

Market Overview - General Insurance

Market Performance of General Insurance Business in 2019¹

Total gross written premiums (“GWP”) recorded a growth rate of 4.4% to HK\$55,435 million in 2019. Overall underwriting profit rose from HK\$583 million in 2018 to HK\$869 million in 2019, propelled by Property Damage business resulting from the absence of any major typhoons. As at 31 December 2019, gross and net claims incurred by authorized insurers due to the social events were HK\$1,292 million and HK\$411 million respectively.

Premium growth was mainly driven by the growth in Property Damage business, followed by Accident & Health business, which grew by 13.7% and 7.2% respectively. GWP growth in Property Damage business was mainly driven by new business as well as rates hardening after losses from super-typhoons in the previous two years. Ships, Goods in Transit, General Liability and Pecuniary Loss business recorded a slight drop in GWP.

Improvement in overall underwriting performance mainly stemmed from Property Damage business, of which the underwriting profit increased from HK\$199 million in 2018 to HK\$823 million in 2019. All business lines, with the exception of Motor Vehicle, Ships, General Liability and Miscellaneous business (including Aircraft and Treaty Reinsurance business), recorded positive underwriting results in 2019. In particular, underwriting performance for Motor Vehicle business deteriorated in 2019, with an underwriting loss of HK\$525 million compared with a loss of HK\$248 million in 2018.

¹ The statistics in the “Market Overview” chapter cover those insurers whose financial years ended between 1 January 2019 and 31 December 2019.

Figure 1 Growth of Gross Written Premiums

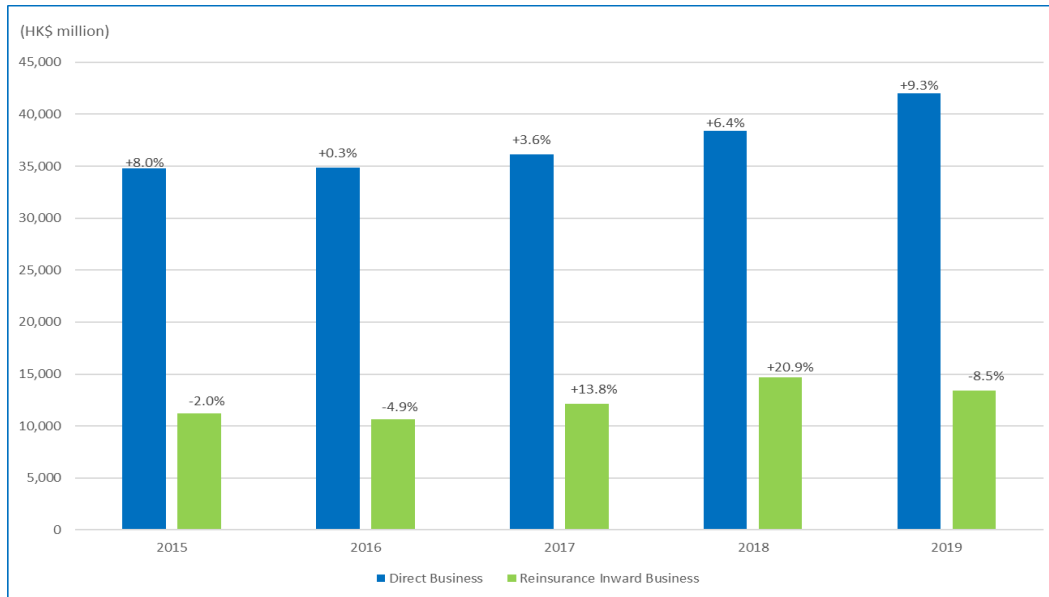
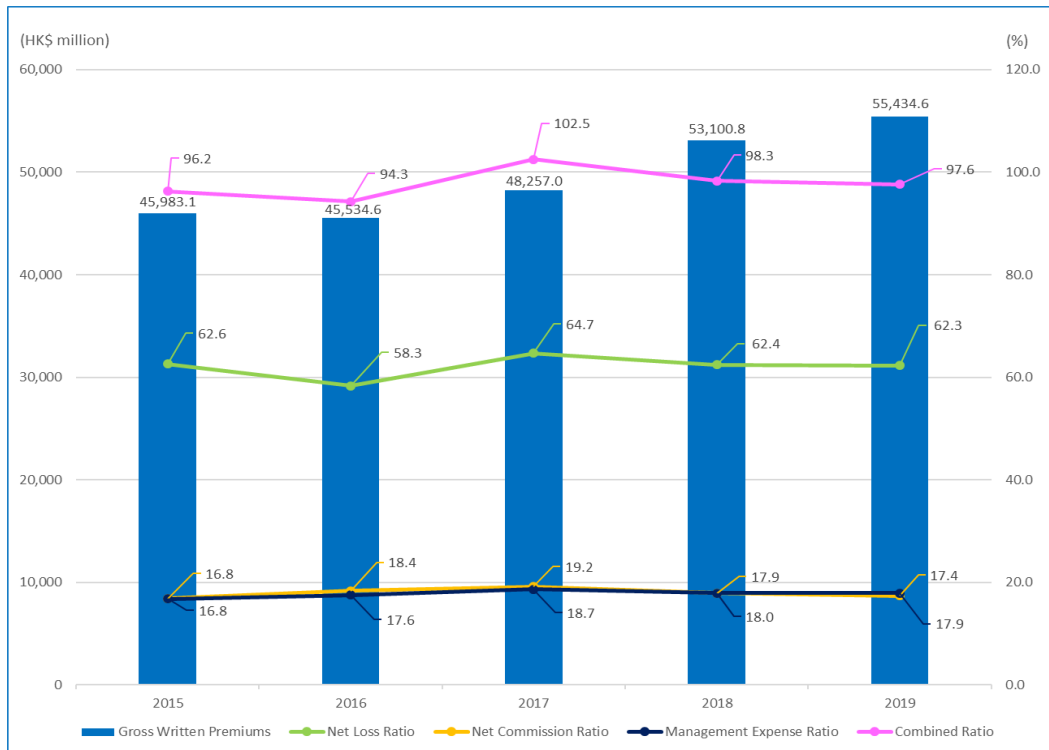


Figure 2 Overall Performance of General Insurance Business



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

Industry Statistics Highlights – General Insurance Business

Premium (Direct and Reinsurance Inward Business)

Total Gross Written Premiums (“GWP”) for Hong Kong business, comprising direct and reinsurance inward business, amounted to HK\$55,435 million in 2019. This represented moderate growth of 4.4%. The increase in total GWP was mainly driven by growth in Property Damage business followed by Accident & Health business, with the two lines of business reported rises of 13.7% and 7.2% respectively. Ships, Goods in Transit, General Liability and Pecuniary Loss business recorded slight decreases in GWP, while other business lines delivered growth.

Direct business and reinsurance inward (“RI”) business accounted for 75.8% and 24.2% of total GWP respectively in 2019, compared with 72.4% and 27.6% in 2018. Individual business lines followed similar trends in 2019 in terms of GWP composition, with GWP for Accident & Health, General Liability and Property Damage business topping the general insurance business market.

