

Market Overview – Long Term Insurance

Market Performance of Long Term Insurance Business in 2018¹

Total office premiums for in-force long term business increased by 4.7% to HK\$461,437 million in 2018. The Individual Life category remained the dominant line of business, making up HK\$426,344 million or 92.4% of total long term business. The respective number of policies in 2018 stood at 13.2 million, carrying net liabilities of HK\$1,947,824 million.

Yearly contributions for Retirement Scheme contracts administered by insurers increased by 5.2% to HK\$9,374 million. There were 63,142 Retirement Scheme contracts carrying net liabilities of HK\$125,221 million. In-force office premiums for Group Life business increased by 3.1% to HK\$3,485 million, carrying net liabilities of HK\$999 million. In-force office premiums for Annuity business increased by 69.6% to HK\$20,692 million. In-force office premiums for Other business (mainly Permanent Health business) increased by 12% to HK\$1,542 million.

Office premiums for new Individual Life business remained stable at HK\$150,601 million in 2018, including HK\$133,194 million from Individual Life (Non-Linked) business and HK\$17,407 million from Linked business, which recorded a decrease of 3.4% and an increase of 36.7% respectively. The total number of new policies increased by 1.5% to 1.3 million in 2018. Office premiums for new Individual Annuity business increased by 40.5% to HK\$10,816 million.

¹ The statistics in “Market Overview” cover those insurers whose financial years ended between 1 January 2018 and 31 December 2018.

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

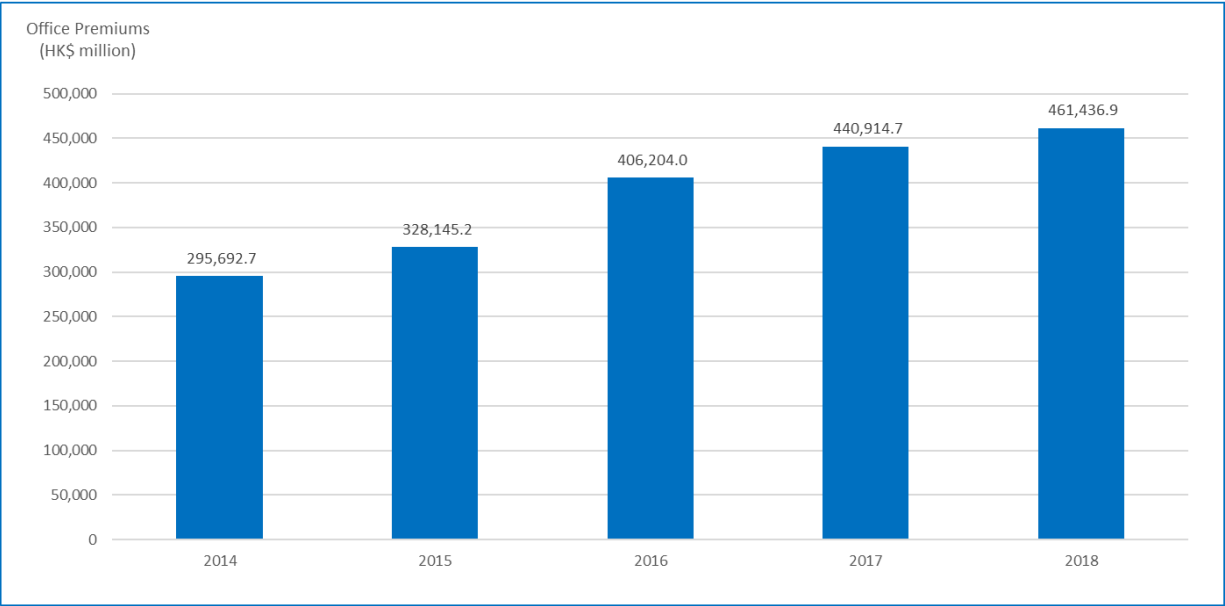
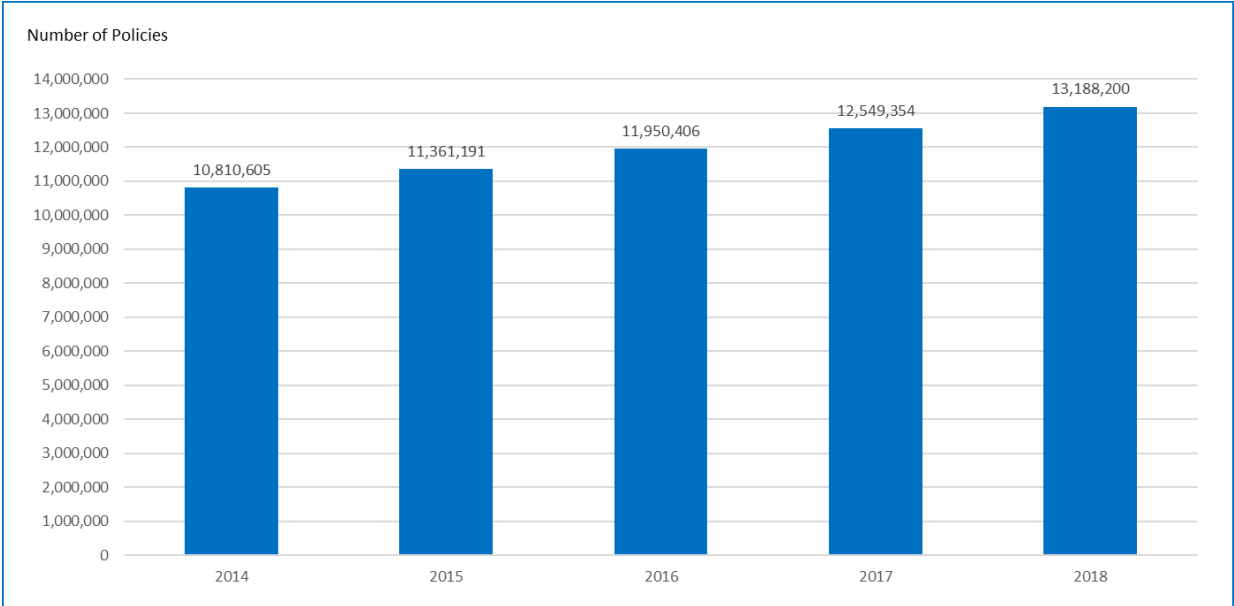


