



Insuring Success:

*Enabling Sustainable Growth and
Innovation to Cement Hong Kong's Role
as a Premier Global Insurance Hub*

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Executive summary

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As a prominent international financial centre in the Asia Pacific region, Hong Kong has firmly established itself as a premier global insurance hub. This position has attracted many leading international insurance firms to establish their Asia regional headquarters in the city. Factors contributing to this attractiveness include the robust growth and profitability of the local market, a business-friendly environment supported by a stable regulatory framework and adherence to the rule of law, geographical proximity to the Mainland market, access to a deep pool of top-tier insurance professionals, and seamless regional connectivity.

Despite recent challenges, including the impact of the pandemic and fluctuations in interest rates, the city has demonstrated resilience, witnessing a significant rebound in 2022. Nonetheless, to further reinforce Hong Kong's status as a leading, global sophisticated insurance hub, the industry must explore diverse opportunities across various sectors and markets.

As such, the Financial Services Development Council (FSDC) established a Working Group to examine the most prominent issues affecting the industry's future. While it is by no means an attempt to address an exhaustive list of challenges, the primary objective of this paper is to underscore the insurance industry as a foundational pillar of the economy of Hong Kong and its role as an international finance centre. Through an in-depth analysis of the sector's current landscape, the paper will propose critical policy enhancements and strategic initiatives to strengthen Hong Kong's position as the preeminent global insurance hub in Asia.

These recommendations range from overarching proposals to specific avenues for potential growth exploration:

- i. **Accelerating cross-sectoral digital transformation of the workflow**
 - Recommendation 1: Developing a comprehensive roadmap to accelerate cross-sectoral digital transformation
 - Recommendation 2: Exploring full-fledged adoption of “iAM Smart”, digital ID and associated digital platforms for insurance services
- ii. **Promoting transition finance in the insurance industry**
 - Recommendation 3: Leveraging insurance capital to enrich sustainable investment under the Risk-Based Capital Regime
 - Recommendation 4: Enhancing competencies and understanding in sustainability reporting among local stakeholders
- iii. **Unlocking new growth avenues and offerings to strengthen industry resilience**
 - Recommendation 5: Cultivating a conducive ecosystem for developing Insurance-Linked Securities
 - Recommendation 6: Introducing more longer-duration bonds to enhance insurance investment strategies

Strengthening Hong Kong's position as Asia's leading global insurance hub



Strengthening Hong Kong's position as Asia's leading global insurance hub

In addition to its renowned status as an international financial centre, Hong Kong features a mature insurance market, home to 158 authorised insurers,¹ including six of the world's top ten.² (see *Appendix 1 for insurance business activities and performance in Hong Kong*) The insurance industry, as the pillar of the city's economy, contributed 3.5% of the city's gross domestic product (GDP) in 2023.³ Notably, insurance companies in Hong Kong manage a significant amount of asset. The total assets under management (AuM) of insurance companies accounted for approximately 9.8% of the total AuM in Hong Kong in 2021.^{4,5,6} Moreover, insurance companies in Hong Kong are highly solvent, which provides such confidence for them to honour potential claims and provide benefits to policyholders when required. This financial strength plays a key role in supporting the sustainability of the social and healthcare system in Hong Kong.^{7,8,9}

Supported by a robust financial infrastructure, a business-friendly environment, and a sound regulatory foundation, Hong Kong strives to strengthen its position as a premier global insurance hub by leveraging abundant opportunities in both local and emerging markets.

Figure 1. Hong Kong's vibrant insurance industry



Global Insurance Hub

- Over 150 authorised insurers in Hong Kong, including 6 of the world's top 10 insurers
- Highest insurance penetration in insurance premiums as a percentage of GDP globally in 2023
- Second worldwide regarding insurance density in 2023, following the US market¹⁰
- Total gross premium amounted to HK\$542.1 billion in 2023, ranked 15th in the world¹¹
- Government's regulations and measures, such as Company Re-domiciliation Regime,^{12,13} aiming to attract international enterprises to Hong Kong



Risk Management Hub

- Implementation of various regulations, e.g. Risk-based Capital (RBC) Regime^{14,15} to enhance the transparency and comparability of insurance companies' financial performance
- Diverse reinsurance, marine and captive insurance activities
- Introduction of Insurance-linked securities (ILS) in the city



Life Insurance Hub

- The largest segment of the insurance market in Hong Kong
- Strong rebound in the demand from both local residents and visitors from Mainland China and other regions after COVID

¹ Insurance Authority. (2025, February 14). Register of authorized insurers. https://www.ia.org.hk/en/supervision/reg_insurers_lloyd/register_of_authorized_insurers.html

² The Government of the Hong Kong Special Administrative Region. (2024, December 10). Speech by CE at Asian Insurance Forum 2024. <https://www.info.gov.hk/gia/general/202412/10/P2024121000169.htm>

³ Census and Statistics Department. (2024, November 2024). Table 310-34101: Gross Domestic Product (GDP) by economic activity at current prices.

https://www.censtatd.gov.hk/en/web_table.html?id=310-34101#

⁴ In 2021, the assets under management of the insurance sector in Hong Kong amounted to over US\$4.5 trillion. The exchange rate from USD to HKD is 7.78 in this context.

⁵ The Government of the Hong Kong Special Administrative Region. (2022, November 2). Speech by CE at Global Financial Leaders' Investment Summit.

<https://www.info.gov.hk/gia/general/202211/02/P2022110200249.htm>

⁶ Securities and Futures Commission. (2021, July 4). Asset and wealth management activities survey 2021. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-2021_final_e.pdf

⁷ According to the IA's provisional business statistics, the total claims and benefits paid to long-term business policyholders and total gross claims to general business amounted to HK\$270.2 billion and HK\$38.4 billion, respectively, for the first three quarters of 2024. In comparison, the total amount for 2023 was HK\$332.4 billion and HK\$32.1 billion, respectively.

⁸ Insurance Authority. (2025, January 17). Insurance Authority releases provisional business statistics for the first three quarters of 2024. https://www.ia.org.hk/en/infocenter/press_releases/20250117.html

⁹ Insurance Authority. (2024, March 8). Insurance Authority releases provisional statistics of Hong Kong insurance industry in 2023. https://www.ia.org.hk/en/infocenter/press_releases/20240308.html

¹⁰ Swiss Re Institute. (2024, July 16). Sigma 3/2024: World insurance: strengthening global resilience with a new lease of life.

<https://www.swissre.com/dam/jcr:2d26776f-20e4-4228-8ee0-97cec2ddb3c4/sri-sigma3-2024-world-insurance.pdf>

¹¹ Insurance Authority. (2025, January 17). Insurance Industry. https://www.ia.org.hk/en/infocenter/faqs/faqs_1.html

¹² Financial Services and the Treasury Bureau. (2024, July 3). Consultation Conclusion on Proposed Company Re-domiciliation Regime in Hong Kong.

https://www.fstb.gov.hk/fsb/en/publication/consult/doc/ConsultationConclusionOnCompanyRe-domiciliationRegime_e.pdf

¹³ The Company Re-domiciliation Regime offers an inward re-domiciliation mechanism for non-Hong Kong incorporated companies to re-domicile to Hong Kong, preserving their identities and facilitating business continuity. This regime helps companies avoid complex and expensive legal procedures. Recognising that numerous insurance firms are headquartered overseas, such as in Bermuda, the industry is of the view that a more focused strategy to encourage these foreign insurers to re-domicile in Hong Kong is necessary. For further details on the regime, please see Appendix 2.

¹⁴ With the Risk-based Capital (RBC) regime, a modular assessment approach can be tailored to the individual insurer's risk profile, thus setting distinct capital requirements determined that correspond to differing risk levels among licensed insurers in the city.

¹⁵ Insurance Authority. (2025, January 3). An Overview of the Risk-based Capital Regime. https://www.ia.org.hk/en/supervision/reg_insurers_lloyd/an_overview_of_the_risk_based_capital_regime.html

The maturity of Hong Kong's insurance sector is largely driven by its vibrant and well-developed life insurance segment, derived from individual business exceeding HK\$97 billion in the first three quarters of 2024.¹⁶ Among the diverse product offerings, individual non-linked whole life policies hold a commanding presence, consistently accounting for approximately 60% of the total office premiums of the life insurance sector in Hong Kong.¹⁷

In addition to the local market, Hong Kong's insurance policies are also highly appealing to non-local markets. Among these, Mainland Chinese Visitors (MCVs) play a significant role in shaping the whole life insurance sector in Hong Kong. According to a market survey, MCVs view Hong Kong's insurance industry as well-established and trustworthy, offering a broad range of insurance solutions, particularly in life insurance. These products and policies provide comprehensive protection coverage, access to international medical resources, and the potential for higher expected returns on savings products.¹⁸

Exploring growth opportunities amidst industry challenges

Although Hong Kong leads the regional life insurance segment, hosting regional headquarters or offices of major international life insurance groups, there remains substantial room for enhancement in certain areas to bolster the growth of the insurance industry in Hong Kong.

i. Enhancing business diversification across various markets and segments

While Hong Kong boasts a diverse range of life and non-life insurance products, the industry's performance remains heavily reliant on life insurance and the MCV market. This concentration increases the sector's vulnerability to risks associated with market fluctuations and demographic shifts, as most clearly demonstrated during the COVID-19 pandemic. During the pandemic, the total gross premiums of the Hong Kong insurance industry experienced a decline from HK\$567 billion in 2019 to HK\$538 billion in 2022.^{19,20} Amid the business downturn caused by the pandemic and other factors during the period, the industry also saw a decrease in the number of industry professionals, falling from 72,900 in 2019 to 63,900 in 2022,²¹ and a reduction of ²² regional headquarters, regional offices, and local offices.²²

Diversification of customer base

While local customers remain the key segment of the industry, MCVs, among other non-local customers, have played a significant role in driving insurance sales in Hong Kong.²³ To regulate the distribution of insurance products to MCVs, the entire sales process of an insurance policy issued by a Hong Kong insurer must take place in Hong Kong.²⁴ During the COVID-19 pandemic, with the enforcement of various travel restrictions in Hong Kong, including post-arrival quarantine requirements for inbound

16 Insurance Authority. (2025, February 17). Quarterly Release of Provisional Statistics for Long Term Business 2024 (January 2024 to September 2024 (New Business and In-force Business)). <https://www.ia.org.hk/en/infocenter/statistics/files/3q24long.pdf>

17 Insurance Authority. (2023, September 29). Annual Statistics for Long Term Business 2022 - L1 Individual Life Business. https://www.ia.org.hk/en/infocenter/statistics/files/Table_L1_2022.pdf

18 Oliver Wyman. (2023). Capturing the next wave of Mainland Chinese visitors.

<https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2023/may/Capturing-The-Next-Wave-Of-Mainland-Chinese-Visitors.pdf>

19 Insurance Authority. (2020, December 16). Annual report 2019-20. https://www.ia.org.hk/en/infocenter/files/IA_Annual_Report_2019_20_Eng.pdf

20 Insurance Authority. (2024, February 21). Annual report 2022-23. https://www.ia.org.hk/en/infocenter/files/Insurance_Authority-AR23_eng.pdf

21 Census and Statistics Department. (2025, February 18). Table 210-06305: Employed persons by detailed industry of main employment and sex. https://www.censtatd.gov.hk/en/web_table.html?id=210-06305#

22 Census and Statistics Department. (2024, December 17). Table 325-43021: Number of regional headquarters, regional offices and local offices by major line of business in Hong Kong.

https://www.censtatd.gov.hk/en/web_table.html?id=325-43021#

23 BOC Life and Deloitte China. (2022, July 22). GBA Outlook: Opportunities in Insurance. https://www.boclife.com.hk/f/upload/1264/boclife_deloitte-cn-fsi-gba-insurance-outlook.pdf

24 Insurance Authority. (2022, August 29). Mainland China visitors buying Hong Kong insurance products. <https://education.ia.org.hk/en/faq.html>

individuals, the MCV business was significantly impacted, posing a major challenge to Hong Kong's life insurance industry. (See Chart 1)

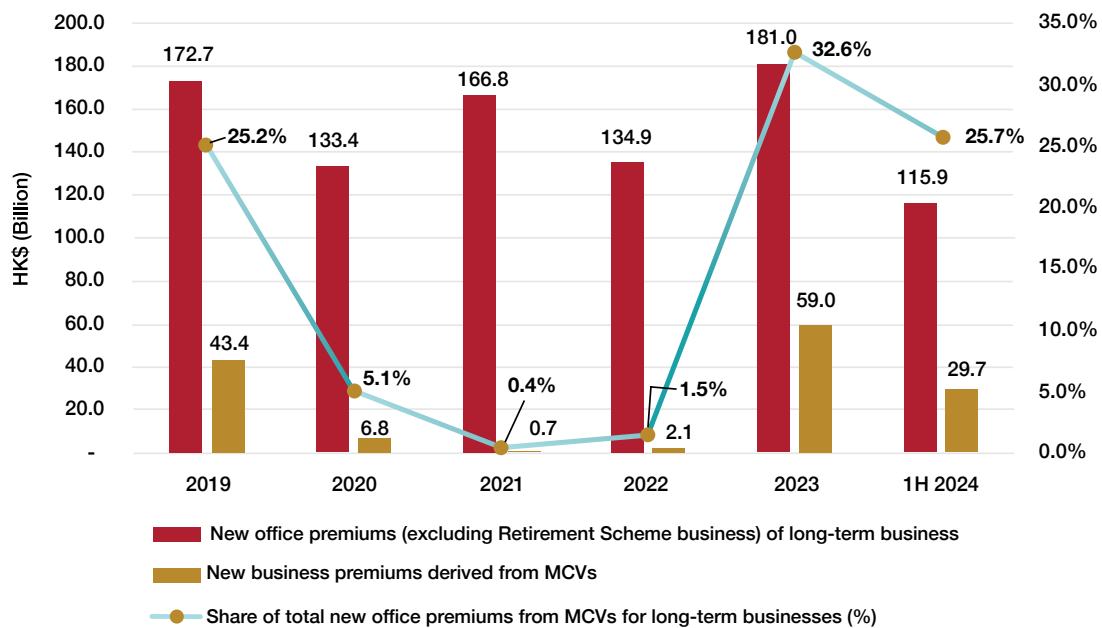


Chart 1: New office premiums of long-term business^{25,26,27,28,29,30}

After border reopening in February 2023, the MCV market rebounded, with annualised premiums for new MCV businesses surpassing the pre-COVID 2019 levels. Given a consistently strong demand from the MCV segment, the industry anticipates that this upward trend will continue in this market.^{31,32}

Alongside the expansion of both local and MCV businesses, diversifying the customer base is important to ensure the sustainable growth of the insurance industry in Hong Kong. As a leading international hub for asset and wealth management, Hong Kong attracts family offices, high-net-worth individuals (HNWIs), and ultra-high-net-worth individuals (UHNWIs) from these markets to explore offshore investment opportunities. As such, the city is naturally suited to be an international insurance centre for UHNWIs. Beyond the Mainland China market, emerging regions, such as the Middle East and ASEAN, present promising opportunities as their wealth management and insurance markets undergo rapid development. In fact, offshore policyholders other than those from Mainland China have taken up a notable portion of the existing customer base.

