

# The Difference between Hong Kong Insurance and Mainland China Insurance

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**Abstract.** As the incidence of cancer is relatively higher than the incidence of accidents, many people have lost their lives because they were unable to recover. Insurance is a great way to protect your life. It can avoid the risks. This paper mainly analyzes the advantages and disadvantages of Hong Kong insurance and mainland insurance. Through this analysis, the paper makes the following recommendations. Insurance enterprises must rectify the weak links as soon as possible, according to the environment and market development characteristics timely update the competitive strategy and marketing concept, according to the enterprise characteristics and advantages using appropriate marketing strategy, innovation insurance products, mining potential customers, broaden the customer breadth and depth, improve the relevant laws and regulations, form characteristic management mode, improve local insurance enterprise market competitiveness, to promote the sustainable development of mainland insurance enterprises, greatly reflects the insurance economic compensation, risk, social management, make a significant contribution to the harmonious progress of economic construction, people's life and society.

## 1 Introduction

Hong Kong believes in the economic concept of free competition and is the freest economy in the world. Hong Kong has always followed the principle of "small government and large market", realized the free enterprise system and guarantee to the maximum extent, and given full play to the role of automatic market regulation. It adopted an economic policy of free competition in all areas and combines maximum market regulation with minimal government intervention. Its free-market operations are mainly realized through the market mechanism. The market mechanism is the soul of Hong Kong's market economy [1]. It consists of three mechanisms: market supply and demand, price, and competition. They work together to regulate the flow of resources and allocate resources to efficient sectors.

As one of the three major financial industries, the insurance industry plays an extremely important role in the construction of the financial system and social security system. Commercial insurance, as an important supplement of social insurance, also plays a very important role [2]. Therefore, it is very necessary to supervise commercial insurance companies. In recent years, China's insurance industry has experienced a short period of leap-forward development and is now in the "bottleneck period" after the rapid development. The specific performance is that the number of insurance companies is large, but the operating conditions vary greatly; the overall profitability of insurance companies is slowing down; and the overall solvency of insurance companies is lacking. Integrating insurance supervision

resources and improving the legal system of insurance supervision are urgent tasks.

Before this paper, there have been many research results on the supervision of commercial insurance companies, which involve the access supervision of insurance companies, investment supervision, solvency supervision, exit supervision, and other aspects [3]. However, relatively speaking, the research results on Hong Kong's insurance regulatory system are few and cover a narrow range. Few studies have been conducted specifically on the insurance regulatory legal systems in the mainland and Hong Kong. This paper, from the perspective of law economics, compared the differences of mainland commercial insurance regulatory system with the Hong Kong insurance regulatory system, the excellent legislation in Hong Kong to help us clear the regulatory path, improve the legal system of commercial insurance companies, improve the effectiveness of commercial insurance company regulation, and promote the insurance industry's upgrading and industrial transformation [4].

## 2 Health insurance system in Hong Kong

Recently, the latest statistics from the Hong Kong Chief Director's Office of Insurance show that insurance spending by large-scale tourists exceeded 10 billion yuan in the first half of this year, up 100 million yuan from the same period last year. Despite the risk of exchange rate fluctuations, Hong Kong's post-milk insurance has shown

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a new trend [5]. Grand traveler contributions to Hong Kong insurance have increased rapidly in recent years. According to the Office of Insurance Supervision, in 2010, Hong Kong introduced a new insurance policy totaling 4.4 billion yuan for Chinese tourists.

Since then, donations have increased by an average of 50% per year. A \$10 billion breakthrough was achieved in the first half of 2014 alone. The new private enterprise tax law reached a record high of 18.4% over the same period. Meanwhile, the terrace insurance market, which has remained at around 10% in recent years, fell to 8% for the first time in 2012, below the visitor arrival rate. Despite the risks of a weaker Hong Kong dollar and Hong Kong policy cuts, Hong Kong Insurance's attitude towards mainland Chinese residents has not changed [6]. The most direct factor that most people buy insurance in Hong Kong is the low price in Hong Kong. Hong Kong policies are usually one-third cheaper for such insurance than Chinese mainland policies. For example, a 21st Century Business Report special correspondent chose to compare the same international policies sold in Hong Kong and the Chinese mainland. The 30-year-old left a batch of emergency health insurance after joining the same program and was sold for 27% on the Chinese mainland [7]. In addition, Hong Kong has a wider range of insurance coverage and more insurance options. Taking emergency medical insurance as an example, mainland insurance covers 40 major diseases + 10 prepaid diseases, while Hong Kong insurance covers 56 to 100 major diseases + 18 prepaid diseases (8 are for children). You can purchase similar products from the above companies. In the same major disease policy, the policy covers 53 risks, 2 incapacitated diseases, 1 early risk, and 42 women's cancer insurance, whereas in the Chinese mainland the policy covers only 42 types.