Figure 2 In-Force Individual Life Policies

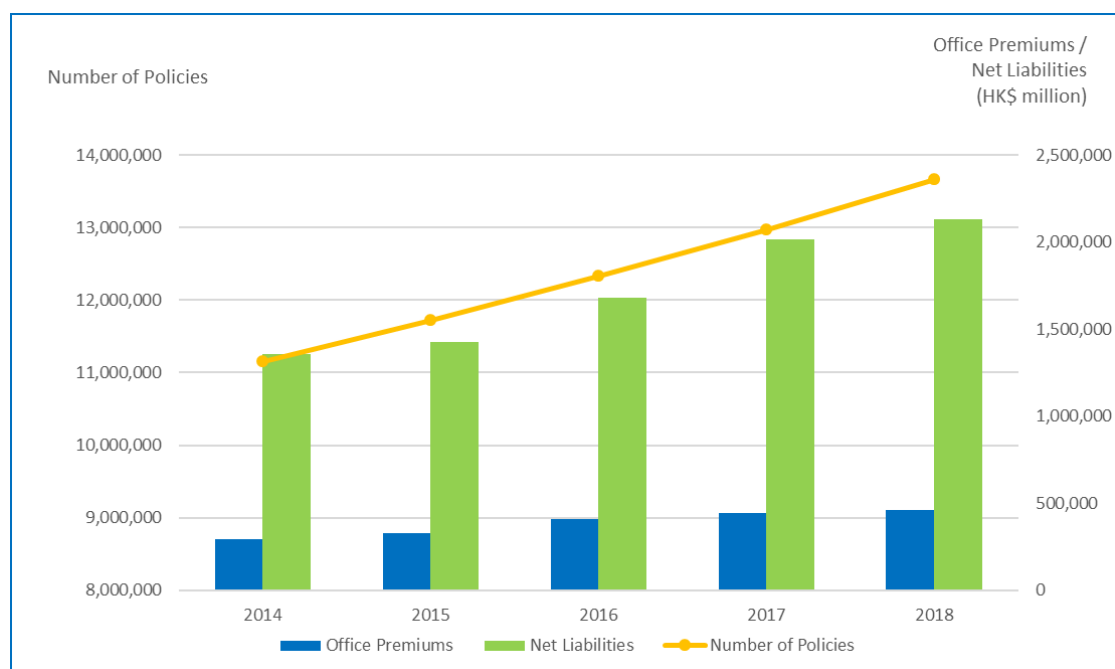


Industry Statistics Highlights – Long Term Insurance Business

In-force Business

In-force office premiums for Individual Life business, which remained the dominant line of long term insurance business, increased from HK\$415,050 million in 2017 to HK\$426,344 million in 2018, a rise of 2.7%. Non-Linked and Linked business accounted for 88.5% and 11.5% respectively of in-force Individual Life business.

Figure 3 In-Force Long Term Business



Type of Insurance	Number of Policies					Office Premiums (HK\$ million)					Net Liabilities (HK\$ million)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Individual Life															
Non-Linked	9,181,550 5.0%	9,814,015 6.9%	10,487,098 6.9%	11,177,614 6.6%	11,871,518 6.2%	208,964.5 22.3%	250,506.3 19.9%	337,107.0 34.6%	367,177.1 8.9%	377,474.8 2.8%	948,233.1 19.8%	1,065,864.6 12.4%	1,262,057.1 18.4%	1,536,606.7 21.8%	1,675,983.9 9.1%
Linked	1,629,055 -2.7%	1,547,176 -5.0%	1,463,308 -5.4%	1,371,740 -6.3%	1,316,682 -4.0%	68,120.3 -2.5%	58,782.2 -13.7%	47,529.0 -19.1%	47,873.1 0.7%	48,868.8 2.1%	282,383.0 5.5%	227,093.3 -19.6%	269,714.3 18.8%	313,317.4 16.2%	271,840.3 -13.2%
Sub-total	10,810,605 3.8%	11,361,191 5.1%	11,950,406 5.2%	12,549,354 5.0%	13,188,200 5.1%	277,084.8 15.1%	309,288.5 11.6%	384,636.0 24.4%	415,050.2 7.9%	426,343.6 2.7%	1,230,616.1 16.2%	1,292,957.9 5.1%	1,531,771.4 18.5%	1,849,924.1 20.8%	1,947,824.2 5.3%
Group Life	20,214 7.8%	19,724 -2.4%	19,437 -1.5%	19,327 -0.6%	19,131 -1.0%	2,946.4 9.4%	3,191.5 8.3%	3,254.6 2.0%	3,380.0 3.9%	3,485.0 3.1%	1,051.0 6.9%	1,117.0 6.3%	1,063.8 -4.8%	1,021.3 -4.0%	999.2 -2.2%
Retirement Scheme	46,685 -20.8%	52,779 13.1%	61,192 15.9%	62,271 1.8%	63,142 1.4%	7,898.0 -4.3%	7,777.5 -1.5%	8,547.2 9.9%	8,907.7 4.2%	9,374.0 5.2%	103,704.6 3.1%	105,844.5 2.1%	112,694.5 6.5%	125,139.8 11.0%	125,220.5 0.1%
Annuity and Others	277,251 8.0%	288,882 4.2%	306,203 6.0%	343,573 12.2%	393,735 14.6%	7,763.5 28.3%	7,887.7 1.6%	9,766.2 23.8%	13,576.8 39.0%	22,234.3 63.8%	21,159.3 35.5%	23,835.1 12.6%	32,472.0 36.2%	42,138.0 29.8%	58,028.9 37.7%
Total	11,154,755 3.8%	11,722,576 5.1%	12,337,238 5.2%	12,974,525 5.2%	13,664,208 5.3%	295,692.7 14.7%	328,145.2 11.0%	406,204.0 23.8%	440,914.7 8.5%	461,436.9 4.7%	1,356,531.0 15.3%	1,423,754.5 5.0%	1,678,001.7 17.9%	2,018,223.2 20.3%	2,132,072.8 5.6%

Figures in percentage denote percentage changes over the prior year.

In-Force Individual Life Business

Non-Linked Business

Office premiums for Non-Linked business grew by 2.8% to HK\$377,475 million in 2018, representing 88.5% of the office premiums for in-force Individual Life business. There were 11.87 million in-force Non-Linked policies at the end of 2018, up by 6.2% from 2017. The total sums assured as at 31 December 2018 was HK\$6,732,946 million while net liabilities amounted to HK\$1,675,984 million, representing increases of 15.2% and 9.1% respectively.