To cater for a wider customer base, Hong Kong should explore policies and regulations that facilitate remote selling and booking processes. By leveraging its robust financial infrastructure and regulatory expertise, Hong Kong can seize the opportunity to establish itself as a premier booking centre for the region. From a product perspective, insurers in Hong Kong are encouraged to develop innovative products tailored to various market segments, such as indexed universal life (IUL) products, and enhance their adaptability to changing external conditions effectively to ensure long-term sustainability and resilience in the face of future uncertainties.

²⁵ Insurance Authority. (2020, March 13). Insurance Authority releases provisional statistics of Hong Kong insurance industry for 2019. https://www.ia.org.hk/en/infocenter/press_releases/20200313.html

²⁶ Insurance Authority. (2021, March 12). Insurance Authority releases provisional statistics of Hong Kong insurance industry in 2020. https://www.ia.org.hk/en/infocenter/press_releases/20210312.html

²⁷ Insurance Authority. (2022, March 11). Insurance Authority releases provisional statistics of Hong Kong insurance industry in 2021. https://www.ia.org.hk/en/infocenter/press_releases/20220311.html

²⁸ Insurance Authority. (2023, March 10). Insurance Authority releases provisional statistics of Hong Kong insurance industry in 2022. https://www.ia.org.hk/en/infocenter/press_releases/20230310_1.html

²⁹ Insurance Authority. (2024, March 8). Insurance Authority releases provisional statistics of Hong Kong insurance industry in 2023. https://www.ia.org.hk/en/infocenter/press_releases/20240308.html

³⁰ Insurance Authority. (2024, August 30). Insurance Authority releases provisional statistics of the Hong Kong insurance industry for the first half of 2024. https://www.ia.org.hk/en/infocenter/press_releases/20240830.html

³¹ Prudential plc. (2023, August 30). Prudential plc 2023 Half Year Results Live Q&A. https://www.prudentialplc.com/~/_media/Files/P/Prudential-V13/2023-half-year-qa-webcast.pdf

³² DBS Bank. (2025, January 10). DBS Group Research on AIA Group. https://www.dbs.com.hk/treasures/aics/stock-coverage/templatedata/article/equity/data/en/DBSV/012014/1299_HK.xml

Limited domestic market for the non-life sector

Hong Kong is home to nine of the world's top 10 general insurers.³³ However, the domestic general insurance market has yet to fully unleash its potential and the local non-life sector could be further stimulated. Alongside Hong Kong SAR Government's effort to promote a sustainable general insurance market through various measures, including tax concessions for the sector,³⁴ it is also crucial to enhance market demand aimed at nurturing a vibrant general insurance ecosystem.

A significant growth opportunity lies in the growing demand for non-life insurance products in Hong Kong and Mainland China, particularly for the health insurance market. The accident and health business, being the largest segment of the general insurance market, experienced a 16% increase in gross premiums from 2019 to 2023.^{35,36} With Hong Kong and Mainland China having the second- and the eighth-highest life expectancy in the world, respectively, the ageing populations highlight an ongoing demand for insurance products tailored to their specific needs, such as extended care products.³⁷ For instance, in 2024, medical inflation in Hong Kong and Mainland China both reached 8.4%, surpassing the general inflation rate of 2.4% and 2.2%.³⁸ Despite the availability of several medical insurance options in the market that strategically manage and reduce the impacts of increasing medical costs, there remains a lack of public awareness and understanding concerning these specialised offerings.

On the other hand, domestic demand for other services, such as reinsurance, captive insurance, and catastrophe insurance, remained relatively low. This could be attributed partially to the limited pool of eligible investors or insurers for these products and the market perspectives on the necessity of such offerings, considering the city's business environment and exposure to catastrophe. Nonetheless, the city should enhance its readiness to capitalise on the opportunities presented by existing protection gaps.

Moreover, the Insurance Authority (IA) has also identified environmental risks and climate change-related losses as one of the key protection gaps in general insurance.³⁹ Recent research from the Swiss Re Institute reveals that Hong Kong ranked 9th in natural catastrophe insurance resilience index, outperforming other Asian jurisdictions. However, it still faces a protection gap of approximately US\$100 million.⁴⁰ This highlights the need for stronger disaster resilience strategies to effectively bridge this gap and fortify financial protection against potential catastrophes, thereby consolidating its position as a global hub for risk management and insurance.

Another critical protection gap exists in cyber insurance coverage. In 2023, local financial losses due to computer crime cases in Hong Kong reached HK\$5.5 billion, marking a 1.7-fold increase from the previous year.⁴¹ Nonetheless, the cyber insurance market in Hong Kong still has ample room for development.⁴² The introduction of the revised Guideline on Cybersecurity in January 2025,⁴³ along with the increasing digital adoption, presents insurers with a timely opportunities to expand their cyber insurance offerings and strengthen cybersecurity frameworks.

33 The Government of the Hong Kong Special Administrative Region. (2023, December 8). Speech by CE at Asian Insurance Forum 2023. <https://www.info.gov.hk/gia/general/202312/08/P2023120800267.htm>

34 The Government of the Hong Kong Special Administrative Region. (2021, January 15). Profits tax concessions for insurance-related businesses to commence operation on March 19. <https://www.info.gov.hk/gia/general/202101/15/P2021011400482.htm>

35 Insurance Authority. (2020, March 13). Summary on 2019 Provisional Statistics. https://www.ia.org.hk/en/infocenter/press_releases/files/Summary_on_2019_Provisional_Statistics.pdf

36 Insurance Authority. (2024, March 8). Summary on 2023 Provisional Statistic. https://www.ia.org.hk/en/infocenter/press_releases/files/2023FY_Annex.pdf

37 The World Bank. (2025). Life Expectancy at Birth. https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=HK&most_recent_value_desc=true

38 Willis Towers Watson. (2023, November 28). 2024 Global Medical Trends Survey. https://www.wtwco.com/en-gb/form-thank-you/2023/11/hwc-igs-gbl-gbl-wgc-20231101-2024-global-medical-trends-survey-pg15376a1-03-ip-gated-confirmation?utm_source=marketo&utm_medium=email&utm_content=hwc.igs.gbl.gbl.wgc.20231101.2024-global-medical-trends-survey.pg15376a1&utm_campaign=other-hwc_&utm_term=&mkt_tok=NzQyLUxaWS0yMzEAAAGVzWyYX99PjJ-kQ7qb1ZTjYXlGKm-cE1jIw0FozY754KFPmUXTaDkYr2uhrD824A_8PoeZBTXT2pq6ZDVg4jgOPkpfITg9D1SGuHJgN_1uA7ud5HdF

39 Insurance Authority. (2024, October 29). Persistent Changes, Emerging Threats and Potential Opportunities. https://www.ia.org.hk/en/infocenter/files/HongKong_FinTech_Week_2024.pdf

40 Swiss Re Institute. (2024, July 24). Sigma Resilience Index 2024. <https://www.swissre.com/dam/jcr:577c79d6-b015-41fd-9eee-47927efb2136/sigma-resilience-index-2024.pdf>

41 InfoSec. (2025, February). Computer Related Crime. <https://www.infosec.gov.hk/en/knowledge-centre/computer-related-crime>

42 Gallagher Re. (2024, September 5). Protecting the Digital Revolution.

<https://www.ajg.com/gallagherre/-/media/files/gallagher/gallagherre/news-and-insights/2024/september/gallagherre-protecting-the-digital-revolution.pdf>

43 Insurance Authority. (2024, December 11). GL20 – Guideline on Cybersecurity. https://www.ia.org.hk/en/legislative_framework/files/GL20_Eng.pdf

ii. Expanding the availability of long-duration assets to fulfil contractual obligations to life insurance policyholders

Individual life insurance represents the largest segment of Hong Kong's insurance industry. In 2023, the office premiums of 14.2 million policies under the individual life category contributed to HK\$426.5 billion, representing 89.8% of the in-force long-term business. The net liabilities of these policies reached HK\$2,455.3 billion.⁴⁴

As life insurance provides mortality protection for insured's lifetime,⁴⁵ the associated liabilities extend over a considerable period. Life insurers often employ asset-liability matching strategies to maintain financial stability and fulfil their policy commitments. As such, industry practitioners have highlighted the importance of insurers' investment in long-duration assets to align with their risk appetites. Moreover, these long-duration assets should ideally be denominated in the same currency as the sum insured to mitigate exchange rate fluctuations. However, according to interviews conducted with industry practitioners, due to the limited availability of long-term bonds denominated in Hong Kong dollars,^{46,47} many insurers in Hong Kong opt to invest in US dollar long-term bonds, typically spanning 20 to 50 years.

While the exchange rate between the Hong Kong dollar and the US dollar remains stable under the Linked Exchange Rate System,⁴⁸ this investment strategy may lead to increased costs and higher risks associated with currency hedging. Moreover, given the lack of longer-term products available in the market, insurers often employ complex financial engineering solutions to address asset-liability duration mismatches and mitigate risks associated with long-term liabilities. Nonetheless, such strategies may not be conducive to the long-term growth and stability of an insurer. To this end, industry stakeholders call for a broader range of longer-term bonds issued in Hong Kong dollars. With the Government committed to fostering the sustainable growth of the local bond and green bond markets through the issuance of Government Bonds in various types and tenors,⁴⁹ there is scope for the Government to explore the issuance of more longer-tenor bonds to provide more investment options for the industry.

iii. Fortifying Hong Kong's role as a risk management hub through new growth avenues

Strengthening the resilience of the insurance industry in Hong Kong requires diversifying business activities and identifying new growth avenues. In addition to expanding horizontally by enhancing business diversification mentioned in earlier section, it is also important for the industry to develop vertically, deepening its product offerings. As Hong Kong solidifies its position as a risk management hub, the Government has been actively exploring opportunities brought by various financial innovations, such as ILS, captive insurance, reinsurance, marine insurance, and others, to improve risk management across industries and companies. These financial innovations hold significant promise for market diversification and overall sectoral growth. Among these, this section will focus on ILS and reinsurance, two areas where the industry aims to intensify its development efforts.

⁴⁴ Insurance Authority. (2025, February 17). Annual Long Term Business Statistics. https://www.ia.org.hk/en/infocenter/statistics/annual_long_term_business_statistics.html

⁴⁵ Insurance Authority. (2022, March). Understanding life insurance. https://www.ia.org.hk/en/infocenter/files/Understanding_Life_Insurance_Eng.pdf

⁴⁶ The tenor of Government bonds issued in the Hong Kong dollar under the Government Bond Programme is typically one, three, 10, 15, or 20 years.

⁴⁷ Hong Kong Government Bonds. (2025). Government Bond Statistics. <https://www.hkgb.gov.hk/en/statistics/statistic.html>

⁴⁸ Hong Kong Monetary Authority. (2024, June 27). Linked Exchange Rate System. <https://www.hkma.gov.hk/eng/key-functions/money/linked-exchange-rate-system/>

⁴⁹ The Government of the Hong Kong Special Administrative Region. (2024, May 22). LCQ8: Developing bond market. <https://www.info.gov.hk/gia/general/202405/22/P2024052200299.htm?fontSize=1>

Insurance-linked securities

ILS are alternative risk transfer instruments that enable insurers and reinsurers to transfer insured risks to the capital markets through securitisation.⁵⁰ By issuing ILS, insurers or reinsurers — commonly referred to as sponsors — can access alternative capital sources, enhance risk diversification, and raise funds, while investors gain exposure to an alternative asset class with potentially attractive risk-adjusted returns compared to traditional investments.⁵¹

As a global risk management centre and insurance hub, Hong Kong aims to establish itself as a preferred domicile for ILS. Notably, the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), supported by the Central Government, presents opportunities for Mainland insurers to issue catastrophe bonds (CAT bonds), the most common variety of ILS, in Hong Kong.^{52,53} CAT bonds offer more flexible and efficient solutions for insurers, helping to stabilise pricing and provide resilience against major catastrophic events.

Hong Kong's geographical proximity to Mainland China offers distinct advantages for ILS development. The city can serve as a gateway for Mainland insurers to tap into global capital markets, while investors can benefit from the region's economic growth expansion and increasing demand for innovative risk management solutions. Additionally, the awareness of climate-related risks continues to grow, ILS are increasingly recognised as an effective mechanism for businesses and investors to mitigate disaster risks through alternative financing.

	Issue Date	Sponsor	Issuer	Risks	US\$
1	Oct 2021	China Reinsurance (Group) Corporation, China Property & Casualty Reinsurance Company Ltd	Greater Bay Re Limited	Typhoons in Mainland China	31 mil
2	Jun 2022	Peak Reinsurance Company Limited	Black Kite Re Limited	Typhoons in Japan	150 mil
3	Dec 2022	PICC Property and Casualty Company Limited	Great Wall Re Limited	Earthquake risks in Mainland China	32.5 mil
4	Mar 2023	Republic of Chile	World Bank (International Bank for Reconstruction and Development)	Earthquake risks in Chile	350 mil
5	May 2024	Government of Jamaica	World Bank (International Bank for Reconstruction and Development)	Storms in Jamaica	150 mil
6	Jan 2025	Taiping Reinsurance Company Limited	Silk Road Re Limited	Storms in the United States and earthquakes in Mainland China	35 mil

Table 1: CAT bonds issued in Hong Kong

50 Insurance Authority. (2024, January 18). Insurance-linked Securities. https://www.ia.org.hk/en/reinsurance_specialty/ILS_HK.html

51 King & Wood Mallesons. (2022, August 3). Hong Kong as an Emerging Hub for 'Cat Bonds' Insurance-linked Securities Outlook.

<https://www.kwm.com/hk/en/insights/latest-thinking/insurance-linked-securities-outlook.html>

52 Catastrophe bonds (CAT bonds) are a kind of ILS used by insurers and reinsurers to transfer risk to investors, typically providing protection against natural disasters. In 2021, new rules came into effect that provide a bespoke and streamlined authorisation and regulatory regime for Special Purpose Insurers (SPI) specifically for issuing ILS in Hong Kong.

53 Financial Services Development Council. (2023, March 17). The next step for Hong Kong's catastrophe bond market.

<https://www.fsdco.org.hk/en/media/the-next-step-for-hong-kong-s-catastrophe-bond-market>

To realise the full potential of ILS, it is crucial to recognise the role of key ecosystem players—sponsors, brokers that structure and arrange transactions, asset managers, investors and other service providers—along the value chain. Hong Kong should attract ILS asset management flows and encourage stakeholder collaboration to build a dynamic ecosystem. Currently, the sale of ILS and CAT bonds issued in Hong Kong is restricted to eligible ILS investors only.^{54,55} Recognising the limited pool of eligible investors and the relatively nascent stage in Hong Kong's market, the IA is actively working to expand the ILS market. Efforts include identifying new sponsors, enriching product structures, investor education and engaging academia to nurture modelling expertise and exploring data exchange with the Mainland and other emerging regions, such as ASEAN.⁵⁶

Reinsurance

In Hong Kong, reinsurance companies play a key role in fostering the growth of the insurance market by contributing to risk management, capital optimisation, and innovation and collaboration.

