



Overview of the Insurance Sector: Is It All About Selling?

Eric Hui / Nov 9, 2020

INSURANCE

CLAIM **CONTRACT**

EXCESS **POLICY**

Property & Casualty

Life & Savings



Key Functions in an Insurer

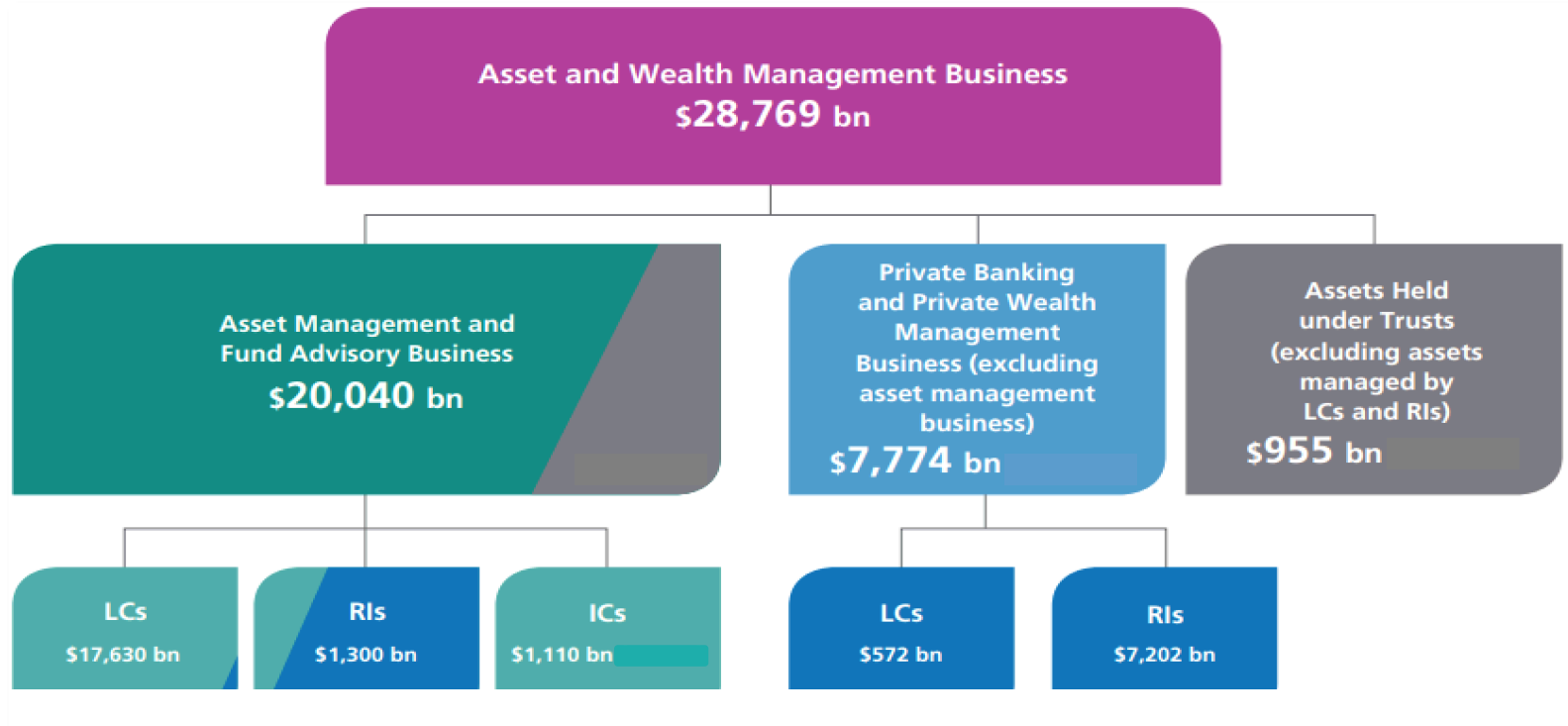




Opportunity

Growing Industry

Asset & Wealth Management Business Overview - Hong Kong (2019, HKDbn)

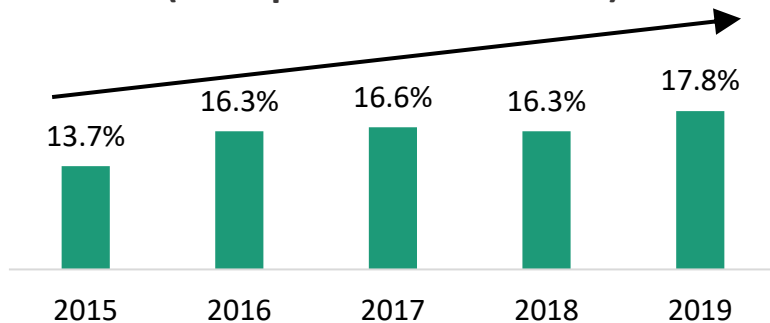


- The **total AUM** of the asset and wealth management business in HK increased by **20%** year-on-year to **HKD28,769 billion** (USD3,694 billion) as of 31 December 2019
- **Asset Management & Fund Advisory Business** contributes to ~**70%** of the whole industry, with HKD20,040 billion AUM in 2019, under which **insurance companies** directly contribute **HKD1,110 billion AUM (~4% of total)**. (However, this AUM excludes those assets which were sub-contracted or delegated to other LCs or RIs in Hong Kong for management)

