

# 1 **Transforming the Insurance Landscape: Digitalization** 2 **Trends and Regulatory Challenges in Hong Kong**

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4 *Hong Kong, recognized as a preeminent international insurance hub, is*  
5 *experiencing a significant transformation in its traditional insurance landscape,*  
6 *primarily driven by the rise of Insurtech startups, including fully virtual insurers.*  
7 *This evolution is further supported by proactive regulatory initiatives from the Hong*  
8 *Kong Insurance Authority, aimed at enhancing operational efficiency and*  
9 *transparency within the sector. This paper provides a comprehensive comparative*  
10 *analysis of the digitalization of insurance in Hong Kong and Singapore, elucidating*  
11 *the current status and advancements in both regions. Additionally, it identifies*  
12 *potential challenges that may hinder the future development of the digital insurance*  
13 *sector in Hong Kong and offers insights to promote the digitalization process while*  
14 *addressing the regulatory complexities associated with Insurtech and virtual*  
15 *insurance. Despite the currently limited market share of digital insurers in Hong*  
16 *Kong, the momentum for transformation is undeniable, bolstered by technological*  
17 *advancements and an increasing demand within the Greater Bay Area market.*  
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## 19 **Background**

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22 Hong Kong's insurance industry continues to exhibit a significant reliance on  
23 traditional sales methodologies. Research conducted by Sia Partners indicates that the  
24 region has lagged behind both Singapore and Western markets in the adoption of  
25 digital insurance solutions. This delay can be attributed to the industry's dependence  
26 on approximately 120,000 agents, particularly in the realm of life insurance products,  
27 which are inherently more complex and necessitate a higher level of specialized  
28 expertise for effective management.<sup>1</sup> Insurance agents play a crucial role in providing  
29 personalized guidance and support throughout the decision-making process for  
30 intricate products, such as whole life policies, which entail long-term commitments.  
31 This tailored approach fosters trust, enhances client loyalty, and ultimately contributes  
32 to improved conversion rates and retention.

33 Historically, the insurance sector has been characterized by an intermediary-led  
34 distribution model, wherein agents, brokers, and banks serve as the primary channels  
35 for policy sales. This paradigm, however, presents multiple challenges, including  
36 elevated operational costs, reputational risks, and deficiencies in customer  
37 relationship management, as insurers often lack direct access to their customer base.  
38 Nevertheless, the digital insurance landscape, spearheaded by virtual insurers, is  
39 experiencing rapid growth, with premiums escalating eightfold between 2020 and  
40 2021. This trend underscores the potential for a direct-to-consumer (D2C) digital  
41 distribution model to mitigate existing challenges and deliver more competitive and  
42 efficient solutions, as articulated in the findings of Quinlan & Associates Consulting.<sup>2</sup>

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<sup>1</sup>Enoch Yiu, "Hong Kong's digital insurance lags behind Singapore and Western peers over reliance on 120,000 sales agents, study shows," *South China Morning Post* (2023), available at <https://www.scmp.com/business/markets/article/3209155/hong-kongs-digital-insurance-lags-singapore-and-western-peers-over-reliance-120000-sales-agents> (visited 14 Sept 2024).

<sup>2</sup>Quinlan & Associates, *Examining the case for direct-to-consumer digital distribution in Hong*

## 1 Literature Review and Research Gap

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3 Digitalization and technological innovation are driving an unprecedented shift in  
4 the insurance industry, combining digital and analog settings, and using modern  
5 technologies to improve operations, data accessibility, and consumer interactions.  
6 This trend, according to Eling and Lehmann, could be defined as digitalization, which  
7 radically changes the way insurance companies' function.<sup>3</sup>

8 Modern insurance practices require the integration of digital insurance  
9 administration systems and Insurtech solutions.<sup>4</sup> "Insurtech" describes technological  
10 advancements intended to boost effectiveness across underwriting and customer  
11 service. The industry is changing through big data analytics, cloud computing,  
12 blockchain, artificial intelligence (AI), the Internet of Things (IoT), and predictive  
13 modeling.<sup>5</sup> Insurers can collect enormous volumes of data via big data and IoT,  
14 providing insights into risk profiles and behavior. IoT devices may track data in real  
15 time, allowing insurers to customize offerings to specific clients. This optimizes risk  
16 assessment and may result in reduced premiums.<sup>6</sup> Blockchain upgrades transparency  
17 with a secure and immutable record of transactions, boosting customer confidence.<sup>7</sup>  
18 AI analyzes data more effectively than conventional techniques, speeding up claims  
19 processing and enhancing client service.

20 To ensure innovation thrives alongside risk management, the regulatory  
21 environment needs to evolve<sup>8</sup> with flexible, principle-based approaches to overseeing  
22 Insurtech while promoting innovation.<sup>9</sup> In 2012, the Hong Kong Government  
23 announced its intention to establish an Independent Insurance Authority to replace the  
24 Office of the Commissioner of Insurance (OCI), as detailed in a consultation paper  
25 titled "Key Legislative Proposals on the Establishment of an Independent Insurance  
26 Authority," published by the Financial Services and the Treasury Bureau. This

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*Kong's insurance industry* (2022), available at <https://www.quinlanandassociates.com/wp-content/uploads/2022/12/Digital-Distribution-of-Insurance.pdf> (visited 14 Sept 2024).

<sup>3</sup>Eling, M., Lehmann, M., "The Impact of Digitalization on the Insurance Value Chain and the Insurability of Risks," *Geneva Pap Risk Insur Issues Pract* 43, 359–396 (2018), available at <https://doi.org/10.1057/s41288-017-0073-0> (visited 05 Nov 2024).

<sup>4</sup>Stoekli, E., Dremel, C. & Uebemickel, F., "Exploring characteristics and transformational capabilities of InsurTech innovations to understand insurance value creation in a digital world," *Electron Markets* 28, 287–305 (2018), available at <https://doi.org/10.1007/s12525-018-0304-7> (visited 05 Nov 2024).

<sup>5</sup>Cappiello, A., "The technological disruption of insurance industry: a review," *International Journal of Business and Social Science*, Vol.11, No.1 (2020), available at <https://www.ijbssnet.com/journal/index/4371> (visited 05 Nov 2024).

<sup>6</sup>Eti, S., Dinçer, H., Meral, H. et al., "Insurtech in Europe: identifying the top investment priorities for driving innovation," *Financ Innov* 10, 38 (2024), available at <https://doi.org/10.1186/s40854-023-00541-y> (visited 05 Nov 2024).

<sup>7</sup>Zarifis A. & Cheng X., "A model of trust in Fintech and trust in Insurtech: How Artificial Intelligence and the context influence it," *Journal of Behavioral and Experimental Finance*, vol. 36, pp.1–20 (2022), available from: <https://doi.org/10.10>, Available at SSRN: <https://ssrn.com/abstract=4223846> (visited 05 Nov 2024).

<sup>8</sup>Stefan Koos, "Digital Globalization and Law," *Lex Scientia Law Review* 6, no. 1 (2022): 33–68, <https://doi.org/10.15294/lesrev.v6i1.55092> (visited 05 Nov 2024).

<sup>9</sup>Greineder, M., Riasanow, T., Böhm, M., & Krčmar, H., "The Generic InsurTech Ecosystem and its Strategic Implications for the Digital Transformation of the Insurance Industry," *EMISA FORUM* (2019) (visited 05 Nov 2024).

1 initiative aimed to enhance regulatory oversight and streamline licensing for insurance  
2 intermediaries.<sup>10</sup>

3 At the time, regulation was overseen by three Self-Regulatory Organizations  
4 (SROs): the Insurance Agents Registration Board, the Hong Kong Confederation of  
5 Insurance Brokers, and the Professional Insurance Brokers Association. The  
6 Insurance Companies (Amendment) Ordinance 2015 conferred upon the Insurance  
7 Authority the authority to license and regulate all insurance intermediaries in Hong  
8 Kong, centralizing oversight and enhancing regulatory efficacy.<sup>11</sup> This represents a  
9 significant shift, as the Insurance Authority acquired expanded powers, enhancing  
10 adaptability to the evolving landscape. The Hong Kong Insurance Authority (HKIA)  
11 is advancing initiatives such as the virtual insurance licensing framework to promote  
12 Insurtech, reflecting a rigorous and dynamic regulatory environment.

13 The regulatory framework of Singapore, one of Asia's insurance hubs, is  
14 adaptable and flexible. Through initiatives that foster innovation, customer protection,  
15 and cyber security, the Monetary Authority of Singapore (MAS) acknowledged the  
16 potential of Insurtech to redefine traditional models,<sup>12</sup> understanding that regulators  
17 must create an environment conducive to innovation.<sup>13</sup> Because of regulatory  
18 flexibility, Singapore keeps a competitive edge and creates an atmosphere favorable  
19 to Insurtech. Its approach advocates legislation that fosters digital innovation and  
20 opens the market to all players, domestic and foreign.

21 Digital transformation has become an imperative for enterprises seeking to  
22 uphold competitive advantages.<sup>14</sup> Consequently, more Insurtech companies are  
23 entering the market, offering personalized services tailored to evolving expectations.<sup>15</sup>  
24 Partnerships between Insurtech companies and traditional insurers are essential for  
25 fostering innovation and elevating experiences.<sup>16</sup> The influx of new Insurtech  
26 companies is transforming the landscape, highlighting the role of regulatory support  
27 and industry collaboration in cultivating an innovative and customer-focused  
28 ecosystem in both Hong Kong and Singapore.<sup>17</sup>

<sup>10</sup>Meggitt, Gary, "The Hong Kong Independent Insurance Authority," *The Journal of Comparative Law* (2012) 7.2 JCL - Forthcoming, University of Hong Kong Faculty of Law Research Paper No. 2013/030, Available at SSRN: <https://ssrn.com/abstract=2290130> (visited 05 Nov 2024).

<sup>11</sup>Insurance authority, *Implementation of New Regulatory Regime for Insurance Intermediaries*, (2019), available at [https://www.ia.org.hk/en/supervision/reginsintermediaries/implementation\\_new\\_regulatory\\_regime\\_for\\_insurance\\_intermediaries.html](https://www.ia.org.hk/en/supervision/reginsintermediaries/implementation_new_regulatory_regime_for_insurance_intermediaries.html) (visited 05 Nov 2024).

<sup>12</sup>Harit, Prakhar, "The Rise of Insurtech: The Ups and Downs of New Tech Trend" (March 7, 2021). Available at SSRN: <https://ssrn.com/abstract=3799576> (visited 05 Nov 2024).

<sup>13</sup>International Association of Insurance Supervisors, *FinTech Developments in the Insurance Industry*, at para 17, available at [https://www.iaisweb.org/uploads/2022/01/Report\\_on\\_FinTech\\_Developments\\_in\\_the\\_Insurance\\_Industry.pdf](https://www.iaisweb.org/uploads/2022/01/Report_on_FinTech_Developments_in_the_Insurance_Industry.pdf) (visited 05 Nov 2024).

<sup>14</sup>Bian, W., Ge, T., Ji, Y., & Wang, X. (2023, Aug), "How is Fintech reshaping the traditional financial markets? New evidence from InsurTech and insurance sectors in China", *China Economic Review*, 80, Article 102004 available at <https://doi.org/10.1016/j.chieco.2023.102004> (visited 05 Nov 2024).

<sup>15</sup>Braun, A., Haeusle, N., & Thistle, P., "Risk classification with on-demand insurance," *Journal of Risk and Insurance*, 90(4), 975–990 (2023), available at <https://doi.org/10.1111/jori.12429> (visited 05 Nov 2024).

<sup>16</sup>Harit, Prakhar, "The Rise of Insurtech: The Ups and Downs of New Tech Trend" (2021). Available at SSRN: <https://ssrn.com/abstract=3799576> or <http://dx.doi.org/10.2139/ssrn.3799576> (visited 05 Nov 2024).

<sup>17</sup>Eling, M., Lehmann, M., "The Impact of Digitalization on the Insurance Value Chain and the

1 Nevertheless, there is a lack of studies focused specifically on insurance  
 2 digitalization in Hong Kong, and even fewer comparative analyses with Singapore.  
 3 This study fills the gap by providing a detailed comparison between the Hong Kong  
 4 and Singapore digital insurance sectors, offering insights into digitalization trends,  
 5 regulatory challenges, and the evolving landscape in both regions.