Figure 2: Role of reinsurance companies in the development of Hong Kong's insurance market⁵⁷

Risk Management

- Enabling primary insurers to underwrite larger and more complex policies by absorbing a portion of the risk
- Providing financial contract or arrangement to mitigate or reduce losses during adverse events or market conditions

Capital Optimisation

- Offering capital relief to primary insurers by assuming a portion of their risks
- Assisting primary insurers in meeting stringent regulatory capital requirements to maintain sufficient reserves

Digital Transformation and Product Innovation

- Assisting primary insurers to invest in technology infrastructure, data analytics, and digital distribution channels
- Supporting primary insurers in designing products that cater to evolving needs while addressing emerging risks and market trends

Comprehensive reinsurance service solution

- Offering comprehensive reinsurance service solutions through in-depth integration of resources across the upstream and downstream industry supply chains

54 The types of eligible ILS investors include (a) banks or authorised financial institutions; (b) insurance companies (including reinsurance companies); (c) corporations carrying on business of the provision of investment services; (d) governments, central banks and multilateral agencies; (e) authorised exchange companies; and (f) collective investment schemes ("CIS") excluding, as set out in Rule 3(2) of the draft Rules, retail funds authorised by the Securities and Futures Commission ("SFC"), MPF funds, approved pooled investment funds which can be invested into by MPF funds, and occupational retirement schemes ("ORSO schemes").

55 Insurance Authority. (2021, January 19). Consultation Conclusions on the Insurance (Special Purpose Business) Rules. https://www.ia.org.hk/en/infocenter/files/Consultation_Conclusions_on_Draft_Insurance_Special_Purpose_Business_Rules_EN.pdf

56 Insurance Authority. (2024, February 21). Annual report 2022-23. https://www.ia.org.hk/en/infocenter/files/Insurance_Authority-AR23_eng.pdf

57 China Taiping. (2024, November 7). How reinsurers can strengthen Hong Kong's function as an international risk management centre. <https://www.peak.edu.hk/sites/default/files/4.%20Mr%20Sheldon%20Yu.pdf>

In addition to the life insurance market, several areas present opportunities for developing the reinsurance sector in the city:

Bridging protection gaps for extreme weather events

The World Meteorological Organization confirmed 2023 as the warmest year on record, with various regions, including Hong Kong, facing severe extreme weather events.⁵⁸ Notably, Hong Kong experienced its second most intense tropical cyclone since 1950, followed by a record-breaking rainstorm that triggered a Black Rainstorm Warning for over 16 hours. The insurance industry reported total gross claims from these events reaching HK\$1.9 billion, underscoring the urgent need for enhanced risk mitigation strategies to protect both businesses and individuals.⁵⁹ Reinsurance plays a crucial role in addressing these challenges by underwriting physical climate risks, bridging protection gaps, and absorbing potential losses for primary insurers. The global protection gap—illustrating the disparity between insured and uninsured losses—highlights a significant market opportunity.⁶⁰ As reported by Swiss Re, uninsured economic losses from natural disasters reached 43% in North America and soared to 85% in Asia.⁶¹ This emphasises the vital role of reinsurers in managing climate-related risks.

Exploring opportunities in the GBA, the Belt and Road Initiative and emerging markets

With Hong Kong leveraging its competitive benefits and strategic location, the city is well-positioned to capitalise on opportunities presented by the GBA, the Belt and Road Initiative, and the expansion of overseas markets, including the Middle East and ASEAN. In light of the surge in infrastructure projects and trades in these markets,^{62,63,64} the Government has been actively supporting Hong Kong by providing professional services such as insurance and reinsurance for large-scale infrastructure projects and establishing Hong Kong as a provider of high-value-added maritime services.⁶⁵ Building on its robust regulatory framework and alignment with international best practices, the insurance and reinsurance sectors are poised for significant growth in these regions.

58 World Meteorological Organization. (2024, March 19). State of the Global Climate 2023. https://library.wmo.int/viewer/68835/download?file=1347_Global-statement-2023_en.pdf&type=pdf&navigator=1

59 Insurance Authority. (2023, December 4). Extreme weather events demonstrate the social role of insurance in enhancing community resilience. https://www.ia.org.hk/en/infocenter/press_releases/20231204.html

60 Impax Asset Management. (2024, June 17). Reinsurers: placing an economic price on climate change. <https://impaxam.com/insights-and-news/blog/reinsurers-placing-an-economic-price-on-climate-change/>

61 Swiss Re. (2024, March 26). How big is the protection gap from natural catastrophes where you are?. https://www.swissre.com/risk-knowledge/mitigating-climate-risk/natcat-protection-gap-infographic.html#

62 WWF Asia Pacific. (2023, May 5). Mapping Pathways Towards Inclusive and Resilient Linear Infrastructure in ASEAN. https://wwfasia.awsassets.panda.org/downloads/full_report_pages_mapping_pathways_usaid_mekong_for_the_future.pdf

63 State Council Information Office of China. (2024, January 12). China's trade with BRI countries booms in 2023. http://english.scio.gov.cn/m/pressroom/2024-01/12/content_116937407.htm

64 JLL MENA (2024, May 15). UAE Construction Market Intelligence Report Q1 2024. <https://ent.news/2024/6/762.pdf>

65 The Government of the Hong Kong Special Administrative Region. (2017, December 14). Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative. https://gia.info.gov.hk/general/201712/14/P2017121400551_274123_1_1513241987560.pdf

Unlocking insurance capital for a transition to a low-carbon climate

In recent years, amid the growing discussions on decarbonisation goals across various regions, transition finance has emerged as a pivotal tool in fostering sustainable development.^{66,67} As stakeholder expectations rise alongside the evolving risk landscape, businesses across the financial industry, including insurance companies, are increasingly exploring ways to incorporate transition finance principles into their operations. These corporations aim to increase positive impacts by making substantial contributions to society and aligning with sustainability objectives.

i. The insurance industry's promising role in the transition to a low-carbon climate

In response to shifting sentiments among investors, employers and customers, many insurers increasingly prioritise and integrate transition finance considerations across the value chain, product offerings and policy frameworks. In a market survey conducted by BlackRock in 2024, over half of the senior executives surveyed viewed the low-carbon transition as an opportunity for their insurance activities.⁶⁸ Additionally, another market survey revealed that environmental, social and governance (ESG) programmes enhance the financial performance of insurance companies, with a notable increase from 40% in the previous year.⁶⁹

With their multifaceted roles, insurance companies are pivotal in facilitating climate transition and achieving net-zero goals.⁷⁰ Beyond providing various insurance policies for business interruption, agriculture, and natural catastrophes, insurers can promote industry best practices by funding a diverse range of sustainable projects, such as renewable energy, sustainable water management, and energy-efficient housing.⁷¹ Long-term insurance policies with a forward-looking pricing model can offer solutions to address new risks and support large-scale and complex transitions towards sustainability.⁷²

As asset managers, insurers invest large sums of money, influencing the allocation of capital towards sustainable projects. According to BlackRock's market survey, 41% of respondents appreciated that the changing exposure to private markets would help meet their portfolio climate targets.⁷³ These collective efforts contribute to the realisation of carbon-neutral goals and exemplify insurers' commitment to sustainable finance and environmental stewardship.

Moreover, insurance companies possess significant capital resources as asset owners, driving positive social and environmental impacts alongside financial returns. Historically, life insurance companies have favoured investments in long-term public bonds to mitigate risks associated with insurance liabilities. Leveraging their substantial capital and direct investment capacities, coupled with their comprehensive balance sheets, these insurers themselves have the potential to significantly contribute to steering economies towards greater sustainability. In Europe, as long-term investors with an overall balance sheet of around EU €8 trillion, only 2.6% of insurers' direct corporate bond and equity investments are aligned with the EU Taxonomy of Sustainable Activities, while 15.5% are eligible.⁷⁴

66 In November 2024, the FSDC published a paper on promoting Hong Kong's crucial role in financing the transition to sustainability to continue its efforts to drive the evolving sustainable finance agenda.

67 Financial Services Development Council. (2024, November 28). Navigating the evolving sustainable landscape: Hong Kong's crucial role in financing the transition to sustainability.

https://www.fsd.org.hk/media/tg2heul2/eng-fsdc-paper_navigating-the-evolving-sustainable-landscape-hong-kong-s-crucial-role-in-financing-the-transition-to-sustainability_fv.pdf

68 BlackRock. (2024, October 15). Global Insurance Report 2024. <https://www.blackrock.com/institutions/en-us/literature/market-commentary/2024-global-insurance-report.pdf>

69 KPMG. (2023). ESG in insurance: Strategy and transformation. <https://assets.kpmg.com/content/dam/kpmg/be/pdf/2023/BE-ESG-in-Insurance-Strategy-Transformation.pdf>

70 Deloitte. (2023, December 6). 2024 insurance outlook. <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/financial-services/deloitte-cn-fsi-2024-insurance-outlook-en-231206.pdf>

71 Insurance Europe. Investment in sustainability. <https://sustainability.insuranceeurope.eu/s/10/investment>

72 Aon. (2023, December 7). Insurance Plays a Key Role in Transitioning to a Low Carbon Future.

<https://www.aon.com/en/insights/articles/insurance-plays-a-key-role-in-transitioning-to-a-low-carbon-future#:~:text=The%20insurance%20industry%20can%20help,to%20protecting%20people%20and%20businesses.>

73 BlackRock. (2024, October 15). Global Insurance Report 2024. <https://www.blackrock.com/institutions/en-us/literature/market-commentary/2024-global-insurance-report.pdf>

74 European Insurance and Occupational Pensions Authority. (2023, March 14). Factsheet: Green investments.

https://www.eiopa.europa.eu/document/download/13d4b0c0-cd93-4a76-a04d-8cdd3876917d_en?filename=Factsheet%20-%20Green%20investments%202023v5.pdf

Government support advancing the transition finance path in the industry

In the context of promoting Hong Kong's pivotal role in financing the transition to sustainability, the FSDC's recent paper discusses the slow uptake of transition finance instruments.⁷⁵ This situation highlights the need for a concerted effort to enhance comprehension and regulatory support for these tools. Therefore, encouraging and incentivising the industry to embrace green and sustainable products emerges as a key strategy to improve public awareness and drive market growth in transition finance.

To advance the green and sustainable agenda in the city, the Government and regulators spare no efforts in driving the development forward. In 2019, the IA published GL21—Guideline on Enterprise Risk Management (ERM) to establish a framework for identifying, measuring, reporting, monitoring, and managing authorised insurers' risk exposure in an ongoing and integrated manner.⁷⁶ By incorporating the ERM Framework, authorised insurers are required to perform regular risk assessments and control activities within their risk management policies and procedures. All reasonably foreseeable and relevant material risks, including climate risk where applicable, should be considered in defining the insurers' risk appetite and risk limits structure. The ERM is also a key component of the recently implemented risk-based capital regime.

The IA introduced the Risk-based Capital (RBC) regime for the Hong Kong insurance industry on 1 July 2024, following the commencement of the Insurance (Amendment) Ordinance 2023 and relevant subsidiary legislation and guidelines. Under the RBC regime, insurers must meet specific quantitative requirements, including valuation basis, capital quality, and capital requirements.^{77,78} Insurers are required to ascertain their prescribed capital amount, determined by various risk factors. Specifically, an applicable insurer must assess the risk capital amount for credit spread risk, which reflects the reduction in net asset value from applying the credit spread stress factor to their assets and liabilities. As part of this RBC framework, the IA has introduced an incentive for green bond investments. According to Rule 48 of the Insurance (Valuation and Capital) Rules (Cap. 41R), for recognised green bonds which meet the green criteria or principles issued by the IA, a factor of 0.9 can be multiplied to the credit spread stress factors when determining the risk capital amount.^{79,80}

Following feedback from industry stakeholders during the consultation for the draft rules, the IA has committed to reviewing the proposals for expanding these incentives to other investment categories and will take them into consideration in future reviews of the RBC regime.⁸¹

75 Financial Services Development Council. (2024, November 28). Navigating the evolving sustainable landscape: Hong Kong's crucial role in financing the transition to sustainability. https://www.fsdcc.org.hk/media/tg2heul2/eng-fsdc-paper_navigating-the-evolving-sustainable-landscape-hong-kong-s-crucial-role-in-financing-the-transition-to-sustainability_tv.pdf

76 Insurance Authority. (2019, July 5). GL21: Guideline on Enterprise Risk Management. https://www.ia.org.hk/en/legislative_framework/files/GL21.pdf

77 The RBC regime comprises three pillars: Pillar 1 on quantitative assessment, Pillar 2 on corporate governance and risk management and Pillar 3 on disclosure requirements. To align capital requirements with individual insurers' risk profiles under the RBC regime, insurers with solid risk management measures will shoulder lower capital requirements, cultivating insurers to deploy capital more efficiently and nurture a prudent risk culture.

In Pillar 1, insurers are required to meet quantitative requirements including valuation basis, capital quality and capital requirements. In terms of the capital requirements, an insurer (except marine insurers, captive insurers, special purpose insurers and Lloyd's) must ensure that its capital base is not less than each of its prescribed capital amount (PCA), its minimum capital amount and HK\$20 million. PCA is determined by aggregating the risk capital amounts for each risk module and sub-risk module with respect to market risk, life insurance risk, general insurance risk, counterparty default and other risk, and operational risk, taking account of diversification benefits.

78 Insurance Authority. (2025, January 3). An Overview of the Risk-based Capital Regime. https://www.ia.org.hk/en/supervision/reg_insurers_lloyd/an_overview_of_the_risk_based_capital_regime.html

79 The incentive for green bond investments is under one of the sub-risk modules for calculating the market risk. According to Rule 48(4), recognised green bond refers to a bond for which pre-issuance external verification has been obtained from an independent and qualified international third party that the bond meets the green criteria or principles issued by the Authority in a notice published in the Gazette.

