

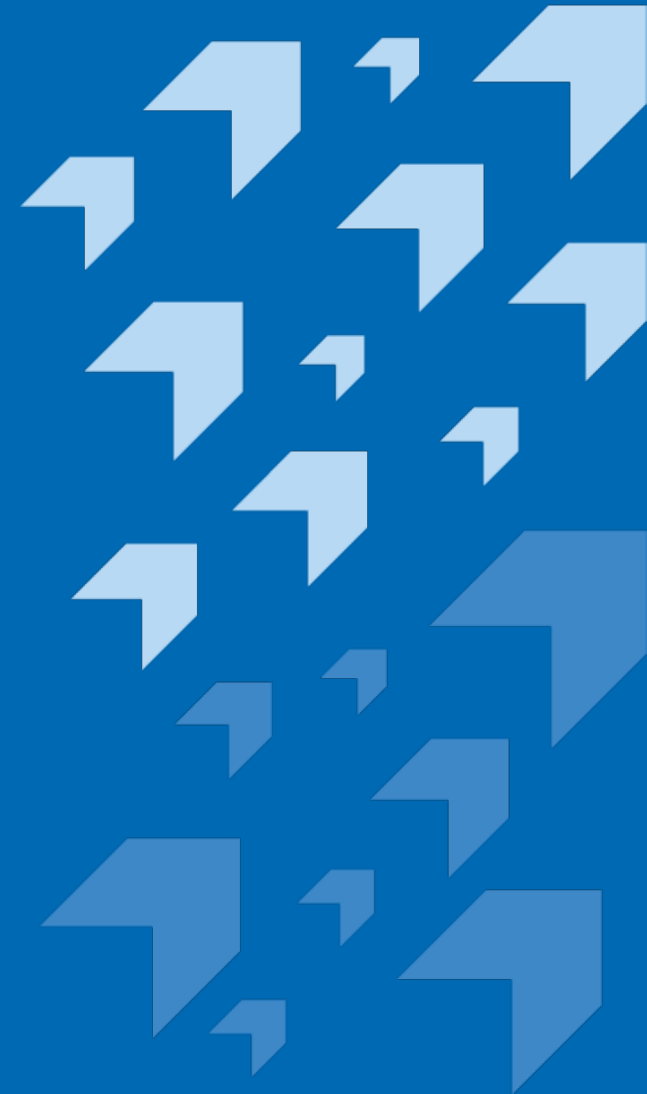


The Concerns of Regulators

Mr Clement Cheung Wan-ching, GBS, JP

CEO of the Insurance Authority

3 October 2024

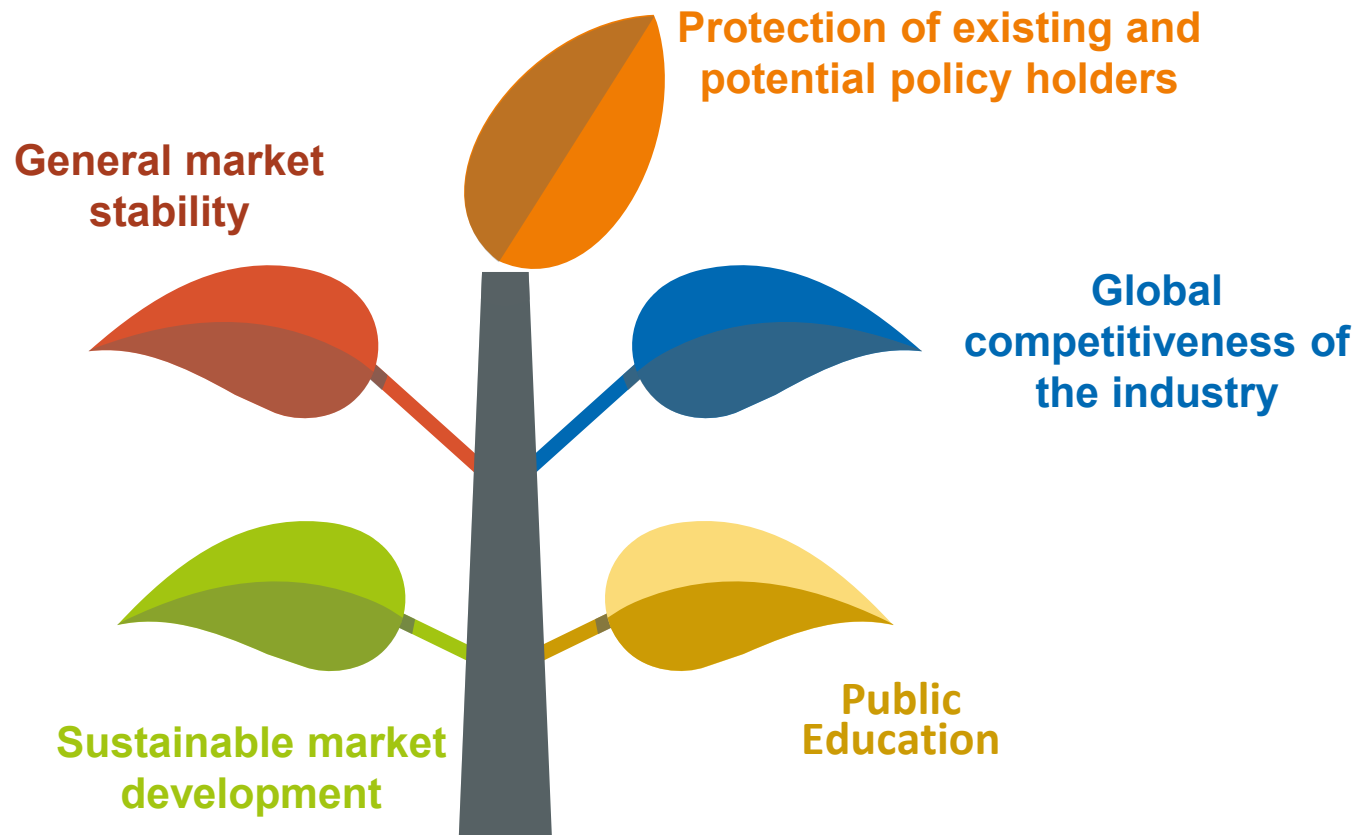


Supervisory Objectives set by the International Association of Insurance Supervisors



