

# Speech by CE at Asian Insurance Forum 2019 Opening Ceremony (English only) (with photos/video)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the Asian Insurance Forum 2019 Opening Ceremony this morning (December 10):

Deputy Director Qiu (Deputy Director of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region Ms Qiu Hong), Moses (Chairman of the Insurance Authority, Dr Moses Cheng), K P (Legislative Council member (Insurance), Mr Chan Kin-por), Mr Liu (Chief Counsel of the China Banking and Insurance Regulatory Commission, Mr Liu Fushou), Mr Dixon (Secretary General of the International Association of Insurance Supervisors, Mr Jonathan Dixon), Laurence (Chairman of the Financial Services Development Council, Mr Laurence Li, SC), ladies and gentlemen,

Good morning. It is a pleasure to be here with you, to be taking part in this second Asian Insurance Forum.

My thanks to the Insurance Authority, Hong Kong's independent industry regulator, for organising this high-profile event, for putting a welcome spotlight on the Belt and Road and the Greater Bay Area developments as well as financial technology, and showcasing the far-reaching promise they offer the insurance industry here in Hong Kong and around the world. Allow me to flesh out some of these opportunities and the broader business background, via four "Ts".

First "T" is "think" – "Think Insurance, Think Hong Kong". Last year, Hong Kong ranked second globally in insurance penetration. Our insurance industry's gross premiums in 2018 totalled more than US\$66 billion (HK\$514.5 billion), up 5.2 per cent over 2017 totals. Over the past five years, industry growth has averaged 11.4 per cent a year. It helps that 15 of the world's top 20 insurers, as well as major brokerage firms, operate in Hong Kong. They bring high-end technical skills and innovation to our insurance industry, enhancing our status as an international insurance hub.

The future promises even more opportunity, thanks to the Guangdong-Hong Kong-Macao Greater Bay Area development, which is a national development strategy. Given its collective population of 71 million and its combined GDP, now at US\$1.6 trillion, the Greater Bay Area presents huge potential for the insurance sector.

In February this year, the Greater Bay Area's Outline Development Plan was released. Among other things, it supports Hong Kong's status as a risk-management centre. In the 10 months since then, we've made great strides, particularly during last month's plenary meeting of the Greater Bay Area's

Leading Group led by Vice Premier Han Zheng. I, again, took part in that meeting as a member of the Leading Group, and am pleased to tell you that 16 new policy measures were announced following that session.

Three of those initiatives target insurance, including the Central Government's support for Mainland insurance companies to issue catastrophe bonds, or "cat bonds" as they are known in Hong Kong. My Government is determined to help the industry seize these outsized opportunities. In last year's Policy Address, I announced that my Government would enable the issuance of insurance-linked securities, including "cat bonds", in Hong Kong. Our goal is to introduce the relevant legislative amendments into the Legislative Council (LegCo) early next year.

Another national development strategy, namely the Belt and Road Initiative, will also create wide-ranging opportunities for Hong Kong. The Initiative, which promotes multilateral and multi-level connectivity, is giving rise to rewarding business prospects. Among other things, Hong Kong can be the risk-management centre for state-owned enterprises investing in major Belt and Road projects and looking to expand their market presence. Taking full advantage of this opportunity, we plan to introduce the relevant amendments into LegCo in the first quarter of 2020. They will broaden the scope of risks that can be underwritten by captives formed in Hong Kong.

My second "T" is "technology", which Moses has covered. Financial technology, or fintech, is rapidly changing the landscape of the insurance industry. Hong Kong, I'm pleased to say, is on its way to realising the vast opportunities presented by fintech. The Insurance Authority has begun its Fast Track scheme. It expedites applications for those looking to do insurance business, in or from Hong Kong, solely through digital distribution channels. The first virtual life insurer under Fast Track was granted a year ago this month. The second was approved in October. Together, they will create more customer-centred services and products. Our Insurance Authority has also launched its Insurtech Sandbox scheme. It enables insurers to run pilot trials of innovative applications in a controlled environment. To date, four smart products have been rolled out to consumers.

