Problems and Countermeasures of Cross-border Medical Insurance Development in Guangdong-Hong Kong-Macao Greater Bay Area

Cai Xiating
Department of Risk Management and Insurance
School of Finance, Guangdong University of Foreign Studies
Guangzhou 510006, China

Cui Yuxuan
Department of Finance
School of Finance, Guangdong University of Foreign Studies
Guangzhou 510006, China

Xie Ziming, Zhong Jiaxin, Zhang Xihuang
Department of Financial Engineering
School of Finance, Guangdong University of Foreign Studies
Guangzhou 510006, China

Ren Hui
Department of Risk Management and Insurance
School of Finance, Guangdong University of Foreign Studies
Guangzhou 510006, China

Corresponding author: Cai Xiating, School of Finance
Guangdong University of Foreign Studies
Guangzhou 510006, China, tel.: 15602258053

Fund Project: Granted by the Guangdong University of Foreign Studies University Student Innovation and Entrepreneurship Training Program Project

This article is distributed under the Creative Commons by-nc-nd Attribution License.
Copyright © 2021 Hikari Ltd.
Abstract

The “Outline of Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” proposes to assist insurance institutions in Guangdong-Hong Kong-Macao Greater Bay Area (GBA) to coordinate the construction of new cross-border medical insurance products with the aim of making cross-border insurance policyholders enjoy more convenient services such as underwriting, investigation, and claim settlement. However, there are still problems in the development of cross-border medical insurance in GBA, such as information asymmetry, high operational risks of insurance companies and difficulty in protecting consumer rights and interests. The reasons are mainly due to the lack of smooth information sharing channels, differences in supervision systems, uneven development and different legal systems among the three regions. Based on the above problems and reasons, it is necessary to strengthen information linkage to promote information sharing; innovate insurance supervision methods to improve insurance supervision cooperation level; strengthen cooperation to coordinate disputes over the rights and interests of the consumers in the three regions, and formulate rules and regulations common to the three regions, thus promoting the development of cross-border medical insurance in GBA.

Keywords: Guangdong-Hong Kong-Macao Greater Bay Area (GBA), cross-border medical insurance, insurance supervision

1. Introduction

In February 2019, the CPC Central Committee and General Office of the State Council jointly issued the “Outline of Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area”. It indicates that, “We support the cooperation of insurance companies in GBA researching and developing innovative cross-border motor vehicle insurance and medical insurance to provide more convenient services like underwriting, investigation, and claim settlement for cross-border insurance policyholders in China. We will help to boost the cross-border insurance deals in GBA in an orderly way and establish a mechanism for the exchanges of funds and products. We support the cross-border reinsurance businesses of RMB between the insurance companies in the Chinese mainland and in Hong Kong and Macao. We also support the qualified insurance companies in Hong Kong and Macao setting up institutions in Qianhai Shenzhen, Nansha Guangzhou and Hengqin Zhuhai.” It can be seen that China attached great importance to the development of the insurance industry in GBA, and the development of cross-border insurance had been put on the historical agenda. On October 8 2019, the Shenzhen Banking and Insurance Regulatory Bureau issued “The Draft Proposal for the Establishment of

---

Cross-border Medical Insurance Innovation Service Center of Qianhai (Draft for Comment)”, proposing that the cross-border insurance innovation service center established in Qianhai should focus on intermediary institutions and provide a series of services, such as cross-border insurance product consultation, sales and claim settlement, to promote the realization of insurance interconnection in GBA and provide strong support for the development of cross-border insurance.

