together by a spirit of mutual trust and accommodation, we will ride out the financial tsunami and pave way for an early recovery.

### Clement Cheung, JP

Commissioner of Insurance

Mr Clement CHEUNG started his career in the Hong Kong Civil Service as an Administrative Officer in 1983 and was closely involved with formulation of government policies on hospital services, public housing as well as trade and investment promotion. Before joining the former Works Bureau which has evolved into the Environment, Transport and Works Bureau, Mr Cheung was Director of the Hong Kong Economic and Trade Office in Singapore responsible for ASEAN regional affairs. He assumed duty as Deputy Secretary for Environment, Transport and Works in 2001 and was initially assigned with the task of implementing recommendations made by the Construction Industry Review Committee. His portfolio has since been expanded to cover management of the Public Works Programme with an average annual expenditure of \$29 billion, greening strategies and initiatives, as well as organizational reforms and resource planning for the Works Departments. He took up his present appointment as Commissioner of Insurance in July 2006.



## Insurance professionals and the world economic crisis

When the first signs of a credit crisis started to emerge in the US around two years ago, no-one realized that the world was heading for a major economic downturn. The problem basically concerned the American mortgage market, and it did not seem likely to affect the rest of us around the world. Since then, it has turned into a global financial and economic crisis, damaging trade and commerce and affecting millions of people worldwide who have lost jobs or seen the value of their investments fall. It has been compared to the Great

Depression of the 1930s or World War II in the scale of its impact. It is certainly more than just a cyclical correction of the sort the world goes through maybe every seven or eight years, nor is it simply a regional problem like the Asian Financial Crisis 11 years ago.

Looking back, we can see that there were several factors contributing to this crisis. One of them was global imbalances in trade and investment flows and patterns of savings, consumption and borrowing. Some countries, notably the US and the UK, borrowed, imported and consumed, while others, like Japan, Germany and China, saved, produced and exported. Trade surpluses were recycled back to the debtor countries, whose financial systems fed them into continued consumption, including of course the property market. These imbalances were not sustainable.

At the same time, policymakers – especially in the US – misread inflation rates during much of the 2000s and kept interest rates too low. New technologies like the Internet and emerging manufacturers like China contributed to falling prices in Western markets, and this probably made underlying inflation seem lower than it really was. With monetary policy too loose, bubbles emerged in the US and UK housing markets and later on in markets for commodities, food and transport in 2007 and 2008.

These macro-economic factors were outside the control of the ordinary companies and families who are now suffering from severe economic downturn. But some other causes of this crisis lie closer to home, including for those of us in the insurance industry. These are to do with regulation and the management of risk.

Looking back, most of us are probably amazed at some of the other causes of this crisis. For example, local lenders in the US pressurized staff to sign customers up for new mortgages, and those staff offered mortgages to people who could not possibly afford them. Further up in the system, someone gave triple-A ratings to mortgage securities that by definition were heavily exposed to a downturn in American property prices. We all know that house prices can go down as well as up. Yet grassroots lenders and borrowers and big international investment houses ignored this simple and obvious fact, and families went bankrupt and some of the most famous names in finance totally or partially collapsed because supposedly safe investments turned out to be extremely risky. Here in Hong Kong, retail investors bought Lehman minibonds on the understanding they were safe, when in fact they were not.

Factor in the big salaries and bonuses and the taxpayer-funded bailouts, and it is easy to see why people are angry. We may think that it is banking, rather than the insurance industry, that has to take much of the blame and which has a big image problem – and that is true. But we need to recognize that the insurance industry is going to be affected.

In Hong Kong and internationally, politicians and the media will continue to demand greater transparency regarding financial products. Public confidence in the financial services industry has been damaged, and those of us in the insurance industry need to play a part in fixing that. We need to accept the fact that there will be pressure for better consumer protection, and that could mean such measures as cooling-off periods for clients to change their minds after signing up for a particular product.

It could also mean making product information clearer. More than ever, insurance professionals will need to be extremely well informed about the products they are selling and about their clients' own needs. And they will have to develop their skills in explaining things to their clients, and making absolutely sure that clients understand what the options are and what different products offer. This is not just about being open and honest, but about being able to ask the right questions and give full and clear answers.

