Response to Financial Services and the Treasury Bureau Consultation Paper on Key Legislative Proposals on Establishment of an Independent Insurance Authority ("IIA") from the Institute of Financial Planners of Hong Kong ("IFPHK")

January 2013

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IFPHK Profile

Background

IFPHK was established in June 2000 as a non-profit organization for the fast–growing financial services industry. It aims to be recognized in the region as the premier professional body representing those financial planners that uphold the highest standards for the benefit of the public.

The Institute is the sole licensing body in Hong Kong authorized by Financial Planning Standards Board Limited to grant the much-coveted and internationally-recognized CFP^{CM} certification and AFP^{TM} certification[1] to qualified financial planning professionals in Hong Kong and Macau.

It represents more than 10,000 financial planning practitioners in Hong Kong coming from such diverse professional backgrounds as banking, insurance, independent financial advisory, stockbroking, accounting, and legal services.

Currently there are more than 133,000 CFP certificants in 24 countries/regions; the majority of these professionals are in the U.S., Canada, China, Australia and Japan, with more than 4,600 CFP certificants in Hong Kong.

IFPHK's interest in this consultation

Insurance is considered the cornerstone of financial planning and an important element in the CFP curriculum. Effective and proper use of insurance products help spread risk, which can have a devastating impact on families if not managed properly. Insurance is therefore an important part of all our financial planning education and certification program. Having knowledgeable insurance practitioners, proper consumer understanding of what insurance policies are for, effective products and financially sound underwriters is therefore essential for those who need and seek financial planning. IFPHK takes a strong interest in ensuring that this can be achieved. IFPHK submitted its views on the first consultation paper on establishment of an independent Insurance Authority in 2010. In June 2011, IFPHK also submitted its comments on the proposed establishment of the Policyholders' Protection Fund. As the leading professional institute representing the interests of the financial planning industry, IFPHK has a duty to respond to any consultation paper that may impact its members and their clients. As such, IFPHK has taken a strong interest in this Consultation Paper and wishes to express its views on the proposed changes.

IFPHK's representation

IFPHK was founded by 30 members ('Founding Members') in order to raise the standards of financial planners and highlight the importance of sound financial planning. Out of these 30 founding members, eight were insurance companies which included the following:

- American International Assurance Company (Bermuda) Limited
- AXA China Region Insurance Company Limited
- Ageas Insurance Company (Asia) Limited (Formerly Fortis Insurance Company (Asia) Limited)
- Manulife (International) Limited
- New York Life Insurance Worldwide Limited
- Sun Life Hong Kong Limited
- The Prudential Assurance Company Limited
- Zurich Life Insurance Company Limited

We currently have 54 corporate members, including 29 insurance companies and brokerage firms. Therefore IFPHK is well positioned to understand the needs, concerns and aspirations of the long term insurance market practitioners. When formulating its response to the consultation, IFPHK has sought the views of its corporate members who are active in the market.

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Executive Summary

To prepare for the introduction of an Insurance Companies (Amendment) Bill ("Amendment Bill) into the Legislative Council ("LegCo") in 2013, FSTB published a Consultation Document ("Consultation Paper") in October 2012 inviting public and industry comment on key legislative proposals on the establishment of an independent Insurance Authority ("IIA").

IFPHK's submission is based on several key principles such that:

- As Hong Kong is an international financial centre any regulatory development must align with international best practices.
- An insurance regulator must be established with the goal of raising the professional standards of the industry.
- A regulatory system should facilitate delivering better insurance products and services to benefit the public as well as protecting them. Well informed and educated consumers are core elements that form a healthy regulatory system.
- An insurance regulator must implement a consistent approach across the industry to establish a level playing field among all financial planners or advisors in different distribution segments.
- A regulatory system should encourage fair competition and provide a competitive environment for different types of participants.

Over the years the industry has introduced a number of self-regulatory measures including practice at point of sale, better disclosure, and continuous professional development requirement. However, these measures may not be comparable across all types of retail financial products, a fact that was illustrated after the Lehman Brothers Minibond crisis when most regulators tightened their controls on selling practice. In the long run this could affect the perception of the consumer and hamper the growth of the market.

With the above-mentioned five principles in mind, <u>IFPHK supports the establishment of an independent insurance regulator which is well positioned to embrace the positive aspects of the market, to strengthen them, and allow the insurance industry to grow at a natural rate. Furthermore, an independent regulator could ensure that there are similar requirements in place for granting to financial intermediaries from across the spectrum, and that there are comparable standards in enforcement.</u>

In summary, IFPHK supports the following proposals

- The IIA assumes additional functions in directly supervising the code of conduct of insurance intermediaries, educating the public, conducting market studies and striking a reasonable balance between prudential regulation and market development. In particular, the IIA should play an active role in improving and enhancing policyholder literacy

- The establishment of a governance board that consists of one or more members with knowledge of the insurance industry

- The proposed five licence types of licensed insurance broker companies, licensed individual insurance agents, licensed technical representatives (TRs) (agent), licensed insurance broker companies and licensed TRs (broker) should be sufficient to cover the majority of insurance intermediaries in Hong Kong.

- The conduct principles as set out in the proposed legislation are considered to be reasonable

- The Insurance Appeals Tribunal shall be established to ensure proper and fair disciplinary process.

IFPHK does not agree that the IIA should be equipped with specified suspension powers. IFPHK has concerns over the validity of the specified suspension power by the IIA as other financial regulators do not have similar powers.

IFPHK also makes the following recommendations for the Government to consider;

- To clarify on the scope of the proposed regulated activities especially on the definition of "actively marketing activities" and the supervision of Insurance Linked Assurance Scheme ("ILAS")

- At present the "introducer" arrangement is very common. IFPHK considers that it would be difficult to enforce "introducers" not to make any representation. IFPHK recommends the Government to state clearly either in the legislation or in the Guideline whether the "introducer" arrangement is restricted.

- To modify the Responsible Officer requirement to ensure that the Responsible Officer is a senior member of staff from the corporation. Also, IFPHK recommends allowing corporations to appoint more than one Responsible Officer so that the number of Responsible Officers is tied to the scope and business nature of the corporation.

- To apply a consistent renewal requirement to all insurance intermediaries; either all licensees must renew every three years or their licences are to have no time-limit as long as they continue fulfilling the licensing requirements.

