

Speech by FS at Asian Insurance Forum 2020 (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Asian Insurance Forum 2020 today (December 8):

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

Good morning.

I'm pleased to be speaking to you today. If you're counting, this marks the third year in a row I've addressed the Asian Insurance Forum. Two weeks ago, I also spoke at the inaugural Hong Kong Actuarial Summit.

My continuing presence among you, year after year, clearly conveys my belief in insurance – the profound importance of the industry to the Hong Kong economy, and the value it adds – that you add – to our professional services reputation and to Hong Kong's status as an international insurance centre.

Indeed, your industry employs more than 100 000 professionals, topping Asia in insurance density and finishing second, worldwide, for insurance penetration. It's no wonder Hong Kong is home to 14 of the world's top 20 insurers.

I believe, too, in the confidence you bring to the people of Hong Kong. Confidence – call it assurance – is something we all crave in this pandemic year, for our community and families, for our economy and our future.

Economies everywhere are hurting. The IMF (International Monetary Fund) has predicted that global GDP will shrink 4.4 per cent this year. And it may get worse before it gets better.

Hong Kong, a small and wide-open economy, has not been spared the indignities of COVID-19. We forecast a contraction this year of 6.1 per cent.

Your industry, relying on traditional mode of distribution, is struggling as well. Mainland visitors, and their significant business, has been constrained by cross-boundary restrictions and stringent social distancing measures.

Silver linings these days are less than luminous, though I take hope in the singular strength of China's economy and its remarkable ability to drive global growth. That aside, product enrichment and technology adoption are holding up well, despite the pandemic.

There is long-term promise in product enrichment, owing to Hong Kong's

demographic profile. We are rapidly becoming an ageing society with a high dependency ratio. That puts pressure on our social security system and public health services.

Insurance could play an effective role in risk pooling, providing people with the means to secure health protection and plan early for retirement.

A shift in mindset from an emphasis on savings and investment return to a focus on protection is essential if we are to narrow the protection gap.

To that end, the Hong Kong SAR Government, last year, rolled out tax incentives for premiums on the Qualifying Deferred Annuity Policy, as well as voluntary contributions in the MPF (Mandatory Provident Fund) Scheme.

The response has been encouraging. As of September, about 152 000 Qualifying Deferred Annuity policies have been issued, generating annualised premiums in excess of HK\$10.7 billion.

Over the same period, some 42 000 tax-deductible MPF accounts have opened, adding about HK\$3 billion in contributions.

Then there's the inexorable technology factor. Insurtech is a potent enabler and accelerator. It boosts creativity, enhances value, improves customer experience and deepens financial inclusion.

Insurers, responding to the widespread hardship spawned by COVID-19, have introduced a raft of concessions for their clientele, while taking the unique opportunity to widen distribution channels.

The Insurance Authority has been equally responsive, launching temporary measures to enable the non-face-to-face distribution of specific insurance products via Insurtech. In doing so, it has also significantly reduced potential infection.

Insurtech Sandbox is working well. To date, 16 pilot trials have been approved, including nine employing video-conferencing to offer insurance products.

I am pleased to note that the Hong Kong Federation of Insurers has put in place a virtual system to spare smaller practitioners from technical vetting. This is an encouraging illustration of how mutual support can expedite the industry's digital transformation.

The fourth virtual insurer under the Insurance Authority's Fast Track scheme got going in May, with a focus on medical, term, life and critical illness products. Each of the four operates under a discrete business approach. Their success can serve as examples, accelerating the expansion of Insurtech throughout the industry.

The Forum's last panel discussion focuses on innovation and positive disruption. I'm sure it will put the Fast Track model under the spotlight.

The Government is committed to promoting market growth and development in the insurance industry. To that end, an amendment bill was passed by the Legislative Council in July. It enables the issuance of insurance-linked securities, including catastrophe bonds. The same bill has also expanded the scope of insurable risks by captive insurers set up in Hong Kong.

Two other pieces of legislation were enacted in July to help the industry create fresh business opportunities.

One reduces the profits tax rate by 50 per cent, to 8.25 per cent, for marine and specialty insurance businesses. The other enhances the insurance group supervision framework in Hong Kong.

We hope to implement the new measures early next year.

These and other initiatives are all part of a larger, long-term effort, and that's to strengthen the competitiveness of Hong Kong as a global risk management centre and insurance hub. Working together, I assure you we can realise this goal.

I am grateful to the Insurance Authority for adeptly steering the industry through a period of unprecedented volatility. I'm grateful, as well, for the innovative, painstaking work that went into organising another welcome and productive Forum.

And in taking this year's Forum online, and for the first time, I would say you have smartly showcased the central role, and critical value, of technology in the insurance industry.

I wish you all a rewarding day and look forward to hearing Forum views on how best to build on Hong Kong's enviable success as an insurance hub.

Ladies and gentlemen, I wish you all a healthy, happy and prosperous New Year. And I look forward to seeing you – in person and thriving – this time next year, without a mask.

Thank you.