In order to win and keep clients' trust, we must also be very clear in our own minds about the nature of risk. The explosion of toxic debt in the world's financial system, and the subsequent collapse of most classes of investment, should send us all a big wake-up call. The world is full of uncertainties, and we face all sorts of risks – including some we do not even know about. This is a very strong reminder of the importance of insurance services, and we can see it as a selling point in favour of our industry's products. But it is also a reminder of the way things can suddenly go wrong. Consider the case of someone who is approaching retirement and who has seen the value of his savings collapse in the last six months. Insurance professionals need to see risks their clients might not see.

I believe our industry will come out of this with a far better record and reputation than some other parts of the financial services industry. But the economic downturn and the high-profile cases of bad financial management are affecting the whole community, and that includes our clients. Insurance professionals will need to play a part in part in restoring public confidence. I know that the HKCII will make a vital contribution to this process.

**Mr. Bernard Chan, GBS, JP.**

Honorary Advisor of HKCII

Bernard Chan is a deputy to the National People's Congress and a former member both of Hong Kong's Executive and Legislative Councils. A graduate of Pomona College in California, he is the President of Asia Financial Group and Asia Insurance. He is Chairman of the Antiquities Advisory Board, the Advisory Committee on Revitalizing Historical Buildings and the Council for Sustainable Development. He is chairperson of the HK Council of Social Service, deputy chairman of the Oxfam Hong Kong council and chairman of Lingnan University council. He is also a chairman of the HK-Thailand Business Council and an advisor to Bangkok Bank, Hong Kong branch.





## 金融海嘯後的保險業

對於很多人來說，2008年是不易忘懷的一年！受到金融海嘯的衝擊，全球市場一片混亂，作為金融業重要一環的保險業，自然不能獨善其身，整體業績受到莫大的衝擊。

自金融海嘯發生至今，保險業界形勢嚴峻，新做的傳統人壽保單雖然有輕微上升，但部分投資相連性質的新做保單則大幅下跌，業內整體生意額較去年同期顯著減少，保險業界正艱苦經營。尚幸本港各大保險機構一向作風穩健，受到的衝擊未如其他金融機構般大。

儘管如此，如何恢復投保者的信心，成為保險業的重要課題。本人聯同8間保險中介人協會，包括香港保險中介人商會、香港人壽保險經理協會、獨立理財顧問協會、香港保險業總工會、香港保險顧問聯會、香港人壽保險從業員協會、香港專業保險經紀協會，及香港一般保險代理協會有限公司，在去年底舉行會議，討論保險業經營狀況，以及如何恢復投保者的信心。同業們都同意保險業正處於艱難時期，希望政府能協助改善業界的經營環境。我們其後約見保險業監理處監理專員張雲正，反映業界的訴求。

我們其中一項重要訴求，就是要盡快成立「保單持有人保障基金」。施政報告已承諾研究設立「保單持有人保障基金」，但成立基金始終要一段較長的時間，遠水畢竟難以救近火，所以我建議政府有兩手準備，除了盡快推出「保單持有人保障基金」外，亦可考慮將銀行界現行百分百「存款保障基金」計劃，擴大到保障保險的現金價值，這做法可以即時恢復投保者的信心。

有人會質疑如果把「存款保障基金」擴大到保險界，將會增加庫房可能的支出，但事實上保險公司的財政一向穩定，現時保險公司資產一般都遠超過負債，因此政府承擔的風險其實並不大，主要提供的反而是信心保證。

另外，在設立「保單持有人保障基金」時，一定會遇到很多的技術性困難，尤其是資金的來源。如單靠保險徵費，可能要5至6年才能累積比較足夠的基金。為使基金可以早日推行，我

希望政府在基金儲存足夠金額前，承諾為該保障基金墊支，使該保障基金可以盡快運作。

政府早年以教育進修開支可扣稅的方式，鼓勵市民進修，結果效果十分理想。我建議政府可以同樣方法，讓市民的保費開支可扣稅，鼓勵市民購買各類保險產品，包括醫療和人壽保險。同時，又可以擴大投資移民的條件，讓購買超過650萬元保險，投保期達5年時間或以上，可以申請為投資移民。相信上述的建議獲得落實，會對保險業界的經營環境有很大幫助。

如果從長遠發展的角度來看，我們亦都要北望神州。根據CEPA協議，香港保險公司要進入內地市場，必須擁有五十億美元資產，再加上三十年業務經驗，並在內地開設代辦處兩年。在這些高門檻下，沒有一間香港本地保險公司可以受惠。我贊同對服務業「廣東先行先試」的措施，並希望政府能藉此機會與廣東省商討，降低保險業進入國內門檻，幫助香港保險公司先進入廣東省開拓業務，一方面促進雙方交流和就業，並能加強互補風險管理專業知識，更能服務在廣東省投資設廠的廣大香港廠商，互惠互利。

