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Back to the future

The 30th EAIC opened its doors in Hong Kong yesterday evening, with the Hong Kong government's acting financial secretary Michael Wong kicking things off by addressing the various issues that the insurance industry is attempting to solve in the coming years.

"[Climate change] is a present-day problem, and we believe that insurers have the ability to absorb its impact," he said. "The insurance industry in Hong Kong have taken steps to ensure sustainability through initiatives such as insurance-linked securities and catastrophe bonds, which will offload unwritten risks to the capital markets."

He highlighted the measures that the Hong Kong government took to promote ILS in 2021, which has led to five issuances, totalling \$713m. "We believe that the insurance sector has a growing role to play in helping the world mitigate the impact of climate change," he said.

EAIC president and Philippines Insurers and Reinsurers Association executive director Michael Rellosa took the stage afterwards, stating that the insurance landscape in East Asia has undergone several transformations since EAIC's inception 62 years ago. "[These changes] were driven by advancements in technology, shifts in regulatory frameworks, evolving consumer expectations and global events that have tested our resilience and our adaptability," he said.

This year's themes of innovation

and adaptation are more relevant than ever, he said, as the industry attempts to navigate the complexities of the modern age. "The insurance industry, like many others, have been thrust into the spotlight by the challenges of the COVID-19 pandemic," he said. "The experience underscored the vital role that insurance plays in providing security and peace of mind for individuals, families and businesses alike."

The pandemic has forced the industry to rethink its strategies, embrace digital transformation and prioritise customer-centric approaches. "As we emerge from this period of uncertainty, the need for robust risk



Mr Michael Wong



Mr Michael Rellosa

management solutions and the ability to rapidly respond to evolving needs have never been clearer," he said.

The next few days, he said, will allow the industry to explore various topics that have the potential to shake up the insurance landscape once again, from the rise of AI and big data analytics, to the importance of sustainability and ethical practices, all of which are critical to the industry's success. ■



L-R: Ms Sally Wan, Messrs Michael Wong, Michael Rellosa and Ivan Tam.

Hong Kong's RBC regime signals a new era

Hong Kong's new risk-based capital regime came into play quietly this year, bringing significant change for insurers. There is also proposed regulation for re-domiciliation in which many insurers have already expressed an interest. *Asia Insurance Review* caught up with **Insurance Authority's Mr Clement Cheung**.

By Sarah Si

The most recent regulatory change to Hong Kong's insurance industry over the past year was the implementation of the risk-based capital (RBC) regime in July 2024.

While Insurance Authority (IA) CEO Clement Cheung called the regime coming into effect uneventful, he also said that it "[heralded] a new era for the Hong Kong insurance industry".

"Aligning capital requirements with risk profiles, this solvency framework is sensitive to asset and liability matching, product mix, economic valuation and corporate governance that will reinforce general stability of the market", he said.

Implications of new RBC regime

Throughout the process of planning and implementation of the RBC regime, the insurance industry remained "responsive and pragmatic", Mr Cheung said.

"All three iterative quantitative impact studies (QIS) took place during a period of unprecedented interest rate gyrations and high market volatility, which means that the risk parameters have been subject to vigorous stress testing," he said.

According to the consultation paper on draft insurance (valuation and capital) rules and draft insurance (submission of statements, reports and information) rules, IA "started to develop detailed requirements for the RBC regime and conducted three rounds of QIS in consultation with the industry" upon the conclusion of the

consultation in 2015.

"Nonetheless, there are suggestions that the framework should be reviewed and refined after it has been in place for about one year," Mr Cheung said.

New technology

The application of innovative technologies could support IA's mission of "deepening financial inclusion and narrowing protection gaps by reducing administrative costs, broadening access, modernising product design, improving customer experience and reaching out to underserved segments", according to Mr Cheung.

In 2023, IA introduced the Open Application Programming Interface Framework for the Insurance Sector in Hong Kong, as well as a central register to "foster cross-sector partnership in harnessing information technology to provide more convenience for [policyholders]" he said.

"Other initiatives in the pipeline include a white paper on federated learning expected to be ready in early-2025 which aims at spurring machine learning without the need to share proprietary data," he said.

Cyber security

In 2022, a survey was conducted to "update the industry landscape and assess the justification for enhancements" to IA's guideline on cyber security (GL20), due to escalating threats, according to Mr Cheung.

"The survey findings and insights gleaned from other regulators



Mr Clement Cheung

convinced us that the Cyber Resilience Assessment Framework should be put in place so that insurers with gaps in control maturity can eliminate system weaknesses," he said.

AI

Mr Cheung believes that if deployed correctly, AI can confer benefits in client acquisition, marketing, customer service and fraud detection.

