

Speech

Speech by SFST at Hong Kong Federation of Insurers Annual Reception (English only) (with photos)

Wednesday, April 16, 2014

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Hong Kong Federation of Insurers (HKFI) Annual Reception today (April 16):

Thomas (Lee), distinguished guests, ladies and gentlemen,

Good evening. I am glad to join you all again today at the Hong Kong Federation of Insurers Annual Reception. It is always a great pleasure to catch up with old friends and to see new faces.

The insurance sector is an indispensable part of Hong Kong's rapidly growing financial services industry. It has been supplying both individuals and corporations in Hong Kong with the necessary tools to manage the increasingly sophisticated risks they face while providing quality employment opportunities for the local workforce.

The insurance business has been flourishing in Hong Kong thanks to the hard work of industry. By February 2014, there were 158 authorised insurers, 633 authorised insurance brokers and over 43,000 appointed insurance agents in Hong Kong. Total gross premium income has seen double-digit growth in the previous four years, reaching \$291 billion in 2013. Insurance is very much a part of our everyday life in Hong Kong. In terms of insurance penetration and density (note 1), Hong Kong ranked second in Asia in 2012, reflecting the population's readiness to make use of insurance products to protect themselves.

The Government is keen to promote further development of the insurance industry underpinned by a modernised regulatory framework. We will introduce the bill for establishing an independent Insurance Authority (IIA) into the Legislative Council on April 30, with a view to passing the bill within 2015.

The IIA will be nimble in responding to new regulatory challenges and is consistent with the Insurance Core Principles stipulated by the International Association of Insurance Supervisors which require regulators to be independent financially, operationally and politically. I thank HKFI for assisting us in this regulatory reform and its participation in the Working Group on transition to the

new regulatory regime.

To better protect policyholders' interests, maintain market stability in the event of insurer insolvency and enhance public confidence in the insurance industry, we are taking the steps to establish a Policyholders' Protection Fund (PPF) as a safety net for policyholders. The consultation conclusions and final proposals were announced in 2012. We are preparing the enabling legislation and will continue to engage the stakeholders in the process. Again, HKFI's valuable feedback has helped us a lot in refining our legislative proposal.

The RMB insurance business remains one of the major drivers behind the long-term growth of the insurance industry. As at end of December 2013, more than 156,000 RMB-denominated insurance policies were sold with total cumulative premiums exceeding RMB34 billion. Eleven insurers have obtained the approval from the People's Bank of China to participate in the Mainland's interbank bond market. Access to the onshore interbank bond market provides the relevant insurers with a wider choice of investment instruments to match their RMB liabilities. At the same time, an increasing number of reinsurers is discussing reinsurance arrangements in RMB with insurers.

The captive insurance sector is another focus of our efforts. In order to promote the captive insurance business in Hong Kong, the Financial Secretary proposed in last year's Budget to reduce by 50 per cent the profits tax on the offshore insurance business of captive insurance companies. The relevant legislation was passed on March 19, 2014. Attracting companies to set up captive insurers in Hong Kong to form a cluster will help the development of other related businesses, including reinsurance and legal and actuarial services, making Hong Kong's risk management services more diversified. We will continue our promotion efforts and leverage our economic and trade networks to attract more enterprises to form captive insurers in Hong Kong.

Last but not least, the Government recognises the importance of having professional and skilled personnel to support the sustainable development of our financial services industry. The manpower requirements for the insurance sector are expected to be high in terms of both number and sophistication in the coming decade. We will be consulting the industry to identify gaps between the supply and demand of talents and to devise measures to ensure an adequate supply of the right people, with the right skills, at the right time.

I would like to thank the Hong Kong Federation of Insurers for the unfailing support it has provided in the past 26 years, acting both as a standard-bearer for professionalism and development within the industry, and as a bridge between the Government and market practitioners. We look forward to continue working closely with the HKFI and its members in the future.

Thank you.

Note 1: Insurance penetration is the insurance premiums as a percentage of GDP while insurance density is the insurance premiums per capita from domestic sources.

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