

Market Overview – Long Term Insurance

Market Performance of Long Term Insurance Business in 2020¹

Total office premiums for in-force long term business increased by 2% to HK\$521,451 million in 2020. Individual Life category remained the dominant line of business, making up HK\$458,570 million or 87.9% of total long term business. The respective number of policies in 2020 was 13.7 million, carrying net liabilities of HK\$2,669,373 million. As at 31 December 2020, there were around 160,000 in-force Qualifying Deferred Annuity Policies (“QDAPs”), with an average issue age of 47.7 and average annualised premium of around HK\$71,000.

Yearly contributions for Retirement Scheme contracts administered by insurers increased by 6.3% to HK\$9,440 million. In 2020, there were 70,598 Retirement Scheme contracts carrying net liabilities of HK\$146,127 million. In-force office premiums for Group Life business increased by 11.6% to HK\$4,771 million, carrying net liabilities of HK\$1,366 million. In-force office premiums for Annuity business decreased by 15.3% to HK\$47,805 million. In-force office premiums for Other business (mainly Permanent Health business) decreased by 46.2% to HK\$865 million.

Office premiums for new Individual Life business decreased by 20.9% to HK\$119,632 million in 2020, including HK\$106,840 million from Individual Life (Non-Linked) business and HK\$12,792 million from Linked business, which recorded a decrease of 23.4% and an increase of 8.8% respectively. The total number of new policies decreased by 20.8% to 1 million in 2020. Office premiums for new Individual Annuity business decreased by 36.3% to HK\$13,311 million. In 2020, around 65,000 QDAPs were sold, contributing total annualised premiums amounting to HK\$4,626 million.

¹ Market Overview statistics cover insurers whose financial year ended between 1 January 2020 and 31 December 2020.

Figure 1 Office Premiums for Total In-Force Long Term Business

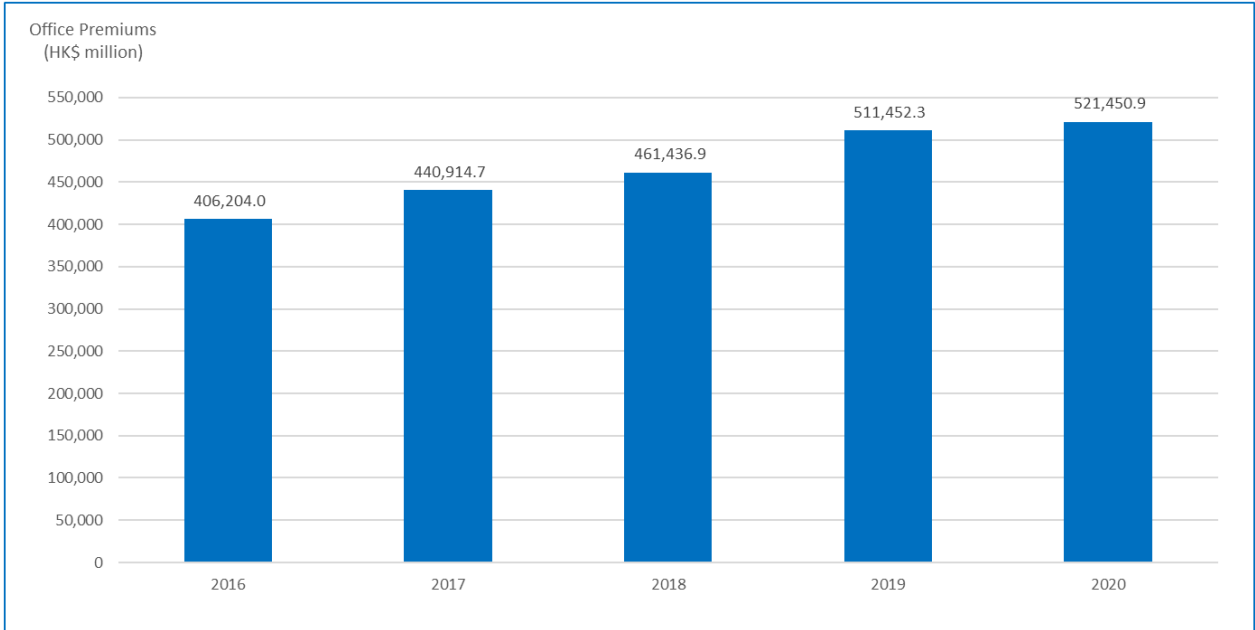
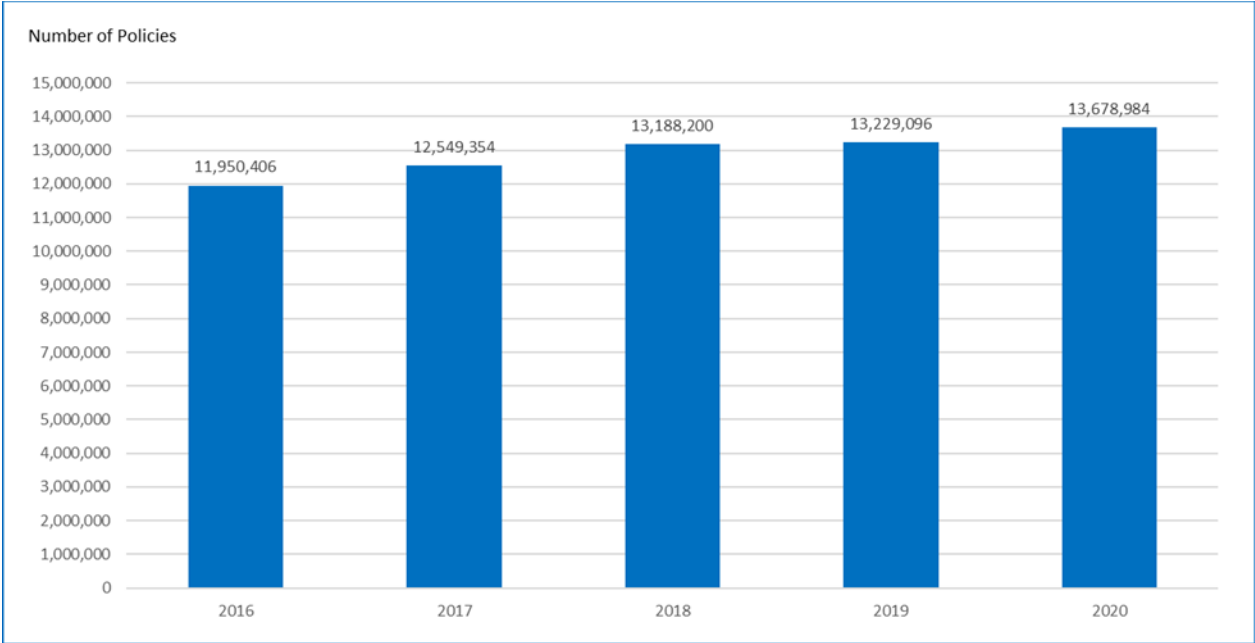


