

# 'Insurtech' initiatives in Hong Kong

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**Sandbox**  
**Fast track**  
**Comment**

On September 29 2017 the Insurance Authority launched [two new initiatives](#) to promote the use of 'insurtech' in Hong Kong. The initiatives have encouraged insurers and technology companies to team up to develop innovative insurance technology in light of recent market trends.

## **Sandbox**

The Insurance Authority has adopted new technology (eg, an e-platform, cloud computing and block chain technology for claims management) to help insurers meet consumers' insurance needs. The sandbox provides a safe place for insurers, together with technology firms, to experiment with 'insurtech' pilot projects without the need for full compliance with the Insurance Authority's usual regulatory requirements. This flexibility allows insurers to collect real market data and user feedback. The Insurance Authority could also assist insurers to overcome any regulatory issues before formal market launch.

However, participant insurers must comply with certain sandbox principles. The trial must have:

- well-defined boundaries and conditions, such as:
  - timing (eg, the phases or duration of a trial, its expected launch date and termination arrangements);
  - size of the business;
  - targeted users (eg, internal staff or external customers);
  - type of technology;
  - expected outcome; and
  - success criteria;
- adequate customer protection;
- adequate risk management controls;
- adequate resources to test the technology; and
- an exit strategy which would mitigate any risk arising from the termination of the trial.

Other considerations may be relevant on a case-by-case basis.

Manulife, the second-largest life insurer in Hong Kong, is the latest insurer to adopt digital technology after the launch of the sandbox scheme. It now has a user-friendly website for policyholders to make claims online. On January 8 2018 the chief executive officer of Manulife Hong Kong stated that "some products, health insurance, [the mandatory provident fund] and mutual funds can actually be sold online". Other insurers such as MetLife, AIA, Allianz and Zurich have also unveiled 'insurtech' plans.

## **Fast track**

The second Insurance Authority initiative, fast track, is a dedicated queue for insurers that own and operate an insurance business solely through digital distribution channels (ie, without the use of any conventional channels such as agents, banks or brokers).

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Applicants must comply with the following fast-track principles:

- solvency, capital and local asset requirements must be met in order to allow for sufficient loss absorption capabilities;
- shareholder controllers must have adequate insurance experience – at least one of the shareholder controllers must be an authorised insurer in Hong Kong;
- applicants must abide with Insurance Authority guidelines, unless exempted or modified by the Insurance Authority; and
- applicants must have adequate policy holder protection measures in place.

The Insurance Authority may impose restrictions or conditions on the types of product that can be sold online.

### **Comment**

These initiatives aim to promote the development of new technologies in Hong Kong's insurance sector and maintain Hong Kong's competitiveness in the Asian market.

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