

Market Overview - General Insurance

Market Performance of General Insurance Business in 2022¹

Hong Kong general insurance market reported growth in total gross written premiums (“GWP”) of 4.5% to HK\$64,387 million in 2022 against the backdrop of the fifth wave of COVID-19 and subdued economic recovery. Overall underwriting profit increased to HK\$4,338 million in 2022 compared to HK\$1,720 million in 2021.

The premium growth achieved by the market in 2022 was mainly attributable to Accident & Health (“A&H”) business and General Liability (comprising Employees’ Compensation (“EC”)) business which reported growth of 8.3% and 6.1% respectively due to a combination of rates hardening and new business. Ships business and Property Damage business also contributed by reporting growth of 6.0% and 3.7% respectively, while being partially offset by a contraction in Pecuniary Loss business and Motor Vehicle (“MV”) business which reported a drop of 4.2% and 2.0% respectively.

The overall underwriting profit improved significantly in 2022, mainly due to a turnaround in performance of Ships business and improved underwriting profits of Property Damage business, General Liability business and Pecuniary Loss business, while being offset by A&H business and MV business, both of which continued to report worsening underwriting losses this year.

In the forthcoming year as the impact from COVID-19 subsides and local economic activities continue to recover on the back of the reopening of the border, overall premium growth and claim frequency at pre-pandemic levels should be expected. Insurers should remain vigilant and uphold strong underwriting discipline in order to ensure the viability and sustainability of its business.

¹ The statistics cover those insurers whose financial year ended between 1 January 2022 and 31 December 2022. A total of 105 insurers reported to the Insurance Authority on their Hong Kong general insurance business for 2022.

Figure 1 Growth of Gross Written Premiums for General Insurance Business

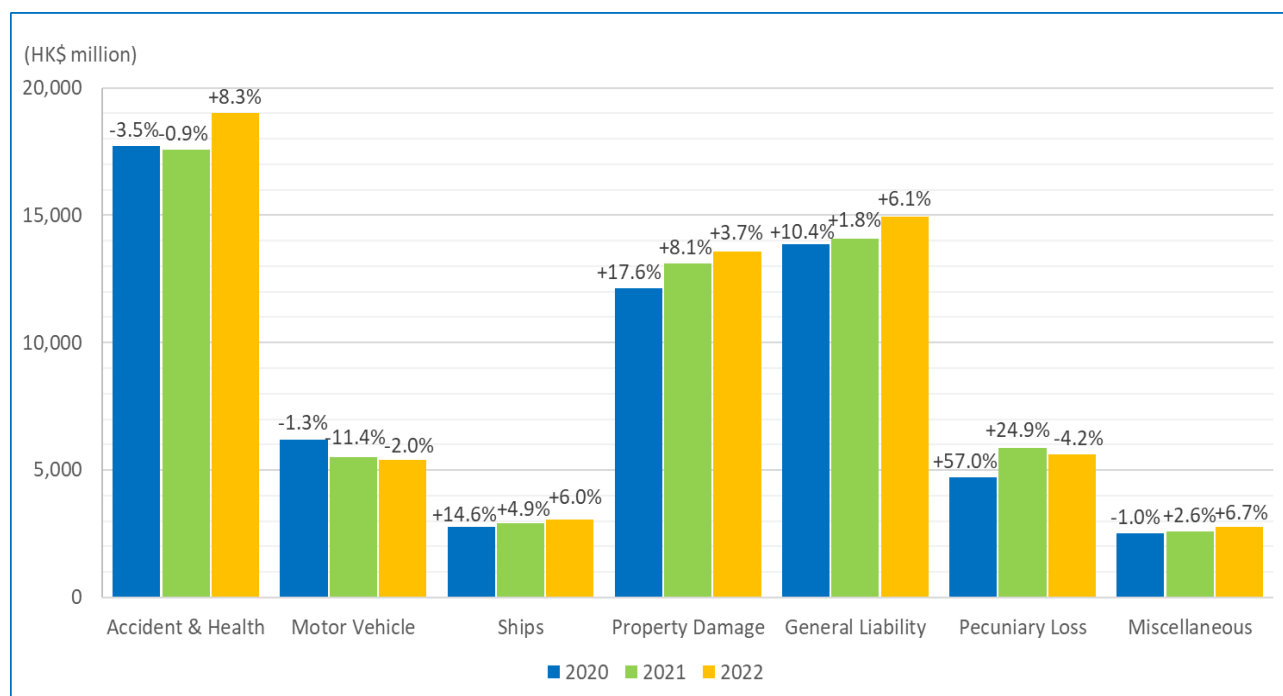
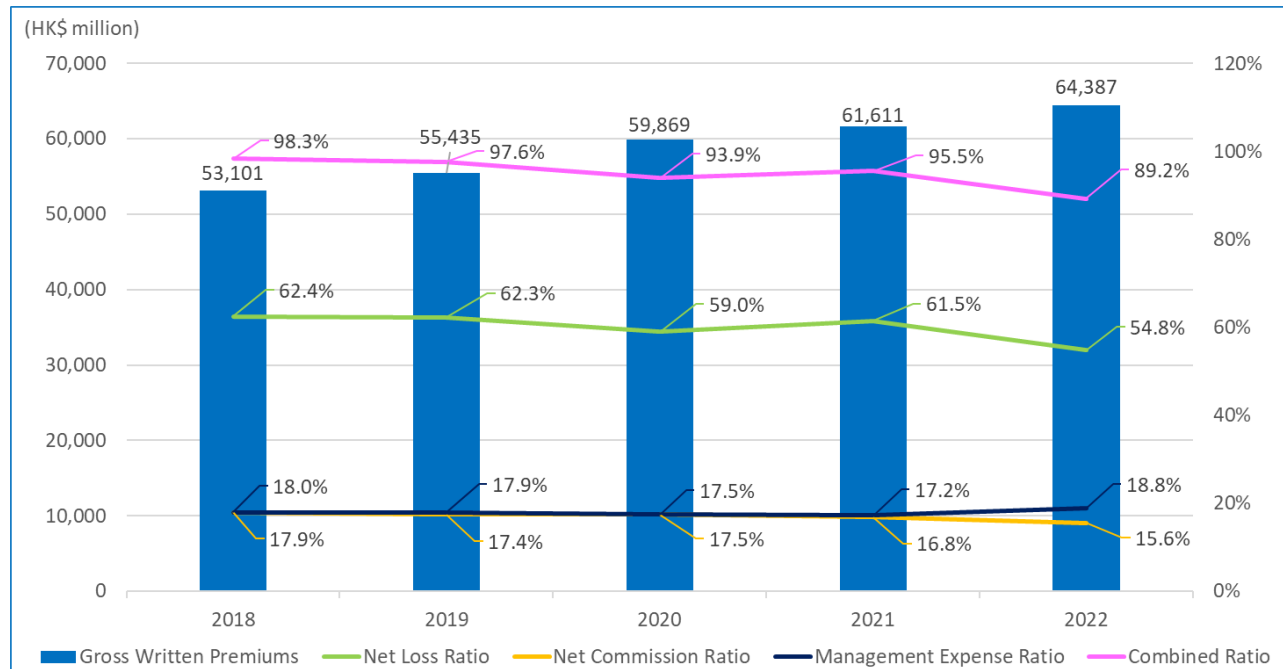


Figure 2 Overall Performance of General Insurance Business



Net Loss Ratio - Total of Net Claims Incurred and Unexpired Risks Adjustment expressed as a percentage of Net Earned Premiums

Net Commission Ratio - Net Commission Payable as a percentage of Net Earned Premiums

Management Expense Ratio - Management Expense as a percentage of Net Earned Premiums

Combined Ratio - Total of Net Loss Ratio, Net Commission Ratio and Management Expense Ratio

Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

Industry Statistics Highlights – General Insurance Business

Premiums Composition and Distribution

Direct business and reinsurance inward (“RI”) business generated GWP of HK\$47,375 million and HK\$17,012 million in 2022, representing 73.6% and 26.4% of total GWP respectively, as compared with 74.6% and 25.4% in 2021 respectively. The premium volumes for each business line remain similar compared to last year, with A&H business taking up the biggest share, followed by General Liability business and Property Damage business.

