



INSURTECH

HOW CAN REGULATION STIMULATE INNOVATION IN INSURANCE? – THE HONG KONG EXPERIENCE

We live in a volatile and uncertain world. Although geopolitical tensions and regional conflicts have captured most of the public attention recently, demographic shift and climate change are still actively reshaping the risk landscape. It is therefore imperative for insurance supervisors to stimulate innovation that can help close protection gaps.

Due to a combination of rising life expectancy and falling fertility rates, global elderly population is projected to reach 1.6 billion by 2050. In other words, one in every six people will be aged 65 or above. The consequential impact is clearly felt in Hong Kong as 22% of its population is aged over 65, and this figure will climb to 36% in 2046. The elderly dependency ratio rises rapidly, posing serious strains on public health and welfare services. At the same time, we witnessed a normalization of climate abnormalities in 2025. There were five black rainstorms that set a new record since the warning system was first introduced back in 1992, 14 tropical cyclones that more

than doubled the long-term average of six and hoisting of two Number 10 Typhoon Signals that was unheard of since 1964.

Hong Kong ranks 16th globally in terms of total premiums, 1st globally in terms of insurance penetration and 2nd globally in terms of insurance density. Nonetheless, the market is heavily skewed towards life insurance dominated by annuities of short duration and participating plans with floating dividend rates. Acutely aware of the need to cope with demographic shift, the Hong Kong Insurance Authority (HKIA) has rolled out a couple of targeted measures to encourage retirement planning and healthy living.

The first measure is concoction of insurance products with controlled design features and high transparency laced with tax incentives. One example is the Qualifying Deferred Annuity Policy with a minimum annuity period of 10 years, annuitization at 50 years old or above as well as mandatory disclosure



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