Figure 3 Growth of Gross Written Premiums for Major Lines of Business

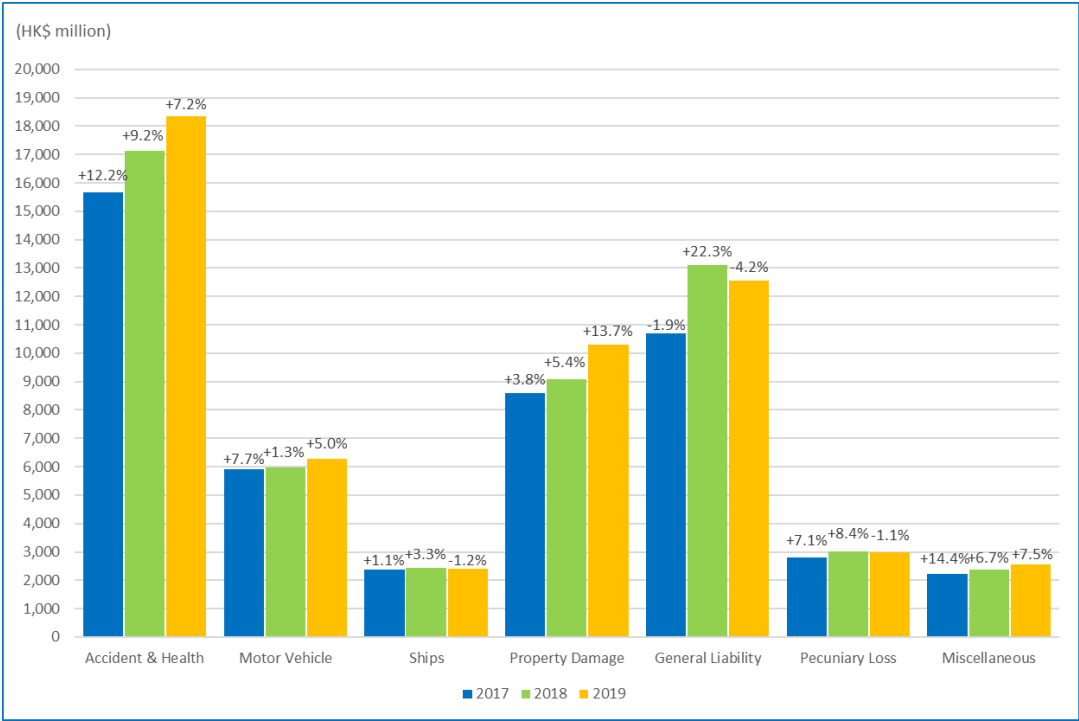
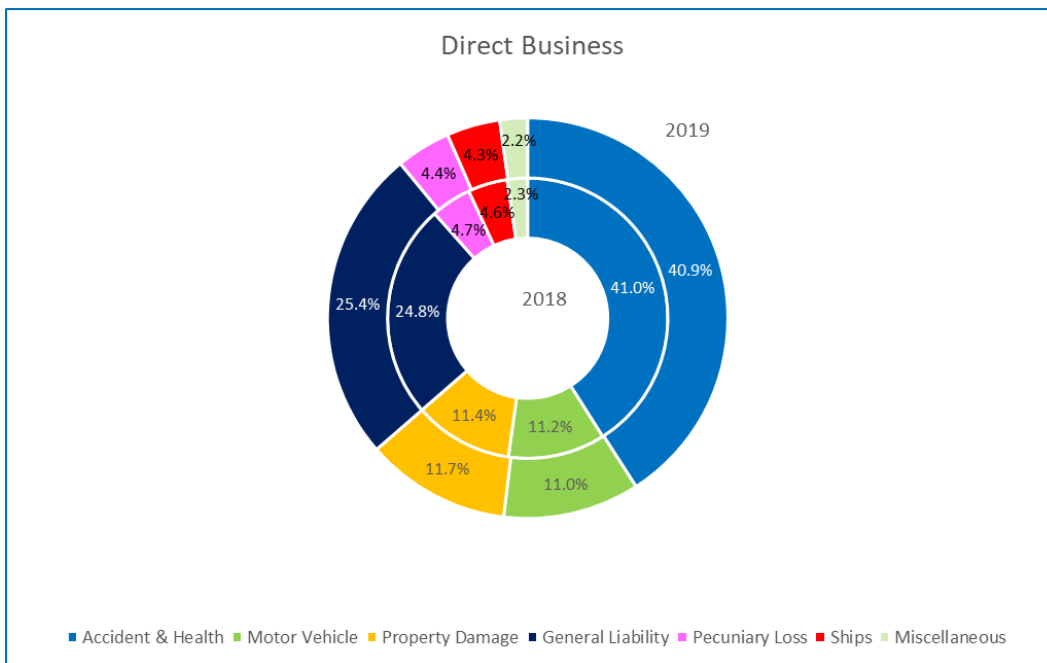
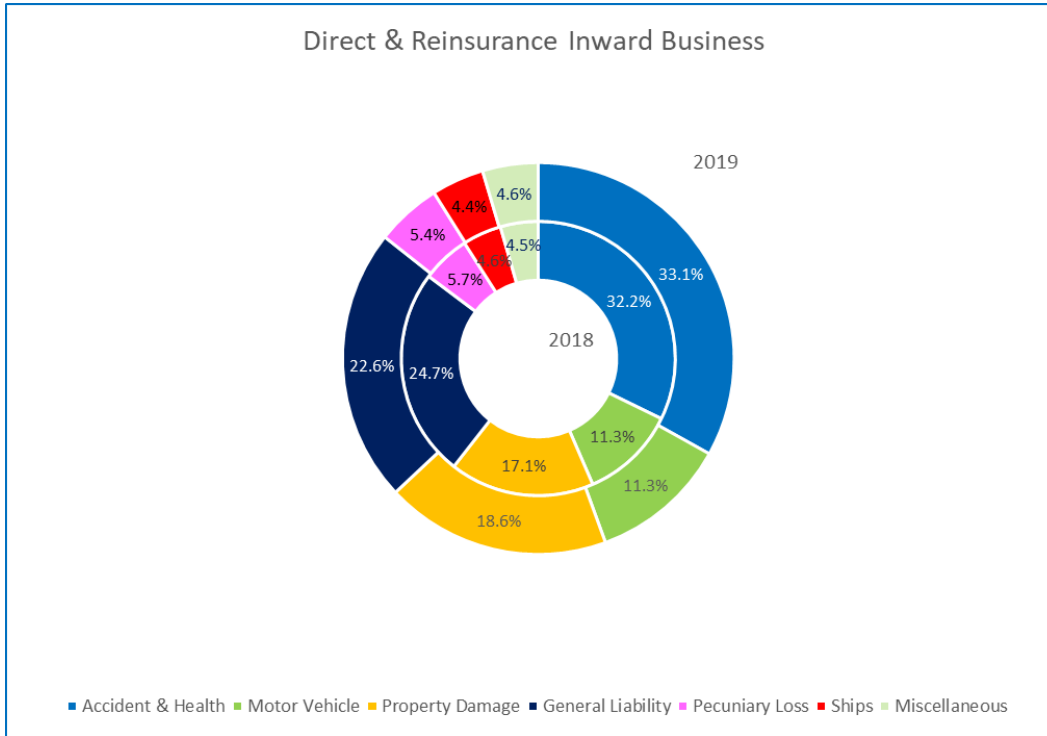
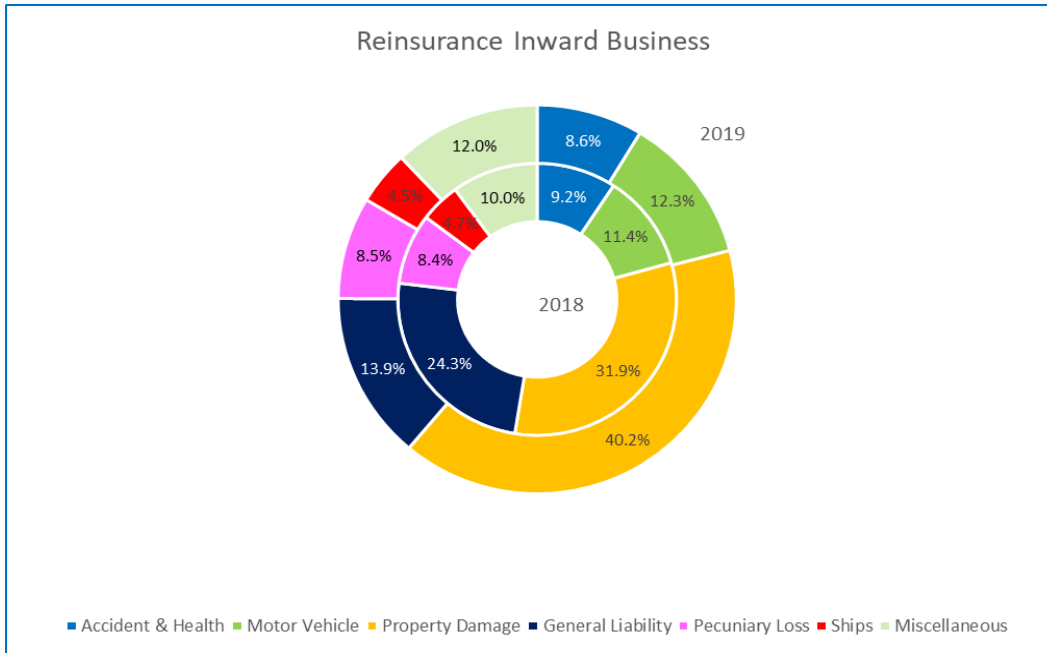