Market share of GWP for the top 10 and top 20 insurers was 40.6% and 62.7% in 2022 respectively.

Figure 3 Gross Written Premiums for Hong Kong Direct and Reinsurance Inward Business

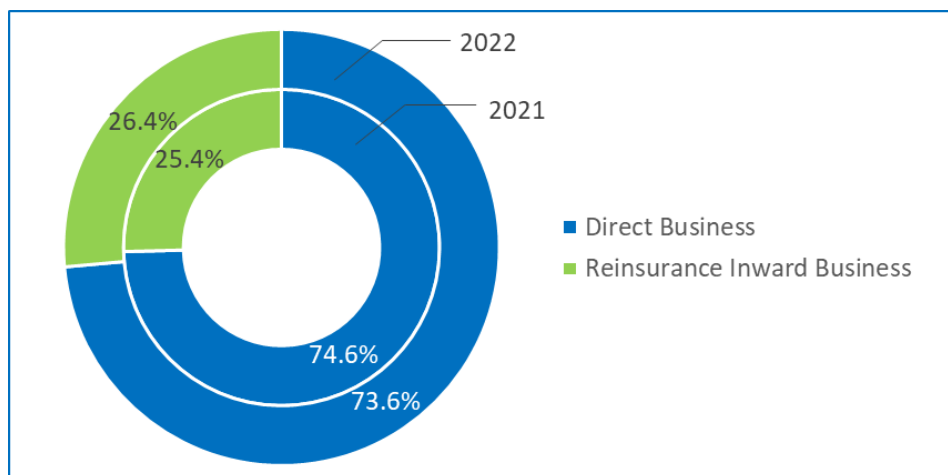
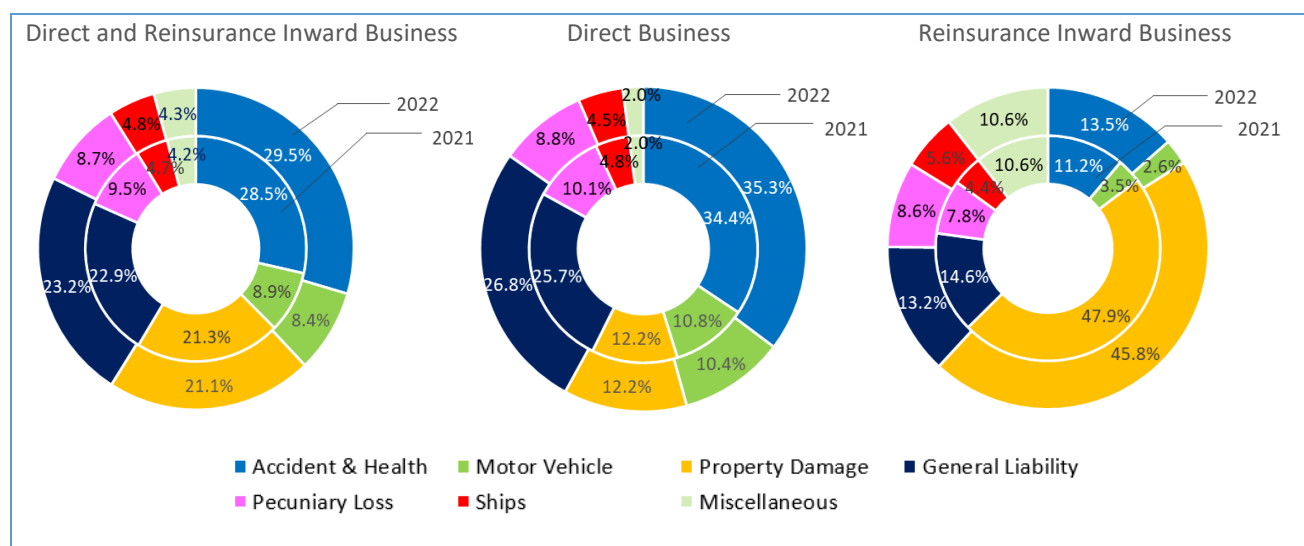
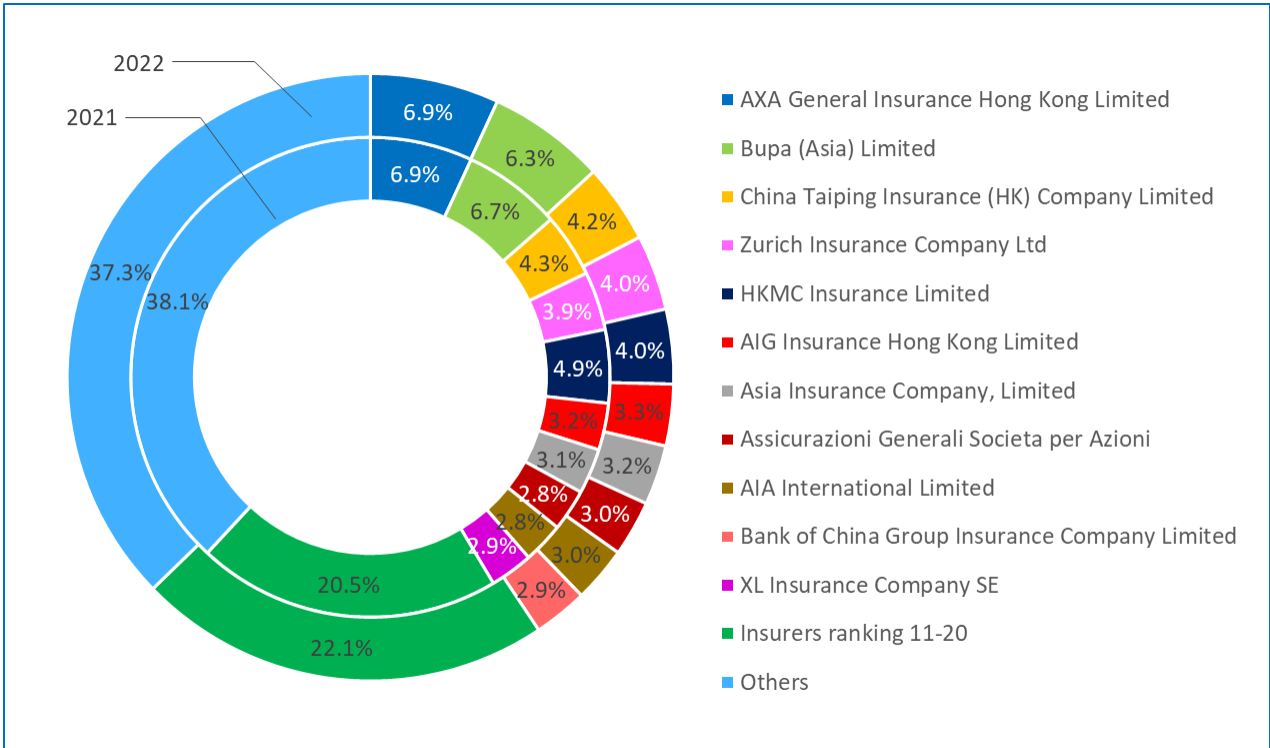