80 Hong Kong e-Legislation. (2024, July 1). Cap. 41R Insurance (Valuation and Capital) Rules. https://www.elegislation.gov.hk/hk/cap41r/en?xid=ID_1717557914940_555&SEARCH_WITHIN_CAP_TX-T= strategic%20investment

81 Insurance Authority. (2024, April 25). Consultation Conclusions on Draft Insurance (Exemption to Appointment of Actuary) Rules, Draft Insurance (Valuation and Capital) Rules, Draft Insurance (Submission of Statements, Reports and Information) Rules, Draft Insurance (Maintenance of Assets in Hong Kong) Rules, Draft Insurance (Marine Insurers and Captive Insurers) Rules and Draft Insurance (Lloyd's) Rules. https://www.ia.org.hk/en/infocenter/files/Consultation_Conclusions_on_Draft_RBC_Rules_Eng.pdf

ii. Challenges facing the industry in the green economy transition journey

With Hong Kong targeting a 70% reduction in carbon intensity by 2030, collaboration across various sectors is essential to achieve decarbonisation goals. Recognising the momentum built in the industry in facilitating climate transition, the insurance industry is expected to play an expanded role in helping the city effectively achieve its low-carbon climate goals. It is crucial in supporting financial institutions with project funding and risk management.

To succeed in this endeavour, it is important to carefully assess the challenges confronted by insurers within the carbon transition process. One of the key challenges is the multitude of sustainability reporting standards and taxonomies, which complicates compliance and consistency for the industry.

A wide variety of sustainability reporting standards and frameworks

In the journey towards a green transition, sustainability disclosure or reporting standards establish a global baseline of sustainability-related information for financial markets, highlighting companies' sustainability-related risks and opportunities.⁸² According to the UN Sustainability Stock Exchanges database, 73 stock exchanges worldwide currently provide guidance on ESG disclosure, a significant increase from 13 in 2015.⁸³ Moreover, 38 stock exchanges globally require ESG reporting as a listing rule. These trends demonstrate a growing emphasis on fostering green and sustainable development across the global markets.⁸⁴

Recognising the growing investor interest in companies involved in sustainable business practices, various sustainability reporting standards and frameworks have emerged on a global scale.⁸⁵ (See *Appendix 3 for a summary of global sustainability reporting frameworks*.) Each of these standards features distinct disclosure requirements focusing on different aspects of sustainability reporting, such as governance, strategy, risk management, and specific green transition metrics.

As Hong Kong is committed to promoting green and sustainable finance, the Green and Sustainable Finance Cross-Agency Steering Group (CASG) was established in 2020, comprising relevant Government Bureaux, financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX). One of its key initiatives is to develop a local sustainability disclosure ecosystem through alignment with global standards, with the IFRS Sustainability Disclosure Standards (ISSB Standards) as a key component.^{86,87} In December 2024, the Government launched the Roadmap on Sustainability Disclosure in Hong Kong, which sets out Hong Kong's approach to require publicly accountable entities (PAEs) to adopt the ISSB Standards. It provides a well-defined pathway for large PAEs to fully adopt the ISSB Standards no later than 2028, leading Hong Kong to be among the first jurisdictions to align its local requirements with the ISSB Standards.⁸⁸

To facilitate listed companies' adoption of the local sustainability disclosure standards for sustainable reporting in future, the HKEX, a member of the CASG, introduced new climate-related disclosure

⁸² International Sustainability Standards Board. International Sustainability Standards Board. <https://www.ifrs.org/groups/international-sustainability-standards-board/>

⁸³ Sustainable Stock Exchanges. (2025). Stock Exchange Database. <https://sseinitiative.org/exchanges-filter-search>

⁸⁴ Sustainable Stock Exchanges. (2025). Stock Exchange Database. <https://sseinitiative.org/exchanges-filter-search>

⁸⁵ Notable among these standards are the Global Reporting Initiative (GRI), the European Sustainability Reporting Standards (ESRS), the International Sustainability Standards Board's (ISSB) Sustainability Accounting Standards Board (SASB) Standards, International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, and the Task Force on Climate-related Financial Disclosures (TCFD). These standards have become the main disclosure standards and frameworks widely adopted by entities worldwide.

⁸⁶ Insurance Authority. (2023, August 7). Cross-Agency Steering Group announces priorities to further strengthen Hong Kong's sustainable finance ecosystem.

https://www.ia.org.hk/en/infocenter/press_releases/20230807.html

⁸⁷ Insurance Authority. (2024, March 27). Cross-Agency Steering Group and International Sustainability Standards Board members met in Hong Kong.

https://www.ia.org.hk/en/infocenter/press_releases/20240327.html

⁸⁸ Financial Services and the Treasury Bureau. (2024, December 9) Roadmap on Sustainability Disclosure in Hong Kong.

https://www.fstb.gov.hk/fstb/en/publication/report/docs/FSTB_Roadmap2024_eBooklet_EN.pdf

requirements, which are developed based on the IFRS S2 Climate-related Disclosures, for implementation under a phased approach in April 2024 after industry consultations. The amended Listing Rules came into effect on 1 January 2025.⁸⁹

Assuming the role of the sustainability reporting standard setter in Hong Kong, the Hong Kong Institute of Certified Public Accountants (HKICPA) published HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and HKFRS S2 Climate-related Disclosures (collectively, HKFRS Sustainability Disclosure Standards) in December 2024, which are fully aligned with the ISSB Standards, with an effective date of 1 August 2025.^{90,91} In particular, the HKICPA provides industry-based guidance for various industries, including the insurance industry, on implementing the disclosure requirements outlined in IFRS S2.

Given that these market initiatives are relatively new to the Hong Kong market, providing support and guidance materials is essential for enhancing the skills and competencies of local stakeholders in sustainability reporting and for ensuring effective implementation and compliance.

New taxonomy for sustainable finance in the city

As more capital is directed towards addressing climate change, it is important to develop a taxonomy to provide the industry with an assessment tool for green and sustainable finance and facilitate the identification of green and sustainable economic activities, thereby scaling up relevant finance flows and addressing greenwashing concerns.⁹²

Following the Common Ground Taxonomy (CGT) developed by the International Platform on Sustainable Finance (IPSF), a framework jointly developed by the authorities of Mainland China and the EU, the Hong Kong Monetary Authority (HKMA) published the Hong Kong Taxonomy for Sustainable Finance (Hong Kong Taxonomy) in May 2024 by operationalising the CGT and incorporating jurisdiction-specific industry classifications and criteria.⁹³ Taking into account the circumstances in Hong Kong, the Hong Kong Taxonomy currently includes 12 economic activities under four sectors: power generation, transportation, construction, and water and waste management.⁹⁴

Although this initiative is still in its early stages, some industry practitioners have noted that the lack of necessary comprehensive sustainability data — such as the carbon footprint for different types of transportation in the metrics — complicates the reporting process. To make the Hong Kong Taxonomy more usable and support the transition of the region, the HKMA has embarked on the next phase of development of the Hong Kong Taxonomy, under which the scope of sectors and economic activities will be expanded to include more green activities and transition elements. A new environmental objective on climate change adaptation will also be featured. The HKMA will continue to engage with a broad range of stakeholders, with a view to developing a taxonomy that can facilitate the scaling up of green and sustainable finance.

89 HKEX. (2024, April 19). Exchange Publishes Conclusions on Climate Disclosure Requirements. https://www.hkex.com.hk/News/Regulatory-Announcements/2024/240419news?sc_lang=en

90 HKICPA (2024, December 12). HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and HKFRS S2 Climate-related Disclosures. <https://www.hkicpa.org.hk/-/media/Document/SSD/handbookupdate/4mes1s2.pdf>

91 HKICPA (2024, December 12). HKFRS S2 Climate-related Disclosures. <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/volumeIV/319s2.pdf>

92 Hong Kong Monetary Authority. (2024, May 3). Hong Kong Taxonomy for Sustainable Finance: Consolidating the green finance ecosystem. <https://www.hkma.gov.hk/eng/news-and-media/insight/2024/05/20240503/>

93 Hong Kong Monetary Authority. (2023, May 30). Discussion Paper – Prototype of a Green Classification Framework for Hong Kong. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2023/20230530e1a1.pdf>

94 Hong Kong Monetary Authority. (2024, May 3). Hong Kong Taxonomy for Sustainable Finance. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20240503e1.pdf>

Accelerating digitisation to overcome internal legacy

To solidify Hong Kong's status as a global insurance hub, it is essential to address the industry's internal challenges while maximising the sector's contribution to the broader economy. This strategic approach will ensure sustainable growth and competitive advantage in the international market. Among the key challenges, legacy systems remain a hurdle for the industry worldwide.⁹⁵

Advanced technology and digital tools offer substantial potential to enable insurers and intermediaries to enhance operational efficiency by integrating alternative data sources across the insurance process, from application underwriting to claims handling.⁹⁶ However, many insurance operations are still heavily reliant on labour-intensive and paper-based processes. According to Boston Consulting Group, underwriters traditionally spend ~14 hours per week or ~35% of working hours on responsibilities that could be automated or delegated.⁹⁷ Today, the global insurance industry is mainly supported by three key technologies, the Internet of Things (IoT), blockchain, and artificial intelligence (AI).

i. State of automation and digitisation of the insurance sector worldwide

The global insurance industry is undergoing rapid digital transformation, driven by technological advancements, evolving customer expectations, and the demand for greater efficiency. As insurers strive to modernise their operations and improve customer experiences, the degree of digitalisation varies significantly across markets.

According to Swiss Re's Insurance Digitalisation Index, South Korea ranks highest overall, performing consistently across all four dimensions of the index.⁹⁸ The country's digitisation roadmap,⁹⁹ robust digital infrastructure, high rates of technology adoption, and strong innovation capabilities have enabled its insurance industry to automate and digitise core processes heavily. Major Korean insurers have introduced a wide range of digital services and self-service capabilities for customers, leveraging technologies like AI, big data analytics, and robotic process automation. This has driven efficiency gains and allowed insurers to provide a more seamless, personalised experience.

In addition, China has emerged as a fast-rising digitisation powerhouse, climbing from 26th place on the Swiss Re's Insurance Digitalisation Index in 2010 to 16th place in 2020. This rapid progress has been accompanied by a surge in digital insurance penetration within the Chinese market. Chinese Insurers have quickly adopted cutting-edge technologies, including AI-powered chatbots virtual claims adjusters and blockchain-enabled parametric insurance products. Several key factors, such as widespread smartphone adoption, the expansion of digital payment platforms, and supportive government policies have all contributed to China's insurance digitisation momentum.

Development of the digital insurance landscape in Hong Kong

Zooming into Hong Kong, according to a report by French consultancy Sia Partners assessing the digital platforms of 85 insurers across seven global markets, with 12 from Hong Kong, the digital insurance landscape in Hong Kong ranked 5th with an average score of 51.1 out of 100.^{100,101} This places Hong Kong behind the Netherlands (62.4), the US (61.1), Ireland (61.3), and Singapore (51.5)

⁹⁵ Earnix. (2024). 2024 Industry Trends Report. https://earnix.com/assets/documents/gated_brochures/earnix_trends_report_2024.pdf

⁹⁶ Deloitte. (2023, December 6). 2024 insurance outlook. <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/financial-services/deloitte-cn-fsi-2024-insurance-outlook-en-231206.pdf>

⁹⁷ Boston Consulting Group. (2023, April 1). The Underwriter of the Future: Balancing Art and Science to Drive Underwriting Excellence in Commercial Insurance.

<https://media-publications.bcg.com/The-Underwriter-of-the-Future.pdf>

⁹⁸ Swiss Re. (2023, October 11). Insurance Digitalisation Index. <https://www.swissre.com/risk-knowledge/advancing-societal-benefits-digitalisation/insurance-digitalisation-index.html>

⁹⁹ Ministry of Science and ICT, South Korea. (2022, September 28). Korea to Come up with the Roadmap of Digital ROK, Realizing the New York Initiative. release.

<https://www.msit.go.kr/eng/bbs/view.do?sCode=eng&mId=4&mPid=2&bbsSeqNo=42&nttSeqNo=742>

¹⁰⁰ Sia Partners. (2023, March 29). Improving the quality of a customer's digital journey. <https://www.sia-partners.com/en/insights/publications/improving-quality-a-customers-digital-journey>

¹⁰¹ South China Morning Post. (2023, February 6). Hong Kong's digital insurance lags Singapore and Western peers over reliance on 120,000 sales agents.

<https://www.scmp.com/business/markets/article/3209155/hong-kongs-digital-insurance-lags-singapore-and-western-peers-over-reliance-120000-sales-agents>

in terms of digital insurance maturity and innovation. However, one of the virtual insurance companies in Hong Kong achieved a remarkable global ranking of 2nd with 79 points, just one point behind a leading Dutch insurer.

Traditional insurance companies in Hong Kong are increasingly integrating digital initiatives across their value chain, from front-end customer interactions to back-end processes.¹⁰² The industry has observed a growing adoption of digital onboarding and online claim application platforms, boosting front-end efficiency. However, significant opportunities remain to enhance back-end processes, particularly in claims management. Transitioning from manual procedures and paperwork allows insurance companies to digitise operational processes, thereby bringing several key benefits, including shortening claims verification time and reducing human errors and fraud risks.

ii. Accelerating digital transformation and tech integration in the city's insurance industry

When examining the obstacles impeding digitisation in Hong Kong's insurance industry, two key challenges emerge, i.e., (1) heavy reliance on paper-based workflow and (2) limited accessibility and utilisation of data.

Heavy reliance on paper-based workflow

While Hong Kong's digital platforms and information accessibility received positive recognition in the Sia Partners report, the city underperformed in areas such as online advisory services, price quotations, and sales and claims management. This shortfall could be influenced by the risk appetite of the insurance companies, as many local insurers continue to rely heavily on manual tasks and paper-based workflows.

For instance, despite regulatory provisions permitting the use of e-signatures under the Electronic Transactions Ordinance,¹⁰³ market practitioners have reported that life insurers remain accustomed to the traditional wet signatures. These manual tasks, paper-based workflows, and redundant processes not only slow down operations but also impede innovation, highlighting an urgent need for modernisation to enhance the city's competitiveness and resilience.

Limited accessibility and utilisation of data

Data availability is a cornerstone of digitisation in the insurance industry. Insurance companies manage vast amounts of data, ranging from customer profiles to risk assessments and claims histories. However, legacy systems might store data in a fragmented manner, making it challenging to derive actionable insights. Digitising the data and records of insurance firms could enhance data accessibility within and across an insurance company, but industry practitioners have raised concerns regarding the risks associated with the storage, access, and extraction of digital data due to its inherent nature. Consequently, ensuring the security and privacy of data, whether digital or transitional, remains a top priority, particularly in light of evolving regulations such as the General Data Protection Regulation (GDPR) and local data protection laws.

¹⁰² Quinlan & Associates. (2023, June 6). From Push to Pull: Examining the Case for Direct-to-Consumer Digital Distribution in Hong Kong's Insurance Industry. <https://www.quinlanandassociates.com/wp-content/uploads/2023/07/from-push-to-pull-examining-the-case-for-direct-to-consumer-digital-distribution-in-hong-kongs-insurance-industry.pdf>
¹⁰³ Hong Kong e-Legislation. (2024, December 13). Cap. 553 Electronic Transactions Ordinance. https://www.elegislation.gov.hk/hk/cap553?xid=ID_1438403431885_004

Overcoming the internal legacy in Hong Kong's insurance industry requires a comprehensive strategy that addresses data challenges, modernises systems and processes, navigates regulatory complexities, and aligns with evolving customer expectations. One strategic move for insurance companies is to invest in robust data management systems, adopt advanced analytics tools for better data utilisation by uptaking InsurTech, and ensure compliance with data protection regulations to build trust with their customers. *(See Appendix 4 for more details on InsurTech.)* By tackling these challenges head-on, insurance companies can accelerate their digitisation journey and stay competitive in an increasingly digital world.