Figure 2 In-Force Individual Life Policies

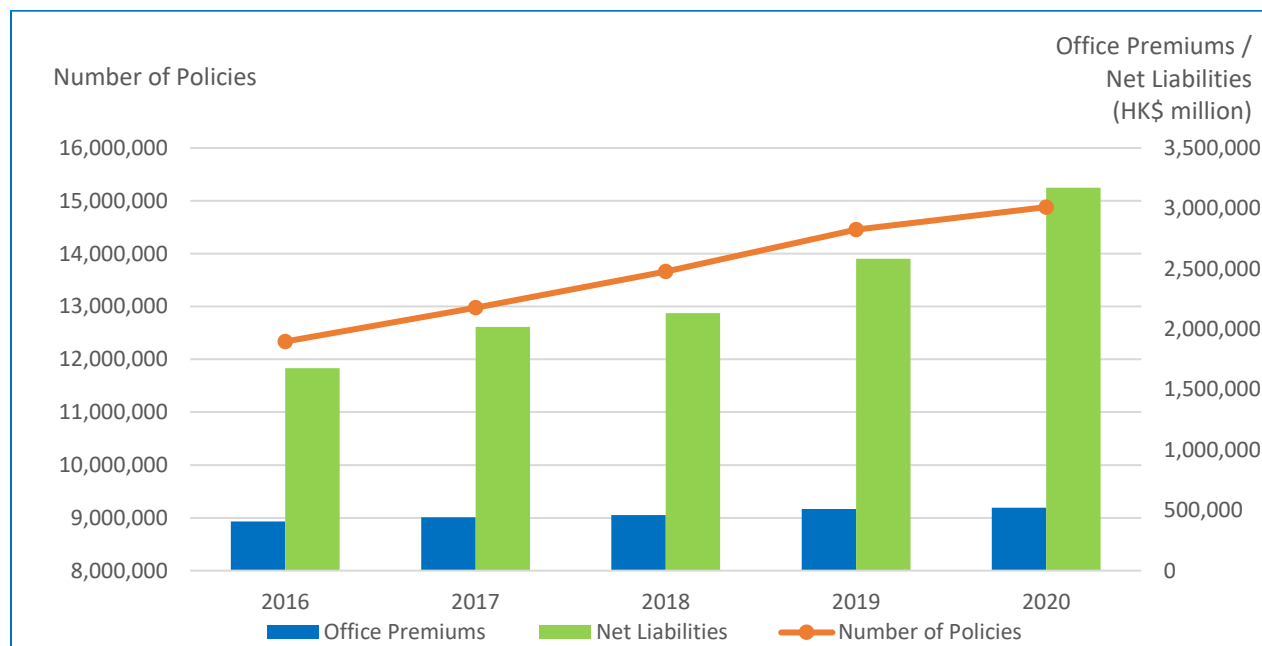


Industry Statistics Highlights – Long Term Insurance Business

In-force Business

In-force office premiums for Individual Life business, which remained the dominant line of long term insurance business, increased from HK\$440,243 million in 2019 to HK\$458,570 million in 2020, a rise of 4.2%. Non-Linked and Linked business accounted for 91.3% and 8.7% respectively.

Figure 3 In-Force Long Term Business



Type of Insurance	Number of Policies					Office Premiums (HK\$ million)					Net Liabilities (HK\$ million)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Individual Life															
Non-Linked	10,487,098 6.9%	11,177,614 6.6%	11,871,518 6.2%	11,969,240 0.8%	12,465,536 4.1%	337,107.0 34.6%	367,177.1 8.9%	377,474.8 2.8%	399,249.4 5.8%	418,701.0 4.9%	1,262,057.1 18.4%	1,536,606.7 21.8%	1,675,983.9 9.1%	1,816,185.2 8.4%	2,334,148.6 28.5%
Linked	1,463,308 -5.4%	1,371,740 -6.3%	1,316,682 -4.0%	1,259,856 -4.3%	1,213,448 -3.7%	47,529.0 -19.1%	47,873.1 0.7%	48,868.8 2.1%	40,993.5 -16.1%	39,869.1 -2.7%	269,714.3 18.8%	313,317.4 16.2%	271,840.3 -13.2%	304,079.1 11.9%	335,224.5 10.2%
Sub-total	11,950,406 5.2%	12,549,354 5.0%	13,188,200 5.1%	13,229,096 0.3%	13,678,984 3.4%	384,636.0 24.4%	415,050.2 7.9%	426,343.6 2.7%	440,242.9 3.3%	458,570.1 4.2%	1,531,771.4 18.5%	1,849,924.1 20.8%	1,947,824.2 5.3%	2,120,264.3 8.9%	2,669,373.1 25.9%
Group Life	19,437 -1.5%	19,327 -0.6%	19,131 -1.0%	18,548 -3.0%	17,604 -5.1%	3,254.6 2.0%	3,380.0 3.9%	3,485.0 3.1%	4,275.5 22.7%	4,770.8 11.6%	1,063.8 -4.8%	1,021.3 -4.0%	999.2 -2.2%	1,417.7 41.9%	1,366.2 -3.6%
Retirement Scheme	61,192 15.9%	62,271 1.8%	63,142 1.4%	65,728 4.1%	70,598 7.4%	8,547.2 9.9%	8,907.7 4.2%	9,374.0 5.2%	8,877.0 -5.3%	9,439.8 6.3%	112,694.5 6.5%	125,139.8 11.0%	125,220.5 0.1%	133,700.3 6.8%	146,127.1 9.3%
Annuity and Others	306,203 6.0%	343,573 12.2%	393,735 14.6%	1,139,891 189.5%	1,115,047 -2.2%	9,766.2 23.8%	13,576.8 39.0%	22,234.3 63.8%	58,056.9 161.1%	48,670.2 -16.2%	32,472.0 36.2%	42,138.0 29.8%	58,028.9 37.7%	326,810.6 463.2%	353,319.1 8.1%
Total	12,337,238 5.2%	12,974,525 5.2%	13,664,208 5.3%	14,453,263 5.8%	14,882,233 3.0%	406,204.0 23.8%	440,914.7 8.5%	461,436.9 4.7%	511,452.3 10.8%	521,450.9 2.0%	1,678,001.7 17.9%	2,018,223.2 20.3%	2,132,072.8 5.6%	2,582,192.9 21.1%	3,170,185.5 22.8%

Percentages denote change from the previous year.

In-Force Individual Life Business

Non-Linked Business

Office premiums for Non-Linked business grew by 4.9% to HK\$418,701 million in 2020, representing 91.3% of office premiums for in-force Individual Life business. There were 12.5 million in-force Non-Linked policies at the end of 2020, up by 4.1% from 2019. The total sums assured as at 31 December 2020 was HK\$7,553,546 million while net liabilities amounted to HK\$2,334,149 million, representing increases of 4.7% and 28.5% respectively.