Figure 4 Composition of Gross Written Premiums by Lines of Business



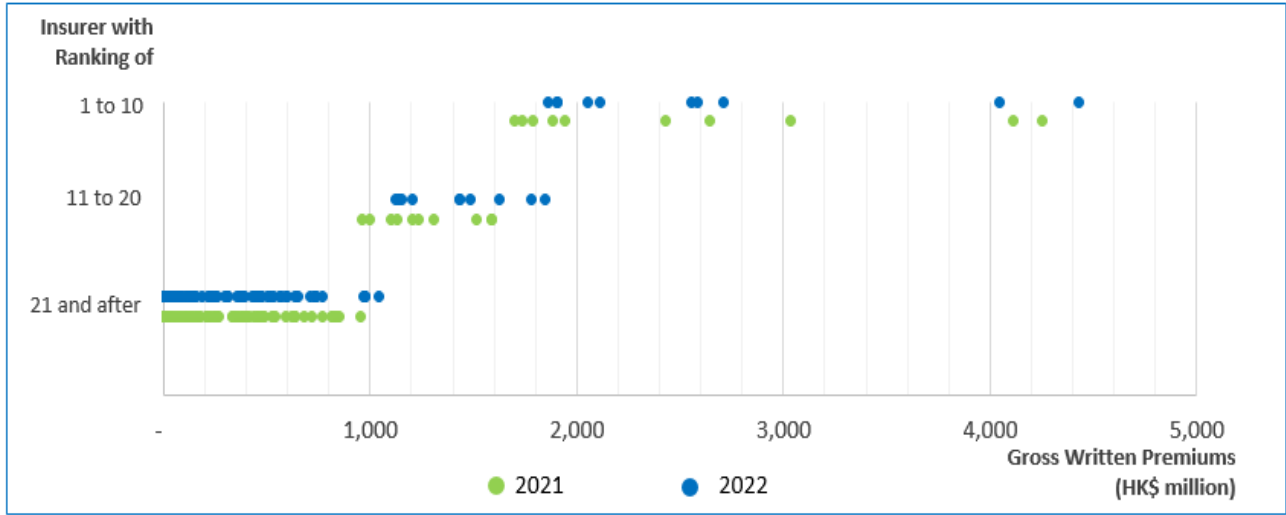
Percentages shown above may not add up to 100% due to rounding.

Figure 5 Market Share by Gross Written Premiums



Percentages shown above may not add up to 100% due to rounding.

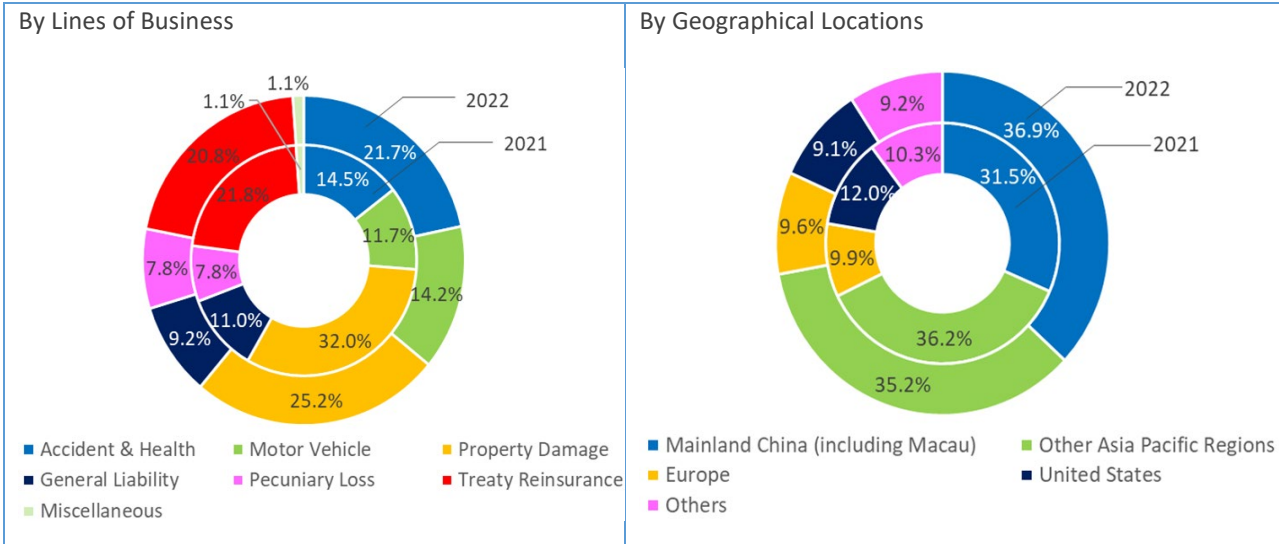
Figure 6 Distribution of Gross Written Premiums by Insurers' Ranking



The IA also collects data on non-Hong Kong general insurance business written by authorized insurers. According to this information, GWP for non-Hong Kong RI business grew by 19.5% from HK\$28,340 million in 2021 to HK\$33,868 million in 2022. Referring to major lines of business, although Property Damage business is still the largest business line, its share decreased while A&H business had notable growth and Treaty Reinsurance business remained steady. These three

business lines collectively represent about 67.7% of premiums. By geographical locations, RI business originated from Mainland China and other Asia Pacific Regions accounted for 72.1% of premiums.

Figure 7 Composition of Gross Written Premiums for non-Hong Kong Reinsurance Inward Business



Percentages shown above may not add up to 100% due to rounding.

Direct Hong Kong Business

GWP for direct business totalled HK\$47,375 million in 2022, recording a slightly smaller growth of 3.1%, as compared with 3.8% last year.

The growth was driven by various lines of business in the direct market. General Liability business and Property Damage business continued to report growth of 7.5% and 3.5% respectively due to the rates hardening and new business, while A&H business returned to growth by reporting an increase of 5.7%, the growth of which had been restrained by the impact of the pandemic on travel insurance last year. This was partially offset by a drop in Pecuniary Loss business and Ships business which decreased by 10.5% and 4.4% respectively.

Underwriting profit from direct business increased notably from HK\$1,058 million in 2021 to HK\$2,324 million in 2022, with the overall combined ratio decreasing from 96.5% to 92.7%. This is largely contributed by General Liability business and Pecuniary Loss business, which reported an increase in underwriting profits of HK\$1,574 million and HK\$576 million respectively in 2022 compared to HK\$846 million and HK\$32 million respectively in 2021, while being partially offset by A&H business, which reported a worsening underwriting loss from HK\$37 million in 2021 to HK\$280 million in 2022 owing to the surge in the number of claims and worsening claims experience for both individual and group medical business.

