

# HONG KONG:

## GLOBAL RISK MANAGEMENT CENTRE AND REGIONAL INSURANCE HUB





**At the heart of Asia, Hong Kong is the international financial centre connecting Mainland China and the global markets, presenting vast opportunities for risk management and insurance business.**

## CORE STRENGTHS

### Vibrant and mature insurance market

Regional insurance hub with

**165**  
authorised insurers<sup>#1</sup>



Insurance density  
(insurance premium per capita)

**US\$9,706**

**2nd**  
Globally<sup>#2</sup>  
**1st**  
in Asia



Insurance penetration  
(direct gross premium to GDP)

**19.74%**



**2nd** Globally<sup>#3</sup>  
and in Asia

Presence of

**14 out of 20**<sup>#4</sup>  
top insurers in the world



### International financial centre and offshore RMB business centre

Stock market capitalisation

**US\$4.9tn**<sup>#5</sup>



**190+ Banks**

with assets totaling

**US\$3.2tn**<sup>#6</sup>



Asset and wealth management  
business amounted to

**US \$3.7tn**<sup>#7</sup>



Largest pool of offshore  
RMB deposits

**some**  
**RMB695bn**<sup>#8</sup>



### Strategic geographic location

Situated at the heart of the

**Asia Pacific Region**



Well established land, air and sea

**transportation networks**



### World class professional services

Strong cluster of leading legal  
and accounting services providers

**1,000+**  
law firms<sup>#9</sup>

**5,800**  
accounting/  
tax firms<sup>#10</sup>

**about**  
**3,600**

Establishments providing  
architecture and engineering services,  
technical testing and analysis<sup>#11</sup>

### Business friendly environment

- One of the world's freest economies
- Simple tax regime, with tax incentives for captives and professional reinsurers
- Bilingual common law system underpinned by independent judiciary
- Leading centre for arbitration and dispute resolution in Asia-Pacific

#1 Hong Kong Insurance Authority, 2020 #2 Swiss Re Institute, 2020 #3 Swiss Re Institute, 2020 #4 Fortune Global 500, 2020 #5 The Stock Exchange of Hong Kong, 2020  
#6 Hong Kong Monetary Authority, 2020 #7 Securities and Futures Commission, 2020 #8 Hong Kong Monetary Authority, 2020 #9 The Law Society of Hong Kong, 2020  
#10 Hong Kong Government, 2020 #11 Hong Kong Government, 2020

# BUSINESS OPPORTUNITIES WITH POLICY SUPPORT

## Belt and Road Initiative

- › Risk management centre for state-owned enterprises investing overseas designated by the Central People's Government**
- › Reinsurance hub**
  - Qualified Hong Kong professional reinsurers are more competitive under the “China Risk Oriented Solvency System”<sup>#12</sup>
  - 50 percent concessionary profit tax rates for professional reinsurers
  - 50 percent profits tax concession for all general reinsurance business of direct insurers
- › Ideal captive domicile for Mainland enterprises**
  - Offshore status in an onshore market
  - Tailored regulatory regime<sup>#13</sup> and tax concession<sup>#14</sup> for captive insurers
  - Enabling business environment: comprehensive support from over 10 Mainland-affiliated insurers and organisations operating in Hong Kong
  - Expanded scope of insurable risks for captive insurers
- › Premier location for regional headquarters of insurance groups**
  - Synergies derived with the core strengths of Hong Kong such as asset management, investment, financing and treasury operations
  - Bespoke group-wide supervisory framework
- › Tax incentives for specialty risk insurance**
  - 50 percent profits tax concession for selected general insurance business of direct insurers<sup>#15</sup> and selected insurance brokerage business
- › Belt and Road Insurance Exchange Facilitation (BRIEF) platform pooling together stakeholders to facilitate collaboration**
- › Marine Insurance**
  - Gateway to Mainland China, which has the world's 3rd largest commercial fleet by value<sup>#16</sup> and where seven of the world's top 10 container ports are located<sup>#17</sup>
  - Regulatory facilitation for marine mutual insurers in recognition of their uniqueness
  - Marine related insurance<sup>#18</sup> contracts are not subject to premium levy
  - 12 out of 13 members belonging to the International Group of P&I clubs have established their presence in Hong Kong
  - The International Union of Marine Insurance (IUMI) decided to set up its first hub outside Europe in Hong Kong

<sup>#12</sup> Under the “China Risk Oriented Solvency System”, when a Mainland insurer cedes business to a qualified Hong Kong professional reinsurer, its capital requirement will be reduced.

<sup>#13</sup> There is a tailored regulatory framework for captive insurers in Hong Kong including lower minimum capital and solvency margin requirements, exemption from the requirement for maintaining assets in Hong Kong and exemption from the requirement for valuing assets and liabilities in accordance with the statutory basis. <sup>#14</sup> 50 percent concessionary profit tax rates for captive insurance business

<sup>#15</sup> Marine insurance and specialty risk insurance e.g. aviation, agriculture, catastrophe, political risk, terrorism, war and trade credit coverage. <sup>#16</sup> Vesselsvalue, 2020 <sup>#17</sup> World Shipping Council, 2019

<sup>#18</sup> Marine related insurance included ships, liability for ships and goods in transit business.

## Greater Bay Area (GBA) development

- **Proposed initiatives for insurance services under the “Guangdong-Hong Kong-Macao Greater Bay Area Outline Development Plan” and the “Opinions Concerning Financial Support for the Establishment of the GBA” announced subsequently include:**

- Supporting insurance companies in Guangdong, Hong Kong and Macao to jointly develop innovative cross-border medical products
- Improving cross-border motor vehicle insurance through “deemed equivalence” policy
- Supporting Hong Kong insurance sector to set up after-sales service centres in GBA

## Insurance-linked securities (ILS) hub

- **The Central People’s Government supports Mainland agencies and entities to issue catastrophe bonds in Hong Kong**<sup>#19</sup>
- **Bespoke regulatory regime for special purpose insurers involved with issuance of ILS**

## InsurTech development

- **InsurTech Sandbox**<sup>#20</sup> **for innovative applications of new technology to be tested in a controlled environment with live market data**
- **“Fast Track”**<sup>#21</sup> **provides a dedicated queue to expedite applications for new authorisation submitted by start-ups using solely digital distribution channels**

<sup>#19</sup> On 6 November 2019, the Central Government promulgated 16 policy measures to facilitate GBA development, including, among others, supporting Mainland insurers to issue catastrophe bonds in Hong Kong by relaxing the requirements for establishing special purpose insurers. <sup>#20</sup> As at end of June 2020, there were six sandbox applications related to remote onboarding that have been approved. <sup>#21</sup> As at end of June 2020, two life and two general virtual insurers were authorised. They provide innovative products which include products targeting new segments such as tech-savvy youngsters and thereby enhance market inclusiveness.

## FURTHER INFORMATION



Regulatory requirements on insurers



Regulatory requirements on captive insurers



Fast track for applications for authorizations of new insurers owning and operating solely digital distribution channels



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