機會是留給有準備的人！今日香港仍受到經濟不景所影響，但從業者不應自怨自艾，畢竟風暴總有過去的一天，何不利用餘暇去充實自己？經過今次金融海嘯，市民愈來愈重視有保障的生活，只要風暴一過，保險業是一片光明的！

**陳健波** 太平紳士

立法會議員-保險界

陳健波先生是香港特別行政區立法會議員，代表保險界功能組別。

陳先生一貫積極服務社會及保險業界，獲香港特區政府委任多項公職，現任保險業諮詢委員會委員、健康與醫務發展諮詢委員會委員、強制性公積金計劃諮詢委員會委員及香港按揭證券有限公司董事。他在2005年7月1日被香港特區政府委任為太平紳士。

陳先生是英國特許保險學會會士及特許承保人。



## 金融海嘯後的保險業

2007年，適值經濟騰飛，保險業務長足增長，尤其是由於投資環境理想，帶動投資相連壽險業務躍升，但傳統壽險業務卻輕微下降。踏入2008年第四季，突如其來的金融海嘯席捲全球，各行各業和不同階層人士皆受牽連。

保險與社會息息相關，隨著經濟轉壞、海外多家大型金融機構倒閉，市民改變了他們對金錢運用、投資理財或保險的態度，以及對金融機構的信心。根據過往經驗，在經濟轉差或者在人生低潮時，大眾在投資和理財方面都會變得保守，也有些人會趁自己尚有經濟能力，為家人留點保障，在這時候，人壽保險正好發揮作用。正因如此，在金融海嘯之後，人壽保險的傳統壽險和投連保險兩類業務的增長幅度拉近了。而產險方面，所受的影響相對輕微，因為對大部分用家來說，所需的投保項目都是不能省卻的，但是在這段期間，偶有公司拖欠保費。

無論如何，金融海嘯不是一刻便過去，餘波所及，難免令經營環境並不如前，但是業界仍然會沉着面對。保聯認為在這關鍵時刻，也是考驗實力的時候，業界必須謀求出路。本年初，與八大中介人商會研究怎樣改善營商環境後，保聯向政府提出五大訴求：

- ※ 主要針對個人的保單類別提供保障，加快推出保單持有人保障基金，令市民對在本港投保投下信心的一票；
- ※ 爭取為個人保險，特別針對醫療保險及年金等退休保障提供免稅或退稅安排，對業界和整個社會都有裨益；
- ※ 向有關的監管機構提出要求加快審批程序，令配合「後海嘯」時期需求的新投資相連產品能早日推出市場；
- ※ 爭取內地放寬北上開業的門檻，開拓業務範疇；
- ※ 政府擴大「資本投資者入境計劃」的投資範圍，將保險並納入獲許投資資產類別，吸引更多富戶來港投保。

除了尋求政府在政策上扶助一把之外，保險業堅持自強不息，不斷裝備自己，加強競爭優勢，靜待機會來臨，轉危為機。

保聯將會朝著這方面，繼續加強自律監管，提升行業的素質，並加強客戶的信心。雷曼事件後，越來越多人關注投資產品的資料，保聯轄下壽險總會與保監，就加強業界披露更多有關分紅保單的資訊方面，緊密合作，對銷售過程的各個階段訂出多項建議措施，包括：建議保險公司加強代理培訓、尤其是投連產品的培訓，在銷售保單前為客戶進行詳盡產品需求的分析，確保產品適合客戶所需、在網頁或說明文件上披露更多相關的資料，以及假如紅利息率有變，應通知保單持有人等等。此外，保聯更成立專責小組，與保監合作研究成立投保人保障基金。保聯推出此等措施是務求從多角度，協助投保人提高對產品的認知及加強對投保人的保障。

金融海嘯雖然來勢洶洶，但是有危亦有機。雖見市面上不少機構節流裁員，甚至停業，令專業人士和資深的金融業從業員在逆境中反思固有的工作模式，可能會選擇較自由及獨立的經營模式，轉投加入保險行業成為中介人，藉以開拓自己的事業。這批具實力的生力軍，加上即將投身社會的大學畢業生，將會為保險業，特別是壽險帶來強勁的新動力，推動壽險長足發展。

