



The State of  
**Health Insurance**  
in Hong Kong

2017-2018

## About the report & Pacific Prime Hong Kong?

Welcome to the inaugural *State of International Health Insurance in Hong Kong* report. An industry first, this report aims to help provide individuals, families, groups, and companies alike with an overview of international health insurance in Hong Kong going into 2018.

Designed to be an invaluable resource to companies, groups, and individuals new to Hong Kong or looking for a new health insurance solution, this report leverages the knowledge of our advisors and available data to answer some of the most common questions asked around international health insurance throughout 2017. These include:

- ▶ How much does international coverage cost?
- ▶ What can I expect to pay for coverage in the future?
- ▶ What insurers offer plans in Hong Kong?
- ▶ When should I buy coverage?
- ▶ Are there any trends I should be aware of?

In order to answer these questions and to provide as thorough an overview as possible, we have broken the following guide into seven separate sections. The data and information included in these sections is focused primarily on international health insurance coverage in Hong Kong. However, much of the information included in this report can apply to local and regional coverage, especially the sections that discuss both regional and global trends.

While this specific report focuses on Hong Kong, Pacific Prime has created a series of similar reports focused on the following locations, all of which have seen increasing demand for international health insurance:



Each of the above reports can be found on our regional websites. There is also a report that takes a look at global trends which is available on our main [website](#).



### About Pacific Prime Hong Kong

Established in 2000, Pacific Prime's Hong Kong office functions as the headquarters for the company. As an insurance broker, [Pacific Prime Hong Kong](#) works with top insurance providers in the industry to provide a variety of health insurance solutions for individuals, groups, and companies.

As a company, our main goal is to help *simplify insurance*. We do this through impartial advice, and industry leading service. From day one, our team is here to help support you. We don't just help you find the best health insurance, we also offer help with things like claims, disputes, renewal, and more.

Contact us today to learn more about how we can help.

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# Executive Summary

The main goal of the *State of International Health Insurance in Hong Kong* report is to help educate and inform individuals, groups, and companies about international coverage in the city. This inaugural report leverages data generated throughout 2017 to help provide valuable insight that could help you get the most out of your health insurance in 2018.

From the seven sections of this report we have identified Four key findings that all who have, or are considering securing, international health insurance coverage should be aware of:



## The average cost of health insurance

In 2017, the average cost of international health insurance in Hong Kong was USD 12,585.

This figure, generated from the 2017 *Cost of International Health Insurance* report represents an average of four demographics.

Section 2 of the report provides an overview of the costs by demographic.



## The inflation of premiums

In 2017, the average inflation of premiums was reported to be 12.1%. Compare this to the global inflation of 9.2% and it is clear to see that international private medical inflation in Hong Kong is considerably higher than the global trend.

Section 3 of the report provides an overview health insurance inflation in the city along with a historical look at figures.

## The most prominent insurers

Pacific Prime Hong Kong works with some of the largest insurers in the city. Currently, there are 30+ insurers who offer international health insurance plans in the city.

Section 4 provides an overview of the 10 prominent insurers we work with along with some examples of plans they offer.



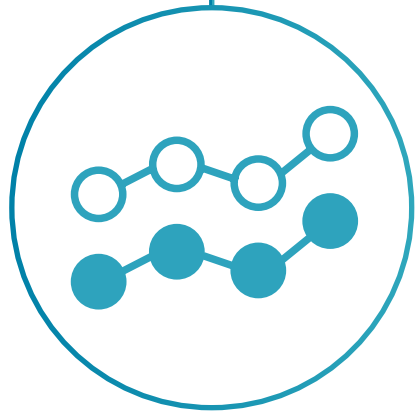
## Major trends impacting health insurance in Hong Kong

In order to get the most out of any health insurance plan, it is important to be aware of the current trends that are impacting their costs and the plans available in Hong Kong and globally.

For example, in section 5 it is reported that the majority of people buy health insurance in Quarter four.

Section 6 and 7 take a look at important changes in Hong Kong that you should be aware of along with regional/global trends.

Section 8 discusses group health insurance and what companies are asking about including plan stability, premium management, and more.