## 8 **Comparative Analysis of Insurtech Development in HK and Singapore**

### 10 *Similarities in Insurtech Development in both jurisdictions*

12 Hong Kong and Singapore have many similarities in their approaches to  
 13 Insurtech, including proactive regulatory bodies, innovative sandbox initiatives,<sup>18</sup>  
 14 emphasis on cybersecurity, and consumer protection. Both regions have developed  
 15 comprehensive legal frameworks that balance innovation with market stability and  
 16 consumer protection, positioning themselves as major hubs for Insurtech in Asia. The  
 17 strong focus on digital transformation within the insurance sector will likely continue  
 18 to drive advancements in both regions.

### 20 Proactive Regulatory Bodies with Comprehensive Regulatory Frameworks

21 The HKIA has been instrumental in fostering digital transformation within the  
 22 insurance sector. Recognizing the growing importance of technology, the HKIA has  
 23 implemented policies and initiatives that support the development of Insurtech while  
 24 maintaining stringent safeguards to protect consumer interests. In 2017, the HKIA  
 25 launched the Insurtech Sandbox and Fast Track initiatives.<sup>19</sup> Insurers can utilize the  
 26 Sandbox to experiment with new technologies in a controlled setting, allowing for the  
 27 testing of innovative solutions without compromising regulatory standards.  
 28 Conversely, the Fast Track initiative expedites the approval process for digital-only  
 29 insurers, permitting authorized companies to pilot new initiatives for up to 12 months  
 30 without full regulatory approval. This framework has facilitated market entry for firms  
 31 such as Bowtie and ZA Insurance, enabling them to provide digital insurance  
 32 solutions.<sup>20</sup> These initiatives illustrate the HKIA's commitment to balancing  
 33 innovation with consumer protection, ensuring that digital transformation remains

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Insurability of Risks,” *Geneva Pap Risk Insur Issues Pract* 43, 359–396 (2018), available at <https://doi.org/10.1057/s41288-017-0073-0> (visited 05 Nov 2024).

<sup>18</sup>Insurance Authority, *Insurance Digital Onboarding* (2024), available at [https://www.ia.org.hk/en/digital\\_onboarding/promotion\\_of\\_insurtech\\_development.html#:~:text=Initiatives%20to%20promote%20Insurtech&text=Insurtech%20Sandbox%20enables%20authorized%20insurers,supervisory%20requirements%20of%20the%20IA](https://www.ia.org.hk/en/digital_onboarding/promotion_of_insurtech_development.html#:~:text=Initiatives%20to%20promote%20Insurtech&text=Insurtech%20Sandbox%20enables%20authorized%20insurers,supervisory%20requirements%20of%20the%20IA) (visited 05 Jan 2025). Monetary Authority of Singapore, *Overview of Regulatory Sandbox* (2024), available at <https://www.mas.gov.sg/development/fintech/regulatory-sandbox> (visited 05 Jan 2025).

<sup>19</sup>Insurance Authority, *Quarterly Release of Provisional Statistics for General Business*, available at [https://www.ia.org.hk/en/infocenter/statistics/quarterly\\_release\\_of\\_provisional\\_statistics\\_for\\_general\\_business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html) (visited 14 Sept 2024).

<sup>20</sup>Coverager.com, *ZA Insure obtains a digital life insurance license in Hong Kong* (2020), available at <https://www.coverager.com/za-insure-obtains-a-digital-life-insurance-license-in-hong-kong/> (visited 14 Sept 2024). Bowtie, *What does IA’s “Fast Track” mean* (2021), available at <https://help.bowtie.com.hk/hc/en-gb/articles/4407712528153-What-does-IA-s-Fast-Track-mean> (visited 14 Sept 2024).

1 both safe and beneficial. Concurrently, Hong Kong's cybersecurity framework aims  
2 to protect financial institutions and personal data from emerging threats through  
3 initiatives such as the Cybersecurity Fortification Initiative, along with guidelines  
4 from the Hong Kong Monetary Authority (HKMA), Financial Services Development  
5 Council (FSDC), and Securities and Futures Commission (SFC), all in alignment with  
6 global best practices.<sup>21</sup>

7 The MAS, through its FinTech and Innovation Group (FTIG), has taken a  
8 similarly forward-thinking approach to Insurtech. The MAS has established itself as  
9 a leader in regulatory innovation, consistently updating its frameworks to  
10 accommodate technological advancements in the insurance industry. In 2016, the  
11 MAS launched the FinTech Regulatory Sandbox,<sup>22</sup> which allows Insurtech  
12 companies to trial their products and services in a live environment with relaxed  
13 regulations. The sandbox fosters innovation by reducing regulatory barriers, enabling  
14 businesses to experiment with new ideas without the fear of facing penalties for non-  
15 compliance. This encourages both startups and established companies to take risks  
16 and develop unique solutions that cater to market needs. Consequently, digital-first  
17 insurers like Singlife have rapidly emerged, operating through digital channels to  
18 provide consumers with enhanced convenience and transparency.<sup>23</sup> The MAS's  
19 regulatory support encompasses not only testing and scaling but also proactive  
20 guidelines for cybersecurity and data privacy, thereby enhancing market confidence  
21 and promoting the adoption of digital insurance. An example of this is the Cyber Risk  
22 Management Project launched in 2016, led by the Insurance Risk and Finance  
23 Research Centre (IRFRC) at Nanyang Technological University, aimed at addressing  
24 supply and demand challenges in the emerging cyber insurance market.<sup>24</sup>

25 Both Hong Kong and Singapore have their sights set on becoming leading  
26 Insurtech hubs in Asia. By hosting industry events like Hong Kong FinTech Week  
27 and the Singapore FinTech Festival, these regions foster collaboration and knowledge  
28 exchange within the global Insurtech ecosystem. These events provide platforms for  
29 industry stakeholders—regulators, startups, and established players—to discuss  
30 emerging trends, showcase technological innovations, and form strategic partnerships.<sup>25</sup>  
31 The growth of virtual insurers, the rise of AI-driven underwriting, and the increasing  
32 use of data analytics in claims management are just a few of the trends that these hubs  
33 are facilitating. Both regions are also strategically positioning themselves to attract  
34 investment and partnerships from neighboring markets, such as the Greater Bay Area

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<sup>21</sup>HKMA, *Cybersecurity Fortification Initiative* (2016), available at <https://www.hkma.gov.hk/chi/key-functions/international-financial-centre/fintech/research-and-applications/cybersecurity-fortification-initiative-cfi/> (visited 9 Jan 2025). HKIA, *Guideline on Cybersecurity* (2019), [https://www.ia.org.hk/en/legislative\\_framework/files/GL20\\_Eng.pdf](https://www.ia.org.hk/en/legislative_framework/files/GL20_Eng.pdf).

<sup>22</sup>Monetary Authority of Singapore, *MAS enhances FinTech regulatory sandbox with Sandbox Plus* (2021), available at <https://www.mas.gov.sg/news/media-releases/2021/mas-enhances-fintech-regulatory-sandbox-with-sandbox-plus> (visited 14 Sept 2024).

<sup>23</sup>Ka Kay Lum, "Singlife's hybrid theory tested in Singapore's insurance forge," *The Ken* (2020), available at <https://the-ken.com/story/singlife-singapore-digital-insurance/> (visited 14 Sept 2024).

<sup>24</sup>Nanyang Technological University, *Insurance risk and finance research centre*, available at <https://www.ntu.edu.sg/irfrc/research/cyrim> (visited 14 Sept 2024).

<sup>25</sup>InvestHK, *Fintech HongKong*, available at <https://www.hongkong-fintech.hk/en/index.html> (visited 14 Sept 2024). Singapore Fintech Festival, *The global gathering of policy, finance & technology*, available at <https://www.fintechfestival.sg/> (visited 14 Sept 2024).

1 (GBA) for Hong Kong and Association of Southeast Asian Nations (ASEAN) for  
2 Singapore, driving their influence beyond their borders. Both Hong Kong and  
3 Singapore have a well-established regulatory framework for both traditional and  
4 digital insurance, with laws governing insurance activities and digital innovations.  
5 These regulations ensure that digital innovations comply with legal and ethical  
6 standards.<sup>26</sup>

### 7 8 Emphasis on Cybersecurity

9 Cybersecurity is a paramount concern for Hong Kong and Singapore in  
10 regulating the insurance industry, particularly as the sector transitions to digital  
11 platforms. With the growing adoption of online distribution channels, regulatory  
12 bodies are acutely aware of the necessity to protect sensitive customer data and  
13 safeguard against cyber threats. Both jurisdictions have established comprehensive  
14 cybersecurity frameworks to address these issues, ensuring that digital insurance  
15 platforms remain secure and compliant with evolving risks. These measures are vital  
16 not only for the effective operation of digital insurance but also for sustaining  
17 consumer trust in a digital-first environment. Both regions recognize that robust  
18 cybersecurity protocols are essential for the ongoing development of the digital  
19 insurance sector, promoting innovation while ensuring high standards of security and  
20 risk management to foster consumer confidence in digital insurance products.

21 In 2019, the Insurance Authority (IA) of Hong Kong published the Guidelines  
22 on Cybersecurity (GL20) under section 133(1) of the Insurance Ordinance (Cap. 41),  
23 which took effect on January 1, 2020. These guidelines aim to regulate the insurance  
24 industry and protect policyholders from online threats by outlining specific measures  
25 insurers must adopt to secure sensitive customer information and operational  
26 platforms. Key areas of focus include comprehensive risk management practices that  
27 require regular assessments of potential cyber vulnerabilities; robust data protection  
28 protocols to safeguard personal and financial information against unauthorized access;  
29 and well-defined incident response plans to ensure swift action in the event of  
30 cyberattacks or breaches. In Singapore, the Technology Risk Management (TRM)  
31 Guidelines were introduced in 2013 to enhance cybersecurity across the financial and  
32 insurance sectors, emphasizing risk management, IT security, and protection of digital  
33 infrastructure from cyber threats. In 2019, the Monetary Authority of Singapore  
34 (MAS) strengthened these measures with the Notice on Cyber Hygiene (MAS Notice  
35 655), mandating critical cybersecurity practices such as user access controls, regular  
36 security patching, and data encryption. Together, these frameworks establish  
37 comprehensive cybersecurity standards, requiring insurers to implement robust IT  
38 security measures, including firewalls, encryption technologies, and intrusion  
39 detection systems.

### 40 41 Focus on Consumer Protection

42 Consumer protection is a top priority for both Hong Kong and Singapore, and  
43 their regulatory frameworks are designed to ensure that digital insurance platforms  
44 operate transparently, fairly, and ethically. As the adoption of digital insurance grows,  
45 regulatory bodies have established guidelines that mandate insurers to disclose all

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<sup>26</sup>See reference list

1 necessary information, protect consumer data, and use technology responsibly. Both  
 2 regions have recognized that a strong consumer protection framework is essential to  
 3 fostering trust in digital insurance, especially as more transactions move online. These  
 4 regulations ensure that digital platforms uphold the same standards of fairness and  
 5 integrity as traditional face-to-face interactions.

6 The Insurance Ordinance (Cap. 41) forms the backbone of the insurance  
 7 regulatory framework in HK, establishing requirements for both traditional and digital  
 8 insurers. To address the unique challenges of the digital landscape, the Guidelines on  
 9 the Use of Internet for Insurance Activities (GL8) set additional standards to ensure  
 10 consumer protection in online insurance transactions and took effect on June 26,  
 11 2017.<sup>27</sup> Similarly, consumer protection in the digital insurance space in Singapore is  
 12 governed by several regulations, including the Personal Data Protection Act (PDPA).  
 13 The PDPA, which was established in 2013 and has been amended several times since,  
 14 regulates how insurers handle personal data.<sup>28</sup> Furthermore, the MAS Guidelines on  
 15 Provision of Digital Advisory Services issued in 2018 impose specific requirements  
 16 on insurers and financial advisors that offer digital services.<sup>29</sup>

### 17 18 *Differences between Hong Kong and Singapore in the Development of Insurtech*

#### 19 20 The Stringent and Gradual Regulatory Environment in Hong Kong

21 Hong Kong’s regulatory environment in the financial industry is deeply rooted  
 22 in a cautious and incremental approach, with its well-established legal and regulatory  
 23 structure,<sup>30</sup> especially regarding technological developments like AI, blockchain, and  
 24 digital insurance platforms. The insurance market in Hong Kong is both large and  
 25 mature, with substantial investments in traditional sales models that rely on  
 26 intermediaries, such as agents and brokers. To protect this established market, the  
 27 HKIA enforces stringent regulations, ensuring that both traditional and digital insurers  
 28 adhere to high standards of risk management and operational integrity. This cautious  
 29 stance is designed to prevent market disruptions that could arise from rapid digital  
 30 transformation.