Policy recommendations

Policy recommendations

Through strategic government initiatives, Hong Kong strives to expand its role as a leading global insurance hub. A pivotal development is the Government's issuance of the Development Roadmap for the Insurance Sector in December 2022, which aims to strengthen Hong Kong's status as a global risk management centre and sophisticated insurance hub.¹⁰⁴ This roadmap outlined key enablers aimed at enhancing market connectivity with Mainland and international markets, acquiring top talent, advancing technological innovation, and improving data accessibility and reliability. This targeted strategy demonstrates Hong Kong's commitment to maintaining its competitive edge in the global insurance landscape.

To further enhance the sophistication of Hong Kong's insurance ecosystem, the FSDC proposes the following policy recommendations for the Government to support the industry's sustainable growth. The recommendations span both broad strategic initiatives and specific growth opportunities:

i. Accelerating cross-sectoral digital transformation of the workflow

- Recommendation 1: Developing a comprehensive roadmap to accelerate cross-sectoral digital transformation
- Recommendation 2: Exploring full-fledged adoption of "iAM Smart", digital ID and associated digital platforms for insurance services

ii. Promoting transition finance in the insurance industry

- Recommendation 3: Leveraging insurance capital to enrich sustainable investment under the Risk-Based Capital Regime
- Recommendation 4: Enhancing competencies and understanding in sustainability reporting among local stakeholders

iii. Unlocking new growth avenues and offerings to strengthen industry resilience

- Recommendation 5: Cultivating a conducive ecosystem for developing ILS
- Recommendation 6: Introducing more longer-duration bonds to enhance insurance investment strategies

¹⁰⁴ Financial Services and the Treasury Bureau. (2022, December 5). Development Roadmap for the Insurance Sector in Hong Kong. https://gia.info.gov.hk/general/202212/05/P2022120400606_407761_1_1670202994571.pdf

i. Accelerating cross-sectoral digital transformation of the workflow

In recent years, the IA has implemented several key initiatives to promote the exploration of technological adoption within the insurance sector. In addition to the Insurtech Sandbox launched in 2017, the IA also established the Future Task Force of the Insurance Industry in 2021, with the promotion of Fintech applications in the insurance industry as one of its key objectives.¹⁰⁵

Despite these efforts, the insurance industry in Hong Kong remains heavily reliant on manual tasks and paper-based workflows that are in alignment with insurers' risk appetites. While some insurance products and functions are available digitally, there is a pressing need for the insurance industry in Hong Kong to allocate resources towards digital infrastructure to digitise a significant portion of the workflow, especially the back-end processes. To this end, the Government may consider the following measures to accelerate the adoption of digitisation within the industry:

Recommendation 1: Developing a comprehensive roadmap to accelerate cross-sectoral digital transformation

The insurance industry, given its integral role in all socio-economic activities, could be one of the focus areas for digital transformation efforts in Hong Kong. Recognising this, the IA has been actively promoting the adoption of technology within the industry. In September 2023, the IA launched the Open API Framework for the insurance sector to enhance data connectivity, improve accessibility, and foster cross-sector collaboration. Through this platform, over 30 API use cases have been identified, including those bridging the banking and insurance sectors, as well as initiatives aimed at streamlining operations and internal processes. Additionally, the IA has been actively involved in the existing FiNETech series launched by the HKMA, encouraging next-level collaboration among stakeholders in the financial services industry and technology firms in areas such as Wealthtech, Insurtech, Greentech, AI, and Distributed Ledger Technology (DLT).¹⁰⁶

Despite the IA's strong commitment, industry stakeholders' awareness and participation in initiatives such as the FiNETech series remain areas requiring further enhancement. While Hong Kong's insurance companies are digitising operations, such as customer profiling and claims settlement, significant gaps in digital capabilities persist, particularly in the back-end processes. Key areas such as customer identification, claims investigation, customer support, etc still rely heavily on manual or paper-based methods, leading to inefficiencies and delays.¹⁰⁷ To accelerate the transition of the entire industry towards fully digitised operations, the IA, with Government support, should take the lead in developing a comprehensive roadmap to accelerate digital transformation, improve operational efficiency, and strengthen collaboration between the insurance sector and other industries. The primary goal of this roadmap should focus on guiding insurers to reduce their heavy dependence reliance on paper-based workflows while fostering the promotion of digital collaboration with relevant stakeholders in the ecosystem to improve operational efficiency across different sectors. Establishing a cross-sectoral taskforce involving the Government, relevant regulators, Insurtech platforms and industry practitioners of different sizes will contribute to the success of facilitating the digital transformation journey for the industry. For instance, building on the momentum of the Open API Framework, the Government, the IA and other regulators can offer more

¹⁰⁵ Insurance Authority. (2021, December 24). Introduction of Future Task Force. https://www.ia.org.hk/en/aboutus/task_force/introduction_of_future_task_force.html

¹⁰⁶ Hong Kong Monetary Authority. (2024, April 26). HKMA Launches Inaugural FiNETech to Promote Fintech Adoption. <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/04/20240426-4/>

¹⁰⁷ Quinlan & Associates. (2023, June 6). From Push to Pull: Examining the Case for Direct-to-Consumer Digital Distribution in Hong Kong's Insurance Industry. <https://www.quinlanandassociates.com/wp-content/uploads/2023/07/from-push-to-pull-examining-the-case-for-direct-to-consumer-digital-distribution-in-hong-kongs-insurance-industry.pdf>

guidelines and clarity on regulations to support the roadmap's objectives. This would encourage the exploration of innovative applications and the development of additional API use cases across different financial sectors.

During the research process, the FSDC learned that many practitioners have identified an urgent need to enhance claims procedures and streamline selling processes through digital advancements. This demand is particularly pressing in claim procedures related to health and motor areas.¹⁰⁸ Claims procedures related to these areas often involve various stakeholders beyond insurance companies to verify insured matters, making the process complex and time-consuming. To facilitate this progress, practitioners have suggested referring to initiatives such as Open Banking, promoted by the HKMA for the banking industry, as a model for the insurance industry to enable stakeholders to securely share customer data without disclosing private information.

In this context, the roadmap could consider including short- to long-term targets, with a focus on facilitating digital transformation in claims procedures as an immediate and actionable priority. By addressing these challenges, the industry can improve accuracy, efficiency, and customer experience, paving the way for a more connected and technologically advanced ecosystem.

As insurers progress in their digital transformation journey, substantial investments will be required at various stages—including development costs, staff training, and ongoing infrastructure maintenance. Consequently, on top of directional policy guidance from the government and regulator, targeted support is essential to facilitate technology adoption within the industry. In addition, global and local insurers have been allocating more resources towards generative AI and machine learning adoption to boost operational efficiency.¹⁰⁹ Expanding incentive measures, such as the AI Subsidy Scheme, to include insurance companies and other financial services sectors could nurture innovation and foster technological advancement across organisations of various scales and industries.¹¹⁰

Recommendation 2: Exploring full-fledged adoption of “iAM Smart”, digital ID and associated digital platforms for insurance services

Insurance policy purchases and claims requests often require substantial personal data input and identity verification from customers. With the increasing shift towards digital interactions, the development of digital identity (DID) systems is evolving to meet the demand for secure identity verification.^{111,112} In Hong Kong, the Digital Policy Office (DPO) has been actively promoting the adoption of DID platforms across various sectors to enable more customer-centric services. Among its initiatives, the “iAM Smart” Platform and the Digital Corporate Identity (CorpID) Platform serve as the official DID infrastructure, offering reliable and trusted data for platform users.¹¹³ The CorpID Platform, which will be rolled out progressively by the end of 2026, will enable Hong Kong enterprises to undergo enterprise identity authentication and digital signature processes in a secure, convenient, and efficient manner when using electronic government

¹⁰⁸ In Hong Kong, claims procedures related to health and motor insurance typically involve multiple stakeholders, including patients, hospitals, clinics, police and others. Insurance companies rely on official information and evidence issued by these relevant parties to verify insured matters before processing claims. However, due to differing practices and operational constraints across sectors, these claims procedures often involve time-consuming and complex processes. This can lead to delays and inefficiencies, highlighting the need for streamlined and digitised solutions to enhance the overall claims experience for all stakeholders involved.

Acknowledging the launch of the Electronic Health Record Sharing System (eHealth) and Motor Insurance DLT-based Authentication System (MIDAS) – platforms designed for storing health records and motor insurance cover notes/policies, respectively – insurance companies are seeking collaborations with relevant stakeholders and clients to facilitate the exchange of digital records through these platforms, enabling a more instantaneous and efficient verification process for insured matters. As such, the exchange of data among relevant stakeholders is expected to streamline claims procedures, reduce processing times, and enhance overall operational efficiency. With this in mind, the Hong Kong Federation of Insurers (HKFI) is currently exploring a medical claims digitalisation project in collaboration with healthcare service providers.

¹⁰⁹ KPMG. (2024, September). Advancing AI across insurance. <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2024/09/advancing-ai-across-insurance.pdf>

¹¹⁰ Digital Policy Office. Artificial Intelligence (AI) Subsidy Scheme. https://www.digitalpolicy.gov.hk/en/our_work/digital_infrastructure/industry_development/ai_subsidy_scheme/

¹¹¹ The FSDC published a paper titled “Embracing Digital ID: Accelerating Digital Transformation in Hong Kong's Financial Services Industry” in June 2024 to explore the adoption and strategic implications of digital identity technologies within Hong Kong's financial sector. The FSDC suggests public-private collaboration as one of the recommendations to explore the full-fledged implementation of “iAM Smart” and facilitate the development of private digital ID wallets.

¹¹² Financial Services Development Council. (2024, June 28). Embracing Digital ID: Accelerating Digital Transformation in Hong Kong's Financial Services Industry. <https://www.fsd.org.hk/media/pvt/tw2x/eng-embracing-digital-id-accelerating-digital-transformation-in-hks-financial-services-industry.pdf>

¹¹³ DPO. (2025, January 14). Supporting Facilities – Unified Service Platform and Application. https://www.digitalpolicy.gov.hk/en/our_work/data_governance/policies_standards/infrastructural_support/

services or conducting online business transactions. The platform is anticipated to serve as another key infrastructure service for adoption by insurance services, further facilitating the digital transformation of Hong Kong's insurance industry.

The IA has been collaborating with the DPO to promote “iAM Smart” adoption within the insurance industry. As of mid-February 2025, 50 insurance institutions have participated in the iAM Smart Sandbox¹¹⁴ Programme leveraging the trial environment to test and refine their innovations. Four institutions have onboarded the platform and offered different services for “iAM Smart” users, such as identity verification for buying new insurance policies, remote account opening and services login methods.¹¹⁵ Recognising the substantial advantages that the insurance industry, particularly the general insurance sector, can derive from the broader adoption of “iAM Smart”, the FSDC has facilitated the first closed-door public-private sector dialogue between the DPO and the general insurance sector to explore the significant potential benefits of integrating “iAM Smart” into the operations of the insurance sector.

Among various potential applications of “iAM Smart” within the insurance industry, the identity verification function stands out as a key enabler of efficiency for both customers during policy purchases and for insurers during customer data verification, leveraging the platform's data as a trusted “golden source”. To fully harness these capabilities, closer collaboration between government entities and the industry is essential to advance the adoption of “iAM Smart” for insurance services, while ensuring the security of users' personal data and privacy remains a top priority. For example, the DPO should collaborate with relevant public stakeholders, such as the IA and the Hong Kong Federation of Insurers (HKFI), to organise workshops and seminars tailored for insurance companies and financial institutions. These sessions would aim to illustrate and clarify potential use cases of “iAM Smart,” encourage participation in the “iAM Smart” Sandbox Programme, and address the challenges these entities face when integrating online services, thereby raising industry awareness and fostering its adoption among insurance companies and customers.

Moreover, the Government could collaborate with the industry to further develop the use of “iAM Smart” and other digital platforms to improve citizens' experience when conducting insurance claims. For instance, by integrating these platforms, clients can choose to share essential records, such as health and motor accident records, with insurance companies. This approach will not only streamline claim procedures but also ensure quicker and more accurate processing. With this in mind, the IA could also play a critical role by enhancing the regulatory framework, leveraging experiences from other existing initiatives such as Open Banking to enable insurers to share customer data without disclosing private information. This aligns with the broader objective of promoting data interoperability and seamless digital collaboration across sectors.

ii. Promoting transition finance in the insurance industry

In recent years, climate change mitigation through transition finance has emerged as a central focus on the global stage. Global initiatives have been undertaken worldwide to address this pressing issue. Building on this momentum, sector-specific advancements have been notable. At the 2024 UN Climate Change Conference (COP29) in Baku, in November 2024, Azerbaijan, the United Nations-convened Forum for Insurance Transition to Net Zero (FIT) launched the first-ever global guide on transition plans

¹¹⁴ iAM Smart. Sandbox programme. <https://iamsmart.cyberport.hk/sandbox-programme/>

¹¹⁵ iAM Smart. iAM Smart. <https://iamsmart.cyberport.hk/iam-smart/#>

for insurance companies, with the aim of facilitating the development and implementation of credible, purpose-driven transition plans by insurance firms that are fit for purpose.¹¹⁶

In Hong Kong, the Government and public stakeholders have been making concerted efforts to position the city as a regional hub for transition finance. Although the transition market is still in its early stages in Hong Kong, regulatory support and incentives can serve as catalysts to encourage the gradual adoption of transition finance in both the public and private sectors.

