

A Summary of the HKFI's Think Tank Proposal to Reinvigorate Hong Kong as an International Insurance Centre (IIC)

Hong Kong is a mature and developed insurance market and a global leader in terms of insurance penetration and density. Despite possessing a number of inherent advantages (such as deep capital markets, a well-established aviation and trade hub, an educated multi-lingual workforce, and the operating presence of 12 of the world's 20 largest insurers), Hong Kong has yet to capture its fair share of 'international' insurance risk.

HK is a domestic over-achiever...

Insurance Density & Penetration

Insurance Density: Premiums Per Capita 2021¹

(US\$k)

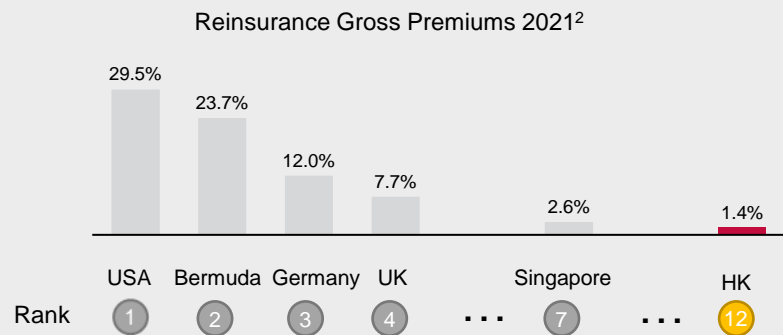
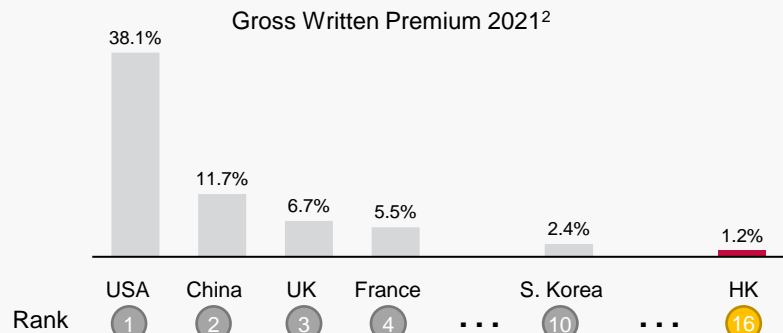
1. Cayman Island	19.2
2. Hong Kong	9.6
3. US	8.2
4. Denmark	7.7
5. Macau	6.9
6. Singapore	6.7
⋮	
40. China	0.4

Insurance Penetration: Premiums in % of GDP 2021¹

1. Cayman Island	21.0%
2. Hong Kong	19.6%
3. Taiwan	14.8%
4. South Africa	12.2%
5. US	11.7%
⋮	
11. Singapore	9.3%
⋮	
40. China	3.9%

But fails to punch its weight internationally...

Shares (%) in Global GWP / Reinsurance Premium remain low



Note 1: Source from World Insurance Report published by Swiss Re (No 4/2022)

Note 2: Source from Global Insurance Market Report issued by International Association of Insurance Supervisors (IAIS) in December 2022

Against the above backdrop and the release of **Development Roadmap for the Insurance Sector in Hong Kong** and relevant industry initiatives in the **2023-2024 Budget**, the HKFI Think Tank proposes a series of pragmatic policy recommendations under three dedicated focuses combined with industry feedback to the HKSAR Government in early April 2023.