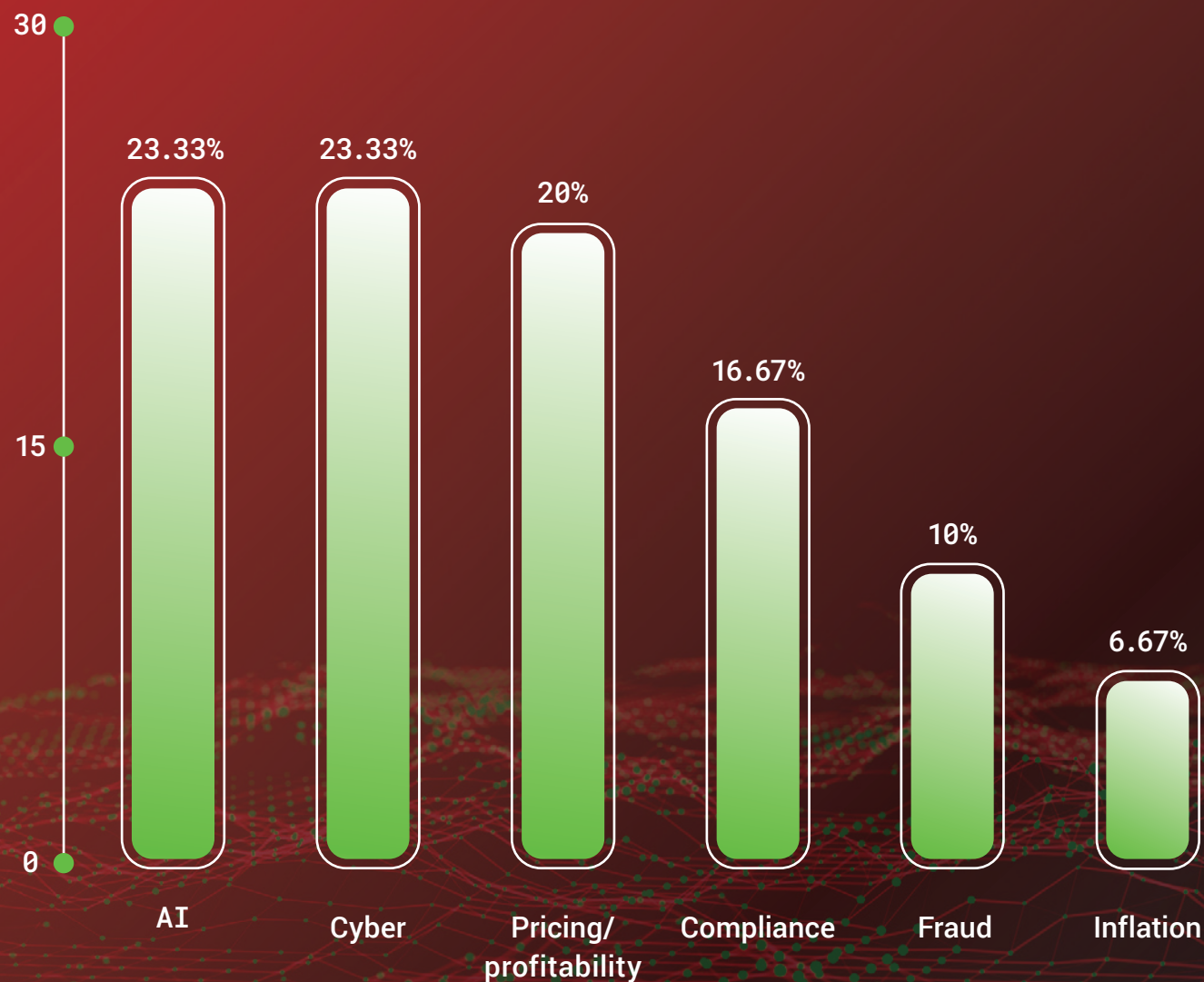
"The immediate task in hand is to ensure that our regulatory framework remains robust enough to safeguard the interest of vulnerable groups but flexible and proportionate enough to fulfil industry aspirations.

"For this reason, we are contemplating a study to inform the approach that should be taken to promote fair, transparent and ethical use of AI while adequately addressing concerns about algorithmic bias and personal data leakage," he said.

As supervisory technology modules were embedded into the revamped insurance system that is being progressively rolled out as well as surveillance tools sourced by IA's enforcement division, and likely contain elements of AI, Mr Cheung said that the regulator will "draw up rules and protocols in anticipation of such a trend".

What are the top challenges facing the industry over the next year?

Total vote: 100%



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A return to form

EAIC 2024 returned to Hong Kong, welcoming delegates from all over Asia in a celebration of insurance and the community. With this latest edition, the Congress cements its place as the premier insurance event in Asia.



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