

Comparative Analysis of Chinese Mainland and Hong Kong Insurance Products and the Prospect of Insurance Industry

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ABSTRACT

As an emerging financial product, insurance is attracting more and more people. Hong Kong with developed insurance industry attracts investment from mainland residents. This paper starts with the development process and current situation of insurance products, insurance markets and relevant government policies in the mainland and Hong Kong, compares the similarities and differences of insurance products in the mainland and Hong Kong, and explores the development prospects and direction of both insurance by finding information and analyzing the audience.

1. Introduction

1.1 Research Background

With the progress of society and the development of economy, the insurance industry is gradually emerging. As financial products with financing, tax avoidance, security and investment functions are emerging, more and more attention is received. Although the insurance industry in the mainland is developing rapidly, it is not as mature as some insurance industries with more perfect international development. The economic prosperity and legal system of Hong Kong and the mainland are different. Many mainland residents choose to invest in insurance in Hong

Kong. According to statistics, the five years from 2010 to 2015 soared, setting a new record in 2015, with a total of HK \$31.6 billion in the year^[1].

1.2 Review of the Literature

Since the earliest British insurance company was founded in Hong Kong in 1841, the Hong Kong property insurance market has started for 100 years. Property insurance in mainland China was restored in 1980. After gradually introducing the market competition mechanism and joining the WTO, mainland property insurance has entered a period of rapid development^[3]. Although in recent years, the mainland insurance market share has

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stood to the second insurance stage in the world, from the level of insurance products, we still need to clearly realize the gap between the developed insurance market ^[4].

Summing up the above literature, it is found that in the existing research, there is no literature that can pay macro attention to the development trend and prospects of the insurance industry in mainland China and Hong Kong, and take specific companies and their products as comparative reference from multiple perspectives. The analysis of mainland insurance industry is generally based on the initial period and development period of mainland insurance industry, the process and order of the industry is not perfect enough to keep up with the insurance industry reform and international policy adjustment; and based on the current literature of the mainland insurance industry, it is difficult to make a reasonably perfect comparison with Hong Kong insurance.

1.3 Survey Methods

This paper conducts research by collecting second-hand information, field interviews, questionnaires and other research methods as well as combining online and offline research methods.

A total of 221 questionnaires were issued, and after screening 2 questionnaires are invalid, excluding them, the actual number of effective questionnaire is 219, the effective rate is 99.1%. Besides, the number of people who purchased insurance filled out is 152, and the actual effective questionnaire is also 152, so the effective rate is 100%.

In addition, this paper compares the similarities and differences between insurance products in the Mainland and Hong Kong, and explores the development prospects and directions of insurance in these two places by selecting information and analyzing audiences.

2. Insurance Development Process in the Mainland and Hong Kong

2.1 The Hong Kong Insurance Industry Has a Long History

The insurance industry can be regarded as the oldest industry in Hong Kong, with a history of 170 years ago, and has formed a very mature and perfect investment system with decentralized globalization. In the long history of Hong Kong insurance industry, its development generally consists of five stages. In the first stage, from the early Japanese occupation of Hong Kong in the early 1840s to 1941, the development of the insurance industry was mainly insurance agents. Hong Kong developed its economy rapidly with its excellent geographical position. The second stage, in 1945, when Hong Kong

was occupied by the British again until the late 1960s, was a period of transition in Hong Kong's insurance industry, with a variety of differences risk species. In the third stage, from the late 1960s to the early 1980s, the insurance industry became international and diversified. In the fourth stage, from the early 1980s to the return of Hong Kong in 1997, we strengthened the standardized governance of various insurance companies, and greatly standardized and institutionalized the insurance industry. The fifth stage, when Hong Kong returned in 1997, is the rapid development of life insurance business and banking insurance business. After the Asian financial storm, a large number of banks entered the Hong Kong insurance market, Hong Kong's life insurance industry achieved strong growth, many international insurance companies also chose to set up a location in Hong Kong, but also for the mainland Technical support ^[7].

2.2 Current Status of the Insurance Industry

Hong Kong is a famous international financial center. The insurance industry has a long history and naturally has a higher degree of internationalization than that of the mainland market. Hong Kong is also one of the most densely distributed areas of insurance companies. Foreign insurance companies hold a large share of Hong Kong insurance industry, according to the Hong Kong insurance regulator, as of October 21, 2013, Hong Kong has a total of 153 authorized insurance companies, including 82 registered in Hong Kong, the rest from various countries and regions, including Bermuda, 12 in Britain, 9, Germany 6,5, three in France, 3 in Canada, Switzerland, 3, Japan There are three domestic companies, two in mainland China, and two in Luxembourg, including Singapore, Italy, Norway, the Netherlands, Engersey, the Bahamas, India, Ireland and the Philippines ^[8].