31 Moreover, the HKIA’s measured approach to digital transformation allows  
 32 insurers to experiment through controlled initiatives, such as the Insurtech Sandbox  
 33 and Fast Track schemes, both introduced in 2017. These programs permit insurers to  
 34 test innovative technologies within a supervised environment, where potential risks  
 35 are carefully monitored and mitigated. The HKIA’s regulatory framework also  
 36 ensures that digital insurers undergo thorough vetting before receiving approval to  
 37 operate. By prioritizing long-term sustainability over rapid technological disruption,

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<sup>27</sup>Insurance Authority, *Guideline on the use of internet for insurance activities* (2017), available at [https://www.ia.org.hk/en/legislative\\_framework/files/GL8.pdf](https://www.ia.org.hk/en/legislative_framework/files/GL8.pdf) (visited 14 Sept 2024).

<sup>28</sup>Personal Data Protection Commission Singapore, *PDPA overview*, available at <https://www.pdpc.gov.sg/overview-of-pdpa/the-legislation/personal-data-protection-act> (visited 14 Sept 2024).

<sup>29</sup>Monetary Authority of Singapore, *MAS issues guidelines to facilitate provision of digital advisory services* (2018), available at <https://www.mas.gov.sg/news/media-releases/2018/mas-issues-guidelines-to-facilitate-provision-of-digital-advisory-services> (visited 14 Sept 2024).

<sup>30</sup>Chen Yi & Ahmed Razman Bin Abdul Latiff, “The Role of Regulatory Frameworks in Shaping the Firm Value of Cross-Listed Companies: A Comparative Analysis,” (2024) *Journal of Digitainability Realism & Mastery (DREAM)*, Volume 03, Issue 04, p 14. (visited 14 Sept 2024).

1 Hong Kong’s regulatory environment fosters a stable yet innovative market,  
2 balancing the introduction of new technologies with a commitment to consumer  
3 protection.

#### 4 The Virtual Insurance Licensing Framework in Hong Kong

6 The HKIA has introduced a specific licensing framework for digital insurers,  
7 known as the Virtual Insurance License. This framework was established to support  
8 technological innovation and adoption in the insurance sector while upholding  
9 regulatory supervision and guaranteeing customer protection. Insurance businesses  
10 can conduct their business fully online with a virtual insurance license, removing the  
11 necessity for physical branches or in-person client interactions. The regulatory  
12 framework emphasizes digital-only sales, requiring insurers to maintain an online-  
13 only distribution model, which creates a clear regulatory distinction between digital-  
14 only insurers and traditional insurers.

15 Customers can purchase online self-service insurance through the digital sales  
16 platform of the insurers. For these consumers, the HKIA has given some useful notes  
17 on its official website. For complex insurance products that require the involvement  
18 of intermediaries, non-face-to-face meetings through video conferencing are  
19 permitted, with strict guidelines in place to ensure security and transparency. The  
20 HKIA has also provided some tips for consumers who want to purchase insurance.  
21 Additionally, for Compliance with Existing Laws, any insurer wishing to operate  
22 under the Virtual Insurance License must comply with the Insurance Ordinance (Cap.  
23 41), the Guidelines on the Use of Internet for Insurance Activities, the Guideline on  
24 Cybersecurity, and other related laws. These policies ensure that insurers implement  
25 the necessary security protocols for digital platforms, provide adequate training for  
26 intermediaries, and safeguard customer data through rigorous cybersecurity measures.

#### 27 The Great Influence of Established Financial Giants in Hong Kong

29 Unlike Singapore, where the regulatory environment allows for more open  
30 economic policies, Hong Kong has favorable tax regulations and a stable political  
31 environment, as evidenced by the world’s highest economic freedom score (updated in  
32 October 2023).<sup>31</sup> Hong Kong’s digital insurers must operate within an environment  
33 largely shaped by legacy institutions with long-standing ties to customers, agents, and  
34 banks. The strong foothold of traditional financial insurance institutions in Hong  
35 Kong helps to maintain their market position and enhances their dominance, even  
36 when confronted with unexpected challenges. Over the years, these organizations  
37 have established enduring relationships with customers, agents, and banks, fostering  
38 a level of trust and reliability that is hard for new players to achieve. While the presence  
39 of these major players brings stability, resources, and innovation to the market, it also  
40 creates a highly competitive environment that poses substantial challenges for startups.  
41 Moreover, these financial giants have the means to create their own digital insurance  
42 products, allowing them to leverage their established customer bases and brand

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<sup>31</sup>Kari Soo Lindberg, “Singapore beats Hong Kong to become 'world’s freest economy' for first time,” *Bloomberg* (2020), available at <https://www.bloomberg.com/news/articles/2023-09-20/singapore-beats-hong-kong-to-become-world-s-freest-economy-for-first-time?leadSource=verify%20wall> (visited 14 Sept 2024)

1 recognition. Consequently, newer digital insurers face significant hurdles in  
 2 competing, as many consumers prefer to remain loyal to familiar and established firms  
 3 rather than take the risk of switching to unproven alternatives. The strategies and  
 4 priorities of these large companies often align with established market norms, and as  
 5 a result, Insurtech development in Hong Kong is generally guided by their needs and  
 6 preferences rather than by disruptive innovations from smaller companies. Namely,  
 7 digital insurers must seek alternative strategies to connect with customers, further  
 8 hindering their competitiveness. To overcome these obstacles, many digital insurers  
 9 collaborate with larger, established financial institutions to access necessary resources  
 10 and ensure compliance with regulations. While these partnerships can provide  
 11 stability, they also limit the independence and growth potential of startups, which  
 12 often must adapt to the strategies and requirements of their larger partners. This  
 13 conservative approach, though ensuring market stability, limits the agility and  
 14 innovation of smaller companies in Hong Kong's Insurtech landscape, contrasting  
 15 sharply with Singapore's more dynamic and supportive regulatory framework.

#### 16 17 The Relatively Flexible and Adaptive Framework-Based Regulatory Environment in 18 Singapore

19 The MAS oversees a more principle-based regulatory approach. Rather than  
 20 imposing strict, sector-specific rules, the MAS allows firms to operate within broad  
 21 financial guidelines, creating a space for experimentation and innovation. Insurtech  
 22 companies are primarily governed by overarching regulations, such as the Insurance  
 23 Act (Cap. 142), the Financial Advisers Act (Cap. 110), and the Payment Systems  
 24 (Oversight) Act (Cap. 222A). These regulations set basic requirements for licensing,  
 25 consumer protection, and disclosures, but they lack the highly detailed, activity-  
 26 specific requirements seen in jurisdictions like in Hong Kong. This regulatory  
 27 flexibility has been instrumental in Singapore's rise as a global fintech and Insurtech  
 28 hub, allowing both startups and established firms to experiment quickly with new  
 29 technologies like blockchain, AI, and smart contracts without the burden of  
 30 exhaustive compliance processes. Furthermore, by enabling businesses to test their  
 31 products and services in a real-world setting with less restrictive legal constraints, the  
 32 MAS's FinTech Regulatory Sandbox, which was introduced in 2016, offers an even  
 33 higher level of regulatory flexibility. This enables companies to test and scale  
 34 innovations while still maintaining baseline consumer protections. The sandbox  
 35 model not only encourages rapid prototyping but also invites collaboration with  
 36 regulators, enabling the refinement of rules as new technologies evolve. This contrasts  
 37 sharply with Hong Kong's sandbox model, which, while beneficial, still operates  
 38 under a more controlled environment, particularly when dealing with new entrants  
 39 like digital-only insurers. What's more, Singapore has positioned itself as a global hub  
 40 for emerging technologies, such as blockchain, virtual currencies, and fintech,  
 41 supported by targeted policies and government initiatives.<sup>32</sup> Programs like Startup  
 42 SG offer funding, resources, and mentorship to startups in these sectors.<sup>33</sup>

<sup>32</sup>Goode, Kayla, Heeu Millie Kim, and Melissa Deng. "Examining Singapore's AI progress." Center for Security and Emerging Technology 19 (2023) (visited 5 Feb 2025).

<sup>33</sup>Acclime, *Singapore startup grants & funding*, (2025), available at <https://singapore.acclime.com/guides/startup-grants-funding/#:-:text=Startup%20SG%20Founder%20Grant,-The%20first%20gra>

1 Furthermore, Singapore actively promotes green finance and sustainability through  
 2 initiatives, such as the 2019 Green Finance Action Plan, which provides grants for  
 3 green bond issuances.<sup>34</sup>

4 The tax frameworks in both regions are competitive yet cater to distinct business  
 5 needs. Hong Kong features a simplified tax system, imposing a corporate tax rate of  
 6 8.25% on the first HKD \$2 million of profit and 16.5% on any profit beyond that for  
 7 onshore companies, while offering a 0% rate on offshore income. This makes it  
 8 especially appealing for holding companies. Furthermore, there are no taxes on  
 9 dividends, interest income, or capital gains, which streamlines compliance.<sup>35</sup> By  
 10 contrast, Singapore imposes a corporate tax rate of 17% and taxes offshore income  
 11 solely when it is brought into the country. The region boasts an extensive array of  
 12 double-taxation agreements to reduce the financial burden on multinational  
 13 corporations. Additionally, Singapore offers various tax incentives and exemptions  
 14 aimed at supporting startups and innovation-driven industries.<sup>36</sup> For example, small  
 15 companies with annual revenues below SGD \$10 million (approximately HKD  
 16 \$57.53 million) are not required to undergo mandatory audits, which helps reduce  
 17 their compliance costs. These targeted incentives make Singapore particularly  
 18 attractive to companies focused on growth and innovation, whereas Hong Kong's tax  
 19 system is better suited for businesses that prioritize simplicity and offshore activities.  
 20 Singapore consistently ranks higher than Hong Kong in global ease-of-doing-business  
 21 indices, thanks to its streamlined processes and innovation-friendly environment.<sup>37</sup>  
 22 While both regions feature swift online company registration systems, Singapore's  
 23 regulatory framework is particularly designed to benefit startups and small to  
 24 medium-sized enterprises (SMEs).

25 Geopolitical stability is another area where Singapore holds an advantage. Its  
 26 consistent political environment and governance provide businesses with a sense of  
 27 long-term security, making it an appealing choice for multinational corporations. The  
 28 government actively implements economic policies that bolster resilience against  
 29 global challenges, reinforcing Singapore's position as a trustworthy and innovative  
 30 business center. By contrast, Hong Kong faces potential risks stemming from  
 31 geopolitical tensions with Mainland China, which could diminish its attractiveness to  
 32 foreign enterprises.<sup>38</sup> Hong Kong's proximity to China offers a strategic edge for  
 33 companies looking to enter the Chinese market, but it also brings certain risks and

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[nt&text=This%20scheme%20provides%20new%20entrepreneurs,startup%20must%20invest%20SGD%2010%2C000.](#) (visited 5 Feb 2025).

<sup>34</sup>Green Finance Platform, *Singapore's Green Finance Action Plan*, (2019), available at <https://www.greenfinanceplatform.org/policies-and-regulations/singapores-green-finance-action-plan> (visited 5 Feb 2025).

<sup>35</sup>HSBC, *A Complete Guide to Corporate Tax in Hong Kong*, (2024), available at <https://www.businessgo.hsbc.com/en/article/understanding-profit-tax-a-complete-guide-to-corporate-tax-in-hong-kong> (visited 8 Feb 2025).

<sup>36</sup>PwC, *Singapore Corporate - Taxes on corporate income*, (2024), available at <https://taxsummaries.pwc.com/singapore/corporate/taxes-on-corporate-income> (visited 8 Feb 2025).

