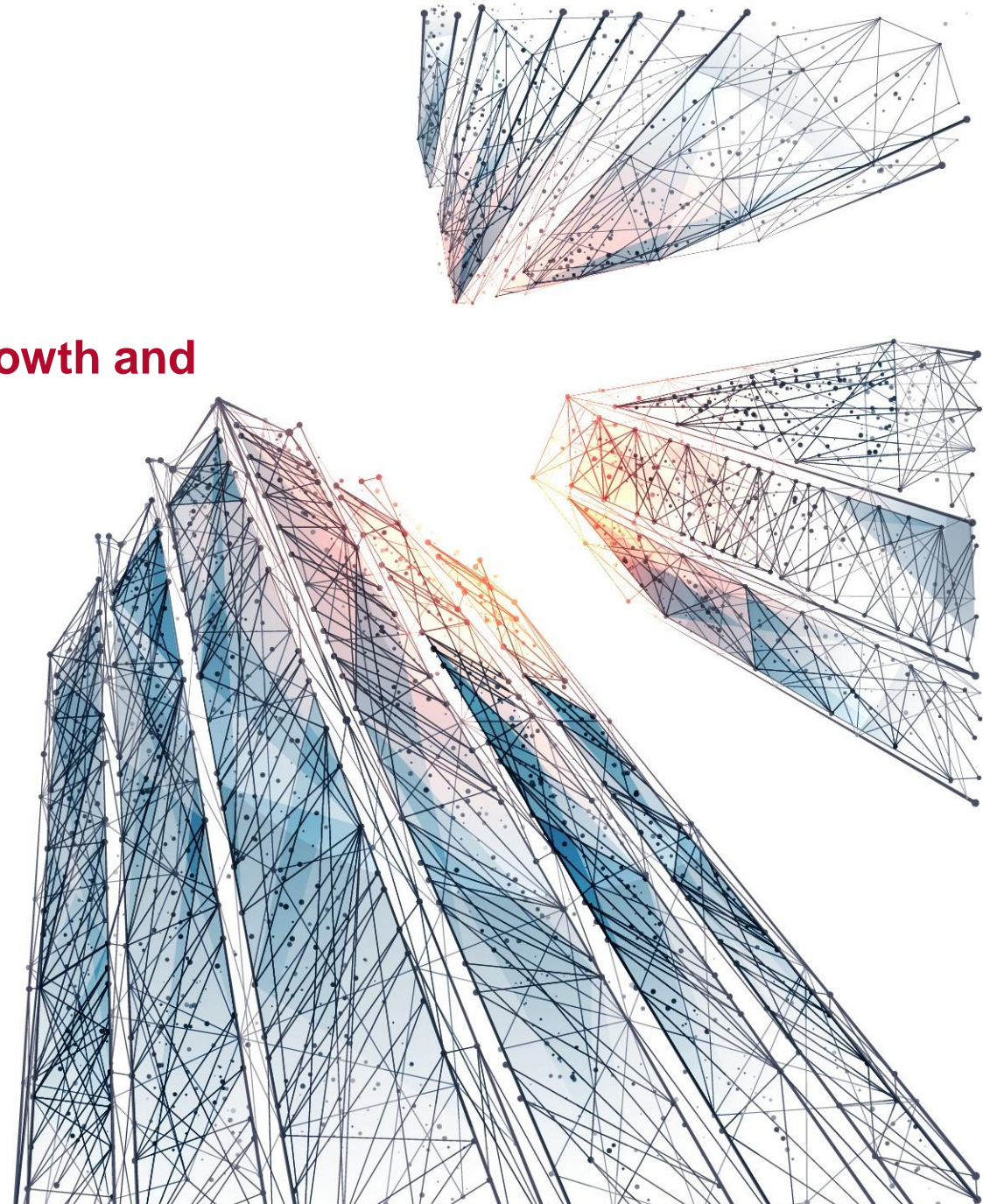
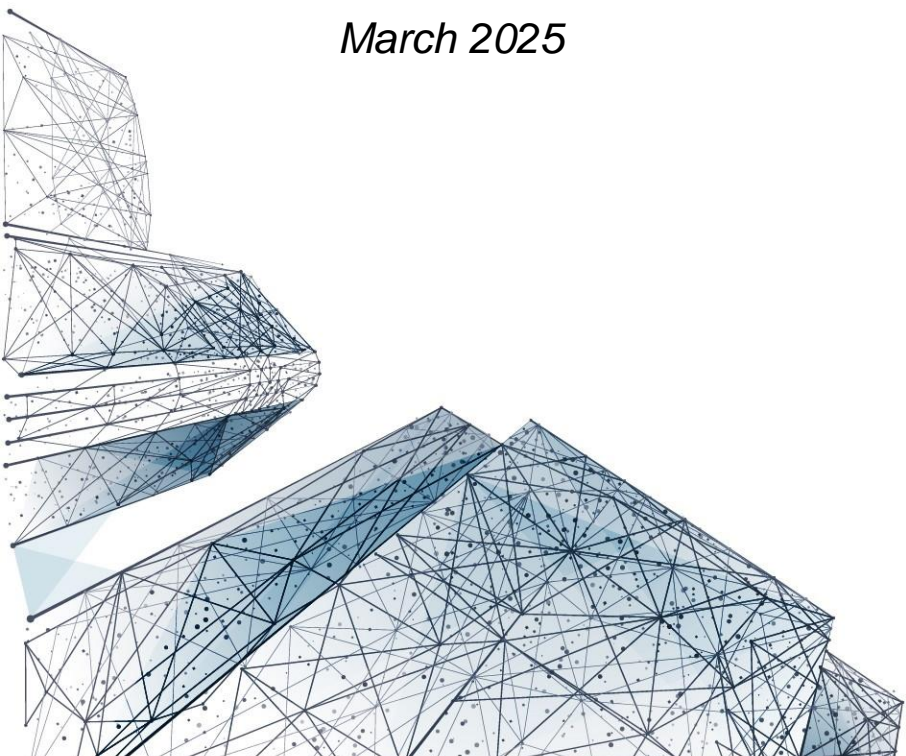