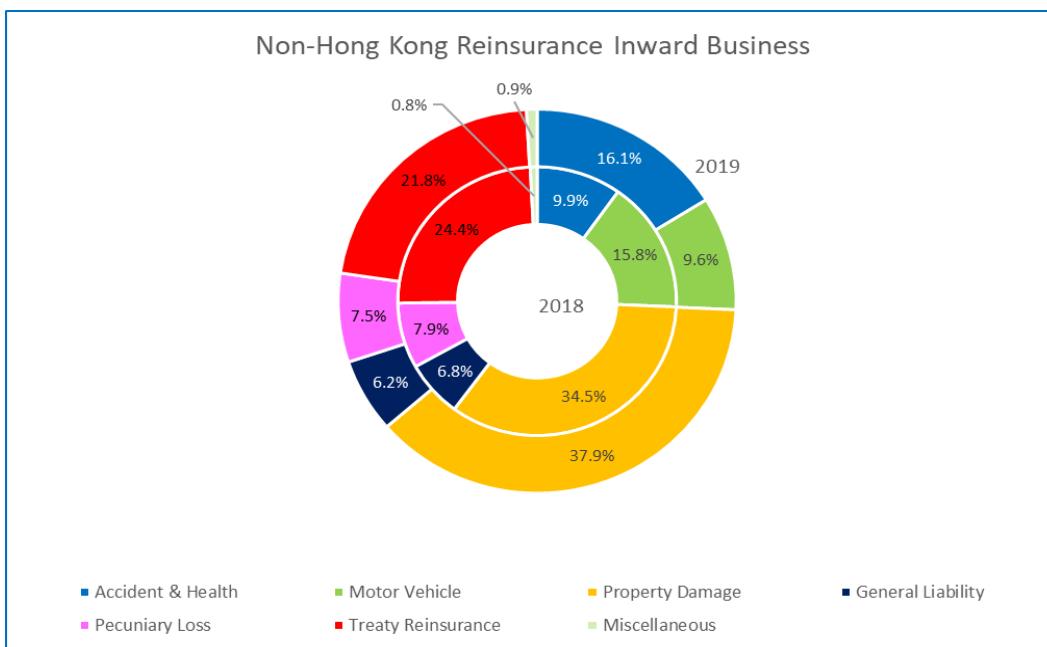
Figure 4 Composition of Gross Written Premiums





The IA began to collect detailed data on non-Hong Kong insurance business written by authorized insurers in 2018. According to this information, GWP for non-Hong Kong RI business recorded growth of 22.0%² to HK\$27,173 million in 2019. Non-Hong Kong RI premium growth was mainly driven by the increase in Accident & Health and Property Damage business.

Figure 5 Composition of Gross Written Premiums for non-Hong Kong Reinsurance Inward Business



² GWP for non-Hong Kong RI business in 2018 was restated to HK\$22,280 million.

Direct Hong Kong Business

Total GWP for direct business was HK\$42,015 million in 2019, representing strong growth of 9.3% over 2018. The increase was driven by growth in all business lines, except for Aircraft business. GWP of both Property Damage and General Liability business recorded growth of 12.0%, followed by Accident & Health business of which the GWP rose by 9.0%. GWP growth in Property Damage business was mainly driven by new business as well as rates hardening after losses from super-typhoons in the previous two years.

The retention rate for direct business in 2019 increased to 70.1%, similar to the average retention rate in the past five years, compared with a retention rate of 65.4% in 2018. The higher retention rate also led to strong growth in direct net written premiums to HK\$29,470 million, representing 17.2% growth compared with 2018.

In 2019, direct business underwriting profit improved to HK\$488 million from HK\$169 million in 2018, propelled by the absence of major typhoons during the year.