Cross-border medical insurance is one of the important products of cross-border insurance, and it is also the insurance product generally concerned by residents in GBA. The development of cross-border medical insurance can help meet the higher health needs of residents in GBA, and is of great significance to improving their livelihood, health level and life satisfaction. In October 2020, the research group conducted a questionnaire survey among residents in GBA, distributed 563 questionnaires, and successfully collected 561 valid questionnaires, with an effective rate of 99.64%. According to the survey, more than 50% participants are willing to buy cross-border health insurance products, which suggests there is a potentially huge demand for cross-border health insurance in GBA. Currently, the cross-border medical insurance in GBA is still at the initial stage of exploration and faces many obstacles, such as information asymmetry, high operational risks of insurance companies, and ineffective protection of consumers’ rights and interests. Deeply analyzing these obstacles and the reasons behind them, and finding out the improvement measures can not only facilitate the development of cross-border medical insurance in GBA, but also further remove barriers to the development of cross-border insurance, thus promoting the integrated development of the insurance industry in GBA. Meanwhile, it can also fully demonstrate the key role of the insurance industry in improving people’s livelihood and enhancing the life quality of residents in GBA.

2. Literature review

With the gradual advancement of insurance cooperation in GBA, many scholars have carried out research on cross-border medical insurance in GBA. Wei Yingning (2019) believes that Guangdong insurance industry can serve the construction of GBA from various aspects by completing multi-level tasks. Wang He (2018) believes that in the construction of GBA for insurance, Hong Kong should make full use of its advantages to achieve internal and external integration, which can help solve the problems faced by the insurance industry in Hong Kong. Zou Yun (2020) made a comparative study of cross-border medical insurance management in the European Union and believes that the development of cross-border medical insurance can help improve the health security of residents in GBA.

The insurance industry in GBA has broad prospects for development, but it also encountered some problems in its development: After analyzing, Liu Yungang et al. (2018) pointed out that the “one country, two systems, and three regions”
policy, multiple administrative boundaries and borders in GBA, the differential pattern of administrative divisions and different (political) scales have made it difficult to make breakthroughs in the construction of GBA. Ge Yang (2019) pointed out that due to the improvement of the income levels of mainland residents and the relative advantages of Hong Kong life insurance products, mainland residents will be more inclined to buy Hong Kong insurance products. Based on this, Zhang Shiwen et al. (2020) pointed out that due to the increasing number of customers going to Hong Kong for insurance, the contradiction between more after-sales service demands and too few Mainland branches of Hong Kong insurance companies needs to be resolved urgently. Li Lisha and Chen Liyi (2020), based on the differences in the financial supervision systems of the three regions, proposed that there are obstacles in the following aspects: financial supervision model, supervision coordination, cross-border financial services, financial innovation, and data information sharing. Ge Yang (2019) pointed out through analysis that at present, the purchase of Hong Kong life insurance violates foreign exchange management policies and is not protected by laws of the mainland, and that policyholders will face high legal costs. In the development of GBA, the arbitrage space may be enlarged by the differences of financial products in terms of annualized returns, which will impact the mainland insurance industry to a certain extent.

Some scholars also analyzed the actual situation of GBA: Liu Yungang et al. (2018) believes that the development dilemma of GBA was caused by the inconsistency of administrative system, legal and judicial system, administrative status, development concept and interest demands between Hong Kong, Macao and the nine cities of Guangdong Province. Based on the differences in the level of rule of law between Hong Kong, Macao and the nine cities in Guangdong Province, Li Lisha and Chen Liyi (2020) proposed that it is difficult to guarantee the implementation and practical effect of the cooperation agreements or documents among the three regions. Currently, there are few documents on the cooperation among the financial supervision agencies in the three regions, which hinders the financial supervision cooperation.

Although the insurance industry cooperation in GBA has encountered many obstacles, some domestic scholars have also conducted active and valuable research on the strategy: Zhu Hualin (2019) suggested that based on the differences in commercial medical insurance in GBA, an efficient and inclusive commercial medical insurance supervision system should be established to promote orderly cooperation in GBA. Wang He (2019) believes that the construction of GBA for insurance should pay attention to the insurance technology, especially the development of blockchain technology; at the same time, it is necessary to establish a cross-border financial supervision platform in GBA based on the alliance chain. Wan Peng and Jia Liwen (2018) believe that relevant supervision agencies should cooperate with technology and insurance companies to innovate supervision technology, solve supervision problems, and promote the rapid development of supervision technology. Wan Peng (2020) proposed to build a credible “Bay Area Link for Insurance” public platform driven by such technologies as blockchain and
cloud computing to realize interconnection in GBA.