Industry feedback – the following four areas will most positively impact the development of the insurance industry of Hong Kong in accordance with the HKFI Member Survey in 2022

93%



HK to play a bigger role within **GBA / Belt and Road** initiatives

93%



Deepening of **local** and **international talent** and human capital

85%



Incentives to allocate more **international financial capital** to HK

85%



Improved international **branding** and **positioning**

The Think Tank’s Proposal Under Three Dedicated Focuses



Deploy Hong Kong Insurance Capital into Real Economy to Support the Execution of the National Strategy

Incorporate and promote Public & Private Collaboration on Infrastructure Investment through Hong Kong Risk-Based Capital Framework (“HKRBC”)

- Remove the conservatism in the current Pillar 1 HKRBC capital charge for infrastructure equity, permit the use of Internal Ratings for infrastructure debt investments, and recognize the diversification benefits from infrastructure debt and equity

Provide incentives under HKRBC to invest in Green and Sustainable Finance (“GSF”) instruments including ESG-labelled debts/equities, sustainable real assets and impact funds

- Introduce a further diversification benefit for GSF instruments (both debts and equities) against non-GSF instruments in quantification of capital risk charges (credit and equity) under HKRBC framework



Increase Enterprise Capacity and Human Capability of the Insurance Sector in Hong Kong

Outline financial assistance packages for insurance groups to set up regional headquarters in Hong Kong and/or establish new business lines in Hong Kong

- Establish a one-stop supporting ecosystem for businesses to set up broking and underwriting units in Hong Kong including office rental/business consulting/talent recruitment
- Create a platform branded as “Insure-HK” on industry promotion and deliver one-stop information portal of helpful insurance solutions
- Provide subsidiaries and other grants to insurance groups to establish new capabilities and new insurance jobs in Hong Kong

Fast-track legal mechanism and secure Bermuda concurrence for international insurers re-domicile in Hong Kong

- Prioritize the Insurance sector and the Bermudan redomiciliation as the initial implementation case for what is expected to be multi-sector, multi-jurisdictional legislation enabling Hong Kong redomiciliation

Build sustainable talent pools for the insurance industry of Hong Kong

- Introduce a pilot Industry-wide Management Trainee Programme aiming to build the local pool of talent via a series of professional local and overseas training
- Following the launch of this Management Trainee Programme, set up the College of Insurance, which will provide local insurance qualifications

The Think Tank’s Proposal Under Three Dedicated Focuses



Position Hong Kong as a Professional Risk Management Centre for Greater China

Attract Mainland enterprises to set-up Captives in Hong Kong

- Consider enhancements related to minimum capital and surplus to facilitate Hong Kong to become the captive risk management centre for Chinese multinational companies
- Review the minimum capital required for different captive business classes so as to make Hong Kong a more competitive market for the establishment of captive operations

Promote traditional and alternative reinsurance markets in Hong Kong to provide extra underwriting capacity for Mainland China insurable risks – I. Specialty, II. Natural Catastrophe Risks, III. Marine

- Promote the ability of the Hong Kong insurance sector to provide excess and offshore reinsurance capacity to Mainland risks, e.g. Specialty risks (for example Climate risk, Cyber risk and increasing insurable risks arising out of the Belt and Road Initiative), Natural Catastrophe Risks, Marine Risks and other Mainland risks that would benefit from access to deeper reinsurance and retrocession capacity via Hong Kong

Incorporate authorized Investment-Linked Insurance Plans (“ILAS”) within the scope of Wealth Management Connect (“WMC”)

- To further drive more mutual access schemes between the SAR and the Mainland, the Hong Kong insurance industry can play a more supportive role in increasing customer engagement and demand for the WMC. ILAS fulfilling all the criteria envisaged by the WMC, being low-to-medium risk products, and authorized by the SFC, should be recognised as eligible product to enrich the WMC regime within the upcoming phase-2 scope of WMC

Establish a codified cross-border health insurance platform for citizens across the Greater Bay Area (“GBA”)

- Hong Kong should aim to shape GBA-wide medical insurance regime providing clear, consistent and borderless coverage for an increasingly mobile GBA population. Leveraging the VHIS regime in Hong Kong, regulatory authorities can consider the creation of a codified regime of private medical insurance plans that provide for medical indemnity insurance (including pre-authorization and claims reimbursement in local currency) at recognized private hospitals across the GBA