Figure 8 Growth of Written Premium Income for Direct Business

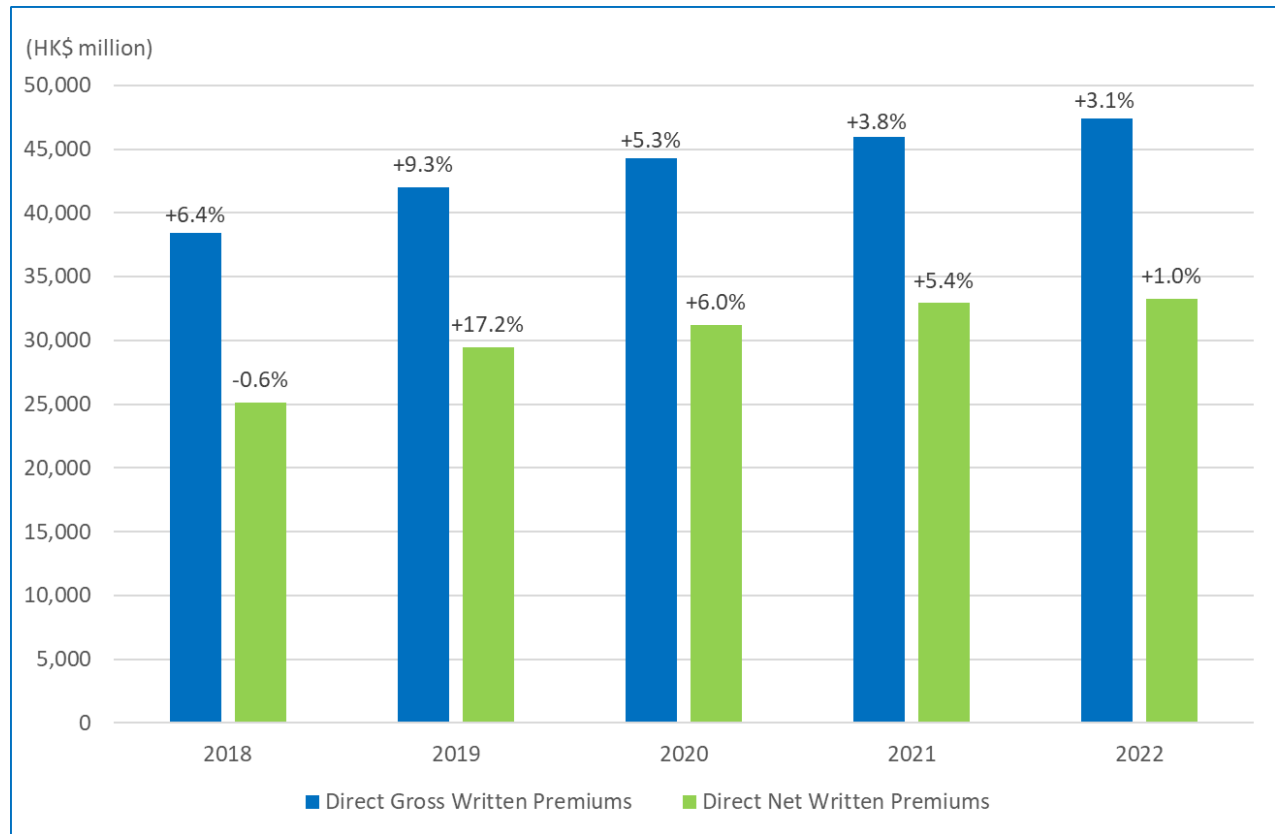


Figure 9 Growth of Direct Gross Written Premiums for Major Lines of Business

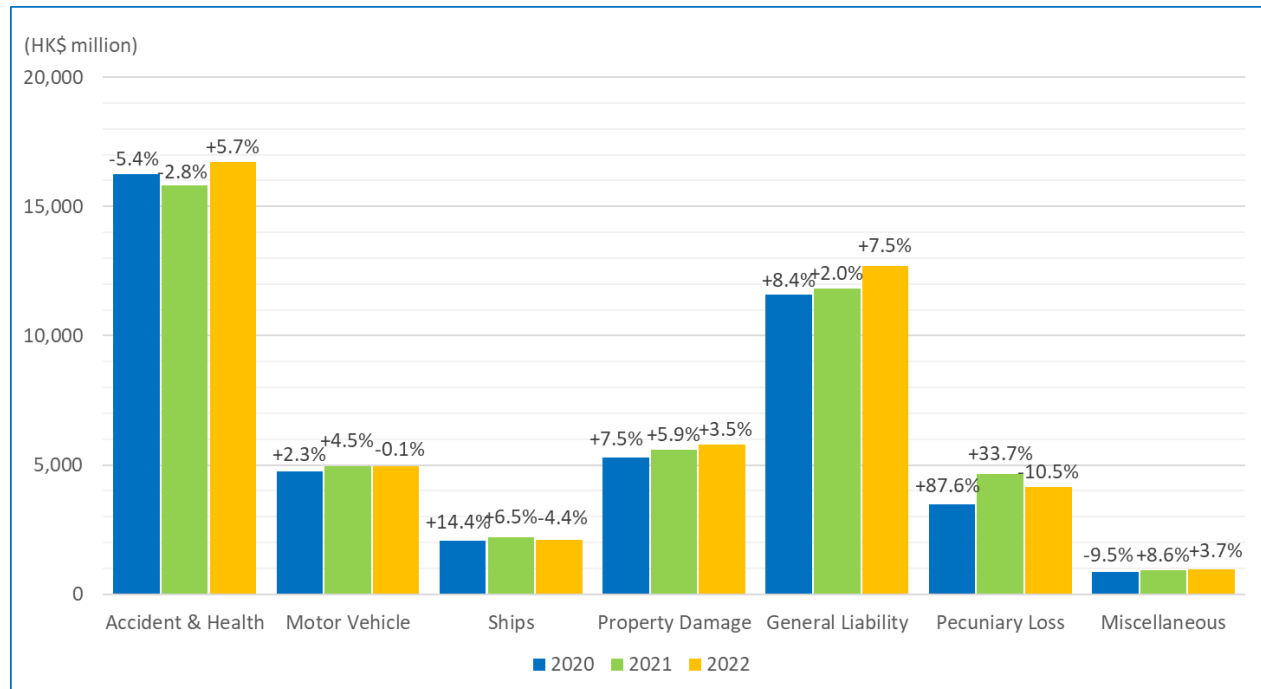
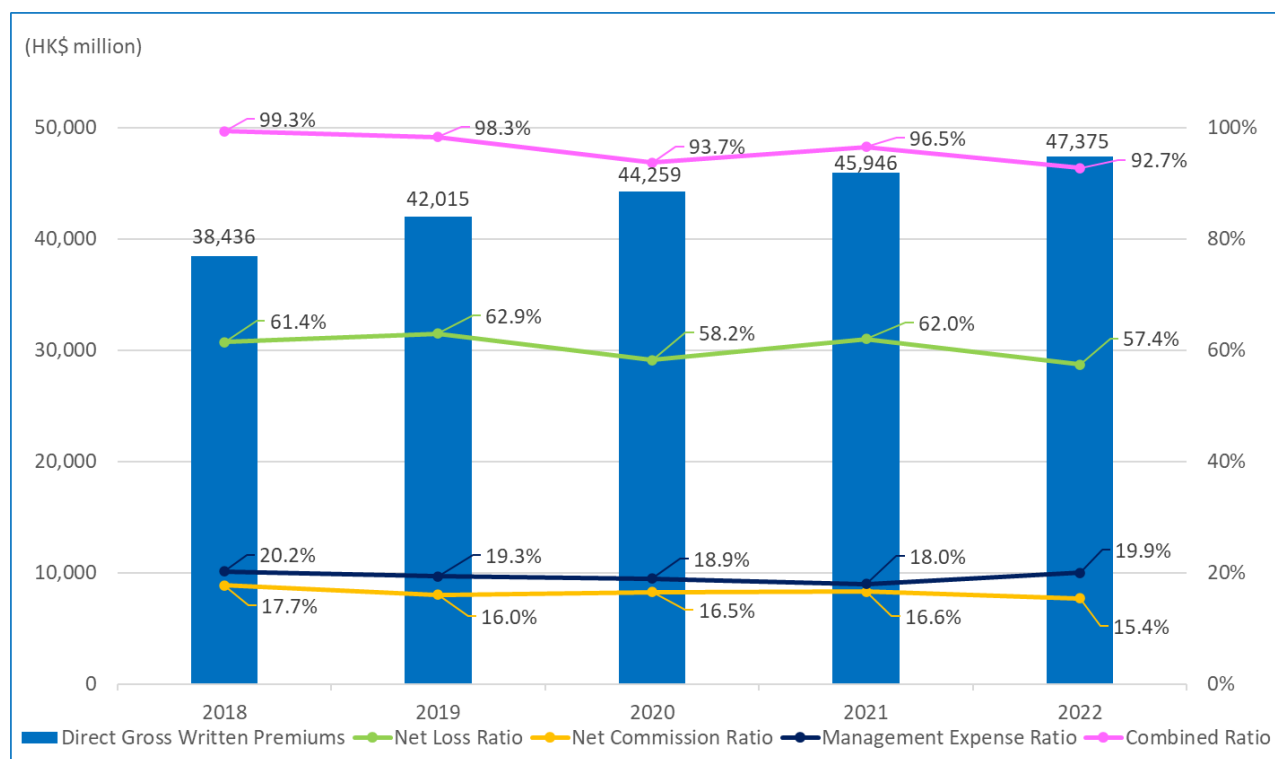


Figure 10 Overall Performance of Direct Business



Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

Reinsurance Inward Business

Total GWP for RI business rose by 8.6% to HK\$17,012 million in 2022, mainly due to A&H, Ships and Pecuniary Loss business which reported an increase in 31.0%, 39.1% and 19.7% respectively.