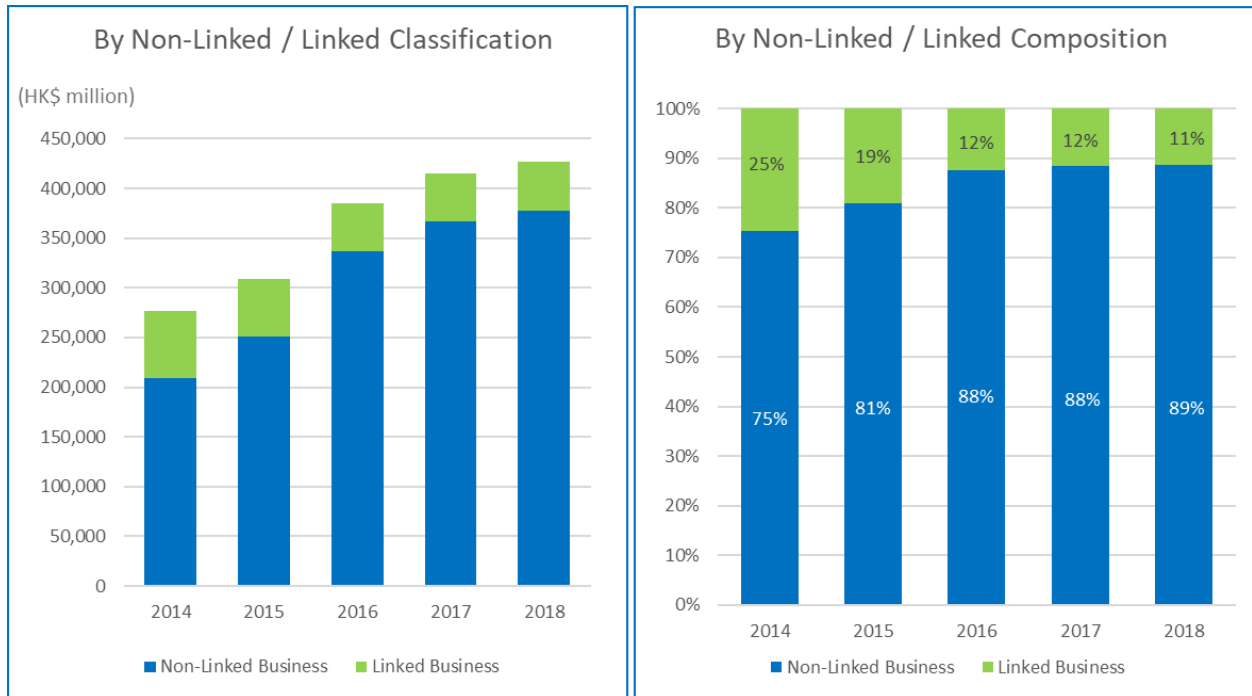
In terms of in-force office premiums, Whole Life insurance and Endowment insurance accounted for 79.6% of Non-Linked business, with Term insurance and Other insurance accounting for the remaining 20.4%.

Non-Linked business can be classified into with-profits business and without-profits business. Under this classification, with-profits business accounted for 79.4% of the in-force office premiums and without-profits business for the remaining 20.6%.

Linked Business

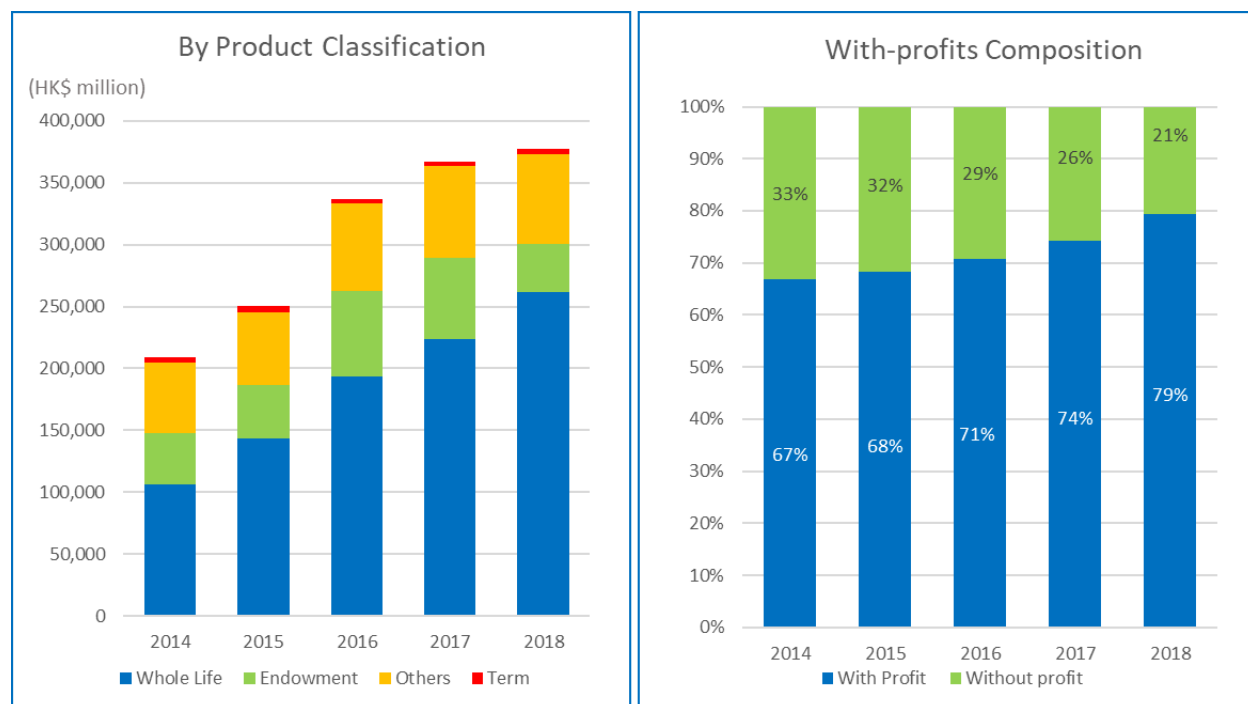
Office premiums for Linked business increased by 2.1% to HK\$48,869 million in 2018, accounting for 11.5% of the office premiums for in-force Individual Life business. The number of in-force policies as at 31 December 2018 was 1.32 million while net liabilities stood at HK\$271,840 million, representing decreases of 4.0% and 13.2% respectively.

Figure 4 Office Premiums of In-Force Individual Life Business



Office Premiums (HK\$ million)	2014	2015	2016	2017	2018
Non-Linked Business	208,964.5	250,506.3	337,107.0	367,177.1	377,474.8
Linked Business	68,120.3	58,782.2	47,529.0	47,873.1	48,868.8

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



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

(HK\$ million)	2014	2015	2016	2017	2018
Whole Life	106,436.1	143,356.2	193,824.4	223,752.9	261,375.2
Endowment	41,072.9	43,135.9	68,443.6	65,200.0	39,217.4
Term	4,405.8	4,840.0	4,103.9	4,026.8	4,418.4
Others	57,049.6	59,174.2	70,735.1	74,197.4	72,463.7

New Individual Life Business

Office premiums for new Individual Life business remained stable at HK\$150,601 million in 2018. Non-Linked Individual Life business and Linked Individual Life business accounted for 88.4% and 11.6% respectively of new Individual Life business.

