

Speech by FS at Asian Insurance Forum 2021 (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Asian Insurance Forum 2021 this afternoon (December 7):

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

Good afternoon.

It is a pleasure to be here speaking to you, such a distinguished audience at the annual Asian Insurance Forum.

Whether you're here in person, at the Hong Kong Convention and Exhibition Centre, or joining us online, welcome to the afternoon session. It features, in just a few minutes, two major panel discussions. The first is as much about the future as it is about right now. Fintech is the opportunity made simple and affordable. It is knocking on our doors and waiting, patiently, for us to open them.

That session will be followed by the post-pandemic regulatory landscape, and how to navigate it. How Government is working to thread that fine space between market development and investor protection.

There is another important topic in the spotlight at this morning's session: mitigating the impact of climate change with green finance.

Let me add an exclamation point to that discussion: the Government is entirely committed to developing Hong Kong as a green finance hub.

Our agenda, and results, bear that out. Just last month, we completed the successful offering of about US\$3.75 billion worth of green bonds. The bonds were denominated in US dollars, in euro and in Renminbi, underscoring investor confidence in Hong Kong's credit strength and economic fundamentals.

We're now working to issue retail green bonds, this financial year, for the general public. And our Green and Sustainable Finance Grant Scheme is there for you – there to encourage more issuers to take advantage of Hong Kong as a green finance centre.

Our economy as a whole is looking good, with real GDP growth of 7 per cent in the first nine months of 2021. The Consumption Voucher Scheme has played a welcome role in the continuing recovery, spurring consumer spending throughout the economy.

As for the insurance sector, individual long-term new business slipped 21 per cent last year. In the first half of this year, a smart redirection in focus – to protective products – spurred a cheering 23 per cent turnaround. That helped underwrite general insurance business, which showed a profit of about HK\$800 million over the same period.

That, ladies and gentlemen, is testament to the resourcefulness and resilience of the people of Hong Kong. And you, our insurance industry professionals.

I'm pleased, as well, with the work of the Insurance Authority in both protecting policyholders and promoting industry competitiveness.

Insurance-linked securities is a case in point. It is gaining popularity as a way of channelling insurance risks to capital markets and as an alternative form of investment, one bearing little correlation with the economic cycle.

To facilitate the issuance of insurance-linked securities, the Hong Kong SAR Government, in March, put in place a streamlined regime for the authorisation and regulation of special purpose insurers.

The two-year pilot grant scheme announced in my Budget puts us on par with other hubs, enabling the Authority's efforts in identifying potential sponsors.

Such collaboration also led to the inaugural issuance, in October, of a catastrophe bond. I'm sure you'll hear more about this seminal development in today's panel discussions.

That aside, the SAR Government is working to enhance the tax environment for insurers and broker companies underwriting marine and specialty risks. Working, too, to expand the scope of risks insurable by captives.

In parallel, matching efforts are being scaled up through the Hong Kong Specialty Risks Consortium for state-owned enterprises. A panel of specialist advisers is devising tailored risk solutions.

These, and other, initiatives exemplify the role of Hong Kong as a global risk-management centre delivering unique value for Mainland corporations and multinational companies.

Allow me now to touch on digital developments.

Responding to a call from the SAR Government, the Authority recently entered into two memoranda of understanding (MOUs) on fintech co-operation – with the regulatory authorities in the Mainland and in Macao. These MOUs will set in motion an exploration of cross-boundary applications within the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

Encouraged by the temporary facilitation measures, traditional insurers are investing in automated distribution channels, while virtual insurers are enjoying a surge in customer interest. What we all like to hear, I'm sure.

Turning to prudential supervision, earlier this year, we completed a legislative exercise enabling the designation of three insurance-holding companies. That underlines Hong Kong's status as the preferred base for the headquarters of major insurance groups operating in the Asia-Pacific region.

At last count, 13 of the world's top 20 insurers are authorised to do business in Hong Kong. And, when it comes to insurance penetration, Hong Kong leads the world.

Next year, we will introduce a draft bill to the Legislative Council on a risk-based capital regime.

That will align Hong Kong closely with the latest international standards, while raising our internal-control and risk-management systems, and boosting public-disclosure requirements.

The Authority, ever-vigilant against unethical practices, continues to keep the general public informed about the insurance industry and knowledgeable about its products.

The Public Education Campaign on Lifetime Risk Profiling, launched this summer, is a clear and compelling illustration of this. It provides online resources, helping individuals assess risk exposure, while obtaining impartial information about mainstream insurance products.

The Hong Kong SAR Government is committed to strengthening Hong Kong's growing status as a global risk-management centre and insurance hub. And that is supported by the National 14th Five-Year Plan.

We are, rest assured, continually looking at ways to expand our reach into the GBA. Initiatives in the works include establishing insurance after-sales service centres for clients in the cities in the GBA. Soon enough, your domestic market will count 86 million consumers.

My sincere thanks to the Insurance Authority for organising this Asian Insurance Forum, an essential annual gathering, and for leading the industry, ever so adroitly, through these most daunting times.

Ladies and gentlemen, I know you will enjoy this rewarding, fully insurable, afternoon. Happy holidays to you and your loved ones, and the best of health and business in the new year.

Thank you.



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