

Speech by CE at Asian Insurance Forum 2020 (English only) (with photo/video)

Following is the video speech by the Chief Executive, Mrs Carrie Lam, at the Asian Insurance Forum 2020 held online this morning (December 8):

Moses (Chairman of Insurance Authority (IA), Dr Moses Cheng), Clement (Chief Executive Officer of IA, Mr Clement Cheung), ladies and gentlemen,

Good morning. I am delighted to speak to you today at the third edition of the Asian Insurance Forum.

Because of the COVID-19 pandemic, this annual flagship event is taking place online. But the good news is that with the pervasive power of digital communication and the growing significance of insurance amidst an unprecedented public health crisis, the Forum has attracted a local and global gathering of practitioners. I believe at this time, whether you are a well-established practitioner or a newcomer, we all wish to learn from each other in ensuring the healthy growth of the insurance industry.

The theme of today's Forum, "Spearheading Change for a Sustainable and Resilient Future", is in many ways a global theme, or even a global necessity, given that this COVID-19 pandemic has hit us all and at every level of business and community. My Government has, from the beginning, responded to COVID-19 with urgency and transparency to prevent the spread of the virus. We have also rolled out relief initiatives worth some US\$40 billion to help business stay afloat, to preserve jobs and to provide assistance for those in need.

With Hong Kong being hit by another wave of the pandemic, fighting the virus together with the community remains the Government's top priority. However, we have not lost sight of the need to revive the economy. Entitled "Striving Ahead with Renewed Perseverance", the 2020 Policy Address I delivered on November 25 aims to instil confidence about Hong Kong's economic prospects by seizing on our strengths. Today's Forum, with its focus on the Greater Bay Area, the Belt and Road and innovation, neatly captures three of the central foundations of my Policy Address.

We will take full advantage of the opportunities in the two important national strategies: the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative. China's economic rebound in recent months leads the world, achieving an enviable 4.9 per cent GDP growth in the third quarter. As our economic integration with the Mainland continues to deepen, it makes perfect sense to seize these singular opportunities. As the Insurance Authority continues to transform Hong Kong into a regional insurance hub and global risk-management centre, these far-reaching prospects create abiding promise for your industry as well.

The Greater Bay Area comprises Hong Kong, Macao, and nine cities in Guangdong, with Shenzhen and Guangzhou the core engines for development alongside Hong Kong and Macao. Boasting a population of some 72 million and a per capita GDP of US\$23,000, the Greater Bay Area looks to rise as one of the world's innovation and technology (I&T) hubs. Beyond I&T, Hong Kong will drive financial services for the region, given our longstanding prowess in financial services, our ability to bridge East and West and the unmatched depth and quality of our professional services.

Central to the success of the Greater Bay Area is an unimpeded flow of people, goods, capital and information. And as that continues to be realised, it creates opportunity for you, the insurance industry. In this regard, my Government is in an advanced stage of discussion with the Mainland on the proposed establishment of after-sale service centres. That would mark a breakthrough in financial connectivity, and make it much easier for holders of policies issued in Hong Kong and Macao to acquire comprehensive customer support in the Mainland cities of the Greater Bay Area. That, of course, would hold true whether they are citizens of Hong Kong, Macao or the Mainland. Business people, whether established or just starting out, will be able to take advantage of the lower cost of living and of starting business ventures in the region, while continuing to access Hong Kong's sophisticated financial services, including insurance services.

Now let's look at transport, at cross-boundary traffic. Admittedly, cross-boundary travel is very much limited now due to the epidemic situation in Hong Kong. We all want to see the resumption of cross-boundary travel sooner rather than later, so rest assured that the Government will do all we can to control the epidemic. When normal service resumes, we will be able to make full use of the Hong Kong-Zhuhai-Macao Bridge, which establishes a land connection between the east and west banks of the Pearl River.

To derive optimal benefit from the bridge, and to bring additional convenience to its users, we are working with the Mainland to fast-track early implementation of the unilateral recognition policy. That would allow third-party motor vehicle insurance policies issued by Hong Kong insurers for local vehicles entering Guangdong, via the bridge, to be accepted as equivalent to traffic-accident liability insurance in the Mainland. It's an innovative example of user-friendly, cross-boundary insurance products. I encourage you to create similar offerings, channeling factors of production into the Greater Bay Area, while contributing to the goal of making Hong Kong a regional insurance hub.

As I noted in my Policy Address, Hong Kong's economic development will be given new impetus in the Greater Bay Area. That impetus, and our economic development, will take us long and well through this 21st century of opportunity.

As for the Belt and Road Initiative, it fits neatly into our mission of building Hong Kong into a global risk-management centre. In July, we passed legislation to expand the scope of insurable risks. That boosts Hong Kong's competitive edge as a domicile for captives set up by multinational

corporations. It includes Mainland enterprises investing in Belt and Road projects. The Insurance Authority is working out details in hopes of beginning the expanded opportunity early next year.

Investment decision-making and project financing in an unfamiliar environment are a challenge. Given the multitude of specialty risks in play, its a daunting task even for seasoned practitioners. Hong Kong, home to a multitude of insurance providers, is in an ideal position to meet Mainland demands. To attract market participants and compete effectively in the international marketplace, we passed another piece of primary legislation in July introducing profits-tax concessions for insurers and broker companies underwriting specialty insurance. We hope that the tax concessions will be effective early in the new year. Let me add that the Specialty Risks Consortium conceived by the Insurance Authority is also putting Mainland companies together with firms that offer technical expertise and overseas networks. That should encourage the delivery of tailored risk solutions.

The trail of disruptions left by COVID-19 is a sobering reminder that we are all susceptible when confronted with natural perils. The total insurance-linked securities issued in the first half of the year has already exceeded the total of last year – and by about 20 per cent. It clearly suggests that this alternative investment tool has thrived, rather than faltered, in a world beset by uncertainties.

The Central Government acknowledges Hong Kong's ability to offload the risks of Mainland insurers into the capital market by issuing insurance-linked securities like catastrophic bonds. We responded by amending our law, again in July, to provide a framework for issuing insurance-linked securities. We are now looking forward to implementing the new regime in early 2021.

These, and other measures in the works, are intertwined. They reflect my Government's determination to encourage Hong Kong's development as a global risk-management centre. Indeed, we're already on our way. We have, to be sure, a few imposing roadblocks ahead of us, the pandemic certainly among them. But I remain confident in Hong Kong, in the resolve, resourcefulness and resilience of the people of Hong Kong; and the professionalism and dedication of our insurance sector, of each and every one of you.

I wish you a healthy, happy and prosperous New Year and a rewarding Asian Insurance Forum. Thank you.

