

Insuring the Future in Asia

Speech by Mark Tucker
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Thanks Edmund, and good evening ladies and gentlemen.

I am honoured to receive this Lifetime Achievement Award, as part of this 29th Pacific Insurance Conference, especially in the presence of so many friends and colleagues with whom it has been my privilege to work.

I am proud of everything my colleagues and I were able to deliver at Prudential and AIA, and this award is a recognition of their exceptional contributions.

Having said that, I do hope that this award – and that video – don't imply that I believe my lifetime achievements in the insurance industry to be over!

Indeed, I see the coming years as a time of great interest and opportunity for the insurance industry as a whole, and am very excited about the opportunities ahead for both HSBC Life and Discovery.

So in line with the PIC's mandate to exchange ideas, strengthen the industry's performance and improve societal conditions, I would like to use my remarks to explain why I feel this is the case.

Let me begin with some context.

Over the last 18 months across Asia as well as Europe and the US, the purpose of companies has been intensely questioned and challenged.

This debate isn't new.

After the Second World War, the view that capitalism should be more socially responsible and long-term spread through the US and Western Europe to Japan.

In the 1970s, the US changed approach after Milton Friedman argued that the only responsibility a corporation has is to make money for its shareholders.

However, a clear focus on long-term value creation and delivery for stakeholders is the core objective of every Board I have been part of from the viewpoint of all stakeholders – shareholders, employees, customers, suppliers and communities.

The idea that companies should serve wider interests has recently been revived.

Earlier this year the Business Roundtable Group of US CEOs changed its statement on the purpose of corporations.

It said that that companies need to generate “long-term value for shareholders” who provide the capital that allows companies to invest, grow and innovate ...

... and to be successful, durable and return value to shareholders, they need to consider the interests and meet the fair expectations of a wide range of stakeholders, including customers, employees and the communities in which they operate.

Personally I would also add “the environment” to this list to reflect the importance that should be attached to tackling climate change and the role that business needs to play in the transition to a low-carbon future.

Life insurers – as institutional investors – have a significant role to play in this regard.

I would encourage you all to think about your ability to channel and allocate capital towards developing a better, cleaner, future world.

Over the last 25 years, most of them here in Hong Kong, I have been extraordinarily fortunate to work in the insurance industry – an industry that I know is a force for good.

In Western markets over the same period, mis-selling, insolvencies and disintermediation brought about systemic risks and value dilution within life insurance industries.

And there was a failure to generate long-term customer value with inevitable reputational consequences.

I am confident that the same mistakes will not be made in Asia.

I believe that we have an opportunity to capture the imagination of younger generations and link it to protection and well-being.

We must each play our part in doing so by demonstrating that we appreciate and measure up to the trust placed in us by our customers, our regulators and our employees.

I would like briefly to mention what this means in relation to these three groups of stakeholders.

First, customers.

At its core the insurance industry is about making promises.

Our customers trust us to help them prepare for their most important life goals – saving for a child's education, living a healthier life, recovering from illness and planning for retirement.

The rapid growth of Asia's middle classes and urbanisation has created markets that have enabled our industry to grow.

Our reputation and sustainability depend on our collective ability to keep the promises we have made and to find ways that make our engagement with customers a more rewarding experience.

This will be challenging in a period of uncertainty and transformation.

Lower-for-longer interest rates continue to pose an existential threat to insurance as a long-term saving vehicle in Asia.

We need to re-design products to de-couple them from interest rates and continue to move away from a zero-sum approach of risk reimbursement, towards a social value-add of risk prevention.

I have been encouraged by the success of shared-value insurance, which provides a model for the alignment of commercial interests with positive social impact in a way that it isn't just a box-ticking exercise.

At the same time, new technologies are transforming the entire financial services landscape.

We can choose to see this as a threat and worry about how new technologies are impacting service and distribution channels, which could see the need for advice to become disintermediated.

Or we can choose to see it as an opportunity to innovate, invest and partner with others to combine our experience and scale with the best new technology, and to use data to make insurance more accessible and engaging to a wider range of consumers, especially younger people.

Second, employees.

If insurance is all about making promises, our ability to deliver on our promises rests primarily with our people.

It has been thus ever since the first brokers, agents and underwriters began offering insurance out of Edward Lloyd's coffee shop in London in 1686, and remains so today.

We are fortunate to have access to a diverse pool of talented and committed professionals across the region.

I am convinced that our job as leaders is to combine new technologies with a sense of responsibility and commitment to our people.

That is why I believe we must invest in the professionalism, the capability and the retention of our people, and continue to attract the brightest minds of tomorrow to our industry.

To this end let me also say a brief word about the insurance professional community in Hong Kong.

Our industry and its intermediaries account for the livelihoods of over 120,000 people in this market – people who like everyone who lives and works in Hong Kong are facing a very challenging time.

We should be immensely proud of their hard work and efforts to keep our businesses running smoothly and ensure our customers receive the support they want and need.

The most important thing that we can do as leaders is to make our top priority the safety and well-being of our people and their families.

And lastly, regulators.

A raft of regulatory changes are currently underway across the region.

The successful implementation of risk-based capital regimes will be particularly important to the long-term sustainability of our industry.

In this regard, the professional and independent regulation exercised by the Hong Kong Insurance Authority has shown it is critical that Asia continues to invest in regulation that puts customer interests – not audit trails – at the heart of regulatory decisions.

And for capital markets across Asia, the insurance industry – as major investors and participants – has a vested interest in their development.

Whilst some Asian markets have the economic weight and markets to draw in private sector investors, I have long argued for better access to funding and financial instruments across the region.

The lack of diversity, depth, tenure and liquidity in some Asian markets impedes both effective risk management and the development of products to meet customer needs.

Putting in place sound regulatory frameworks will enable the private sector to help these markets to mature and build the investor base that will enable them to prosper.

This regulatory journey will inevitably have some twists and turns as an age-old profession adapts to a pace of change faster than it has experienced before.

We must engage as new regimes are designed to minimise adverse impact on our stakeholders and embed the value and trust our industry needs to generate for long-term continued success.

This is a challenging but also an exciting time for the Asian insurance industry.

As long as we stay focussed on appreciating and measuring up to the trust placed in us by our stakeholders, our industry can thrive and prosper.

In spite of this award, I'm looking forward to being part of sustaining this trust for many years to come!

I would like to end by thanking Guy and everyone at PIC for your support for our industry.

It is important and much appreciated.

Thank you.