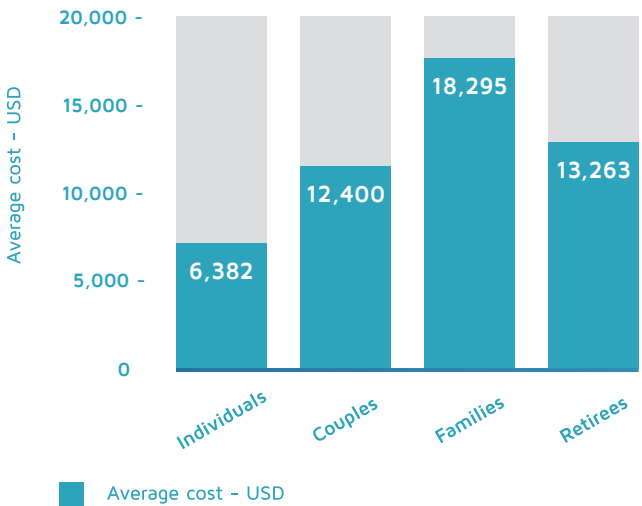
# The cost of health insurance in Hong Kong

In the latest version of our *Cost of International Health Insurance report*, released in late 2017, we found that Hong Kong ranked as the second most expensive location for international health insurance with an average cost of USD 12,585.

## Average premiums by demographic

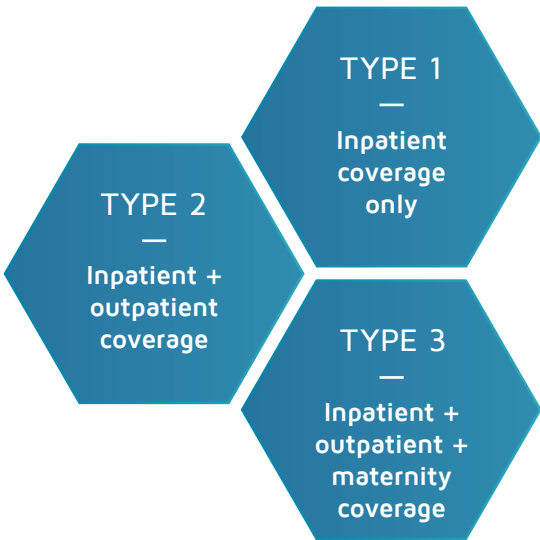
It is important to note here that the figure above represents an average of all demographics and plans included in the report. The chart below breaks the average into separate demographics. In doing this, we can report that the average cost of international health insurance in 2017 is as follows:

Average cost of international health insurance 2017 - Hong Kong



As with the overall average cost of health insurance, Hong Kong ranks as the second most expensive location for each demographic. Of course, the above chart reflects an average cost based on three different levels of cover:

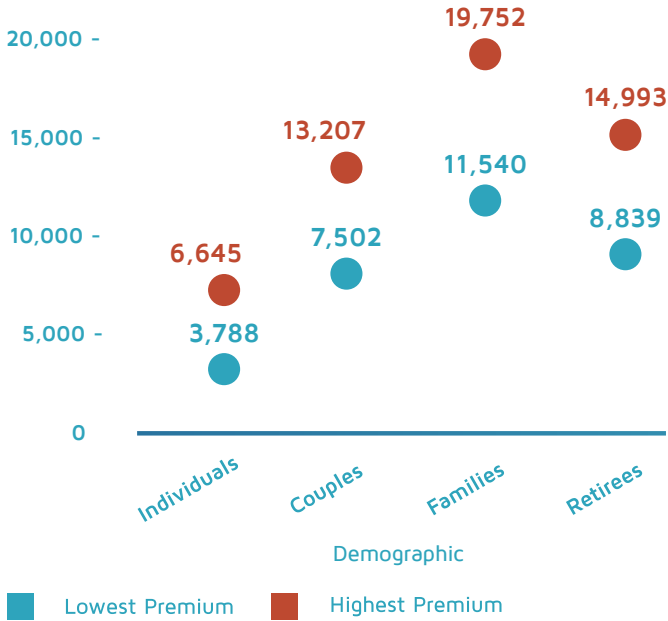
This results in a wide spread of premiums, especially when you consider that the *cost of maternity care* is so high in Hong Kong. To that end, we took a look at the types of plans sold in Hong Kong in 2016 through to 2017, and found that the **most commonly sold plans** were ones with **inpatient + outpatient coverage**.