Strategic Goals of the Insurance Authority

Statutory Functions



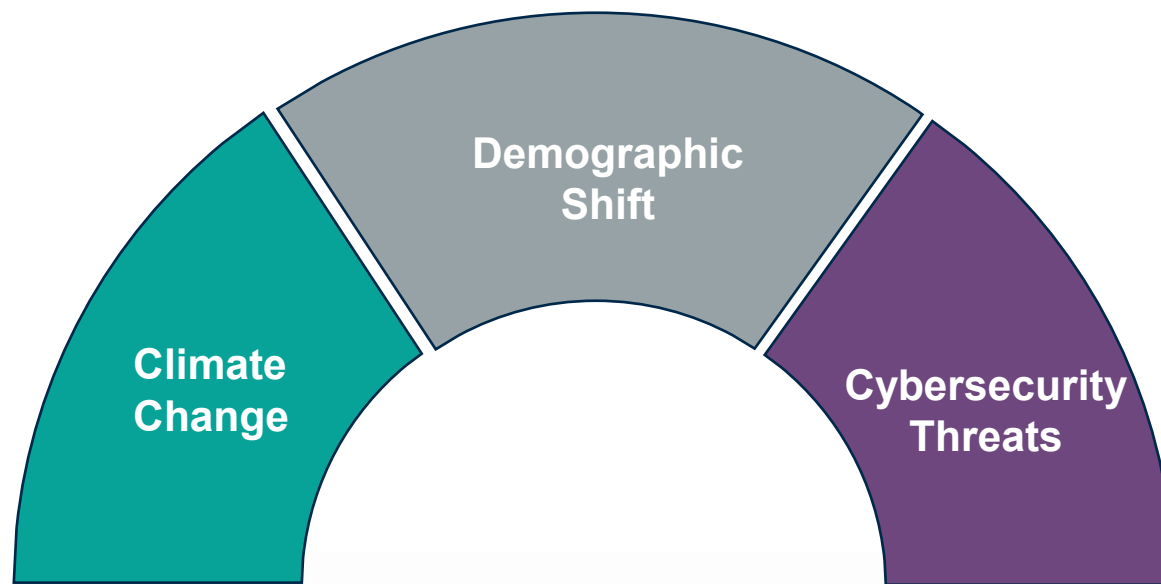
Strategic Goals

Bridge protection gaps

Deepen financial inclusion

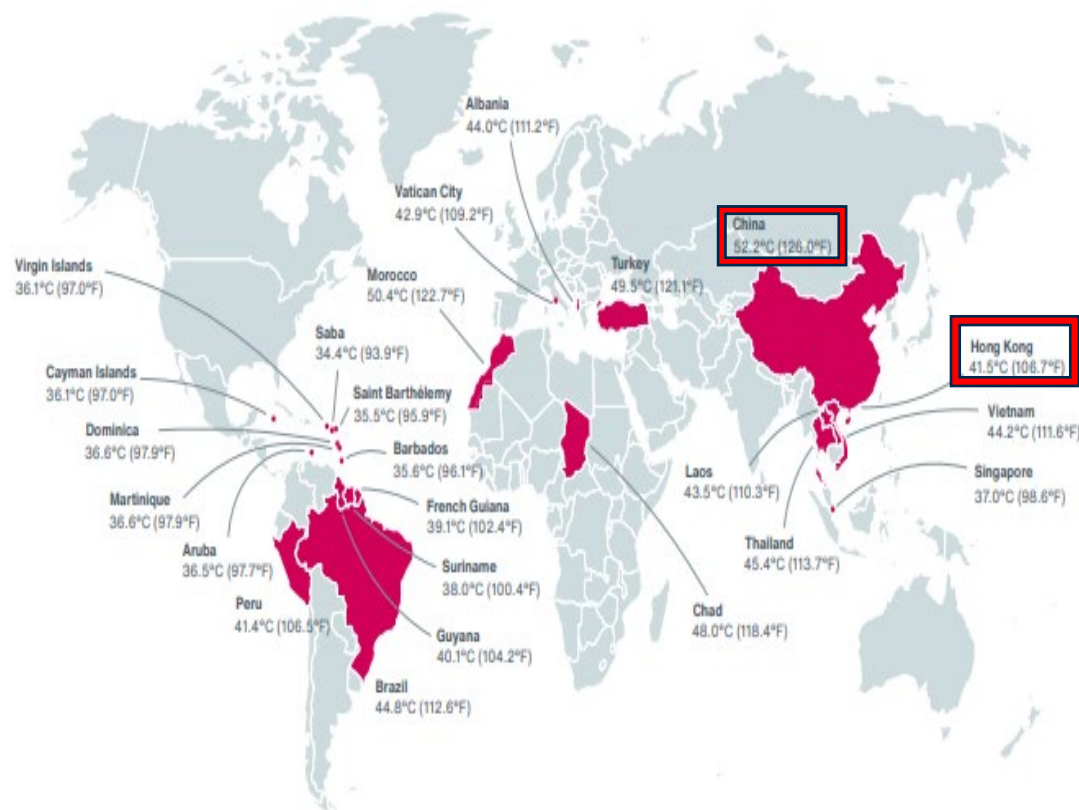
Maintain sustainable market growth

Existential and Emerging Risks



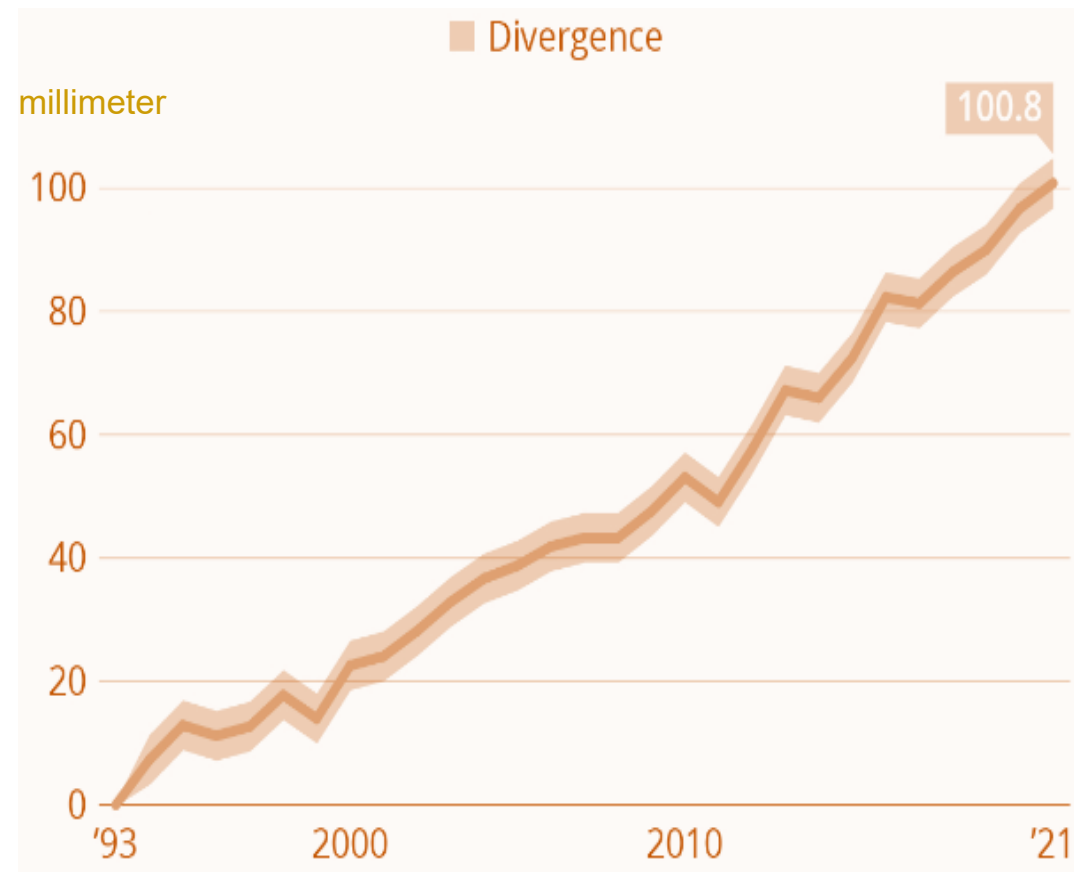
Global Climate Change

Temperature Matching or Breaking Record in 2023



Source: Aon

Sea Levels Rising 3.5mm Annually

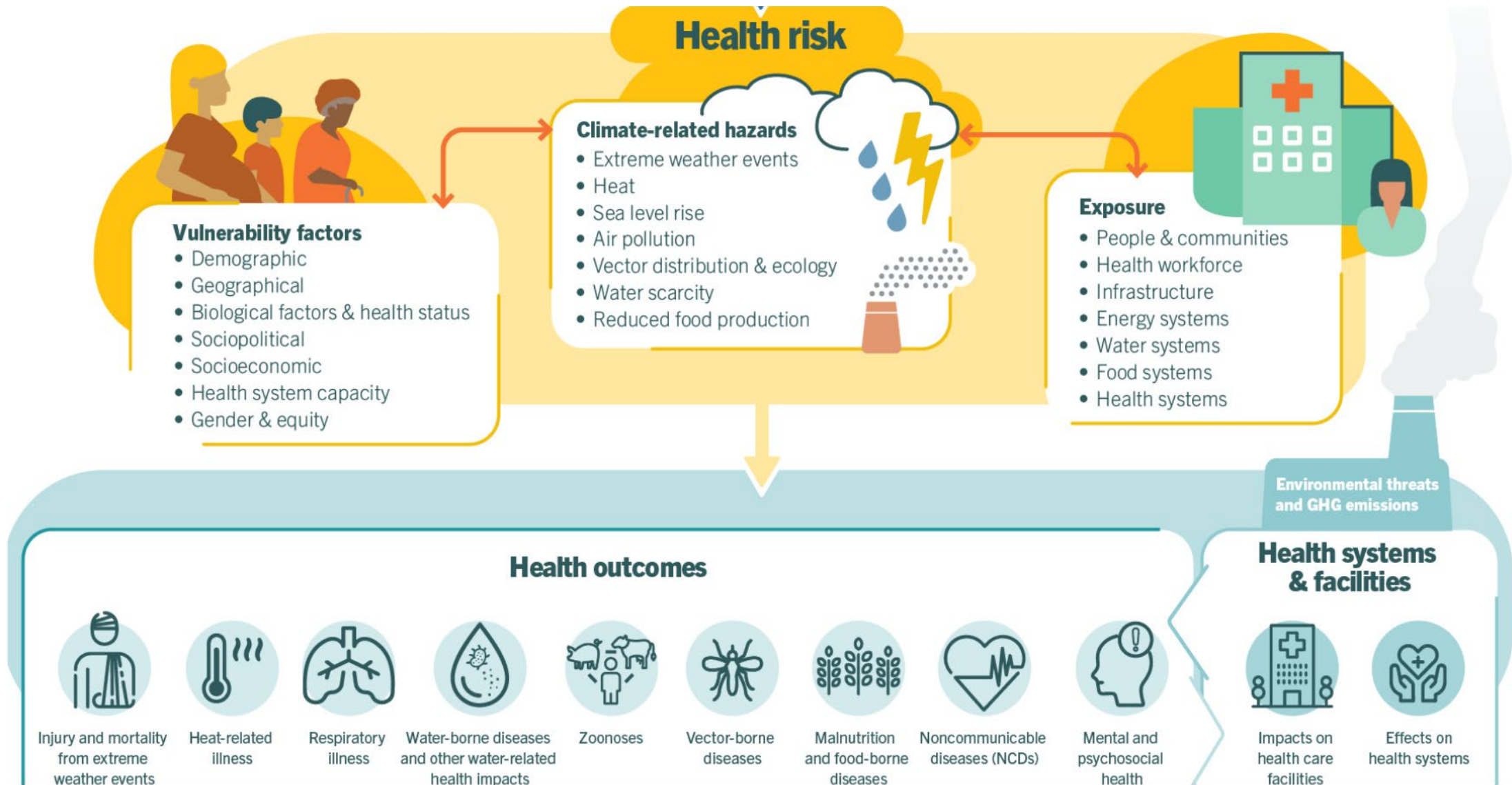