Figure 6 Growth of Written Premium Income for Direct Business

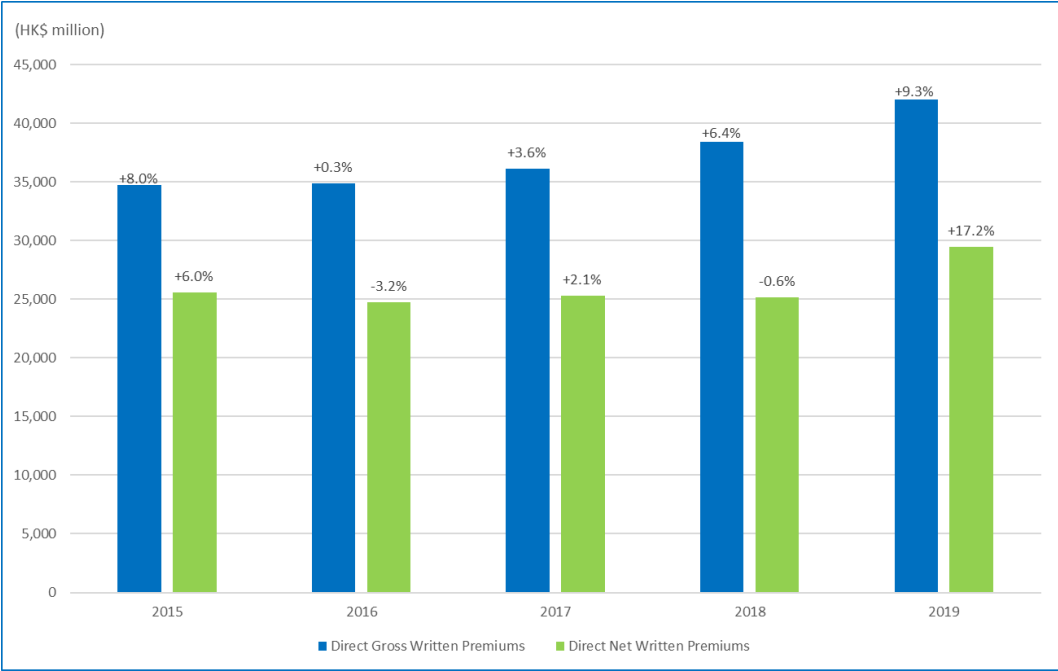


Figure 7 Growth of Direct Gross Written Premiums for Major Lines of Business

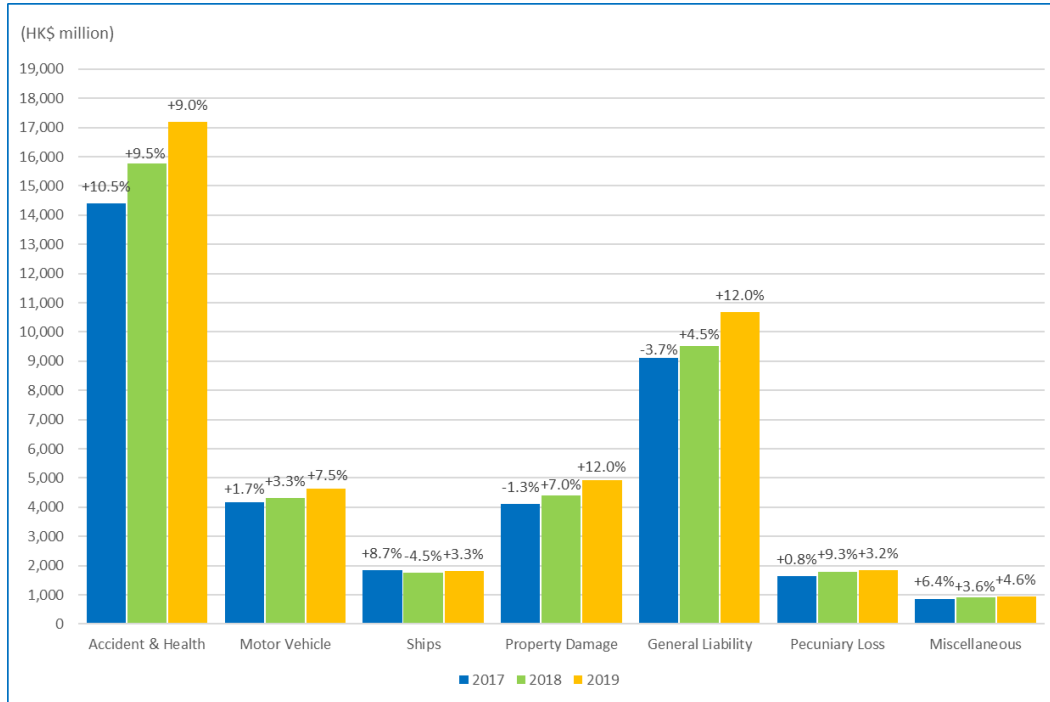
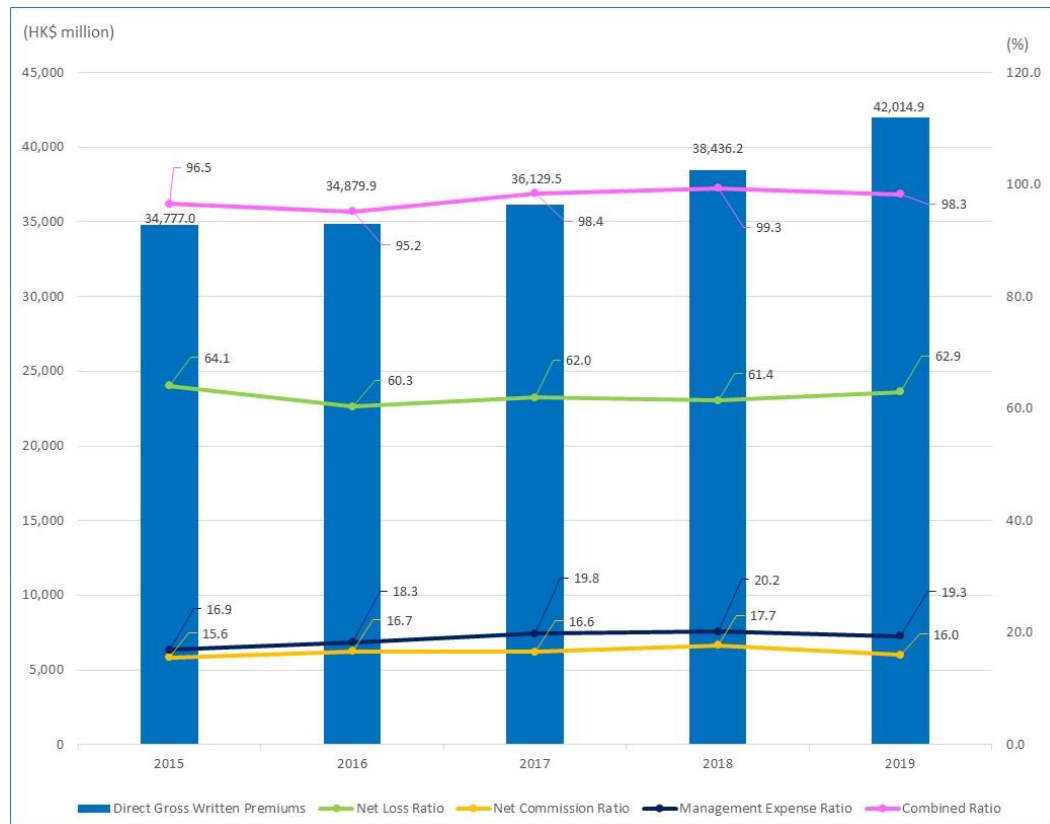


Figure 8 Overall Performance of Direct Business



Reinsurance Inward Business

Total GWP for RI business fell by 8.5% to HK\$13,420 million in 2019, mainly attributable to General Liability business, where gross premiums dropped by 47.6% to HK\$1,868 million. This was partly offset by Property Damage business of which gross premiums increased by 15.3% to HK\$5,393 million. Similar to direct business, GWP growth in Property Damage business was mainly driven by new business, along with rates hardening after losses from super-typhoons in the previous two years.

While RI business continued to generate an underwriting profit in 2019, this profit decreased to HK\$381 million from HK\$414 million. This reduced profit was mainly due to General Liability business deteriorated from a profit of HK\$169 million to a loss of HK\$210 million, owing to worsened claims experience, despite Property Damage business chalked up a profit of HK\$731 million, mainly attributable to the absence of major typhoons in 2019.

