

# Speech by CE at opening ceremony of 2018 Asian Actuarial Conference (English only) (with photos/video)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the opening ceremony of the 2018 Asian Actuarial Conference today (September 17):

Mr Simon Lam (President of the Actuarial Society of Hong Kong), Mr Yoshimura (President of the International Actuarial Association, Mr Masaaki Yoshimura), Mr Billy Wong (Chairman of the 21st Asian Actuarial Conference Organising Committee), Moses (Chairman of the Insurance Authority, Dr Moses Cheng), ladies and gentlemen,

Good morning.

I am delighted to join you today for the opening of the Asian Actuarial Conference. It is the third time this prestigious event, previously called the East Asian Actuarial Conference, has taken place here in Hong Kong. It gives me great pleasure to welcome so many distinguished members of the actuarial profession to Hong Kong. I'm told that there are nearly 700 of you here for the four-day Conference, from more than 20 countries and regions all over the world. I hope the stormy weather brought by Super Typhoon Mangkhut has not caused too much disruption to your travelling plan. We actually have a full house this morning.

The last time this event was held in Hong Kong was in 2001, some 17 years ago. Naturally the world has changed significantly in almost every aspect, and Hong Kong is no exception. We are now into the fifth term of the Hong Kong Special Administrative Region Government, under a first lady Chief Executive, but I would assure you that the principle of "one country, two systems" and a high degree of autonomy are as robust as ever.

There is a saying that "life is full of uncertainties". Just when everyone was predicting a bright outlook for the global economy at the beginning of the year, and such positive sentiments prevailed when I attended the World Economic Forum at Davos in January this year, the United States has now imposed unilateral trade measures against Mainland China and some other economies, casting a cloud over future economic prospects. While terrorist attacks and a trade war are of course of completely different nature, I think these events show that black swans do exist and there are always risks in the world. The increasing natural disaster risk, as shown by Typhoon Mangkhut, which was the strongest tropical cyclone hitting us in decades, is another case in point.

We cannot avoid risks, so the best we can do is to understand, predict, calculate and manage them. It is no doubt a task which is easier said than done, but thankfully we have the help of actuaries. I know that the Casualty

Actuarial Society and the Society of Actuaries – both organisations are well represented here today – describe an actuary as "part superhero, part fortune teller, part trusted advisor". I am not sure if actuaries can actually fly, but I think the description reflects the importance as well as the complexity and difficulty of their job. Being the leading professionals in finding ways to manage risk, actuaries do need to have very strong analytical skills, business knowledge and understanding of human behaviour in order to perform their functions.

We live in a fast-changing world with emerging risks, but they also represent opportunities as we look for more creative ways to tackle them. The spectrum of topics at this Conference proves my point, which range from artificial intelligence and cybersecurity to Insurtech, longevity risk, the growth of online insurance in Mainland China and the Belt and Road Initiative. These topics and the issues they reflect underline three major developments, which are of interest not only to actuaries and the insurance sector but to policymakers as well.

I'm talking about the challenges of our aging population, the impact of new technology and the burgeoning opportunities opening up, thanks to the continuing economic development of Mainland China. Allow me to share with you my thoughts on each of these areas for the next few minutes.

The first topic is aging population. There is no better place in the world to talk about this topic, for Hong Kong tops global rankings in life expectancy. Men in Hong Kong are living on average up to 81.3 years and women even longer, at 87.3 years, as of 2016. According to our projection, by the year 2066, the life expectancy at birth will be 93.1 for women and 87.1 for men here. In 2026, less than 10 years from now, the number of the elderly aged 85 or above will be the same as children aged below 5. The number of elderly aged 65 or above stood at 16.6 per cent of our population at 2016 and will rise to one in three of the population at 2036, but these days I have chosen to refrain from using elderly figures at the benchmark of 65 as men and women at 65 are really not old. And I am approaching that age. We are seeing many centenarians in Hong Kong now, and they will be even more common in the future.