Source: World Economic Forum, Statista, NASA

Temperature Risen by 1.5°C in the Past Few Decades

Sea Levels Risen by 10cm since 1993

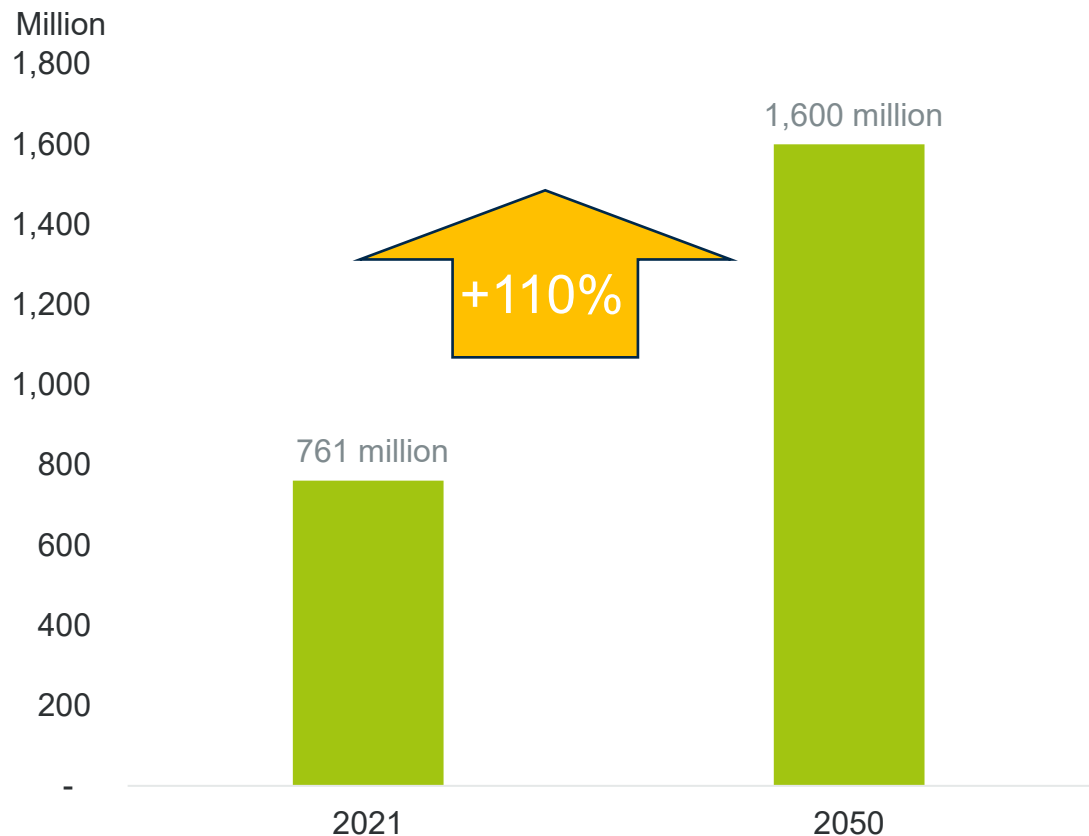
Health Impact of Climate Change



Source: World Health Organization

Global Demographic Shift

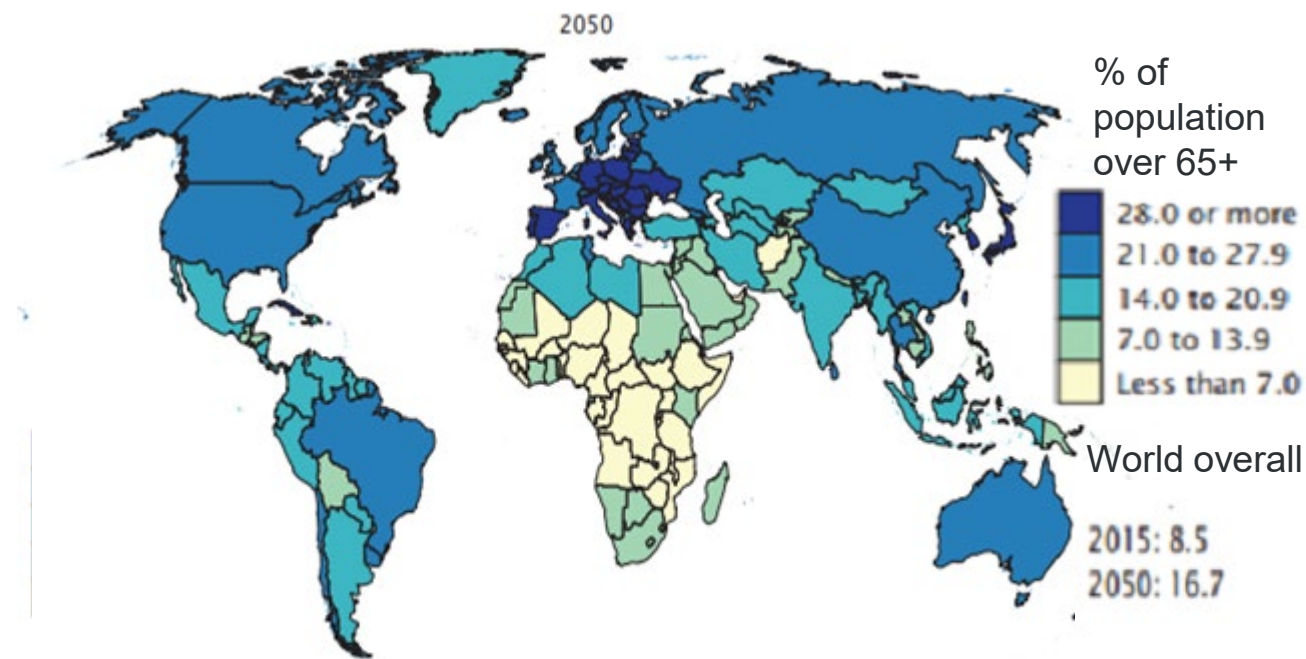
1 in 6 over the age of 65 by 2050



Source: United Nation.

Asia, North America and Europe are Epicenters

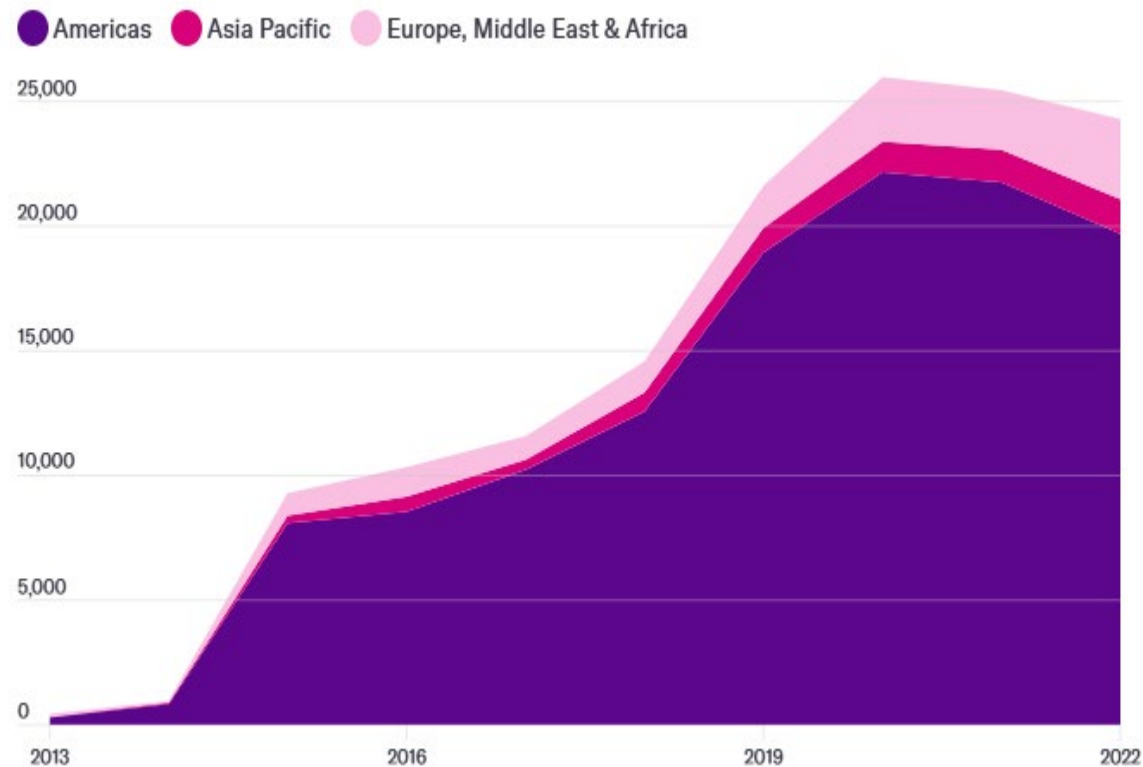
Projection by 2050



Source: U.S. Census Bureau.

