

Speech by CE at Asian Insurance Forum 2022 (English only) (with photos/video)

Following is the speech by the Chief Executive, Mr John Lee, at the Asian Insurance Forum 2022 today (December 5):

Mr Stephen Yiu (Chairman of the Insurance Authority), Mr Clement Cheung (Chief Executive Officer of the Insurance Authority), distinguished guests, ladies and gentlemen,

Good morning. This is the fifth consecutive year that the Insurance Authority has hosted the Asian Insurance Forum. A warm welcome to the industry leaders, experts and guests from near and far joining us here in person as well as online. We are all here to share insights into development prospects and opportunities for the insurance market in the region.

The theme of the Forum today – "Reflect, Reset, Revive for a Resilient Future" – resonates strongly with the global community in the wake of the COVID-19 pandemic.

Certainly, our local society has displayed remarkable resilience through the trials of these past three years. It is indeed time for Hong Kong to recuperate its strengths and vibrancy, demonstrating to the world – as I proudly proclaimed last month during the Global Financial Leaders' Investment Summit, the Hong Kong Sevens and various other spirited events – that Hong Kong is back onstage.

And, for our city, there is no bigger stage than that for global finance.

Above all, Hong Kong is the gateway connecting global markets with the Mainland and vice versa. In the next few minutes, I will share with you three "how's" of the prowess of our financial market: how we enhance market opportunities domestically and internationally, how we innovate to ensure market sustainability, and how we maintain market stability.

In my Policy Address, I set out measures to reinforce Hong Kong's position as a leading hub in areas such as offshore Renminbi business, asset management and, of course, risk management.

Dovetailing with national strategies including the 14th Five-Year Plan, the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development, and the Belt and Road Initiative, we strive to seize opportunities for growth, while also serving people's needs and maintaining market stability.

The insurance industry, being an integral and substantial part of our

economy, will continue to play an important role in this new chapter for Hong Kong.

With support by the Central Government in the National 14th Five-Year Plan, Hong Kong will strengthen its function as an international risk management centre under the country's "dual-circulation" economic strategy. By making the most of our city's entrenched advantages, Hong Kong strives to be an active participant in domestic circulation as well as an effective facilitator in international circulation.

On domestic circulation, we are making final preparations for the establishment of insurance after-sale service centres in the GBA, including the strategic locations of Nansha and Qianhai. This will bolster support for customer enquiries, premium payment, claims settlement and complaints handling for holders of insurance policies issued in Hong Kong.

We are also forging ahead with the introduction of the "unilateral recognition" policy. This will obviate the need for private cars entering Guangdong from Hong Kong via the Hong Kong-Zhuhai-Macao Bridge to separately obtain compulsory third-party insurance coverage in the Mainland.

We will continue with these pioneering steps towards mutual access of insurance markets to further enhance connectivity in the GBA. I encourage insurance industry professionals to develop innovative products and share your ideas with us.

One such area is the compilation of a mortality table for the GBA that could re-engineer cross-boundary medical and critical illness products. This would bring greater convenience for Hong Kong policy holders to live, study, work and travel throughout different parts of the GBA, thus contributing to the vision of a seamless and dynamic metropolis.

Turning to international circulation, Hong Kong stands as a prominent global risk management centre and regional insurance hub. Multinational insurers and reinsurers, including 12 of the world's top 20, that is 60 per cent, have chosen Hong Kong as a base for their regional operations. We have the knowledge and expertise to produce bespoke risk solutions for major infrastructure projects related to the far-reaching Belt and Road Initiative. We also serve as an effective launch pad for Mainland enterprises interested in making a foray into overseas markets along the Belt and Road and beyond.

The Specialty Risks Consortium, conceived by the Insurance Authority, connects risk owners with professional service providers such as insurers, reinsurers, insurance brokers, lawyers and consultants to design solutions tailored to their unique circumstances. We are also encouraging conglomerates to set up captive insurers in Hong Kong to build up internal capacity on risk prevention, discovery and mitigation.

