

主旨: Fw: Public Engagement exercise on Population Policy
附件: Lv01514.pdf

Dear Mrs Lam

Further to our email dated 21 Feb, please find attached our **REVISED** letter regarding the captioned subject for your information. Pls see the attached letter to supersede our last mail.

Sorry for any inconvenience caused!

Thanks & regards

The Committee Unit
The Hong Kong Federation of Insurers

Ref: Lv015/14

21 February 2014

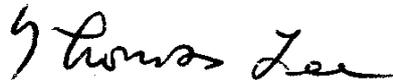
Mrs Carrie Lam, GBS, JP
Chief Secretary for Administration
Chairman, Steering Committee on Population Policy
Secretariat of the Steering Committee on Population Policy
(Email: views@hkpopulation.gov.hk)

Dear Mrs Lam

Public Engagement exercise on Population Policy

The Hong Kong Federation of Insurers has set up a Task Force for the captioned consultation. After detailed study and collecting inputs from our members, we are pleased to present our views on the attached paper.

Yours sincerely



Thomas Lee
Chairman

c.c. Ms Annie Choi, JP, The Commissioner of Insurance
Governing Committee Members
Members of Task Force on Population Policy

Submission of the Hong Kong Federation of Insurers on Population Policy 2013

Introduction

- ♦ Hong Kong is one of the leading insurance hubs in the region. Insurance industry contributes significantly to the development of Hong Kong financial services. In 2012, the industry registered \$263.3 billion total gross premium, representing more than 12% of Hong Kong's GDP.
- ♦ The Hong Kong Federation of Insurers (HKFI) is the representative body of insurance companies in Hong Kong. We currently have a total of 86 General Insurance Members and 42 Life Insurance Members. They together represent more than 90% of the market share in Hong Kong.
- ♦ In this paper, we will share our general observations on the population issue and raise some points for the Steering Committee on Population Policy (SCPP) to ponder. In the second section, we will look at this subject from insurance perspective and hope to provide some viable suggestions/solutions in response to the consultation paper.

General Observations and Points to Ponder

- ♦ As the consultation paper rightly pointed out, population policy is a wide-ranging subject heavily entwined with many aspects of public policies. In this section, we hope to express our views on a raft of issues on this subject and the related public policies. We are not seeking an instant solution to all the issues but would like to raise them for the consideration of the SCPP and the Administration.
- ♦ We concur with the overall direction and the five ways to manage the challenges as suggested by the SCPP (Page 10 of the consultation document). However, we think some key points were not sufficiently addressed by the consultation paper:
 - Low reproduction rate - the paper acknowledges the fact that we have an extremely low fertility rate at 0.6% per annum but it does not seek to find out the reasons behind and tackle the problem from its root. In this connection, will the Government conduct any scientific research on this subject? Does low fertility have to do with the high living cost, education system, long working hours and immense work pressure? Will anything significant be done by the Administration to address these issues and attract/incentivise people to reproduce?

- Flexible retirement age – while the insurance industry is supportive of the idea of extending the working lifespan of the labour force, we are mindful that this may have an impact on the payouts of damages for insurance claim involving personal injuries where one of the major items of damages, namely loss of future income of the victim, is calculated by reference to the duration of his/her working life; in that the longer the working lifespan and the older the retirement age, the bigger the payouts for loss of future income would be. No doubt, this would have an impact on the premium rate for liability insurance, including compulsory employees compensation insurance and motor vehicle third party liability insurance.
- Adverse conditions deterring talents from Mainland/overseas - Hong Kong is an international city with a good mix of talents from different origins, who are valuable assets to our society and contributed a great deal to our economic growth. However, the challenging air pollution, difficulty in finding school places, lack of social support for families with two working parents are driving away talents from Hong Kong, instead of attracting them. Have we done enough to address these issues to maintain/enhance our attraction to these non-local talents? Mainland students graduated from local universities are given a year to find a job here and expatriates are required to leave town immediately after the termination of their jobs or their employment contracts expire. Can we apply more flexibility and remove the barriers for these talents from outside of Hong Kong?
- Sense of belonging - Hong Kong has experienced several waves of mass migration in the past decades. While we have constant number of new immigrants, we are still losing people of high calibre to other jurisdiction. We appreciate the Government's initiative in launching campaign like "Hong Kong: Our Home" to boost the sense of belonging. Yet, we are still seeing the lack of security due to political uncertainties, deteriorating living condition, etc. Can these core issues be addressed so that local talents will remain at the home court? Will the Administration do something more substantial to strengthen the sense of belonging of the Hong Kong people?
- Long term care - Hong Kong has one of the highest levels of institutionalized elderly in the developed world - 6.8% of the elderly in Hong Kong vs 3% in Japan and 3.9% in the US. Insufficient public long term institutional care facilities is causing a long waiting list while 30% vacancy rate is seen in unsubsidized facilities. However, with the Government trying to divert some of the demand to the private sector through adopting subsidy mode of Community Care Service Voucher for the Elderly for residential care services, the demand for private beds will surge. Either way, with the rapid increasing demand for such service, the sustainability of present system is highly questionable.