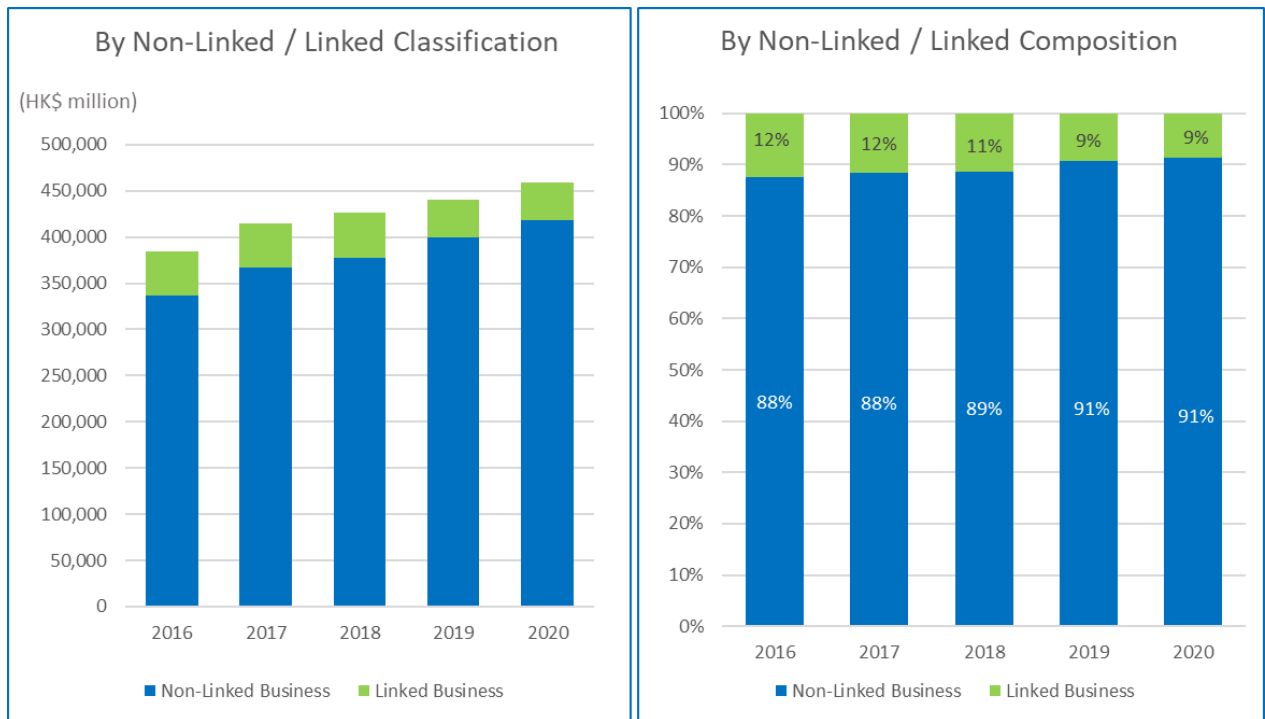
Regarding categories of in-force office premiums, Whole Life and Endowment together comprised 87.1% of Non-Linked business, while Term along with Other insurance accounted for the remaining 12.9%.

With-profits business accounted for 77.2% of in-force office premiums and without-profits business for the remaining 22.8%.

Linked Business

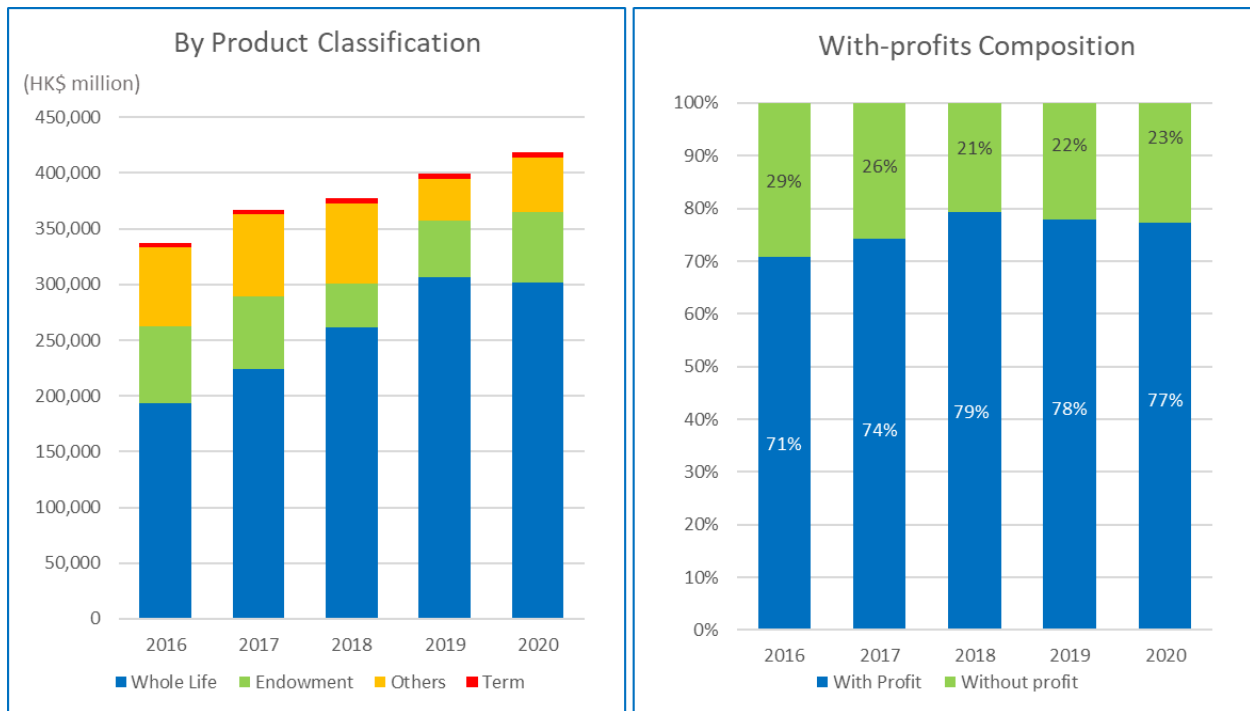
Office premiums for Linked business decreased by 2.7% to HK\$39,869 million in 2020, accounting for 8.7% of office premiums for in-force Individual Life business. The number of in-force policies as at 31 December 2020 was 1.2 million while net liabilities stood at HK\$335,225 million, representing a decrease of 3.7% and an increase of 10.2% respectively.

Figure 4 Office Premiums for In-Force Individual Life Business



Office Premiums (HK\$ million)	2016	2017	2018	2019	2020
Non-Linked Business	337,107.0	367,177.1	377,474.8	399,249.4	418,701.0
Linked Business	47,529.0	47,873.1	48,868.8	40,993.5	39,869.1

Figure 5 Office Premiums for In-Force Individual Life (Non-Linked) Business



Office Premiums for Non-Linked Business (By Product Classification)

(HK\$ million)	2016	2017	2018	2019	2020
Whole Life	193,824.4	223,752.9	261,375.2	306,295.9	301,670.1
Endowment	68,443.6	65,200.0	39,217.5	50,954.1	62,930.0
Term	4,103.9	4,026.8	4,418.4	4,834.2	5,327.0
Others	70,735.1	74,197.4	72,463.7	37,165.2	48,773.9

New Individual Life Business

Office premiums for new Individual Life business decreased by 20.9% to HK\$119,632 million in 2020. Non-Linked Individual Life business and Linked Individual Life business accounted for 89.3% and 10.7% of new Individual Life business respectively.