As a promising start for our venture into insurance-linked securities, or ILS, two catastrophe bonds totalling US\$180 million were issued in October 2021 and June 2022. I look forward to more good news on both the number and

structure of ILS issued in Hong Kong.

Starting last year, the Insurance Authority's group-wide supervision regime has become fully aligned with international standards. This makes Hong Kong an even more attractive base for insurance groups, and strengthens our position as an insurance hub in the Asia-Pacific region.

While the pandemic has taken its toll on business, it has also focused attention on the need for more innovative solutions. Statistics revealed by the Insurance Authority demonstrate this. They show that new premiums for individual life business dropped 21 per cent in 2020, compared to the previous year, amid the decline in cross-boundary travel during the pandemic.

The industry reacted swiftly with product revamping, technology adoption and re-skilling. This, in part, led to an impressive 27 per cent rebound of new business in 2021, driven mostly by local demand for protective coverage. It highlights not only greater resilience for insurers, but also better accessibility to suitable products for policy holders.

The ageing population, and associated risks on morbidity and longevity, opens up opportunities for regulators to collaborate more closely with the industry. The Qualifying Deferred Annuity Policies and the Voluntary Health Insurance Scheme, for instance, are well received. This bears testimony to a sizeable demand for such mitigating tools.

More recently, financial regulators have enhanced the framework for investment-linked insurance products and introduced the Protection Linked Plan with a higher level of protection. We will continue to promote product innovation targeted at retirement planning among the younger generation, narrowing protection gaps and deepening financial inclusiveness.

To complement the development of appealing insurance products, the industry also innovates to build powerful distribution channels. Insurtech spearheads the transformation with a streamlined application process, remote on-boarding, no-frills product features and upgraded customer experience.

A case in point is the Insurance Authority's Insurtech Sandbox. Similar to sandbox initiatives in the fintech sector, it enables insurers to test new applications in a safe environment before bringing them to the market. I believe that closer links between the insurtech and fintech sectors can create more mutual benefits and opportunities.

My final point today is about market stability, which is the foundation for development. With this in mind, the Government is working closely with the Insurance Authority on legislative amendments to implement the risk-based capital regime in 2024. This would bring the regulatory framework in Hong Kong on par with all leading financial centres.

To ensure the robustness of our regime, the Insurance Authority has been performing stress tests on underlying parameters taking into account market gyrations.

Within this month, we will commence a public consultation on the detailed proposals for a policy holders' protection scheme to provide an additional safety net in case of insurer insolvency. You are all invited to contribute to the consultation exercise.

This morning, the Financial Services and the Treasury Bureau of the Hong Kong SAR (Special Administrative Region) Government issued a Development Roadmap for the Insurance Sector in Hong Kong. It sets out the Government's vision, missions and policy measures to further strengthen Hong Kong's role as an international insurance and risk management hub. The Roadmap is already receiving positive response from the industry, and we will continue to work with the Insurance Authority and market participants to propel our insurance market to new heights.

The Hong Kong SAR Government will continue to implement measures enabling the insurance industry to sustain growth. Among other things, we will establish the Talents Service Unit as a one-stop shop to co-ordinate recruitment of talent from the Mainland and overseas including, of course, financial talent. We will also introduce a new Top Talent Pass Scheme as well as various enhancements to existing talent admission schemes.

At the same time, we continue to nurture local talent, ensuring that our insurance practitioners are well equipped with skills and knowledge to capture opportunities in key areas such as fintech and green finance.

Ladies and gentlemen, Hong Kong and the world at large have had their fair share of volatility in the past few years. It now falls upon us to show to the world that Hong Kong is back onstage, stronger than ever, and to dedicate efforts in tackling challenges in our society.

As we reflect, reset and chart our way towards a brighter tomorrow, we bear in mind the call made by President Xi Jinping that, and I quote: "Those enjoying benefits and joy of all people should also share their burdens and concerns". I believe this is relevant to the insurance industry: after all, we depend on you to provide greater financial security in this fast-moving and unpredictable world.

I wish you all a productive forum and good health. Thank you.