The above researches explored the significance of the development of cross-border medical insurance in GBA and the problems, causes and countermeasures encountered in the development of the insurance industry. It is of great reference significance for the research group to study the impact of cross-border medical insurance in GBA. Among the existing studies, there are few studies on cross-border medical insurance. Therefore, referring to the existing domestic research results and combining with the analysis of consumers’ demands for cross-border medical insurance products, the research group found out the problems encountered in the development of cross-border medical insurance, analyzed the reasons and put forward suggestions.

3. The importance of cross-border medical insurance in GBA

With the continuous construction of GBA, the practical significance and importance of developing cross-border medical insurance in GBA are increasingly prominent. Its importance is mainly reflected on three aspects.

3.1 The development of cross-border medical insurance products will help raise the standard of living and welfare of residents in GBA.

The scope of liability of cross-border medical insurance in hospitals and medical institutions has been further expanded [3], and the common claim settlement standards have been adopted in the three regions to provide convenient and efficient underwriting, investigation and claim settlement services for cross-border insurance customers in GBA [13]. This measure enables consumers to get more choices for medical treatment, changes the current situation that most mainland medical insurance is only applicable to mainland hospitals, facilitates mainland residents to enjoy cross-border medical treatment, meets the increasing demand for health insurance of mobile population [13], and improves consumers’ consumption experience of health insurance products.

3.2 The development of cross-border medical insurance products will help enrich the insurance market in GBA.

The purpose of GBA is to establish an open, inclusive, innovative and market-oriented economic community, which is in line with the original intention of insurance products [14]. Based on the existing policies and systems of GBA, cross-border medical insurance products should give full play to the advantages of geography, time and policies, and open up new channels for cross-border medical treatment and claim settlement, thus improving the insurance market in GBA. Meanwhile, amend laws and regulations based on the present market situation help improve the insurance system in GBA.

3.3 The development of cross-border medical insurance will help enhance the exchange efficiency and regional linkage of GBA.

As a key project of financially service innovation in GBA, cross-border
medical insurance contributes to the integration of high-quality medical resources of these three regions, the realization of overall management of medical resources, the strengthening of regional medical cooperation, and the cohesive technical exchanges, thus improving the overall level of medical services and promoting the interconnectedness of medical insurance in GBA so as to form a good situation of coordinated development of medical management and social economy in GBA [3]. Simultaneously, the development of cross-border medical insurance helps strengthen the characteristic financial cooperation of insurance institutions in GBA and improve the modern financial system.

4. The development predicament of cross-border medical insurance in GBA

It is a general trend to promote the development of cross-border medical insurance in GBA, which will help meet the diversified needs of residents in GBA and further promote the development of GBA. Currently, the cross-border medical insurance in GBA is still at the initial stage of exploration, and there is a large potential market demand, but there are few cross-border medical products launched by insurance companies. To help insurance companies fulfill the potential demand, based on the actual situation of GBA, we discussed the obstacles faced by the development of cross-border medical insurance, which mainly include the following three aspects:

4.1 Information asymmetry

Information asymmetry exists among the policyholders and insurers in Guangdong, Hong Kong and Macao. In the case of an offer, it is difficult for the policyholder to obtain key information such as the insurer’s solvency. In the case of underwriting, it is difficult for the insurer to verify the authenticity of the important facts provided by the policyholder, and it will induce the policyholder’s adverse selection. At the stage of contract duration, if the policyholder and the insurer are located in different places, it is difficult for the insurer to observe or supervise the conduct of the insured side and to grasp the real situation of the subject matter insured. And moral hazard may exist. Therefore, the information asymmetry often exists at the stage of contract formation and contract duration, which leads to moral hazard and adverse selection, increasing transaction costs and making it difficult to fulfill the potential customers.