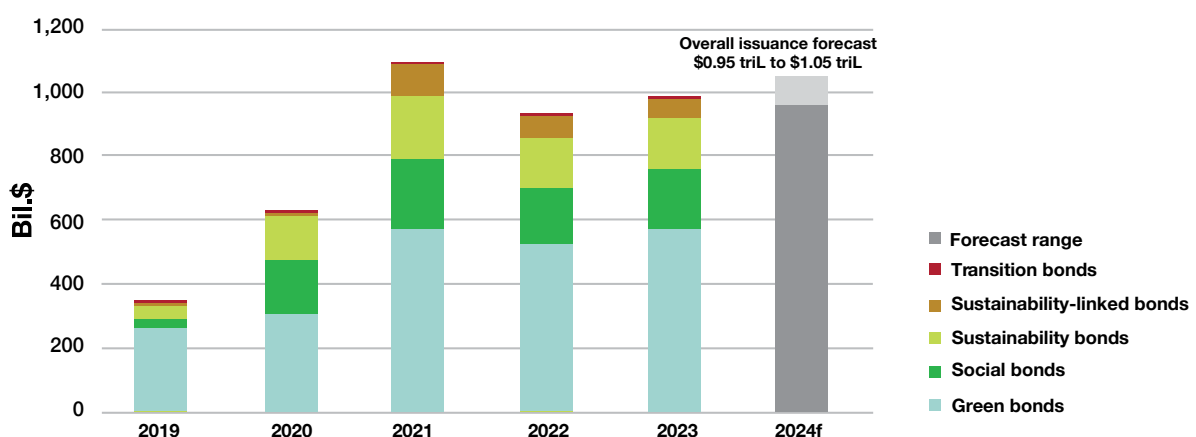
Recommendation 3: Leveraging insurance capital to enrich sustainable investment under the Risk-Based Capital Regime

The recently introduced RBC regime has been well acknowledged by the industry, with insurers actively integrating its framework into their operations. Recognising the IA's commitment to reviewing the regime, the HKFI and the Actuarial Society of Hong Kong (ASHK) have been gathering feedback from the insurance industry, respectively, to formulate recommendations that ensure the efficient adoption and implementation of the RBC among insurers in Hong Kong.

While the recommendations from the HKFI and the ASHK would be broader in scope, this section focuses on how the RBC regime can be better utilised to empower the deployment of insurance capital for transition finance. As mentioned in the earlier section, the IA introduced an incentive factor of 0.9 for recognised green bonds, which insurers use to determine their risk capital amount on credit spread risk.¹¹⁷ While the IA will provide detailed specifications regarding these recognised green bonds, the industry anticipates a broader range of sustainable investment products, including assets aligned with the transition taxonomy, eligible under the scope of this incentive.¹¹⁸

Over the past few years, green bonds have dominated the APAC Green, Social, Sustainability and Sustainability-linked Bond (GSSSB) market. (See Figure 3) The success of transition finance relies on financial products and well-defined regulatory frameworks that enhance investor confidence and promote broad adoption.¹¹⁹

Figure 3: APAC's GSSSB volume trend¹²⁰



Source: S&P Global

¹¹⁶ Forum for Insurance Transition to Net Zero. (2024, November 14). Closing the Gap: The emerging global agenda of transition plans and the need for insurance-specific guidance. <https://www.unepfi.org/wordpress/wp-content/uploads/2024/11/Inaugural-FIT-report-Closing-the-gap-final.pdf>

¹¹⁷ Hong Kong e-Legislation. (2024, July 1). Cap. 41R Insurance (Valuation and Capital) Rules. https://www.elegislation.gov.hk/hk/cap41r/en?SEARCH_WITHIN_CAP_TXT=risk%20assessment

¹¹⁸ Insurance Authority. (2024, April 25). Consultation Conclusions on Draft Insurance (Exemption to Appointment of Actuary) Rules, Draft Insurance (Valuation and Capital) Rules, Draft Insurance (Submission of Statements, Reports and Information) Rules, Draft Insurance (Maintenance of Assets in Hong Kong) Rules, Draft Insurance (Marine Insurers and Captive Insurers) Rules and Draft Insurance (Lloyd's) Rules. https://www.ia.org.hk/en/infocenter/files/Consultation_Conclusions_on_Draft_RBC_Rules_Eng.pdf

¹¹⁹ Financial Services Development Council. (2024, November 28). Navigating the evolving sustainable landscape: Hong Kong's crucial role in financing the transition to sustainability. https://www.fsd.org.hk/media/tg2heul2/eng-fsdc-paper_navigating-the-evolving-sustainable-landscape-hong-kong-s-crucial-role-in-financing-the-transition-to-sustainability_fv.pdf

¹²⁰ S&P Global. (2024, February 21). Asia-Pacific Sustainable Bonds to Step Up Growth In 2024. https://www.spglobal.com/_assets/documents/ratings/research/101593421.pdf

To foster the development of the transition finance market in Hong Kong, the IA could consider providing further capital relief or credits beyond incentives currently offered for green and traditional bonds in its future review of the regime. Moreover, the inclusion of sustainable products such as green loans, social loans, sustainability-linked loans, sustainability-linked derivatives, transition loans, blue bonds, and blue loans within the incentive framework under the RBC regime could enhance public awareness and provide opportunities for business diversification.

Recommendation 4: Enhancing competencies and understanding in sustainability reporting among local stakeholders

According to interviews conducted with industry practitioners, the implementation of sustainability disclosure requirements present particular challenges for organisations that are new to detailed sustainability disclosures or with less developed databases. To comply with these requirements, these organisations will need to invest significant resources — both in terms of expertise and time — across several key areas, such as data collection and management systems, quality assurance processes to ensure accuracy and transparency, training and development of existing staff and stakeholder engagement and communication protocols.

To enhance industry knowledge of the new sustainability disclosure reporting requirements, the Government, public stakeholders and the public sector play a vital role in equipping local stakeholders with the necessary capabilities and expertise in this area. For example, the new climate-related disclosures outlined in HKFRS S2 require insurance entities to disclose specific areas, such as the net premiums written for policies related to energy efficiency and low carbon technology, the probable maximum loss of insured products from natural peril catastrophe events etc, alongside their adoption of ESG practices in daily operations.¹²¹

Acknowledging the support provided by HKICPA to facilitate exchanges and information sharing among industry participants regarding these standards,^{122,123} the IA could explore partnerships with institutions and industry associations, such as the HKICPA and HK Green Finance Association. By leveraging their existing programmes and expertise, the IA could develop guidance materials and toolkits that help insurance entities navigate the complexities of sustainability reporting. Such initiatives would provide practical guidance on the new reporting standards and compliance processes, thereby improving the consistency and comparability of corporate sustainability reports among industries.

iii. Unlocking new growth avenues and offerings to strengthen industry resilience

As noted earlier, MCV and other non-local customers remain a significant opportunity for the life insurance sector in Hong Kong. The industry is exploring other untapped opportunities in the GBA, alongside life insurance expansion. Notably, the HKFI has put forth various proposals to the Government for consideration, such as the inclusion of insurance-related products in the Wealth Management Connect Scheme. Among others, incorporating low-risk and highly regulated insurance products, such as the Protection Linked Plan, into the southbound scheme could broaden the scheme's appeal and attract a wider GBA audience.

¹²¹ HKICPA (2024, December 12). HKFRS S2 Climate-related Disclosures. <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/volumeIV/319s2.pdf>

¹²² The HKICPA has established a Sustainability Capacity Building Framework, the Sustainability Community and an implementation support platform for stakeholders to submit technical questions for discussion and will leverage this platform to relay any Hong Kong-specific issues to the IFRS Sustainability Disclosure Standards (ISSB Standards) as appropriate.

¹²³ HKICPA. (2024, December 12). HKICPA publishes HKFRS Sustainability Disclosure Standards. https://www.hkicpa.org.hk/en/News/News-Release/20241212_HKFRS_S1_S2

However, diversification is also important for Hong Kong to ensure sustainable growth of the insurance industry. Building on this momentum, the city should diversify its focus towards various emerging markets and segments. In addition to the Government's ongoing efforts to promote captive insurance, two other areas have been identified as pragmatic and actionable new growth avenues within the insurance industry.

Recommendation 5: Cultivating a conducive ecosystem for developing ILS

To enrich the landscape of the ILS market in Hong Kong, the Government introduced a two-year Pilot ILS Grant Scheme in the 2021-22 Budget.¹²⁴ The scheme offers grants to eligible ILS issuances in Hong Kong to offset up to 100% or HK\$12 million of upfront costs.¹²⁵ Following its success in extending the scheme for an additional two years, it has been recently extended for another three years starting from 2025, with the objective of attracting more issuing institutions and fostering local expertise in this sector.¹²⁶

Aside from sponsors, investors and financial institutions also play critical roles in fostering the development of the ILS market. Recognising the relatively nascent ILS market in Hong Kong, raising investor and industry awareness and knowledge of ILS, alongside advocating ILS investments across the investment portfolios of the Government and public sector, are crucial to bolster market demand. The Government can consider reviewing the scope of the Pilot ILS Grant Scheme as a part of cultivating a conducive ecosystem for developing the segment. In addition, relevant public stakeholders could also take the following measures into consideration as a means to provide impetus for growth for the segment:

Investor and industry education: Currently, ILS remains a niche asset class in Hong Kong. As Asia's leading cross-border wealth management centre with a substantial presence of HNWIs and family offices, the city is well-positioned to drive the growth of ILS investment products and nurture a knowledgeable investor community. To leverage this emerging market segment effectively, collaborative efforts may include targeted educational campaigns for financial institutions and specific customer segments, interactive workshops and seminars, expert consultations, and other initiatives aimed at addressing individual queries and concerns related to insurance products. For instance, the Hong Kong Institute of Bankers (HKIB), the Private Wealth Management Association (PWMA) and the Hong Kong Securities and Investment Institute (HKSI) are channels that can be leveraged to provide education to local banking industry, private banks and family offices, respectively. While the sale of ILS issued in Hong Kong is restricted to eligible ILS investors, additional resources may be considered for relevant parties with the aim of enhancing public awareness of ILS and its embedded risks, thereby promoting financial literacy and transparency in the financial market.

Incentive offering: To build confidence and knowledge in ILS products, the Government and the HKMA should exemplify their dedication to supporting the expansion of the ILS market. This could be done by further integrating ILS products into their investment portfolios, creating a signalling effect on the market, and encouraging other eligible investors to consider incorporating ILS within their investment portfolios.

Furthermore, although the minimum investment size for each ILS transaction has been reduced from the initial proposal of US\$1 million or equivalent to the current requirement of US\$250,000, potentially lowering or eliminating the minimum investment size would further foster a vibrant market. This reduction or adjustment would encourage eligible investors to explore ILS investments, comprehend associated risks, and assess potential returns, ultimately aiming to attract a broader range of investors to participate in the ILS market.

¹²⁴ The Government of the Hong Kong Special Administrative Region. (2021, February 26). The 2021-22 Budget. <https://www.budget.gov.hk/2021/eng/budget25.html>

¹²⁵ Insurance Authority. (2021, May 3). Pilot Insurance-linked Securities Grant Scheme. https://www.ia.org.hk/en/reinsurance_specialty/files/Pilot_ILS_Grant_Scheme.pdf

¹²⁶ The Government of the Hong Kong Special Administrative Region. (2025, February 26). The 2025-26 Budget. <https://www.budget.gov.hk/2025/eng/budget10.html>

Recommendation 6: Introducing more longer-duration bonds to enhance insurance investment strategies

Recognising the ability of insurance companies to mobilise capital for sustainable change, a broader range of investment products in the market could significantly enhance this mobilisation. Generally, life insurers invest in long-term assets to align with their long-term liabilities, making them among the largest investors in corporate and government bonds.¹²⁷ At present, insurers in Hong Kong predominantly invest in longer-duration US Treasury Securities, e.g. 30-year treasury bonds, to align with their risk preferences.

In this context, industry practitioners anticipate a wider availability of long-duration bonds in the market.¹²⁸ Such availability of long-duration bonds would enhance financial planning with stable and predictable cash flows and help mitigate mismatched risk by aligning assets more closely with long-term liabilities.¹²⁹ While the issuance of an inaugural 20-year Hong Kong Dollar Government Bond in 2022 and the RMB Green Bonds with tenors of 20 years and 30 years in July 2024 have garnered substantial interest from global investors,^{130,131,132,133} Hong Kong could draw references from other Asian economies. South Korea and Japan have ventured into issuing 40- to 50-year treasury and corporate bonds, providing a reference for the development of Hong Kong's bond market.^{134,135} To further strengthen the insurance industry's role as a catalyst for change, it could be beneficial for the Government to issue more longer-term government bonds and introduce a more diverse array of investment products denominated in local currency. This strategy would also aim to establish the benchmark yield curve and pave the way for long-duration infrastructure bonds, facilitating the financing of mega projects.

Among other investment products, green bonds tend to have longer durations in many different economies. According to a report by the International Monetary Fund, a sample study of 17 green bonds issued in 11 countries showed an average maturity of 17 years.¹³⁶ In addition, Singapore introduced its first sovereign green bonds with a 50-year tenor in 2023.¹³⁷ This reflects a broader shift in appetite towards sustainable investing and longer-term investments, where insurers increasingly recognise the importance of aligning their portfolios with environmental goals.

With an aim to strengthen its competitive position in the green bond market and to tap into the potential offered by the insurance industry, the Government should consider issuing longer-dated government bonds and green bonds denominated in Hong Kong dollar. By providing insurers access to longer-dated bonds, the market demand from insurers in Hong Kong can be effectively addressed. This strategy would not only meet the needs of local insurers but also help Hong Kong further establish itself as a hub for sustainable finance, attracting a wider range of investors seeking sustainable and long-term investment opportunities.

¹²⁷ Federal Reserve Bank of Chicago. (2024, May). Chicago Fed Letter – Privately Placed Debt on Life Insurers' Balance Sheets: Part 1—A Primer.

<https://www.chicagofed.org/publications/chicago-fed-letter/2024/493#ftn1>

¹²⁸ Bank for International Settlements. (2017, February). The hunt for duration: not waving but drowning?. https://www.bis.org/publ/work519_economicreview.pdf

¹²⁹ Swiss Re Institute. (2024, May 29). Sigma 2/2024: Life insurance in the higher interest rate era: asset-savvy is the new asset-light. <https://www.swissre.com/dam/jcr:73c636f8-1d47-4779-b757-845023332971/sigma-2-2024-life-annuity-insurance.pdf>

¹³⁰ Hong Kong Green Bond Programme. (2022, May 16). Tender of 20-year Government Bonds under the Institutional Bond Issuance Programme to be held on Wednesday, 25 May 2022.

https://www.hkgb.gov.hk/en/news/press_20220516.html

¹³¹ Hong Kong Monetary Authority. (2024, July 18). HKSAR Government's Institutional Green Bonds Offering. <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/07/20240718-5/>

¹³² Before this issuance, green bonds in Hong Kong predominantly featured short to medium tenors.

¹³³ The Government of the Hong Kong Special Administrative Region. (2024, July 18). HKSAR Government's Institutional Green Bonds Offering.

<https://www.info.gov.hk/gia/general/202407/18/P2024071800442.htm>

¹³⁴ Ministry of Economy and Finance, South Korea. (2016, September 30). 50-year Treasury Bonds Auction Results. <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4169>

¹³⁵ Mitsubishi Electric Corporation. (2020). Investor Relations – Financial Year 2020 – 1Q. https://www.mec.co.jp/ir/library/2020/1Q/irpresentation2020_1_en.pdf

¹³⁶ International Monetary Fund. (2023, April 7). How Large is the Sovereign Greenium?. <https://www.elibrary.imf.org/view/journals/001/2023/080/article-A001-en.xml?ArticleTabs=fulltext>

¹³⁷ Ministry of Finance, Singapore. (2024, September 24). Singapore Green Bond Report for the Financial Year 2023.

https://www.mof.gov.sg/docs/default-source/policies/fiscal/2023-mof_sg_greenbondreport.pdf



Conclusion

Conclusion

Insurance plays a critical role beyond the financial services industry, significantly impacting the sustainable development of our society. The insurance sector serves as a risk management tool for assets and wealth and it is a mechanism for legacy preservation as proven in different leading wealth management markets. While Hong Kong has long been recognised as a thriving global risk management centre, this report is prepared with an emphasis on strengthening Hong Kong's position and maintaining its competitive edge.