Non-Linked Business

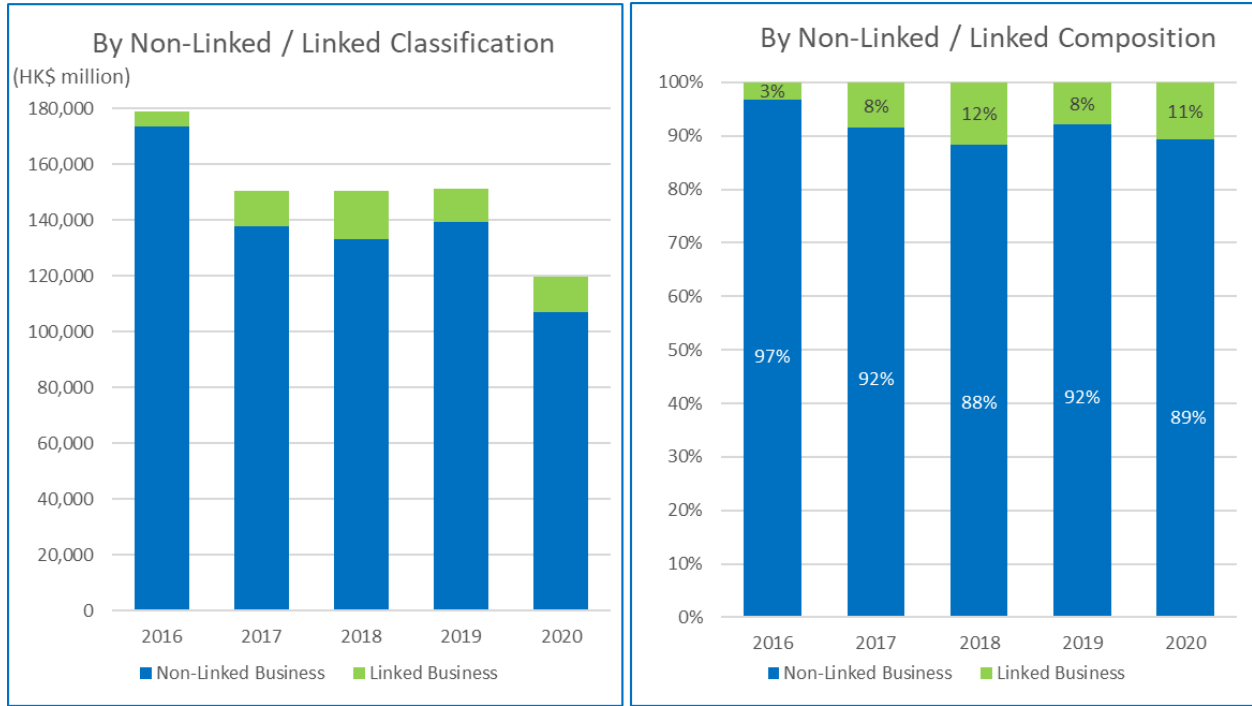
Office premiums for new Non-Linked business recorded a decrease of 23.4% to HK\$106,840 million in 2020, with single premium business increasing by 20.3% and regular premium business decreasing by 39.4%. The number of policies decreased by 21.9% to 1 million.

With-profits and without-profits business represented 68.6% and 31.4% respectively of related new office premiums.

Linked Business

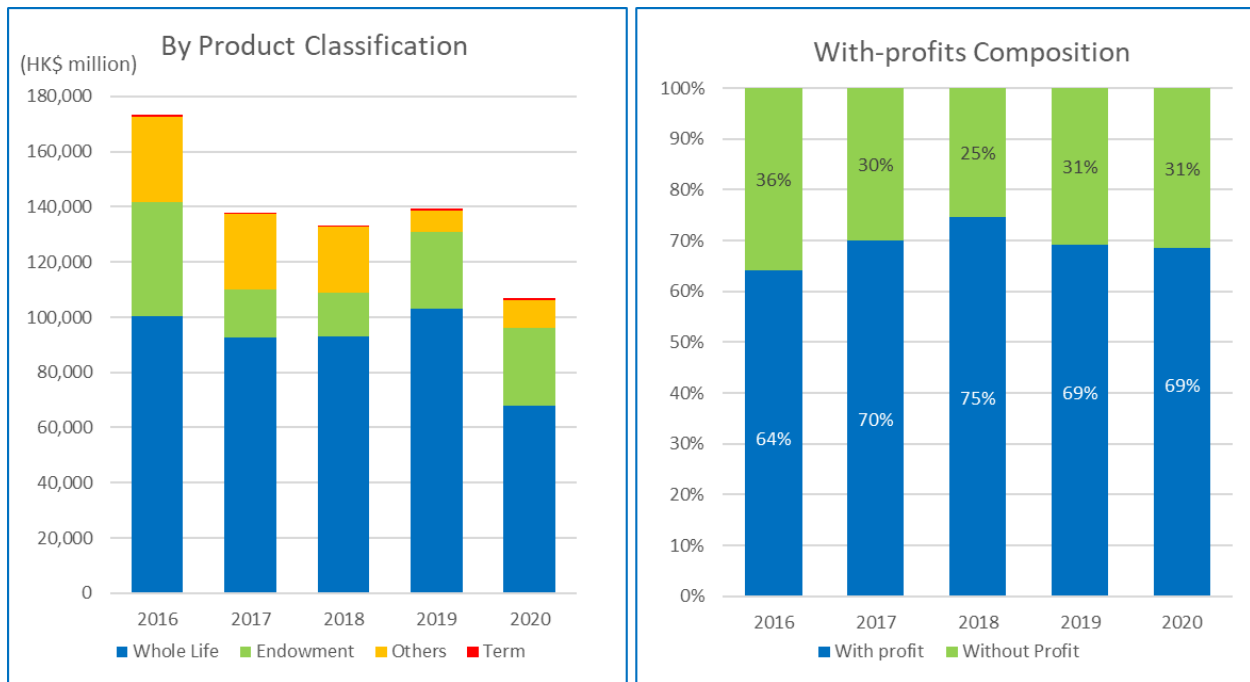
Office premiums for new Linked business increased by 8.8% in 2020, and the number of new policies recorded a rise of 28.4%. The number of new policies in single payment mode increased by 22.5%, while related office premiums grew by 7.4%. The number of new policies in regular payment mode rose by 42.3%, with related office premiums increasing by 32.8%.

Figure 6 Office Premiums for New Individual Life Business



Office Premiums (HK\$ million)	2016	2017	2018	2019	2020
Non-Linked Business	173,373.2	137,915.6	133,194.2	139,421.5	106,840.4
Linked Business	5,704.7	12,730.2	17,406.8	11,758.8	12,791.9

