



Hon CHAN Kin-por

Legislative Council Member

January 2009

Fellow practitioners,

Thank you for electing me to the Legislative Council. I am honoured by your support and will devote myself to representing the insurance industry and the interests of the people of Hong Kong.

Since assuming office on 8 October, I have participated in weekly LegCo meetings on Wednesdays and in meetings of the House and Finance committees on Fridays. I have also joined the Financial Affairs, Constitutional Affairs, Manpower and Environmental Affairs panels to raise my concerns and give advice on various issues to the Government



In view of overwhelming social and industry interest, I have joined the subcommittee responsible for investigating Lehman Brothers' minibonds and structured financial products. Before joining the subcommittee, I collected views from our industry and made a speech in LegCo regarding whether the LegCo should authorize the subcommittee to exercise powers under the LegCo (Powers and Privileges) Ordinance in its investigation.

A responsible LegCo Member—whether from a functional or geographical constituency—must pay close attention to the interests of his or her industry or district, as well as the general public. Over the past three months, I have contacted many members of our industry. Most realise that a LegCo Member from a functional constituency who is partial to a particular industry and inattentive to the interests of the public as a whole will not be accepted by the public. Therefore, I will seek to maintain a balance between both sides.

In the coming four years, I will collect the views of our industry on issues relating to insurance, the economy, the constitution, home affairs and the environment and report regularly on my contributions in LegCo.

Once again, thank you for your support.

Yours sincerely,
CHAN Kin-por
Legislative Council Member



During the election campaign, I promised to perform my duties as a LegCo Member in a practicable manner and attain three main goals: to seek business opportunities for the insurance industry, protect the rights of the industry and solve economic and social problems.

Insurance Issues

1 Improve the status of the industry

- Promote a better understanding of the insurance industry, its professionalism as well as its contribution to society.
- Encourage insurance practitioners to enhance their sales practices and comply with the codes of conduct. Develop sales and support skills in the industry to international standards.

2 Create business opportunities

- Promote insurance solutions to social, public and commercial problems, such as healthcare financing.
- Explore business opportunities in Hong Kong and the Mainland, including lowering the entry requirements for insurers operating in Mainland China.
- Advocate a tax deduction for insurance premiums.

3 Protect the interests of the insurance industry

- Ensure the interests of the industry are considered before the implementation of public policies. Issues of concern include the independence of the Office of the Commissioner of Insurance, competition law and policyholder protection fund.

Social Issues

1 Assist the low-income segment

- Help low-income earners enhance their skills, increase their competitiveness and join the middle class.

2 Protect the interests of the middle class

- Address the interests of the middle class, especially healthcare, education and recreation.

3 Promote Community Health Awareness

- Promote physical exercise to build a healthy community. Advocate a Government subsidy for medical check-ups to encourage early diagnosis and treatment and reduce subsequent medical expenditures.

4 Protect the environment and address air pollution in Hong Kong

- Encourage measures to reduce pollution in Hong Kong and Mainland China.

1 LegCo duties

1.1 Attendance

It has been three months since the LegCo term began. Every LegCo Member is busy attending various council meetings. In addition to the weekly council meetings on Wednesdays, I attended a number of panel meetings to raise my opinions on different matters to the Government. My attendance record for the past three months is set out below:

Event	Attendance
Council Meeting	11
House Committee	11
Finance Committee	7
Panel on Financial Affairs	4
Panel on Constitutional Affairs	4
Panel on Manpower	4
Panel on Environmental Affairs	5
Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products	3
Subcommittee on Improving Air Quality	1
Duty Roster Members Interview	6



1.2 Speeches

In the past three months, I have made speeches on a number of motions. An excerpt from one speech is included below. For more information on my speeches, please visit my Website, www.kpchan.com (to be launched in February 2009), or the Legislative Council site at www.legco.gov.hk.

Speech on the “Motion of Thanks on Policy Address” on 29 October 2008:

I would like to talk about the key focuses of this year's policy address regarding the insurance industry. The recent financial turmoil has taken a toll on various industries, including the insurance industry. I earnestly urge the Government to extend its assistance for the banking industry and small and medium enterprises to the insurance industry. As there are over 60,000 insurance practitioners, offering governmental assistance to the industry will definitely help avoid layoffs, lower the unemployment rate and prevent the vicious circle of unemployment.



I propose that the Government consider expanding the coverage of the Deposit Protection Scheme to insurance policies. This could include providing a guarantee for the cash value of insurance policies, so as to reinforce confidence in the industry.