4.2 High operational risks of insurance companies

When operating cross-border medical insurance, insurance companies in GBA need to take into account the difference in the three regions, such as the laws and policies, the cultural and social environment, and the development level of the insurance market, so as to provide products and services suitable for these three regions and meet the needs of different groups of people in these regions. It will increase the operational and transaction costs of cross-border medical insurance and
expand the operational risks of insurance companies. In addition, the differences in insurance systems among these three regions in GBA may easily lead to conflicts and crises among insurance companies in cross-border operations, exacerbating information asymmetry in cross-border medical insurance operations in GBA, increasing the operational and transaction costs of insurance companies, and causing cross-border medical insurance operational risks and cost beyond the scope of risk and costs, the most prominent part of which is the various risks caused due to the lack of supervision.\textsuperscript{[15]}

4.3 Ineffective protection of consumers’ rights and interests

On the one hand, the application of insurance technology enhances the intelligence level of insurance products, but it also brings a lot of risks of information security in cross-border medical insurance. In this case, consumers’ personal rights and interests are vulnerable. Insurance companies in GBA can easily obtain a large amount of information of users through centralized information management and quantitative technology. In order to maximize their own interests, some insurance companies resell customer data and do other illegal acts. Therefore, consumers do face the risk of privacy leakage. On the other hand, the laws applied to the protection of consumers’ rights and interests are different in legal systems of the three regions, so consumers’ personal rights and interests cannot be fully protected or even meet greater legal costs.

5. Analysis of the reasons for the difficulties in the development of cross-border medical insurance in GBA

Constrained by the above problems, the development of cross-border medical insurance in GBA is slow. Therefore, it is important to find out the internal causes of the difficulties in the development of cross-border medical insurance and to perfect the insurance system in GBA. Based on the development of the insurance industry in Guangdong, Hong Kong and Macao, this paper analyzes the reasons for the difficulties in the development of cross-border medical insurance from the aspects of information circulation, supervision system and legal system.

5.1 Blocked information-sharing channels

The degree of confidentiality of the insurer’s information and the applicant’s personal credit is the key factors affecting the conclusion of the insurance contract. The cross-border medical insurance in GBA involves a large number of insurance institutions, medical institutions and consumers in the three regions. At present, the systems for storing information about the three regions are independent, the channels for information sharing are blocked, and it is difficult for information to flow across the boundary in an efficient and safe manner. Under different systems, the personal credit system in Guangdong, Hong Kong and Macao has developed to different degrees, which, to a certain extent, has an impact on information sharing and institutional cooperation. Therefore, the lack of information sharing among the three regions will lead to the information asymmetric of both parties, which will
adversely affect the development of cross-border medical insurance in GBA.

5.2 Different supervision systems and uneven development levels

On the one hand, there are still different supervision systems in Guangdong, Hong Kong and Macao, and the degree of supervision in the three regions is different. The mainland has extremely strict entity supervision, with China Banking Regulatory Commission responsible for the insurance industry. In Hong Kong, a supervision system combining government regulation and industry self-regulation has been formed, with Hong Kong Insurance Authority exercising government regulation and Hong Kong Federation of Insurance Associations enforcing industry self-regulation. Unified regulation is implemented in Macao, where Macao Monetary Authority exercises government regulation and Macao Insurance Association encourages self-discipline industry.

On the other hand, the development of the insurance markets in these three regions is uneven. Hong Kong has the most developed insurance market, with a relatively high level of internationalization, and its premium income reached US $61.286 billion in 2017, making it the largest premium region among the three regions, followed by the nine cities in Guangdong, with the premium income of 54.92 billion US dollars in 2017. Guangdong is in the fast development stage, and its gap in premium scale with Hong Kong is gradually narrowing. However, Macao is the most backward area of insurance development among these three regions. In 2017, the premium income of Macao was only US $3.56 billion, less than 10% of that of Hong Kong and Guangdong, but Macao has the fastest growth rate. Between 2012 and 2016, premium of Macao increased by an average of 26.5 percent.