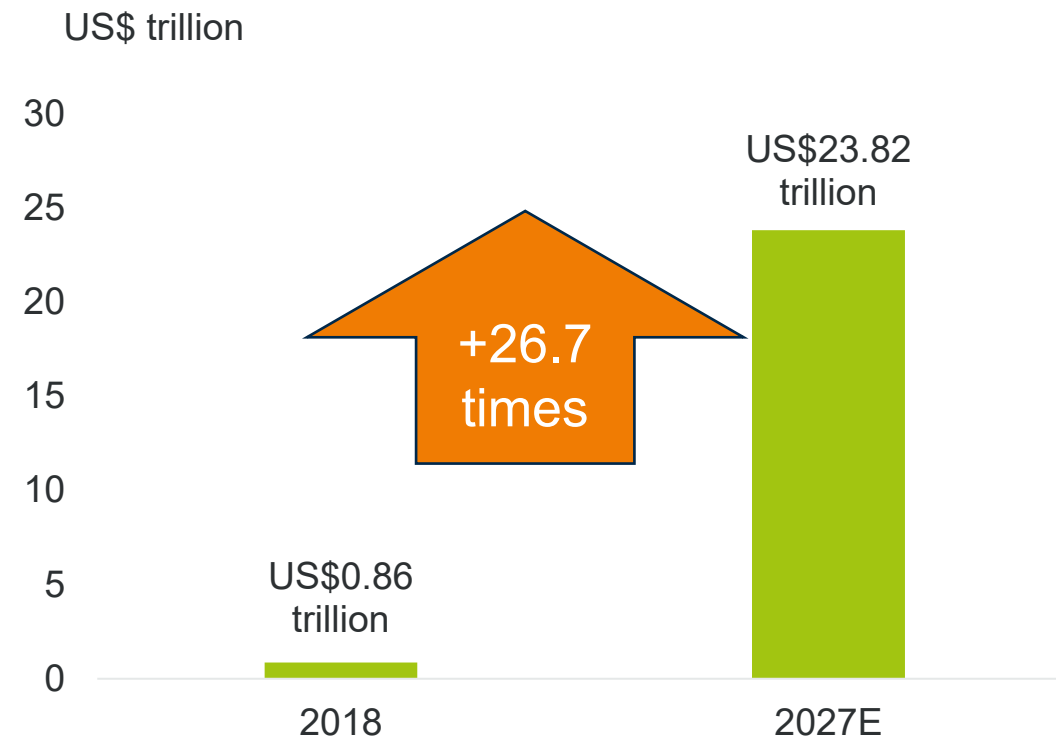
Global Cybersecurity Threats

Number of Reported Cyber Attacks



Source: Bitsight, Moody's

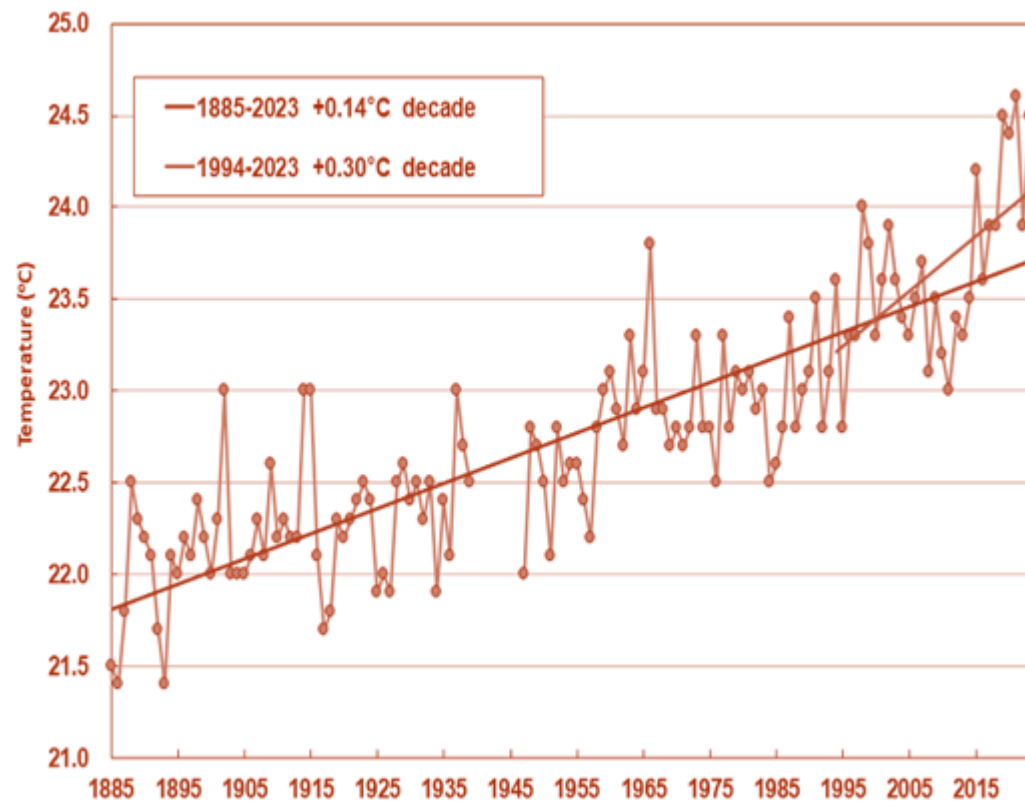
Cost of Cybercrimes Worldwide



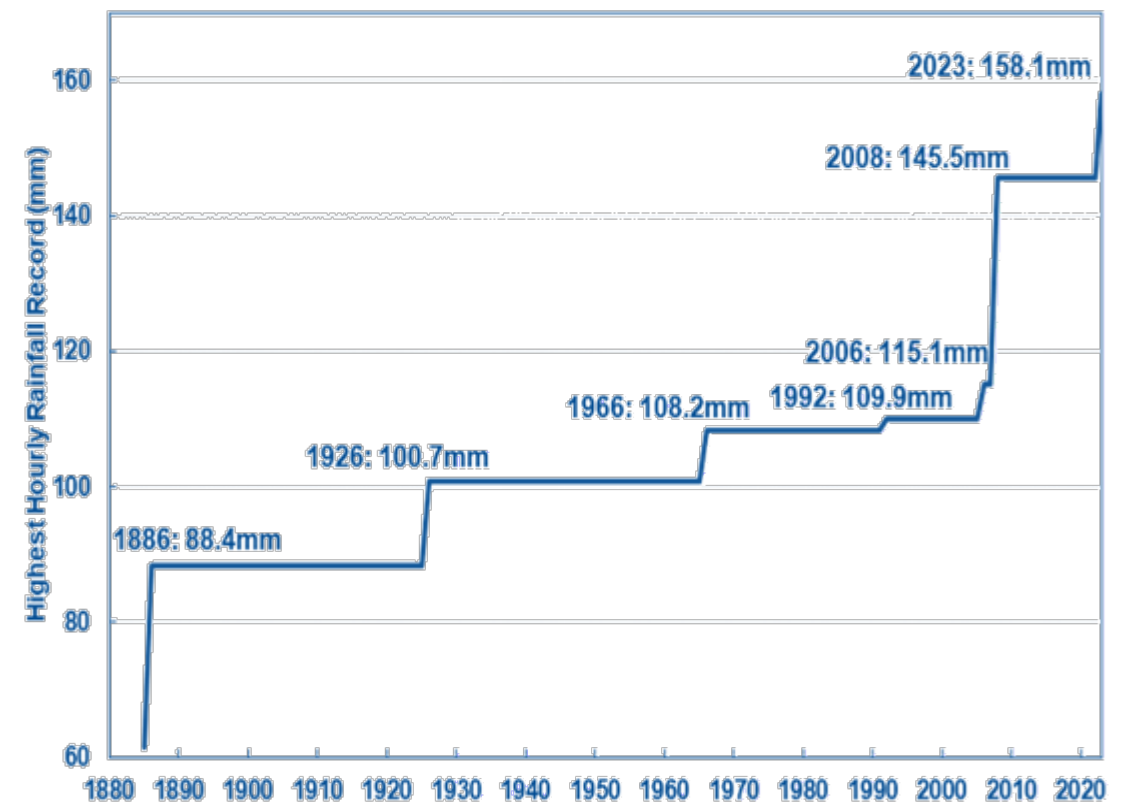
Source: Statista Technology Market Outlook, National Cyber Security Organizations, FBI, IMF, World Economic Forum

Climate Change in Hong Kong

Recorded Temperature



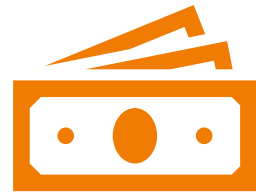
Hourly Rainfall



Consequences of Ignoring Climate Change



Increasing risk of sudden economic and financial losses



Impacting on insurance industry directly



Challenging households and businesses in financing post-disaster recovery



Elevating the government's burden



Disrupting sectors, like health, mortality, travel, and property, due to high-risk interconnectivity



Economic development ↓

High economic losses impact individuals, businesses, and community.

