

International Actuarial Colloquium
“Global Pandemic – Beyond the New Normal”
27 April 2022

Opening Address by Mr Stephen Yiu
Chairman of the Hong Kong Insurance Authority

Secretary Hui¹, Alex², Micheline³, distinguished guests, ladies and gentlemen,

Good morning, afternoon, evening – wherever you are. Although many places including Hong Kong are returning to normalcy in a progressive manner taking into account unique local circumstances, virtual or hybrid modes of interaction will definitely be the new normal.

It is my great honour and pleasure to speak at this Colloquium which is co-organised by the Actuarial Society of Hong Kong (“ASHK”) and the Life and Pensions, Benefits and Social Security Sections of the International Actuarial Association. The theme of “Global Pandemic – Beyond the New Normal” coincidentally bears striking resemblance to the title of “Embracing the New Normal” of the Annual Report of the Insurance Authority (“IA”).

The world is passing through some rough waters when deglobalisation, geo-political conflicts, inflation and climate change are looming over the horizon, not to mention the more immediate concern of domestic outbreaks caused by the Omicron variant. However, the course of history has proven that with challenges come opportunities, and those who are ready to respond with courage and conviction will come out as winners. The financial services sector in Hong Kong deserves to be a winner, and its robustness has been reaffirmed by the International Monetary Fund last month⁴.

Take the insurance sector as an example. Restricted cross-boundary passenger movements have devastated new business derived from Mainland Chinese visitors, but the industry displayed remarkable agility by redirecting focus on local appetite for accident and health policies or retirement protection. Some figures will back this up – new premiums of long term business jumped 25% in 2021, almost matching the steep decline of 23% suffered the year before.

¹ Mr Christopher Hui, Secretary for Financial Services and the Treasury

² Mr Alexander Wong, President, Actuarial Society of Hong Kong

³ Micheline Dionne (President-Elect IAA), International Actuarial Association

⁴ The IMF report was published on 8 March 2022, available at-

<https://www.imf.org/en/Publications/CR/Issues/2022/03/07/Peoples-Republic-of-China-Hong-Kong-Special-Administrative-Region-2022-Article-IV-513945>

When the pandemic first erupted in 2020, there was widespread confusion in the community about how the situation would play out. What came to the IA minds, however, is whether it represents a conducive environment to introduce structural reforms that we have been contemplating to ensure a balanced and sustainable development of the insurance industry. The result is a timely raft of initiatives like Temporary Facilitative Measures and Virtual On-boarding Platforms that allow the selling of selected insurance products without face-to-face interactions, aimed at enabling the market to function facing operational constraints and narrowing the protection gap in Hong Kong.

At the same time, while policyholders may feel comfortable with accessing support via digital channels, many still prefer to be served by a trusted insurance intermediary when it comes to complex policies or when sensitive personal or family information is involved. We therefore stepped up the drive for higher standard of professionalism by adding functionalities to the Insurance Intermediaries Connect, accepting e-courses for fulfilment of the Continuing Professional Development requirements in full and rolling out the remote-proctored Insurance Intermediaries Qualifying Examination. Given the better quality of service enjoyed by customers and the convenience accorded to insurance intermediaries, I am optimistic that these changes will stand in the post-pandemic era.

The IA is privileged to be tasked with promoting the stable and sustainable development of the Hong Kong insurance industry and its global competitiveness. We are fully committed to building up Hong Kong as a global risk management centre and regional insurance hub, leveraging on our unique advantages under the “One Country, Two Systems” principle and national economic strategies including the Belt and Road Initiative and Greater Bay Area (“GBA”) development. Our determination is best illustrated with the speed in which legislative amendments giving effect to the Group-wide Supervision (“GWS”) Framework and regulatory regime of Special Purpose Insurers (“SPIs”) were passed. We secured passage of these two legislative bills in less than four months.

The efforts pay off. We are now a frontrunner with three Internationally Active Insurance Groups designated under our GWS Framework by end of 2022 and will spare no effort to attract more multinational corporations interested in making a foray into the Asia Pacific region and state-owned enterprises in the Mainland mandated to enlarge their overseas footprint to set up operations in Hong Kong. In respect of SPIs, in last October, the inaugural issue of a catastrophe bond covering losses inflicted by typhoons in the Mainland heralds an era when Insurance-linked Securities (“ILS”) gain its place as a risk transfer tool and a class of alternative investment in Hong Kong. The share of insured losses arising from natural disasters in the Mainland is below 10% compared to the global average of 40%. It is thus easy to realise why the Central People’s Government advocated for Hong Kong to

increase its presence in the ILS space. The ASHK would have a role to play in relation to scenario analysis and data modelling.

Turning to the Risk-based Capital regime, I would like to thank the ASHK for participating actively in the three rounds of Quantitative Impact Studies and numerous discussions in the Industry Focus Groups. We are now ready to implement the new regime in 2024 and early adoption would be allowed in the first half of this year. Admittedly the IA is not ahead of our competitors, but starting slow does offer us the comfort of being able to calibrate design parameters against the most volatile conditions of the investment market in recent years. Put simply, doing things right is more important as doing them fast.

Ladies and Gentlemen, there are no short of doomsayers on the future of Hong Kong. But as actuary and insurance professional, we must let the data speak. Hong Kong is now home to three major international insurance groups and as we have built up the infrastructure for ILS, there are more ILS issue in the pipeline. Hong Kong also enjoys unparalleled forerunner advantage in the development of the GBA. The insurance penetration rate in the nine GBA mainland cities is only 5.4%, about one-third of Hong Kong. Exponential growth of insurance market in GBA is a virtual certainty and no reasonable insurer could afford to overlook this. With sophisticated product design, diversified currency options, linkage to international market, Hong Kong insurance products will continue to be appealing to Mainland corporations and residents. To conclude, the new normal is no doubt filled with uncertainties, but I am sure of one thing, that is Hong Kong will emerge stronger with confidence, opportunities and charisma.

I wish you all a rewarding experience in the two days ahead. Thank you.