Specific Comments from the Insurance Perspective

- ♦ Hong Kong has one of the most saturated markets in the world with the presence of 154 authorized insurers and a work force of over 90,000. With such a highly concentrated market, one can easily imagine the keen competition on capital as well as human resources. The nurturing and upgrading of talents has, thus, been a key development concern of the industry. On the other hand, as the expert of risk and wealth management, insurance industry has a lot to offer to serve the people of Hong Kong, in particular with the ageing population.
- ♦ In this section, we will look at the population issue from the following insurance-related perspectives and suggest some viable way forward:
 - Increase quantity of labour force - more efficient rehabilitation programme for injured workers
 - Enhance quality of labour force - nurturing and retaining talents for the insurance industry
 - Build up human capital - foster closer link and better integration with the Mainland
 - Build age-friendly environment - insurance as a solution to retirement savings and health protection

1. "Increase the quantity of the labour force by drawing more people into the labour market"

- ♦ Drawing in new blood is vital but retention of labour force is equally important, if not more. According to the data released by the Labour Department, the total number of days lost is on the uptrend (Table 1). It translates into a massive lost in productivity of skilled and experienced workers.

Table 1:

| Year | No. of Reported Cases | | | No. of days lost | No. of Assessments conducted |
|------|-----------------------|-----------------|--------|------------------|------------------------------|
| | Fatal cases | Non-fatal cases | Total | | |
| 2008 | 196 | 59 671 | 59 867 | 1 887 947 | 20 247 |
| 2009 | 184 | 55 615 | 55 799 | 1 920 609 | 20 288 |
| 2010 | 197 | 58 594 | 58 791 | 1 786 900 | 20 374 |
| 2011 | 195 | 56 801 | 56 996 | 1 929 795 | 21 815 |
| 2012 | 193 | 56 570 | 56 763 | 2 197 399 | 22 229 |

- ♦ Apart from enhancing public education on work safety and health, more need to be done to improve the rehabilitation of injured workers and facilitate their early return to work. Currently injured workers mainly receive treatment at public health care system by different providers. Despite the top-notch services, there is a noticeable lack of coordination and communication among the referring doctors and the healthcare professionals, which results in ineffective management and prolonged recovery of the injured workers.
- ♦ Through a research fund provided by the HKFI, the Department of Orthopedics and Traumatology of the Chinese University of Hong Kong has developed a “Multidisciplinary Orthopedics Rehabilitation Empowerment (MORE) Program” to provide a systematic rehabilitation management for work-injured workers. The new approach strengthens communication between various health care stockholders, promotes early return to work, reintegrates the injured workers soonest into community, and thus contributes to the economic growth of our society. The number of man days lost to work injuries are substantially reduced as evidenced by the 120 cases handled under the MORE Programme since 2011 (Table 2).

Table 2:

| | MORE Programme | Conventional Care |
|---|---|---|
| Return to work | 53 cases (mean = 5.9 months; range: 0.3 - 24.4 months) | 27 cases (mean = 12.9 months; range: 2.0 - 36.4 months) |
| Time of settlement | 114 cases (mean = 5.6 months; range: 0.7 - 19.6 months) | 82 cases (mean = 11.3 months; range: 0.8 - 32 months) |
| Sick leave issued by Hospital Authority | Mean = 177.5 days (range: 8 - 568 days) | Mean = 399.0 days (range: 3 - 1,355 days) |

- ♦ MORE Programme is currently a pilot project conducted at the Prince of Wales Hospital for a limited number of participating workers. We hope to see the systematical expansion of this model as a standard practice for all work injury cases. To achieve this, it must be driven by the Government and the related quasi-government bodies, such as the Occupational Safety and Health Council. The HKFI is willing and ready to discuss with the bureaux and departments concerned to bring MORE and any other sustainable rehabilitation programmes forward and establish a more efficient rehabilitation system.