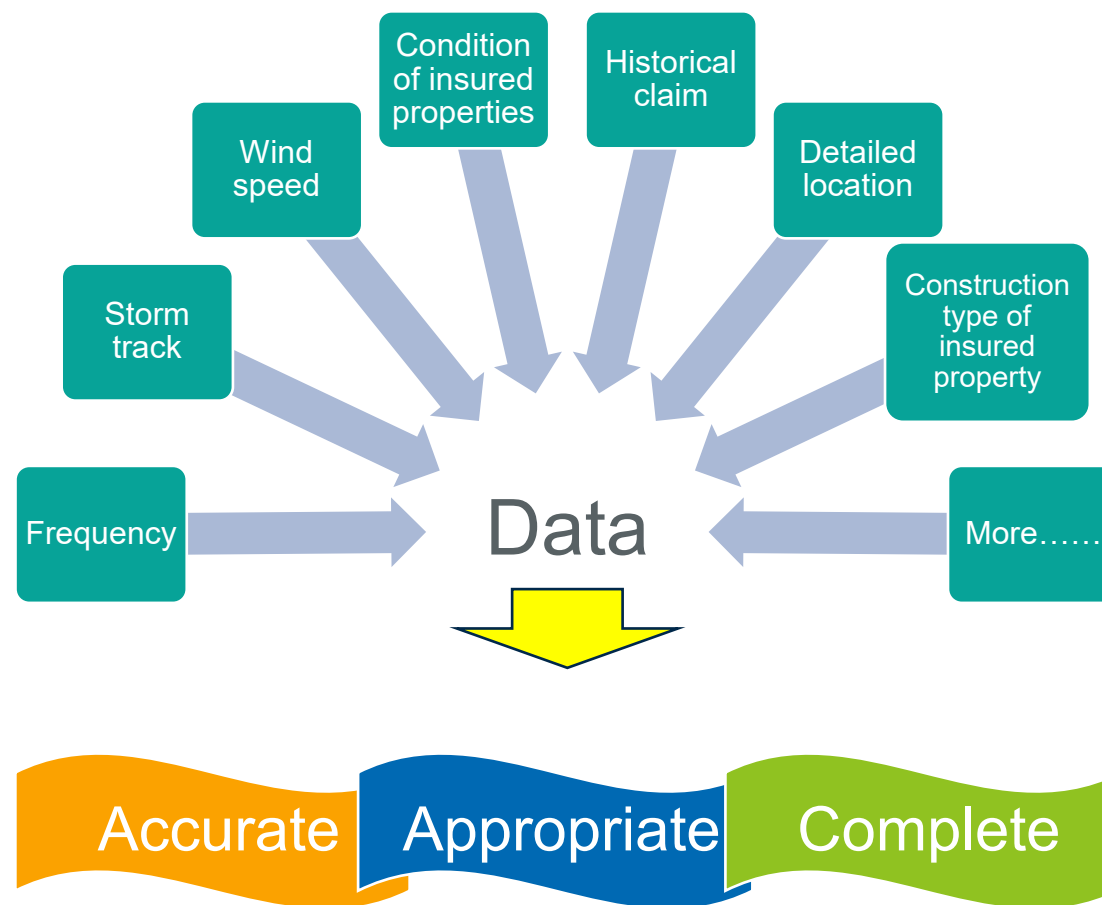
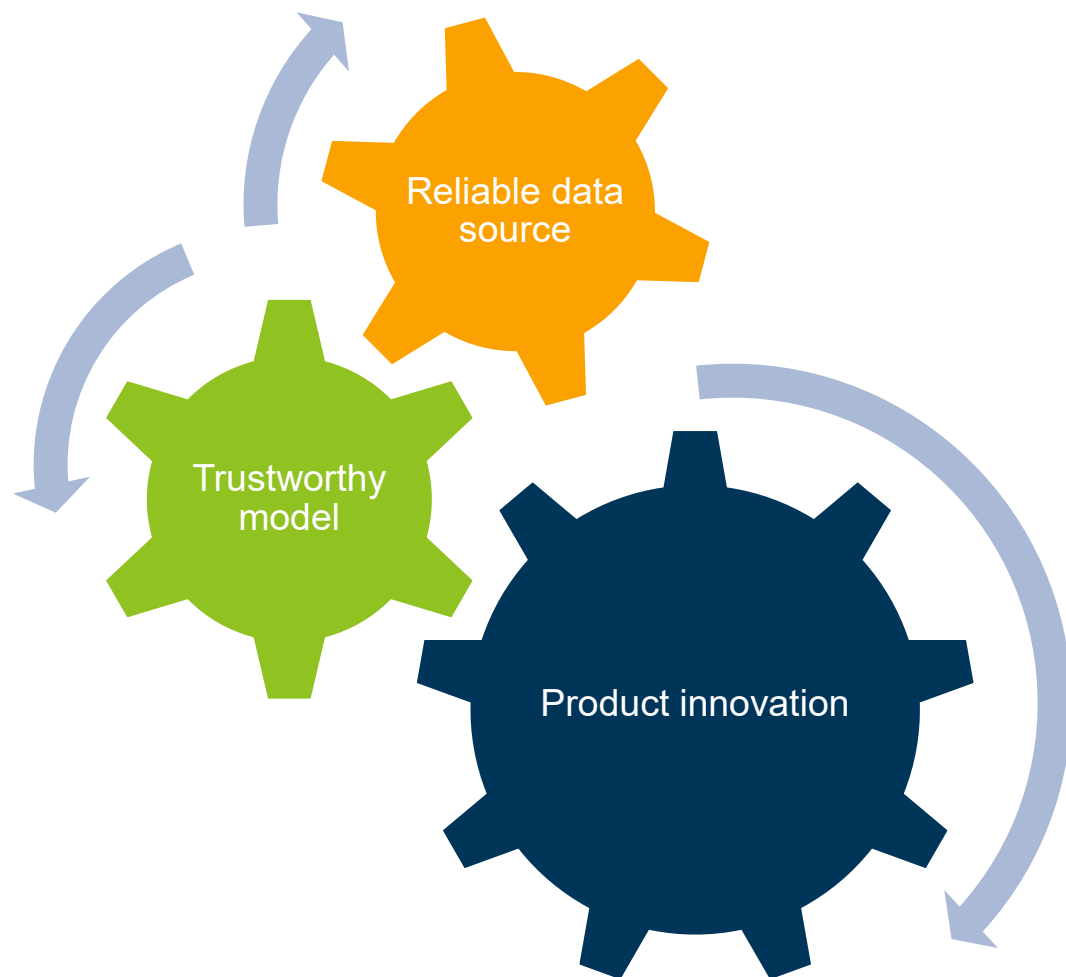
Policyholders' Interest ↓

Limited product availability and escalated NatCat risk may drive premiums higher.

Market stability ↓

Higher financial burden and slower post-disaster recovery may pose the concern of instability.