RI business reported an underwriting profit of HK\$2,014 million in 2022, which showed more than a three-fold increase from HK\$663 million in 2021, with the overall combined ratio reduced to 76.2%. The increase in profitability in 2022 came largely from improved underwriting profits in Property Damage business, General Liability business and Pecuniary Loss business which was partially offset by a reduction in underwriting profit of MV business. Except for Aircraft business, all other business lines reported underwriting profits in 2022.

Figure 11 Growth of Written Premium Income for Reinsurance Inward Business

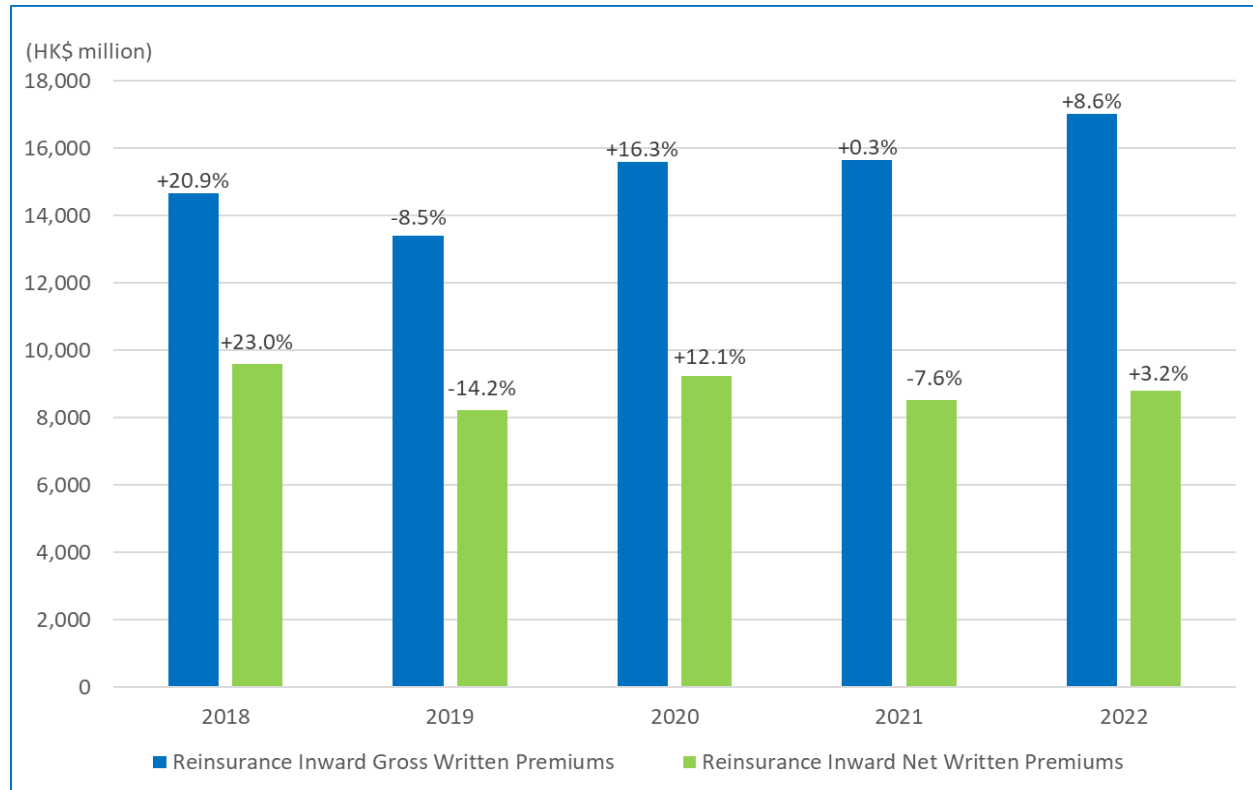


Figure 12 Growth of Reinsurance Inward Gross Written Premiums for Major Lines of Business

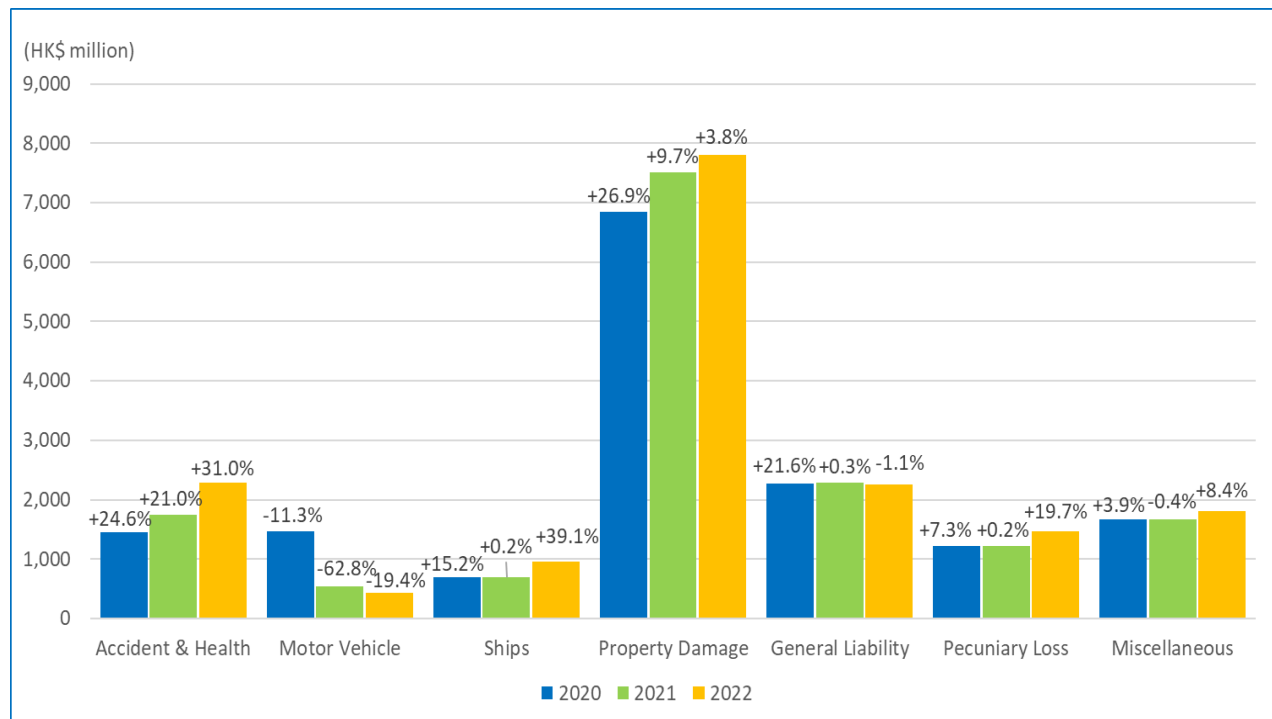
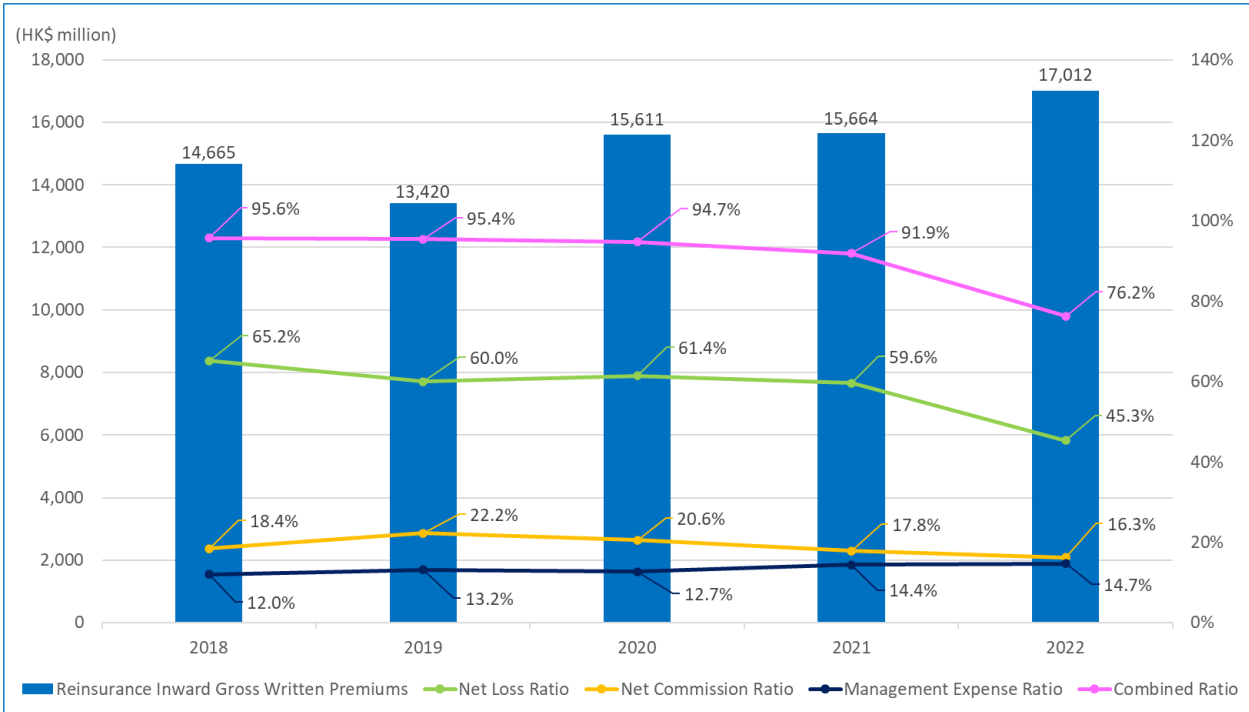


