

Asian Insurance Forum 2020
“Spearheading Change for a Sustainable and Resilient Future”
8 December 2020

Welcome Remarks by Dr Moses Cheng
Chairman of the Insurance Authority

The Hon Chief Executive, Mr Dixon¹, friends and colleagues, ladies and gentlemen, good morning!

On behalf of the Hong Kong Insurance Authority (“IA”), I would like to extend to all of you a warm welcome to the Asian Insurance Forum held in hybrid format because of an evolving COVID-19 outbreak. Although this is at odds with the arrangement last year, please rest assured that we have assembled an impressive line-up of keynote speakers and industry experts who promise to give us a stimulating morning.

Admittedly, incidents taking place in recent months are barely imaginable before, such as having the entire team of your staff working from home and spending several evenings a week on video-conference instead of interacting physically with contacts across the world. The pandemic is testing our resolve and resilience. Priorities of work have to be reshuffled, mode of operation revamped, business continuity plans speedily mobilised. Attitudes, lifestyles and behaviour will never be the same when our daily lives resume normal.

¹ Mr Jonathan Dixon, Secretary General, the International Association of Insurance Supervisors

Ladies and gentlemen, what have we learnt? Could we adapt to these changes? Are we getting stronger and wiser? The theme “Spearheading Change for a Sustainable and Resilient Future” is therefore a most fitting one under the present circumstances.

We are most honoured and grateful that the Chief Executive, the Hon Mrs Carrie Lam would start off today’s proceedings with an opening address. That would be followed by a keynote address by Mr Jonathan Dixon, the Secretary General of the International Association of Insurance Supervisors. Mr Laurence Li and Mr Christopher Hui will then moderate two panel sessions to shed light on financial connectivity and collaborative growth in the Greater Bay Area (“GBA”) and along the Belt and Road (“B&R”), followed with a second keynote speech by the Financial Secretary, the Hon Paul Chan. The third panel session led by the Chairman of the Cyberport, Dr George Lam is an interesting one featuring four virtual insurers authorised by the IA under Fast Track since December 2018, each moulding its bespoke competitive edge and business model. So there is a lot to keep you engaged in the next few hours.

Ladies and gentlemen, COVID-19 is without doubt the buzzword of 2020 and one that will sink deep into our memories. Amidst the hot talk about readiness of vaccines being developed by the pharmaceutical giants, Hong Kong is grappling with the fourth wave of infections, with confirmed cases surging from low single digits to near one hundred over the last weekend. The International Monetary Fund forecasted that the world economy would contract by 4.9% this year. Leading international reinsurers expect that global long term premiums will recede by 6% and general premiums will decline by

0.1%, while total sum of related claims could eventually balloon to a mind-boggling US\$100 billion.

The insurance industry in Hong Kong is not immune, with latest statistics showing that premium growth for the first three quarters of 2020 had slowed down to 5.5%. New business attributable to visitors from the Mainland, in particular, saw the steep downturn since the Global Financial Crisis of 81.9%. Anticipating, sensing and riding on change to drive progress is a hallmark of the success story for Hong Kong and the “can-do” spirit of our population. As a matter of fact, the decision to go virtual brought us the highest attendance for this event, which is a telling example of how accepting and harnessing change could yield better resilience.

Crises raise awareness of individuals and corporates on how fragile they are in the face of natural perils. COVID-19 is not the first pandemic that hit us, nor will it be the last. Aware of the need to achieve structural rebalancing, we made no hesitation in rolling out the Temporary Facilitative Measures since February this year to enable a designated range of protective products to be sold remotely. The outcome is encouraging, as almost 21,000 policies accounting for \$319 million of annualised premiums have already been issued up to the end of October. Preliminary analysis also indicates that young middle class is the main clientele, reaffirming our belief that digital platforms are capable of reaching underserved segments and meeting hidden demands. Improved financial inclusiveness and narrowed protection gap will in turn render our economy more resilient to external shocks and the insurance market more sustainable.

Performing a dual role as prudential regulator and promoter of sustainable development of the insurance industry, the IA is in a unique position to engineer changes for resilience. A second focus of structural rebalancing touches upon distribution, currently predominated by face-to-face dealings. Aberrations associated with COVID-19 spun off a wave of applications for pilot trial under the Insurtech Sandbox, with nine cases approved from April to October and a few more in the pipeline. The virtual insurers also reported surge of traffic on their websites and higher conversion rates. There is room for alternative distribution to contribute even in a mature insurance market like Hong Kong. The crux is to apply innovation and technologies in a way that could nurture synergies with product design and service improvement.

Looking beyond our domestic market, the 14th Five-Year Plan (2021-2025) released two months ago placed emphasis on acceleration of establishing a “dual circulation” development pattern. Not surprisingly, GBA and B&R fall naturally into this dynamic loop of growth. Integration and connectivity will fuel demands for cross-boundary products and services. The IA will expedite initiatives such as launching the Specialty Risk Consortium for deal matching, attracting state-owned enterprises to form and base their captives in Hong Kong, pioneering issuance of insurance-linked securities and pursuing early establishment of after-sale service centres in the GBA.

Ladies and gentlemen, COVID-19 has brought stress and frustrations to all of us, but it is incumbent upon the insurance industry to play a part in supporting the society to prepare for, cope with and restore from disruptions. A time of crisis could become the finest hours if we have the courage to retrospect and embrace the future. The IA will collaborate with the Government, fellow

regulators and stakeholders to reinforce our position as a regional insurance hub and global risk management centre.

To conclude, let me borrow a quote from Albert Einstein, the most influential scientist on challenge and opportunity, “There is no challenge without a crisis. Without challenges, life becomes a routine, in slow agony. There is no crisis without merits. It is in the crisis where we can show the very best in us.”

Indeed, I cannot agree more with such words of wisdom.

So, ladies and gentlemen, let us work together to turn “challenge” to “opportunities”, embrace “change” for “prospects”, and replace “gloom” with “audacity”, let us collaborate closely in scaling the insurance industry of Hong Kong to new heights.

May I wish you all a fruitful forum, and if it is not too early, to wish you all a Happy and Healthy Christmas. Thank you!