其實不論是資深保險從業員，還是剛加入保險行列的新血，作為保險中介人，擔當著保險公司和客戶之間的溝通橋樑角色，在這重要時刻，你們的影響力更見重要。希望各位秉承保險「以人為本」的精神，以專業和誠懇的態度，為客戶推介優質產品，並加強售後服務，雙管齊下，鞏固客戶的信心。

最後，我深信只要業界上下能夠同舟共濟、團結一致，繼續發揮香港人進取拼搏的精神，定能對抗逆境，為自己、業界和香港社會創造佳績。

### 管胡金愛

香港保險業聯會主席

香港保險業聯會主席管胡金愛女士現任富勤保險董事及營運總裁、保險業諮詢委員會委員及中介人質素保證計劃督導委員會委員。



## Captive Insurance and the China Dimension A New Opportunity for Hong Kong?

### *Rising from the Financial Turmoil*

With the current economic and financial turmoil globally, there has been much discussion on the gloom and severity of the crisis. However, as the running theme of this yearbook suggests, one must look beyond the current financial crisis and focus on what it all means to our insurance industry when we emerge from it so that we can best prepare ourselves to grasp the opportunities arising from it.

One outcome of the financial turmoil, I believe, will be the increasing demand for captive insurance and so an opportunity clearly exists for Hong Kong to establish itself as a captive domicile in Asia in which Singapore is now the dominant player. Whilst this is not the first time the idea of establishing Hong Kong as a captive domicile has been proposed, it is the China dimension and in particular the internalisation of large Mainland conglomerates that provides a new and powerful dynamic for Hong Kong to consider positive actions to develop as a competitive and recognised "onshore" captive insurance centre for the Mainland.

### **Captive Insurance - Its Role**

A captive insurance company is in its simplest form a subsidiary company that only insures the risk of its parents.

Captive insurance differs from conventional insurance in concept, in that whilst conventional insurance is a means whereby an organisation can transfer out its risk, captive insurance is used today by the vast majority of major corporations primarily to manage and contain risk within the organisation. It is seen as a key tool both in quantifying risk and in risk reduction. In this respect the rationale for captives has changed fundamentally from the early days when it arose in response to the lack of suitable capacity for industry specific risk in the conventional market and was also seen as a tax planning mechanism.

### **Captive Insurance- the Opportunity for Hong Kong**

I believe the global financial crisis will fuel the demand for captives as the global insurance capacity shrinks and insurance markets harden also as major corporates seek greater efficiencies through more effective ways of risk management. There is also a strong potential for captive growth in Asia, as companies in the region, including Mainland, have tended to be "under-insured" in comparison to international standards. As risk management matures as a discipline in the region, organisations can reap the benefit by retention of and internal management of selected own risks.

Secondly, the increased pressure for regulation will accelerate the existing trend for captives to move onshore and Hong Kong is particularly well positioned to become the onshore captive domicile for Mainland companies. Hong Kong offers the Mainland the advantages of working and accumulating assets under One Country whilst enjoying

the benefits and efficiencies, namely the professional skills and legal framework, of an established and well regulated financial centre. With the sheer size, astonishing growth and maturation of the Mainland economy, the outlook for captives as a risk management and financing tool is definitely positive.

### **What's in it for Hong Kong?**

Success in capturing the anticipated business demand for captives will bring considerable benefit to our financial industry and will help consolidate Hong Kong's role as a centre for management skills and services. In addition to the business that captive management will bring, the most potent benefit of this specialised service is that it will also act as a catalyst for wider engagement with Chinese multinationals and create a platform on which to build similar services for the Asian and global business community.

A successful captive market will also have a positive impact on the insurance and reinsurance business and enhance Hong Kong's position as a leading financial centre. To illustrate the catalyst effect, we can use the example of Singapore where despite the direct revenue generated by captive insurance being relatively small, Singapore's active and considerable drive of the initiative is part of a bigger goal to promote its status as a financial centre, especially as an insurance and reinsurance hub for the region which has been recording average growth in assets at respectively 12.3% and 17.8% since 1990. A comprehensive insurance market, including captive capabilities, forms part of a package to attract multinationals to establish regional headquarters there. Illustrating the leverage effect, while the assets of captives had grown by 156% from 1997 to 2006 those of all insurers grown by 302% from S\$30 to S\$113 billion. By contrast, the cumulative premium growth of Hong Kong reinsurers of the same period was only 28%.