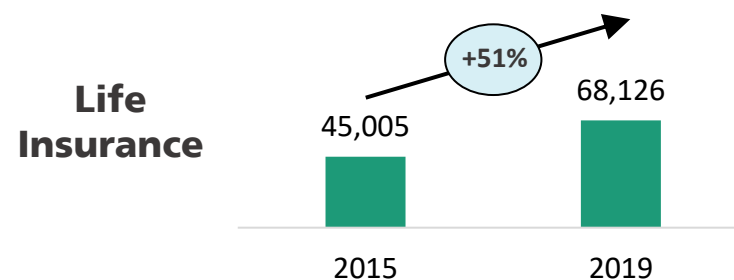
Source: SFC Note: LCs = licensed corporations, RIs = registered institutions, ICs = insurance companies

Insurance is playing an increasingly important role

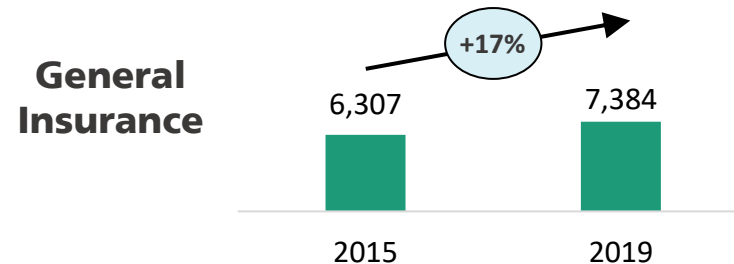
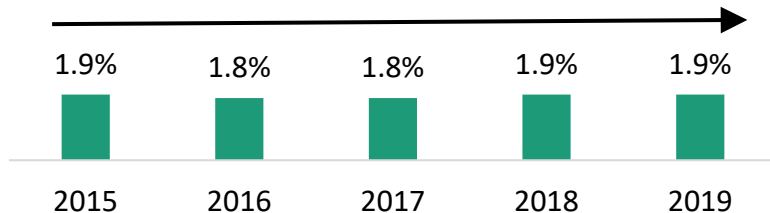
Life Insurance Penetration
(total premium over GDP)



Insurance Density
(total premiums to total population, HKD)



General Insurance Penetration



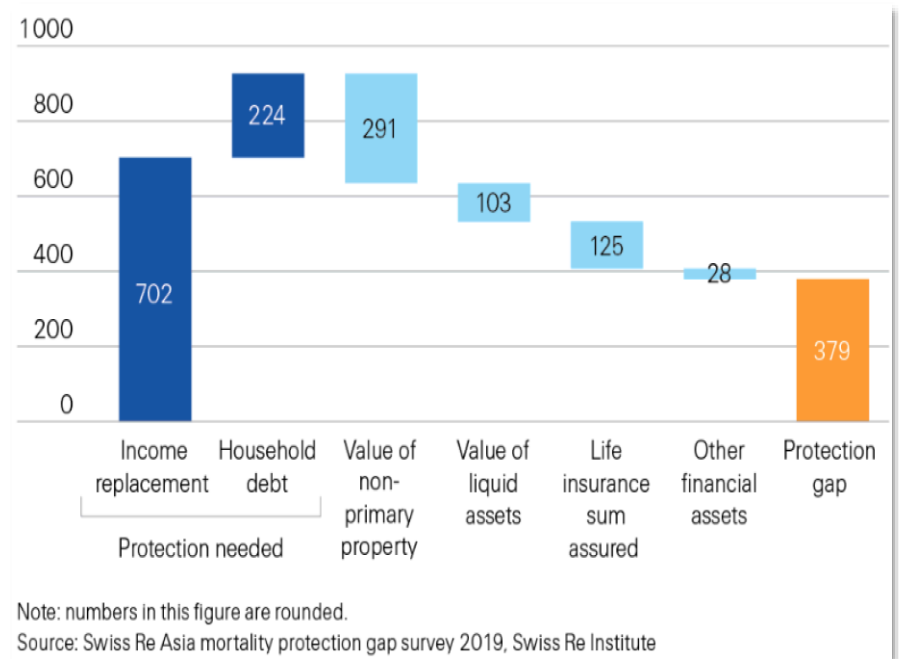
- Insurance penetration in HK grows dramatically, especially Life insurance, growing from 13.7% in 2015 to 17.8% in 2019
- Insurance density of Life Insurance has a dramatic increase of 51% from 2015 to 2019, with 17% growth for General insurance during the past 5 years

