

Asian Actuarial Conference
23 October 2024
Welcome Remarks by Mr Stephen Yiu
Chairman of the Insurance Authority

Financial Secretary, Timothy¹, Alexander², Billy³, Simon⁴, distinguished speakers and guests, ladies and gentlemen,

On behalf of the Insurance Authority (“IA”) of Hong Kong, it gives me tremendous pleasure to welcome you all to Asian Actuarial Conference (“AAC”) by the Asian Actuaries Association which brings together 12 actuarial associations across Asia and Australia with 30 000 members.

This is the fourth time AAC has chosen Hong Kong as the host city. AAC has certainly made a wise choice to hold its 2024 congress in Hong Kong, and features this city in the theme of this important conference “Exploring the Future of Insurance and Beyond: Innovation, International Hubs and Hong Kong”.

The plural form of the word “hubs” is used in the theme and it is rightly so to indicate Hong Kong’s status as an international hub in various aspects. Indeed, Hong Kong is an international hub for finance, insurance, innovation, trading and the list goes on and on. Today, I would like to focus on our status as the leading insurance hub in Asia and the world. A report by a renowned reinsurer published in July 2024 has reaffirmed our impressive standing as the sixth largest insurance market in Asia and 16th globally, with the highest insurance penetration rate, and the second-highest insurance density in the world.

¹ Mr Timothy Wong, President of Actuarial Society of Hong Kong

² Mr Alexander Wong, AAC Co-Chairperson

³ Mr Billy Wong, AAC Co-Chairperson

⁴ Mr Simon Lam, AAC Co-Chairperson

As Chairman of the IA, I am proud of all the work that our industry practitioners, including, of course, all of you, the actuarial profession, in earning all these achievements but I know that the industry is never satisfied to be good, but strive to excel. Insurance is a business of trust and to foster trust, which in turn facilitates better and more sustainable industry development, we must maintain a fair, transparent, effective and efficient regulatory regime.

In this regard, I am very pleased to update you that after years of consultation, preparation and legislative work, the Risk-based Capital (“RBC”) Regime has been up and running in Hong Kong since this July.

This is a major paradigm shift in our prudential supervision of insurers and it takes a decade-long journey to make it happen. Tremendous efforts had been devoted in making preparation for the new RBC regime, including drawing references to similar regimes in other jurisdictions, conducting rounds of quantitative impact analysis, formulating implementation details, preparing legislative and regulatory proposals. Our RBC regime takes a modular approach for an assessment more sensitive to each insurer’s risk profile while maintaining consistency in methodology across the whole industry. Under the regime, we provide incentives for insurers to strengthen their risk management by lowering the capital requirements of insurers with sound asset and liability management. On the other hand, insurers carrying high risks are subject to more stringent capital requirements to protect policyholders and instill market stability.

Hong Kong could not claim to be a forerunner of RBC regime, but we do benefit from the experience of other jurisdictions in perfecting our regime, take time in determining the appropriate parameters. The smooth implementation of the RBC regime shows that all the hard work has paid off. I would like to take this opportunity to thank the ASHK and the actuarial profession for your unfailing support throughout the past decade which makes the RBC regime a reality.

But we understand we cannot afford to get complacent about what we have achieved as there is always room for improvement, especially having regard to the ever-changing business and economic environments within and around our city. In this connection, we will kickstart a review of the regime next year, giving thoughts to more scientifically calibrating the risk factors so as to strike a better balance between market stability and industry development. I appeal to your continued support in the upcoming review and look forward to working with you closely during the process.

Let me now turn to another part of the theme: “Future”. Speaking of “future of insurance”, we cannot lose sight of socio-economic mega trends such as climate change and ageing population. Actuaries are chief architects in developing innovative insurance solutions to instill economic resilience in our society against financial loss from climate change and the related natural catastrophes. One of the major and emerging risk transfer tools is Insurance-linked Securities (“ILS”) which transfer the risk to the capital market. The IA has left no stone unturned in promoting ILS. Since the IA launched the ILS regulatory regime in March 2021, five catastrophic bonds have been issued, with a total size of more than US\$700 million covering a wide range of natural catastrophe events across different regions in the world. In the coming year, we hope to be able to more thoroughly strategize our plan in developing Hong Kong into a preferred ILS domicile, and we appeal to your support to partner with us when you contemplate to issue ILS in future.

The second mega trend would be ageing population. This is a common phenomenon across the developed world and Hong Kong is no exception. We have the highest life expectancy in the world and by 2046, every one out of three people here would be aged 65 or above. This would pose a tremendous challenge to our retirement protection regime. Recognizing this gap, the IA worked hand in hand with the Government to design a tax-deductible deferred annuity to help citizens to turn their accumulated savings into a stable stream of income after retirement, allowing them to spend their retirement savings in a disciplined way to deal with longevity risk.

Since its launch, we have seen the issue of around 320 000 policies, with an average issue age of around 47 and average annualized premium of around HK\$69,000. Some insurers are also developing innovative products that will enable local citizens to deploy annuity income for guaranteed access to quality residential care facilities located in selected Mainland cities in the Greater Bay Area.

The third mega trend is the increasing integration of artificial intelligence, big data analytics, machine learning and cloud computing, which is revolutionizing how the industry assesses risk, underwrites, prices policies, pays claims, or even detects fraudulent claims. At the same time, we must be mindful of the added cybersecurity risk and the importance of responsible usage of these new tools. On this front, the IA has recently revamped the Guideline on Cybersecurity by introducing a new Cybersecurity Resilience Assessment Framework. The revised guideline aims to keep pace with the digital transformation and the evolution of cybersecurity threats, without being a hindrance to market development and technological adoption. This will be published shortly and will come into effect in the coming January. The IA will also continue to monitor closely the relevant developments, deepen our understanding of the industry landscape in these areas and promulgate further guidance and share good practices as necessary to facilitate responsible adoption of these new technologies.

Actuaries play an indispensable role in the insurance industry. Your expertise in risk management is not only essential for ensuring the financial soundness of insurers but also for fostering public trust in the insurance sector. I urge all of you to embrace the challenges and opportunities that lie ahead. Collaboration among actuaries, regulators, and industry leaders will be key to driving innovation and ensuring the long-term sustainability of the insurance industry.

I wish you all a wonderful and fruitful conference. Thank you very much.