Figure 7 Office Premiums for New Individual Life (Non-Linked) Business



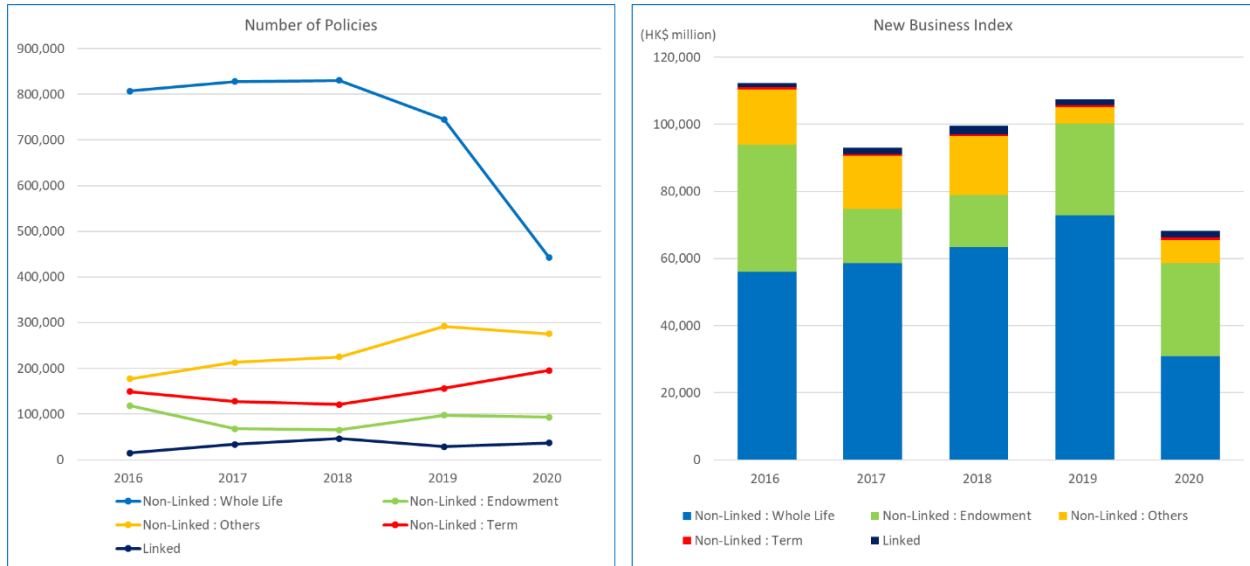
Office Premiums for Non-Linked Business (By Product Classification)

(HK\$ million)	2016	2017	2018	2019	2020
Whole Life	100,230.5	92,537.8	92,918.4	102,949.2	68,098.5
Endowment	41,628.8	17,356.7	15,982.9	28,055.6	28,197.0
Term	614.3	522.9	521.3	727.3	806.5
Others	30,899.6	27,498.2	23,771.6	7,689.4	9,738.4

New Business Index

The New Business Index, defined as the total office premiums for all regular premium products plus one-tenth of all single premiums, dropped by 36.4% in 2020. This was attributable to a decrease of 39% in new premiums for regular premium business balanced by an increase in new premiums for single premium business of 17.3%. During the year, the New Business Index for Non-Linked business decreased by 37.3% and for Linked business increased by 16.6%.

Figure 8 New Individual Life Business (Number of Policies and New Business Index)



Type of Insurance	Number of Policies														
	Single Payment					Regular Payment					Total				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Non-Linked:															
Whole Life	23,242	27,705	22,440	21,464	25,170	784,026	800,348	808,132	723,437	418,195	807,268	828,053	830,572	744,901	443,365
Endowment	11,757	3,879	1,472	2,601	1,642	106,803	64,362	64,296	95,184	91,665	118,560	68,241	65,768	97,785	93,307
Term	32	15	14	15	15	149,673	127,811	121,366	156,486	195,899	149,705	127,826	121,380	156,501	195,914
Others	9,339	7,988	5,243	1,247	4,408	167,833	205,221	220,041	291,090	271,205	177,172	213,209	225,284	292,337	275,613
Total of Non-Linked	44,370	39,587	29,169	25,327	31,235	1,208,335	1,197,742	1,213,835	1,266,197	976,964	1,252,705	1,237,329	1,243,004	1,291,524	1,008,199
Linked:	4,324	23,928	34,468	20,169	24,705	10,531	9,811	12,344	8,503	12,097	14,855	33,739	46,812	28,672	36,802
Total	48,694	63,515	63,637	45,496	55,940	1,218,866	1,207,553	1,226,179	1,274,700	989,061	1,267,560	1,271,068	1,289,816	1,320,196	1,045,001

Type of Insurance	Office Premiums														
	Single Payment (HK\$ million)					Regular Payment (HK\$ million)					New Business Index ^(a) (HK\$ million)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Non-Linked:															
Whole Life	49,051.2	37,723.6	32,843.6	33,458.3	41,293.2	51,179.3	54,814.2	60,074.8	69,490.9	26,805.3	56,084.4	58,586.6	63,359.2	72,836.7	30,934.6
Endowment	4,345.5	1,365.2	507.7	707.3	599.0	37,283.3	15,991.5	15,475.1	27,348.3	27,598.0	37,717.9	16,128.0	15,525.9	27,419.0	27,657.9
Term	2.3	1.6	0.9	3.4	0.9	612.0	521.3	520.3	723.8	805.6	612.2	521.5	520.4	724.1	805.7
Others	15,856.5	12,860.9	6,816.4	3,287.1	3,164.0	15,043.1	14,637.3	16,955.2	4,402.3	6,574.4	16,628.8	15,923.4	17,636.8	4,731.0	6,890.8
Total of Non-Linked	69,255.5	51,951.3	40,168.6	37,456.1	45,057.1	104,117.7	85,964.3	93,025.4	101,965.3	61,783.3	111,043.3	91,159.5	97,042.3	105,710.8	66,289.0
Linked:	5,028.7	12,144.1	16,624.0	11,126.0	11,951.8	676.0	586.0	782.8	632.8	840.1	1,178.9	1,800.4	2,445.2	1,745.4	2,035.3
Total	74,284.2	64,095.4	56,792.6	48,582.1	57,008.9	104,793.7	86,550.3	93,808.2	102,598.1	62,623.4	112,222.2	92,959.9	99,487.5	107,456.2	68,324.3

(a) New Business Index = 10% Single Premiums + Regular Premiums

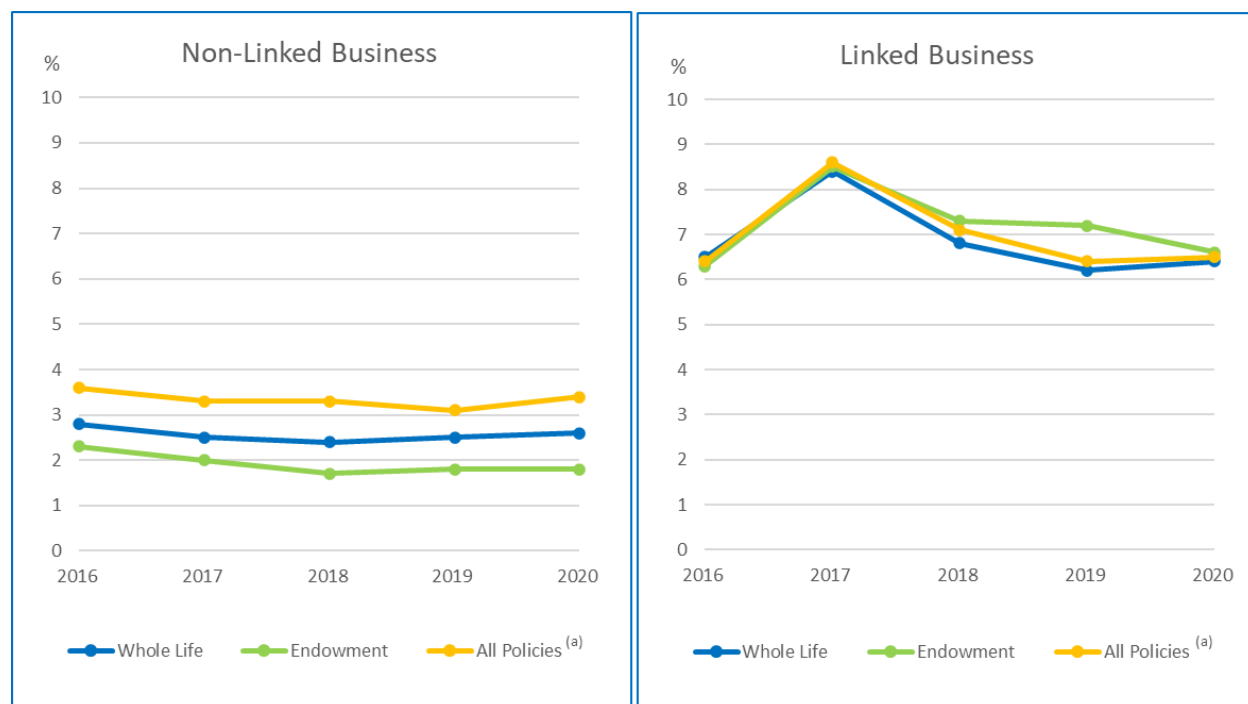
Individual Life Voluntary Termination Rate (Lapses and Surrenders)