3. Comparison between Mainland Insurance and Hong Kong Insurance

3.1 Currency

Mainland insurance is only available by using RMB, while Hong Kong policy allows three currencies: US dollar, HKD and RMB. According to it, policyholders in Hong Kong need to consider currency selection and exchange rate risk when purchasing Hong Kong insurance, as they should not only focus on the short-term benefits of insurance and ignore its long-term nature ^[9].

3.2 Product Design

In terms of target customers, Chinese mainland

Insurance Company has a wide target customer base and a low degree of segmentation. The subdivision of Hong Kong insurance companies is more obvious, more targeted and more humanized, and the collection and collation of customer information is more specific and detailed. These background checks can give the insurer a more detailed understanding of the insured and make more accurate risk assessment more accurately.

In terms of fees, Hong Kong insurance companies have higher product premiums, but claims fees are also high. By contrast, the medium level is shown.

Many of Chinese mainland products have lower premiums and claims fees than those in Hong Kong. From the perspective of time, the medical compensation time of Hong Kong insurance is short, long protection cycle, fast claim speed and high efficiency.

Regionally, Hong Kong Insurance has extensive customer protection. Chinese mainland's insurance guarantee group is mainly limited to mainland residents, and the scope of overseas coverage is relatively narrow.

The big difference between insurance products between the two places, the first is the difference in the macro insurance market environment. Different macro environment will inevitably have an important impact on the basic market trends and product design elements.

Comparisons were made using SWOT analysis, with the differences summarized as follows:

Table 1. The SWOT analysis method ^[6]

	Mainland China	Hong Kong
Strengths	Less restrictions, more customers	High satisfaction and rich products
Weaknesses	Slow reaction and imperfect system	More regulations, fewer customers
Opportunities	Develop the customers, enrich the means	Expand the market
Threats	Foreign insurance	Sustainable development

In addition to the above different macro market environment, the different internal background of micro insurance enterprises is also the reason for the product differences.

3.3 Market Behavior

Market behavior is a strategic behavior taken by enterprises to obtain profits and market share in the market. It is generally divided into price behavior and non-

price behavior. The price of property insurance companies generally refers to the rate of property insurance.

At present, mainland insurance companies in price positioning problems are: (1) unreasonable market entities, mainland insurance companies pay more attention to the maximization of premium scale; (2) information asymmetry makes policyholders unable to fully understand the service differentiation of property insurance companies, can only take the price as the preferred reference factor. Property insurers can often gain more market share by disguised reduced rates.

The innovation of insurance products and services in Hong Kong's property insurance market is still at a relatively high level. Although the main insurance types are classified according to statistics, personalized products are very popular. He has the following reference for the development of the mainland insurance market: (1) Hong Kong property insurance is a free competitive market. It is difficult for enterprises to quickly occupy the market through price behavior. Only through the innovation of products and services can enterprises obtain the corresponding market share and profits; (2) appropriate regulatory measures. Hong Kong's insurance supervision system is dominated by other laws and supplemented by self-discipline, forming a comprehensive supervision system that combines government supervision and industry self-discipline ^[6].

3.4 Legal System

According to the provisions of the Insurance Law, the establishment of insurance companies in the mainland should adopt two organizational forms of joint stock limited company and wholly state-owned company. The insurance industry in Hong Kong developed earlier and has the title of international free port. The organizational form of insurer is different from that of the mainland. Under the Insurance Company Regulations, insure Hong Kong include insurance companies, Lloyd's, exclusive private insurers and non-exclusive insurance rers. In addition, Hong Kong also has financial enterprises with non-specialized insurance business and are engaged in certain insurance business. Therefore, Hong Kong's regulatory laws have diverse forms of insurer organization, allowing mutual insurance organizations besides the corporate system. Individual insurance organizations and concurrently engaged in insurance organizations, this system effectively increases the subject of the insurance business industry, can give full play to the advantages of all kinds of insurers, and effectively promote the benign competition in the insurance market.

Chapter 4 of the Regulations on the Administration of

Insurance Companies in the mainland specifically makes relevant provisions on insurance terms and rates. Hong Kong has continued to use the previous British insurance supervision model, pursuing free competition and active non-intervention policies. However, for the new insurance business and relatively high risk activities, the Insurance Regulatory Department will timely issue relevant guidelines according to the market trends. Through comparison, the economic activities of various insurance companies in the mainland are mainly supervised through the provisions of the unified insurance market, such as interest rates. Hong Kong, which is open to insurance companies, advocates free competition in insurance rates and conditions ^[11].