Figure 9 Growth of Written Premium Income for Reinsurance Inward Business

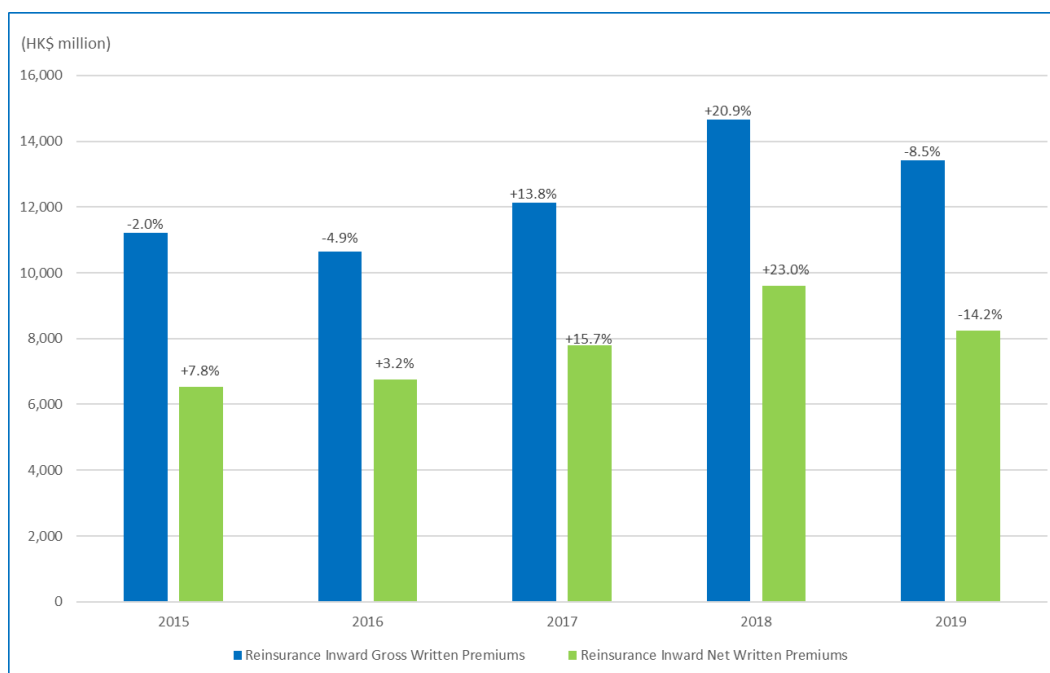


Figure 10 Growth of Reinsurance Inward Gross Written Premiums for Major Lines of Business

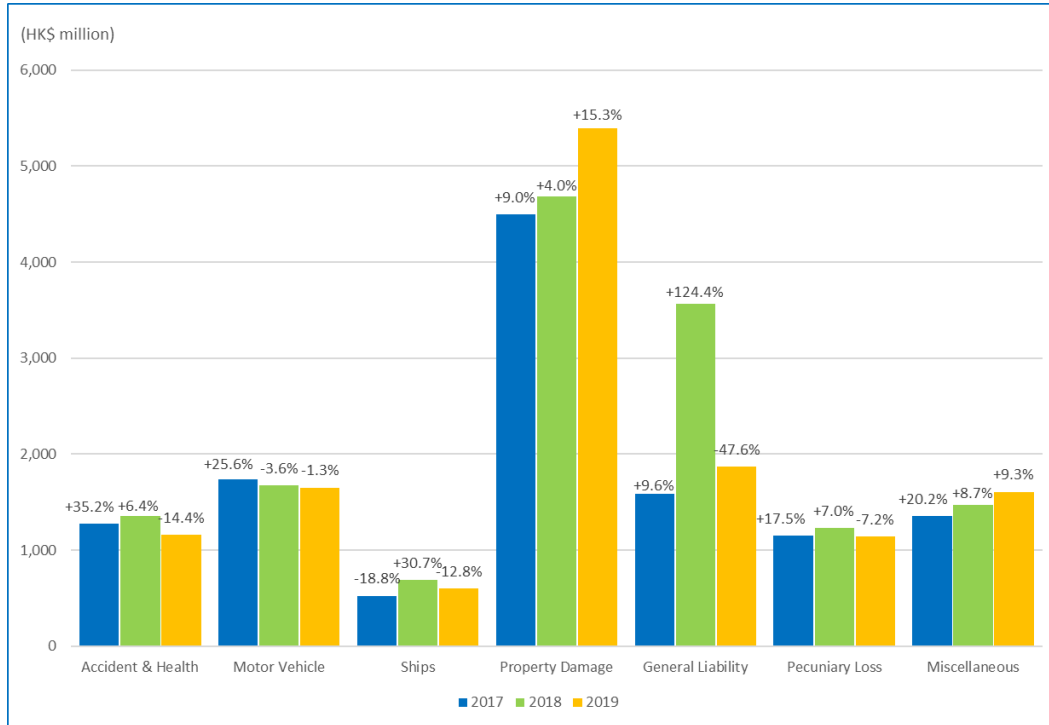
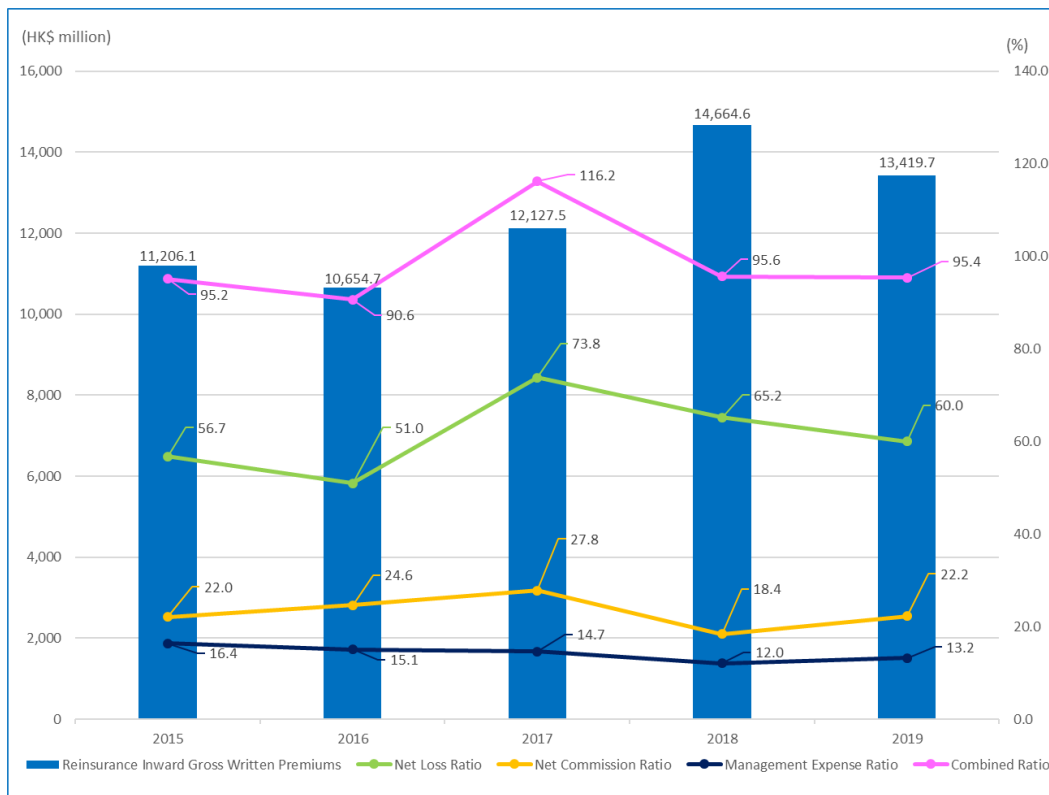


Figure 11 Overall Performance of Reinsurance Inward Business



Direct Motor Vehicle Business

Direct Motor Vehicle (“MV”) business has recorded an underwriting loss every year since 2015, and 2019 was no exception. The underwriting loss widened by 16.6% in 2019, with a combined ratio of 114.1% compared with 113.0% in 2018. In response to persistent market losses, the average premium rate increased in 2019, rising by 4.0% to HK\$5,029 per vehicle, which led to overall growth in GWP of this segment.