<sup>37</sup>Dezan Shira & Associates, *Why Singapore*, (2024), available at <https://www.aseanbriefing.com/doing-business-guide/singapore/why-singapore> (visited 8 Feb 2025)

<sup>38</sup>Guangyi Pan & Alexander Korolev, "The Struggle for Certainty: Ontological Security, The Rise of Nationalism, and Australia-China Tensions After COVID-19," *Journal of Chinese Political Science*, 26(1), 115–138. (2021) (visited 5 Feb 2025).

1 uncertainties that Singapore does not experience. Both regions feature strong legal  
 2 systems and effective dispute resolution processes, including courts and arbitration.  
 3 Intellectual property rights are safeguarded in both locations, fostering a secure  
 4 business environment. However, Singapore's prioritization of innovation and  
 5 flexibility allows it to manage disputes in emerging industries better. Additionally,  
 6 Singapore's dedication to enhancing digital infrastructure and Smart Nation initiatives  
 7 provides businesses with access to state-of-the-art technology and connectivity,  
 8 solidifying its status as a leader in technology-driven fields. By contrast, while Hong  
 9 Kong has solid infrastructure, it primarily focuses on logistics and finance, rather than  
 10 on advancing digital transformation. While both Singapore and Hong Kong offer  
 11 competitive advantages, Singapore's regulatory environment provides a framework  
 12 that is comparatively more flexible and adaptable, promoting a positive atmosphere  
 13 that encourages businesses to innovate freely as the world's freest economy.<sup>39</sup> Its  
 14 principle-based approach, proactive support for emerging industries, and focus on  
 15 innovation make it ideal for businesses seeking a dynamic and forward-looking  
 16 environment. Hong Kong, on the other hand, remains a strong choice for companies  
 17 targeting North Asia and traditional finance, but its rule-based system and geopolitical  
 18 uncertainties may hinder its attractiveness for innovation-driven businesses.

#### 19 20 Sandbox Comparison

21 The regulatory frameworks of the two regions show a clear difference in how  
 22 they handle Insurtech innovation, especially when considering their separate  
 23 sandboxes. From the authors' perspectives, Singapore's regulatory environment is  
 24 more adaptable and flexible than Hong Kong's, which is strict and gradual, evidenced  
 25 by the areas below.

#### 26 27 **Approval Process: Rigidity vs. Agility**

28  
29 In Hong Kong, the HKIA employs a notably cautious and methodical approach  
 30 to its Insurtech Sandbox. The approval process is characterized by rigorous evaluation  
 31 protocols that prioritize thoroughness over speed. Each application is subjected to  
 32 extensive scrutiny, and the HKIA does not adhere to a predetermined timeline for  
 33 providing preliminary feedback. This deliberate pacing reflects the HKIA's  
 34 commitment to maintaining high regulatory standards, ensuring that innovative  
 35 solutions can demonstrably align with existing supervisory requirements. The absence  
 36 of a strict feedback timeline reflects a conservative regulatory philosophy, one that  
 37 emphasizes a gradual and careful integration of technology into the insurance sector.  
 38 In stark contrast, the MAS demonstrates a more agile regulatory stance. It commits to  
 39 providing a preliminary indication of an application's suitability within just 21  
 40 working days of submission. This proactive timeframe not only expedites the approval  
 41 process but also facilitates swift adaptation for applicants, allowing them to plan their  
 42 business strategies with greater certainty. Such responsiveness exemplifies  
 43 Singapore's emphasis on fostering innovation while maintaining regulatory oversight.

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<sup>39</sup>Bloomberg, *Singapore beats Hong Kong to become 'world's freest economy' for first time* (2020), available at <https://www.bloomberg.com/news/articles/2023-09-20/singapore-beats-hong-kong-to-become-world-s-freest-economy-for-first-time?leadSource=verify%20wall> (visited 14 Sept 2024).

1

**2 Flexible Parameters: Case-by-Case Evaluation vs. Collaborative Adaptation**

3

4 While the HKIA allows for some degree of flexibility within the sandbox, it  
5 refrains from providing a comprehensive list of relaxed supervisory requirements.  
6 Instead, the HKIA evaluates each Insurtech initiative on a case-by-case basis. This  
7 selective flexibility underscores a reserved regulatory environment, where the HKIA  
8 prioritizes a tailored approach to risk management and compliance. The emphasis on  
9 case-by-case discussions reflects a careful balancing act between encouraging  
10 innovation and safeguarding regulatory integrity. Conversely, Singapore’s regulatory  
11 framework is characterized by its openness to adjustments and iterative improvements.  
12 MAS encourages applicants to refine their proposals and resubmit them after  
13 consultation, fostering a collaborative atmosphere. This willingness to adapt the  
14 regulatory framework based on real-time insights not only enhances the sandbox  
15 experience for innovators but also signals a commitment to maintaining a dynamic  
16 regulatory environment that evolves alongside technological advancements.

17

**18 Transparency and Public Disclosure: Controlled Information vs. Open  
19 Communication**

20

21 The regulatory landscape in Hong Kong is further marked by limited public  
22 disclosure regarding sandbox applications. HKIA’s focus on controlled testing, and  
23 the lack of extensive public information suggest a more conservative approach,  
24 prioritizing confidentiality and careful management of the innovation process. This  
25 reserved stance may be aimed at minimizing risks associated with public scrutiny and  
26 ensuring that innovations align closely with supervisory expectations before broader  
27 dissemination. By contrast, Singapore champions transparency as a core tenet of its  
28 regulatory philosophy. The MAS actively publishes relevant details about all  
29 approved sandbox applications on its website, including the names of applicants and  
30 the start and expiry dates of sandbox experimentation. This commitment to  
31 transparency not only enhances stakeholder engagement but also builds trust within  
32 the financial ecosystem. By making application details publicly accessible, Singapore  
33 fosters an environment where innovation can thrive, supported by clear  
34 communication and accountability.

35

**36 The Non-Existence of an Exclusive Digital-Only License in Singapore**

37

38 As a developed city, Singapore is embracing the rise of digital insurance and aims  
39 to promote Insurtech development. Digital insurers operate under the general  
40 insurance regulations established by the Monetary Authority of Singapore (MAS),  
41 without a specific virtual insurance license as seen in Hong Kong. Instead, they often  
42 utilize hybrid models that combine online platforms with traditional distribution  
43 channels, including intermediaries such as agents, brokers, and banks.

44

45 While Hong Kong enforces strict conditions on its virtual insurance license,  
46 prohibiting the use of agents or bancassurance for product distribution, Singapore  
allows digital insurers to operate under the same regulatory framework as traditional  
insurers. Thus, they are not restricted from using agents or banks and can select their

1 preferred distribution channels—whether digital-only, through agents, or via  
2 bancassurance partnerships.

3 The MAS actively promotes digital innovation in the insurance sector through  
4 initiatives like the FinTech Regulatory Sandbox, enabling companies to test  
5 innovative digital insurance models in a controlled environment. This approach  
6 supports the growth of digital platforms without mandating exclusive digital sales  
7 channels.

### 9 Regulatory Focus & Speed and Digitalization Prioritization in Singapore

10 Singapore’s approach to digital transformation is centered around creating a  
11 comprehensive digital infrastructure, aiming to establish itself as a global leader in  
12 digital innovation. The Smart Nation initiative, launched by Singapore, encompasses  
13 a broad spectrum of sectors including transportation, healthcare, and government  
14 services, alongside financial technologies like fintech and Insurtech. The MAS,  
15 through its FTIG, facilitates these developments by providing regulatory support for  
16 digital innovations across industries. Singapore’s sandbox program allows companies  
17 to test new technologies in a flexible environment where risks are mitigated, enabling  
18 the rapid introduction of new digital solutions. This flexibility has made Singapore an  
19 attractive destination for fintech and Insurtech firms, supported further by the  
20 Sandbox Express, which provides expedited approval processes for low-risk projects,  
21 often within 21 days.<sup>40</sup>

22 On the other hand, Hong Kong’s strategy focuses more on enhancing its existing  
23 financial infrastructure rather than a full-scale transformation across industries.  
24 Specifically, Hong Kong’s strategy is more about “upgrading” its existing strong  
25 financial system. The aim is to integrate digital technology within the current financial  
26 services landscape, improving efficiency and security without reinventing the entire  
27 system. Hong Kong’s sandbox initiative similarly allows for technological  
28 experimentation but with a greater emphasis on risk control and compliance. This  
29 approach reflects Hong Kong’s more conservative regulatory stance, prioritizing  
30 market stability and ensuring that the introduction of new technologies does not  
31 disrupt the established financial system. As a result, the pace of innovation in Hong  
32 Kong may be perceived as slower compared to that in Singapore, which tends to adopt  
33 a more flexible and faster regulatory approval process.

### 35 Promotion of the Public–Private Partnership Model in Singapore<sup>41</sup>

<sup>40</sup> The University of Hong Kong LiTELB, *Comparing the regulatory landscape for FinTechs regulated as fund managers to operate in Hong Kong and Singapore*, (2021) available at <https://litelab.law.hku.hk/blogs/elementor-8009/> (visited 14 Sept 2024).

<sup>41</sup> Gina Clarke, “Singapore launches world’s first public-private partnership to create a new digital infrastructure,” *The Fintech Times* (2020), available at <https://thefintechtimes.com/singapore-laun-ches-worlds-first-public-private-partnership-to-create-a-new-digital-infrastructure/> (visited 14 Sept 2024). FINTECH GLOBAL, *How Singapore Is Redefining AML Compliance through Innovative Collaborations* (2024), available at <https://fintech.global/2024/04/17/how-singapore-is-redefining-aml-compliance-through-innovative-collaborations/> (visited 14 Sept 2024). The Digital Insurer, *Singapore’s dynamic InsurTech map – in collaboration with the Singapore FinTech Association*, available at <https://www.the-digital-insurer.com/dynamic-insurtech-maps/singapore/> (visited 14 Sept 2024).

1 In Singapore, the promotion of Public–Private Partnerships (PPP) is a key  
 2 component of its strategy to encourage innovation, particularly in such sectors as  
 3 Insurtech. The MAS collaborates with private companies through initiatives like the  
 4 FinTech Regulatory Sandbox and Sandbox Express, which allow firms to test  
 5 innovative products in a controlled environment. Through these programs, MAS  
 6 provides regulatory guidance that helps businesses align their products with existing  
 7 regulations while fostering innovation. This iterative feedback process allows  
 8 companies to adjust their offerings based on regulatory input, promoting faster  
 9 development cycles while maintaining compliance with consumer protection  
 10 standards. Furthermore, the Smart Nation initiative brings together the government  
 11 and private sector to develop digital infrastructure jointly, supporting technological  
 12 solutions in industries like insurance.

13 While both regions incorporate top-down elements in their regulatory  
 14 frameworks, Singapore's approach actively promotes innovation, contrasting with the  
 15 more traditional and occasionally rigid regulatory structure found in Hong Kong. This  
 16 is evident in initiatives like the fintech sandbox and government-led projects, such as  
 17 the Smart Nation initiative, launched in 2014, along with the FinTech Innovation Lab  
 18 established in 2016, all of which have attracted significant venture capital  
 19 investment.<sup>42</sup> Thus, it is reasonable to characterize Hong Kong as more top-down in  
 20 certain respects, particularly concerning its regulatory processes, while Singapore  
 21 effectively balances top-down governance with a robust commitment to fostering  
 22 innovation. This focus arises from Hong Kong's long-established financial market,  
 23 which prioritizes stability and adherence to regulations.<sup>43</sup> The regulatory framework  
 24 in Hong Kong aims to mitigate risks, which can slow the adoption of innovative  
 25 practices by requiring businesses to meet established standards before introducing  
 26 new technologies. In contrast, Singapore's public-private partnership (PPP) model  
 27 fosters a more collaborative environment, with the Monetary Authority of Singapore  
 28 (MAS) actively supporting companies during product development. This approach,  
 29 alongside government-backed initiatives such as Startup Singapore, provides clearer  
 30 pathways for innovation, enabling both startups and larger firms to navigate the  
 31 regulatory landscape more efficiently.