### **What Hong Kong Needs to do?**

For Hong Kong, our success in capturing the anticipated business would depend on Hong Kong being properly positioned to compete for business as it arises. There can be no doubt that Mainland corporations which identify the benefits of a captive will be looking for the best option and if Hong Kong is to compete for the business, it must be competitive with the best. Reacting to demands as they develop without preparing the regulatory and tax environment or strong marketing of our strengths both at Government and industry level would allow other domiciles to gain a foothold in the new Asian market and represent a lost opportunity. There must be a commitment by both regulators and the industry to take the lead and meeting competition head on.

Hong Kong currently offers less incentives than other major captive domiciles but has requirements that are as or even more stringent than its competitors. It will be essential to review areas relating to regulatory framework and fiscal essentials to ensure Hong Kong is more competitively placed. For example, Hong Kong only allows one type of captive insurance, i.e. pure captive, the most basic model and it does not allow captives to take non-in-house risks which other domiciles do permit in approved circumstances. Another example is that other leading captive domiciles also structure a minimum capital and other requirements according to the types of captive in which pure captive, given its limited application, is at the low end of the table. In this respect, Hong Kong is not particularly attractive, for example, its minimum capital requirement at \$2 million is at the top end of the range for pure captives.

## Feature

For Hong Kong to attract more captive insurance from the Mainland or elsewhere, a review of taxation policies is needed. Whilst tax considerations are seldom the only primary concern in the decision to establish a captive, they are an important factor in the selection of the captive domicile. Hong Kong should either implement an exemption from tax for captives or substantially simplify the current tax provisions to clarify when captive business will be taxable in Hong Kong.

### China's Blessing

Finally, the support of the Mainland authorities for Hong Kong to become a captive centre of choice for Mainland enterprises will be vital to success. This will best be achieved by our administration raising the issue with their Mainland counterparts at the highest level. Hong Kong must convince them that by encouraging Mainland companies to locate their captives in Hong Kong, they will be helping to retain the skills and accumulation of assets within One Country without unduly restricting their ability to continue existing or create new captive insurance vehicles for their international risks. It would be beneficial for Mainland companies by providing them with an opportunity to deal with Hong Kong people in familiar circumstances and at the same time enjoying the benefit of an international financial centre as a gateway to their international operation.

### The Way Forward

Over the past two years, the Business and Professionals Federation of Hong Kong has coordinated an in-depth study on this issue with the blessing of the Insurance Commissioner and working closely with both the Confederation of Insurance Brokers and the Hong Kong Federation of Insurers. Specific recommendations have been made to and are being pursued with relevant Government departments and we are seeking wider community support. Dialogue with the relevant authorities on the Mainland has also been initiated. The support of your members for this opportunity to widen the scope of Hong Kong's insurance related services would be very valuable.

### Mr. Michael Somerville

Consultant, BPF  
Chairman, Captive Insurance Study Group

Mr. Michael Somerville has been in the insurance industry from 1954-1989 and latterly headed the Jardine insurance division and was CEO of a leading Hong Kong insurance group. He then spent 4 years as Chief Executive of a major fund management group now part of Allianz group, followed by 2 years as consultant director of the Employers Federation of Hong Kong.

Mr. Somerville was a founding member of the Business and Professionals Federation of Hong Kong (BPF) and the founding chairman of the Hong Kong Federation of Insurers. He is now a consultant at BPF and the Chairman of their Captive Insurance Study Group.

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個人保險	商業保險	專業保險	工程保險
個人貴重物件全險	辦公室綜合保險	董事及行政人員責任保險	鍋爐及壓力容器保險
出租住宅物業綜合保險	商舖綜合保險	資訊科技責任保險	工程綜合保險
住宅(業主及住戶)綜合保險	生意中斷保險	承運人責任保險	電子儀器保險
優悠家居綜合保險	商用汽車保險	港口及碼頭責任保險	安裝綜合保險
家傭全險	商旅十三保	僱船人責任保險	
安康保住院醫療保險	貨運保險	船東責任保險	
旅遊十三保	玻璃破碎保險	專業責任保險	
旅遊多多保	團體醫療保險	醫療責任保險	
中國旅遊保險	團體意外保險	中醫師醫療責任保險	
高爾夫球保險	僱員賠償保險	產品責任保險	
汽車超級保險	機器全險	信用保險	
遊艇保險	誠信保險		
長者保障計劃	商船保險		
個人平安保險	現金全險		
個人責任保險	盜竊保險		
	火險		
	公眾責任保險		
	財產全險		