The voluntary termination rate comprises the ratio of the number of policies that lapsed or were surrendered during the year to the average number of policies in-force, and serves as a measure of business persistency.

For Individual Life (Non-Linked) business, the overall voluntary termination rate slightly increased to 3.4% in 2020.

For Individual Life (Linked) business, the overall voluntary termination rate stood at 6.5% in 2020.

Figure 9 Individual Life Voluntary Termination Rate



Non-Linked (%)	2016	2017	2018	2019	2020
Whole Life	2.8	2.5	2.4	2.5	2.6
Endowment	2.3	2.0	1.7	1.8	1.8
All Policies ^(a)	3.6	3.3	3.3	3.1	3.4
Linked (%)	2016	2017	2018	2019	2020
Whole Life	6.5	8.4	6.8	6.2	6.4
Endowment	6.3	8.5	7.3	7.2	6.6
All Policies ^(a)	6.4	8.6	7.1	6.4	6.5

^(a) All policies include term policies and others.

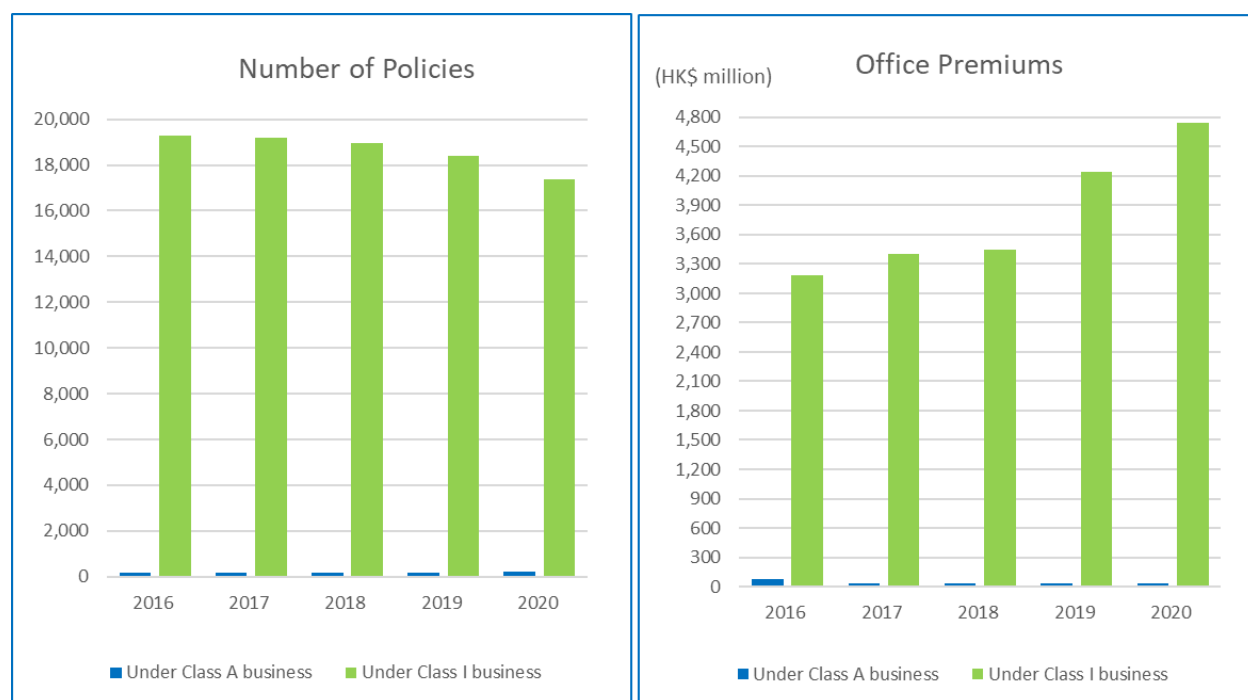
Group Life Business

Group Life business comprises Class A business (non-employer group business) and Class I business (employer group business).

For Class A business, office premiums in 2020 stood at HK\$31 million, representing 0.6% of all Group Life business. At the end of 2020, there were 239 Class A in-force policies covering 41,108 lives. The total sums assured and total net liabilities were HK\$14,782 million and HK\$14 million respectively.

For Class I business, office premiums stood at HK\$4,740 million, representing 99.4% of all Group Life business. At the end of 2020, there were 17,365 Class I in-force policies covering 1,279,750 lives. The total sums assured and total net liabilities were HK\$1,021,160 million and HK\$1,352 million respectively.

Figure 10 In-Force Group Life Business



Number of Policies	2016	2017	2018	2019	2020
Under Class A business	169	152	151	160	239
Under Class I business	19,268	19,175	18,980	18,388	17,365

Office Premiums (HK\$ million)	2016	2017	2018	2019	2020
Under Class A business	71.6	35.1	35.5	35.1	30.5
Under Class I business	3,182.9	3,405.7	3,449.5	4,240.4	4,740.3

