

Forum on Embracing Fintech in Hong Kong Insurtech - 'Sandbox' approach

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Insurtech - The trend

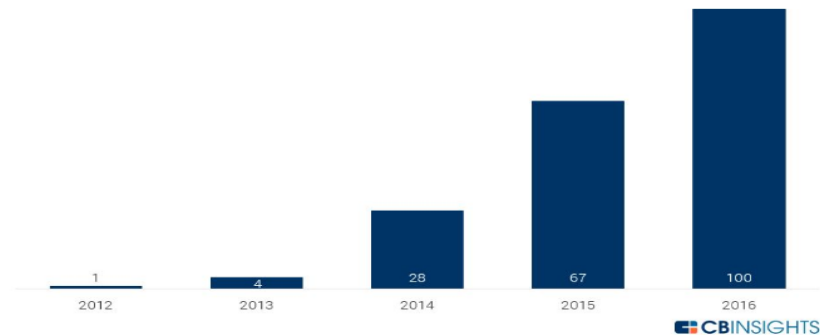
Technology advancement:

Connected device , data analytics , artificial intelligence...

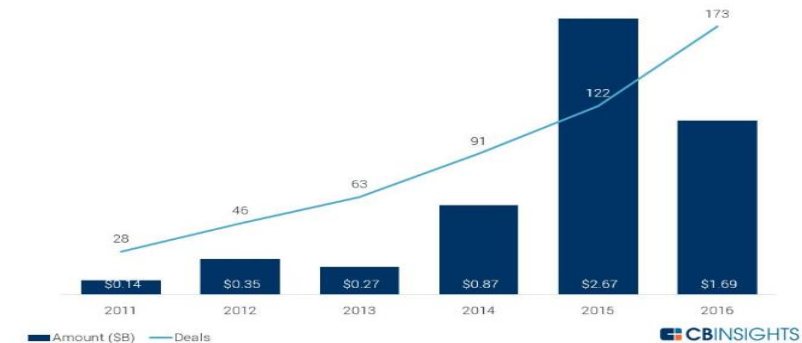
Customer Demand:

Simple and affordable products, personalized and tailored insurance solution, simple and easy to become insured ...

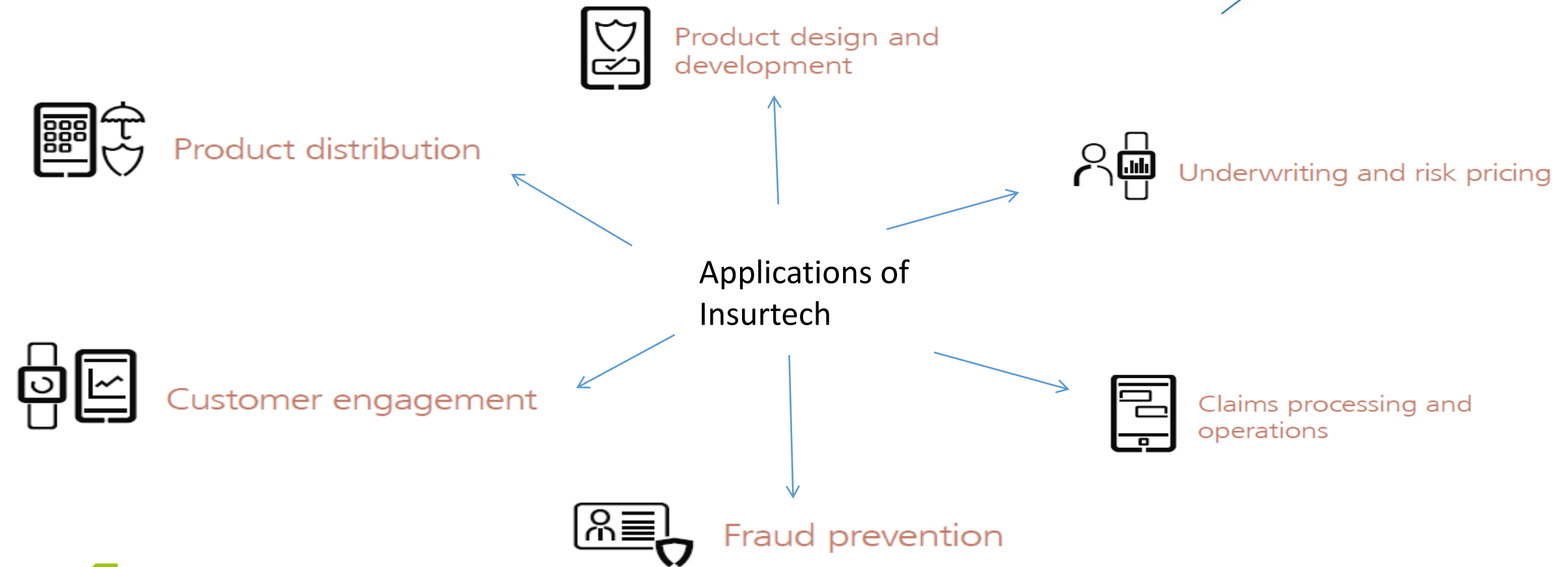
PRIVATE TECH INVESTMENTS BY (RE)INSURERS
2012 - 2016