Furthermore, Hong Kong products provide early immunization and prevention of many diseases, including many internally non-existent diseases, such as autism, painful plant-based diseases, and severe asthma, which are rare on the mainland [8]. Although buying Hong Kong insurance requires personal work, Hong Kong companies still provide better services than large domestic companies in terms of claim processing. According to the insurance industry's criteria for defining critical illness, the Chinese mainland has a stricter definition of critical illness. For example, stroke patients must address one or more of the following problems within 180 days of their diagnosis; Hong Kong insurance companies do not have similar regulations [9]. It will only require a confirmed stroke diagnosis by MRI, CT, or MRI, and it must be confirmed by a registered neurologist.

For mainlanders, the advantage of Hong Kong insurance is that Hong Kong health insurance does not include insurance coverage. In contrast to mainland health-based health insurance and social security-based health insurance, health insurance in Hong Kong is being advertised internationally as standard insurance and does not require payment for private insurance. Moreover, health care in the United States should be divided into health care and non-health care products, including imported medicines. However, as long as the appropriate

treatment plan provided by Hong Kong physicians meets the payment requirements. In addition, insurance coverage in Hong Kong is also an international requirement. Even if the applicant enters any other place in the world or studies, he can settle the request if he goes to the hospital [10].

### **3 The Chinese mainland Health Insurance System**

At present, the national health security system can be divided into three categories: national security, social security, and commercial security. However, because the individual needs of each citizen vary, no one country can meet the security needs of all its citizens with a single security system. Countries usually use one security system as their main system and use one or more other security systems as an effective complement to establishing their health and security systems. From international development experience, no matter what China's main security system is, commercial health insurance is an important part of the national health security system. From the perspective of the construction of the national health insurance system, without the active participation of commercial health insurance; and from the perspective of the development of the commercial health insurance industry, only when health insurance is integrated into the construction of the national health insurance system can a sound health insurance system be realized.

### **4 Differences and the reasons for some differences**

#### **4.1 Low premium in Hong Kong**

For the same insurance, the insurance price in Hong Kong is about 40% lower than that on the Chinese mainland. They are often based on many factors, such as local life expectancy, morbidity, and mortality. According to the World Health Statistics Report 2016 released by the WHO, the global average life expectancy is 71.4 years, Hong Kong, China is 85 years, and the Chinese mainland is on average 75 years. The average life expectancy in Hong Kong is higher than the Chinese mainland, so the insurance costs in Hong Kong are also lower than Chinese mainland.

#### **4.2 High investment efficiency**

In Hong Kong, some insurance policies not only reduce the cost of healthcare but are also lucrative investments. For example, an insurance holding company in Hong Kong will proportionally allocate 95% of the company's capital gains to its clients and deposit the funds directly into the client's account. Moreover, such insurance revenue will continue to grow annually, regardless of the financial crisis, and no major national insurance company has similar plans.

### **4.3 Scope of large claims**

Many cases do not include many large insurance companies on the continent, such as a licensed insured for loss of food, medicine, illness, alcohol, or DUI. There is no other insurer exclusion rule in Hong Kong unless the insured is intentionally injured. The Chinese mainland's needs far exceed the Chinese mainland's insurers.

