

# The Digital Insurer - Insurer Innovation Award

## HSBC TargetSave RMB Insurance Plan: financial growth for tomorrow

### The challenge

#### 1. A daunting economic situation



Today's financial environment has created a unique challenge to society, particularly for younger individuals :

- I. On one hand, bank account savings may not be the ideal way to create wealth. With a savings account interest rate hovering around less than 1%<sup>1</sup> since 2008, these offerings do not beat inflation. According to the Hong Kong SAR Government figures, the overall inflation rate in 2018 was about 2.6%<sup>2</sup>, indicating that such savings would actually depreciate in value over time
- II. On the other hand, although stock investments may generate good returns in a short period, this activity is a high-risk option that is affected by the volatile international market. In its 2018 report<sup>3</sup>, the Hang Seng Index rose to its historical closing high of more than 33,000 in January but it recorded a negative return of 13.6% at the end of the year

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<sup>1</sup> Savings deposit rates on deposits of less than HK\$100,000 (source: [Hong Kong Monetary Authority](#))

<sup>2</sup> Source: [Census and Statistics Department, HKSAR Government \(2018\)](#)

<sup>3</sup> Source: [2018 Year-End Report](#), Hang Seng Index

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In uncertain economic times, global diversification in multi-asset portfolios has also become increasingly important for people to optimise investment returns and reduce portfolio risk. Hong Kong people in particular have growing needs for Renminbi (RMB) for both business and personal use as the integration of Hong Kong and mainland China deepens.

### 2. Difficulties in delivering on financial promises

A recent HSBC Life survey on “Promises”<sup>4</sup> indicated that more than 50% of respondents found it difficult to deliver on their financial promises, including “setting money aside” and “increasing savings”, with millennials finding the keeping of such vows the most challenging of the group. However, these two goals are instrumental to keeping promises.

### 3. Changing customer needs in the Internet age



People have become more knowledgeable, sophisticated and demanding thanks to today's robust digital development and open sourced information sharing. Younger

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<sup>4</sup> The survey was conducted online in August 2018 among a representative sample of 977 Hongkongers aged 18 to 65

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people in particular crave speed and convenience in just about everything, including online financial services as a way to help realise their dreams.

### **The proposition**

- Short-term life insurance plans with guaranteed returns can meet younger people's wealth accumulation needs, helping them realise their dreams faster while beating inflation. Such plans can also minimise the negative impact of market volatility and provide life protection for policyholders and their loved ones
- RMB as a savings insurance plan currency has become a sensible choice for Hong Kong people to meet their needs in areas such as personal investment in the Greater Bay Area, doing business in mainland China or pursuing a professional degree at a leading Chinese university
- User-friendly online platforms are considered indispensable for young people to grow their wealth in a more accessible and reliable way

### **The solution**

HSBC Life launched HSBC TargetSave RMB Insurance Plan ("TargetSave RMB") in February 2019, which was made exclusively available online for increased accessibility.

With this online wealth accumulation plan, customers could put their RMB savings in a safe place to produce solid, guaranteed returns in a short period of time, while enjoying simultaneous protection benefits.

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### The TargetSave RMB promise

Innovation needs not necessarily be solely about technological wizardry. To HSBC Life, innovation comes down to finding new and compelling ways to help customers keep their promises to themselves and their loved ones.