2. "Enhance the quality of the labour force by improving education and training and minimising skills mismatch"

Nurturing talents

- ♦ Out of all the financial services industry, recruitment challenge is most marked in insurance. The Risk Index reports conducted by Lloyd's put "a shortage of talent and skills" as the second most critical risk in 2011. According to the Wall Street Journal, insurance ranks 97th out of the 100 least-attractive industries for college graduates to enter. This has largely to do with the public's lack of understanding on insurance and its important functions.
- ♦ While we have room to improve our reputation, the Government should also provide assistance and support to the industry as insurance is the integral element behind every single socio-economic activity in Hong Kong.
- ♦ The professionalism of insurance practitioners has been upgraded since the introduction of the Insurance Intermediaries Qualification Assurance Scheme in 2001. There are stringent registration conditions and they are all subject to the Continuing Professional Development requirements. Their qualifications in terms of professional standard and academic attainment are both improving. That said, we see a huge talent gap in management. Currently, there are undergraduate courses offered by local universities in risk management and insurance-related (RMI) disciplines. They include Lingnan University, University of Hong Kong and Chinese University of Hong Kong. However, the supply is far from meeting the demand, partly due to the reluctance of undergraduates enrolling for the RMI stream.
- ♦ The Administration should consider allocating more resources for enhancing financial literacy of the public in general as well as local schools to attract more students to the academic field in RMI. This can be achieved through the network readily available at the Investors Education Centre, in particular their outreach programme at schools and tertiary institutions.
- ♦ Better liaison between the academia and the business world should be induced to ensure the tertiary curriculums meet the changing need of the industry. In this connection, regular survey among industry players should be conducted to align the curriculums with demand.
- ♦ Systematic internship is also an effective tool to attract and retain the right talents. Through internship, students can generate the real workplace experience and help them understand how insurance works and the ample opportunities for career advancement. The insurance industry is committed to nurture students' work skills and train and eventually retain future talents through internship programme. What we need is the proper channel and support from the Government to help recruit the right talents.

Retaining Talents

- ♦ Retention of workforce does not necessarily translate into generous remuneration package and comprehensive fringe benefits. It can also be achieved through motivation and recognition.
- ♦ The Qualifications Framework (QF) was officially launched in May 2008 to help, in the long run, enhance the overall quality and competitiveness of the local workforce. The drafting of the Specification of Competency Standards for the insurance sector is now in good progress. We believe that the QF will help define clear standards of qualifications and benchmarks of skills, knowledge and other relevant attributes required to perform different jobs at different levels.
- ♦ With the leadership and promotion of the Government, we hope to see wider adoption of this systematic and holistic approach of developing the skills, professionalism and other important attributes of the insurance practitioners. Only by doing so can we ensure our wealth of highly skilled and knowledgeable professionals continue to help maintain our leading position in the regional arena and achieve our goals of building Hong Kong as a reinsurance and captive insurance centre.

3. "Build up human capital with a more proactive policy and targeted approach to attract more talent from overseas and the Mainland. Consider a more effective importation of labour system without jeopardising the interests of local workers"

- ♦ Insurance is a highly professional and technical business. Management and technical staff on underwriting, pricing, risk management, investment, product development, claims handling, surveying, etc are all professionals in their respective areas. However, with the economic growth and rising personal wealth in Asia, demand for extra headcounts is high across all markets in the region. Hong Kong's ability in attracting talents from overseas may be hindered by the factors identified in the first session of this paper. However, we may look for possible solution from another direction - a potential pool of new blood from the Mainland.
- ♦ Hong Kong has a wealth of experience in managing risks since 1841 when the first insurance company came to town. We have a highly internationalised market place with professionals from around the world. A number of multi-national insurance companies have made Hong Kong their headquarters in the Asia-Pacific region. All in all, Hong Kong is an excellent training ground and we have a lot to offer to those from across the border to join our industry.

- ♦ We fully acknowledge the fact that China is having its problem with an absolute drop in the working-age population. And importation of high potential practitioners may be seen as competing for talents. But on a more positive note, our international exposure and experience can help groom these practitioners and widen their horizon. More exchange of knowledge and expertise will be achieved in the long run which helps market integration and enable more active cross-border cooperation. It can be a win-win situation for both market places.
- ♦ Building closer relations and facilitating more exchange with our counterparts in the Mainland will help eliminate any potential misunderstanding. In this connection, we at the HKFI is ready and willing to work with the Government and the regulators in working out possible and effective ways to foster a better understanding and closer working relation with the Mainland insurance industry and help attract talents to work in Hong Kong.
- ♦ Understanding should also be fostered among the users, i.e. policyholders and clients of insurance companies. Another way to achieve this goal is to allow more local insurance practitioners to serve their clients in the Mainland through liberalising entry requirements for the Hong Kong insurance industry. If Hong Kong insurance companies are allowed to set up customer service centres in the Mainland, more direct HK-Mainland interaction will take place which helps deepen our understanding.