- To continuously review the licensing, examination, and education requirements of practitioners. The IIA should keep abreast of international developments in raising minimum qualifications and should require insurance intermediaries to join a professional body.

- To begin the drafting process of the conduct guideline by involving the insurance industry in its drafting and implementation.

- To adopt a risk-based supervision approach by taking into consideration the business nature and business risk of the insurance intermediaries in order to preserve the diversity and competitiveness of the insurance market. The risk-based approach should be applied to disciplinary sanction.

- To implement a coordination framework between the IIA and HKMA in an open and transparent manner in order to provide a reasonable opportunity for the public and the industry to review and comment on the process.

- To consider joining the Financial Dispute Resolution Centre at a point in the future

The statements given in IFPHK's response to the Consultation Paper are based on an objective and independent analysis of market and consumer needs. To ensure that IFPHK understands the concerns and practicality of the issue, it sought comments from active industry practitioners who deal with this issue on a regular basis.

The FSTB Consultation

To prepare for an Insurance Companies (Amendment) Bill ("Amendment Bill") that was going to be introduced into the Legislative Council ("LegCo"), the Financial Service and the Treasury Bureau (the "FSTB") issued the Consultation Paper 'Key Legislative Proposals on Establishment of an Independent Insurance Authority' ("Consultation Paper") in October 2012. The paper sought the views of industry and public on the key legislative amendments to the Insurance Companies Ordinance ("ICO") (Cap.41) for the establishment of an independent Insurance Authority ("IIA"). The main purpose of establishing an IIA is to replace the existing Office of Commissioner of Insurance ("OCI"). It is also to introduce a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory regime and to become aligned with international best practice. For this to happen the financial regulations should be financially and operationally independent of the Government. A major requirement is that it helps modernize the insurance industry regulatory infrastructure to facilitate the stable development of the industry and provide better protection for policyholders.

The proposed IIA should bring the following benefits to the industry and the public.

a) Enhanced regulation of insurance companies and insurance intermediaries that can provide for better protection of insurance policyholders and facilitate the stable development of the insurance industry;
b) Greater nimbleness in responding to new regulatory challenges and more effective implementation of international regulatory standards;
c) Facilitating market innovation and maintaining competitiveness of the industry without undermining regulation; and
d) Raising consumer confidence in the insurance industry

The Consultation Paper contains nine chapters cover the following seven areas.

Chapter 3 – Functions and governance structure of the IIA

Chapter 4 – Licensing regime for insurance intermediaries

Chapter 5 – Regulatory powers of the IIA

Chapter 6 – Regulatory arrangements for banks' insurance intermediary activities

Chapter 7 – The appellate mechanism and checks and balances

Chapter 8 – Levy and fees

Chapter 9 – Transitional arrangements for pre-existing insurance intermediaries

IFPHK Response Methodology

IFPHK is a professional body that seeks to promote the highest professional standards in the financial planning industry. It is therefore important to respond to consultation and policy papers that significantly impact on the financial planning sector. When formulating its response to such papers it takes a systematic approach to its conclusions. This includes:

1. An independent and objective study of the proposals and their overall impact, both positive and negative on the industry and consumers, based on theoretical and practical analysis.
2. Study of international practices in markets that are either more developed or similar to Hong Kong's in order to understand how similar proposals may have succeeded or failed and the reasons why this happened.
3. Collection of comments and opinions from industry whose business practices may be impacted by the proposals in the Consultation Paper.

After collecting and consolidating industry views, IFPHK analyzed the information together with its own research in markets deemed relevant to the situation in Hong Kong such as Australia, the United Kingdom and Singapore. IFPHK formulated its responses to the chapters set out in the Consultation Paper as well as the recommendations on the practical application and effectiveness of the relevant proposals after taking into account the likely impact on the industry.

The views expressed in this submission paper are not necessarily summaries of the views taken from the industry. They may have undergone more independent and critical analysis and consideration by IFPHK as a professional body. As a result, not all the views collected by IFPHK are recorded in this submission paper and neither have all the views expressed in this submission paper been directly endorsed by those industry representatives or members consulted.

IFPHK's Submission

The submission below is the result of IFPHK seeking views from industry participants in addition to its own independent internal analysis. IFPHK considers the practical implication of the proposed changes on the business of those financial planners who consider advising and providing professional services to investors as its uppermost priority.

In considering the various proposals of the FSTB Consultation Paper, IFPHK identified five key principles which are essential to a financial regulator if it wishes to enhance the protection of policyholders. Our comments are based upon these principles.

Aligning with International best practice

Globalization and financial market integration has increased rapidly in the past decade. As an international financial centre, Hong Kong is not immune from international financial market and regulatory development. This has been illustrated by the recent financial crisis where problems originating in one country quickly spread across the globe. Because of the global contagion witnessed during the current financial crisis, there have been greater calls for better coordination between regulators from different jurisdictions and for an increase in the convergence of financial regulation. As Ashley Alder CEO of the Securities and Futures Commission ("SFC") said in the 3rd Pan-Asian Regulatory Summit "Because Hong Kong is a host city to international investors and companies, things that happen outside our borders really matter and that's why we have to be involved to shape the agenda"[2].

International organizations such as the G20 and other political and supervisory bodies continue to drive financial services sector reform – both globally and at a local level. The adoption of new International Association of Insurance Supervisors ("IAIS") standards in October 2011 was a catalyst for many insurance supervisors to commence reform[3]. The Insurance Core Principles, Standard, Guidance and Assessment Methodology ("ICP") provides a globally accepted framework for the supervision of the insurance sector. It contains 26 principles that IAIS members are advised to observe and adopt. In consideration of the recent development, it is necessary for the insurance industry to keep up with global standards.

Raising Professional standards of intermediaries

After the Lehman Brothers Minibond crisis some regulators tightened regulation with the objective of enhancing protection to the investing public. The SFC has imposed measures such as key fact sheet, investor categorization, a cooling off period and pre-sales disclosure. The Hong Kong Money Authority ("HKMA") also required intermediaries to separate investment centre from the core banking functions and made audio recording a mandatory requirement. IFPHK has always believed that qualified intermediaries and well informed and educated consumers, together with a robust framework for regulating sales process, should form the core pillars for assurance for the benefit of the investing public. If the professional standards of financial intermediaries do not keep up with the demands of the market, even if all the measures proposed are implemented, Hong Kong would not be able to maintain its reputation as an international financial centre and therefore grow its financial services industry. Since its inception, IFPHK has been striving to promote public awareness of the financial planning industry in Hong Kong and uphold the standard of CFP professionals by providing guidance notes and continuously improving the certification program[4].

