

Press release

LCQ11: Inclusion of cash values of insurance policies in asset tests

Monday, June 2, 2008

Following is a question by the Hon James To and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (July 2):

Question:

It has been learnt that applicants for legal aid and Comprehensive Social Security Assistance (CSSA) must pass both the income and assets tests, and the 'cash values' of insurance policies held by them will be calculated as part of their assets. In this connection, will the Government inform this Council:

(a) besides legal aid and CSSA, which of the loan schemes (such as the Financial Assistance Scheme for Post-secondary Students which provides tuition subsidy for tertiary students) and social assistance schemes (such as the Transport Support Scheme) offered by the Government or public organisations for members of the public at present require that applicants must pass the assets tests before they are granted loans or allowances; please list the names of such schemes, broken down by whether or not the above 'cash values' are included in the calculation of the applicants' assets;

(b) given that at present, the insured parties have to pay interests to the insurance companies concerned when they withdraw the 'cash values' from their policies, therefore, unlike other assets, such 'cash values' cannot be readily converted into cash to meet the needs of the livelihood of their holders, whether the Government will consider reviewing the methods adopted for the above subsidy schemes offered to members of the public (especially those providing legal aid and CSSA) for calculating the applicants' assets, and disregarding 'cash values' in the calculation; and

(c) given that several health care financing options mentioned in the Healthcare Reform Consultation Document involve proposals for members of the public taking out insurance, whether the Government has, when putting forward such options, taken into account the impact of the above 'cash values' on members of

the public when they apply for the assistance schemes concerned, and consulted the public in this regard?

Reply:

Madam President,

(a) We do not have the statistical data on all the loan or assistance schemes provided by the Government or publicly-funded bodies for members of the public. But of the financial assistance or loan schemes mentioned in the first part of the question, the Comprehensive Social Security Assistance Scheme, the Tertiary Student Finance Scheme - Publicly-funded Programmes/Financial Assistance Scheme for Post-secondary Students, and the Pilot Transport Support Scheme would include the cash values of insurance policies held by applicants (Note) in the calculation of capital assets in asset tests.

As regards the life assurance or endowment policies held by a legal aid applicant, the Legal Aid Department will, when assessing the applicant's financial resources, include as capital of the applicant the amount that the applicant can borrow using the policies as security.

(b) On the question of whether the cash values of insurance policies should be calculated as part of the assets in conducting asset tests, the responsible bureau or department will have regard to the unique circumstances of individual financial assistance or loan scheme in reaching a view.

Generally speaking, the bureaux and departments responsible for the financial assistance or loan schemes mentioned in the first part of the reply consider that the arrangement of including the cash values or relevant values of insurance policies as part of the asset tests has been working effectively and have no plan to review the relevant arrangement at this stage.

(c) During the first-stage healthcare reform consultation, we have put forth six supplementary healthcare financing options for discussion by the community. The Government has no pre-conceived views on any of the options, and does not have any specific recommendations at this stage. Depending on whether or not the final option to be adopted involves the taking out of insurance, we will consider the impact of the above cash values

issue on members of the public when they apply for the assistance schemes concerned.

Note: The cash values of insurance policies held by applicants aside, some of the schemes mentioned in the paragraph will also include the cash values of insurance policies held by family members as assets of the applicants in conducting asset tests. The term "family members" is defined differently under various schemes.

Ends