

New models needed for Hong Kong's new insurance game

Old Mutual International is taking a fresh perspective on practice management in a bid to help advisers evolve with changing insurance regulatory guidelines, explains Mark Christal.

The new era of regulation and unprecedented levels of change for Hong Kong's insurance industry which emerged in mid-2015 is soon to move to the next level with a new Independent Insurance Authority (IIA).

Among sweeping reforms to regulate the advice process, GN15 has already restricted Class C investment-linked assurance schemes from paying indemnity commission. The level of initial commission paid on single-premium products has also been limited, requiring a proportion to be paid over subsequent years and enhanced disclosure requirements have been introduced.

GN16 is adopting the same core principles, meanwhile, and has more recently seen similar restrictions extend to traditional Class A life products. The application of the principles has however resulted in some inconsistencies across these two product sectors, including the area of disclosure.

Although these reforms impact local and expat IFAs in different ways, all players are facing cost challenges, forcing advisers to transform to a more sustainable, long-term business focusing on the client value proposition and reinventing themselves away from a sales-oriented, transactional culture in this new era.

"GN15 is very customer focused, and we are supportive of moves to greater transparency and a focus on positive customer outcomes," says Mark Christal, chief executive officer for Old Mutual International (OMI) in Hong Kong.

"The implementation wasn't ideal, but what it is trying to achieve, is."

Meanwhile, for insurance companies such as OMI, for example, GN15 and GN16 are expected to bring about far-reaching changes in terms of how they conduct their sales efforts going forward in Hong Kong.



MARK CHRISTAL
Old Mutual International

So far, Christal highlights a gravitation in the local market of activity towards Class A business in Hong Kong. "The timeline and application of changes

under GN16 means this has less exposure and is potentially easier to sell," he explains.

A NEW APPROACH

The direction of travel has been clear with markets across the world introducing varying levels of change focused around protection of customer outcomes and transparency. And while some insurers are grappling with the new world order in Hong Kong, others are responding more proactively; they are looking to introduce new initiatives to move in parallel with new requirements.

and cash flow; (iv) investment planning options; (v) understanding the client, via a segmentation exercise; and (vi) operational efficiency, based on analysis of existing processes to enhance efficiency, lower costs and improve risk management.

"We are talking with the industry about a lot of the changes underway and how our Future Fit modules can be used," explains Christal.

"One of our priorities over the coming year will be to continue these discussions around evolution of the adviser market."

lution, as they are still predominantly transaction focused," he explains. "We see that in our sector from the statistics on the types of insurance products being sold, but we see there being a significant opportunity in the local market for true needs-based independent advice."

Yet the key to succeeding in this new environment is to focus on solutions, not products.

"The important thing is we are not selling or promoting products," says Christal. "We are focused on offering customer-led wealth management solutions."

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MODERNISING THE BUSINESS

This is all part of the time and investment that OMI has dedicated over the past three years in upgrading its technology and changing its platform to be ready to augment the Future Fit modules.

"Our platform, called Wealth Interactive, is aimed at empowering both the adviser and the client to help introduce efficiencies into the business," says Christal.

Perhaps most importantly, he adds, is the focus on putting more control into the hands of the adviser and helping them to really enhance their relationships with their customers.

"If clients wish to deal directly, they can do that, whether online or via straight-through processing," he adds.

"That's a huge step forward in our industry and we are going to constantly build on that to introduce more technology to the market and in turn improve the overall customer-adviser experience." ■

OMI's approach is 'Future Fit'. This is a module-based programme to help guide advisory professionals through the key considerations needed to evolve a business model into a success story in today's advice world.

The essence of this is simply applying sound practice management.

In short, this involves a six-step transition journey to adapt the business model: (i) business planning, based on strategy, operating model and governance, risks and success measures; (ii) people assessment, including identifying any training needed; (iii) profitability analysis, on income, expenses

More specifically, this involves sitting down with individual firms to look at the areas where they need support to evolve their models.

"Hong Kong is moving to a needs-based market, but in the expat part of this market, firms are probably already familiar with some of these themes from exposure to Australia, the UK and South Africa markets as these have already evolved," adds Christal.

The greatest opportunity is for the local IFAs, he believes, which are starting from a different position. "We see firms [in this space] recognising the need to change, but this is a more difficult evo-