Enhancing consumer protection and financial literacy

As financial products get more complex and sophisticated it is of utmost importance that the investors/consumers are provided with proper and adequate protection under a sound and effective regulatory system. IFPHK

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[2] The 3rd Pan-Asian Regulatory Summit was hosted by Thomson Reuters Accelus on 27 & 28 November 2012.

[3] KPMG, Evolving Insurance Regulation, Time to get ahead, February 2012.

[4] In 2006, with contributions from the patrons of leading industry practitioners and experts, IFPHK published *the IFPHK Practice Guide for Financial Planners*. The Guide is the first set of guidance materials for financial planners to practice in Hong Kong. To supplement this effort, IFPHK also launched the first *Guidance Notes, Suitability of Advice Obligations: Documenting your Financial Advice* for members. IFPHK had also participated in a global job analysis review and international studies on financial planning job skills analysis. Through this process, IFPHK had gained professional insights into core characteristics and practice vis-à-vis Hong Kong's financial planning practitioners and international CFP professionals. Based on the result of the job analysis, IFPHK has made considerable efforts in revamping the certification programs. In June 2011, IFPHK introduced Associate Financial Planner ("AFP") certification to attract the broader population of the financial planning industry and thus to raise overall standard of the industry.

supports a regulatory system which would facilitate delivering better insurance products and services to the benefit of members of the public, as well as protecting them. As already stated, well informed and educated consumers are the core elements that form a healthy regulatory system. For a market to perform effectively and consumers to be protected properly, a fundamental understanding of how these products work is essential. As such there is a need to enhance financial literacy and the benefits of insurance protection in any financial plan.

Despite the relatively high penetration rate of insurance products in the Hong Kong market and a reasonable growth in premium over the years, the general understanding of insurance products and how they could be used effectively in one's financial plan remains poor, especially on products such as insurance linked assurance schemes ("ILAS). The IAIS stated in the ICP that insurance intermediaries with their direct contact with clients can help promote consumer protection by assisting them make better informed decisions about the products they buy. It would make sense for the IIA to work together with the intermediaries to champion this for the medium to long term benefit of the market and consumers.

Over the past twelve years IFPHK has worked towards these objectives and has a track record of advocating on the provision of financial education to consumers. In response to the 2009-2010 budget consultation IFPHK submitted a proposal urging the Government to consider providing funding for creating an all encompassing financial literacy program. In May 2010, IFPHK submitted a response to the Government's public consultation on the proposed establishment of an Investor Education Council. It is IFPHK's view that improved financial literacy levels will not only allow consumers to make more informed investment decisions, but also result in a greater consumer appreciation of planning for a long-term financial future – a concept IFPHK continuously promulgates. To encourage and recognize organizations that have invested in promoting financial planning education, IFPHK introduced its first financial education award in 2012. Many insurers and IFAs were recognized at the event for their commitment and investment in investor education[5].

[5] http://www.ifphk.org/pdf/press_release/pr120925.pdf

Ensuring a level playing field across distribution channels and different sectors of the financial service industry

It should be noted that the key assumption throughout this submission is that the proposed changes in legislation should be adopted consistently by all financial intermediaries servicing retail consumers operating in the IFA, banking and insurance sectors. IFPHK believes that failure to implement a consistent approach across the industry could result in significant negative consumer and industry consequences. IFPHK is frequently urged by industry professionals to highlight the need for implementing a consistent approach across the industry to establish a **'level playing field'** among all financial planners/advisors in the different distribution segments, i.e. banking, insurance and independent financial advisors. We have already expressed our views in our responses to various consultation documents. IFPHK strongly believes that such a consistent approach will reduce significantly any regulatory arbitrage that could potentially undermine the good intention of protecting investors.

Maintaining and enhancing the competitiveness and diversity of the insurance market

Hong Kong has the second most developed insurance market in the region after Japan in term of per capita insurance premium. Compared to its neighbors in Asia, Hong Kong's local and international insurance industry participants have largely enjoyed a free market and fair competition.

As Asia's insurance hub Hong Kong has attracted many of the world's top insurance companies. As of March 2012, Hong Kong had 162 authorised insurers, about half of which were incorporated overseas. There were 2,374 insurance agencies, 35,639 individual agents and 27,542 responsible officers or technical representatives[6]. Apart from the large number of agents the insurance market in Hong Kong also consists of many small brokers, some with fewer than 10 people. There were 593 authorized insurance brokers as at 30 June 2012 with 8,305 persons registered as chief executives or technical representatives of these authorized brokers[7]. The insurance market in Hong Kong is very competitive and it is somewhat surprising that such a small place is able to accommodate over 70k practitioners. IFPHK has always stressed that a regulatory framework should deliver measurable benefits to the insurance industry in the medium to long term. It should also enable a healthy and sustainable business environment for the industry to thrive and develop in. To preserve fair competition and diversity of the market, the IIA should not only be progressive and adhere to international standards when formulating its supervisory principles and details, but should have an explicit responsibility to strike a balance between regulation and market growth, keeping in mind the difference in business nature and operation model of the various market participants.

Chapter 3 – Functions and governance structure of the IIA

The main purpose of establishing an IIA is to replace the existing Office of the Commissioner of Insurance ("OCI") in performing regulatory oversight over the insurance industry. It should be established to align with international practice and be financially and operationally independent of the Government. It should also ensure that Hong Kong has a modern infrastructure for the regulation of the insurance industry.

It is proposed to amend the ICO to establish the IIA as a body corporate. The governing board would consist of a chairman, the chief executive officer and not fewer than six directors. The Government will not be represented on the governing board. The Governing Board is empowered to establish standing committees and special committees to give advice and assistance to the IIA. There will be two statutory Industry Advisory Committees ("IAC"), one on life insurance and the other on non-life insurance. All members of the IACs shall be appointed by the Financial Secretary after consulting the IIA.

Apart from existing functions of the IA, the IIA will assume additional statutory functions which will include:-

- Regulating the conduct of insurance intermediaries
- Promoting insurance literacy of existing and potential policyholders
- Facilitating the development of the insurance industry
- Conducting thematic studies on insurance industry and assisting the Financial Secretary ("FS") in maintaining the financial stability of Hong Kong

[6] Statistics from Office of Commissioner of Insurance ("OCI")
[7] Statistics from Office of Commissioner of Insurance ("OCI")

It is also proposed to amend the ICO to empower the IIA to delegate its functions, other than those important functions which are expressly specified to be non-delegateable. The schedule of non-delegateable functions may be amended by a LegCo resolution.

