

LCQ8: HKMC Annuity Plan

Following is a question by the Hon Martin Liao and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 12):

Question:

The Hong Kong Mortgage Corporation Limited, wholly-owned by the Government through the Exchange Fund, launched the HKMC Annuity Plan (the Plan) in July 2018. The maximum premium amount per person of this insurance product was increased from \$1 million to \$3 million in May 2019, and the minimum eligible age for subscription was lowered from 65 to 60 in February 2020. After making a lump-sum premium payment ranging from a minimum of \$50,000 to a maximum of \$3 million, an annuitant may receive a life-long stream of fixed amount of monthly annuity payments, and the cumulative amount of the monthly annuity payments received by the annuitant is guaranteed to be no less than 105 per cent of the premium paid (the guaranteed rate of return). Regarding the Plan, will the Government inform this Council:

(1) of the annual (i) aggregate amount of premiums collected and (ii) number of new annuitants since the launch of the Plan, and set out, in the table below, such figures and a breakdown of the latter by the premium groups as shown in the table;

Year	Number of new annuitants					
			Premium groups			
	(i)	(ii)	Below \$500,000	\$500,000 to below \$1 million	\$1 million to below \$2 million	\$2 million to \$3 million
2018 (from July to December)					–	–
2019						
2020						
2021 (up to March)						
Total:						

(2) of the average entry age of the annuitants at present, and the total amount of annuity payments received by them so far; the up-to-date number of annuitants who have surrendered their policies within the guaranteed period;

(3) as there are comments that when compared with the average annual inflation rate in Hong Kong in the past three years (i.e. about 2.3 per cent), the guaranteed rate of return of the Plan cannot be counted as attractive, how the authorities determined such rate of return in the first place, and whether they will consider adjusting the guaranteed rate of return in the light of the actual inflation rate; and

(4) whether the authorities have compared the attractiveness of the Plan with that of the annuity products launched by private insurance institutions in recent years, and what measures are in place to assist retirees in comparing the expected returns of these two types of products so that they can make an informed choice?

Reply:

President,

Having consulted the HKMC Annuity Limited (HKMCA), my reply to the various parts of the question is as follows:

(1) The table below sets out the number of policies issued under the HKMC Annuity Plan (the Plan) by premium amount:

Year	(i) Total premium amount (HK\$ billion)	(ii) Number of policies issued	Number of policies issued under the Plan			
			Premium amount			
			Below HK\$0.5 million	HK\$0.5 million to below HK\$1 million	HK\$1 million to below HK\$2 million	HK\$2 million to HK\$3 million
2018 (July-December)	2.8	5 422	2 542	1 429	1 446	5
2019	1.6	2 188	726	552	747	163
2020	2.5	2 606	615	662	935	394
2021 (as of end- March)	0.9	895	187	232	347	129
Total	7.8	11 111	4 070	2 875	3 475	691

Note: As each policyholder can apply for more than one policy under the Plan, "number of policies issued" instead of "number of new annuitants" is provided in the table above.

(2) The table below sets out the average age at application, the total annuity payout and the number of surrendered cases of the Plan:

Year	Average age at application (years old)	Total annuity payout (HK\$ billion)	Number of surrendered cases
2018 (July-December)	69.7	0.03	0
2019	69.1	0.26	2
2020	65.2	0.39	3
2021 (as of end-March)	65.4	0.14	1
Average/Total	68.2	0.82	6

Note: As each policyholder can apply for more than one policy under the Plan, "number of surrendered cases" instead of "number of annuitants surrendering the policies" is provided in the table above.

(3) The Plan is a long-term insurance product. The level of monthly annuity payout is determined on the basis of actuarial calculation using objective statistical data such as life expectancy of different age and gender and long-term investment return etc.

The table below sets out the annuity payout rates of the Plan by age and gender:

Age at application (years old)	Annuity payout rate of the Plan	
	Male	Female
60	6.1%	5.6%
65	6.9%	6.3%
70	7.8%	7.0%
75	8.8%	7.7%
80	9.7%	8.4%

The HKMCA has conducted a study on inflation-linked annuity products. Considering that annuity payouts of such products during the early years would inevitably have to be reduced significantly, resulting in lower attractiveness of the products, the HKMCA has no plan to introduce inflation-linked annuity products at present.

(4) The local annuity market has registered rapid growth since 2018. In 2020, new premiums on annuity products reached HK\$13.3 billion, representing an increase of more than 70 per cent since 2017. Whereas the HKMCA provides immediate annuity products targeting at the retired market segment, private insurance companies mainly focus on the provision of deferred annuity products. Since the launch of the Plan, the HKMCA has quickly become the biggest player in the local immediate annuity market.

With a view to raising public awareness of annuity products, the HKMCA will continue to step up its education and outreach efforts in relation to life annuity, such as promoting the concept of life annuity and longevity risk management to the target segments through different channels, including promotional videos, roving exhibitions and public seminars.