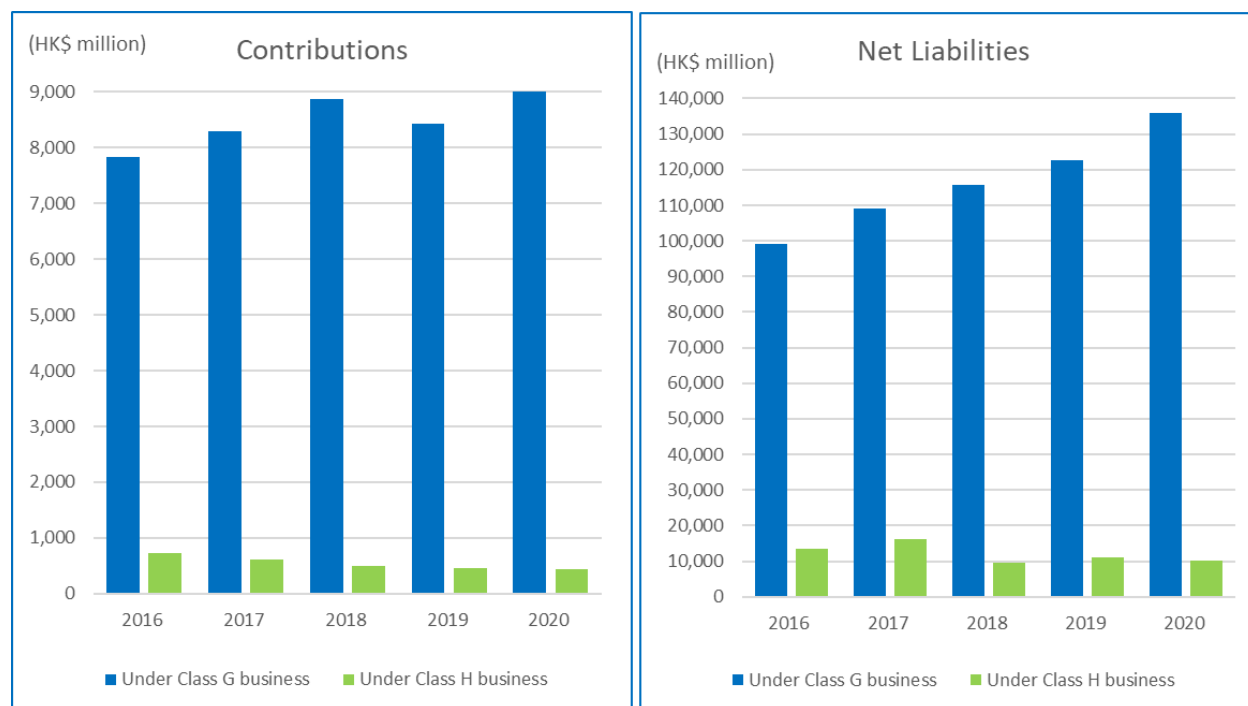
Retirement Scheme Business

Retirement Scheme business consists of Class G business, which provides guaranteed capital or return, and Class H business, which does not provide such a guarantee.

Class G contributions amounted to HK\$9,000 million in 2020, representing 95.3% of overall contributions for Retirement Scheme business. As at 31 December 2020, the related net liabilities amounted to HK\$135,906 million. Net liabilities may be classified into unit (unitised) and non-unit liabilities. The related unit and non-unit liabilities were HK\$124,297 million and HK\$11,609 million respectively.

Class H contributions decreased from HK\$449 million in 2019 to HK\$440 million in 2020, and represented 4.7% of overall contributions in 2020. As at 31 December 2020, related net liabilities stood at HK\$10,222 million, of which unit and non-unit liabilities were HK\$10,113 million and HK\$108 million respectively.

Figure 11 In-Force Retirement Scheme Business



Contributions (HK\$ million)	2016	2017	2018	2019	2020
Under Class G business	7,827.6	8,296.8	8,878.6	8,428.0	9,000.1
Under Class H business	719.6	610.9	495.4	449.0	439.7
Net Liabilities (HK\$ million)	2016	2017	2018	2019	2020
Under Class G business	99,278.7	109,096.2	115,757.3	122,695.3	135,905.6
Under Class H business	13,415.9	16,069.6	9,463.2	11,005.0	10,221.5

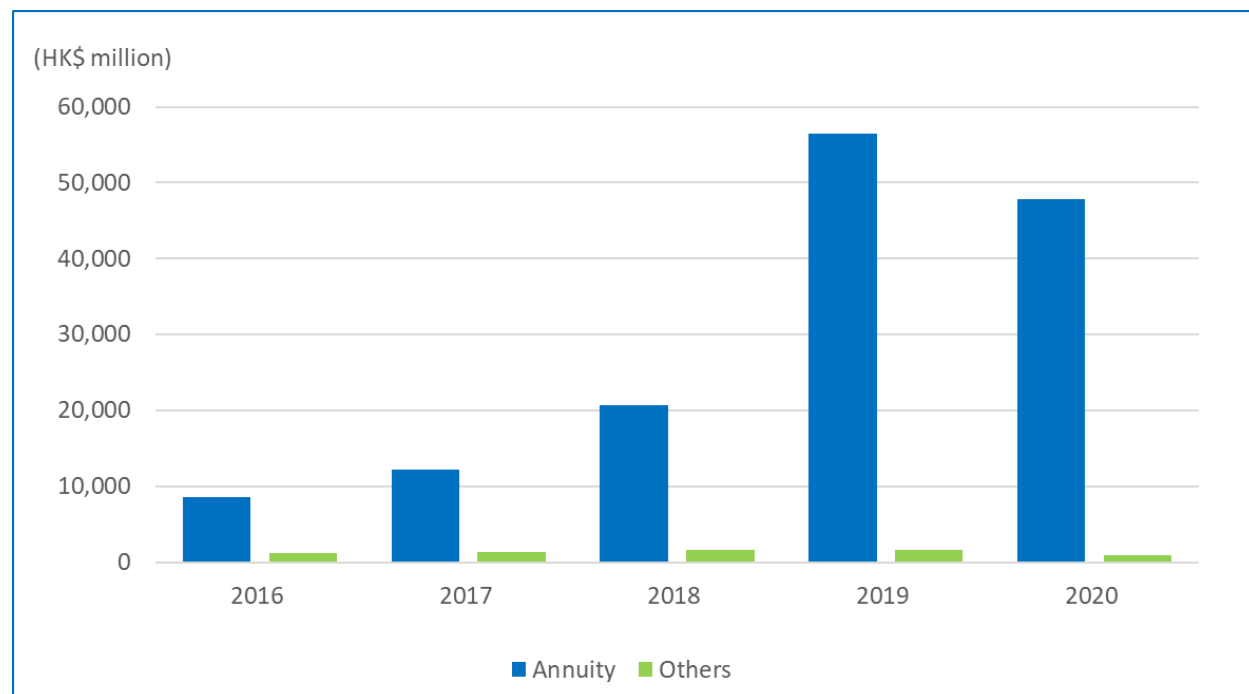
Annuity and Other Business

Under Annuity business, there were 1,008,414 in-force policies at the end of 2020. Office premiums decreased by 15.3% to HK\$47,805 million in 2020, and net liabilities increased by 8.5% to HK\$350,161 million. During the year, a total of 94,065 new Annuity policies were effected, with office premiums of HK\$13,311 million. In 2020, around 65,000 Qualifying Deferred Annuity Policies (“QDAPs”) were sold, contributing total annualised premiums amounting to HK\$4,626 million.

Other business includes Permanent Health business and Tontines business. For Permanent Health, the number of in-force policies dropped by 47.3% to 106,632 in 2020, with office premiums decreasing by 46.2% to HK\$865 million, while net liabilities decreased by 24.3% to HK\$3,158 million. Regarding Tontines, total office premiums amounted to less than HK\$0.1 million in 2020.

In terms of premiums, Annuity and Other business accounted for 9.3% of the market total for all long term insurance business premiums in 2020.