Non-Linked Business

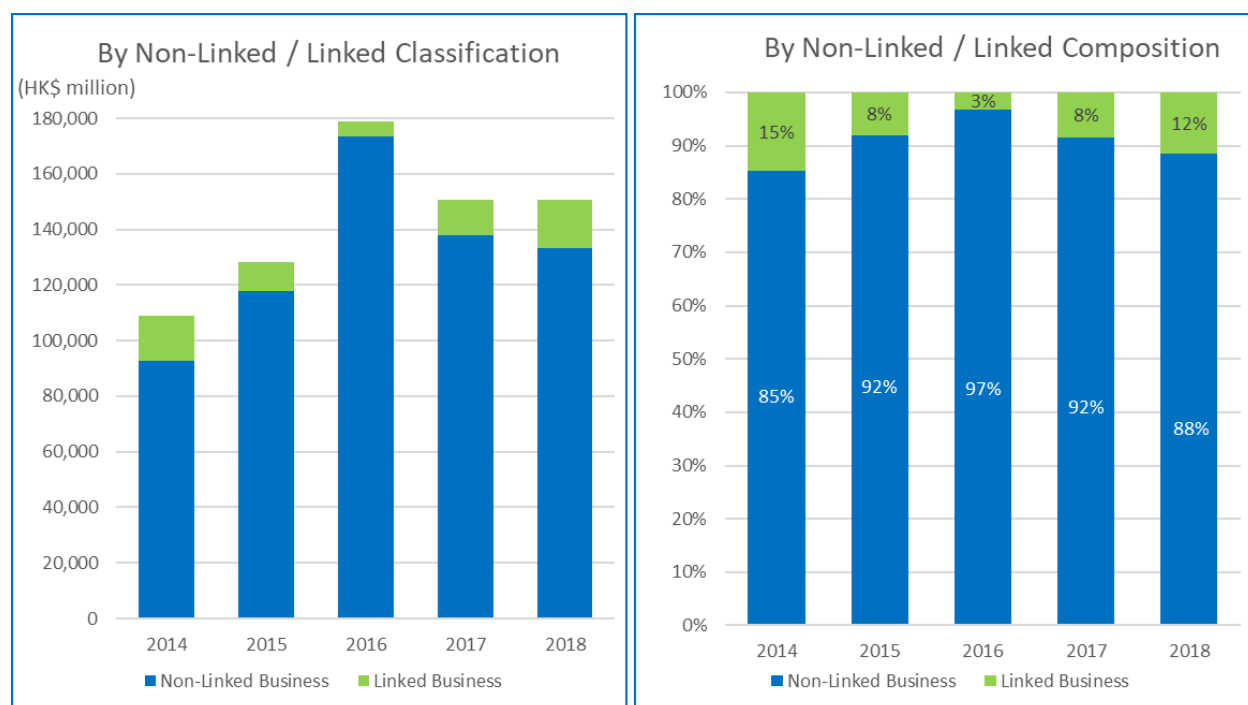
Office premiums for new Non-Linked business recorded a decrease of 3.4% to HK\$133,194 million in 2018, with single premium business decreasing by 22.7% and regular premium business increasing by 8.2%. The number of policies increased by 0.5% to 1,243,004.

Non-Linked business can be classified into with-profits and without-profits business, which represented 74.6% and 25.4% respectively of the related new office premiums.

Linked Business

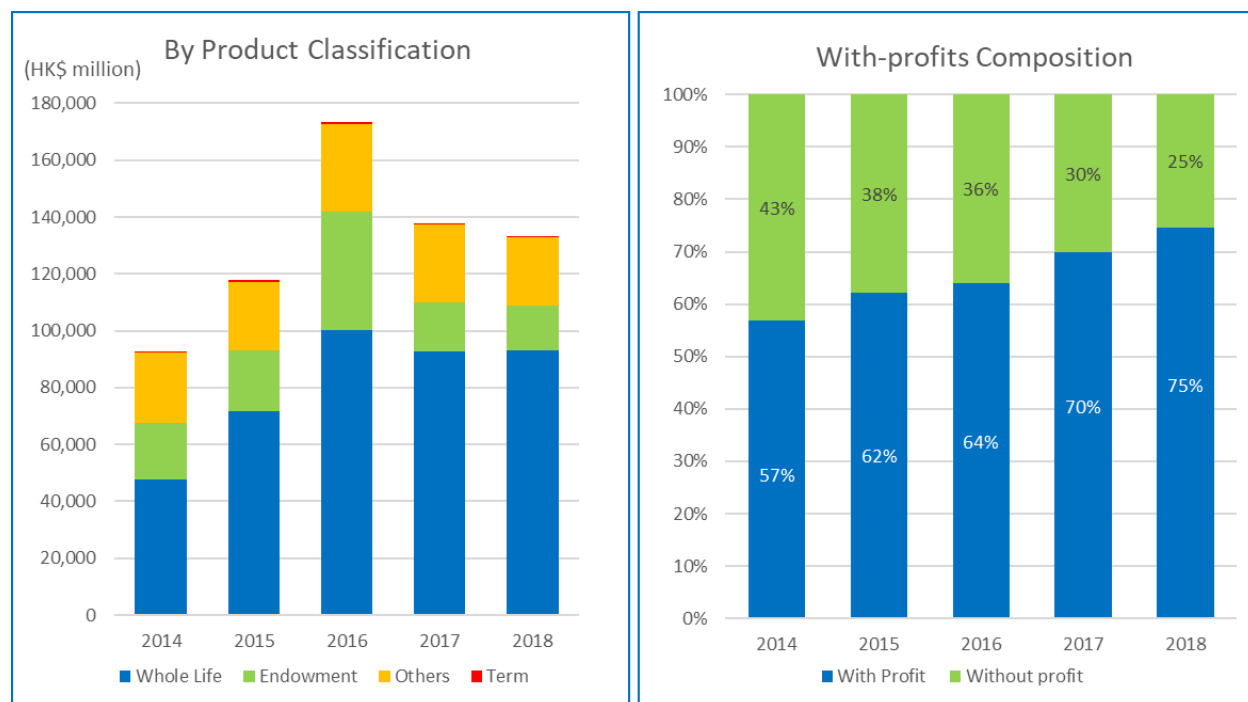
Office premiums for new Linked business increased by 36.7% in 2018, and the number of new policies grew by 38.7%. The number of new policies in single payment mode increased by 44.0%, while the related office premiums increased by 36.9%. The number of new policies in regular payment mode increased by 25.8%, and the related office premiums increased by 33.6%.

Figure 6 Office Premiums of New Individual Life Business



Office Premiums (HK\$ million)	2014	2015	2016	2017	2018
Non-Linked Business	92,841.6	117,806.5	173,373.3	137,915.6	133,194.0
Linked Business	16,110.0	10,303.4	5,704.7	12,730.1	17,406.8