## Premium spread in 2017 for inpatient + outpatient plans in Hong Kong

The chart below takes the inpatient + outpatient plan premiums from each of the 10 insurers used and shows the spread for each of the four demographics:

Premium spread for inpatient + outpatient cover (USD) - Hong Kong



It is important to note here that the plans used in the Cost of Health Insurance report represent premiums from 10 of the top insurers in the industry. Together, these insurers make up close to 80% of the industry.

That said, the premiums here and in the report were pulled with no deductible or excess for a specific age and cover (inpatient + outpatient). This combined with the fact that we work with 30+ insurers means that actual premiums you are quoted could be drastically different, especially if you select a plan with different levels of cover.

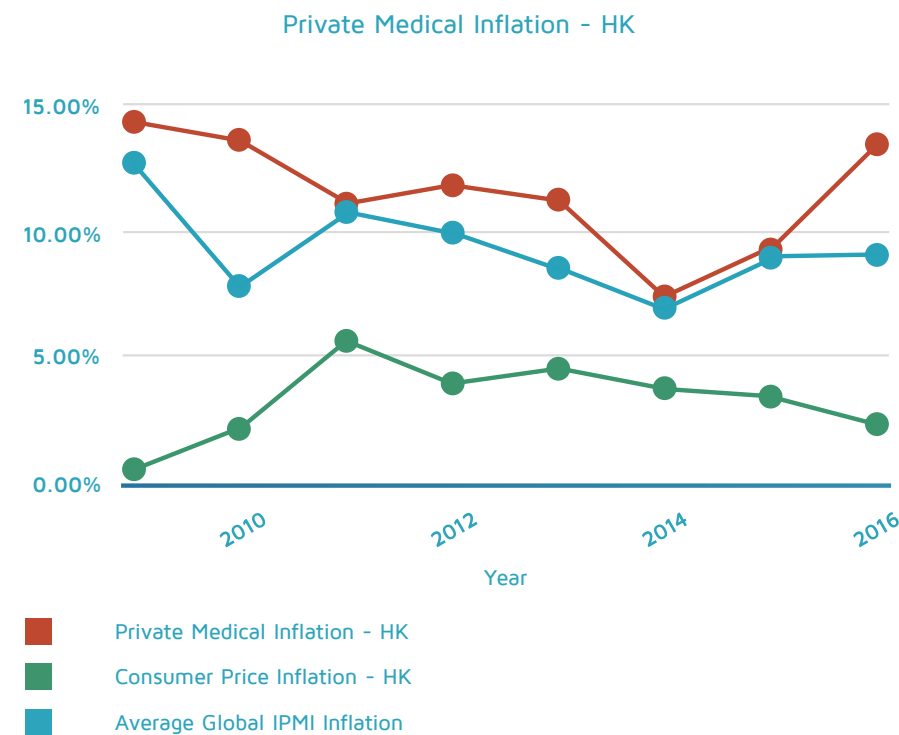
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# Average health insurance premium inflation in Hong Kong