Health Protection Gap

- **Definition:** The health protection gap is defined as the sum of financial stress arising from unforeseen, direct, out-of-pocket medical expenses and the unaffordable portion that households avoid
- **In Asia:** The health protection gap is estimated to be over **USD1.8 trillion**, which is **10%** of the average household income, amounting at ~USD 2,000 per household. Over **40 million households** in Asia forego medical treatment to avoid financial stress
- This gap is projected to **grow** as medical inflation rates continue to outpace consumer price index
- **In HK:** The health protection gap amounts to **USD23 billion**, ~**11.9%** of the average household income, which is consistent as the Asian trend

Mortality Protection Gap

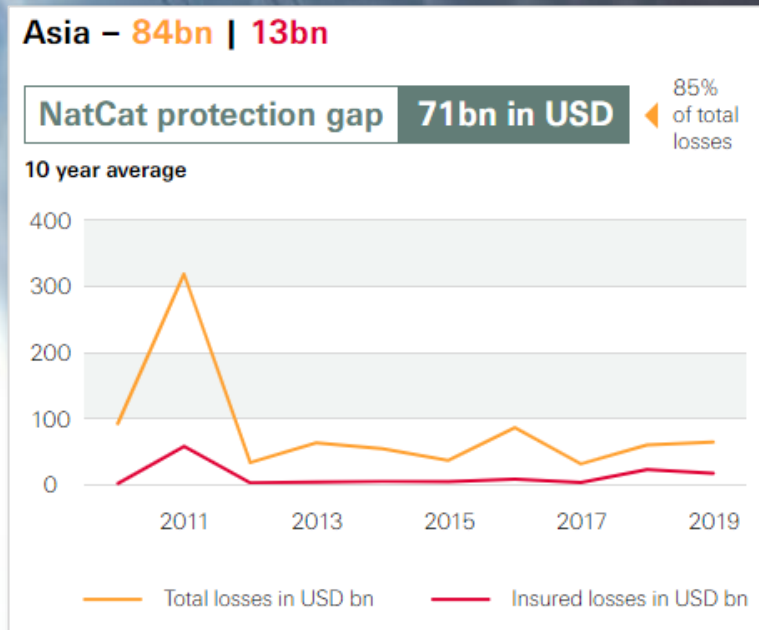
- **Definition:** It measures the lack of financial resources households should have to maintain living standards if the main breadwinner(s) of a family pass away
- **In Asia:** The mortality gap amounts to **USD83 trillion** in 2019
- **In HK:** The gap is **~USD0.4 trillion**, which is **41%** of total protection need



Components of household mortality protection coverage in HK (USD billion)

Natural Catastrophes

Asia's Nat Cat Protection Gap (2019)



Source: Swiss Re

Asia experienced 84bn USD total losses due to Nat Cat in 2019, accounting for ~41% of the global total losses (USD207 bn). Out of the USD84 bn total losses, only USD13 bn are insured, with 85% protection gap (higher than 66% world average)

Hong Kong:

- Significantly affected by storms and cyclones
- Reason: Northwest Pacific Ocean is the most active basin on the planet accounting for 1/3 of all tropical cyclone activities.

Future risks:

- The confluence of urbanization, migration to coastlines and cities that is unprecedented in human history, climate change, and weather phenomena such as El Nino and La Nina will result in more physical damage and loss of lives across Asia.



The Challenges

Wellness is the **NEW** luxury

Mental health is becoming the next frontier of diversity and inclusion, and employees want their companies to address it

Consumers are placing more value on health and wellness than on material objects these days, and the definition of health and wellness has evolved.

The phrase **no longer refers simply to a lack of illness and disease, but to a more holistic state of being, where one's mental, physical and emotional health are in sync.**



"Today's customers want to be healthy and happy, no matter who they are."

Jack Ma

86% of our respondents thought that a company's culture should support mental health. This percentage was even higher for Millennials and Gen Zers, who have higher turnover rates and are the largest demographic in the workforce.

50% of Millennials and **75%** of Gen Zers had left roles in the past for mental health reasons, both voluntarily and involuntarily, compared with **34%** of respondents overall — a finding that speaks to a generational shift in awareness.

It is not surprising then that providing employees with the support they need improves not only engagement but also recruitment and retention, whereas doing nothing reinforces an outdated and damaging stigma.

- Harvard Business Review, 2019

Prevention
Care
Protection



Sustainability



Risk transfer **Green underwriting** **Green products**
Customer incentives

Impact bonds
Green investments

D&I **Mental wellness**
Re-skilling & up-skilling

Reusable energy **Paperless**
Water & plastic wastage reduction

Insurtech

Price competition
Customers behaviour changing
Commoditized products

On-demand
Personalized
Narrowed-down coverage
Easy and free to use
Agility, fast to market
Community based
Ecosystem

The untapped segments

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THINKABLE**



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micro-insurance



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Regulatory alignment

Digitization

Insurance Connect

Product proliferation

Captive business

Specialty business

Reinsurance

Zhaoqing

Guangzhou

Huizhou

Foshan

Dongguan

Zhongshan

Shenzhen

Hong Kong

Jiangmen

Macao

Zhuhai



THANK YOU