## 32 33 34 **Qualitative Analysis with Data Illustrations**

### 35 36 *Digital Insurers in the Hong Kong Non-Life Market*

37  
38 Figures 1 and 2 illustrate the performance of digital non-life insurers OneDegree  
 39 and Avo in Hong Kong from 2019 to 2023. This analysis compares their premiums  
 40 and claims across five sectors: Property Damage, Accident & Health, Financial Loss,

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<sup>42</sup> Smart Nation and Digital Government Office, *Our Smart Nation Vision*, (2025), available at <https://www.smartnation.gov.sg/vision/> (visited 14 Sept 2024). Government of Singapore, *MAS establishes FinTech Innovation Lab*, (2019), available at <https://www.mas.gov.sg/news/media-releases/2016/mas-establishes-fintech-innovation-lab> (visited 14 Sept 2024).

<sup>43</sup> Chu, Kam Hon. "Financial Development in Hong Kong and China: A Hayekian Perspective." *Cato Journal* 25–44. (2021) (visited 14 Sept 2024).

1 Other Business, and Employees' Compensation. OneDegree demonstrated significant  
 2 growth in Property Damage, with gross premiums increasing from HKD 8.1 million  
 3 in 2020 to HKD 161.6 million in 2023. Additionally, Other Business premiums  
 4 reached HKD 19.4 million, and Accident & Health net premiums grew to HKD  
 5 452,000. Claims for Property Damage rose dramatically from HKD 1.4 million to  
 6 HKD 25.3 million. In contrast, Avo's growth was more restrained, with Property  
 7 Damage premiums peaking at HKD 1.1 million in 2022. However, Accident &  
 8 Health gross premiums rose sharply to HKD 85.2 million in 2023, while Property  
 9 Damage claims increased from HKD 2,000 to HKD 144,000, and Accident & Health  
 10 claims reached HKD 27.6 million. Claims in Other Business and Employees'  
 11 Compensation remained minimal.

12  
 13 **Figure 1 & Figure 2. Non-Life Digital Insurers: Premiums and Claims, HKIA<sup>44</sup>**

Gross and Net Premiums	Year	Property Damage		Accident & Health		Pecuniary Loss		Other Business		Employees' Compensation	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
OneDegree	2020	8,106	7,305	-	-	-	-	454	454	-	-
	2021	44,356	42,827	42	41	-	-	1,550	1,550	-	-
	2022	111,115	60,743	592	298	-	-	2,938	2,928	-	-
	2023	161,575	48,927	747	452	-	-	19,420	10,706	-	-
Avo	2019	300	300	32	20	3	1	-	-	-	-
	2020	745	745	262	165	5	2	-	-	-	-
	2021	609	609	574	403	-	-	244	193	-	-
	2022	1,111	1,111	676	407	211	209	6	3	12	7
	2023	718	712	85,176	84,061	8	8	25	26	64	64

Gross and Net Premiums	Year	Property Damage		Accident & Health		Pecuniary Loss		Other Business		Employees' Compensation	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
OneDegree	2020	1,548	1,494	-	-	-	-	67	67	-	-
	2021	24,863	24,159	-	-	-	-	647	647	-	-
	2022	63,719	56,489	-	-	-	-	1,255	1,255	-	-
	2023	79,243	25,324	-	-	-	-	827	827	-	-
Avo	2019	-	-	-	-	-	-	-	-	-	-
	2020	-	-	4	2	-	-	-	-	-	-
	2021	2	2	2	1	1	1	-	-	-	-
	2022	78	78	18	9	-	-	-	-	-	-
	2023	144	141	27,621	27,317	-	-	-	-	-	-

14  
 15  
 16  
 17  
 18 The market share of the two digital non-life insurers has significantly increased  
 19 over the past five years, rising from 0.001% in 2019 to 0.544% in 2023, as depicted  
 20 in Figure 4. This growth reflects a growing acceptance of digital insurance products.  
 21 Should this trend continue, digital insurers may capture a larger segment of Hong  
 22 Kong's non-life insurance market in the coming years. Despite their rapid expansion,  
 23 they still constitute a minor fraction of the overall market, indicating substantial  
 24 potential for further growth. Notably, all market data pertains solely to Direct Business,  
 25 excluding reinsurance data, as these insurers operate on a Business-to-Consumer  
 26 model. The calculations for Figure 5 are detailed in Figures 6 and 7.

27  
 28  
<sup>44</sup>[Insurance Authority, Quarterly Release of Provisional Statistics for General Business, available at https://www.ia.org.hk/en/infocenter/statistics/quarterly\\_release\\_of\\_provisional\\_statistics\\_for\\_general\\_business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html) (Visited 14 Sept 2024).

1 **Figure 3 & Figure 4. Non-Life Digital Insurers' Market Share, HKIA<sup>45</sup>**

Gross Premium	Year				
	2019	2020	2021	2022	2023
<b>Total of two digital</b>	335	9,572	47,375	116,661	267,733
<b>Total of Non-Life</b>	42,413,451	44,386,202	46,116,080	47,063,849	49,195,188
<b>Market Share</b>	0.001%	0.022%	0.103%	0.248%	0.544%

2  
3

Year	Gross Premium Rate of Change	Paid Loss Ratio	Incurred Loss Ratio	Commission Ratio	Expense Ratio	Combine Ratio
2019	/	57%	62%	15%	19%	95%
2020	5%	53%	59%	15%	18%	92%
2021	4%	57%	61%	15%	17%	93%
2022	2%	53%	58%	15%	19%	92%
2023	5%	56%	64%	14%	19%	98%
2024-1H	-43%	56%	59%	12%	18%	89%

4  
5  
6**Figure 5. Non-Life Digital Insurers Ratio Performance, HKIA<sup>46</sup>**

Non-Life Digital Insurer	Year	Gross Premium Rate of Change	Paid Loss Ratio	Incurred Loss Ratio	Commission Ratio	Expense Ratio	Combine Ratio
OneDegree	2020	/	72%	81%	0%	299%	380%
	2021	437%	99%	108%	-1%	169%	276%
	2022	150%	89%	93%	-11%	208%	290%
	2023	59%	55%	55%	-35%	192%	213%
Avo	2019	-100%	0%	72%	0%	1377%	1449%
	2020	202%	0%	25%	-1%	2703%	2727%
	2021	/	0%	5%	-3%	2176%	2178%
	2022	41%	7%	18%	-6%	1640%	1651%
	2023	4165%	53%	100%	30%	48%	178%

7  
8  
9

<sup>45</sup>[Insurance Authority, Quarterly Release of Provisional Statistics for General Business](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html), available at [https://www.ia.org.hk/en/infocenter/statistics/quarterly\\_release\\_of\\_provisional\\_statistics\\_for\\_general\\_business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html) (visited 14 Sept 2024).

<sup>46</sup>[Insurance Authority, Quarterly Release of Provisional Statistics for General Business](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html), available at [https://www.ia.org.hk/en/infocenter/statistics/quarterly\\_release\\_of\\_provisional\\_statistics\\_for\\_general\\_business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html) (visited 14 Sept 2024).

1 **Figures 6 & 7. Non-Life Digital Insurers Data and Market Data, HKIA<sup>47</sup>**

Non-life Market									
Total (Numbers all in 000')	Gross Premiums	Net Premiums	Net Earned Premiums	Net Commissions Payable	Net Claims Paid	Net Claims Incurred	Unexpired Risks Adjustment	Management Expenses	
2019	42,413,451	29,475,413	28,339,714	4,505,224	16,144,842	17,443,875	79,580	5,467,082	
2020	44,386,202	31,303,893	29,196,611	4,749,252	15,379,790	17,191,246	44,451	5,561,596	
2021	46,116,080	33,046,447	30,423,323	5,041,451	17,332,157	18,553,463	(3,045)	5,495,825	
2022	47,063,849	33,217,370	31,936,935	4,878,569	16,819,515	18,540,233	(89,510)	6,369,965	
2023	49,195,188	34,339,466	33,238,747	4,953,331	18,528,140	21,313,965	251,316	6,617,607	
2024-1H	27,797,838	19,016,370	17,223,115	2,337,163	9,572,365	10,081,755	73,026	3,366,422	

2 \*Direct Business Only

Non-Life Digital Insurer										
(Numbers all in 000')	Year	Gross Premiums	Net Premiums	Net Earned Premiums	Net Commissions Payable	Net Claims Paid	Net Claims Incurred	Unexpired Risks Adjustment	Management Expenses	
OneDegree	2020	8560	7759	2180	0	1561	1756	0	23219	
	2021	45948	44418	25134	(512)	24806	27071	0	75055	
	2022	114645	63969	64767	(6899)	57744	60226	0	133187	
	2023	181742	60085	47352	(20761)	26151	26131	0	115502	
Avo	2019	335	321	25	(1)	0	18	0	4420	
	2020	1012	912	1125	(9)	2	285	0	24649	
	2021	1427	1205	950	(35)	4	44	0	26220	
	2022	2016	1737	1291	(110)	87	226	0	28489	
	2023	85991	84871	52099	25444	27458	52167	4950	40496	

3  
4  
5 As for the financial ratios depicted in Figure 4, the non-life insurance market  
6 maintained a preferable combined ratio under 100% from 2019 onwards, ranging  
7 between 89% and 98%. This indicates that, overall, the non-life market was profitable  
8 during those years, as a combined ratio below 100% implies that insurers were making  
9 an underwriting profit (premiums exceeded claims and expenses). Both digital  
10 insurers have shown improvement in their financial ratios over time, though they are  
11 still struggling with profitability. As seen in Figure 7, OneDegree has shown slower  
12 premium growth in recent years but demonstrates better control over claims and  
13 expenses, reducing its combined ratio to 213% in 2023. However, it still has work to  
14 do to reach a sustainable break-even point. Avo has seen an incredible surge in  
15 premium growth, but its ratios suggest early struggles with cost control. The  
16 significant improvement in the expense ratio and combined ratio in 2023 points  
17 towards operational efficiency gains as the company matures. However, the loss ratios  
18 indicate that as more policies are written, Avo must carefully manage claims to avoid  
19 eroding profitability. In conclusion, both insurers are moving in the right direction,  
20 but they face challenges typical of digital startups in the insurance sector—mainly  
21 high operational costs and emerging claims pressures. Their long-term success will  
22 depend on continued efficiency improvements and managing the balance between  
23 growth and profitability.

47 [Insurance Authority. \(2024, May 29\). Quarterly Release of Provisional Statistics for General Business. Retrieved from https://www.ia.org.hk/en/infocenter/statistics/quarterly\\_release\\_of\\_provisional\\_statistics\\_for\\_general\\_business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html) (visited on 14 Sept 2024).

1 *Digital Insurers in the Hong Kong Life Market*

2  
3 For Digital Insurers in Hong Kong Offering Life Insurance, Figure 8 summarizes  
4 the premium performance of three digital life insurers in Hong Kong from 2019 to  
5 mid-2024, focusing on annual and single payment premiums. Blue and ZA Insure use  
6 single payments for growth, while Bowtie emphasizes annual payments for stability.  
7 Blue leads in single payments but is shifting towards annual premiums, while  
8 Bowtie's strategy supports customer retention. ZA Insurer's reliance on single  
9 payments creates volatility, indicating a need for adjustment.

10 Blue's annual premiums were stable at HKD \$212 million to \$255 million from  
11 2020 to 2023, generating HKD \$75 million in the first half of 2024. Single payments  
12 dropped to HKD \$663.9 million in 2023, with further declines expected. Bowtie's  
13 annual premiums grew from HKD \$2.4 million in 2019 to HKD \$211.4 million in  
14 2023, reaching HKD \$135.957 million in early 2024. ZA Insure peaked at HKD  
15 \$789.9 million in single payments in 2022, falling to HKD \$391.4 million in 2023  
16 and stabilizing at HKD \$400.6 million in mid-2024. Its annual premiums grew from  
17 HKD \$9.8 million in 2020 to HKD \$12.3 million by mid-2024, reflecting limited  
18 focus on recurring relationships. The contrast suggests a preference for immediate  
19 cash flow over long-term retention.