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



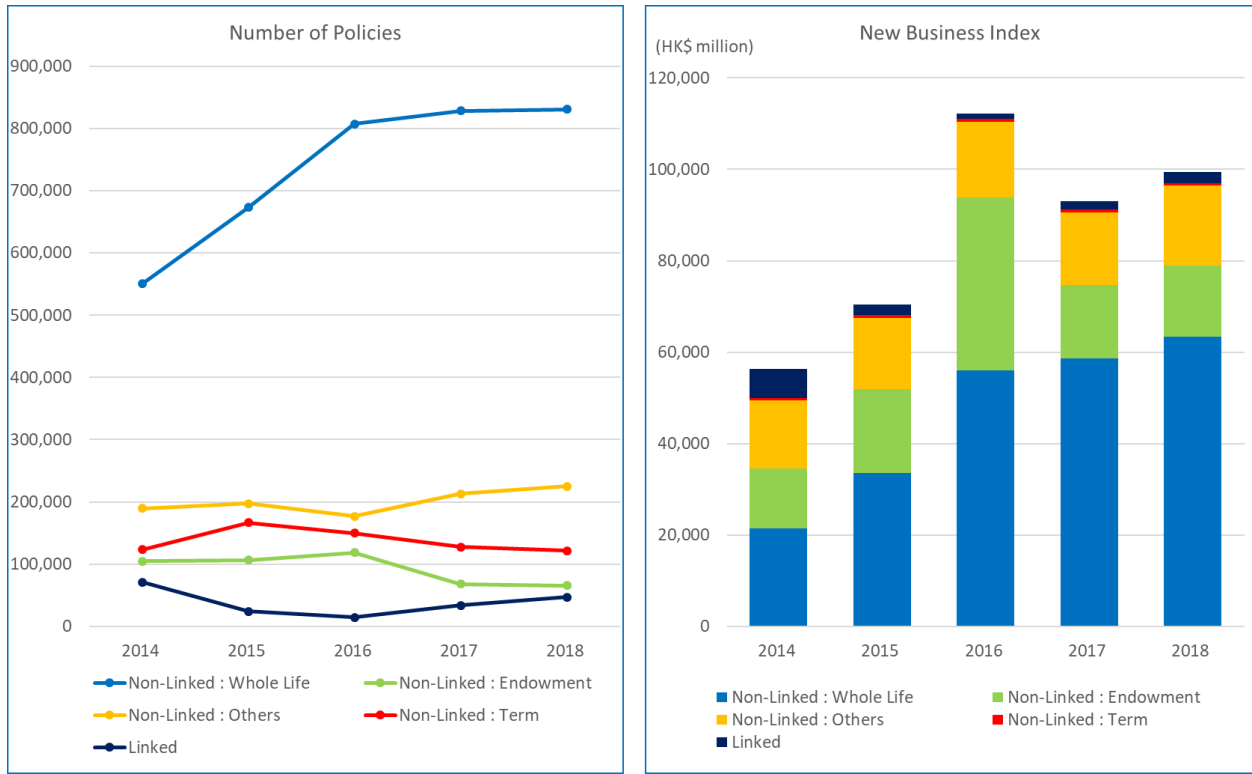
Office Premiums of Non-Linked Business (By Product Classification)

(HK\$ million)	2014	2015	2016	2017	2018
Whole Life	47,797.7	71,583.2	100,230.5	92,537.9	92,918.3
Endowment	19,759.7	21,361.9	41,628.9	17,356.7	15,982.8
Term	574.1	652.9	614.3	522.9	521.3
Others	24,710.1	24,208.5	30,899.6	27,498.1	23,771.6

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, increased by 7.0% in 2018. This increase in the New Business Index was attributable to an increase in new premiums for regular premium business of 8.4%, balanced by a decrease in new premiums for single premium business of 11.4%. During the year, the New Business Index for Non-Linked business increased by 6.5%, and for Linked business by 35.8%.

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



Number of Policies

Type of Insurance	Single Payment					Regular Payment					Total				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Non-Linked:															
Whole Life	16,020	15,732	23,242	27,705	22,440	534,258	657,631	784,026	800,348	808,132	550,278	673,363	807,268	828,053	830,572
Endowment	19,133	11,252	11,757	3,879	1,472	85,974	95,315	106,803	64,362	64,296	105,107	106,567	118,560	68,241	65,768
Term	168	89	32	15	14	123,539	166,826	149,673	127,811	121,366	123,707	166,915	149,705	127,826	121,380
Others	9,180	6,887	9,339	7,988	5,243	180,387	190,312	167,833	205,221	220,041	189,567	197,199	177,172	213,209	225,284
Total of Non-Linked	44,501	33,960	44,370	39,587	29,169	924,158	1,110,084	1,208,335	1,197,742	1,213,835	968,659	1,144,044	1,252,705	1,237,329	1,243,004
Linked:															
	5,850	4,136	4,324	23,928	34,468	65,499	19,943	10,531	9,811	12,344	71,349	24,079	14,855	33,739	46,812
Total	50,351	38,096	48,694	63,515	63,637	989,657	1,130,027	1,218,866	1,207,553	1,226,179	1,040,008	1,168,123	1,267,560	1,271,068	1,289,816

Office Premiums

Type of Insurance	Single Payment (HK\$ million)					Regular Payment (HK\$ million)					New Business Index ^(a) (HK\$ million)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Non-Linked:															
Whole Life	29,227.2	42,152.7	49,051.2	37,723.6	32,843.6	18,570.5	29,430.5	51,179.3	54,814.2	60,074.8	21,493.2	33,645.8	56,084.4	58,586.6	63,359.2
Endowment	7,482.6	3,366.5	4,345.5	1,365.2	507.7	12,277.1	17,995.4	37,283.3	15,991.5	15,475.1	13,025.4	18,332.1	37,717.9	16,128.0	15,525.9
Term	3.8	2.8	2.3	1.6	0.9	570.3	650.1	612.0	521.3	520.3	570.7	650.4	612.2	521.5	520.4
Others	10,883.7	9,663.4	15,856.5	12,860.9	6,816.4	13,826.3	14,545.1	15,043.1	14,637.3	16,955.2	14,914.7	15,511.4	16,628.8	15,923.4	17,636.8
Total of Non-Linked	47,597.3	55,185.4	69,255.5	51,951.3	40,168.6	45,244.2	62,621.1	104,117.7	85,964.3	93,025.4	50,004.0	68,139.7	111,043.3	91,159.5	97,042.3
Linked:															
	10,835.6	8,903.1	5,028.7	12,144.1	16,624.0	5,274.4	1,400.3	676.0	586.0	782.8	6,358.0	2,290.6	1,178.9	1,800.4	2,445.2
Total	58,432.9	64,088.5	74,284.2	64,095.4	56,792.6	50,518.6	64,021.4	104,793.7	86,550.3	93,808.2	56,362.0	70,430.3	112,222.2	92,959.9	99,487.5