The application of fintech is of course not limited to insurance. Earlier this year, the Hong Kong Monetary Authority awarded licences to eight virtual banks, which will start to launch products and services by phases in the near future. And last month, the Securities and Futures Commission adopted a new approach to virtual asset trading. I believe that, in the coming decade or so, fintech may dramatically alter today's financial services delivery model. I would encourage our financial services practitioners to get prepared for the changes and opportunities ahead.

My third "T" is "tax-friendly", something we know a good deal about. To promote Hong Kong as a reinsurance hub and a captive domicile, we have offered half-rate profits-tax concessions for professional reinsurers and captive insurers. We're creating opportunity in marine insurance as well. In my Policy Address last year, I announced tax relief to promote marine insurance and the underwriting of specialty risks in Hong Kong. With the

support of the Insurance Authority and the industry as a whole, an amendment bill to implement the tax relief proposals will be introduced into LegCo next week.

The people of Hong Kong enjoy one of the longest life expectancies in the world. In 2018, life expectancy at birth for males and females was 82.3 years and 87.7 years respectively. Our ageing population, male and female, gives the insurance industry the opportunity to place more emphasis on health protection and retirement planning. In April this year, my Government launched salaries tax incentives for premiums on the Voluntary Health Insurance Scheme, as well as the Qualified Deferred Annuity Policy and voluntary contributions to the Mandatory Provident Fund Scheme. The objective is to encourage the working population to better protect themselves and their families, while broadening long-term protection alternatives for our ageing population and the underinsured as well. These tax-deductible products have been well received by the community and the industry. To date, more than 80 000 deferred annuity policies have been sold and over 130 000 persons insured under the Voluntary Health Insurance Scheme. This will continue to be a significant force for business development in the insurance industry.

The fourth and last "T" is "talent". A continuing supply of talent is essential to ensuring Hong Kong's development as a high value-added and diversified economy. In August 2018, the Government announced its first Talent List. It was designed to attract quality professionals from around the world in a more effective and focused manner. Four of the 11 professions included in the Talent List are related to the financial services sector: asset managers, marine insurance professionals, actuaries and fintech specialists. This past June, we also established the Hong Kong Academy of Finance to help maintain Hong Kong's status as one of the world's leading financial centres. For the past three years, we have also been expanding our talent pool through the Pilot Programme to Enhance Talent Training for the Insurance Sector.

Since September this year, the Insurance Authority has assumed responsibility for regulating some 120 000 insurance intermediaries in Hong Kong. That, ladies and gentlemen, is a milestone in the modernisation of Hong Kong's regulatory system. I am confident that the Authority will promote the professional standards of our insurance practitioners. In doing so, it can only help ensure a healthy and sustainable industry.

I understand the Financial Secretary will talk about that, and other industry issues, at today's luncheon. For now, allow me to assure you that my Government is entirely committed to reinforcing Hong Kong's role as a global risk management centre and insurance hub. May I also take this opportunity to congratulate the Insurance Authority, a relatively young regulator, for having achieved so much in discharging its dual regulatory and development roles over such a short period, under the able leadership of Moses.

We have, of course, risks of our own at present. Hong Kong has been haunted by social unrest, sometimes horrific violence, over the past six months. Stopping violence and restoring public order remains our top priority

now, and that requires a joint effort by all of us. Let's work together for Hong Kong, and recreate a united community and a flourishing economy.

Ladies and gentlemen, if there is a fifth "T," it is "trust". Mutual trust. Once we've re-established that, we'll be on our way again.

I wish you all the best of business at this Asian Insurance Forum and a rewarding year ahead. May I also join Moses to wish you a merry Christmas, a peaceful one, and a happy new year. Thank you very much.