Data Availability and Granularity



ILS Market Development

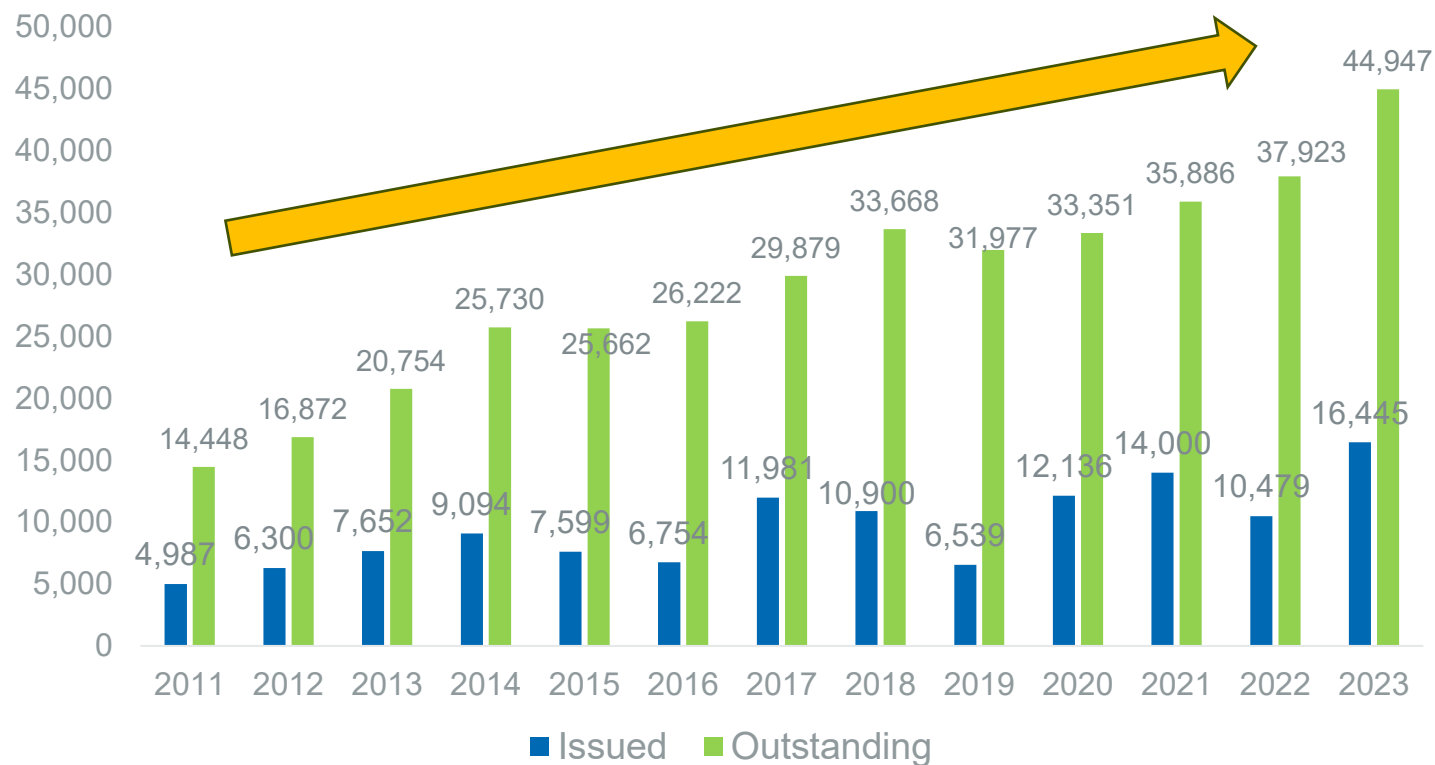
Insurers



Capital Market

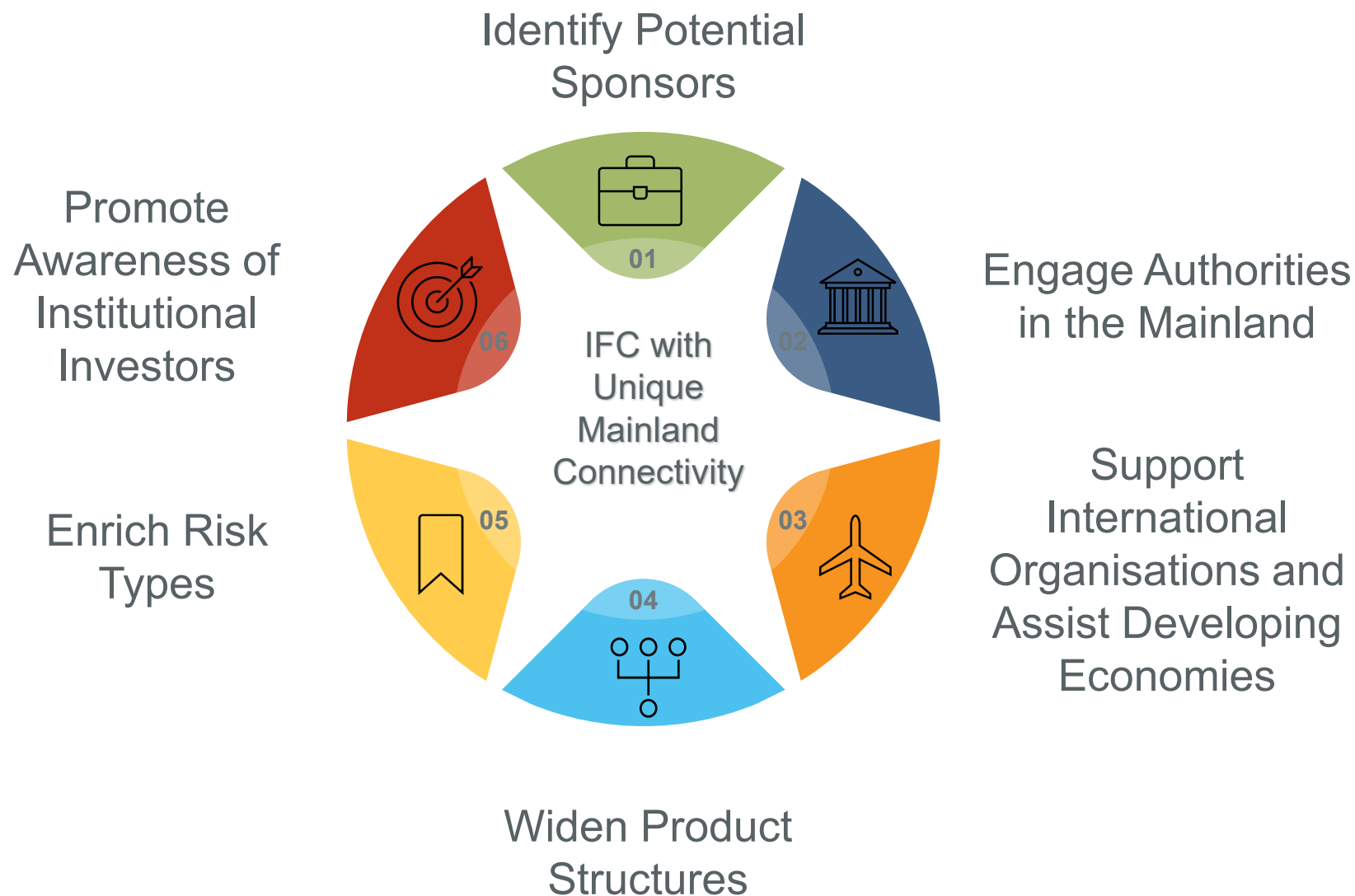
US\$ million

Global Cat Bond & ILS Market



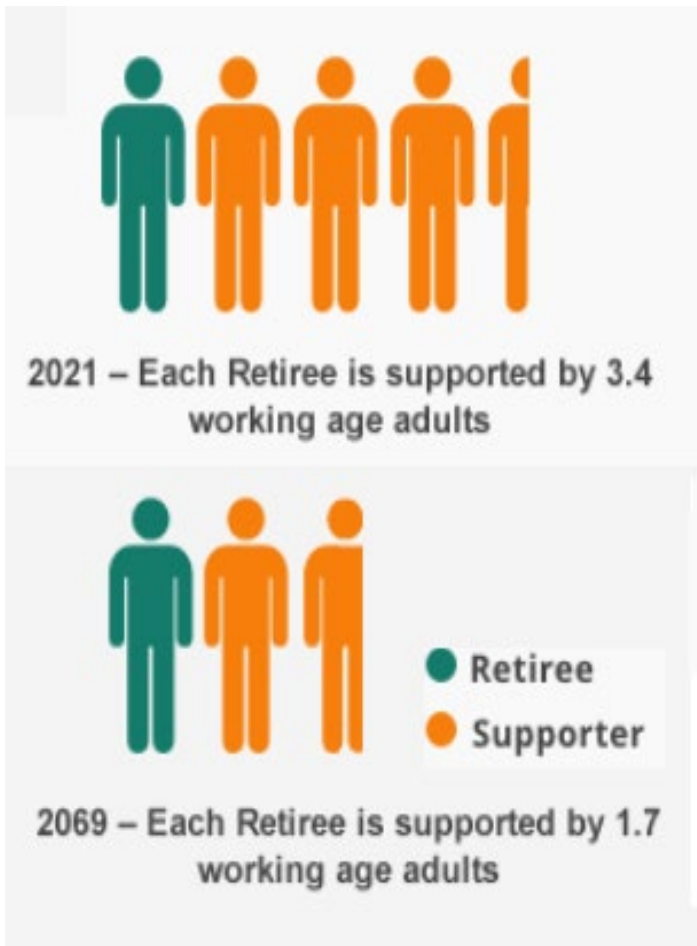
Over 9.0% ↑
CAGR from 2011 to 2023 for both
outstanding and issued amount