5.3 Different legal systems

One of the reasons why the personal rights and interests of residents in GBA cannot be protected in an all-round way is that there are differences in the legal provisions for personal rights and interests among the three regions. Macao follows the insurance law enacted during the period of Portuguese colonial administration and the legal basis of insurance is derived from Portugal[16]. And the laws of Macao belong to the civil law system; the laws of Hong Kong belong to the common law system; the mainland China has formed a legal system with Chinese characteristics in the process of development, but it is still at the stage of development. For example, the criminal laws of the People’s Republic of China stipulate that whoever, in violation of the relevant provisions of the state, sells or provides personal information about citizens to others, if the circumstances are serious, shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only be fined. Under Hong Kong law, business institutions must obtain the explicit prior consent of their customers before using

---

their personal information for commercial purposes, such as sales promotion. Otherwise, it is an illegal act and will be fined up to one million Hong Kong dollars and imprisoned for five years\(^5\). In addition, Macao’s “Personal Data Protection Law” is known as the “strongest data protection act in the Asia-Pacific region”, which has strong rigors. Therefore, the difference between laws and regulations on consumer rights and interests among Guangdong, Hong Kong and Macao raises the legal costs of consumers and insurance companies, and the legal risks faced by consumers also increase.

6. Policy suggestions

Under the background of the construction of GBA, the research group put forward countermeasures and suggestions for the development of cross-border medical insurance focusing on the problems and reasons that hinder the development of cross-border medical insurance in GBA. These measures will help to improve the industry ecology of the insurance industry in GBA. Relevant policy suggestions are as follows:

6.1 Strengthening information linkage and promoting information sharing

The coordinated development of GBA has overall regional advantages, but the poor circulation of factors and the lack of interconnection of insurance information and personal credit system hinder the advantage development of GBA. Therefore, through policy coordination and institutional reform, GBA can explore the construction of an interconnected Internet environment, and gradually realize the integration of communication\(^{[19]}\). For example, a one-stop publicity and service platform for GBA can be established, and insurance resources of all parties can be integrated, so as to break the obstacles to the market integration in the three regions. In addition, the information sharing mechanism of urban agglomeration of GBA can also be jointly established to integrate and share insurance information and personal credit information system data of the three regions, break with information barriers and promote the efficient and orderly flow of information. This will not only facilitate the decision-making of insurance parties, but also successfully realize information interconnection against the background of the “one country, two systems, and three regions” system.

6.2 Innovating supervision methods and improving supervision cooperation level

With the development of insurance market and insurance technology, the establishment of an efficient and innovative insurance supervision agency in GBA will help to promote the mainland insurance market in line with international standards, expand the scale of Macao insurance market, narrow the development gap among the insurance markets in the three regions, and promote the coordinated

---

development of these markets. Relevant insurance supervision institutions should make full use of big data, block chain and other insurance technologies to establish an insurance data sharing center to improve the work efficiency of insurance supervision, and establish a low-cost and high-efficiency modern insurance supervision system in GBA. In addition, supervision departments can make the insurance supervision policies more reasonable and loose and reduce the resistance of the insurance technology innovation by actively building “supervision sandbox”. Supervision departments can also actively encourage other related insurance institutions to invest heavily in innovation and application, thus realizing the insurance technology innovation and effectively controlling insurance risk. Only in this way can we promote the development of the application of insurance technology in cross-border medical insurance and make up for the deficiency of the existing insurance supervision mechanism.

6.3 Cooperating to coordinate disputes over the rights and interests of the consumers in the three regions, and formulating common rules and regulations

GBA should uniformly restrict insurance companies’ access to and use of consumers’ personal information at the institutional level. Ren Zili (2020) pointed out that there are still many difficulties for insurance consumers to realize their personal information rights and interests in the era of the “Civil Code”, so it is necessary to strengthen the protection for personal information of insurance consumers in GBA and standardize the use by insurance companies from three aspects: concept, rules and civil relief measures. Under the premise of setting up relevant supervision institutions and carrying out daily supervision through the supervision rules and regulations of relevant industry self-discipline associations, we can start from clearly specifying the scope and authority on data use, and giving users the right to dispose of personal privacy data. Meanwhile, the Insurance Consumer Dispute Coordination Committee of GBA can be established to protect the rights and interests of consumers in the process of claim settlement and reduce the legal cost of consumers.

References


Received: March 23, 2021; Published: April 9, 2021