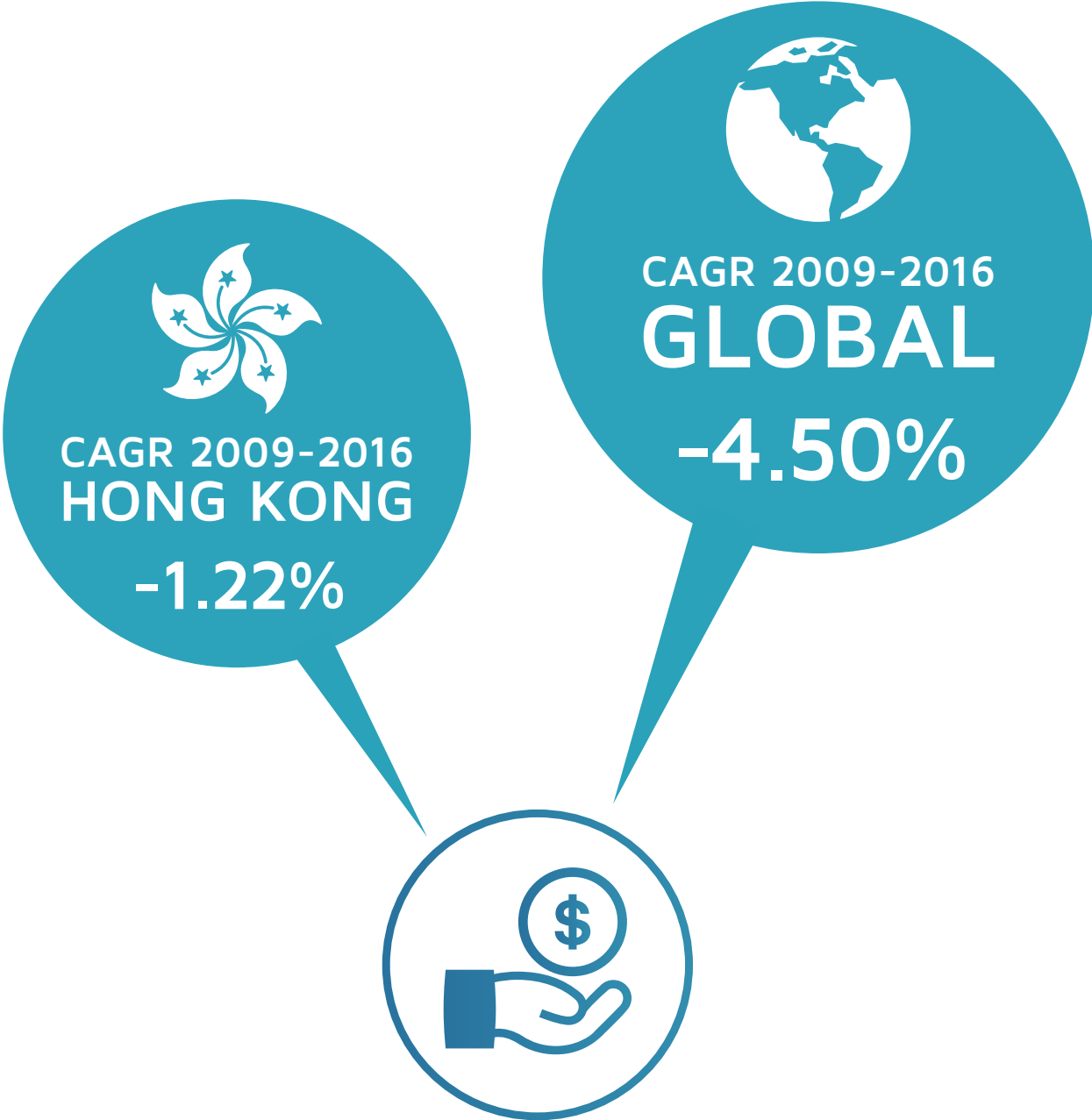
In the spring of 2017, we published the *International Private Medical Insurance Inflation - 2017* report. As the name suggests, the report delves into the inflation of international private medical Insurance (IPMI) premiums leading up to 2017. The findings revealed that international health insurance premiums increased by an average of 12.1% in 2016, considerably higher than the global average of 9.2%.



## Inflation of IPMI premiums over time

As we have published a few different versions of this report, we have available to us inflation data for a number of years, starting from 2009. From the chart above it is clear to see that the IPMI rate has been somewhat volatile with decreased inflation from 2009-2014, and then a marked increase in 2015 and 2016.

Taking this volatility into account, we have calculated the Compound Annual Growth Rate (CAGR) of IPMI inflation. From the figures below we found that from 2009-2016 the average inflation of premiums actually decreased by -1.22% in Hong Kong.