In addition, I suggest that a tax deduction be granted for insurance premiums. The more protection from insurance, the less dependent the public will be on Government subsidies. As such, Government resources can be allocated to others in need. Therefore, the Government should encourage the public to maintain adequate insurance, especially for medical protection and retirement.

I support the idea of establishing a policyholder protection fund. However, there are several technical problems, especially with the initial financing for the fund. If the fund is entirely dependent on the insurance premium levy, it will take a few years to accumulate sufficient money to cover potential claims. To speed up the establishment of the fund, I propose that the Government provide start-up financing until the fund has accumulated a sufficiently large reserve.

I welcome any measure that can help optimise the regulatory regime of the insurance industry. Nevertheless, the proposed independence of the Office of the Commissioner of Insurance (OCI) from the Government may increase the insurance companies' licence fee and compliance costs. The reason is that more resources will be needed to support the OCI's operation as an independent body, and these funds will eventually be recovered from the insurance companies. Under the current economic downturn, the OCI's independence should be scheduled in line with Hong Kong's economic development. It is important for us to realise that the operating costs of the OCI after independence from the Government can be covered by resources other than licence fees. A one-off capital injection and other means of funding should also be considered. We have to avoid reliance on licence fee alone, as this will be a significant burden on insurance companies.

According to the agreements under CEPA, only Hong Kong insurance companies with assets of US\$5 billion and 30 years of operation that have established a representative office in China for not less than two years are qualified for entry into the China market. No Hong Kong insurance companies can meet such high entry requirements. I support the launch of financial services projects (including insurance) as pilot programmes in Guangdong. The Government should negotiate with Guangdong to lower the entry requirements so Hong Kong insurance companies can expand their business into Guangdong first. This would facilitate the enhancement of professional skills, create employment opportunities, supplement risk management abilities and better serve Hong Kong manufacturers in Guangdong.

2 Handling complaints

In the past three months, I have received 12 complaints, half of which related to life insurance. I have resolved six cases, and the remaining six are subject to the jurisdiction of other authorities. I have referred those cases to the relevant authorities and will keep a close eye on their progress.

I would like to share the lessons I learned handling one of these complaints, which involved a veteran insurance agent who was acquainted with the mother of the insured. The agent passed a proposal form to the insured's mother for the insured to sign. The agent signed the form as a witness without actually seeing the insured sign the form. Subsequently, the insured denied the validity of the policy because her signature had not been witnessed. Ultimately, the insurance agent was suspended from practice for more than a year. I would like to remind practitioners to comply with all applicable rules and regulations when conducting insurance sales.

Type of complaints	Number of cases
Life insurance	6
General insurance	2
MPF	1
Others	3
Total	12



3 Insurance work

3.1 Industry promotion

Many sectors have been affected by the financial turmoil and the insurance industry is no exception. As a representative of the industry, I held meetings with a number of intermediaries in November and December. We reached an understanding that the Government should speed up the establishment of a policyholder protection fund. Furthermore, it was suggested that the current bank deposit protection scheme should be extended to protect the cash value of conventional insurance policies. The industry will also seek approval for a tax deduction for insurance premiums and the recognition of insurance products under the Capital Investment Entrant Scheme.

3.2 Mainland development

At the LegCo meeting on 17 December, I asked the Government to specify the measures it will take to help local insurance companies develop insurance and related services in Mainland China. The Government's reply has been sent to all industry representatives.

3.3 Industry associations

I attended the annual dinners of the Actuarial Society of Hong Kong, the General Agents and Managers Association of Hong Kong and the Life Underwriters Association of Hong Kong. On these occasions, I met many old friends, shared my experiences as a LegCo Member and exchanged ideas on the insurance industry.



4 Media relations

I met political reporters in early December, and will meet members of the electronic media as well as business and local news reporters in the coming months.



LOOKING AHEAD

- 1 The financial turmoil has had a dramatic impact on the insurance industry. It has been estimated that new life premiums have fallen 50% in the last few months compared with the same period last year and investment-related insurance premiums dropped more than 70%, increasing the lay-off pressure on many insurance companies. In the coming months, I will work closely with you and ask the Government to adopt measures to rebuild confidence in our industry.
- 2 I will continue to follow the Lehman Brothers issue and consult the industry when necessary.
- 3 As a member of the Subcommittee on Improving Air Quality, I will monitor Hong Kong's air pollution and make suggestions to resolve this problem.



You are always welcome to contact me by:

Phone: (852) 2899 2831

Fax: (852) 2899 2050

E-mail: feedback@kpchan.com