Figure 12 Office Premiums for In-Force Annuity and Other Business

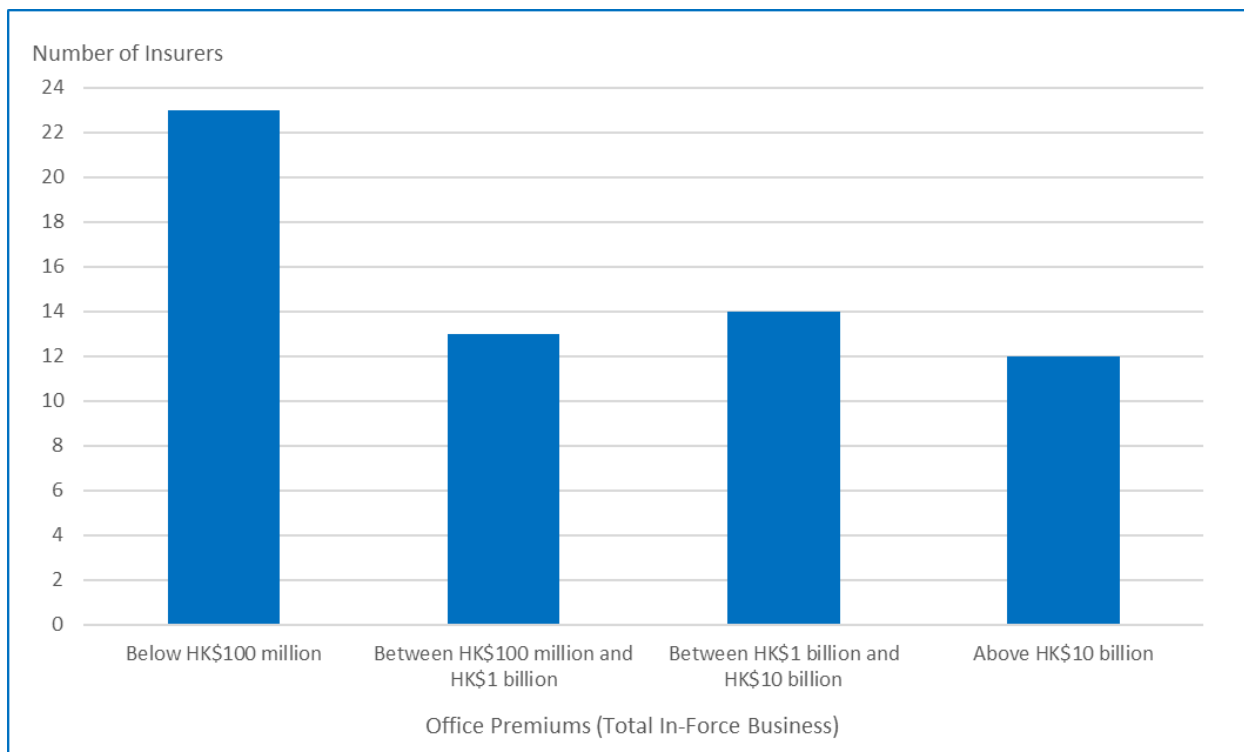


Office Premiums (HK\$ million)	2016	2017	2018	2019	2020
Annuity	8,524.6	12,200.0	20,692.2	56,448.9	47,804.9
Others	1,241.5	1,376.8	1,542.1	1,608.0	865.3

Market Analysis

At as 31 December 2020, there were 73 authorized long term business insurers in the market. Putting aside Lloyd's and 10 pure reinsurers, 12 insurers reported in-force office premiums of more than HK\$10 billion, taking up 90.4% of the long term insurance market. Another 50 insurers, with office premiums of less than HK\$10 billion, comprised the remaining 9.6% of the market.

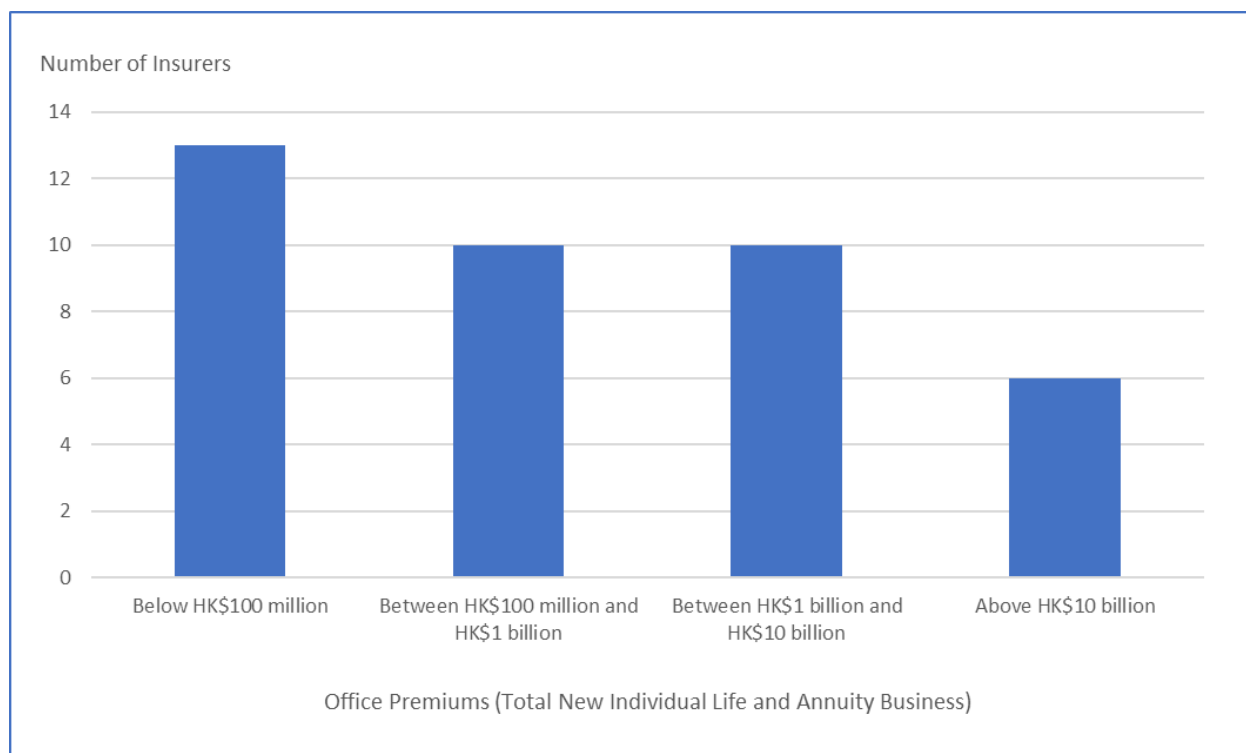
Figure 13 Distribution of Long Term Business Insurers in terms of In-Force Office Premiums



Office Premiums (Total In-Force Business)	Number of Insurers	% of Market Total
Below HK\$100 million	23	0.1%
Between HK\$100 million and HK\$1 billion	13	1.2%
Between HK\$1 billion and HK\$10 billion	14	8.3%
Above HK\$10 billion	12	90.4%
Total	62	100.0%

In terms of new Individual Life and Annuity business, 39 insurers wrote new business in 2020. Of these insurers, six reported new office premiums of more than HK\$10 billion and between them shared 66.1% of total business. The other 33 insurers, with new office premiums of less than HK\$10 billion, shared the remaining 33.9% of the market.

Figure 14 Distribution of Long Term Business Insurers in terms of New Individual Life and Annuity Office Premiums



Office Premiums (Total New Individual Life and Annuity Business)	No. of Insurers	% of Market Total
Below HK\$100 million	13	0.2%
Between HK\$100 million and HK\$1 billion	10	3.0%
Between HK\$1 billion and HK\$10 billion	10	30.7%
Above HK\$10 billion	6	66.1%
Total	39	100.0%