To ensure IIA's accountability, some statutory checks and balances commonly applicable to public bodies are also included in the Amendment Bill. These measures include provision on tabling of IIA's annual report before LegCo and the submission of IIA's annual budget and corporate plan to the FS for approval. The procedures of the IIA would also be subjected to external scrutiny of an independent Process Review Panel set up by the CE.

IFPHK's Response

Hong Kong is behind the curve in terms of aligning with international standards of having an independent insurance regulator. Other developed economies and major competitors have had independent insurance regulators for more than a decade. Australia adopted a twin-peak model so that the Australian Prudential Regulation Authority became the prudential regulator, while the Australian Securities and Investments Commission supervise the conduct of the intermediaries. Both the United Kingdom and Singapore have a single regulator to supervise their financial markets. The Monetary Authority of Singapore ("MAS") was established in 1971. Apart from being a Central Bank, the MAS is also responsible for authorization and supervision of intermediaries which includes insurers and insurance brokers. The Financial Services Authority ("FSA") in the UK covers all financial sector including banking, mortgage, insurance, securities, funds, etc. However, the UK regulator is facing a major organizational change. In 2013 the FSA is to be replaced by two new regulatory bodies. These bodies are based on the philosophy of outcome-based regulation, intensive firm supervision and credible deterrence and are similar to the approach used in Australia. In future the Prudential Regulation Authority (the PRA) will be responsible for promoting the stable and prudent operation of the financial system through regulation of all deposit-taking institutions, insurers and investment banks. The Financial Conduct Authority (the FCA) will be responsible for regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets[8]. Martin Wheatley, former Chief Executive Officer of the SFC, will head the FCA.

In order to allow the IIA to achieve its intended statutory objectives, <u>IFPHK concurs that the IIA should assume additional functions in directly supervising the code of conduct of insurance intermediaries, educating the public, conducting market studies and striking a reasonable balance between prudential regulation and market development</u>. Indeed, IFPHK is committed to promulgating the importance of enhancing the financial literacy of consumers. We provided our comments on an effective financial literacy program in our submission to LegCo in relation to the establishment of Investor Education Council[9]. As mentioned earlier, insurance intermediaries play an important role in promoting financial awareness. According to Principle 18 of the ICP, a variety of means may be used by insurance intermediaries to promote financial awareness. These include taking advantage of face-to-face meetings to explain features of products, providing reference to specific websites or other reference material, making available or suggesting other source of financial tools, or participating in educational initiatives[10]. <u>IFPHK expects the IIA to play an active role in improving and enhancing policyholder education programs. Greater emphasis should be placed on promoting the need for protection, and the availability of a financial and retirement planning advisory service that can assist clients in making informed decisions on insurance products.</u>

IFPHK mentioned in its previous submission to the government that in order to ensure effective planning of policies and regulations, the Governing Board of the IIA should consist of members with insurance industry experience who have an in-depth understanding of the issues and needs of industry practitioners and how the industry operates. As such, <u>IFPHK agrees with the current proposals of appointing one or more members with knowledge of the insurance industry to the Governing Board.</u>

Chapter 4 – Licensing regime for insurance intermediaries

The statutory licensing framework will replace the self-regulatory regime administered by the three self-regulatory organizations ("SROs"). Going forward, a person would have to be licensed in order carry on insurance

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8 http://www.fsa.gov.uk/about/what/reg_reform/background

9 Please refer to IFPHK submission - Securities and Futures (Amendment) Bill 2011 - Establishment of an Investor Education Council (http://www.ifphk.org/pdf/Policy_and_Regulatory_Affairs/SFO.pdf)

10 International Association of Insurance Supervisors, Insurance Core Principles, Standard, Guidance and Assessment Methodology, 1 October 2011, P.262

intermediary activities which will be defined as regulated activities. It will be an offence if a person knowingly or recklessly submits false or misleading information for application for the granting or renewal of a licence.

Regulated activities

Definition of regulated activities and offences of carrying on regulated activities without license are introduced into the ICO. Definition of regulated activities are generally defined as to provide that a person carries on a regulated activity if the person;

i. Negotiates or arranges a contract of insurance
ii. Invites or induces, or attempts to invite or induce another person to enter into a contract of insurance
iii. Invites or induces, or attempts to invite or induce, another person to maker a material decisions; or
iv. Gives regulated advice.

Activities that formed material decisions and regulated advice are also set out in the legislation.

Types of licences

Under the proposed licensing regime, there are five types of licences under two board categories of insurance intermediaries. The two broad categories of insurance intermediaries are licensed insurance agents and licensed insurance brokers. The definition of the two board categories are stipulated in the Consultation Paper as follows:

- Licensed insurance agents
  A licensed insurance agent is a person who carries on or holds himself out to carry on any regulated activities as an agent of an authorized insurer. There will be three types of individual insurance agents - licensed insurance agencies, licensed individual insurance agents and licensed technical representatives ("TRs") (agent).

- Licensed insurance brokers
  A licensed insurance broker is a person who carries on or holds himself out to carry on any regulated activities as an agent of an existing or potential policyholder. There will be two types of licensed brokers – licensed insurance broker companies and licensed TRs (broker).

Eligibility criteria for obtaining a licence

The proposed eligibility criteria for obtaining a licence will be modeled on the existing eligibility criteria for registration with the three SROs. The requirements will include the following:

- Be fit and proper
- Pass the qualifying examination
- Be appointed by a corporation permitted in the ICO (hereafter referring to as "authorized corporation"[11])
- Satisfy the capital and net asset requirements in the ICO

Appointment of Responsible Officer

Every licensed insurance agency and licensed insurance broker company is required to appoint a Responsible Officer ("RO") who is senior executive with the capacity and responsibility for ensuring that internal control and procedures are in place to guard against misconduct of the licensee itself and the insurance intermediaries tied to it. This requirement will also be applicable to each and every authorized insurer where its Chief Executive Officer, who is held responsible for the authorized insurer's insurance business in entirety, will be deemed as the RO for overseeing the conduct of the authorized insurer's appointed insurance agent and agencies. The appointment of an RO is subject to the approval of the IIA.