To be clear here, these figures do not mean premiums decreased. Rather, the year-on-year percentage increase of your health insurance premiums has been generally lower in Hong Kong.

To learn more about IPMI inflation both globally and in Hong Kong, check out the *International Private Medical Insurance Inflation - 2017* report, and follow our [blog](#) for news of the next report update, to be released early 2018.

# Major insurers in Hong Kong

As the most developed insurance market in Asia, total gross premiums in Hong Kong amounted to **HKD 448.8 billion** in 2016, representing an increase of 22.7 percent over the year before. The per capita insurance premium in the region is also **one of the highest in the world**, so it comes as no surprise that Hong Kong has attracted a large proportion of the world's largest health insurance companies.

Those looking to buy international health insurance will quickly find that there are many insurance providers in Hong Kong. As of 30 June 2017, there are a total of 159 **authorized insurers** in the region, around half of which are overseas-incorporated companies.

Owing in part to the ever-increasing demand for private medical insurance products in the region, the health insurance sector continues to grow year-on-year. For example, when looking at gross premiums generated from direct business, the Accident & Health sector in Hong Kong recorded a slight growth in premiums between 2015 and 2016.

With almost two decades of experience operating in Hong Kong, Pacific Prime Hong Kong has developed longstanding partnerships with all the major insurers. Here, we provide an overview on 10 of the most prominent local and international health insurance providers in the region:



Founded in the UK in 1947, Bupa has since become one of the largest insurance providers in the world with more than 14 million customers in over 190 countries. With a vast global reach, Bupa has many branches worldwide, including Bupa Asia, which was formed in Hong Kong in 1976. Another major division within Bupa is Bupa Global, which specializes in international health insurance products and services.



US-headquartered Cigna is a global health services organization with a corporate history that stretches back over 200 years. A primary subsidiary within Cigna, Cigna Global Health Benefits offers health insurance products and services to globally mobile employees.



As a global investment, retirement, and insurance group, AXA has an established presence in Europe, North America, Asia Pacific, and the Middle East. AXA PPP Healthcare is one of the main businesses that form the AXA group of companies, and specializes in offering medical insurance policies for individuals and businesses.



Aetna International is an award-winning business that provides health benefits to more than 650,000 members worldwide. One of the industry's largest players, Aetna International also works with governments and hospitals around the world to improve services that can deliver a stronger, healthier global community.



Founded in Germany, Allianz Group has offered insurance and asset management products and solutions to over 86 million clients worldwide. Allianz Worldwide Care, a specialized brand of Allianz Worldwide Partners, offers a wide range of life insurance and international health insurance products to individuals and employers around the world.



As a member of the Bank of East Asia Group, Blue Cross Asia Pacific has over 45 years of experience as a health insurance provider. Having won numerous awards and accolades for its service excellence, the insurance products offered by Blue Cross Asia Pacific include medical, dental, travel, motor, home, fire, personal accident, and many more.



Italy-headquartered Generali is present in 10 key markets across Asia, including Hong Kong, China, India, Indonesia, Malaysia, Philippines, Thailand, Vietnam, and Singapore. The company has been offering insurance solutions to individuals and corporate clients in Hong Kong since the early 1970s.



Liberty International in Hong Kong is a 100 percent owned subsidiary of the Boston-based Liberty Mutual Insurance Group. As a leading medical insurance provider, Liberty International are focussed on providing local and international health insurance products to individuals, families, and businesses.



Formed in 1992, William Russell is one of the world's leading international health insurance providers. In the past 25 years the insurer has protected expats and foreign nationals in over 194 countries, making them one of the largest insurers in the world.