Figure 13 Overall Performance of Reinsurance Inward Business



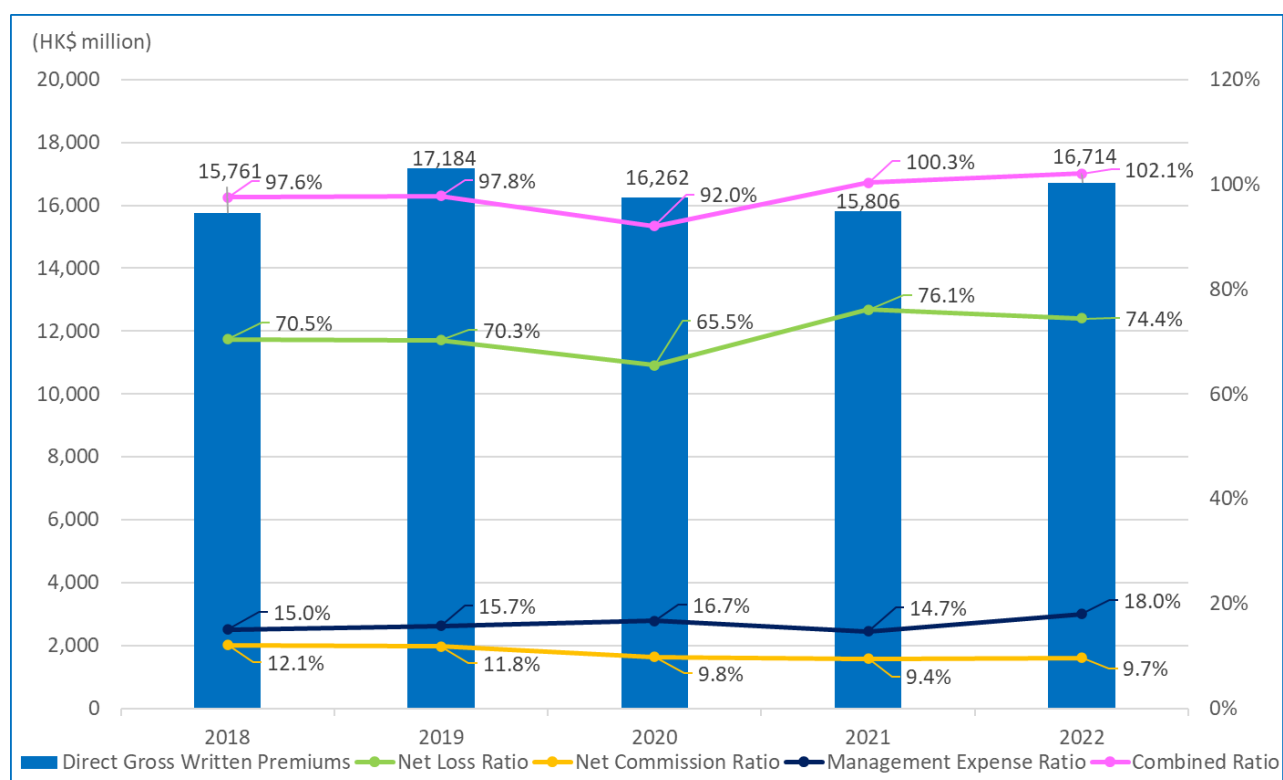
Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

Direct Accident & Health Business

A&H business, as the largest line of business in terms of GWP, accounted for 35.3% of direct business GWP in 2022. It had been the largest driving force for market growth in prior years until peaking in 2019 when GWP dropped by 5.4% and 2.8% in 2020 and 2021 respectively after the outbreak of COVID-19. While the pandemic inhibited outbound travel and slowed the growth of medical business, A&H business has since resumed a growth of 5.7% in 2022 with GWP at HK\$16,714 million.

Due to the normalization of medical claims back to pre-pandemic level, the underwriting performance of direct A&H business continued to deteriorate in 2022, with a combined ratio of 102.1% in 2022 as compared with 100.3% in 2021. The market still needs to continue its efforts in the determination of sustainable pricing and reserving.

Figure 14 Overall Performance of Direct Accident & Health Business



Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

Direct Employees' Compensation Business

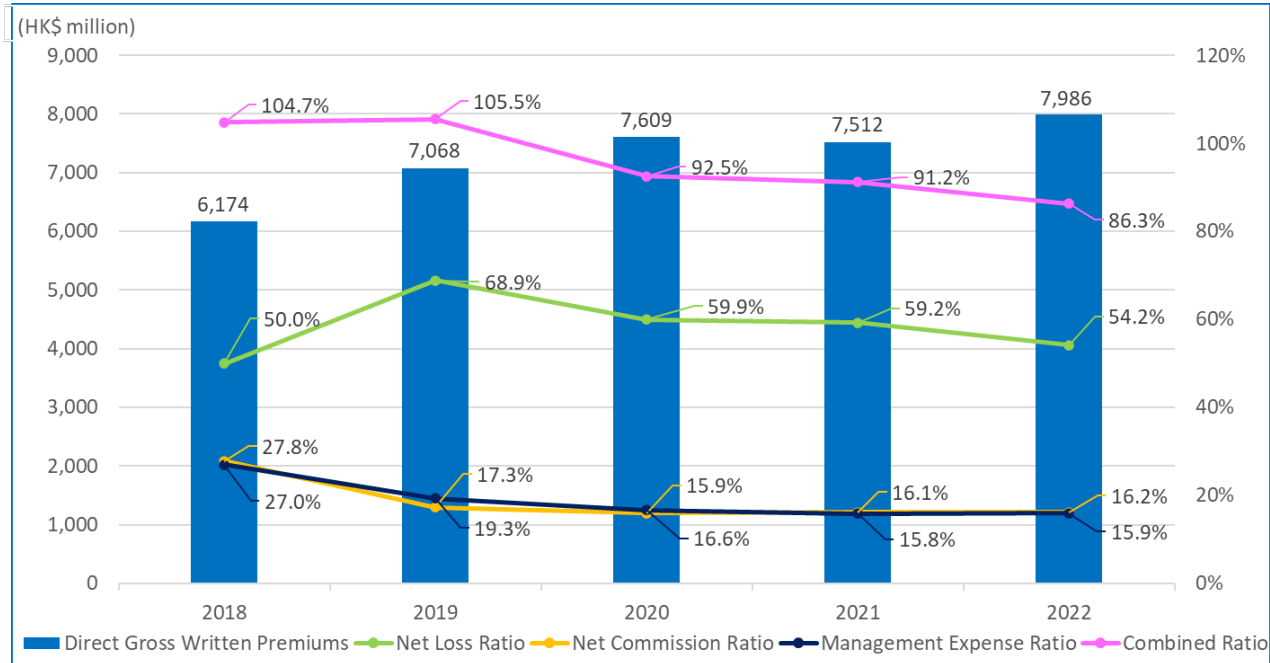
EC business, as a major part of General Liability business, contributed 16.9% of direct business GWP in 2022. Except for 2021, direct EC business had experienced positive growth since 2017. EC Construction (on contract value basis) sub-class continues to be the key contributor and accounted for around 33.9% of total GWP for direct EC business.