20  
21 **Figure 8. Premium Data of Digital Life Insurers, HKIA<sup>48</sup>**

Sum of NB and Inforce Business	(in 000')	Premiums	
Life Digital Insurer	Year	Annual Payment	Single Payment
Blue	2020	255,394	1,196,671
	2021	212,068	1,335,867
	2022	233,324	435,125
	2023	254,918	663,858
	2024-1H	75,006	200,936
Bowtie	2019	2,448	-
	2020	37,593	-
	2021	103,314	-
	2022	160,186	-
	2023	211,442	-
	2024-1H	135,957	-
ZA Insure	2020	9,751	-
	2021	27,049	236,700
	2022	27,915	789,992
	2023	21,530	391,384
	2024-1H	12,281	400,658

22  
23  
24 Even though the HKIA has not released the life market's claim or expense data,  
25 it is worth noting the market share of existing life digital insurers in the whole life  
26 market, as illustrated in Figure 9 above. Similarly, all market data are based on Direct

<sup>48</sup> [Insurance Authority, Quarterly Release of Provisional Statistics for General Business, available at https://www.ia.org.hk/en/infocenter/statistics/quarterly\\_release\\_of\\_provisional\\_statistics\\_for\\_general\\_business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly_release_of_provisional_statistics_for_general_business.html) (Visited 14 Sept 2024).

1 Business only, which means reinsurance data are not included; this is because digital  
2 insurers use a Business-to-Consumer model. The market premium in total for  
3 calculating the market share in Figure 9 is shown in Figure 10.

4  
5 **Figure 9. Life Digital Insurers' Market Share, HKIA<sup>49</sup>**

Sum of New and Inforce Business										
Year	2020		2021		2022		2023		2024-1H	
Gross Premium (in 000')	Annual Payment	Single Payment	Annual Payment	Single Payment	Annual Payment	Single Payment	Annual Payment	Single Payment	Annual Payment	Single Payment
Total of 3 digital insurers	302,738	1,196,671	342,431	1,572,567	421,425	1,225,117	487,890	1,055,242	223,244	601,594
Total of Life Market	504,529,283	120,910,448	464,962,955	193,469,413	393,720,513	182,445,459	458,482,707	169,930,481	270,143,586	99,786,461
Market Share	0.06%	0.99%	0.07%	0.81%	0.11%	0.67%	0.11%	0.62%	0.08%	0.60%

6  
7  
8 **Figure 10. Life Market Data, HKIA<sup>50</sup>**

(HK\$'000)	Year	New Business				In-Force Business				sum of NB and Inforce Business		
		No. of Policies		Premiums		No. of Policies	Sums	Premiums		No. of Policies	Premiums	
		Annual Payment	Single Payment	Annual Payment	Single Payment			Annual Payment	Single Payment		Annual Payment	Single Payment
Market Total	2020	989,061	55,940	72,968,529	60,074,675	14,793,632	8,238E+09	431,560,754	60,835,773	15,782,693	504,529,283	120,910,448
	2021	884,434	106,337	70,183,881	96,247,022	15,122,560	8,626E+09	394,779,074	97,222,391	16,006,994	464,962,955	193,469,413
	2022	684,703	77,616	43,497,463	90,923,997	15,211,777	8,741E+09	350,223,050	91,521,462	15,896,480	393,720,513	182,445,459
	2023	895,963	62,570	95,958,198	84,694,909	15,398,684	9,041E+09	362,524,509	85,235,572	16,294,647	458,482,707	169,930,481
	2024-1H	480,066	35,151	66,205,120	49,393,486	15,501,313	9,200E+09	203,938,466	50,392,975	15,981,379	270,143,586	99,786,461

9  
10  
11 Although the overall market share of the three digital life insurers remains  
12 relatively small, their steady growth in annual payment premiums indicates increasing  
13 consumer acceptance of digital insurance products. The combined market share for  
14 annual payment policies has risen from 0.06% in 2020 to 0.11% in 2023, suggesting  
15 gradual penetration into a traditionally conservative market that has relied on face-to-  
16 face interactions. This consistent rise reflects growing consumer trust in digital  
17 platforms for long-term life insurance needs. Notably, Bowtie, which focuses  
18 exclusively on annual payment premiums, demonstrates the potential for sustainable  
19 recurring revenue through customer retention and long-term relationships rather than  
20 one-off sales.

21 Conversely, the digital insurers' presence in the single payment premium  
22 segment has been more volatile. Initially capturing nearly 1% of the market in 2020,  
23 their share declined to 0.51% in 2023. This decline may stem from the perception of  
24 single payment policies as high-commitment investments, which are less appealing  
25 during economic uncertainty, such as the pandemic. Traditional insurers often possess  
26 more established distribution networks, providing them with an advantage in selling  
27 larger one-off policies. Additionally, some digital insurers may have shifted their  
28 focus toward annual payment premiums to foster long-term customer relationships,  
29 prioritizing continuity over short-term gains from single payment policies.

### 30 **4.3 Digital Channel Performance of the L&H Business in Singapore**

31 Despite the limited data released by the MAS, Life Insurance Association Singapore,  
32 and the General Insurance Association of Singapore regarding digital channel

<sup>49</sup>Insurance Authority. *Quarterly Release of Provisional Statistics for Long Term Business*, available at [https://www.ia.org.hk/en/infocenter/statistics/quarterly release of provisional statistics for long term business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly%20release%20of%20provisional%20statistics%20for%20long%20term%20business.html) (Visited 14 Sept 2024).

<sup>50</sup>Insurance Authority. (2024, May 30). *Quarterly Release of Provisional Statistics for Long Term Business*. Retrieved from [https://www.ia.org.hk/en/infocenter/statistics/quarterly release of provisional statistics for long term business.html](https://www.ia.org.hk/en/infocenter/statistics/quarterly%20release%20of%20provisional%20statistics%20for%20long%20term%20business.html) (visited on 14 Sept 2024).

1 performance, it is still worth looking at a rough overview of the new business  
 2 performance of life and health insurance products from 2019 to 2023, as shown below  
 3 in Figure 11, with a focus on the Online Direct Channel (ODC). This channel refers  
 4 to digital platforms developed and maintained by life insurers, allowing customers to  
 5 purchase life policies directly without the need for intermediaries.

6  
 7 **Figure 11. Market Share of the Online Direct Channel, LIAS<sup>51</sup>**

New Business (Individual Life & Health)	2019		2020		2021		2022		2023	
	#	%	#	%	#	%	#	%	#	%
<b>Total Weighted Premium</b>	4,253.6m		4,383.1m		\$5,381m		\$5,098m		\$4,901m	
<b>Online Direct Channel</b>	9m	0.2%	180m	4.1%	\$189m	3.5%	\$144m	2.8%	\$85m	1.7%

Online Direct Channel refers to any web portal or application in the internet created, developed and maintained or operated by any direct life insurer, on which a client may purchase a life policy.

This is a new category with data collected starting Q1'19.

8  
 9  
 10 Broadly, from 2019 to 2023, the total weighted premiums for new business in  
 11 the individual life and health insurance sectors grew from SGD \$4,253.6 million to  
 12 SGD \$4,901 million, reflecting a steady demand for these products. The premium  
 13 volume peaked in 2021 at SGD \$5,381 million, possibly due to increased awareness  
 14 around health and financial security following the global pandemic. However, after  
 15 2021, the total weighted premium showed a slight decline, falling to SGD \$5,098  
 16 million in 2022 and further to SGD \$4,901 million in 2023. This dip could be linked  
 17 to market normalization post-pandemic or economic pressures affecting consumer  
 18 purchasing behavior. Data regarding the performance of the ODC were first collected  
 19 in 2019, marking the industry's focus shift towards digitalization. In 2019, the ODC  
 20 accounted for SGD \$9 million, which was just 0.2% of the total weighted premium  
 21 for that year. By 2020, this channel saw a remarkable increase, contributing SGD  
 22 \$180 million, making up 4.1% of the total weighted premium. This significant growth  
 23 reflects the early success of digital insurance platforms in response to changing  
 24 consumer behaviors during the pandemic, where digital interactions became a  
 25 necessity rather than an option. Namely, the COVID-19 pandemic greatly hastened  
 26 the shift towards digital adoption and even altered the perspectives of traditional  
 27 stakeholders.<sup>52</sup> In 2021, ODC continued to grow but at a slower pace, reaching SGD  
 28 \$189 million and representing 3.5% of total premiums. In 2022, ODC premiums  
 29 dropped to SGD \$144 million, accounting for 2.8% of total premiums, suggesting a  
 30 potential saturation of the ODC market, or perhaps a shift in consumer preferences  
 31 back towards traditional purchase methods as the impact of the pandemic waned. The  
 32 decrease continued into 2023, where ODC premiums captured only 1.7% of the  
 33 market; this could indicate several factors, including increased competition from

<sup>51</sup>Life Association Singapore, *Life insurance industry results (2024)*, available at [https://www.lia.org.sg/media/4142/20240215\\_lia-4q2023-results\\_slides.pdf](https://www.lia.org.sg/media/4142/20240215_lia-4q2023-results_slides.pdf) (visited 14 Sept 2024).

<sup>52</sup>Matthias de Ferrieres, "The Rise of the Digital Economy: Estimating the Impact of a New Generation of Entrepreneurs as Disruptive Entrants in the Insurance Industry in Singapore," *ResearchGate* (2021), available at [https://www.researchgate.net/publication/350725834\\_THE\\_RISE\\_OF\\_THE\\_DIGITAL\\_ECONOMY\\_ESTIMATING\\_THE\\_IMPACT\\_OF\\_A\\_NEW\\_GENERATION\\_OF\\_ENTREPRENEURS\\_AS\\_DISRUPTIVE\\_ENTRANTS\\_IN\\_THE\\_INSURANCE\\_INDUSTRY\\_IN\\_SINGAPORE](https://www.researchgate.net/publication/350725834_THE_RISE_OF_THE_DIGITAL_ECONOMY_ESTIMATING_THE_IMPACT_OF_A_NEW_GENERATION_OF_ENTREPRENEURS_AS_DISRUPTIVE_ENTRANTS_IN_THE_INSURANCE_INDUSTRY_IN_SINGAPORE) DOI:10.13140/RG.2.2.29404.51849 (visited 25 Jan 2025).

1 traditional channels that provide non-product-related services, changing consumer  
2 sentiment, or insufficient digital product differentiation.<sup>53</sup>

3 When comparing the life insurance markets of Singapore and Hong Kong, while  
4 Hong Kong's digital life insurers have been slower to gain market share, Singapore's  
5 ODC had a spike during the pandemic and ended up taking 4.1% of the total weighted  
6 premiums in 2020. Singapore's ODC share dropped to 1.7% by 2023, indicating a  
7 stabilization or a return to traditional channels as the preferred option, likely due to  
8 the importance of relationship-building and trust in influencing consumer decisions.  
9 This highlights the varying digital adoption rates between the two regions.<sup>54</sup>

10 While some may contend that the market share of digital insurance in Hong Kong  
11 is relatively small compared to Singapore and that growth trends from 2020 to 2024  
12 have not been consistently upward, it is crucial to consider the broader context of the  
13 evolving landscape. Hong Kong's digital insurers are actively expanding their  
14 offerings, with several Insurtech companies launching innovative products that cater  
15 to both single and annual premium payment options. This shift indicates a growing  
16 consumer preference for online platforms, reflecting increased comfort with digital  
17 solutions for insurance needs.

18 Moreover, these companies are strategically focusing on building long-term  
19 relationships with clients, which is essential for establishing trust in an industry  
20 traditionally reliant on face-to-face interactions. This emphasis aligns with consumer  
21 demands for more flexible and accessible insurance solutions. The market potential is  
22 further enhanced by the influx of clients from the Greater Bay Area (GBA), supported  
23 by favorable cross-border regulations that facilitate seamless interactions between  
24 insurers and clients. As these regulatory frameworks evolve, they are likely to foster  
25 a more integrated insurance market benefiting both consumers and providers. The  
26 introduction of tailored products for the GBA market, such as Avo Insurance's  
27 Northbound Dental Insurance launched in November 2024, exemplifies this growth  
28 potential by offering coverage for individuals aged 1 to 80, regardless of Hong Kong  
29 ID status.<sup>55</sup> This inclusivity not only expands the client base but also highlights digital  
30 insurers' commitment to addressing the diverse needs of consumers in the region. As  
31 time progresses, the synergy of innovative product offerings, supportive regulatory  
32 environments, and a growing customer base from the Greater Bay Area (GBA) is  
33 likely to significantly enhance the market share of digital insurance channels in Hong  
34 Kong. This evolution signifies a dynamic shift in the insurance landscape, propelled  
35 by technological advancements and changing consumer behaviors.

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<sup>53</sup>Trembly, Ara C., 2001, "Why the insurance industry has failed in the online distribution channel," *National Underwriter* (Life & Health Services edition), 105: 19–21.