Albeit hardening in premium rates, the top three sub-classes, namely Private Cars, Goods Carrying Vehicles and Taxis, recorded underwriting losses according to 2019 provisional statistics³ and were the key drivers of the adverse underwriting performance.

Private Cars represented 56.2% of total GWP of direct MV business in 2019⁴. Although Comprehensive cover was still loss-making, the underwriting result improved, with loss reduced to HK\$74 million in 2019⁴ from HK\$136 million in 2018⁵. On the contrary, the underwriting performance for Third Party cover deteriorated in 2019⁴ due to worsening claims experience.

Goods Carrying Vehicles represented 20.3% of total GWP of direct MV business in 2019⁴. Performance of Comprehensive cover remained relatively flat, with a combined ratio of around 103.1% to 106.6% in the past three years. While the performance for Third Party cover was volatile, its underwriting result improved, with loss reduced to HK\$62 million in 2019⁴ from HK\$140 million in 2018⁵.

Taxis represented 9.9% of total GWP of direct MV business in 2019⁴. In spite of the premium rate increase, the claims situation continued to worsen in 2019⁴. Loss ratios for both Comprehensive and Third Party exceeded 100%, with combined ratios of 135.9% and 126.2% respectively.

The IA will continue to work with the industry to facilitate sustainable development of the MV insurance market.

Figure 12 Direct Motor Vehicle Business Key Statistics

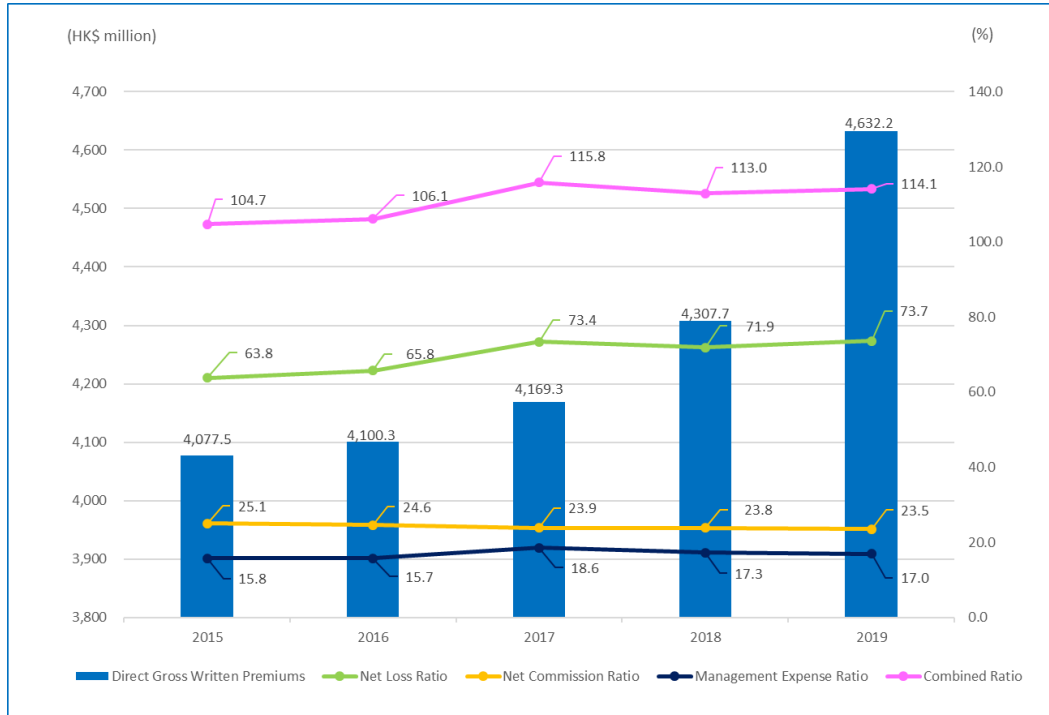
	2015	2016	2017	2018	2019
Direct Gross Written Premiums (HK\$ million)	4,077.5	4,100.3	4,169.3	4,307.7	4,632.2
Underwriting Profit/(Loss) (HK\$ million)	(152.3)	(198.8)	(521.0)	(441.0)	(514.4)
Number of Vehicles Covered	826,254	866,202	901,068	891,090	921,161
Average Premium Per Vehicle (HK\$)	4,935	4,734	4,627	4,834	5,029

³ Provisional statistics are unaudited and prepared on a calendar year basis.

⁴ Based on 2019 provisional statistics.

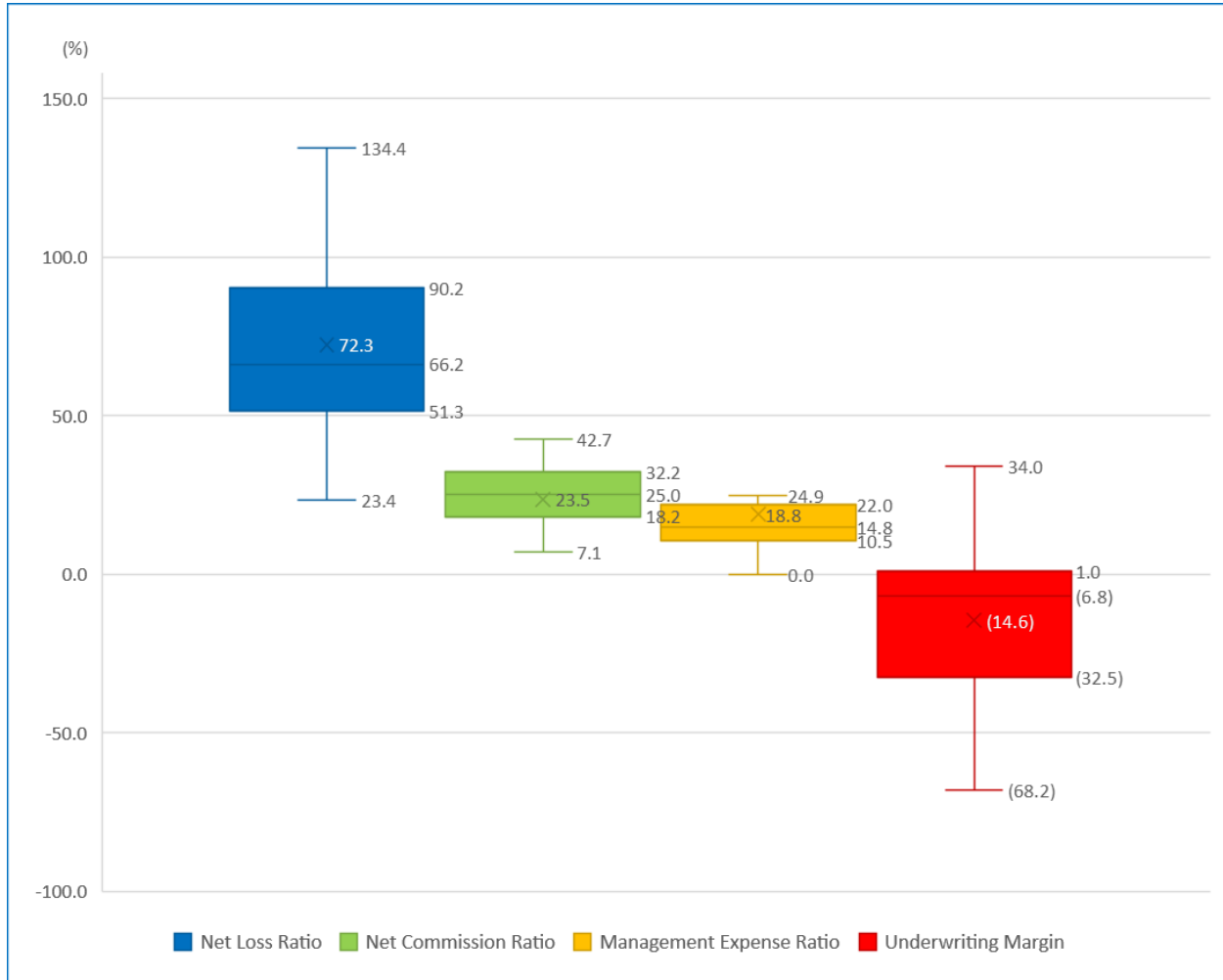
⁵ Based on 2018 provisional statistics.