The lower reported claims were evident across the direct EC market as a result of subdued economic activities during COVID-19 pandemic. This translated into favourable underwriting results, with a combined ratio of 86.3% in 2022 compared with 91.2% in 2021.

Figure 15 Direct Employees' Compensation Business Key Statistics

	2018	2019	2020	2021	2022
Direct Gross Written Premiums (HK\$ million)	6,174	7,068	7,609	7,512	7,986
Underwriting Profit/(Loss) (HK\$ million)	(150)	(260)	409	501	848
Number of Policies in Force	390,259	390,265	378,726	377,588	357,621

Figure 16 Overall Performance of Direct Employees' Compensation Business



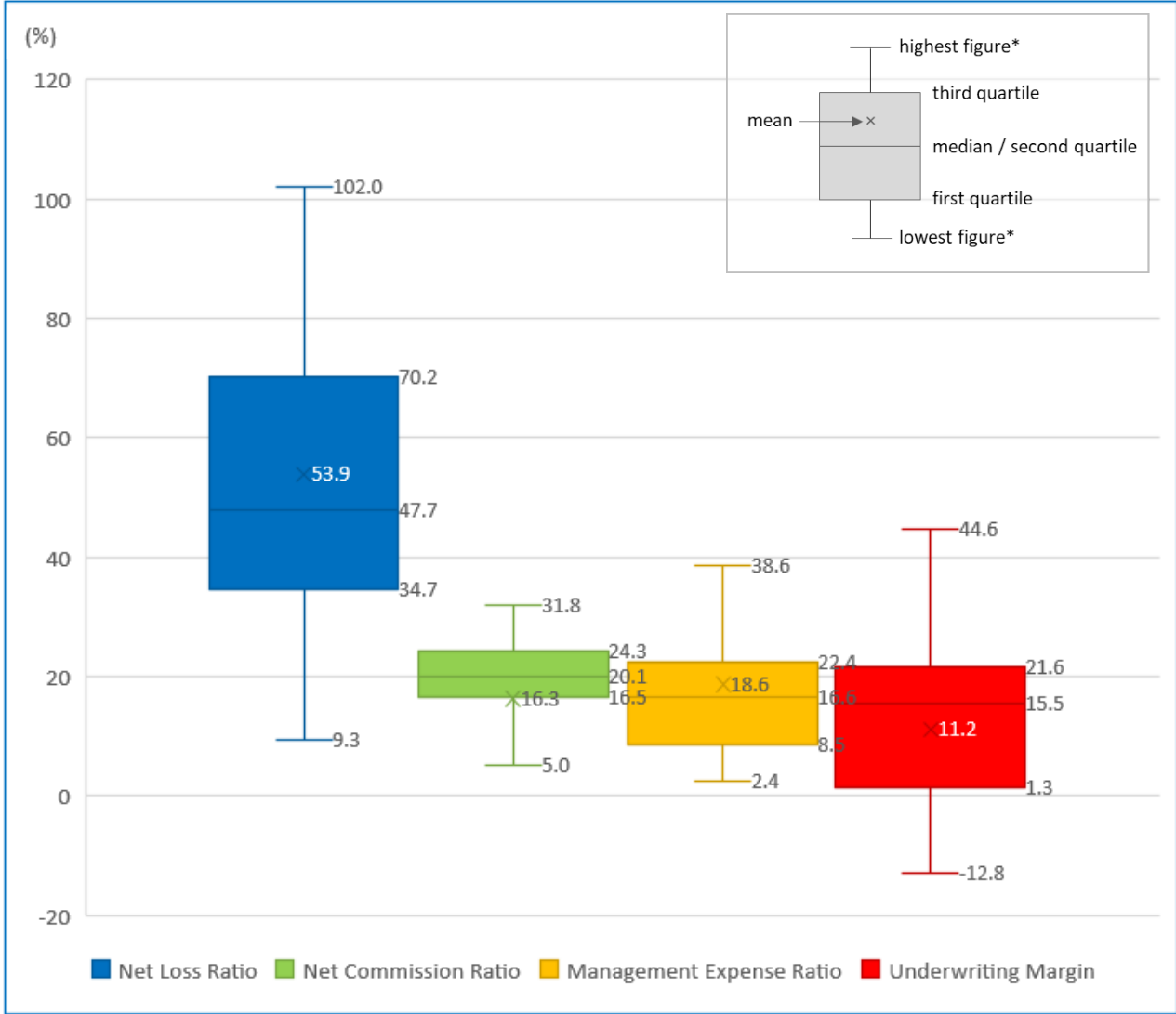
Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

The top 25 direct EC business insurers held 92.6% of the total market share in terms of net earned premiums in 2022. The first quartile and mean of the underwriting margin were positive in 2022, indicating that more than three quarters of these top 25 direct EC insurers had a positive underwriting performance.

The average net loss ratio reduced from 60.0% in 2021 to 53.9% in 2022, offsetting fully the increases in both average management expense ratio from 16.8% in 2021 to 18.6% in 2022 and the net commission ratio from 16.0% in 2021 to 16.3% in 2022. The net loss ratio was also slightly less dispersed with the third quartile being 70.2%, lower than 79.0% in 2021.

The IA will continue to pay close attention to insurers exhibiting high loss ratios that are not sustainable in the long term and to collaborate with the industry to facilitate healthy development of the direct EC insurance market.

Figure 17 Key Indicators — Top 25 Direct Employees' Compensation Insurers in 2022



* Figures of outliers are excluded.

Direct Motor Vehicle Business

MV business generated GWP of HK\$4,947 million, representing 10.4% of direct business GWP in 2022. GWP decreased by 0.1%, mainly attributable to the decrease of 3.9% in the number of vehicles covered, despite average premium being increased to HK\$5,257 per vehicle. The business mix of the top three sub-classes, namely Private Cars, Goods Carrying Vehicles and Taxis was stable over the past 5 years and accounted for 56.1%, 19.8% and 12.4% of total GWP of direct MV business in 2022 respectively.