### **4.4 Procurement costs in Mainland China are relatively low**

If you purchase an overseas insurance policy, it must be insured abroad (time cost and expense). Second, Hong Kong has more insurance than the mainland. Furthermore, many hospitals are unable to perform certain tests. Therefore, you can only choose to go to Hong Kong for a physical examination or go to the mainland's Anji Hospital for an examination. Also, activating your credit card can be a hassle if you have an account in a bank in Hong Kong. After activation, you will need to convert your currency to US dollars or Hong Kong dollars. If the premium is paid in cash, the insurance company can only charge a limited amount at a time, and the excess will be paid by the Hong Kong bank. When you go to Hong Kong, there will be travel costs such as air tickets and local hotel accommodation. These different costs add up to have a big impact. On the other hand, the cost of buying insurance on the Chinese mainland is not as high.

### **4.5 Insurance claims**

Hong Kong Insurance claims Hong Kong dollars or US dollars. If the yuan depreciates during the insurance period, the premiums will be expensive and the insurance companies will have to pay more. However, the premiums and claims paid on the mainland are paid in RMB, so you do not have to worry about losses from exchange rate fluctuations.

## **5 Development trends and suggestions of mainland insurance enterprises**

### **5.1 Vigorously developing agent channels**

Continue to learn from and improve AIA's agent system. Developing agents do not have to bear the five social insurance and one housing fund like regular employees, which greatly reduces the operating costs of insurance companies and is also the main marketing force of major insurance companies. However, attention should be paid to the screening quality of the agents during recruitment as well as the regular training, tracking, and assessment of the production capacity after recruitment; the timely elimination of the "zombie agents" with low activity rate; and always pay attention to the number of agents of the enterprise itself and the growth of the premium production capacity. Quality agents can also very well

promote the company's performance growth and build a brand market reputation.

### **5.2 Paying attention to bank-insurance channels and developing high-quality customers**

The traditional financial habit on the mainland is saving. Idle funds in the bank feel very stable, and steady financial management is also the first choice of banks. Banks sold insurance policies as agents, first introduced in France and introduced into China in the 1990s. Banks have the right to act for a variety of insurance companies' businesses, such as borrower accident injury insurance, and pension insurance. This kind of explanation is simple, high income and cost-effective rates. Bank agency sales of insurance have many benefits: 1). bank agency is mostly pension products, which belongs to the most mining potential and the largest scale of insurance in China. 2). Most of consumer's loan insurance is mandatory, with more and more loans emerging, and the resulting premiums are expected to increase. Compared with other traditional channels, the obvious advantage of the bank-insurance channel is that consumers, banks, and insurance enterprises can have a win-win situation.

### **5.3 Promoting distribution channels that combine network, cloud technology, telemarketing, and agents**

With the development of the mainland Internet, telemarketing has become a trend for consumers to buy insurance, but due to the characteristics of insurance products, network or telephone direct marketing products, the structure is given priority to simple single products, such as casualty, medical insurance, etc., and not to help customers do financial planning, or product portfolio. At this point, we can combine web, telephone and insurance agency service channels to allow agents to receive online customer enquiries at any time. Agents use exclusive codes on the insurance company's website premium quotes and the system automatically calculates agent performance premiums, assessments, fees, etc. and promptly reminds agent clients of updates. Agents can also use the online web, phone and app to handle or book appointments to meet online. This kind of sales method, can greatly provide convenience for sales staff, and improve sales efficiency, but can also make up for the lack of network, and telephone sales.

Nowadays, most of the Internet finance in the insurance industry is only used for online insurance sales and obtaining customer resources, which has almost no effect on the profitability of insurance enterprises. However, Internet insurance is a general trend, and its business model is bound to be rapidly optimized, and increasingly affect all stages of the insurance field.

## **6 Conclusion**

In short, insurance is like a big umbrella that can support a family. Insurance is responsible not only to yourself but also to your family. It can make people feel safe for

drugs and older people. Wherever you buy insurance, your original intention is to ensure safety and achieve steady value growth. This paper analyzes the practical problems facing the supervision of mainland commercial insurance companies. We study and compare the supervision scope, strength, and differences of the insurance companies between the two places, establish a unified and easy legislative system for the government, and improve the industry self-regulation system and social supervision system. This paper only provides a comparative analysis of the insurance situation in Hong Kong and mainland China, but does not use relevant data analysis, which will be added in the future to further analyse these two insurance systems.

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