Forging Vibrant ILS Ecosystem



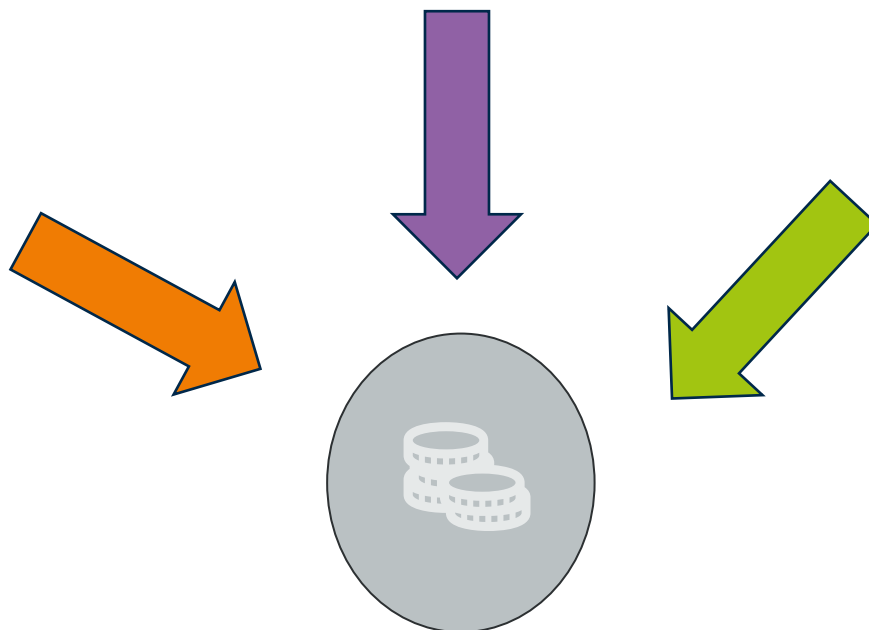
Demographic Shift in Hong Kong

Dependency Ratio



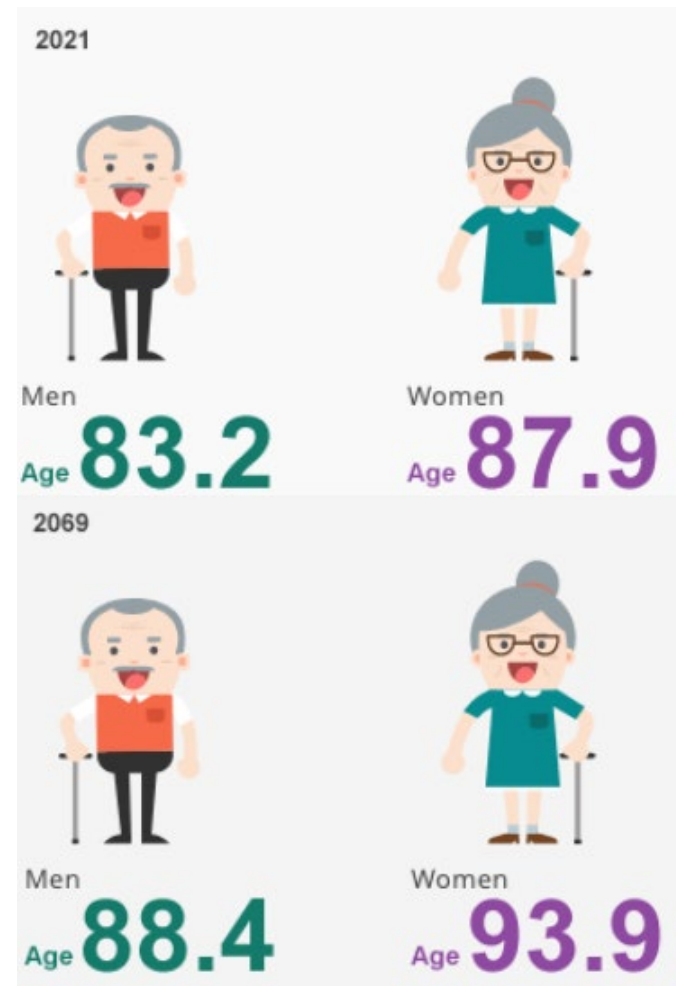
Ageing Population

36% of population aged 65+ in 2046



Financial Burden

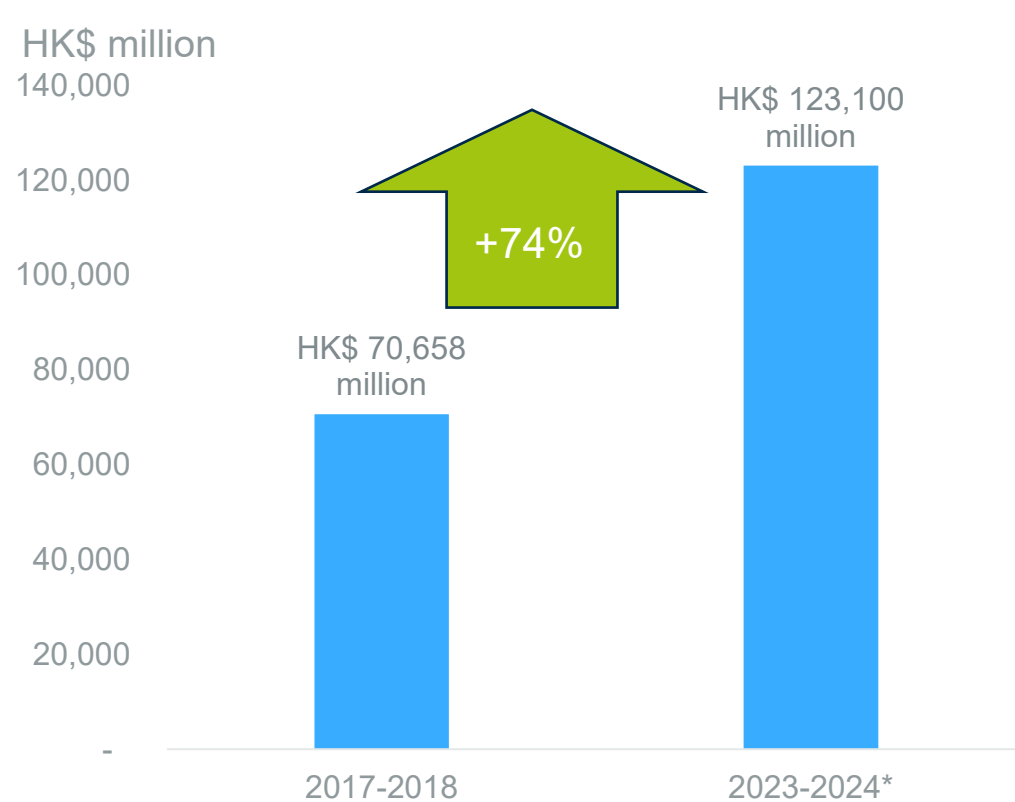
Life Expectancy



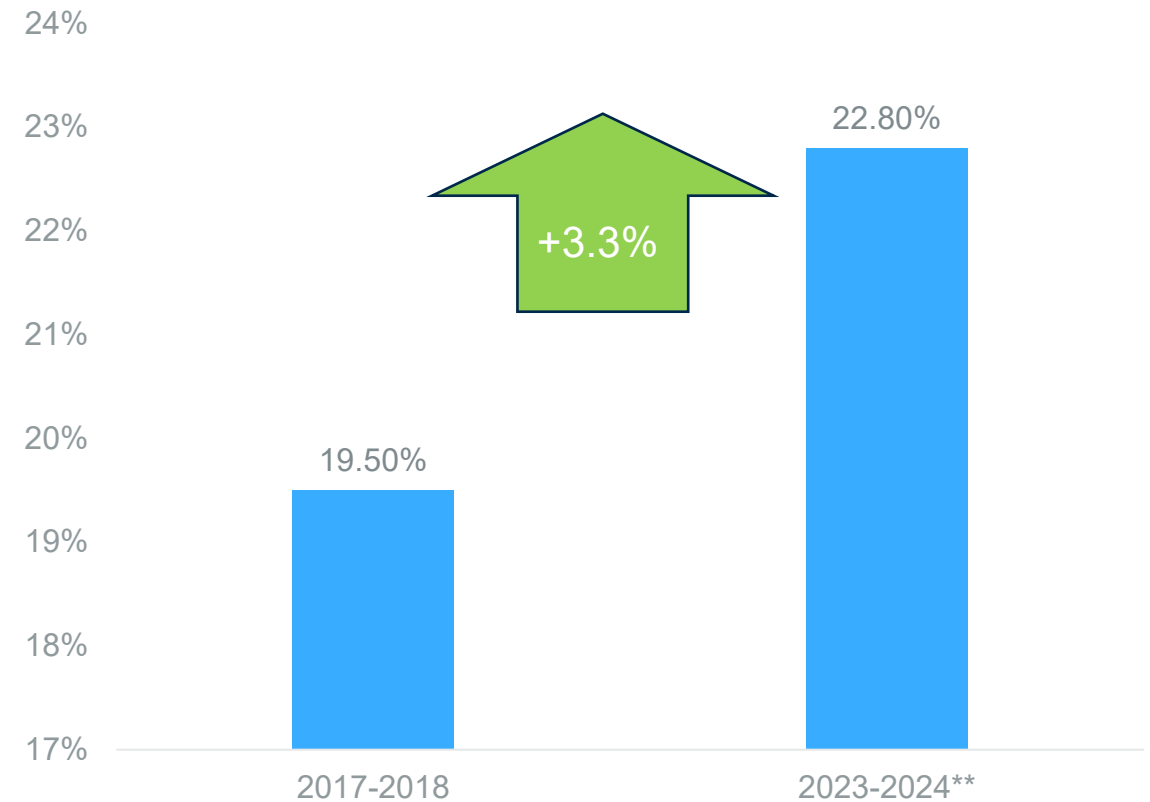
Source: Census and Statistics Department, HKSAR; MPFA.