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

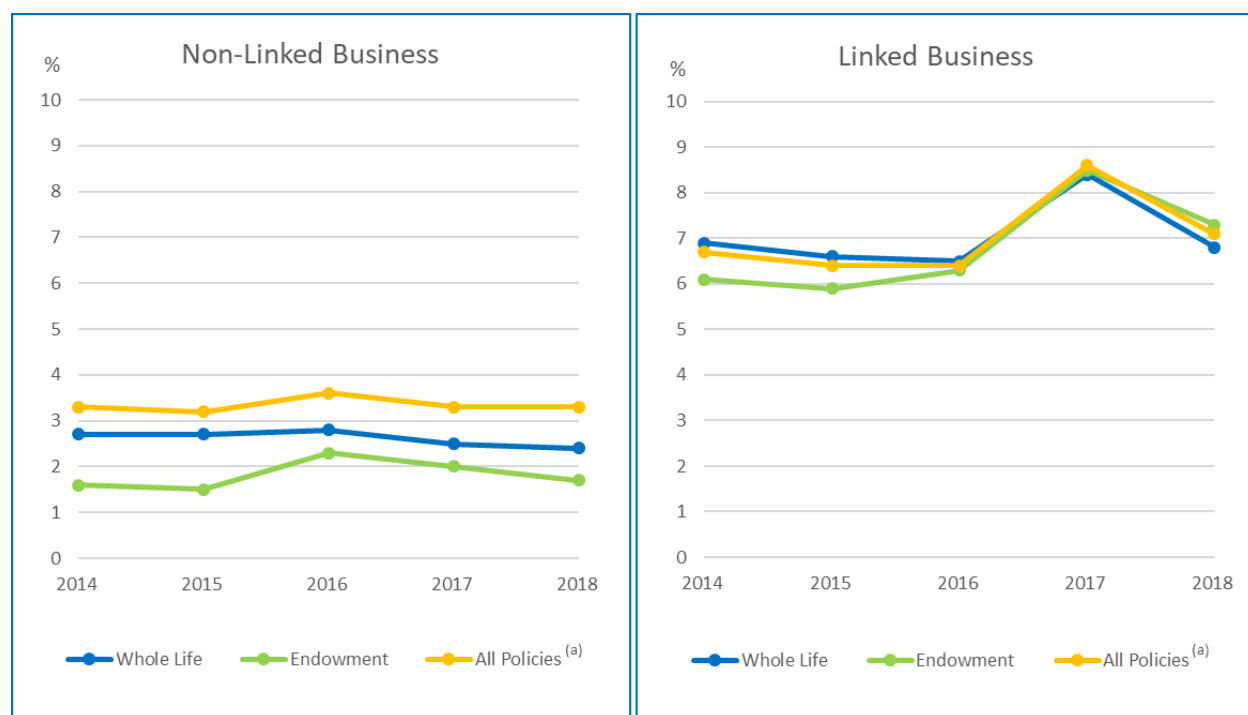
Individual Life Voluntary Termination Rate (Lapses and Surrenders)

The voluntary termination rate is the ratio of the number of policies that lapsed or were surrendered during the year to the average number of policies in-force. It is a measure of the persistency of business.

For Individual Life (Non-Linked) business, the overall voluntary termination rate remained stable at 3.3% in 2018.

For Individual Life (Linked) business, the overall voluntary termination rate decreased from 8.6% in 2017 to 7.1% in 2018.

Figure 9 Individual Life Voluntary Termination Rate



Non-Linked (%)	2014	2015	2016	2017	2018
Whole Life	2.7	2.7	2.8	2.5	2.4
Endowment	1.6	1.5	2.3	2.0	1.7
All Policies ^(a)	3.3	3.2	3.6	3.3	3.3

Linked (%)	2014	2015	2016	2017	2018
Whole Life	6.9	6.6	6.5	8.4	6.8
Endowment	6.1	5.9	6.3	8.5	7.3
All Policies ^(a)	6.7	6.4	6.4	8.6	7.1

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

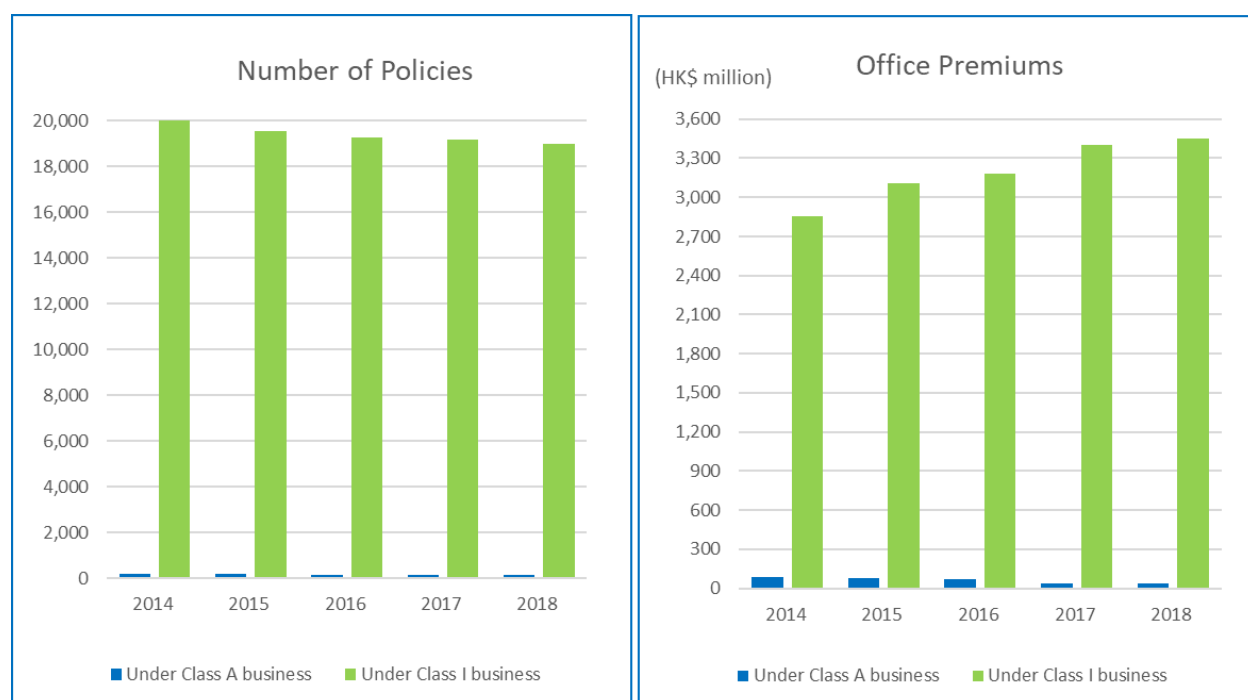
Group Life Business

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 2018 were HK\$36 million, representing 1% of all Group Life business. At the end of 2018, there were 151 Class A in-force policies covering 49,425 lives. The total sums assured and total net liabilities were HK\$15,389 million and HK\$19 million respectively.

For Class I business, office premiums stood at HK\$3,450 million, representing 99% of all Group Life business. At the end of 2018, there were 18,980 Class I in-force policies covering 1,252,329 lives. The total sums assured and total net liabilities were HK\$924,613 million and HK\$980 million respectively.

Figure 10 In-Force Group Life Business



Number of Policies	2014	2015	2016	2017	2018
Under Class A business	209	188	169	152	151
Under Class I business	20,005	19,536	19,268	19,175	18,980

Office Premiums (HK\$ million)	2014	2015	2016	2017	2018
Under Class A business	91.0	82.5	71.6	35.1	35.5
Under Class I business	2,855.4	3,109.0	3,182.9	3,405.7	3,449.5