[11] Individual insurance intermediaries must be appointed by a corporation: appointment by an authorized insurer for licensed insurance agencies and licensed individual insurance agents; Engagement by a licensed insurance agency for TRs (agent); Engagement by a licensed insurance agency for TRs (agent) and licensed insurance brokers.

Registration and renewal
It is an offence to provide false information in connection with application for licence. The IIA will establish and maintain a register of licensed insurance intermediaries for public inspection. Licensed insurance intermediaries and ROs are required to provide the IIA with the necessary information and inform it of any changes of particulars for maintaining and updating the register.

Under the existing self-regulatory regime, a valid insurance agent registration with the Insurance Agent Registration Board ("IARB") is renewable every 3 years whereas a valid insurance broker registration with the Hong Kong Confederation of Insurance Brokers ("CIB") or Professional Insurance Brokers Association ("PIBA") is not time-limited. To minimize the impact on pre-exisitng insurance intermediaries, the IIA will adopt the same arrangement and the Amendment Bill will provide that the licences for insurance agencies, individual insurance agents and TRs (agent) are renewable every 3 years whereas there is no renewal requirement for the licences for insurance broker companies and TRs (broker) as long as they continue to comply with the licensing requirements.

IFPHK's Response
Insurance contracts differ from those of other retail financial products in that customers enter into a contract rather than engage in a transaction. A contract is more difficult to void and may last for long period of time. In view of the nature of an insurance contract it is vital to have a licensing framework with sufficient statutory backing in order to protect policyholder's rights. An independent regulator with clearly defined roles, accountability and resources, should help the industry to grow further and improve standards to benefit of the consumer. IFPHK concurs with the proposal that the supervision of the insurance intermediaries be brought under the proposed IIA to ensure uniform standards, efficient use of resources and to facilitate the raising of professional standards. The IIA should also be empowered to deal with those who breach the regulation. Specific comments on the proposals are as follows:

- *Regulated activity*
  IFPHK has no major comments on the definition of the regulated activity except for the following, which requires further clarification from the Government.

  a) Definition of actively marketing
  It is stipulated in the proposed legislation that "if a person actively markets, whether by himself or another person on his behalf from a place outside Hong Kong, to the public any services that he provides; and such services, if provided in Hong Kong, would constitute a regulated activity, then the provision of such services so marketed shall be regarded as carrying on that regulated activity as an insurance agent or insurance broker as the case may be, and the person's marketing of such services shall be regarded as holding himself out as carrying on that regulated activity as an insurance agent or insurance broker as the case may be." Some industry practitioners IFPHK interviewed questioned the enforceability of such a provision. Given the advances in technology and e-commerce consumers can easily access insurance products on internet. To avoid doubt, the IIA shall provide guidelines or FAQs to the intermediaries to specify what factors and conditions are considered by the IIA to be 'engaging in active marketing activities to the Hong Kong public' and thus fall into the licensing regime.

  b) Insurance Linked Assurance Scheme
  Despite the general belief that insurance is a risk management product and its supervision is regarded by the Government as different from the supervision of other retail investment products, the growing popularity of Insurance Linked Assurance Scheme ("ILAS") is narrowing that difference. Even though ILAS is one of the most popular investments in Hong Kong, but it is also perceived as products of a long commitment with a potentially high fee. Media reports on ILAS show there is a general perception that ILAS is less transparent and does not yield the same kind of protection that other retail investment products offer[12]. Moreover, consumers and even advisors may find ILAS complicated and may not totally understand the fees and terms behind it[13].

[12] A report by SCMP said that "Because it is not an investment product, the selling of ILAS is not regulated by the SFC. The SFC requires agents to disclose all income earned from the sale of an investment, such as brokerage charges or selling commission, but this is not the case for ILAS." (Jasper Moiseiwitsch, "ILAS are not investments, so commissions are unregulated", 6 November 2012)
[13] SCMP reporters conducted a mystery shopping exercise at 3 major consumer banks on ILAS selling practice. Each of the three advisers recommended an

The supervision separation on the sales of ILAS also confuses consumers and the insurance industry. ILAS must obtain authorization from the SFC before offering documents, illustration documents and marketing material for it can be offered to the public in Hong Kong. However, the SFC considers that ILAS, and units in ILAS, are neither securities nor future contracts. Instead they are a life insurance policy issued by an insurance company and selling or advising on ILAS is not a regulated activity under the SFO. Such a division of power between product approval and intermediaries' supervision confuses everyone.

To effectively address this supervision gap, IFPHK would like to ensure that the scope of regulated activity covers ILAS, and the conduct of insurance intermediaries selling ILAS is directly supervised by the IIA and any breach of regulation would be subject to disciplinary action by the IIA. Also, certain industry practitioners IFPHK interviewed think that product approval, including ILAS, should be put under the IIA. As such, IFPHK suggests the Government should take this consultation opportunity to revisit the need of establishing a product approval regime within the IIA.

- *Proposed licence types*
  IFPHK supports the establishment of an enforceable licensing regime for insurance intermediaries. IFPHK considers that a formal system of licensing will play an important role in ensuring an effective and efficient operation of the insurance market and in consequence, is a useful and important mechanism towards protecting the best interests of existing and potential policyholders. As such, IFPHK agrees with the proposed license types.

  However, IFPHK would like to clarify with the Government whether the proposed licensing framework has addressed some of the issues with the existing business practice. Some of the members we interviewed raised concerns in current and past consultation papers that there are currently no regulations supervising the conduct of a group of unregulated people who act as an "introducer" or "referrer" between the insurance intermediaries and the prospective clients. These "introducers" would typically introduce potential clients to the insurance intermediaries for purchasing insurance products and would receive a commission for doing the introduction. Although these "introducers" are not meant to make any representation of products or provide insurance advice, it is common and difficult to enforce them not to make any representation, according to the feedback IFPHK received from the market. As these individuals are not licensed and may not have the relevant product knowledge mis-representation can easily occur. Singapore plans to review the role of introducers. Ravi Menon, Managing Director of the MAS who spoke at the 50th Anniversary Gala Dinner of the Life Insurance Association, said that MAS will review the current practice of using "introducers" to reach out to customers. As referred by Menon, the use of introducers means customers risk dealing with individuals whose credentials have not been vouched for by any financial institution. It also means that customers may not receive proper advice when introducers go beyond introducing and pressure customers to buy products[14]. To address the existing loophole, IFPHK recommends the Government should state very clearly either in the legislation or in the Guideline whether the "introducer" or "referral" arrangement is restricted.

