Bridging protection gaps in Hong Kong

HONG KONG

More than half of Hong Kong's workforce have experienced income loss due to illness or disability. Yet a survey by Zurich Insurance (Hong Kong) revealed that half of the local workforce lack sufficient savings to last six months without income. The report also revealed that Hong Kongers feel they are most vulnerable to income loss. Only a quarter of respondents believe they have a less than 10% chance of lost earnings due to illness or disability, versus the more confident 38% average of the 11 markets surveyed.

Eric Hui, chief executive officer, Zurich Insurance (Hong Kong), said, "The study highlights a serious issue with income protection gaps in Hong Kong. Income protection is not a pleasant topic, and it's complex, so people often need a trigger to motivate them to act. We hope the report will stimulate debate, and help more people in Hong Kong prioritise income protection, seek professional advice, and formulate a long-term plan."

Significant gaps

The findings from the second phase of the study reveal that Hong Kong workers are more likely (54%) to experience income loss in working life due to serious illness/disability than any of the respondents of the markets surveyed (average 44%). The research also shows that 54% of those surveyed had personally experienced income loss due to sickness or accident. Of those that experienced income loss, over one-third (38%) suffered income loss for longer than six months. Of those without income protection insurance, less than half (45%) said they would consider investing in protection, with most citing price as the biggest barrier. Mr Hui, said, "The lack of protection, combined with Hong Kong's increased longevity and rising healthcare costs, presents a significant protection gap challenge for the city."

Why insurers' anxiety is at an all-time high

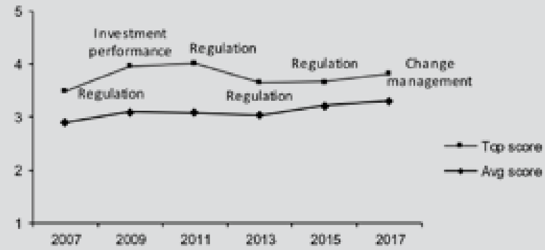
RISK PERCEPTION

If regulatory and macroeconomic risk were foremost amongst insurer worries two years ago, these have now been overtaken by anxieties on coping with change and cyber risk. Change management has shot up to the top of the bi-annual 2017 Banana Skins survey, which reflects risk perception amongst insurers globally in the next two to three years, up from sixth place in the 2015 rankings. Similarly, cyber risk has risen to become the second most critical concern for insurers, up from fourth, due to the rising threat of cyberattacks and the steep costs of underwriting cybercrime.

Top concerns for insurers

"For the first time in six editions of this survey, operating risks pose the greatest threat to insurers. Structural and technological changes to the industry could upend traditional business models," said David Lascelles, survey editor at the Centre for the Study of Financial Innovation, which conducted the survey with support from PwC. "At the same time, insurers are grappling with a very difficult economic climate, which helps explain why anxiety is at an all-time high."

Insurance Banana Skins Index



Respondents were asked to score each of the 22 topical risks in this survey from 1 to 5, where 5 is the most severe. This chart shows the average score of the top-rated risk in each edition of Insurance Banana Skins, and the average score of all the risks.

Source: CSFI, PwC

> **For the first time in six editions of this survey, operating risks pose the greatest threat to insurers.**

Regulatory risk has topped the last three editions of the survey, but has fallen out of the top five this year largely as insurers start to see it as a business-as-usual requirement, even as regulatory cost and complication remain sources of concern.

Technological risk still sits in third place, as new technologies such as driverless cars and artificial intelligence continue to pour into the industry and potentially upend it. Interest rates, investment performance and macroeconomic risk round out the top five list of key insurer risks for insurers. "Both the challenges and opportunities presented by change underline the vital importance of being clear about where you're best able to add value, and then being ruthless in targeting investment and management time at these priorities," said Mark Train, global insurance risk leader, PwC.

PEOPLE

Generali, Coface reveal newest appointees in Asia

Neil Gardner has been appointed as Asia chief customer officer at Generali Asia in September 2017. He will report directly to Roberto Leonardi, regional officer for Asia. Based in Hong Kong, Generali's regional hub, Gardner will be responsible for Marketing and Communication, Digital and Analytics, and integrating Operations as part of the overall customer experience. He brings over 25 years' experience in the Banking and Insurance industries, in customer centric roles, having worked with GE Money, Citibank and AIG in Asia.

Coface named Samuel Jesuratnam as country manager for Singapore effective September 2017. He joined Coface in 2002 as country manager in India. He and his team were instrumental in developing the various business lines of Coface in India starting with forging partnerships for the firm's core credit insurance business.

Neil Gardner

Samuel Jesuratnam