With this in mind, the report examines several key areas identified by the industry as critical for diversifying and advancing Hong Kong's insurance industry. It identifies untapped prospects in emerging markets, non-life insurance segments and various insurance products, while pinpointing key challenges hindering operational efficiency and limiting growth potential. Among these challenges, there is an urgent need for digital transformation, necessitating a comprehensive, cross-sectoral roadmap. As noted earlier, although non-exhaustive in scope, the report acknowledges challenges such as enhancing connectivity with the Mainland market through facilitating cross-border payments and claims to boost efficiency and inject growth trajectory.

Leveraging the Government's efforts in promoting innovative products and attracting both domestic and international companies to establish captive insurance firms,¹³⁸ the report also recommends further diversifying our insurance product offerings, which can be done by strategically developing the city's ILS markets. Moreover, introducing more long-term bonds denominated in Hong Kong dollars would align with the risk preferences of insurance companies, offering them the tools to deploy a full spectrum of risk management strategies.

Enhancing the vibrant insurance ecosystem in Hong Kong could cement its status as a premier global financial destination for asset owners and managers. Through targeted measures to diversify insurance product offerings in Hong Kong, accelerate digitisation within the industry, and facilitate better utilisation of insurance capital for transition finance, Hong Kong is well-positioned to continue its success within the global financial landscape as a global risk management centre.

¹³⁸ The Government of the Hong Kong Special Administrative Region. (2025, January 23). FS promotes Hong Kong's new advantages to global leaders in Switzerland. <https://www.info.gov.hk/gia/general/202501/23/P2025012300098.htm>

Appendix 1: Insurance business activities and performance in Hong Kong

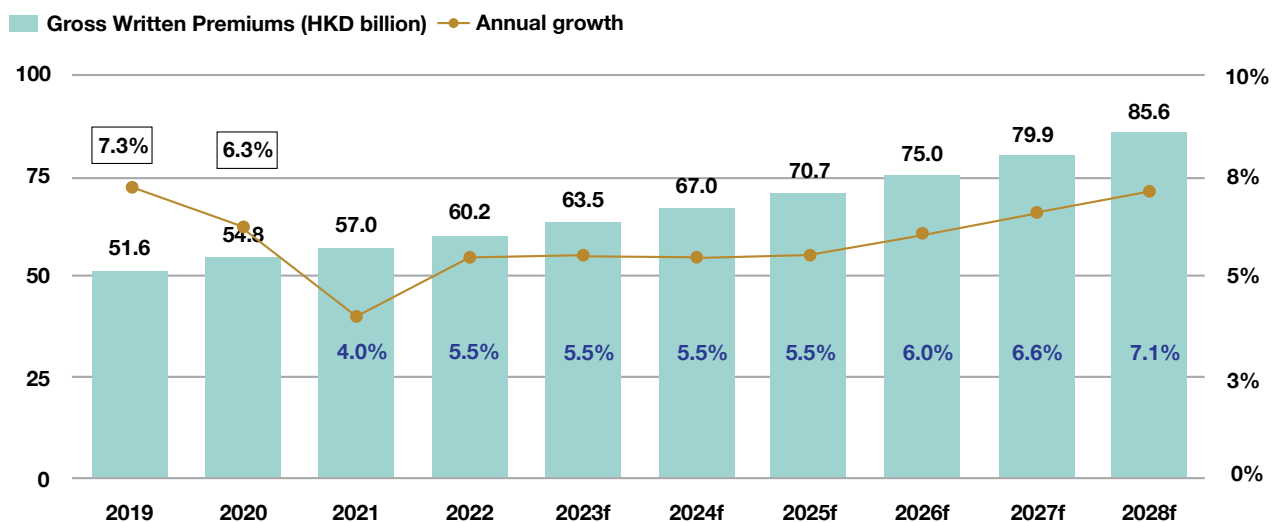
Hong Kong insurance industry is supported by the dedication of 85 pure general insurers, 52 pure long-term providers, 18 composite insurers and 3 special purpose insurers currently in operation.¹³⁹ The total gross premiums for the first half of 2024 surged by 5.1% to HK\$310.9 billion compared to the same period in 2023.¹⁴⁰

General insurance business

Among the general insurance business, the latest data of the first half of 2024 shows a 2.4% year-on-year growth, reaching a total gross premium of HK\$ 37.9 billion. This growth was fueled by increased demand for health and travel insurance, mandatory insurance classes, and rising medical inflation.

Despite a decline in profits in 2023 due to post-pandemic claims and extreme weather conditions within the period, the IA expected no recurrence circumstance in 2024. Similarly, the GlobalData foresees of 5.5% growth in the Hong Kong general insurance sector for 2024 and 2025. Furthermore, the gross written premiums (GWP) are expected a compound annual growth rate (CAGR) of 6.3%, rising from HK\$67 billion in 2024 to HK\$85.6 billion by 2028.¹⁴¹

Hong Kong General Insurance - Gross written premiums (HKD billion) and annual growth, 2019-2028f



Source: Global Data¹⁴²

¹³⁹ Insurance Authority. (2025, February 14). Register of Authorized Insurers. https://www.ia.org.hk/en/supervision/reg_insurers_loyd/register_of_authorized_insurers.html

¹⁴⁰ Insurance Authority. (2024, August 30). Insurance Authority releases provisional statistics of the Hong Kong insurance industry for the first half of 2024. https://www.ia.org.hk/en/infocenter/press_releases/20240830.html

¹⁴¹ GlobalData. (2024, March 11). Hong Kong general insurance market to reach \$10.9 billion by 2028, forecasts GlobalData. <https://www.globaldata.com/media/insurance/hong-kong-general-insurance-market-reach-10-9-billion-2028-forecasts-globaldata/>

¹⁴² GlobalData. (2024, January 18). Hong Kong life insurance industry to surpass \$68 billion by 2028, forecasts GlobalData. <https://www.globaldata.com/media/insurance/hong-kong-life-insurance-industry-surpass-68-billion-2028-forecasts-globaldata/>

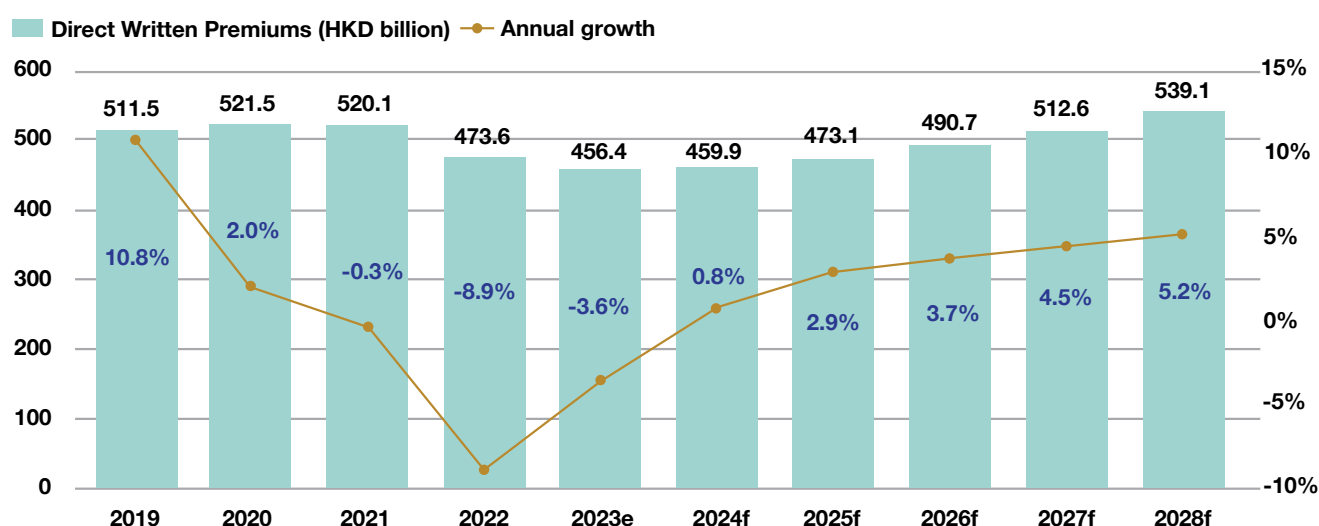
Furthermore, to capitalise opportunities and enhance connectivity within the 11 cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), the Unilateral Recognition Policy (URP) for cross-boundary motor insurance in Guangdong and Hong Kong was launched in July 2023.¹⁴³ Ongoing efforts are also underway to accelerate the development of parametric climate insurance products and extended elderly care products by leveraging the collective resources of the 11 cities in the GBA.

Life insurance business

In addition, the life insurance business showed a consistent recovery in revenue premiums despite regulatory changes. In the first half of 2024, total revenue premiums for in-force life insurance business reached HK\$273 billion, marking a 5.5% increase from the previous year, with individual life insurance premiums leading the growth. This increase can be attributed to heightened post-pandemic awareness and a growing demand for healthcare coverage among both local and mainland customers, as well as among ultra-high-net-worth individuals seeking insurance solutions for wealth transfer and legacy planning.¹⁴⁴

The IA revealed that new business premiums derived from Mainland visitors in the first half of 2024 placed emphasis on whole life, critical illness and endowment insurance, accounting for approximately 59%, 29%, and 3% of these policies, respectively. GlobalData predicts the industry to reach HK\$539.1 billion by 2028 in terms of direct written premiums (DWP), with a projected compound annual growth rate of 4.1% over the next four years.¹⁴⁵ In light of a positive prevail and strong rebound, life business remains pivotal in the Hong Kong's insurance market.

Hong Kong life Insurance - Direct written premiums (HKD billion) and annual growth, 2019 - 2028f



Source: Global Data¹⁴⁶

¹⁴³ Insurance Authority. (2023, December 21). Unilateral Recognition policy for motor insurance facilitates northbound self-driving. https://www.ia.org.hk/en/infocenter/speeches_articles/20231221.html

¹⁴⁴ HSBC. (2024, February 28). Our record-breaking life insurance policy. <https://www.hsbc.com/news-and-views/news/hsbc-news-archive/our-record-breaking-life-insurance-policy>

¹⁴⁵ GlobalData. (2024, January 18). Hong Kong life insurance industry to surpass \$68 billion by 2028, forecasts GlobalData. <https://www.globaldata.com/media/insurance/hong-kong-life-insurance-industry-surpass-68-billion-2028-forecasts-globaldata/>

¹⁴⁶ GlobalData. (2024, January 18). Hong Kong life insurance industry to surpass \$68 billion by 2028, forecasts GlobalData. <https://www.globaldata.com/media/insurance/hong-kong-life-insurance-industry-surpass-68-billion-2028-forecasts-globaldata/>

The future of the Hong Kong insurance lies in its ability to provide financial protection and social value to the policyholders. Qualifying Deferred Annuity Policy (“QDAP”)¹⁴⁷ and Protection Linked Plan (“PLP”)¹⁴⁸ were introduced to facilitate early retirement planning by policyholders, addressing the challenges posed by an ageing population. Around 44,000 qualifying deferred annuity policies were issued during the first half of 2024 that generated HK\$2.8 billion in annualised premiums, representing 2.4% of the total individual business premiums.

¹⁴⁷ Insurance Authority. (2025, January 17). Qualifying Deferred Annuity Policy. https://www.ia.org.hk/en/qualifying_deferred_annuity_policy/index.html

¹⁴⁸ HKIA (December 2021), Insurance Authority formalises the green light process for assessment of Investment-Linked Assurance Scheme (ILAS) products and ushers in Protection Linked Plans, https://www.ia.org.hk/en/infocenter/press_releases/20211228.html

Appendix 2: Introduction of the company re-domiciliation regime

During the pandemic, several insurance companies relocated their regional headquarters and registered offices from Hong Kong to neighbouring jurisdictions. (Chart 2) The move had a ripple effect, resulting in the departure of skilled individuals and capital and a decline in business prospects. Some insurers expressed that the separate jurisdictions governing regional headquarters, incorporation, and operations could potentially increase operational costs due to the need to navigate diverse standards and requirements for financial reporting, customer due diligence, and anti-money laundering protocols. Recognising this challenge, promoting the growth and development of the sector by boosting Hong Kong's headquarters economy is essential.

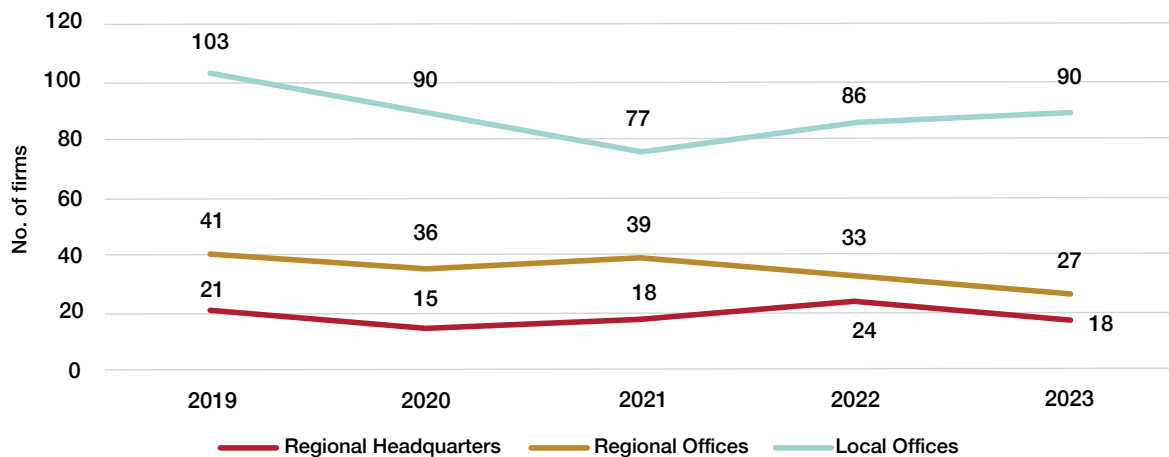


Chart 2: Number of Regional Headquarters, Regional Offices and Local Offices in Hong Kong's Insurance Industry (2019-2023) ¹⁴⁹

Under the previous regulatory framework, non-Hong Kong companies seeking to redomicile to Hong Kong were required to undergo complex and costly procedures. To this end, the insurance industry, alongside other sectors, wished to have a regime to streamline the re-domiciliation process, thereby enabling overseas incorporated insurance companies to redomicile to Hong Kong. The proposal of the Company Re-domiciliation Regime (Re-domiciliation Regime) was a response to advocacy from the insurance industry for a simple and accessible re-domiciliation mechanism, particularly for overseas-domiciled insurers predominantly conducting business in Hong Kong.^{150,151} With the implementation of the Re-domiciliation Regime, foreign companies, including but not limited to insurance companies, now have a straightforward and cost-effective option to re-domicile in the city, ensuring the preservation of their business continuity without affecting their property, rights, obligations, liabilities, and relevant contractual and legal processes.

