

Speech

SFST's speech at Annual Reception of Hong Kong Federation of Insurers (English only)

Monday, March 26, 2012

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Annual Reception of the Hong Kong Federation of Insurers this evening (March 26):

Alex [Chu], ladies and gentlemen,

Good evening.

This is the third time that I have had the honour of joining you for this special celebration. There seem to be more and more people in the room each year, which must be an indication that your industry is going from strength to strength.

The insurance industry has played an important part in the development of financial services in Hong Kong and has provided thousands of employment opportunities for the local job market. The industry has facilitated the stable development and the growth of our society by providing a broad range of insurance products covering various aspects of our needs, whether in the medical, general or travel protection areas.

The growth of the insurance industry

Thanks to the hard work of your profession, the insurance business in Hong Kong has blossomed in recent years. The premiums for Hong Kong insurance business (in long-term and general business) tripled from \$64 billion in 2000 to over \$200 billion in 2010. The average growth rate for this 10-year period stood at an impressive 12 per cent per annum.

The insurance industry constitutes a very important part of Hong Kong's economy. Clearly our citizens feel the same way, as our insurance penetration (i.e. the ratio of total insurance business premiums to the Hong Kong Gross Domestic Product) increased from 4.9 per cent in 2000 to 11.8 per cent in 2010.

Independent Insurance Authority

I am grateful for the support of the Hong Kong Federation of Insurers (HKFI) in all our initiatives and, in particular, in the proposal to establish an independent Insurance Authority (IA). The independent IA will serve many purposes. It will facilitate the development and enhance the competitiveness of the insurance industry. It will help reinforce Hong Kong's position as an international financial centre. It will also provide better protection for insurance policyholders and increase public confidence in the industry.

We will continue our dialogue with the industry to make sure the end result works well for all parties. We have already taken in comments from the industry, such as those in introducing a cap on the levy and exempting reinsurance contracts from the levy, and on ensuring a consistent regulatory approach between bank and non-bank insurance intermediary activities.

Establishment of a Policyholders' Protection Fund

The Policyholders' Protection Fund (PPF) is another product of a successful partnership between the Government and the insurance industry, and in particular, the PPF Steering Committee.

We hope to introduce the Bill regarding the PPF legislation into the Legislative Council in the 2012-13 legislative session and to have the PPF up and running in 2013-14.

Development of Renminbi (RMB) insurance market

A recent breakthrough in the insurance sector came with the revision of the Settlement Agreement on the Clearing of RMB Businesses in July 2010. RMB insurance products are now available. For a brand new business, RMB insurance has done more than well and gained a promising market share. For the first few quarters after its debut, RMB insurance products represented about 10 per cent of long-term insurance business. With the influx of RMB liquidity through Hong Kong's development into an offshore RMB centre, RMB insurance business is expected to carry the momentum for growth in the long term insurance market.

Conclusion

Since the establishment of the Hong Kong Federation of Insurers 24 years ago, the HKFI has been fully committed to advance and promote the interests of the insuring public and the growth of the industry. The HKFI is a shining model of how a professional representative body can work hand-in-hand with the Government and regulators and promote public confidence in the industry.

We look forward to working closely with the HKFI to bring our insurance industry to new heights.

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