While we are glad to see our people live longer, society will need to get prepared. For one thing, the amount of money sufficient to support life for about 20 years after retiring at the age of 65 is very different from the amount needed when expected life is 100 years. For governments, the challenge involves redefining concepts such as middle age. Policymakers will also need to reconsider social and physical infrastructure to meet the needs of a population that is expected to live for 100 years.

Several years ago, the Geneva Association, a think tank established by insurance institutions, addressed the "Challenge of Global Ageing," from funding issues to insurance solutions, in a report. The Association's report suggested six critical strategies, namely reduce pay-as-you-go benefit burdens, strengthen old-age safety nets, increase funded retirement savings, encourage longer work lives, encourage higher birthrates and increase

immigration.

Hong Kong has been implementing policies that are more or less in line with these strategies. They include increasing the old age allowance for the elderly with inadequate retirement arrangements and increasing statutory paternity leave, reviewing statutory maternity leave and expanding child care facilities to better support parents. We recently launched a public life annuity, with a guaranteed monthly payment for life at an expected internal rate of return of 4 per cent. The goal is to help the public enjoy a stable income after retirement. As actuaries, you know how difficult it is for business and insurers to issue commercially viable life annuities, given the low-interest environment and longer life expectancy. That's why this gap has to be filled by the public sector.

We will also introduce tax incentives, encouraging people to take out deferred annuities from insurers and make voluntary contributions beyond the Mandatory Provident Fund system, Hong Kong's occupational retirement scheme. We want the people of Hong Kong to save early and save more.

Naturally we would be interested in how insurance can hedge longevity risk. We believe that an aging society will create opportunities for the insurance sector. Alongside long-term financial planning products, there could be new demand for insurance against infirmity risk. And for actuaries, my prediction is that your data analytics and risk-management techniques will be used more intensively for policy formulation by governments in managing their aging populations.

Talking about predictions, the use of predictive analytics by actuaries to help insurers in pricing insured risks, detecting fraudulent claims and market segmentation has been developing fast. At the same time, Insurtech applications, from conversational artificial intelligence to blockchain-based insurance contracts, are set to disrupt the insurance industry. Cyber-risks lead to the demand for cyber insurance, together with expertise to help the insured and insurer quantify their exposure to cyber risks. How best to use technology and encourage innovation is critical to both public- and private-sector decision-makers.

Hong Kong embraces technology and welcomes talent. At the regulatory level, the Insurance Authority has introduced a sandbox approach, as well as fast-track approval arrangements to encourage Insurtech start-ups. And my Government is targeting a range of measures to promote innovation and technology. These include tax incentives to encourage R&D, with a 300 per cent tax deduction for the first HK\$2 million eligible R&D expenditure by corporations, and a 200 per cent deduction for the excess. There's no limit on the expenditure eligible for this tax deduction.

The Government will make use of a HK\$2 billion scheme under the Innovation and Technology Venture Fund to invest, together with venture capital funds, in local technology start-ups. We have also introduced a HK\$500 million Technology Talent Scheme to boost our technology talent. And we've just announced a Talent List, which has been designed to attract

quality professionals to Hong Kong to accelerate our development into a high value-added and diversified economy. That list currently focuses on 11 in-demand professions, including actuaries. So, for any of you who would like to practice in Hong Kong or plan to start an Insurtech company, you are most welcome here.

Still with technology, we are developing with the Shenzhen Government the Hong Kong/Shenzhen Innovation and Technology Park, which is located in a place called Lok Ma Chau Loop between our two cities. Shenzhen, a fast-rising innovation hub, is home to IT giant Tencent and the innovative insurer Ping An. The technology park will play a critical role in the emergence of the Guangdong-Hong Kong-Macao Greater Bay Area, which links Hong Kong, Macao and nine prosperous cities in the Guangdong province. Together, the Greater Bay Area counts a population of close to 70 million and a GDP of some US\$1.5 trillion. Such economic and consumer clout can only mean bigger market potential for Hong Kong companies and the global companies that partner with Hong Kong.