With Mainland China's financial market development bolstered by diverse government initiatives, Mainland China has ascended as the second-largest global insurance market, following the United States.¹⁵² Over the past decade from 2012 to 2022, Chinese insurance market experienced an impressive growth of 184%.¹⁵³ This growth trend persisted with total insurance assets reaching RMB 33.8 trillion by the first half of 2024, reflecting an increase of nearly 15.7% from the corresponding period in the previous year.¹⁵⁴

¹⁴⁹ Census and Statistics Department. (2024, December 17). Table 325-43021: Number of regional headquarters, regional offices and local offices by major line of business in Hong Kong. https://www.censtatd.gov.hk/en/web_table.html?id=325-43021#

¹⁵⁰ Financial Services and the Treasury Bureau. (2024, July 3). Consultation Conclusion on Proposed Company Re-domiciliation Regime in Hong Kong. https://www.fstb.gov.hk/fstb/en/publication/consult/doc/ConsultationConclusionOnCompanyRe-domiciliationRegime_e.pdf

¹⁵¹ Companies Registry. (2024, June 7). Legislative Updates of the Companies Registry. https://www.cr.gov.hk/en/publications/docs/Speech_20240607_S.pdf

¹⁵² International Association of Insurance Supervisors. (2023, December 2023). Global insurance market report 2023. <https://www.iaisweb.org/uploads/2023/12/Global-Insurance-Market-Report-2023.pdf>

¹⁵³ International Cooperative and Mutual Insurance Federation. (2024, April 9). Global Mutual Market Share 2024. <https://www.icmif.org/wp-content/uploads/2024/04/ICMIF-Global-Mutual-Market-Share-2024-ENG.pdf>

¹⁵⁴ The People's Bank of China. (2024, September 20). 2024年2季度末金融业机构总资产480.64万亿元. <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5464291/index.html>

Despite the rapid growth of the insurance sector in the country, the insurance penetration rate in the non-core GBA cities remains low, standing at less than 10%.¹⁵⁵ This situation, coupled with a nearly 80 million population in other GBA cities,^{156,157} underscores a significant opportunity for insurers domiciled in Hong Kong to leverage the city's established foundation in the insurance sector, favourable business environment, and strategic advantages while exploring the untapped potential in the GBA. The Re-domiciliation Regime presents a compelling opportunity for non-Hong Kong insurers, facilitating seamless interactions and collaborations between Hong Kong and Mainland China.

¹⁵⁵ BOC Life and Deloitte China. (2022, July 22). GBA Outlook: Opportunities in Insurance. https://www.boclif.com.hk/f/upload/1264/bocl_deloitte-cn-fsi-gba-insurance-outlook.pdf

¹⁵⁶ The total population of the GBA reached 86.88 million in 2023, with Hong Kong accounting for 7.54 million and other cities comprising approximately 79.38 million.

¹⁵⁷ The Government of the Hong Kong Special Administrative Region. GBA Cities. <https://www.bayarea.gov.hk/en/about/the-cities.html>

Appendix 3: Summary of global sustainability reporting frameworks and standards

Investor interest in sustainable business practices is increasing. Investors seek to understand how companies address issues like climate change, gender diversity, and supply chain risks that could materially affect their operations. As ESG disclosure becomes more mainstream worldwide, many stock exchanges and regulators are implementing sustainability and climate disclosure regulations. The table below compares various sustainability disclosure frameworks and standards across different regulators and instruments:

Comparison of Main Sustainability Disclosure Frameworks and Standards						
	GRI	ESRS	ISSB	Consolidated into ISSB		
				Integrated Reporting Framework	SASB Standards	TCFD
Type of Guidance	Standards	Standards	Standards	Framework	Standards	Guidelines
Application	Voluntary	Mandatory for large companies and listed SMEs	Subject to national jurisdiction adoption	Voluntary	Voluntary	Voluntary
Coverage	Global	European Union (third countries in the future)	Global	Global	U.S., to be applicable globally	Global
Topics	Economic, environmental, and social activities and impacts	Environmental, social and governance	General Sustainability; Climate, Other topics to be added	Six capitals: financial, manufactured, intellectual, human, social, natural	Environment, social capital, human capital, business model & innovation, leadership & governance	Climate-related risks, opportunities, financial impacts, and scenario analysis
Sector Specific	No	Yes (forthcoming)	Yes	No	Yes	Yes
Target Audience	All stakeholders	All stakeholders	Investors	Providers of financial capital	Investors	Investors
Building Blocks		TCFD, GRI, CDP	TCFD, SASB, CDSB			
Materiality type	Impact materiality	Double-materiality (financial + impact materiality)	Single materiality (financial materiality)	Single materiality (financial materiality)	Single materiality (financial materiality)	Single materiality (financial materiality)
Materiality definition	Aspects that reflect the organization's significant economic, environmental, and social impacts; or that substantively influence the assessments and decisions of stakeholders	Impact on people or the environment and financial effects on undertaking over the short-, medium- and long-term time horizons.	Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general-purpose financial reporting.	Matter that could substantively affect the organization's ability to create value in the short, medium, or long term.	A fact is material if there is a substantial likelihood that a reasonable investor would view its omission or misstatement as having significantly altered the total mix of information.	Public companies' legal obligation to disclose information in their financial filings-including material climate-related information.

Source: International Finance Corporation^{158, 159}

¹⁵⁸ International Finance Corporation. (2023, November 29). Beyond the Balance Sheet: IFC Toolkit for Disclosure Transparency.

<https://www.ifc.org/content/dam/ifc/doc/mgrt/beyond-the-balance-sheet-ifc-toolkit-for-disclosure-transparency.pdf>

¹⁵⁹ IFC Beyond the Balance Sheet. Understanding global reporting frameworks. <https://www.ifcbeyondthebalancesheet.org/understanding-global-reporting-frameworks>

Appendix 4: InsurTech – Solutions in accelerating digitisation and optimisation of internal procedure

The rise of InsurTech solutions has played a key role in accelerating the digitisation and optimisation of internal processes within the insurance industry. InsurTech - the application of technology innovations to improve or automate insurance processes and products - has enabled insurers to enhance their operational efficiency and support in a number of important ways. Hong Kong's vibrant startup ecosystem, home to over 4,690 startups,¹⁶⁰ underscores its role as a global centre for innovation, especially in the fintech and InsurTech sectors. The city's 600+ fintech companies¹⁶¹ and approximately 40 InsurTech startups¹⁶² are revolutionising the insurance industry with technology-driven solutions focused on customer needs.

In the specific context of Hong Kong, the insurance industry has been at the forefront of adopting InsurTech solutions to upgrade internal procedures. Many Hong Kong-based insurers have partnered with local InsurTech startups and technology companies to implement a range of administration system solutions. Hong Kong is home to many InsurTech companies that offer value chain innovations solutions.¹⁶³

Services	Companies
Claims	MediConCen, SHIFT
Administration Systems	Covergo, IXT, Fineos, Quantifeed, OneConnect
Underwriting & Risk Management	Soteria, Blockpass, Evertas, Youjivest, Mamori.ai
Analytics	FillEasy, IntactLab

Blockchain technology, meanwhile, is being explored by insurers, such as in the space of motor insurance, to create secure, transparent, and tamper-resistant records of transactions, policies, and claims – enhancing auditability and trust in the insurance value chain.¹⁶⁴ The Motor Insurance DLT-based Authentication System (MIDAS) is the first blockchain-based motor insurance platform in Asia to confirm the validity of motor cover notes or policies.¹⁶⁵ Additional features that blockchain technology offers include:

- Digital onboarding and underwriting platforms that leverage AI and e-signatures to streamline the policy application and issuance process.
- Claims management systems powered by intelligent data extraction and workflow automation to accelerate claims processing.
- Omnichannel customer service platforms integrating chatbots, video, and self-service portals to enhance the customer experience.
- Usage-based insurance and telematics solutions that leverage IoT sensors and mobile apps to offer personalised, behaviour-based policies.

¹⁶⁰ StartmeupHK. (2024). Hong Kong: Asia's Most Vibrant Startup Ecosystem. https://www.investhk.gov.hk/media/lc0j403v/2024-startup-survey_en.pdf

¹⁶¹ StartmeupHK. (2024). Hong Kong: Asia's Most Vibrant Startup Ecosystem. https://www.investhk.gov.hk/media/lc0j403v/2024-startup-survey_en.pdf

¹⁶² Tracxn. (2025, January 13). InsurTech startups in Hong Kong, China.

https://tracxn.com/d/explore/InsurTech-startups-in-hong-kong-china/_qvp8vnM8sRjNZuJSygy4h-tMRULws2RAAL7At4b8DJU/companies

¹⁶³ FinTech Association of Hong Kong. (2024, July 2). Hong Kong's Dynamic InsurTech Map.

<https://www.the-digital-insurer.com/wp-content/uploads/securepdfs/2024/06/Dynamic-InsurTech-Map-Hong-Kong.pdf>

¹⁶⁴ Financial Services Development Council. (2024, March 18). Realising the Potential of Blockchain in Advancing Hong Kong's Financial Services Industry.

https://www.fsdcc.org.hk/media/t3tojrj2/blockchain-report_en_final.pdf

¹⁶⁵ Motor Insurance DLT-based Authentication System. MIDAS. <https://minisites.hkfi.org.hk/midas/>

Challenges for InsurTech uptake

InsurTech is the integration of technology into the insurance sector. High costs associated with innovation and development may be a key factor discouraging companies from pursuing technological progress.¹⁶⁶ Moreover, global funding activities in InsurTech dried up significantly in first half of 2024, with only US\$ 1.6 billion in investment.¹⁶⁷

Beyond financial considerations, a well-defined regulatory framework is essential for the widespread adoption of InsurTech. As technological trends evolve, existing insurance regulations must adapt to incorporate innovations from emerging technologies such as AI and blockchain. This regulatory clarity is vital, as these technologies may introduce distinct risks, including data privacy concerns and algorithmic biases, which can undermine consumer trust and safety. A robust framework not only identifies and mitigates these risks but also ensures that innovations benefit all stakeholders while preserving the integrity of the insurance industry. Thus, a balanced approach is necessary to support InsurTech development while maintaining regulatory clarity, ultimately fostering sustainable growth in the sector.

Regulatory bodies in Hong Kong must adapt to the evolving InsurTech landscape by fostering collaboration between startups, incumbents, and regulators. Initiatives like the IA's Insurance Sandbox provide a secure environment for industry players to facilitate experimentation, driving regulatory changes that support the growth of InsurTech in the region.

Additionally, overcoming the internal legacy in the insurance industry in Hong Kong requires a multi-faceted approach that addresses data challenges, modernises systems and processes, navigates regulatory complexities, embraces InsurTech innovations, and aligns with changing customer preferences. By tackling these challenges head-on, insurance companies can accelerate their digitisation journey and stay competitive in an increasingly digital world.

Ongoing efforts to support InsurTech Growth

In recent years, Hong Kong has made significant progress in fostering a supportive regulatory environment to facilitate technological innovation in the insurance sector.

The IA has introduced various initiatives to encourage the adoption of InsurTech while ensuring policyholder protection and market stability. Notable examples include:

Insurtech Sandbox: Launched in 2017 to provide a platform for authorised insurers and licensed insurance broker companies to test innovative Insurtech initiatives in a controlled environment and demonstrate broad compliance, thereby expediting the launch of new technology products in the market, reducing development cost and enhancing customers' experience. As of end-December 2024, 42 Sandbox applications have been approved, mostly relating to virtual onboarding via video conferencing.

Fast Track Scheme: Launched in September 2017 to expedite applications for a new authorisation to carry on insurance business in or from Hong Kong using solely digital distribution channels as a means to promote the development of Insurtech in Hong Kong. Four virtual insurers granted authorisation under the Fast Track Scheme.

¹⁶⁶ Hong Kong University of Science and Technology. (2024, January 25). Insurtech Talent Development in Hong Kong – From Insurance to Insurtech: Strategies for Building a Sustainable Talent Pipeline. <https://bm.hkust.edu.hk/sites/default/files/html/e259011726f6dc2d3d7370003c2d2f4f/Insurtech%20Talent%20Development%20in%20Hong%20Kong/2/index.html>

¹⁶⁷ KPMG. (2024, August 7). Pulse of FinTech H1 2024. <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2024/08/pulse-of-fintech-h1-24.pdf>

Open API Framework: Launched in September 2023 to provide industry players with guidance for deploying API technology, fostering partnerships and improving services for policyholders. An online API hub has been introduced to further enhance data exchange and connectivity in the insurance market.

Research on Federated Learning (FL) Applications: Co-developing a research paper, which will be issued in 2025, with a local research institute to explore FL in the insurance market. This privacy-preserving technology enables collaborative machine learning model training without sharing proprietary data, ensuring data privacy while gaining insights from large datasets.

Development of Cyber Resilience Assessment Framework (C-RAF): Revised the Guideline on Cybersecurity (GL20) in December 2024, introducing the C-RAF for insurers to evaluate their inherent risks and maturity levels of their cyber resilience.

Future Task Force: The Future Task Force on Fintech holds regular meetings with industry stakeholders. These discussions focus on Fintech topics such as Open API, FL, AI, and Cybersecurity, with the aim of promoting the adoption of Fintech in the insurance sector.

Next step in the development of InsurTech

The next steps in the development of InsurTech involve continuously fostering a collaborative ecosystem that encourages cross-sector and cross-boundary data collaboration, creating synergies that enhance the effectiveness of the insurance sector while contributing to the broader digital transformation of Hong Kong's economy.

Moreover, key initiatives should focus on providing targeted funding and resources to encourage the digital transformation of insurance companies, especially SMEs, addressing talent gaps through specialized training, and refining regulatory guidelines to remain relevant and supportive of emerging technologies while ensuring consumer protection.

Overall, the integration of InsurTech solutions has been a game-changer for the insurance industry, enabling more efficient operational support and helping accelerate the digitisation and optimisation of critical internal procedures. As the pace of technological change continues to accelerate, the insurance providers that can most effectively harness the power of InsurTech will be best positioned to thrive in the digital age.

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About the FSDC

The FSDC was established in 2013 by the Hong Kong Special Administrative Region Government as a high-level, cross-sectoral advisory body to engage the industry in formulating proposals to promote the further development of the financial services industry of Hong Kong and to map out the strategic direction for the development.

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