- *Responsible Officer*
  To align with the requirements of other financial regulators it is sensible to require insurance intermediaries to appoint a Responsible Officer to oversee the corporation. A Responsible Officer should be a person in a senior position and with authority. According to the SFO, at least one of the proposed responsible officers of a Licensed Corporation must be an executive director as defined under the SFO. To ensure that the Responsible Officer must be a person with sufficient seniority and authority, IFPHK suggests the IIA to make reference to the SFO by requiring the Responsible Officer to be a senior person within a company i.e. a CEO or executive director. Also, IFPHK recommends the Government modify the requirement such that each authorized corporation must appoint at least one Responsible Officer. Some insurance companies, especially insurers, are big corporations with over thousand employees. As it is important for all

ILAS to the report and only one of them suggested an alternative (a unit trust). The mystery shopper found the ILAS plans presented at the 3 banks to be complicated, and the advisers' discussion of fees confusing. The plans make heavy use of bonuses, staggered fees, deferred fees and hidden fees. (Nicky Burridge, "ILAS and alack", 6 November 2012)

[14] Ravi Menon, Managing Director, Monetary Authority of Singapore, Key note Address at Life Insurance Association "Financial Advisory Services: Putting the Customer First", 26 March 2012.

intermediaries to ensure that they have adequate supervisory resources and procedures to supervise staff diligently, IFPHK thinks that number of Responsible Officers should be related to the business size and nature, and that some insurance intermediaries may need to appoint more than one officer to ensure proper management oversight. The importance of having adequate management oversight is highlighted by the SFC in their report on the thematic inspection of selling practices of licensed corporations where the SFC found some licensed corporations could not demonstrate adequate supervisory resources. For example, a LC had over 70 sales staff serving over 1,000 clients but there was only one Responsible Officer (out of four in total) who directly supervised the selling activities undertaken by all the sales staff.

- *Renewal requirements*
  Whilst IFPHK appreciates the Government's effort in minimizing the impact of establishing an IIA on insurance intermediaries, IFPHK finds it more reasonable and practicable to adopt a consistent standard on licensing and renewal procedure instead of adopting all the existing practices of the 3 SROs. One of the drawbacks of the self regulatory regime is the varying standards of the SROs, which the IIA should effectively address in the future. Unless there are particular supervisory and risk management reasons to differentiate licensing renewal requirements for insurers, agents and brokers, <u>IFPHK suggests making it consistent for all insurance intermediaries; either all licensees must renew every three years or their licenses will have no time-limit as long as they continue fulfilling the licensing requirements</u>.

- *Eligibility requirements and professional standards*
  Although it is not the IIA's intention to tighten the existing eligibility criteria, the Government should be aware of a series of regulatory changes in other countries which aims at raising professional standards and minimum qualifications of intermediaries. <u>To keep abreast of international best practice IFPHK believes that there is a need to have a regular review of the licensing, examination, and education requirements of practitioners. The review will take into account their business scope and the risk they pose to policyholders and to ensure that proper advice has been rendered. IFPHK expects an independent regulator like IIA to be in a good position to ensure that this is done in an objective and efficient manner.</u>

  In addition to raising minimum qualifications some countries require intermediaries to obtain a professional qualification or join a professional body. Under the Future of Financial Advice (FoFA) bill in Australia, financial planners and advisors will effectively be forced to join a professional association. As long as the associations have their codes of conduct approved by the Australia Securities and Investment Commission ("ASIC"), their members will be exempt from opt-in rules, which require advisers to obtain consent every two years from those clients who pay asset-based percentage fees and wish to remain with their adviser. This requirement will be a powerful incentive for planners to join an approved association and abide by the association's professional standards [15]. IFPHK's counterpart in Australia is one of the approved associations. By the end of 2012 all financial advisers in the UK will be required to demonstrate new minimum entry educational requirements equivalent to a first year university qualification. It is important that advisers now press on and achieve an appropriate level 4 RDR qualification and then obtain a Statement of Professional Standing ("SPS")[16]. FSA has approved eight accredited bodies to help with and verify the gap-fill and qualification requirements and to issue the SPS. The Institute of Financial Planning (IFA), IFPHK's counterpart in the UK is one of the eight accredited bodies. As set out in the ICP, insurance intermediaries have a role in promoting public trust and confidence in the insurance sector. Some professional bodies and other interested organizations like IFPHK with a view of enhancing the professionalism of insurance intermediaries, encourages amongst other things the obtaining of professional qualifications, continuous professional development, ethical behavior, the fair treatment of customers and better communication with the public, including thought leadership[17]. As suggested in the ICP, the regulator may consider recognizing the qualification of specified professional bodies[18]. <u>IFPHK suggests the IIA considers taking reference from overseas experiences requiring insurance intermediaries</u>

[15] Adviser qualifications to be overhauled, John Collett, The Sydney Morning Herald, 30 April 2012.

[16] Getting ready for Retail Distribution Review (RDR), Speech by Linda Woodall, Head of Investments Department FSA at the FT Intermediary Forum, FSA

[17] International Association of Insurance Supervisors, Insurance Core Principles, Standard, Guidance and Assessment Methodology, 1 October 2011, P.261

[18] International Association of Insurance Supervisors, Insurance Core Principles, Standard, Guidance and Assessment Methodology, 1 October 2011, principle 18.3.4, P.268,

to obtain a professional qualification and to join a professional body. IFPHK has the experience and authority to help the IIA implement such a requirement.

Chapter 5 – Regulatory powers of the IIA
It is proposed to lay down in the ICO the broad principles of conduct requirements to be observed by licensed insurance intermediaries, and promulgate the details in subsidiary legislation subject to negative vetting by LegCo. Interpretation of the conduct requirements will be assisted by non-statutory guidelines issued by the IIA under the ICO. Licensees will be subject to a list of disciplinary sanctions in proven cases of misconduct.

Conduct Requirements
The conduct principles such as acting honestly, fairly and competently in the best interest of existing or potential policyholders will be set out in the legislation.

Breach of conduct requirements would be subject to proportionate disciplinary sanctions, including reprimands, pecuniary penalties, suspension or revocation of licences.