3.5 Cash Value

The different growth rate of cash value is the core difference between mainland insurance and Hong Kong insurance. The cash value of mainland policy is basically fixed, and it has certain advantages in the early stage. In contrast, the cash value of Hong Kong policy is uncertain. Even though dividends are not guaranteed, there are many advantages in the latter stage compared with before.

Table 2. Comparison of Prudential’s serious illness insurance with that of the mainland

	Hong Kong	Chinese mainland
The range of conditions covered	There are 118 insurable diseases, covering some diseases not covered in the Mainland. It also provides compensation for the removal of benign tumors, precancerous lesions and other operations that do not constitute serious diseases, including specific cancers in situ, congenital diseases and conditions related to developmental abnormalities to ensure that the scope of diseases keep pace with The Times and be close to the international.	Fewer diseases and serious homogeneity.
Insurance premium	It is 30% cheaper than the mainland, with an additional 50% protection for the first 10 years.	More expensive
Currency	Hong Kong policy allows three currencies: US dollar, HKD and RMB.	Mainland insurance is only available by using RMB.
Assumed interest rate	4%-5%, a combination of health care and long-term savings	3.5%-4%
Number of claims	Additional 320% coverage for cancer, heart attack and stroke is available for multiple claims after claiming critical illness coverage ^[12]	Only one payment can be made

Take serious illness insurance as an example, the cash value of Hong Kong serious illness insurance is usually zero in the first two years of payment, during which time the withdrawal of insurance can not bring any money back. However, with years of payment, the cash value of the policy will grow rapidly, which means the cash value in the later can be much higher than its premiums, while mainland insurance can not do this.

4. Audience Analysis

The number of valid copies filled out by the purchase insurance population is 152, and these users will be analyzed below.

4.1 Population Characteristic Analysis

(1) Gender distribution is even

The survey data show that the survey includes men accounted for 48.68 percent and women accounted for 51.32 percent, which means that the ratio of men and women is not much different.

Table 3. Basic characteristics of the person who buys the insurance

Variable		Frequency (person)	Percentage (%)
Gender	Male	74	48.68
	Female	78	51.32
Age	50 and above	4	2.63
	40~50	39	25.66
	30~40	48	31.58
	18~30	61	40.13
	18 and less	0	0.00
Educational background	Primary school and below	1	0.66
	Junior middle school	5	3.29
	Senior middle school	33	21.71
	Junior college	39	25.66
	Regular college course	66	43.42
	Master Degree Candidate	7	4.61
	Doctoral candidate	1	0.66
	Post doctor	0	0

(2) The main age stage is in the middle-aged age

In the statistics, under 18 years of age accounted for 0%, 18 to 30 years old accounted for 40.13%, 30 to 40 years old accounted for 31.58%, 40 to 50 years old accounted for 25.66%, 50 years old accounted for 2.63%.

Buyers mainly concentrated in 18-50 years old as in the middle age stage.

(3) The overall impression of the insurance industry is general

In the overall impression of the insurance industry in the score, 14 people chose 0 to 2 points, accounting for 9.21%, 16 people chose 3 to 4 points, accounting for 10.53%, 5 to 6 points have 28 people, accounting for 18.42%, 52 people chose 7 to 8 points, accounting for 34.21%, 42 people chose 9 to 10 points, accounting for 27.63%. The total value is of 1029 and the average is of 6.77, so the overall impression of the insurance industry in general.

4.2 Type and Expectation of Insurance being Bought

(1) The type of insurance being bought

According to the survey data, health insurance is the most popular type of insurance, with 44.74 percent of those who have purchased insurance. Besides, 36.84 percent have purchased old-age insurance, 36.18 percent have chosen accident insurance, 35.53 percent have chosen life insurance, 32.24 percent have chosen property loss insurance, 27.63 percent have chosen liability insurance, and 25.66 percent have chosen credit insurance.

(2) Buying insurance pays more attention to whether

the product is reliable

Statistics show that the top three priorities for insurers deciding whether to buy a class of insurance are: reliability (62.50%), ease of insurance coverage (42.76%), and good solution (42.11%), which shows that insurance buyers attach far more importance to the reliability of insurance products than to their product diversity.

(3) Purchase insurance channels diverse

Statistics show that 45.39% of insurance buyers have purchased insurance through bank distribution channels, followed by 43.42% through agent channels, and the least number of people (23.03%) choose Internet channels. It can be seen that insurance users because of reliability more inclined to buy insurance offline, and Chinese society decided that more users chose acquaintances and agent channels.