That certainly includes insurance. We are now actually working to gain greater and wider access to the Greater Bay Area for Hong Kong insurers. In particular, we are working to get agreement from the Mainland regulatory authorities to allow Hong Kong insurers to set up service centres in the Greater Bay Area, which will help Mainland policyholders and Hong Kong policyholders working or residing in the area in making claims and accessing other after-sale services. At the same time, we are in discussions with the Mainland authorities to enable the distribution of Hong Kong insurance products throughout the Greater Bay Area, and to allow Hong Kong-headquartered life insurers to establish majority-owned entities in the Mainland, thereby expanding both opportunity for the industry and choice for the people.

Then there's the Belt and Road Initiative, which will create opportunities for Hong Kong at a considerably more expansive geographical level. I know that a plenary session on the Belt and Road Initiative will follow my speech, so I'll keep this brief. I would just emphasise that Hong Kong will play a significant role in the Initiative. We are an international financial centre, regularly cited as the world's freest economy. We are also China's international financial capital, home to the largest pool of offshore Renminbi. In short, Hong Kong is a natural fund-raising centre for infrastructure, investment and production projects, and a natural hub for project management, given our extensive professional services prowess. That includes risk management, insurance and dispute-resolution services that our Belt and Road partners and their projects may well need.

In this regard, my Government has been working very closely with the Insurance Authority chaired by Dr Moses Cheng to enable the development of captive insurance, marine insurance and the underwriting of specialty risks in Hong Kong. We are now considering new tax incentives to fast-track these lines of insurance, together with measures to promote the issuance in Hong Kong of such insurance-linked securities as catastrophe bonds. These and other measures are sure to boost Hong Kong's status as an insurance hub and

risk-management centre, and will surely help us seize the boundless opportunities arising from the Belt and Road Initiative.

Ladies and gentlemen, chance favours the prepared mind. Hong Kong has been sharpening its competitive edge to capture opportunities ahead, and our fundamentals as an insurance hub will be further strengthened. So for actuaries like you, Hong Kong is where you want to be, today and long into this 21st century of opportunity.

My thanks, once again, to the Actuarial Society of Hong Kong for organising the 2018 Asian Actuarial Conference. I wish you all the best of business at the Conference and a very happy stay in Hong Kong. Thank you very much.



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## [Four illegal workers jailed](#)

Four illegal workers comprising three Pakistanis and an Indian were jailed by Shatin Magistrates' Courts on September 14.

During a joint operation conducted by the Immigration Department (ImmD), the Hong Kong Police Force and the Labour Department codenamed "Sahara" on April 23, enforcement officers raided a restaurant in Tsim Sha Tsui. A male Indian illegal worker, aged 30, was arrested. When intercepted he was working as an odd-job worker. Upon identity checking, he produced for inspection a recognisance form issued by the ImmD, which prohibits him from taking employment. Further investigation revealed that he was a non-refoulement claimant. An employer suspected of employing the illegal worker was also arrested and the investigation is ongoing.

In addition, Immigration Department (ImmD) investigators received a referral from the Hong Kong Police Force to further investigate an illegal employment case in June. Enforcement officers arrested three male Pakistani illegal workers, aged between 26 and 37, who were found working as odd-job workers in Sheung Shui. Upon identity checking, they produced for inspection

recognition forms issued by the ImmD, which prohibit them from taking employment. Further investigation revealed that they were non-refoulement claimants.

The four illegal workers were charged at Shatin Magistrates' Courts on September 14 with taking employment after landing in Hong Kong unlawfully and remaining in Hong Kong without the authority of the Director of Immigration or while being a person in respect of whom a removal order or deportation order was in force. After trial, they were sentenced to 22 months and two weeks' imprisonment.

The ImmD spokesman warned that, as stipulated in section 38AA of the Immigration Ordinance, illegal immigrants or people who are the subject of a removal order or a deportation order are prohibited from taking any employment, whether paid or unpaid, or establishing or joining in any business. Offenders are liable upon conviction to a maximum fine of \$50,000 and up to three years' imprisonment. The Court of Appeal has issued a guideline ruling that a sentence of 15 months' imprisonment should be applied in such cases.

