



of payout schedule and internal rate of return. Premiums of up to about US\$7,700 paid into this product can be set off against annual taxable income. Publicity campaigns and on-line comparison platform were launched to educate and empower prospective policyholders. Since April 2019, some 370,000 policies have been issued to a clientele with average age of 47, bringing in about US\$3.2 billion of annualized premiums. Another example is the Voluntary Health Insurance Scheme with guaranteed renewal up to 100 years old, no limit imposed on total lifetime benefit, premium transparency and coverage on unknown pre-existing or congenital conditions. Premiums of up to about US\$1,000 paid into this product can be set off against annual taxable income. Since April 2019, some 1.4 million policies have been issued to a clientele, 53% of whom are aged below 40.

The second measure is to leverage the strengths of Hong Kong in risk and investment management with lower cost of living of other cities located within the Guangdong-Hong Kong-Macao Greater Bay Area. Sensitive to the emerging consumer demands for flexible retirement options and implementation of the risk-based capital regime, insurers are keen to explore innovative products that dovetail annuity plans sold in Hong Kong with medical and elderly care facilities operating across the boundary. Based on individual preferences and physical conditions, the benefits span from sojourns to home care, independent living, assisted living and nursing homes. Progressive harmonization of digital health records, healthcare standards and eligibility for welfare payments is likely to accelerate the pace of future development.

Turning to climate change, which is the main reason for more frequent occurrence of NatCats attributable to severe weather events and compound flooding. While the global protection gap is 57%, the Asia Pacific region fares much worse with insured losses at a paltry 12% due to poor financial literacy and low insurance penetration. The lack of timely and effective risk mitigation tools impedes post-disaster recovery and jeopardizes social stability. The HKIA has taken steps to forge cross-sector partnership between the academia and insurers by pioneering the use of high-resolution climate models, AI analytics and spatial mapping to improve underwriting precision and product design. Supported by a deep and liquid local capital market, the HKIA also strived to build an ecosystem for insurance-linked securities through the deployment of streamlined authorization procedures and a pilot grant scheme that led to issuance of seven catastrophe bonds thus far, and by hosting thematic conferences to secure buy-in from institutional investors.

Insurance is the art of making certainty out of uncertainty. We sincerely hope that the experience of Hong Kong could serve as a useful reference for other jurisdictions.