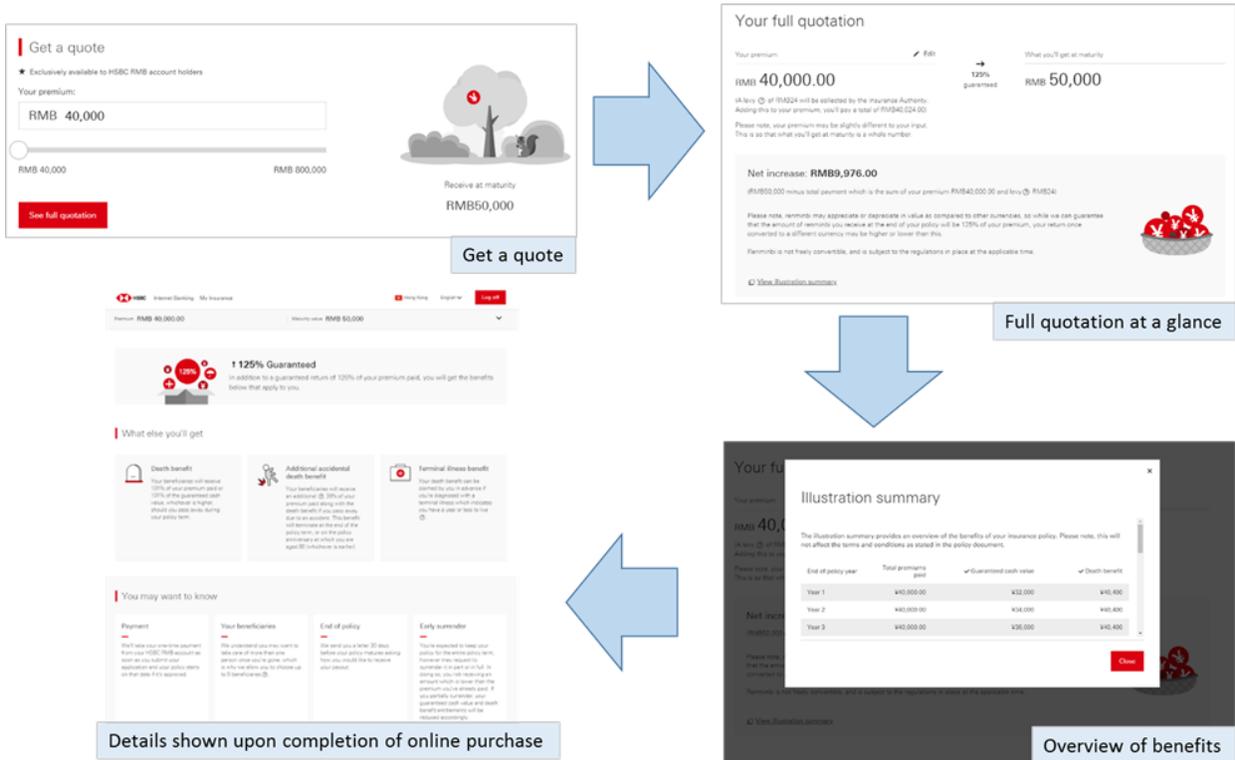


The innovative TargetSave RMB was the **result of listening to what customers want**, and finding a way to provide guaranteed returns with the added benefits of an **insurance safety net for those with short-term plans**.

TargetSave RMB was made exclusively available online with an easily navigable digital journey. With technology playing an increasingly important role in wealth management planning, the goal was to apply such gains to providing workable solutions. Research from the 2017 HSBC study *The Future of Retirement, Shifting Sands* told us that 49% of our audience is researching options on the Internet and 41% are putting money into online savings accounts.

TargetSave RMB continued to **demonstrate HSBC Life's customer-centric digital approach**, which provided an opportunity to grow customers' RMB savings through a simple and transparent application process.

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With just a few clicks online, customers were able to make a one-time payment to receive a 25% return on their total premium paid at a five-year policy maturity and customers realised a guaranteed return of 4.56% per year at the end of the maturity period. What's more, they were able to provide comprehensive life insurance coverage for loved ones.

TargetSave RMB was designed particularly for the younger generation, which may have a shorter initial savings horizon, particularly if it is their first insurance policy.

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Features of TargetSave RMB included:

	<b>Broad premium range:</b> single premium from amount RMB40,000 to RMB800,000
	<b>Death benefit:</b> the beneficiary(ies) will receive a death benefit that is the higher of 101% of the total premium paid or 101% of the Guaranteed Cash Value
	<b>Extra benefit of protection with no additional premium required:</b> additional accidental Death Benefit <sup>5</sup> and Terminal Illness Benefit <sup>6</sup>

The TargetSave RMB plan offer was oversubscribed shortly after its launch due to a positive market buzz, receiving an overwhelming cross-sector response from various groups looking for viable solutions. TargetSave RMB was well-received by both the younger generation and premium customers seeking effective ways to build wealth in their preferred currency while avoiding the negative impact of market volatility. The result USD5.7 million realised in terms of single premium payments.

