

Speech by FS at ASHK Hong Kong Actuarial Summit (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the ASHK Hong Kong Actuarial Summit today (November 25):

Peter (President of Actuarial Society Hong Kong, Mr Peter Duran), Moses (Chairman of Insurance Authority, Dr Moses Cheng), distinguished guests, ladies and gentlemen,

Good morning. I'm pleased to take part in the inaugural Hong Kong Actuarial Summit.

Your first Summit, of course, was scheduled to take place last November, then rescheduled for May. But it has been a trying time for Hong Kong this past year, and more. So it is a pleasure, finally, to be able to speak to you. An honour to congratulate the Actuarial Society of Hong Kong for its perseverance and innovation for this welcome inaugural Summit. Your first and, I hope, your last virtual Summit.

I'm told there are some 300 of you taking part in the two-day conference. High-profile actuarial, insurance, finance and other industry professionals, each of you, in one way or another, manages risk as an integral part of the job. Day in, day out.

Risk has never been more central or more immediate in so many ways to Hong Kong. To the people we work with, live with and share this extraordinary city with.

Ladies and gentlemen, I count on you, and the Actuarial Society of Hong Kong, to do what you have long done – so well, for so many – and that's to continue to serve the public interest, at large.

With your essential help, I am confident we will find a way forward for Hong Kong. For all of us.

The Hong Kong insurance industry continues to show the way forward, both for our community and our economy. The industry employs more than 100,000 people. Last year, Hong Kong's insurance penetration exceeded 19 per cent, ranking second globally. In this deeply challenging time, that is certainly something to cheer about.

At last count, 13 of the world's top 20 insurers conducted insurance business here. They bring technical expertise and innovation to our insurance industry, enhancing Hong Kong's status as an international insurance hub.

The actuarial profession has long played an instrumental role in the industry's success, I'm pleased to say.

Since its incorporation in 1994, the Actuarial Society of Hong Kong has

been central to that success. Over the years, the Society has developed a variety of technical standards. In contributing to the professionalism of actuaries, the Society helps ensure a prosperous future for the industry and for Hong Kong.

Speaking of contributions, in March, the interest rate of 30-year US treasury bonds hovered at about 1.5 per cent, that after nosediving to a record low of 0.99 per cent, given COVID-19 and the myriad uncertainties it presents. Thanks to a timely Society review, insurance companies now have the option of using a set of modified parameters to determine long-term insurance liabilities.

This Summit puts a clear and compelling spotlight on the future – your future, one that will offer far-reaching prospects through such national priorities as the Greater Bay Area development and the Belt and Road Initiative. One that will reap wide-ranging opportunity through predictive analytics, artificial intelligence and other new and emerging technology.

The Hong Kong SAR Government is determined to help the industry realise this outsized promise. It's one of the reasons we established the independent Insurance Authority.

With the Central Government's support, Mainland insurers can now issue catastrophe bonds – better known as cat bonds – in Hong Kong.

And, in July, legislative amendments to enable the issuance of insurance-linked securities, including cat bonds, was passed by the Legislative Council. The same bill also expands the scope of insurable risks by captive insurers in Hong Kong.

In July, legislation was also taken forward to reduce the profits tax rate by 50 per cent to 8.25 per cent for marine and specialty insurance businesses. No less important, legislation was tabled to enhance the framework for the supervision of insurance groups, where the group's holding company is incorporated in Hong Kong.

I'm hopeful that the two measures will be implemented early next year.

Allow me, for a moment, to turn to health protection and retirement planning, two major Hong Kong issues closely related to insurance and the actuarial profession.

Hong Kong enjoys among the world's longest life expectancy. That reality will demand more effort in creating workable health protection and retirement planning programmes.

And we're doing that. In my 2018-19 Budget, I announced tax incentive related to premiums on the Voluntary Health Insurance Scheme and the Qualified Deferred Annuity Policy, as well as voluntary contributions to the MPF Scheme.

They are designed to offer long-term protection alternatives for our aging population and the under-insured segment of the community. The tax-

deductible offerings have been well-received by the community.

More than 140 000 deferred annuity policies have been sold to date, while over 500 000 people were insured under the Voluntary Health Insurance Scheme in its first year of implementation. For the insurance industry, that presents long-term business opportunity.

The future will also present challenges. The Risk-Based Capital solvency framework, now being formulated, will bring fundamental changes to the insurance industry.

Under the Risk-Based Capital framework, insurers will be able to quantify capital requirements that reflect their underlying risks. More important, the new framework will raise corporate governance and risk-management practices, thanks to a better understanding of their risk profile.

Actuaries plays a pivotal role in these developments. As the industry refines its risk and business strategies, your support will ensure better product offerings, robust investment strategies and the economic stability they promise.

Innovation, whether introduced by industry or government, works only as well as the talent that drives it.

Since 2016, the Government has been developing young professionals through the Pilot Programme to Enhance Talent Training for the Insurance Sector .

As of last month, more than 5 500 practitioners have participated in courses under the Insurance Pilot Programme. Offerings include technical aspects and the latest international regulation developments for the insurance industry.

I am also pleased to note that the Hong Kong Academy of Finance was established in June last year. It's backed by the HKMA, SFC, IA and MPFA.

The Academy brings together academia and training institutes, as well as industry and the regulatory community in a concerted effort to develop financial leadership and promote research collaboration. I'm confident the Academy will help us maintain Hong Kong's status as Asia's leading international financial centre.

I know my colleagues in the Financial Services and the Treasury Bureau, as well as the IA, are working closely with the Actuarial Society of Hong Kong to promote your profession.

I wholeheartedly support such efforts. They will ensure better policyholder services and enhanced protection of their interests. And that can only mean more business for you down the road.

As for today's business road, we all know it's a rough one, full of sudden stops, hairpin turns and baffling signs everywhere you look. That

said, the Government is committed to doing all we can to boost Hong Kong's status as an international insurance hub and risk-management centre.

To help reduce your financial burden, the Government has announced several rounds of wide-ranging support measures this year.

The IA has also enabled the non-face-to-face distribution of specific products, while promoting Insurtech.

The people, and the businesses, of Hong Kong are remarkably resilient. And I am confident that, working together, we will overcome today's pandemic and its daunting challenges.

My thanks to the Actuarial Society of Hong Kong for this welcome opportunity to speak to you. I wish you all a rewarding two days at the Hong Kong Actuarial Summit. And the best of business, health and risk management in 2021.

Thank you.