The spokesman reiterated that it is a serious offence to employ people who are not lawfully employable. The maximum penalty is imprisonment for three years and a fine of \$350,000. The High Court has laid down sentencing guidelines that the employer of an illegal worker should be given an immediate custodial sentence. According to the court sentencing, employers must take all practicable steps to determine whether a person is lawfully employable prior to employment. Apart from inspecting a prospective employee's identity card, the employer has the explicit duty to make enquiries regarding the person and ensure that the answers would not cast any reasonable doubt concerning the lawful employability of the person. The court will not accept failure to do so as a defence in proceedings. It is also an offence if an employer fails to inspect the job seeker's valid travel document if the job seeker does not have a Hong Kong permanent identity card. The maximum penalty for failing to inspect such a document is imprisonment for one year and a fine of \$150,000.

Under the existing mechanism, the ImmD will, as a standard procedure, conduct initial screening of vulnerable persons, including illegal workers, illegal immigrants, sex workers and foreign domestic helpers, who are arrested during any operation with a view to ascertaining whether they are trafficking in persons (TIP) victims. When any TIP indicator is revealed in the initial screening, the officers will conduct a full debriefing and identification by using a standardised checklist to ascertain the presence of TIP elements, such as threat and coercion in the recruitment phase, and the nature of exploitation. Identified TIP victims will be provided with various forms of support and assistance, including urgent interference, medical services, counselling, shelter, temporary accommodation and other supporting services. The ImmD calls on TIP victims to report crimes to the relevant departments.

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## Update on cases of Legionnaires' disease

The Centre for Health Protection (CHP) of the Department of Health today (September 17) reported the latest number of cases of Legionnaires' disease (LD), and stressed the importance of using and maintaining properly designed man-made water systems, and that susceptible groups should strictly observe relevant precautions.

From September 9 to 15, four community-acquired LD cases were reported. They are:

1. A male patient, aged 71 with underlying illnesses, who lives in Tower B, Elizabeth House, Causeway Bay;
2. A male patient, aged 58 with underlying illnesses, who lives in Wu On House, Yue On Court, Ap Lei Chau;
3. A male patient, aged 65 with good past health, who lives in Oi Chi House, Yau Oi Estate, Tuen Mun; and
4. A male patient, aged 47 with underlying illnesses, who lives in Block 5, Bayview Garden, Tsuen Wan.

"Epidemiological investigations are ongoing to identify potential sources of infection, high-risk exposure and clusters, if any," a spokesman for the CHP said.

As of September 15, 71 LD cases had been reported in 2018. In 2017 and 2016, there were 72 and 75 cases respectively.

"Men, people aged over 50, smokers, alcoholics and persons with weakened immunity are more susceptible to LD. Some situations may also increase the risk of infection, including poor maintenance of water systems leading to stagnant water; living in areas with old water systems, cooling towers or fountains; using electric water heaters, whirlpools and spas or hot water spring spas; and recent stays in hotels or vessels," the spokesman said.

Legionellae are found in various environmental settings and grow well in warm water (20 to 45 degrees Celsius). They can be found in aqueous environments such as water tanks, hot and cold water systems, cooling towers, whirlpools and spas, water fountains and home apparatus which support breathing. People may get infected when they breathe in contaminated droplets (aerosols) and mist generated by artificial water systems, or when handling garden soil, compost and potting mixes.

Immunocompromised persons should:

1. Use sterile or boiled water for drinking, tooth brushing and mouth rinsing;
2. Avoid using humidifiers, or other mist- or aerosol-generating devices. A shower may also generate small aerosols; and
3. If using these devices, fill the water tank with only sterile or cooled freshly boiled water, and not tap water. Also, clean and maintain them regularly according to manufacturers' instructions. Never leave stagnant water. Empty the water tank, wipe all surfaces dry, and change the water daily.