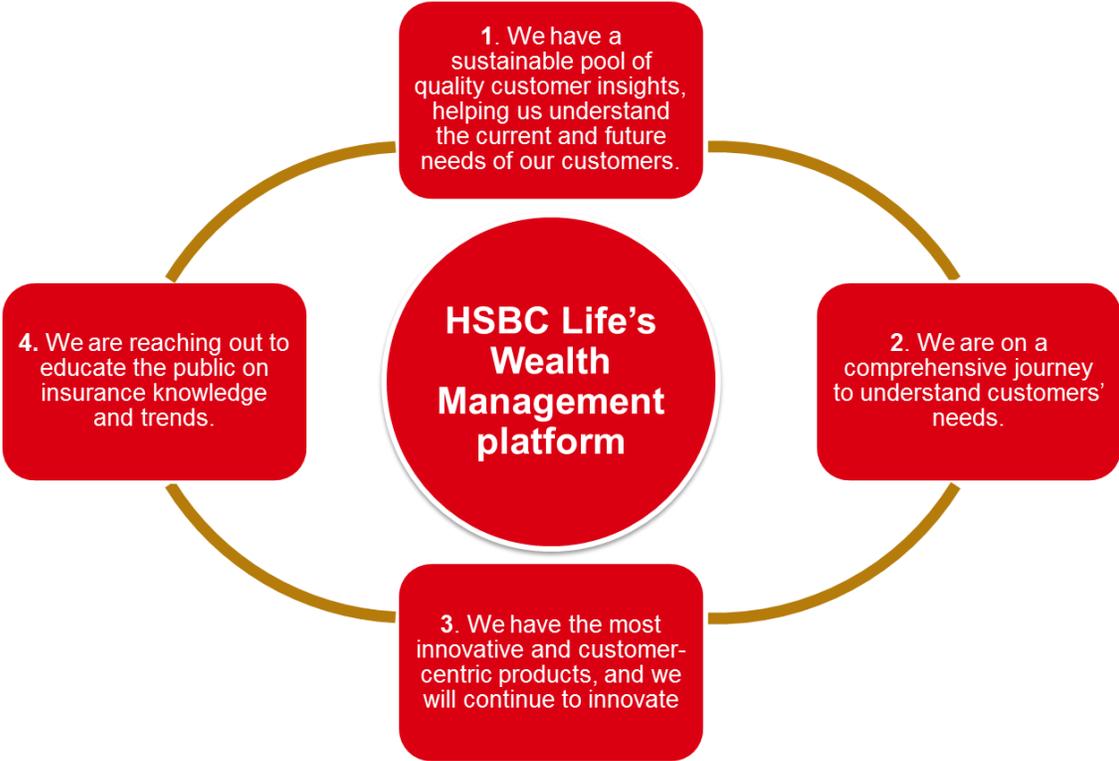
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<sup>5</sup> Additional accidental death benefit will terminate on the Policy Anniversary at which the life insured attains the age5 of 80 years or payout of such benefit or your policy is terminated (whichever is the earliest).

<sup>6</sup> Terminal illness benefit is not available to you if you are aged 65 or above. This benefit will terminate on the Policy Anniversary at which you attain the age of 65 years or payout of such benefit or your policy is terminated (whichever is the earliest). Your policy will terminate once we pay this benefit

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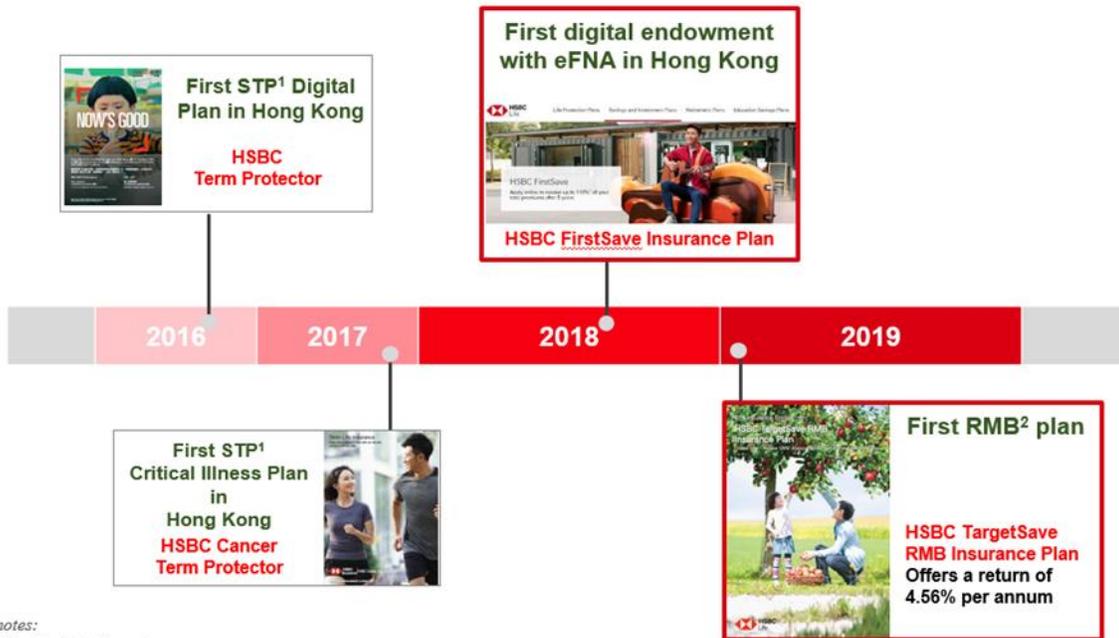
## HSBC Life – a trusted life-long partner to its customers



As the leading bancassurer in Hong Kong, HSBC Life is dedicated to offering the finest wealth management platform and services to its customers, keeping technology as a core part of its strategy to meet customers' needs and expectations. Its goal is to continue enhancing its propositions to support the protection, savings and health needs of its retail, commercial and high net-worth customers, while accelerating investments in its digital capability. This includes fostering the advancement of online sales, while providing increased mobile compatibility and functionalities.

TargetSave RMB, a solution tailored for Hong Kong millennials, was further proof of HSBC Life's commitment to help customers deliver on the promises they make to themselves and their loved ones in a more accessible way

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Footnotes:

1 – STP: Straight-through process

2 – RMB: Renminbi

(994 words)

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