<sup>54</sup>James F. Devlin and Sarwar Azhar, "'Life would be a lot easier if we were a Kit Kat': Practitioners' views on the challenges of branding financial services successfully." *Journal of Brand Management*, 12(1), pp.12–30 (2004). Rafael Bravo, Teresa Montaner and Jose M. Pina, Corporate brand image of financial institutions: a consumer approach. *Journal of Product & Brand Management*, 21(4), pp.232–245 (2012). S.M.A. Moin, James Devlin and Sally McKechnie, The magic of branding: The role of 'pledge,' 'turn' and 'prestige' in fostering consumer trust in financial services. *Journal of Financial Services Marketing*, 21(2), pp.113–126 (2016). Leonard L. Berry, Cultivating service brand equity. *Journal of the Academy of Marketing Science*, 28(1), pp.128–137 (2000).

<sup>55</sup>Avo Insurance Company Limited, *Northbound Dental Insurance - Extensive dental network covering essential care* (2024), available at <https://www.heyavo.com/en/products/dental> (visited 20 Nov 2024).

## 1 **Challenges and Opportunities in Hong Kong**

### 2 3 *Existing Challenges*

#### 4 5 Competition from Traditional Insurers

6 Even with the innovation and client convenience that digital insurers provide,  
7 their share of the industry is still tiny. Digital insurers have struggled to exceed the 1%  
8 threshold in annual premiums, even at their peak in the single payment category of  
9 the life market (1.02% in 2020). Non-life businesses are in a similar predicament. This  
10 implies that growing in a market with such intense competition is a gradual process.  
11 In Hong Kong, in-person encounters with agents continue to be an essential  
12 component of the insurance-buying process since conventional insurers have a strong  
13 reputation and are therefore better able to gain and retain the trust of their clients.  
14 Many consumers prefer the personal touch and reassurance that comes from dealing  
15 with an agent, which digital insurers—focused on online, self-service models—  
16 struggle to replicate. Traditional insurers also have broad, well-established  
17 distribution networks that include partnerships for bancassurance, which is the sale of  
18 insurance through banks, brokers, and agents. In particular, life insurers dominate the  
19 market for selling complex products like whole life or investment-linked policies  
20 through personal agents, based on the latest annual statistics of the HKIA.<sup>56</sup> These  
21 agents can help families proceed with claims procedures during what is likely to be  
22 an emotionally distressing time. Moreover, having an agent can be reassuring in the  
23 event of a death or critical illness claim; this is an environment where digital insurers  
24 may find it difficult to compete.

25 Further, because traditional insurers frequently offer a wider selection of products,  
26 they are able to bundle and cross-sell plans. They can provide packages that include  
27 life, health, house, vehicle, and other insurance types, giving them something extra.  
28 With a smaller selection of products, digital insurers would not be able to provide the  
29 same degree of personalization and flexibility when it comes to policy bundling. This  
30 hinders their capacity to grow their share or keep consumers over the long run. In  
31 addition, traditional insurers are better able to withstand periods with high claims or  
32 economic downturns due to their bigger capital reserves and varied investment  
33 portfolios than smaller, more recent digital players, which means traditional providers  
34 can offer competitive rates and better withstand losses during spikes in claims thanks  
35 to strong financial positions. Established insurers, for instance, can use their financial  
36 clout to offer more benefits or reduced premiums to keep clients, while digital insurers  
37 with narrower profit margins might find it difficult to compete on price. Because of  
38 their established connections with reinsurers, traditional insurers can offer clients  
39 more favorable terms for risk-sharing. Due to their lack of established relationships,  
40 digital insurers may incur extra reinsurance costs, which would further reduce  
41 profitability. Many older or conservative clients still prefer traditional insurers, even

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<sup>56</sup>Insurance Authority, *Table L4 Individual Life New Business* (2024), available at [https://www.ia.org.hk/en/infocenter/statistics/files/Table\\_L4\\_2022.pdf](https://www.ia.org.hk/en/infocenter/statistics/files/Table_L4_2022.pdf) (visited 14 Sept 2024). Insurance Authority, *Table L4 Individual Life Inforce Business* (2024), available at [https://www.ia.org.hk/en/infocenter/statistics/files/Table\\_L1\\_2022.pdf](https://www.ia.org.hk/en/infocenter/statistics/files/Table_L1_2022.pdf) (visited 14 Sept 2024).

1 if younger, tech-savvy consumers are becoming more and more interested in digital  
2 insurers. Persuading customers to migrate to a fully digital experience is still a big  
3 challenge in Hong Kong, where insurance has always been offered in-person,  
4 compared with in Singapore, which is focused on promoting the PPP model more.

#### 5 6 Profitability Pressures

7 Although the market has accepted digital insurers more quickly, profitability is  
8 still a major obstacle. There are several things that add to this pressure. First, operating  
9 costs for digital insurers are frequently higher than average, particularly in their initial  
10 years. These expenses cover investments in marketing, customer acquisition,  
11 regulatory compliance, and technology infrastructure. While digital models seek to  
12 cut costs by automating operations, developing and sustaining these platforms comes  
13 with significant upfront setup costs. For instance, a large amount of money must be  
14 spent on creating complex platforms for customer support, claims handling, and  
15 underwriting. It might be costly to update and maintain these systems on a regular  
16 basis. In the meanwhile, because they must build brand awareness and trust in a  
17 fiercely competitive market, digital insurers sometimes face significant customer  
18 acquisition costs. Even if their methodology is less expensive than that of traditional  
19 insurers, they nevertheless need to make significant investments in partnerships and  
20 digital marketing to increase their clientele. As digital insurers grow, they must  
21 manage higher policy volumes, which could put pressure on the infrastructure already  
22 in place. To accommodate expanding activities, they also must grow their teams,  
23 which raises operating expenses even more.

24 The combined ratio — the total of the loss ratio and the expense ratio —  
25 determines the profitability of non-life digital insurers. The pressure on profitability  
26 that now exists for digital non-life insurers is demonstrated by their performance.  
27 Even though they now have better control over costs and claims, they are still far away  
28 from turning a profit since they are having trouble with keeping claims under control  
29 as their insurance base grows. If not handled appropriately, the scaling of claims  
30 expenses — wherein more policies result in more claims — can reduce profitability.  
31 Younger, tech-savvy consumers with risk profiles that are distinct from traditional  
32 consumers are frequently the target market for digital insurers. Claims management  
33 may become more difficult because of the potential unknown risks associated with  
34 these new client segments. Furthermore, digital insurers may not have access to the  
35 historical data that traditional insurers do, which might lead to an underpricing of risk  
36 and higher-than-expected claims expenses. Because of the high initial expenses and  
37 difficult learning curves, digital insurers usually have a longer profitability journey  
38 than traditional insurers. Before they can break even in a sustainable manner, they  
39 must make large progress in both scale and efficiency. It could take a few years to turn  
40 a profit, particularly in a market as competitive as Hong Kong, where traditional  
41 insurers have more established clientele and financial resources compared with those  
42 in Singapore.

#### 43 44 Long-Term Strategic Considerations

45 In Hong Kong's life insurance market, a clear distinction exists between the  
46 performance of digital insurers in annual payment plans versus single payment plans.

1 Annual payment premiums, which allow clients to make smaller, more frequent  
2 payments, have been successful for digital insurers like Bowtie. This model appeals  
3 to younger, tech-savvy consumers seeking affordability and convenience, while also  
4 fostering customer retention and generating consistent recurring income.

5 Conversely, single payment premiums, which require a substantial lump-sum  
6 payment upfront, have posed challenges for digital insurers. Their market share in this  
7 segment has been volatile, peaking at 0.46% in 2022 before slightly increasing to 0.51%  
8 in 2023. The high upfront cost of single payment plans may deter consumers during  
9 economic uncertainties, such as the COVID-19 pandemic, as the inability to spread  
10 out premium costs can reduce willingness to commit.

11 Many customers prefer purchasing high-commitment insurance from traditional  
12 providers due to the in-person support and comprehensive understanding of the long-  
13 term implications of such policies. For digital insurers to succeed in selling single  
14 payment policies, they must address this trust gap. The instability of single payment  
15 products may indicate a mismatch with consumer behavior, although annual payment  
16 plans can foster long-term relationships.

17 To better meet market demands, digital insurers should enhance their product  
18 offerings and focus on niches where they hold a competitive advantage. Younger,  
19 tech-savvy customers tend to gravitate towards digital insurers, valuing affordability,  
20 transparency, and ease of use. However, this demographic often prefers less expensive,  
21 short-term products, such as health insurance or annual payment plans, which may  
22 complicate the development of a balanced product line.

23 To succeed, digital insurers must create a product strategy that evolves with  
24 customers, offering more comprehensive coverage as their financial situations change.  
25 While younger consumers represent a growing market, they may lack the means or  
26 desire for long-term, high-cost products like investment-linked policies or whole life  
27 insurance. Thus, digital insurers must balance simple, short-term offerings with more  
28 complex, high-value products targeting older or wealthier clients.

### 29 30 Regulatory and Operational Challenges

31 As companies grow, digital insurers must also address regulatory constraints and  
32 preserve operational efficiency. There are unique operational and regulatory hurdles  
33 when operating as a digital insurer in a highly regulated sector like insurance. These  
34 may affect the scalability, innovation, and competitiveness of digital insurers. One of  
35 the most heavily regulated industries is insurance, with stringent rules controlling  
36 everything from capital requirements to consumer protection, data privacy, and claims  
37 handling. These regulations, which are frequently created with traditional insurers in  
38 mind, provide several obstacles for digital insurers operating in Hong Kong, including  
39 capital and solvency requirements like Hong Kong Risk-Based Capital. Digital  
40 insurers must comply with the capital adequacy and solvency standards set forth by  
41 the HKIA, just like traditional insurers do. Digital startups that lack the same financial  
42 resources as more established players may find it challenging to meet these  
43 requirements. While keeping adequate reserves to pay claims is necessary, doing so  
44 may prevent them from reinvesting profits in expansion and innovation. Additionally,  
45 digital insurers frequently work to launch cutting-edge goods that meet the evolving  
46 demands of their clients. Regulatory agencies must first approve these products

1 though. The length of the approval procedure can hinder the speed at which digital  
2 insurers can launch new products. In addition, they are subject to more stringent  
3 regulations concerning data protection and cyber security. Given how much digital  
4 insurers depend on online platforms and the gathering of private client information,  
5 customer trust might be further undermined by costly fines and reputational harm  
6 resulting from a data breach or cyber security failure. Therefore, for digital insurers,  
7 making investments in cyber security solutions and guaranteeing adherence to data  
8 protection laws are essential to business operations. Meanwhile, the rise of insurance  
9 aggregators in Singapore and Hong Kong signifies a major change in the insurance  
10 industry's digitalization. However, the emergence of these platforms also brings with  
11 it new difficulties that require attention, especially in the regulatory area. Market  
12 manipulation is one of the main problems that aggregators bring with them. These  
13 platforms have significant control over whether products are highlighted or given  
14 better rankings because they are increasingly serving as intermediaries between  
15 consumers and insurers. Aggregators and specific insurers may occasionally  
16 collaborate to promote the latter's products more widely in exchange for increased  
17 commissions or fees. This approach may cause market distortion and an unfair  
18 playing field for insurers, especially for smaller players or recent entrants who are  
19 unable to pay for increased exposure.

20 The Digitalization in Insurance Guide from Baker McKenzie Law Firm  
21 highlighted that<sup>57</sup>, at present, Hong Kong lacks specific regulations governing the  
22 advertisement of insurance products on online platforms or the utilization of insurance  
23 aggregators. Nevertheless, if a third-party online platform engages in the promotion  
24 of insurance products and is deemed to be involved in regulated insurance activities,  
25 it may be necessary for that platform to acquire the appropriate insurance license.  
26 While the practices of using insurance aggregators and advertising insurance products  
27 online are not explicitly outlined in regulatory frameworks, it is essential for these  
28 activities to comply with existing laws and regulations. This includes adhering to  
29 fundamental advertising standards that ensure transparency, honesty, and ethical  
30 practices in all marketing efforts. In this context, regulators like the HKIA may need  
31 to introduce transparency requirements for aggregators. These rules would require  
32 aggregators to disclose clearly how products are ranked, whether financial incentives  
33 affect the visibility of certain policies, and ensure that comparisons are truly unbiased.  
34 This would help prevent conflicts of interest and allow consumers to make well-  
35 informed decisions. However, if the regulatory framework becomes too complex or  
36 restrictive, it could discourage international insurance companies and Insurtech firms  
37 from entering the Hong Kong market, potentially favoring markets with more flexible  
38 regulations. Thus, it is imperative for the HKIA to find a balance by implementing  
39 appropriate and reasonable regulations that foster growth while maintaining consumer  
40 protection in the digital insurance space.