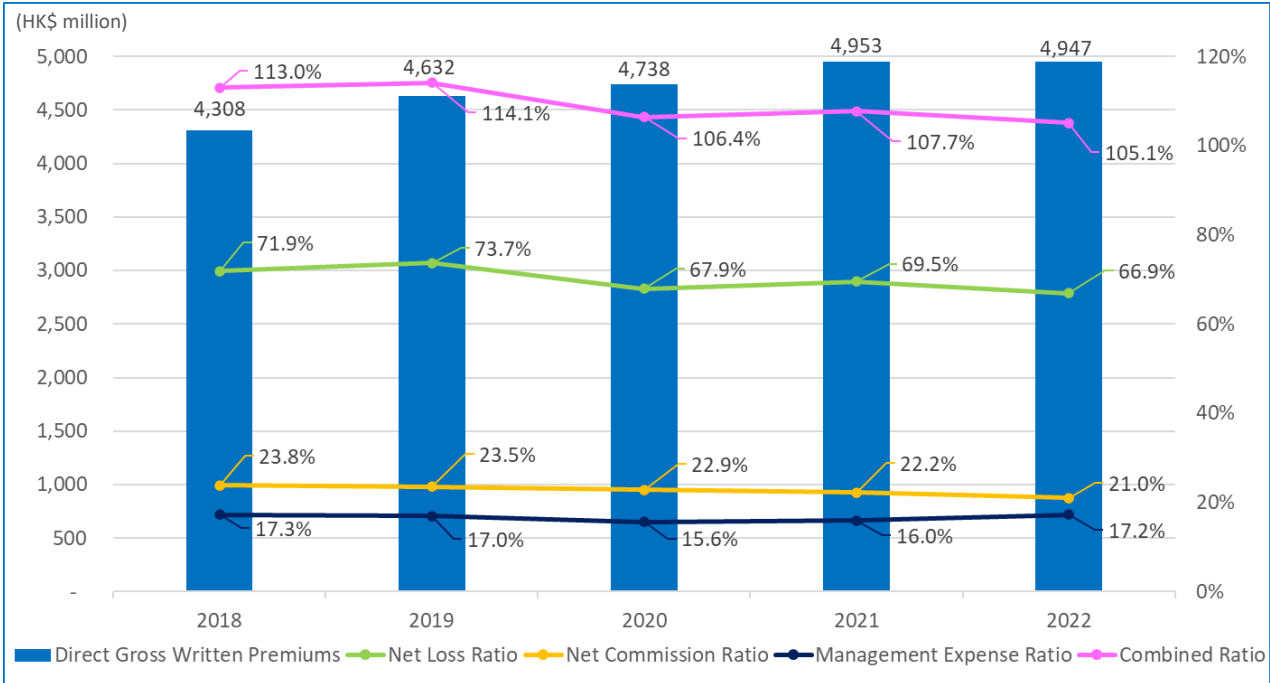
Since 2015, MV business has reported underwriting losses. Despite the slight decrease in combined ratio from 107.7% in 2021 to 105.1% in 2022, the emerging trend of improvement in underwriting performance as a result of favourable claims experience noted during COVID-19 pandemic has

continued. Insurers should remain vigilant as economic activities resume and claim frequencies and pattern normalize.

Figure 18 Direct Motor Vehicle Business Key Statistics

	2018	2019	2020	2021	2022
Direct Gross Written Premiums (HK\$ million)	4,308	4,632	4,738	4,953	4,947
Underwriting Profit/(Loss) (HK\$ million)	(441)	(514)	(242)	(301)	(208)
Number of Vehicles Covered	891,090	921,161	937,059	979,407	941,068
Average Premium Per Vehicle (HK\$)	4,834	5,029	5,056	5,057	5,257

Figure 19 Overall Performance of Direct Motor Vehicle Business



Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

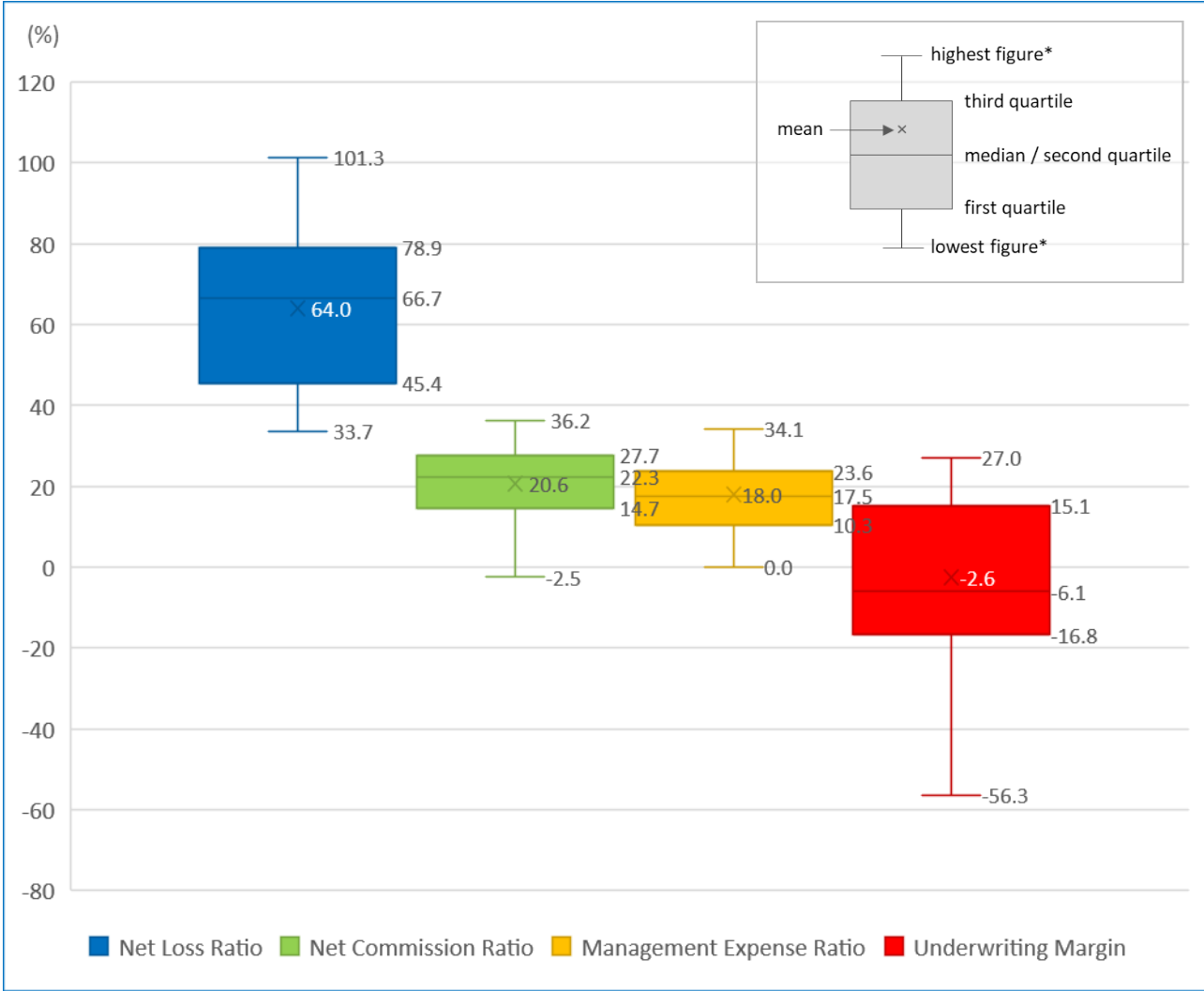
The top 25 direct MV business insurers accounted for 98.6% of the total market share in terms of net earned premiums in 2022. The average underwriting margin improved from -13.5% in 2021 to -2.6% in 2022, mainly due to the decrease in the average net loss ratio from 74.3% in 2021 to 64.0% in 2022.

The net loss ratio was slightly more dispersed in 2022, with the third quartile being 78.9%, down from 90.7% in 2021. While the net loss ratios of individual insurers varied, the second quartile of 66.7% is higher than the average net loss ratio of 64.0% in 2022, indicating that more than half of these top 25 direct MV insurers had a net loss ratio at or above 64.0%.

Same as the direct EC market, the IA will continue to collaborate with the industry to facilitate sustainable development of the direct MV insurance market. Reserving remains a supervisory

concern as IA continues to conduct thematic reviews on individual insurers to ensure robust reserving is being maintained.

Figure 20 Key Indicators — Top 25 Direct Motor Vehicle Insurers in 2022



* Figures of outliers are excluded.