

LCQ13: Cash values of insurance policies

Following is a question by the Hon Chan Kin-por and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (November 11):

Question:

I have learnt that some unemployed persons had applied for Comprehensive Social Security Assistance (CSSA) but their applications were rejected on grounds that the cash values of the life insurance policies under their names had exceeded the relevant limit, resulting in their failure to pass the asset test. Some staff members of the Social Welfare Department (SWD) suggested such persons to apply to the insurance companies for surrender of the policies, and indicated that when they used up the money obtained by surrendering the policies, they would be eligible for applying for CSSA. In this connection, will the Government inform this Council:

(1) of the number of CSSA applications rejected last year on grounds that the cash values of the insurance policies under the applicants' names had exceeded the relevant limits;

(2) of the other government subsidy schemes requiring the applicants to pass asset tests which include the cash values of insurance policies under the applicants' names in the calculation of the total value of assets;

(3) whether it has assessed if the SWD staff's practice of suggesting CSSA applicants to surrender their policies has violated the relevant guidelines or the original intent of implementing the CSSA Scheme; and

(4) whether it will consider not including the cash values of insurance policies in the calculation of the total value of assets under the CSSA Scheme?

Reply:

President,

The Comprehensive Social Security Assistance (CSSA) Scheme aims to provide the safety net to meet the basic needs of families or individuals who cannot support themselves financially. It is a non-contributory scheme funded entirely by the Government's general revenue. The applicant must pass both the income and asset tests. If an applicant is living with any other household members, the application has to be made on a household basis. The Social Welfare Department (SWD) takes into account the resources and the needs of all household members in determining the household's eligibility for assistance. In other words, the department would assess the monthly income and required expenses of all household members. Regarding the asset test, the total value of land/properties, cash, bank savings, cash value of insurance

policies, pre-surrender/surrender value of annuity schemes, investments in stocks and shares, and other readily realisable assets are counted as the households' assets under the Scheme.

My reply to the Member's questions on the financial tests, particularly those related to insurance policies, are as follows:

(1) The SWD does not keep the number of cases in which the asset of CSSA applications exceeded the CSSA asset limits owing to the cash value of insurance policies.

(2) Since the policy objectives, nature and applicability of various Government assistance schemes are different, the requirements under their financial tests (if any) vary.

(3) For the asset test of the CSSA Scheme, the applicants and their family members would meet the asset requirement if their total asset value, including the cash value of insurance policies and the sum of other assets, does not exceed the prescribed limit. Generally, the SWD would carefully consider the extent of assets owned by the CSSA applicants and their household members within one year prior to their applications, so as to ascertain that they are in genuine financial needs and have fulfilled the requirements under the financial tests of the CSSA Scheme. The SWD is obliged to explain the applicable asset limit to every applicant and how the applicant's various asset items and the respective cash values are calculated under the financial test mechanism. The SWD respects and will not interfere with the decisions made by persons in need on whether to apply for CSSA and how they handle their assets.

(4) Having considered the tremendous challenges posed by the coronavirus disease 2019 in Hong Kong, the Government has, after securing the funding approval from the Finance Committee (FC) of the Legislative Council on the anti-epidemic measures in April 2020, launched a six-month "Special Scheme of Assistance to the Unemployed" under the CSSA framework. According to the arrangement of this time-limited Special Scheme, the asset limits for able-bodied persons (including the cash values under insurance policies and sum of other assets) have been temporarily relaxed by 100 per cent for six months from June 1, 2020. The Government subsequently obtained approval from FC to extend this Special Scheme for another six months to May 31, 2021. The Government will closely monitor the situation and render assistance to those in need.