The public should observe the health advice below:

- Observe personal hygiene;
- Do not smoke and avoid alcohol;
- Strainers in water taps and shower heads should be inspected, cleaned, descaled and disinfected regularly or at a frequency recommended by the manufacturer;
- If a fresh water plumbing system is properly maintained, it is not necessary to install domestic water filters. Use of water filters is not encouraged as clogging occurs easily, which can promote growth of micro-organisms. In case water filters are used, the pore size should be 0.2 micrometres ( $\mu\text{m}$ ) and the filter needs to be changed periodically according to the manufacturer's recommendations;
- Drain and clean water tanks of buildings at least quarterly;
- Drain or purge for at least one minute the infrequently used water outlets (e.g. water taps, shower heads and hot water outlets) and stagnant points of the pipework weekly or before use;
- Seek and follow medical advice regarding the use and maintenance of home respiratory devices and use only sterile (not distilled or tap) water to clean and fill the reservoir. Clean and maintain them regularly according to the manufacturer's instructions. After cleaning/disinfection, rinse the device with sterile water, cooled freshly boiled water or water filtered with 0.2- $\mu\text{m}$  filters. Never leave stagnant water. Empty the water tank, keep all surfaces dry, and change the water daily; and
- When handling garden soil, compost and potting mixes:
  1. Water gardens and compost gently using low pressure;
  2. Open composted potting mixes slowly and make sure the opening is directed away from the face;
  3. Wet the soil to reduce dust when potting plants; and
  4. Avoid working in poorly ventilated places such as enclosed greenhouses.

The public may visit the CHP's [LD page](#), the [Code of Practice for Prevention of LD](#) and the [Housekeeping Guidelines for Cold and Hot Water Systems for Building Management](#) of the Prevention of LD Committee, and the CHP's [risk-based strategy](#) for prevention and control of LD.



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## Registration and nomination invited for Labour Advisory Board Election of Employee Representatives

The Labour Department is inviting employee unions registered under the Trade Unions Ordinance (TUO) to register as electors, appoint authorised representatives to vote and nominate candidates for the coming 2019-20 Labour Advisory Board (LAB) Election of Employee Representatives.

"Registration as electors, appointment of authorised representatives and nomination of candidates start today (September 17) and will close on October 9, 2018 (Tuesday)," a spokesperson for the department said.

The current term of the LAB will expire on December 31 this year. An election of five employee representatives to the LAB for its next two-year tenure, ending December 31, 2020, will be held at Mei Foo Community Hall, 1/F, Mei Foo Government Complex, on November 10 (Saturday) this year. Authorised representatives may cast their votes at that polling station between 11am and 4pm.

All employee unions registered under the TUO on or before today are eligible to nominate candidates to run for the election. Unions that have registered as electors in LAB elections held in 2006 or thereafter need not re-register as electors but have to appoint authorised representatives in order to vote in the election.

"We have sent out today related forms and copies of the rules and procedures for the election to all employee unions with valid registration in the Labour Department's register of trade unions," the spokesperson said.

Meanwhile, the department has invited five employer associations to nominate one representative each to sit for the next tenure of the LAB as employer representatives. These associations are the Chinese General Chamber of Commerce, the Chinese Manufacturers' Association of Hong Kong, the Employers' Federation of Hong Kong, the Federation of Hong Kong Industries and the Hong Kong General Chamber of Commerce.

Enquiries on matters relating to the election can be made at 2852 4024.

The LAB is a tripartite consultative body comprising representatives of employees and employers to advise the Commissioner for Labour on labour matters.

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## Latest situation on postal services

Hongkong Post today (September 17) announced that all post offices are open for service. The services of Mobile Post Offices 1 and 2 remain normal, except for individual call points that are affected due to road conditions.

As road transport has not returned to normal yet, Hongkong Post will provide mail delivery services based on actual circumstances. Outbound airmail services are subject to delay due to flight adjustments. Hongkong Post will resume postal services as far as the actual local circumstances allow. For enquiries, please contact Hongkong Post's General Enquiry Hotline on 2921 2222.