INSURANCE TECH ANNUAL FINANCING TREND
2011 - 2016



What is Insurtech?



Impact of Insurtech

- Customers – more value-added auxiliary services (health & fitness and roadside assistance), easy access to insurance, cheaper premiums, more personalized insurance solutions

➔ Big Winners

- Insurers - cost savings, enhanced perception and reputational gain
- Start-ups – more flourished Fintech ecosystem
- A more sustainable market – intensified competition, higher insurance penetration especially in the Asian market

What is 'Sandbox' ?

- A concept adopted from software development world
- To test technological proof of concept prior to a full-scale public release --> Iterative process to amend and improve based on feedback
- In a regulated industry, insurers and start-ups find the iterative approach difficult, especially in gaining real world data
- Sandbox – provides “safe space” to experiment new Insurtech initiatives
→ potential benefits for both startups and insurers

'Sandbox' - Current Development

UK Financial Conduct Authority (FCA)

- Launched its regulatory sandbox program in May 2016
- 2nd cohort of application in June 2017
- 3rd cohort has begun

Hong Kong Monetary Authority

- Fintech Supervisory Sandbox in September 2016
- No limit to the number of participants

‘Sandbox’ - Current Development

Monetary Authority of Singapore

- Issued the FinTech Regulatory Sandbox Guidelines in November 2016
- No limit to the number of participants

Other regulators: e.g. Australian Securities and Investments Commission
 (“ASIC”) , Abu Dhabi

IA Insurtech - 'Sandbox' approach

Background

- Authorized insurers may have initiatives in applying technologies in their business operations
- Examples include e-platform, cloud computing, blockchain technology for claims management, etc
- Insurers may be uncertain if those initiatives can fulfil all the supervisory requirements of the IA

IA Insurtech - ‘Sandbox’ approach

Objectives

- The IA considers it necessary to adopt some flexibility in the supervisory requirements
 - ➔ Considering “Sandbox” approach
- Insurtech applications under the Sandbox to collect sufficient data to demonstrate to the IA that it can broadly meet relevant supervisory requirements

IA Insurtech - 'Sandbox' approach

Principles

- A. Well-defined boundary and conditions
 - i) Timing and duration, or expected official launch date of the initiative to the market
 - ii) Size and type of insurance business, and targeted users
 - iii) Technology involved
 - iv) Expected outcome and success criteria of the trial
- B. Risk management controls
- C. Customer protection
- D. Resources and readiness of the insurer
- E. Exit strategy

IA Insurtech - 'Sandbox' approach

Principles

- Does not intend to define parameters for the above principles
- On a case by case basis
- Please engage with IA early
- Benefits :
 - Insurers - gain real market data and information of user experience in controlled environment before official launch
 - IA - provide inputs to refining the supervisory regime which may take into account the latest technological applications

Insurtech Facilitation Team

Objectives:

- Facilitate the Insurtech community's understanding of the current regulatory regime
- Provide advice on Insurtech related topics

THANK YOU !