Power of IIA on Supervision
It is proposed that the IIA should be vested with regulatory powers such as inspection, investigation, impose disciplinary sanctions, and prosecuting offences summarily. The powers of inspection, investigation and impose disciplinary sanctions will be applicable to the regulation of authorized insures, in addition to the existing statutory prudential regulatory powers in the ICO.

The IIA will also be equipped with statutory power to suspend a licensee or RO from carrying on any or any part of a regulated activity for a specified period before the IIA has made a final determination on the disciplinary sanction to be imposed on the licensee (hereafter referring as "specified suspension power"). This specified suspension power serves as a stopgap damage control measure to protect consumers in complicated or serious cases.

Checks and balances on the regulatory powers of the IIA
It is proposed to stipulate in the ICO the procedures for exercising disciplinary powers by the IIA. Proposed statutory safeguards include the fair hearing requirement, obligation of IIA to state the reasons for imposing disciplinary sanctions and to disclose the facts and rationale behind disciplinary decisions to the public, and right of appeal against IIA's specified regulatory decisions to the Insurance Appeal Tribunal ("IAT"). The IIA will also establish a Disciplinary Committee to assist it in determining disciplinary sanctions.

IFPHK's Response
Principle 19 of the ICP - Conduct of Business states that the supervisor set requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied. Such conduct requirements help to strengthen public trust and consumer confidence in the insurance sector; minimize the risk of insurers, and support a sound and vigorous insurance sector by creating a level playing field[19]. IFPHK compared the conduct principles stipulated in the Consultation Paper against other financial regulators e.g. SFC, MPFA, and has no major dispute with these principles.

Occasional mis-selling incidents have tarnished the reputation of the industry. Yet there are many professional insurance practitioners in the market who have provided invaluable insurance and financial planning advice to their clients. Unfortunately, the standard is not uniform and quality of advice can vary significantly. Insurance products on the other hand have become more sophisticated and clients' needs have moved from merely covering survivors' needs to a whole range of retirement and living requirements. As such, IFPHK considers that drafting a conduct requirement aimed at protecting policyholders without adding an onerous cost to the industry is a very important mission for the IIA. While this consultation is only about the conduct principle, it is important for the Government open the communication channels with the Industry to draft and determine on appropriate and practical Conduct Guidelines for the industry to implement.

[19] International Association of Insurance Supervisors, Insurance Core Principles, Standard, Guidance and Assessment Methodology, 1 October 2011, principle 19, P.278

At presents the insurance market in Hong Kong is dominated by a few large players, yet it also has a healthy group of smaller competitors. Notwithstanding their small business size, these insurance brokerage and IFAs have made significant contributions to the development of the insurance market and provided more tailored services to consumers. With the establishment of the IIA, many anticipate a consolidation of these small brokers. Whilst IFPHK agrees that merger and acquisition is inevitable to gain economies of scale, the brokerage element is very important for the competitiveness and diversity of Hong Kong's insurance market. To avoid dominance of the market by international insurers and bancassurance, IFPHK believes that there are many aspects to the insurance industry that are seen to be positive and competitive. Any new measures should try to preserve what has worked well for the local market and ensure that they further enhance areas of strength and not destroy them. In order to address the concerns of the insurance broking industry, IFPHK recommends the IIA adopt a risk-based supervision approach that is pragmatic and takes into account the size and business scope of insurance intermediaries. The Government can refer to the approach adopted by the FSA. As a general principle the FSA supervises firms according to the risks they present to FSA statutory objectives. FSA believes most small firms pose a low risk to their objectives individually. To regulate over 20,000 small firms the FSA has adopted a risk-based supervisory approach to address collective risk posed by these small firms[20]. FSA also applies a streamlined approach to the authorization process and supervision of these small firms. To help these small firms the FSA has a dedicated webpage for small firms. A smaller business practitioner panel was also set up by the FSA to represent the views and interests of smaller regulated firms and to provide advice to the FSA on its policies and strategic development of financial services regulation. In 2012, the FSA launched a risk awareness program aimed at small firms who deal with retail clients

IFPHK agrees with the proposals that the IIA should be equipped with adequate statutory powers. IFPHK considers that the best regulations would need proper enforcement to yield results. We have no major comments on the proposed disciplinary sanctions and disciplinary procedure except for the fine amount of $10,000,000 and the proposal of the specified suspension power. As many brokerages are small in their business size and scope, a maximum penalty of $10,000,000 is disproportionate to their business models. As such, some practitioners IFPHK interviewed consider that disciplinary action should be linked to the nature and size of the business. Thus IFPHK recommends the IIA adopt a risk-based approach when imposing disciplinary actions. IFPHK has reservations over the specified suspension power. IFPHK understands that such practice is consistent with the current power of the SROs but IFPHK has doubt on the validity of such power by a statutory body and the other regulators are not vested with such a special power. IFPHK is wary that when exercised the specified suspension IIA may disclose to the public details of its decision, the reasons for which the decision was made, and any material facts relating to the case. Such disclosure is unfair to intermediaries while the investigation of the disciplinary case is still in progress. IFPHK recommends the Government discards the proposals of specified suspension power.

Chapter 6 – Regulatory arrangements for bank's insurance intermediary activities

While the IIA is the primary and lead regulator for all licensed insurance intermediaries, and is the sole regulator to set conduct standards for and impose sanctions on all licensed insurance intermediaries, the IIA is empowered to delegate, subject to the approval of the Chief Executive, to the Hong Kong Monetary Authority ("HKMA") powers to inspect and investigate, as well as the specified suspension power.

IFPHK's Response

In line with the regional trend, multi-channel distribution for insurance products is growing in popularity. While insurance products are primarily distributed by insurance, bancaasurance penetration has been growing rapidly[21]. Hong Kong has the strongest bancaasurance presence in Asia. Most of the large banks have established their own life insurance companies with HSBC the market leader with 22% of total market share. It is followed by Bank of China in third place with 12% market share[22]. In view of their significance in terms of market share, IFPHK has concerns over the proposed division of power between the HKMA and IIA. IFPHK understands the rationale of placing bancaassurance supervision under the HKMA from a regulatory cost saving point of view and that such a separation is already in place for investment products sold through and recently with the MPF product. Although the Government modified previous proposals so that the IIA would be the sole authority with the power to impose

20 FSA website (http://www.fsa.gov.uk/doing/regulated/supervise)
21 HKTDC Research on insurance industry in Hong Kong
22 Tower Watson, Asia

disciplinary sanctions on licensed insurance intermediaries, IFPHK would like to ask the Government not to underestimate the risks of having varying interpretation of standards in one industry. Moreover, many of the insurance and banking practitioners whom we interviewed were of the view that this proposed regulatory arrangement would not work in practice. They are especially concerned that instructions/decisions should be followed in cases where there are conflicting views or discrepancies in the interpretation of the regulations or rules between the two regulators. To address the industry's concern, <u>coordination between the regulators should be open and transparent in order to provide a reasonable opportunity to the public and the industry to review and comment on the process</u>.