41

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<sup>57</sup>Baker McKenzie, *Digitalization in Insurance Guide | Hong Kong*, Baker McKenzie Resource Hub (23 October 2025), available at: <https://resourcehub.bakermckenzie.com/en/resources/asia-pacific-insurance/asia-pacific/hong-kong/topics/digitalization-in-insurance-guide> (visited 5 Feb 2025).

1 *Future Opportunities in Hong Kong*

2

3 Overview

4 For the expansion of existing product lines, Figure 12 presents a comprehensive  
5 comparison of product offerings from various digital insurers in Hong Kong,  
6 including Blue, Bowtie, ZA Insure, OneDegree, and Avo. The categories encompass  
7 life protection, medical coverage, critical illness, accident protection, daily life  
8 insurance, travel insurance, and pet insurance. The existing product segments of  
9 digital insurers in Hong Kong present distinct opportunities for expansion and  
10 diversification. Blue could enhance its portfolio by introducing travel and pet  
11 insurance, particularly targeting the growing market for GBA-specific travel coverage.  
12 Bowtie and ZA Insure should consider offering daily life insurance, savings plans  
13 (e.g., annuities), and pet insurance to address their current gaps. OneDegree, while  
14 strong in niche offerings like pet insurance, ought to expand into life and medical  
15 protection, as well as savings insurance, to attract long-term financial planners. Avo,  
16 lacking life, critical illness, accident, savings, and pet insurance, should introduce  
17 these products to create a more comprehensive suite that meets diverse consumer  
18 needs. By addressing these gaps, each insurer can enhance competitiveness, broaden  
19 market appeal, and stabilize loss and combined ratios through a larger insurance pool.

20

21

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1 **Figure 12. Product Line Profiles of Digital Insurers, Official Websites**<sup>58</sup>

	Blue	Bowtie	ZA Insure	OneDegree	Avo
Life Protection	WeCare Flexible Term Life TF1	Bowtie Term Life	ZA Life		
	WeCare Term Life Plan TL3	DreamLife (Term Life rider)			
Medical Protection	- WeMedi Outpatient Protector	Voluntary Health Insurance Scheme	ZA Voluntary Health Insurance Scheme		Cancer Protection
	- WeMedi GBA Dental Protector D1	OutPatient - BowtieGo			Avo VHIS (Standard) Plan
	- WeMedi HK Dental Protector	Enterprise Vision Eyecare			Child Vaccination Protection
		MTB Early Critical Illness Health Check Plan			OutpatientGuard Protection
		Children Vision Eyecare			Northbound Dental Protection
Critical Illness Protection	WeCare Critical Illness Protection Plan 1	Bowtie Critical Illness	ZA Cancer	Critical Illness	Cancer Protection
	1WeCare Cancer All in One	Cancer Fighter	ZA Heart Attack & Stroke		
	WeCare Carcinoma-in-situ				
	WeCare 109% Refundable Critical Illness Protector				
	WeCare 3-in-1 Protector				
Accident Protection	WeCare Personal Accident	Touch Wood Protector	ZA Accident	Fire Insurance	
	WeCare Accidental Joint & Bones Protector				
	WeCare Emergency Cash				
Daily Life related	WeGuard Eye Disease Protector			Home Insurance	Domestic Helper Protection
	WeGuard PharmaEASY Protector			Home Appliances Warranty Insurance	Home Protection   Landlord (leasing out) / Self-occupied / tenant
					eWallet Protection
					eWallet Protection mini
					Cosmetic Journey Protection
					IVF Journey Protection
Savings Insurance	WeSave Short Term Insurance Plan ST1				
	EasySave ES1 Insurance Plan				
	WeSave E1 Insurance Plan				
	WeSave S3 Insurance Plan				
	WeWealth GoWealth Generator 2 / WeProtect GoWealth Plus				
Travel Protection					Worldwide Travel Protection
					Mainland China Travel Protection
					Greater Bay Area (GBA) Travel Protection
					Thailand Travel Protection
Pet Protection				Pet Insurance	
				Dog Insurance	
				Cat Insurance	
				Turtle, Tortoise & Bird Insurance	

2  
34 **Expansion of Cross-Border Protection Coverage in the GBA**

5 The surge in travel between Hong Kong and mainland China, particularly during  
6 holidays, underscores the need for comprehensive insurance products tailored to  
7 frequent short trips. For example, during the 2023 Christmas holiday, over 340,000

<sup>58</sup>Blue Insurance, *Homepage*, available at <https://www.blue.com.hk/en> (visited 14 Sept 2024);  
Bowtie Insurance, *Homepage*, available at <https://www.bowtie.com.hk> (visited 14 Sept 2024);  
ZA Insurance, *Homepage*, available at <https://insure.za.group/v2/en> (visited 14 Sept 2024);  
OneDegree Insurance, *Homepage*, available at <https://www.onedegree.hk/en-us> (visited 14 Sept 2024);  
Avo Insurance, *Homepage*, available at <https://www.heyavo.com/en> (visited 14 Sept 2024).

1 people crossed into the mainland, highlighting the potential demand for cross-border  
2 insurance coverage.<sup>59</sup>

3 The inclusion of GBA-specific travel and health products (as seen in “WeMed  
4 GBA Dental” from Blue and “GBA Travel” from Avo) presents a significant  
5 opportunity for insurers to target cross-border travelers with specialized offerings. It  
6 is suggested that insurers can further expand their product lines to include more  
7 comprehensive and tailored packages, such as comprehensive medical coverage for  
8 treatments in GBA hospitals, emergency repatriation services and coverage for  
9 additional travel expenses if hospitalization delays return trips, follow-up medical care  
10 in Hong Kong for injuries sustained in the GBA, including coverage for Chinese  
11 medicine practitioners, as well as adventure sports coverage for activities like skiing  
12 and surfing, which are becoming more popular in the region. Additionally, partnering  
13 with travel agencies and tour operators specializing in GBA trips can create bundled  
14 offerings, allowing insurers to integrate products seamlessly into the traveler’s  
15 journey.

### 16 Provision of Personalized Products and Services for the GBA

17 Consumers’ willingness to share personal data provides insurers with a unique  
18 opportunity to create personalized services that meet specific needs. A survey from  
19 the Capco global consultancy showed that the primary motivator for data sharing is  
20 the desire for more personalized services (55% in Hong Kong; 60% in the GBA).<sup>60</sup>  
21 Additionally, many respondents are interested in improvements to claims processes  
22 (53% in Hong Kong) and enhanced authentication systems (54% in the GBA). Hence,  
23 it is suggested to provide tailored insurance offerings. Health, life, and long-term  
24 savings products, such as investment-linked insurance and annuities, can be  
25 customized based on a customer’s individual financial goals, health data, and lifestyle  
26 preferences. At the same time, insurers can leverage personal data, such as fitness and  
27 health metrics, to offer personalized wellness and app-based services and rewards for  
28 healthy behavior, given that Capco survey respondents in Hong Kong and the GBA  
29 are interested in features like mental health coaching, nutrition analysis, and lifestyle  
30 recommendations within insurance apps. In detail, 63% of Hong Kong app users and  
31 73% in the GBA expressed a desire to shop for additional products through their  
32 insurance apps, and many respondents wanted apps to offer features like lifestyle  
33 recommendations (68% in Hong Kong; 74% in the GBA) and online health  
34 information resources (34% in Hong Kong; 40% in the GBA).<sup>61</sup> To remain  
35 competitive, insurers must prioritize the development of flexible, omnichannel  
36 journeys that align with individual preferences, as this approach can greatly enhance  
37 customer engagement and satisfaction. Additionally, insurers should consider  
38

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<sup>59</sup>MSIG, *Explaining comprehensive protection for Greater Bay Area excursions* (2024), available at <https://www.msig.com.hk/en/lifestyle-library/explaining-comprehensive-protection-greater-bay-area-excursions> (visited 14 Sept 2024).

<sup>60</sup>CAPCO, *Hong Kong & Greater Bay Area insurance research 2023*, available at <https://www.capco.com/about-us/newsroom-and-media/hong-kong-and-gba-insurance-research-2023> (visited 14 Sept 2024).

<sup>61</sup>*Ibid.*

1 forming partnerships with health tech companies to offer integrated wellness services  
2 directly through their applications, further personalizing the customer experience.

3  
4 Introduction of Brand-New Products

5 To better address emerging consumer needs and enhance market offerings,  
6 digital insurers in Hong Kong should consider introducing new insurance products.  
7 This strategy would allow them to serve underserved markets, capture emerging  
8 segments, and deliver innovative solutions aligned with contemporary consumer  
9 demands.

10  
11 **Family Insurance Packages**

12  
13 Families often seek insurance products that cover multiple members and address  
14 various life scenarios. A customizable family insurance package could provide  
15 tailored options for parents, children, and extended family, offering greater flexibility  
16 and cost savings compared to individual policies. By bundling diverse coverages—  
17 such as life, medical, accident, critical illness, and home insurance—into a single  
18 comprehensive plan, insurers can cater to families seeking an all-in-one solution that  
19 simplifies insurance management and offers holistic protection.

20  
21 **Education Insurance for Mainland Chinese Students in Hong Kong**

22  
23 In mainland China, schools typically mandate compulsory insurance, which is  
24 more affordable than commercial options. In contrast, mainland students in Hong  
25 Kong generally face higher costs for commercial insurance, ranging from several  
26 thousand to tens of thousands of Hong Kong dollars annually. Given the substantial  
27 number of mainland Chinese students in Hong Kong, there is a significant market  
28 opportunity for tailored products. Education insurance designed specifically for these  
29 students could offer short-term coverage (1 to 4 years) that includes health, accident,  
30 and medical emergency protection at a more affordable rate than traditional  
31 commercial policies.

32  
33 **Long-Term Care (LTC) Insurance**

34  
35 With Hong Kong's aging population and increasing concerns about long-term  
36 healthcare costs, Long-Term Care (LTC) insurance is becoming increasingly  
37 pertinent, paralleling trends observed in Singapore. This product would attract  
38 middle-aged and elderly clients seeking to secure their financial futures and alleviate  
39 the burden of LTC expenses on their families. Additionally, it can be marketed to  
40 younger professionals as part of their long-term financial planning. LTC insurance  
41 would offer coverage for individuals requiring extended care due to chronic illness,  
42 disability, or aging, encompassing home care, nursing homes, and rehabilitation  
43 services. By addressing the rising demand for elderly care solutions, digital insurers  
44 can position themselves as innovative and socially responsible entities dedicated to  
45 meeting the long-term needs of an aging population.

46

1 **Conclusion**

2

3 This research provides a comprehensive analysis of the evolving Insurtech sector  
4 in Hong Kong, contrasting it with Singapore's more adaptive environment. The study  
5 identifies significant shortcomings in Hong Kong, including an overreliance on  
6 traditional distribution methods and profitability challenges. Nevertheless, opportunities  
7 exist to expand product offerings, enhance cross-border security in the GBA, and  
8 develop customized products to meet consumer demand.

9 The market analysis reveals that while digital insurers in Hong Kong are growing,  
10 they face intense competition from traditional firms and ongoing profitability issues.  
11 Although regulatory frameworks in Hong Kong are robust, they are less flexible than  
12 Singapore's, where innovation is driven by public-private partnerships and rapid  
13 digital adoption.

14 The virtual insurance market in Hong Kong, encompassing both life and non-life  
15 sectors, shows promising growth. To maintain competitiveness, it must navigate  
16 operational and regulatory barriers. Future opportunities for Hong Kong's digital  
17 insurers include expanding cross-border protection, introducing new products such as  
18 family and education insurance, and utilizing data to create personalized solutions. By  
19 addressing these challenges and leveraging emerging trends, the digital insurance  
20 sector in Hong Kong is poised for significant transformation.

21

22

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4

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