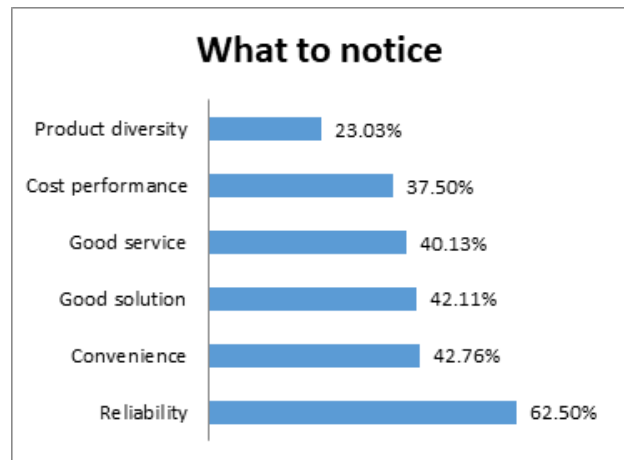


Figure 1. Buy insurance focus on what

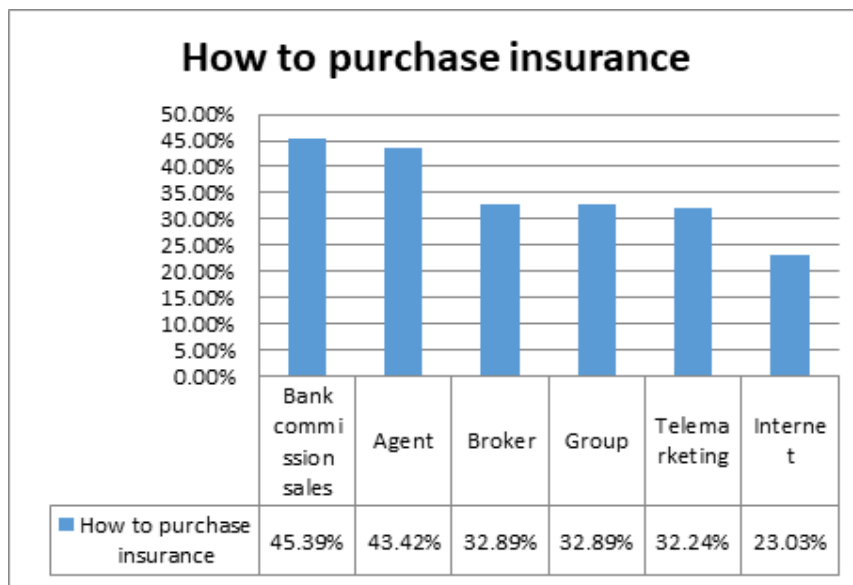


Figure 2. Purchase insurance channels

4.3 Expectations for Insurance Products and Industries

(1) Insurance industry and product improvement points

By compiling survey data, customers' main expectations for insurance are making fewer nuisance calls, improving protection services, and wanting the insurance industry to better explain the various regulations of insurance to customers.

(2) Think of the future direction of insurance industry

Survey data show that insurance users believe that the future directions of insurance industry development are production and marketing separation, medium-sized enterprises to enter the market and continue to compete, insurance companies to improve investment capacity, product differentiation and big data applications.

5. Development Prospects or Direction of Insurance in Both Places

With the deepening of contact and communication between Hong Kong and the mainland, Hong Kong generally has roughly two important development opportunities. First, with the gradual deepening of RMB internationalization, Hong Kong can firmly grasp the role of Chinese and foreign insurance and constantly explore opportunities for mainland personal asset allocation and overseas funds to invest in the mainland market. Second, with the gradual implementation of various national policies and plans in the Guangdong, Hong Kong and Macao Greater Bay Area, Hong Kong insurance can be vigorously developed in the Free Trade Area and the Greater Bay Area^[5].

China's insurance market is facing a bloody huge change that has changed from a relatively extensive economic development model to a scientific, reasonable and standardized economic development model. First, from the perspective of insurance products, speed up the replacement of products, and constantly expand the scope of security and insurance. Second, standardize the sales activities and agent behavior of insurance companies, reduce the risk surrender rate and other expense rates, broaden the investment channels within the scope of supervision, and strive to improve the profitability of insurance funds. Third, strengthen the supervision of insurance companies, improve the quality of insurance, and cooperate with public media and other relevant departments to gradually popularize insurance knowledge to the public to create better conditions for the convenience of claim settlement. Fourth, we should

use scientific and technological means to carry out digital strategic transformation, find new opportunities in scene embedding, accurate marketing, user mining, user experience optimization and other aspects, and lead our new journey from a big insurance country to a strong insurance power^[4].

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