Figure 13 Overall Performance of Direct Motor Vehicle Business



The top 25 direct MV business insurers represented 98.2% of the total market share in terms of net earned premiums in 2019. The average underwriting margin was relatively flat in 2019, compared with 2018 at around -14.5%. Both the average net commission ratio (from 24.4% in 2018 to 23.5% in 2019) and average management expense ratio (from 19.8% in 2018 to 18.8% in 2019) reduced slightly, offset by the increase in the average net loss ratio (from 70.3% in 2018 to 72.3% in 2019).

Figure 14 Key Indicators — Top 25 Direct Motor Vehicle Insurers in 2019



Direct Employees' Compensation Business

Direct Employees' Compensation ("EC") business is part of General Liability business, contributing 66.2% to this line of business in terms of GWP. While direct EC business continued to benefit from the introduction of the standardized practice for wage roll declaration and reported strong growth in GWP of 14.5% in 2019, the underwriting performance slightly worsened, with a combined ratio of 105.5% compared with 104.7% in 2018, mainly attributable to EC Construction on contract value basis.

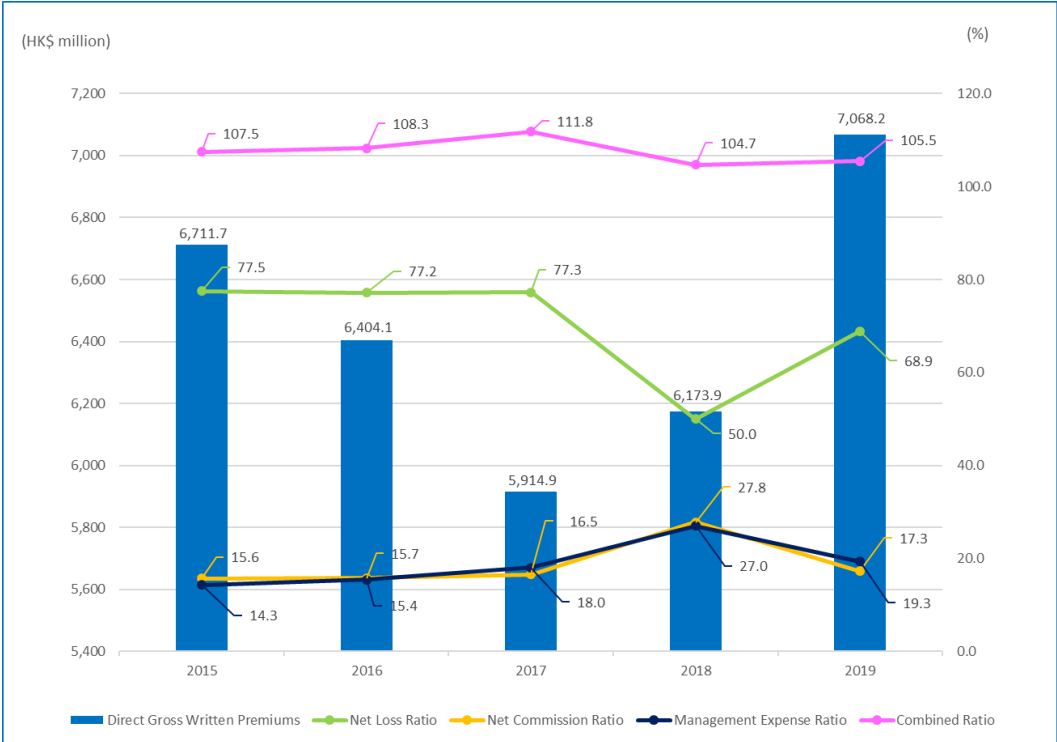
The net loss ratio of 68.9% in 2019, though higher than the corresponding ratio in 2018, was lower than the average net loss ratio of 77.3% between 2015 and 2017. Both the net commission ratio and management expense ratio were slightly trending upwards between 2015 and 2019, with the exception of 2018.

The IA will continue to work with the industry to facilitate sustainability of the EC insurance market, in particular EC Construction on contract value basis.

Figure 15 Direct Employees’ Compensation Business Key Statistics

	2015	2016	2017	2018	2019
Direct Gross Written Premiums (HK\$ million)	6,711.7	6,404.1	5,914.9	6,173.9	7,068.2
Underwriting Profit/(Loss) (HK\$ million)	(412.0)	(431.1)	(583.9)	(150.0)	(260.3)
Number of Policies in Force	419,090	423,646	399,614	390,259	390,265

