

## **Panel Discussion on "Insurance and Inclusive Growth in Asia"**

Hong Kong's insurance industry is setting new benchmarks, and playing a leading role in promoting sustainable and inclusive growth in the Asia-Pacific region, a panel of industry leaders agreed at the "Insurance and Inclusive Growth in Asia" session of the Asian Financial Forum 2020.

In his opening remarks, Dr the Hon Moses Cheng Mo-chi, Chairman of the Hong Kong Insurance Authority (IA) defined inclusive growth in a conventional way as "economic growth that allows people from all walks of life to contribute and benefit from."

Anchoring inclusive growth, the Asian Development Bank's Strategy 2030 envisions an Asia-Pacific region "where the gains and opportunities are shared by all". Support given to developing countries includes infrastructure investment that will help achieve high sustainable economic progress, connect the poor to markets, and increase access to basic productive assets.

Dr Cheng pointed out that insurance promotes inclusive growth by "helping the community build up resilience for financial shocks, and providing emergency funding in unfortunate events such as premature death of the bread-winner or major property damage arising from fire or natural disasters."

"These tragedies would likely lead to economic difficulties. By allowing households, especially those from the grassroots sector, to transfer their risk, insurance helps them to focus on their productive expertise to grow their incomes and share the benefits of economic growth without over-worrying about those misfortunes."

Insurance also facilitates business development and entrepreneurship. "By transferring risks to insurers, companies can better deploy their resources for growth and development." At the same time, insurers may oblige enterprises to put in place proper risk-management plans and mitigation strategies before agreeing to take on their risks. This provides incentives for enterprises to adopt more prudent risk-management practices that facilitate healthy growth and create more job opportunities, allowing the community to share the fruits of economic growth.

Dr Cheng pointed out that inclusive growth is "especially important in Asia, the growth engine of the world's economy, and the insurance sector can play an active role in supporting it."

With the International Monetary Fund forecasting strong growth, "continuous economic development will generate a rising middle class with increasing demand for insurance of all kinds," he said. In addition, a major

international reinsurer estimated that insurance premiums in China will triple from 2018 to 2030.

While Asia offers enormous potential for the insurance sector, Dr Cheng called for the collective efforts of insurance supervisors and the insurance industry to ensure insurance is leveraged as a tool for inclusive growth.

He shared Hong Kong's strategy to achieve inclusive growth by enhancing the resilience of our community and the business sector. Insurtech has a role to play in strengthening household resilience by making insurance accessible to the under-served market and through product innovation, he said. The IA has rolled out a fast-track licensing scheme for new insurers seeking to operate solely through digital channels. "With their thinner corporate structure and easy-to-use online platforms, combined with precision marketing, we hope that they can bring protective insurance products to underserved segments, such as tech-savvy young people," he said.

The key to building business resilience, stated Dr Cheng, "is balanced and sustainable market development. Hong Kong enjoys a high global ranking in insurance penetration and density, but our life insurance sector has long been dominated by products with savings and investment features."

"To address this structural imbalance, we need more protective products," he said. To this end, the Qualifying Deferred Annuity Policy and Voluntary Health Insurance Scheme were launched last April. Combined with a tax incentive to encourage people to plan for their retirement and medical needs, these two products have been a "resounding success", he said.

For sustainable market development, Dr Cheng said, "We aim to develop Hong Kong as a regional insurance and reinsurance hub, an Insurance-linked Securities (ILS) hub, and a captive domicile by riding on the opportunities presented by the national strategies of Greater Bay Area and Belt and Road Initiative (BRI)."

"By nature, BRI projects are of high complexity and project owners are exposed to a multitude of bespoke specialty risks," he said. Our insurance industry can play a key role in helping to prevent, manage or transfer such risks, which in turn, improves business resilience and productivity."

Hong Kong is tasked by China's National Development and Reform Commission to be the risk management centre for State-owned Enterprises seeking to take on BRI projects. To help our industry capture the unprecedented opportunities arising from the BRI, the IA set up the Belt and Road Insurance Exchange Facilitation (BRIEF) platform for exchanging intelligence, fostering alliances and facilitating networking.

Quoting the Confucius saying, "Not worrying about poverty, but rather the uneven distribution of wealth", Dr Cheng concluded by reminding the audience that economic growth would not be good enough if it does not include all sectors of the community. "Insurance can play a key role in fostering such equitable growth," he said.

Jumping into the panel discussion, Moderator Ms Winnie Wong, Board Member of the Financial Services Development Council; CEO of Asia Insurance; and CEO and Executive Director of Avo Insurance, introduced the four key elements of inclusive insurance: penetration, protection, affordability and accessibility.

Mr Gordon Watson, CEO of AXA Asia, pointed out that "Inclusion has usually been an afterthought. AXA responded by forming a dedicated team in 2016 covering 11 countries, creating a culture of innovation, and raising awareness, trust and affordability. Accessibility is the key. It has to be accessible by mobile phone, thus making payments and top-up convenient. For me inclusivity is all about taking it seriously. That makes all the difference."

"We love Hong Kong; it's our hub for Asia, and it's a good home market to be in," he added.

Concerning Asia's low insurance coverage, Mr Kevin Strain, Executive Vice-President and Chief Financial Officer of Sun Life Financial, said, "We need to find a way to educate people about their needs and how insurance fits into their lives. From new products to going digital, our service model has to be different. For Sun Life's past 125 years in Asia, much of our model has been transferred from Canada, but the next 125 years will be very different. Ideas will move back from Asia to North America."

Hong Kong is also a growing Asian hub for Sun Life. "A decade ago, we had 1,200 agents, but now we have 2,000, with continuous growth expected. So Hong Kong is very important to our growth strategy."

Mr James Turner, Group Chief Risk Officer and Executive Director of Prudential plc, added, "Inclusivity is our core strategy and critical for the future. It's estimated that every second, four people are born into or enter Asia's middle class, which will soon be the world's largest market, so insurers must include a digital strategy. Mobile technology is a major trend."

"But for inclusivity you need not only accessibility and affordability, but also appropriate level of protection," he said. "With increasing wealth, you also see an increase in chronic diseases, like diabetes, for which insurance cover is critical."

With a 60-year history in Hong Kong, he added, "Hong Kong is our centre of innovation and launch pad for products across Asia. Hong Kong is an industry leader on a global scale."

Mr Franz Hahn, Chief Executive Officer of Peak Reinsurance, said, "With more than 50 per cent of the world's population, Asia needs more products and protection. Now it is also the world's most catastrophe-prone region, from earthquakes to typhoons and global warming impact. The industry needs to find the right solutions to keep people covered."

"The region also needs education," he said. "The traditional idea in emerging economies is that in times of need, people go to family members or a loan shark. They don't yet trust insurance, so it's a huge opportunity for growth in this huge market."

Mr Clarence Wong, Chief Economist Asia of Swiss Re, agreed that insurance growth will remain robust, as insurance is still not yet widely accepted in emerging economies. "Affordability is the main reason for people not buying life insurance," he pointed out, "so it's good that a lot more companies are engaging this segment."