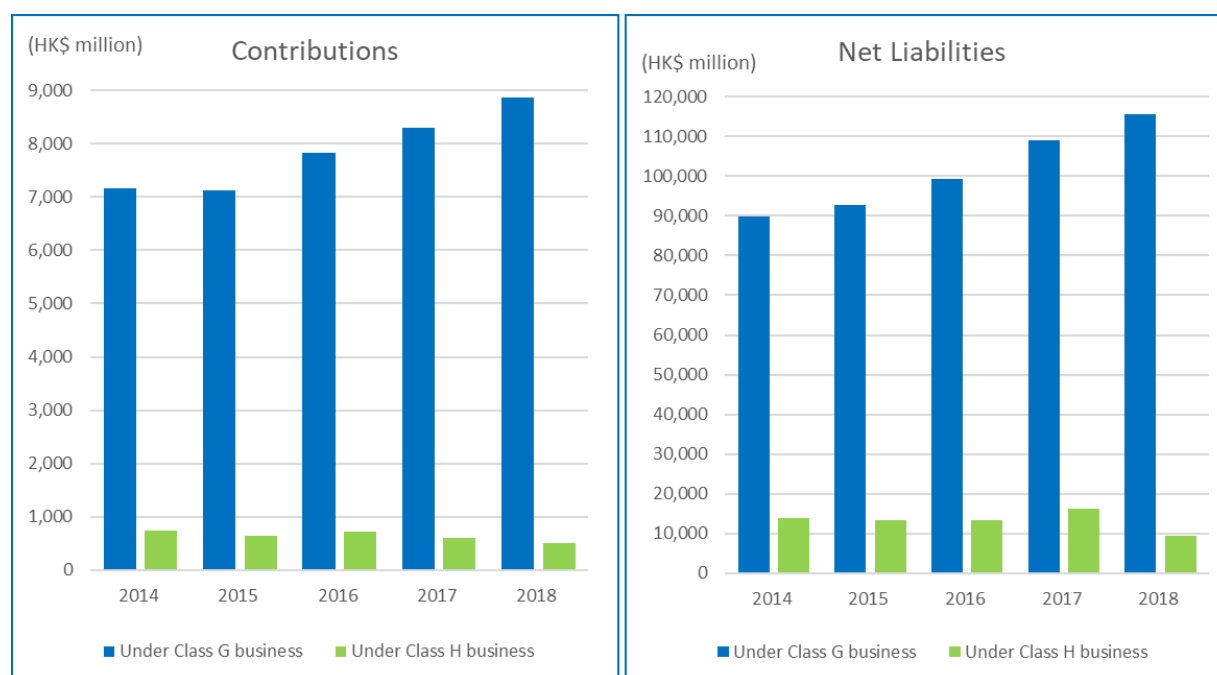
Retirement Scheme Business

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

Class G contributions amounted to HK\$8,879 million in 2018, representing 94.7% of overall contributions for Retirement Scheme business. As at 31 December 2018, the related net liabilities amounted to HK\$115,757 million. Net liabilities may be classified into unit (unitised) and non-unit liabilities. The related unit and non-unit liabilities were HK\$105,529 million and HK\$10,228 million respectively.

Class H contributions decreased from HK\$611 million in 2017 to HK\$495 million in 2018, and represented 5.3% of overall contributions in 2018. As at 31 December 2018, related net liabilities stood at HK\$9,463 million, of which unit and non-unit liabilities were HK\$9,362 million and HK\$101 million respectively.

Figure 11 In-Force Retirement Scheme Business



Contributions (HK\$ million)	2014	2015	2016	2017	2018
Under Class G business	7,162.1	7,134.1	7,827.6	8,296.8	8,878.6
Under Class H business	735.9	643.4	719.6	610.9	495.4

Net Liabilities (HK\$ million)	2014	2015	2016	2017	2018
Under Class G business	89,860.7	92,623.5	99,278.7	109,096.2	115,757.3
Under Class H business	13,843.9	13,221.0	13,415.9	16,069.6	9,463.2

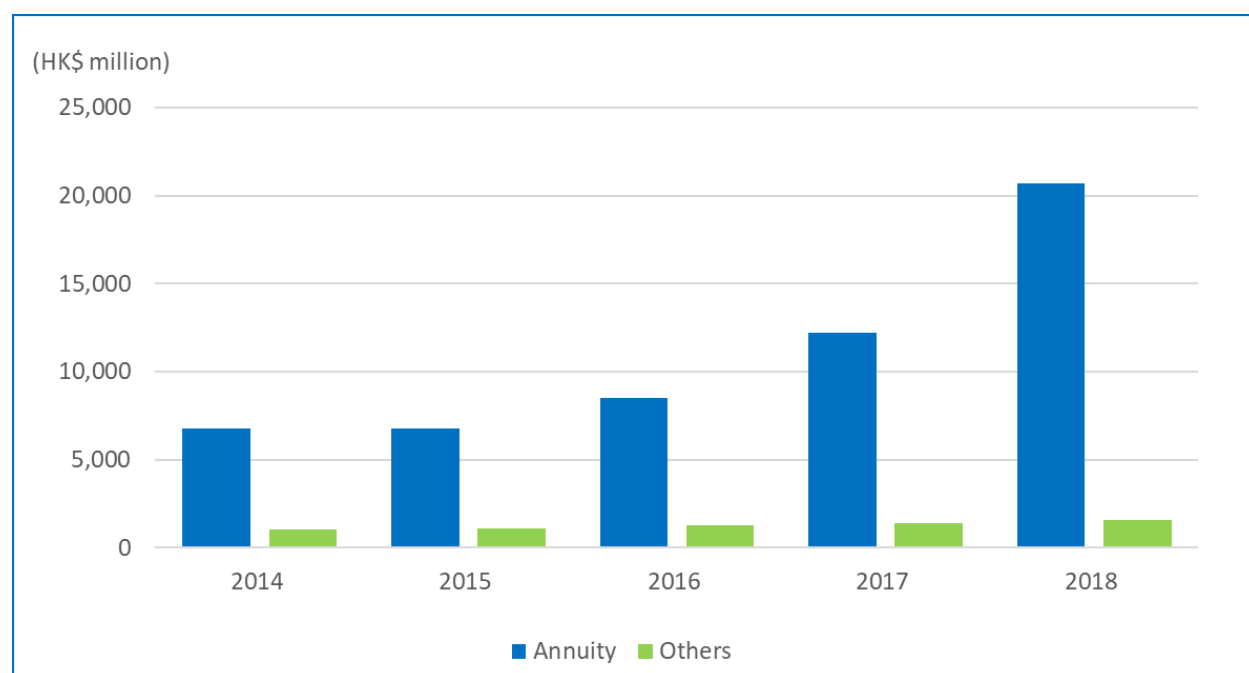
Annuity and Other Business

Under Annuity business, there were 191,926 in-force policies at the end of 2018. Office premiums increased by 69.6% to HK\$20,692 million in 2018, and net liabilities increased by 41.3% to HK\$53,802 million. During the year, a total of 45,939 new Annuity policies were effected, with office premiums of HK\$10,814 million.

Other business includes Permanent Health business and Tontines business. Under Permanent Health business, the number of in-force policies increased by 5.2% to 201,805 in 2018, with office premiums increasing by 12.0% to HK\$1,542 million, while net liabilities increased by 3.9% to HK\$4,226 million. Under Tontines business, total office premiums were less than HK\$0.1 million in 2018.

In terms of premiums, Annuity and Other business accounted for just 4.8% of the market total of all long term insurance business premiums in 2018.