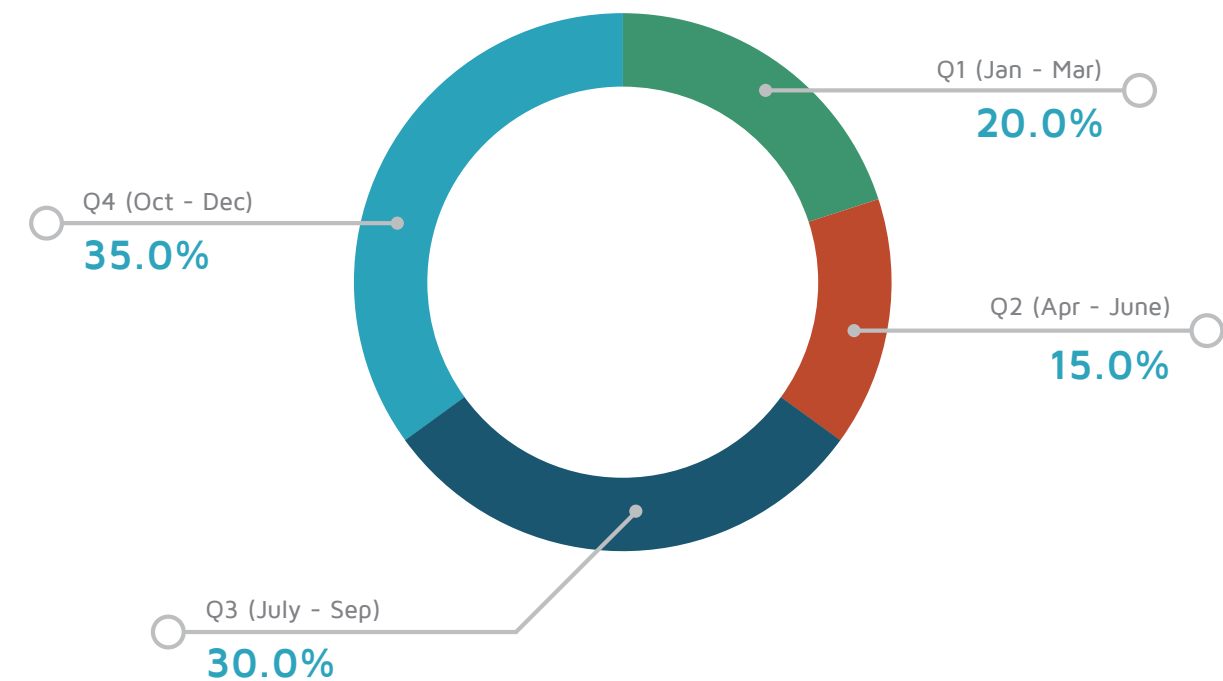


As the largest independent publicly listed pan-Asian life insurance group, AIA Group Limited (known as AIA) is present in 19 key markets around the world. The Hong Kong-headquartered company offers a variety of medical and life insurance products to individual and group clients.

# When do people buy health insurance in Hong Kong?

It is widely known that each and every year, and sometimes even more than that, insurers will increase their premiums. While this traditionally happens around the first of January, the timing of rate increases will vary by insurer. Because of this, you might wonder whether rate increases will have an impact on when people in Hong Kong choose to buy insurance.

To determine this, we looked at all of the health insurance plans we sold in 2016 and 2017 and found that the majority of our plans (35%) were sold in Quarter 4 (Q4).



Interestingly, Q3 (July - September) is the second most popular time period for the purchasing of international medical insurance with 30% of plans sold in that time.

## Why is the second half of the year more popular for the purchase of medical insurance?

This is an interesting question. As premiums typically increase in January of each year, it would make sense that you see people thinking about renewing insurance around this time - after all, if you secure a plan before a premium increase you will not have to pay the increased premium until you renew. This is a sound strategy that can help you offset insurance premiums slightly.

But, few insurers raise their premiums in the summer, so why would Q3 be so popular? The main reason we believe this Quarter is popular is because work and school for many tends to wind down in the summer leaving people with more free time. Certainly, if people think about it and have free time they will tend to look to securing cover.

## When should you buy health insurance?

While the trend shows that the majority of people in Hong Kong purchase international health insurance in the latter half of the year this by no means, means this is when you too should be purchasing health insurance coverage.

### ► For individuals

Purchasing towards the end of the year, before insurers generally increase their premiums, can be a great time to take advantage of a slight cost savings but for individuals and families the best time to secure coverage is before you actually need it.

