

**13th Annual Meeting & Conference of
the Asian Forum of Insurance Regulators (AFIR)**

7 June 2018

**Welcome Remarks by Dr Moses Cheng
Chairman of the Insurance Authority**

Chairman Chen¹, distinguished guests, ladies and gentlemen. Good Morning.

On behalf of the Insurance Authority (IA), I am deeply honoured to welcome all of you to Hong Kong for the AFIR Annual Meeting and Conference. This meeting, together with the Asia-Pacific High-level Meeting on Insurance Supervision held yesterday, is the first major international event hosted by the IA since we took over in June last year the insurance regulatory functions from the Hong Kong Government's Office of the Commissioner of Insurance.

As the prudential and conduct regulator of insurers, the IA is operationally and financially independent from the Hong Kong SAR Government. The IA currently has a staff of over 220 and aims to achieve full strength of over 300 in a year's time. We are setting up a direct licensing regime of insurance intermediaries with a view to taking over the regulatory functions from the three Self-Regulatory Organisations in mid-2019. More importantly, the IA has also taken up the new role, the double responsibility in facilitating the sustainable development of the insurance industry. As an international financial centre, Hong Kong also strives to contribute to the development of the insurance markets in the region.

¹ Mr Chen Wenhui, Vice-Chairman of China Banking and Insurance Regulatory Commission (CBIRC)

Since 2005, AFIR has become the main platform for insurance regulators in the Asia-Pacific region to work together to enhance regulatory cooperation and information exchange. In particular, annual meetings and conferences enable regulators to meet face-to-face to share regulatory experience and insights as well as explore major trends in the insurance markets.

This year, our theme is “Building an Effective Regulatory Regime in a Changing Landscape”. The Conference will focus on several topics of common concern to all of us, especially the development of risk-based capital (RBC) regimes, Insurtech and cybersecurity.

The global insurance landscape is changing at an unbelievably fast pace. When AFIR was first formed about a decade ago, only around 10% of global premium income was written in Asia ex-Japan. In recent years, Asia has become the growth driver of the global insurance markets. According to a recent study by Allianz Research, Asia ex-Japan’s premium volume grew by 10.2% in 2017, accounting for 76% of the increase in global insurance business last year. It is forecasted that the region could achieve a growth rate of almost 11% per annum over the next decade. By 2030, it is expected that around 40% of global premium income would be written in the region.

Notwithstanding the high growth rate, many Asian economies including Hong Kong still have huge insurance protection gaps. The Hong Kong Government has recently introduced new initiatives such as tax concessions for premiums paid for medical insurance under the new Voluntary Health Insurance Scheme and deferred annuity products, and the offering of a new life annuity product for people aged 65 or above

by a government-owned insurer. I look forward to learning about similar initiatives being undertaken in other jurisdictions later this morning.

While we all feel excited by the growth prospects in the region, we should not be complacent and underestimate the challenges ahead. One of the key challenges is how to manage disaster risks arising from natural catastrophes which are becoming more frequent and intense. According to Swiss Re's estimates, global insured losses from disaster events in 2017 were around USD 136 billion, up from USD 65 billion in 2016. Hong Kong, Macau and the neighboring area experienced Typhoon Hato which caused insured losses of USD 330 million. Many economies in the region even face larger natural catastrophe exposure. As insurance regulators, we have to ensure that our insurers and reinsurers have sufficient capital and resilient risk management programmes to cope with the growing exposures. This is one of the main topics to be tackled under the RBC regime being developed in Hong Kong.

Cybersecurity poses another major challenge to the insurance industry. As the world embraces new technology and digitalization, our industry is moving fast to develop insurance solutions to address the ever-rising risks that cyber presents. At the same time, insurers themselves are being exposed to more frequent cyber-attacks and vast potential losses from cyber events. As the regulators, we have to closely monitor the cyber risk management and control systems of insurers to ensure that they align with international best practices. The IA has recently formed an expert panel to help us formulate a cybersecurity strategy. The sharing of experience from your jurisdictions will be most welcome.

Another driver of the Asian insurance market is the development of Insurtech. According to a recent study by Willis Towers Watson, life, health and

microinsurance have seen the most impact from Insurtech in Asia. Within these business lines, digital distribution and aggregator technology have been particularly successful in bridging the gap between supply and demand. There has been adoption of new data analytics tools across insurers' business value chain. Data analytics capability provides insights and improves operations across underwriting, pricing, claims management and customer acquisitions. There are also industry initiatives to use technology for prevention of frauds in claims.

The IA launched two new Insurtech initiatives last September, namely the Insurtech Sandbox and "Fast Track". The Insurtech Sandbox provides a "safe space" in which insurers can experiment new ideas of deploying technology in a controlled environment before making a formal market launch. The "Fast Track" offers a dedicated queue for applications for authorisation of new online insurers, with a view to encouraging insurance companies and technology firms to adopt innovative business models for providing better services to their customers. While we are expecting some successful cases in the coming months, I would love to learn from your experiences in making regulatory provisions to allow for the development and growth of local Insurtech.

Instead of having the entire meeting being held in this hotel, the panel sessions on Insurtech and cybersecurity tomorrow afternoon will take place at Cyberport which houses a technology hub for incubating technology startups by providing them mentor support and affordable rental office.

The fact that many of you having travelled a long way to attend this meeting shows a collective recognition of AFIR's role in helping us reflect on our regulatory frameworks to address new risks, fill supervisory gaps and seize new opportunities.

I sincerely hope the meeting today and tomorrow will live up to your expectations and reinforce the experience sharing and collaboration among AFIR members. And that all of us would bring home fond memories and useful ideas for further consideration and deliberation.

May I end by wishing you all a successful and rewarding meeting and a pleasant and enjoyable stay in Hong Kong! Thank you very much.