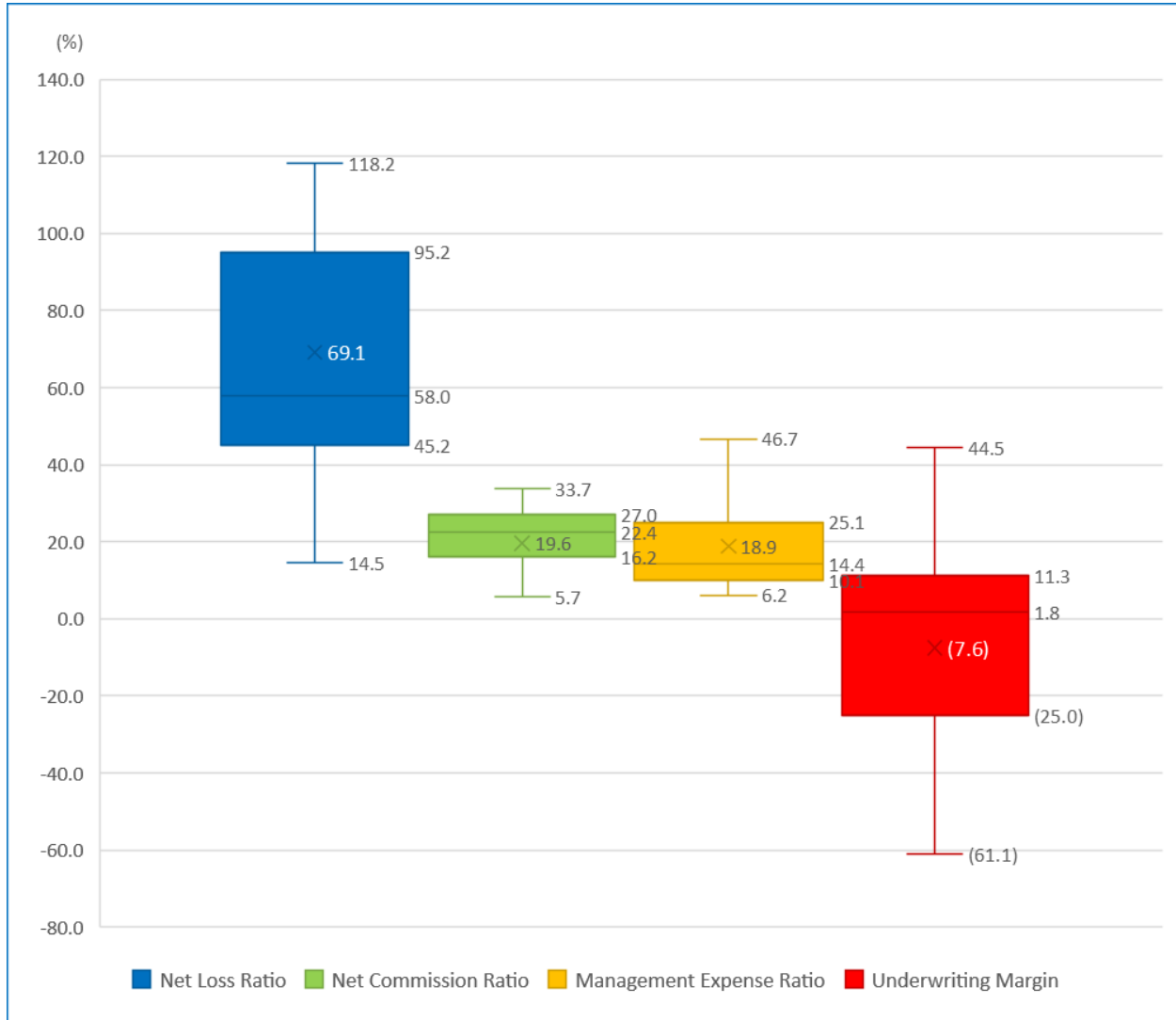
Figure 16 Overall Performance of Direct Employees’ Compensation Business



The top 25 direct EC business insurers held 92.7% of the total market share in terms of net earned premiums in 2019. The median of the underwriting margin was slightly positive while the mean of the underwriting margin remained negative. This implies that, even though more than half of the top 25 EC insurers had a positive underwriting performance, the profit was eroded by the remaining EC insurers.

The net loss ratio was more dispersed in 2019 than in 2018, indicated by a wider spread in 2019, with the 75th percentile at a net loss ratio of 95.2% compared with a net loss ratio of 77.3% in 2018.

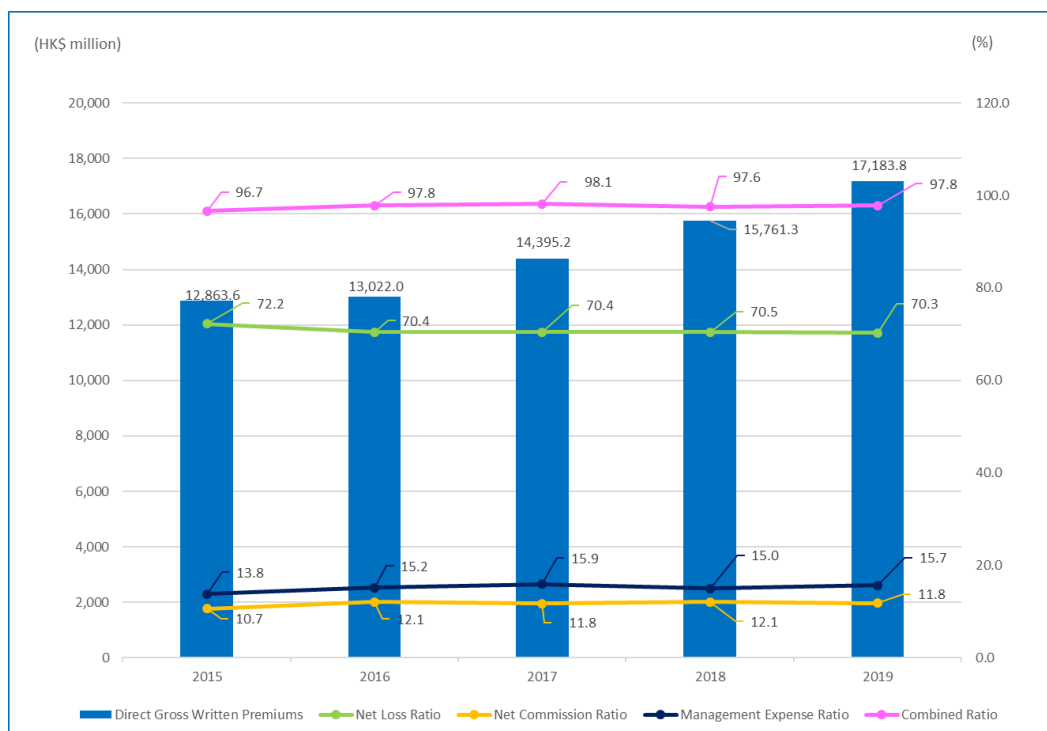
Figure 17 Key Indicators — Top 25 Direct EC Insurers in 2019



Accident & Health (Direct Business)

Accident & Health (“A&H”) business, the largest line of business in terms of GWP, accounted for 40.9% of direct business GWP in 2019. A&H business has experienced positive growth since 2014, and recorded growth of 9.0% in 2019. The underwriting performance of direct Accident & Health business has been stable in the past four years, with a combined ratio ranging from 97.6% to 98.1%. The net commission ratio and management expense ratio have been relatively stable over the past four years, averaging around 12.0% and 15.5% respectively.

Figure 18 Overall Performance of Accident & Health (Direct Business)



Market Share of Hong Kong Business

A total of 109 insurers reported to the IA on their Hong Kong insurance business for 2019.

As in previous years, more than half of the GWP were concentrated in the top 20 insurers. GWP of the top 10 and top 20 insurers amounted to HK\$24,128 million and HK\$35,445 million respectively, representing 43.5% and 63.9% of the market share in 2019. At the lower end of the scale, 14 insurers wrote GWP of below HK\$1 million.

Figure 19 Distribution of Insurers' Market Share

Ranking of Insurers	Range of Gross Written Premiums (HK\$ million)		Market Share (%)	
	2018	2019	2018	2019
1-10	1,451-3,933	1,455-4,309	44.2	43.5
11-20	883-1,442	1,007-1,333	21.1	20.4
21-50	257-838	283-929	26.9	27.2

Figure 20 Market Share by Gross Written Premiums