For example, if you will be moving here from the UK in a few months then it would be a good idea to consider securing coverage before you move, or shortly after you arrive. While you will need a Hong Kong address in order to secure a plan in the city, we can help you find a short term/travel plan that will cover you and your family while you settle in.

If you are already here but will be moving positions shortly it might also be a good time to review your health insurance needs. This is particularly important if your new position has a different benefits package or lower level of coverage from what you currently have. We can work with you to review your options and even suggest a plan that covers any gaps your company sponsored health insurance might have. Learn more about this in our guide to [top-up insurance](#).

### ► For companies

For companies this can be a harder and much more involved process. Ideally, the best time to implement a group health insurance plan would be around the same renewal date as your other insurance policies. This can help make managing the plan much easier, especially if you utilize the [corporate insurance services](#) from Pacific Prime.

If you choose to select this time to implement a new plan, the selection process should start months in advance - three at the very least. Be sure to give yourself enough time to review current staff coverage wants and needs as well as your budget and the proposals from insurers.

Pacific Prime has a specially trained team of corporate insurance solution experts who are here to help ensure that not only does your company secure the best health insurance solution for your employees, but that it is also managed effectively. Our team can take care of everything related to insurance, leaving you to focus on running your company or HR team.



## Recent changes in health insurance in Hong Kong

When it comes to Hong Kong, we have identified two major local trends that all who are considering international health insurance should be aware of.



### Local health insurance plans are becoming more comprehensive

In Hong Kong we are seeing many local health plans (those that cover hospitalization only in Hong Kong) that are starting to be advertised as having more comprehensive cover.

This is certainly a good thing for customers: After all, having more covered means you will likely be able to get more out of a plan.

The problem we have noticed is that many of these local coverage plans have low coverage limits or strict restrictions that minimize their effectiveness. For example, while these local plans will cover almost all eventualities, they will have a low lifetime limit for care. When, not if, you reach this limit you will be paying for all care thereafter yourself.

In some cases, seeking care at a private hospital in Hong Kong with this type of plan could result in you reaching your limits in a small number of visits.

International plans tend to offer much higher limits and be more flexible, especially if you want to receive care at private hospitals or outside of Hong Kong.



### Insurers are exploring different accommodation types

As we mention in our [Public v Private](#) and [Maternity](#) guides, the cost of health care at Hong Kong's private hospitals can be considerable.

For many, health insurance is a must if you want to receive care at these facilities. The problem is, this cost has an impact on the cost of health insurance as we have noted in this [article](#).

In Hong Kong, one tactic insurers are implementing to try to curb the impact high healthcare costs have on premiums is to explore their accommodation options.

For example, we are seeing some insurers restrict room types at the most expensive hospitals, or working with cheaper hospitals to offer discounted room rates.

This has become especially popular with group insurance plans.

This means that it is important to look at the type of room covered by your plan before you secure a cover.

# Global/regional trends impacting IPMI in Hong Kong

Section 6 of the report discussed trends specific to Hong Kong that have been impacting international health insurance in the city. There are, however, a number of global trends that we have seen also playing a role in not only inflation but also the overall cost of cover and type of cover available in the city.

The four trends below are the most prominent.



### Realignment of maternity cover

Maternity cover, which is often sold as an add-on to health plans, is increasingly popular. The problem is that some insurers, when they enter markets like Hong Kong, have drastically underestimated the cost of maternity care, and have priced their plans relatively low compared to the existing market.

While these cheaper plan launch prices are great for the consumer, the pricing problem has a drastically negative impact on the overall performance of the plan; and the insurer will quickly find they can't support the plan.

The way they react to this is usually by increasing premiums and maybe cutting benefits. Thus making an attractive plan decidedly less so.




### Establishment of regional offices

While it is true that insurance is becoming increasingly digital-oriented, we are seeing many insurers actually opening offices in locations where they sell the most plans.

This is a wise move as it helps to not only increase the overall level of service they are able to offer to their clients, but also their responsiveness.


When a regional office opens it is common to see services like underwriting, claims, emergencies, and direct billing improve, making the plans even better for people who secure them.