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

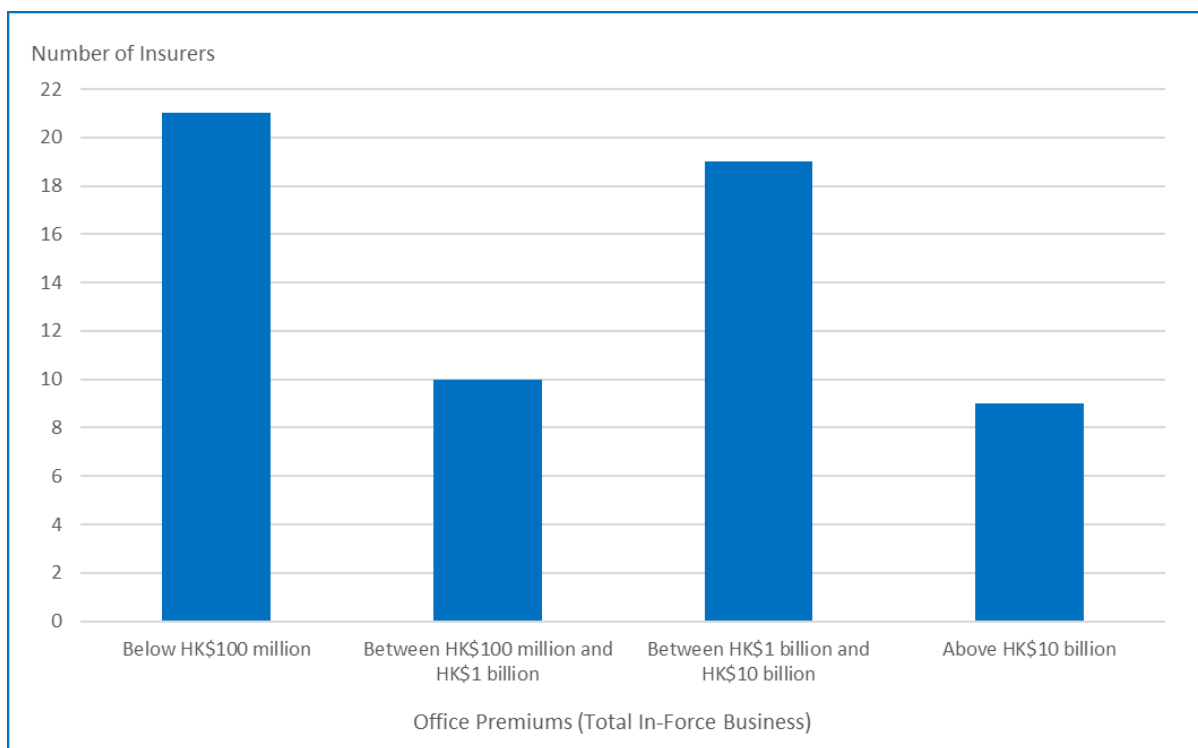


Office Premiums (HK\$ million)	2014	2015	2016	2017	2018
Annuity	6,750.5	6,791.5	8,524.6	12,200.0	20,692.2
Others	1,013.0	1,096.2	1,241.5	1,376.8	1,542.1

Market Analysis

At as 31 December 2018, there were 68 authorized long term business insurers in the market. Putting aside Lloyd's and eight pure reinsurers, nine insurers reported in-force office premiums of more than HK\$10 billion; together they took up 84.0% of the long term insurance market. Another 50 insurers, with office premiums of less than HK\$10 billion, represented the remaining 16.0% of the market.

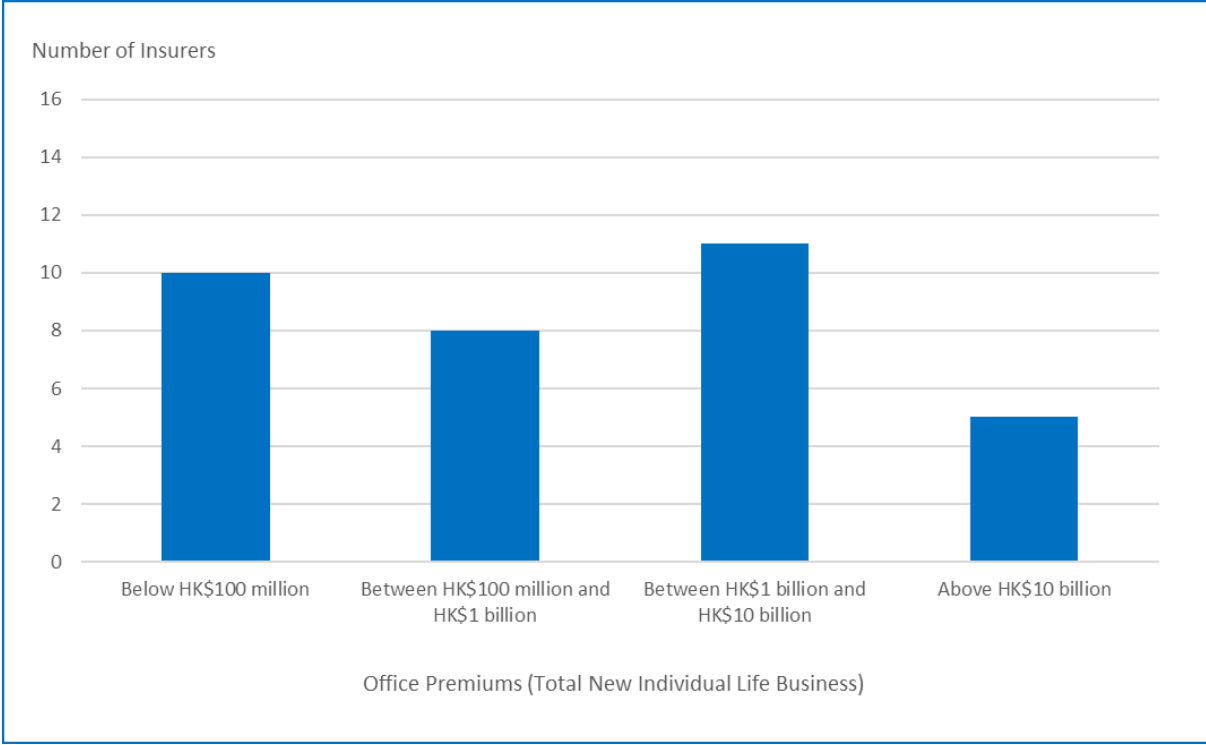
Figure 13 Distribution of Long Term Business Insurers in terms of In-Force Office Premiums



Office Premiums (Total In-Force Business)	Number of Insurers	% of Market Total
Below HK\$100 million	21	0.1%
Between HK\$100 million and HK\$1 billion	10	1.1%
Between HK\$1 billion and HK\$10 billion	19	14.8%
Above HK\$10 billion	9	84.0%
Total	59	100.0%

In terms of new Individual Life business, 34 insurers wrote new business in 2018. Of these insurers, five reported new office premiums of more than HK\$10 billion and between them shared 68.2% of total business. Another 29 insurers, with new office premiums of less than HK\$10 billion, shared the remaining 31.8% of the market.

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



Office Premiums (Total New Individual Life Business)	No. of Insurers	% of Market Total
Below HK\$100 million	10	0.2%
Between HK\$100 million and HK\$1 billion	8	2.7%
Between HK\$1 billion and HK\$10 billion	11	28.9%
Above HK\$10 billion	5	68.2%
Total	34	100.0%