FSDC Industry Exchange Series

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

March 2025



Steering Hong Kong's continuous success as the leading global insurance hub in Asia

Hong Kong's vibrant insurance industry

Global Insurance Hub



Risk Management Hub



Life Insurance Hub



Key areas for industry growth



Exploring growth opportunities amidst industry challenges

- To diversify customer base and explore opportunities in emerging markets, e.g. the Middle East and ASEAN
- To promote new growth avenues, e.g. Insurance-Linked Securities (ILS)
- To offer more long-duration assets to cater to asset-liability matching strategies



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

- To provide support and guidance to enhance the skills and competencies of local stakeholders in sustainability reporting
- To foster closer engagement between regulators and a broad range of stakeholders, with the aim of developing a taxonomy that facilitates the scaling up of green and sustainable finance



Accelerating digitisation to overcome internal legacy

- To accelerate the digital transformation of entire workflows, particularly in back-end processes
- To enhance data sharing and management systems, e.g. adoption of InsurTech, among relevant stakeholders and ensure compliance with data protection regulations

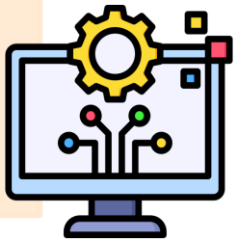
Proposed policy recommendations

i. Accelerating cross-sectoral digital transformation of the workflow

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

The industry continues to **rely significantly on manual tasks and paper-based workflows in the back-end processes**. The need to advance digital adoption and enhance data accessibility is particularly critical in **claim procedures related to health and motor areas**.

- **Develop a comprehensive roadmap and establish a cross-sectoral taskforce**, led by the Insurance Authority with the support of the Government, relevant regulators and departments, Insurtech platforms and industry practitioners
- **Targeted support** for facilitating technology adoption within the industry



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

Currently, **four insurance institutions** are respectively offering additional means for “iAM Smart” users for identity verification for buying new insurance policies, remote account opening and services login methods.

- **Promote the use of the identity verification function in “iAM Smart” and Digital Corporate Identity (CorplD) platforms** for customer data verification by leveraging **the platform’s data as a trusted “golden source”**
- **Enhanced cooperation between government entities and the insurance industry** to investigate the feasibility of incorporating “iAM Smart” and CorplD platforms for insurance services
- **Regularly organise workshops and seminars** tailored for insurance companies and financial institutions

Proposed policy recommendations (cont'd)

ii. Promoting transition finance in the insurance industry

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

In the recently introduced RBC regime, the IA introduced **an incentive factor of 0.9 for recognised green bonds** when determining the risk capital amount of the insurers.

- **Extend the incentive factor of 0.9 to cover a broader range of sustainable investment products**, including assets aligned with the transition taxonomy, under the RBC regime in addition to recognised green bonds
- Provide **further capital relief or credits** beyond incentives currently offered for green and traditional bonds in its future review of the regime
- Explore **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

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



To enhance industry knowledge of the new sustainability disclosure reporting requirements, the Government, public stakeholders and the public sector plays a vital role in equipping local stakeholders with the necessary capabilities and expertise in this area.

- Assist local stakeholders, especially **those organisations that are new to detailed sustainability disclosures or with less developed databases**, to help them grasp the new requirements effectively
- **Explore partnerships among the IA and other industry associations**, such as the HKICPA and HK Green Finance Association, to develop guidance materials and toolkits that help insurance entities navigate the complexities of sustainability reporting

Proposed policy recommendations (cont'd)

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

Recommendation 5: Cultivating a conducive ecosystem for developing Insurance-Linked Securities (ILS)

In addition to the scheme offering grants to eligible ILS issuances, **enhancing acknowledgement and awareness among investors and stakeholders in the financial market** also plays a critical role in fostering the development of the ILS market.

- **Investor and industry education:**
Industry associations, such as HKIB, PWMA and HKSI, should conduct targeted programmes and initiatives for their specific sectors, with the aim of addressing individual queries and concerns related to these insurance products
- **Incentive offering:**
The Government and the HKMA should consider integrating ILS products into their investment portfolios. Regulators could also explore the possibility of further lowering or eliminating the minimum investment size for each ILS transaction.



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

Life insurers usually gravitate towards **investing in long-term assets to align with their long-term liabilities**. Due to the limited availability of longer-duration government bonds in Hong Kong, **many insurers in Hong Kong invest in longer-dated US Treasury Securities**, e.g. 30-year treasury bond, which require additional hedging strategies to manage exchange rate risk.

- Draw reference from other Asian economies and issue **more longer-term government bonds and green bonds** denominated in **Hong Kong dollar**

The full version of the report can be downloaded
from the FSDC website: www.fsd.org.hk

Thank you