4. "Build an age-friendly environment, promote active ageing and develop the silver hair market"

- ♦ Insurance, with its ample expertise in underwriting, investment and management of longevity risks, can offer comprehensive solutions to address the risks of an ageing population and a meaningful contribution to old-age security.

Retirement protections

- ♦ We are pleased to see much emphasis was put on the care for the elderly in the 2014 Policy Address delivered by the Chief Executive last month. A consultancy study would be dedicated on the subject of retirement protection. On this note, we wish to reaffirm the industry's commitment in providing the necessary protection/services on this front.
- ♦ Around 85% of Hong Kong's workforce is covered by the MPF system or other retirement protection schemes. The amount of money accumulated in the MPF system exceeded \$450 billion as of the end of June 2013.
- ♦ A study conducted by a study conducted by Ernst & Young in 2012 confirmed that MPF system has achieved its intended objectives as an occupational retirement savings vehicle for Hong Kong's working population.

- ♦ Global experience suggests that pension systems take 40 years or so to mature. Hong Kong's MPF system has progressed very well through the first decade of development supported by a robust infrastructure. Even at this relatively early stage of development, the MPF system offers participating members considerable choice in terms of the number and type of funds that they can invest in, and considerable flexibility to change their investment choices.
- ♦ We would like to see more proactive education from the MPF Authority and the Government to help Hong Kong people see the benefits of MPF and the protection it brings. It will also indirectly encourage people to save and plan for the future.
- ♦ Enhanced financial literacy will also help people better manage their savings and facilitate a more productive use of the money. This again calls for the action of the Investors Education Centre in promoting financial education.

New products for seniors

- ♦ Insurance is an innovative and dynamic business which evolves to meet the changing needs of customers. With the demographic trends pointing to an expanding pool of retirees, the industry is ready and equipped to provide a range of products and services matching the needs of the ageing population. For instance, annuity products are gaining popularity in Hong Kong. We can also develop more unit-linked solutions with diversified fund choices, including those with lower risk, for the senior customers to help them sail through market volatility.
- ♦ However, while insurance has a central role to play in mitigating the effects of the rapidly ageing society, Government's support and individuals' buy in are also pivotal. To encourage more individuals to actively cater for their retirement needs, tax and other forms of incentives must be in place. It is also the Government's duty to promote greater awareness and education to prompt people to plan for their future as early as possible. Provision of more long-term bonds is equally important to facilitate the asset-liability management needs of insurance companies when providing these long term products, in particular those with guaranteed features.

Health protections

- ♦ Hong Kong is blessed with a most cost-efficient public health care system. That said, with the rapid ageing population, the long-term sustainability of such a massive system is highly questionable. And health care reform has been on the agenda of the Government for the past three decades.
- ♦ The insurance industry is committed to facilitating the provision of high quality and affordable healthcare services to the people of Hong Kong. Nevertheless, we have serious doubt about the effectiveness of the most recent version in the form of a proposed Health Protection Scheme (HPS) in alleviating the burden of the public system.

- ♦ Hong Kong's private group and individual indemnity medical insurance plans are providing various forms of protection to more than three million people in Hong Kong. Our citizens appreciate the value of insurance as evidenced by the increasing number of policyholders by 180,000 per annum over each of the past four years. The insurance industry has the capacity to offer a raft health protection products to suit the different needs of policyholders.
- ♦ Instead of imposing the proposed HPS, restricting the choice of consumer and running a High Risk Pool with very doubtful sustainability, we suggest the Government allowing the medical insurance market to run as it is and continue to attract new policyholders to take out suitable cover.
- ♦ On the other hand, the Administration can look at the issue from these angles:
 - allowing more qualified medical professionals to practice in Hong Kong and build more hospitals/medical facilities thus lowering the medical cost;
 - educating the public on the merits of medical insurance and the protection it offers;
 - incentivising people to take up medical insurance cover as early as possible;
 - exploring viable measures to better engage employers and employees in meeting the needs of health care benefits for the increasing ageing population;
 - encouraging people to be responsible for their own health by leading a more healthy life style.

Feb 2014