### More modular plan design

Traditionally, health insurance plans have been fairly strict in their plan design. If you wanted dental cover, you would need to secure a full-cover plan that could also include cover you may not want or need.

Some insurers, however, are starting to offer more modular plan design. These flexible policies can allow you to pick and choose your benefits to create a plan that is customized to your coverage needs.



### Increased focus on cost containment

Cost containment is crucial to the success of a global plan. We mentioned in Section 6 about insurers looking into different accommodation options as a form of local cost containment, but insurers are also continuously seeking efficiencies on a global scale.

One of the most effective strategies is seeing insurers work closer with patients and doctors to see if procedures are really necessary, or can be done cheaper. If not, the insurer will then actively negotiate with the hospital over treatment costs.

## Top 3 health insurance issues companies are struggling with in Hong Kong

When talking with companies and groups in Hong Kong, we have found that in the past year there have been three major [employee benefits](#)-related issues raised by almost every company. These issues are both questions and things some have been struggling with, especially when it comes to determining the overall success of an integrated plan or the viability of a health insurance solution a company might be considering.

### ISSUE

1

### Uncertainty around premiums

In many cases, insurers will look at and price insurance for groups differently from individuals. This could lead to widely disparate premiums being presented during the research stage and confusion around exactly how insurers actually calculate the premiums a group will pay.

Generally speaking, insurers will employ a number of different factors when developing health insurance premiums for groups. Some of the factors are similar to those used for the calculation of individual premiums – they follow the same principle but utilize different data. For example, insurers will look at the size of the pool (group of people) of insured along with potential of this pool to claim.

For individuals, insurers will usually group regions together to create one big pool. While for groups over a certain size (usually 20), insurers will typically only use the specific company or group. It is not uncommon to see both larger and smaller groups with healthy individuals having lower premiums than individual plans.

Beyond that, insurers will also look at aspects like the benefits you want to provide to your employees e.g., wellness, inpatient, outpatient, checkups, etc. and the area you want the cover to apply to e.g., local, regional, global. These can have a large impact on your premium and are important to consider when you start looking for plans.

There are other group specific factors that can have an impact on your premium. The most important factor being what insurers refer to as 'experience rating'. This is essentially the claims history of your group. If you have a number of high profile claims or a generally large number of claims you will see a higher premium quoted.





## ISSUE 2

### Looking at the sustainability of a plan

You can be 100% certain that insurers will increase their premiums every year. The problem some companies might see is that their premiums might have a drastic increase. It can also be hard to figure out if the increase you are quoted is in line with market rates or not.

Together, these increases can cause HR teams and business owners to question the sustainability and cost effectiveness of their plan. Measuring this can be difficult, especially if this is a new plan or your business has been going through a series of changes.

One of the best tactics to ensuring sustainability of any health insurance solution is containing costs. This strategy has a multitude of factors that can be considered, with common ones in Hong Kong being:

- Limiting cover to specific hospitals
- Implementing a co-pay
- Reducing or tweaking benefits
- Changing plans completely
- Introducing wellness programs
- Negotiating with insurer over claim history

The corporate advisors at Pacific Prime Hong Kong are here to help, and will work with you to review your plan's sustainability, then suggest the most effective and relevant cost containment measures.



“ Employee benefits certainly does play a role in staff attraction and retention ”

## ISSUE 3

### Ensuring cover is competitive and adequate

While it is certainly not the main reason people leave jobs in Hong Kong. If you want to attract the best, you need to offer a competitive benefits platform.

The issue here is how do you know whether your solution is actually competitive or not? Sure, you can probably ask around at others in your industry or similar industries, but historically we have found that many companies can be quite secretive about the benefits they offer. Even if you get information, it's more than likely not the whole picture.

Implementing the wrong benefit can actually do more harm than good, especially if it is not utilized by staff. One of the best ways to ensure your benefits package is competitive is to work with a broker like Pacific Prime Hong Kong.

As we work with companies in nearly every industry our advisors are uniquely placed to see the whole picture. While we won't divulge names or in-depth solutions we can help guide you to one that not only works for your company but is competitive.

To learn more about our corporate insurance solutions, visit our [corporate website](#) today.





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