Consequences of Ignoring Demographic Shift

Government Expenditure on Elderly People



Government Expenditure on Elderly to Total Expenditure (%)



Source: LEGCO, Census & Statistics Department.

Initiatives Implemented

Mandatory Provident Fund (MPF)

- 4.754 million scheme members
- Aggregate net asset value of HK\$1,225.9 billion as of June 2024

HKMC “Retire 3”

- Life Annuity, reverse mortgage on property, and reverse mortgage on insurance policy

Qualifying Deferred Annuity Policy (QDAP)

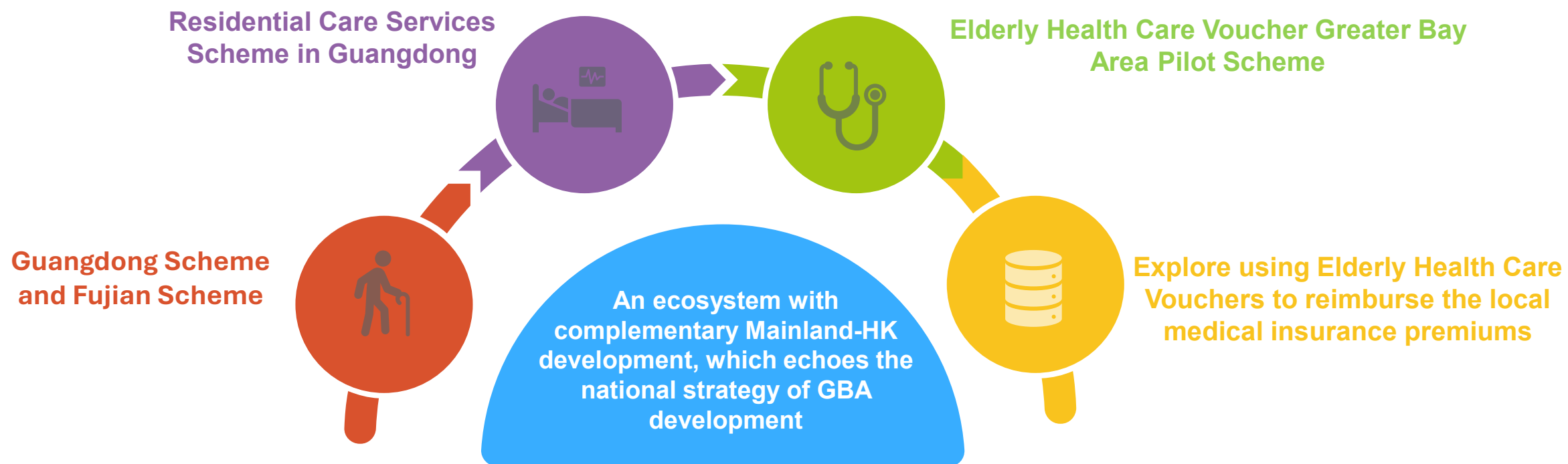
- 300,000 policies with HK\$50 billion total annualized premium as of Q1 2024
- Average age of policyholders is 47, average premium per policy is HK\$70,000

Voluntary Health Insurance Scheme (VHIS)

- 1.22 million policies issued
- 53% of policyholders under 40, 33% of policyholders under 30
- Flexi plan accounts for 97% of policies issued



Initiatives Implemented

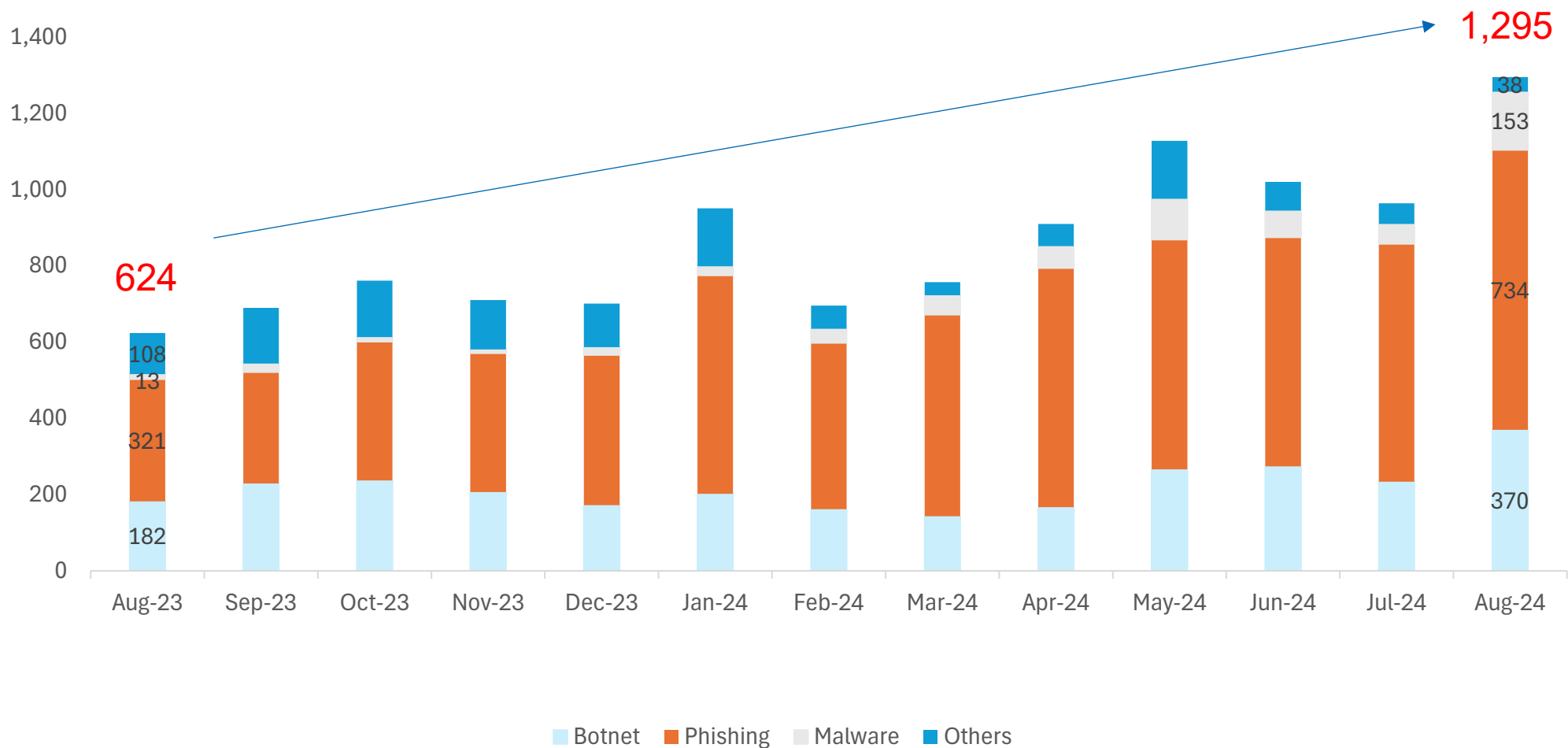


Source: LEGCO, Social Welfare Department

Cybersecurity Threats in Hong Kong

(No of incidents)

Cyber incidents has **more than doubled** in the past 12 months



Consequences of Ignoring Cybersecurity Threats

Local companies and residents lost more than

HK\$5.5 billion

to cybercrimes (2023)

Financial services industry involved in

1/4

of cybersecurity incidents


AI makes future attacks more scalable & sophisticated




Growth Potential of Cyber Insurance

	Economies	2023 Cyber Premium (US\$ million)	2023 Cyber Penetration Rate (% of GDP)
Global Leader	United States	9,000	0.0353%
Leaders in APAC	Australia	476	0.0302%
	Japan	196	0.0046%
Emerging Giants in APAC	India	23	0.0007%
	China	11	0.0001%
Fast Followers in APAC	Singapore	39	0.0081%
	New Zealand	24	0.0098%
	Hong Kong	17	0.0047%
	South Korea	3	0.0002%
	Taiwan	2	0.0003%


Regulators' Initiatives



(i) Guideline on the Corporate Governance of Authorized Insurers (Section 7.17 Cyber Security)
(ii) Guideline on Cybersecurity



Cybersecurity Fortification Initiative (CFI) comprising:
(i) the Cyber Resilience Assessment Framework (C-RAF) ;
(ii) the Professional Development Programme (PDP) and
(iii) the Cyber Intelligence Sharing Platform (CISP)



Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading

Corporate Philosophy of the Insurance Authority





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