In addition, the Lehman Brothers Mini-Bond issue reflects the lack of dispute resolution services available in Hong Kong especially one that facilitates a fast-track process to settle complaints. Regarding demands for mediation or arbitration, the Government established a Financial Dispute Resolution Centre ("FDRC") in 2012 as an alternative to costly and protracted litigation. It was established to ensure an effective process was available for resolving monetary disputes between an investor and a financial institution in a speedy, affordable, independent and impartial way. All licensed or registered persons regulated by the SFC or the HKMA are required to comply with the FDRC Scheme ("FDRS") and be bound by its process. The primary regulatory objective remains that licensed and registered persons should seek to resolve complaints internally. If a complaint or dispute fails to be resolved internally, a licensed or registered person should inform clients of the right to make a complaint to the FDRC. Since FDRC did not cover insurance intermediaries, consumers who seek advice on insurance products need to go through different complaint procedures depending through which distribution channels these products are sold. Such inconsistencies will be inconvenient and confusing to the consumers. We understand it is the insurance industries preference not to join the FDRC. <u>To better protect investors and ensure consistent consumer experience the IIA as the only insurance regulator might consider joining the FDRC and extending the scope of FDRC to insurance sales and marketing activities</u>

Chapter 7 – Appellate mechanism and checks and balances

An Insurance Appeals Tribunal will be established to which a person who is aggrieved by a specified regulatory decision made by the IIA or HKMA in respect of the decision can turn. The IAT may confirm, vary or set aside the decision or remit the matter to the IIA or HKMA

<u>IFPHK's Response</u>

To ensure proper and fair disciplinary actions, the IIA should maintain a high level of transparency and accountability to the LegCo in handling disciplinary cases relating to any misconduct of the industry practitioners. On the other hand, the disciplinary process should be fair and the Respondent should be given reasonable opportunities to be heard. Thus, <u>IFPHK agrees an IAT must be established</u>. The proposed appeal mechanism provides practitioners with an opportunity to appeal for any disciplinary action against them, but the Proposal is obscure on any dispute resolution service from a consumer perspective. As mentioned in Chapter 6 above, the IIA might consider joining the FDRC to provide consumers and practitioners with the opportunity to enjoy the benefits of arbitration and mediation.

Chapter 8 – Levy and Fees

The IIA would be self-financed with incomes streams from licence fee, service charges on insurers and licensees. Levy is proposed to be 0.1% premiums of all insurance policies. It is proposed to empower the Chief Executive to prescribe the levy and fees, and mandate the payment of them to the IIA, by subsidiary legislation which is subject to negative vetting by LegCo. On levy reduction, we proposed to include express provisions in the ICO to require the IIA to review the levy levels once its reserve has reached a level equivalent to 24 months of its operating expense, after deducting depreciation and all provisions. A cap would be imposed on the levy on non-life insurance policies with annual premium at or above $5 million and life insurance policies with single or annualized premiums at or above $100,000. The cap level would be subject to review by the IIA.

<u>IFPHK's Response</u>

As long as a mechanism is in place on checking the financial position of the IIA, IFPHK has no major comments on the level of levy.

Chapter 9 – Transitional arrangements for insurance intermediaries

It is proposed to introduce deeming provisions in the ICO to the effect that all pre-existing insurance intermediaries and their ROs validly registered with the SROs before the establishment of the IIA will be deemed as licensees and their ROs under the new regime for 3 years starting from the date of the commencement of the Amendment Bill. Applications for registration not yet approved by the SROs before the inception of the IIA will not be covered by the deeming arrangement. The IIA vested with the power to vary, suspend or revoke a deem licence if it is aware that the licence is based on a faulty registration approved by the SROs under the pre-IIA.

As suggested in the Consultation Paper, the IIA will adopt the general principle of fairness and reasonableness in handling transition arrangements, which will include but not be limited to:

- Pre-IIA complaint and disciplinary cases which remain unresolved upon the inception of the IIA will be followed up by the IIA;
- Pre-IIA appeal cases not yet concluded upon the inception of the IIA will be taken up by the IAT;
- Pre-IIA sanctions imposed by SROs that remained unexpired upon the inception of the IIA will continue to have effect in the remainder period; and
- Pre-IIA notifications on changes of particulars and appointment of registrants and ROs not yet completed by the SROs before the inception of the IIA will fall outside the proposed deeming provisions

It is also suggested that the IIA should adopt the new powers and procedures under the amended ICO but make reference to the pre-IIA standards and circumstances at the time of the occurrence of the event as far as practicable.

IFPHK's Response

A smooth transition with minimal disruption would be of utmost importance to protect the interests of policyholders and the industry players. It is felt that the success of the transition would rely on effective engagement of the industry. IFPHK has no major comments on the transitional arrangement

Conclusion

To conclude, IFPHK supports the setting up of an IIA with the appropriate powers, structure, resource as well as checks and balances, accountability and responsibility. However, the critical factors for success do not only lie with the high level principle and structure, but in its execution. It was felt that while the principles and structure may be sound, the ultimate success of the IIA will depend on the way the principles are interpreted and adhered to. One would need to study the details of how each proposal is to be implemented. IFPHK considers that these changes may have wider implications on the industry than was their original intent. As such, IFPHK recommends the Government establish a communication protocol with the industry and other regulators in order to minimize any negative impact on the industry. It should avoid implementing requirements that are onerous to the industry and work towards reducing the regulatory burden and compliance costs without jeopardizing consumer protection.

IFPHK considers that while it is inevitable that the insurance industry be prepared for a more regulated business environment, any future IIA should avoid the over-regulation that can destroy existing highly competitive markets. In conclusion, IFPHK believes that qualified intermediaries, well informed and educated scheme members together with a robust regulator framework, forms the core pillars for a healthy and prosperous insurance market.