

保險業監理處

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來函檔號 Your ref.

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To: Chief Executives of authorized insurers  
carrying on general insurance business

Dear Sirs,

**Motor Vehicle Insurance Business**

You may have already noticed from the provisional industry statistics for the first three quarters of 2008 that direct Motor Vehicle business suffered an underwriting loss of HK\$223 million, the first negative outturn since 2002. While the performance of any business lines is subject to inherent fluctuations in claims pattern and experience, there is growing concern that irrational pricing behaviour and intensive competition for market share might be in play.

The Insurance Authority has no intention to involve into the drawing up of pricing strategy by individual insurers, but sustained underwriting losses will inevitably erode their solvency positions and affect long-term market stability. We have therefore decided to require all insurers carrying on Motor Vehicle business to submit a “breakdown of direct Motor Vehicle business by class of vehicle and type of coverage in terms of gross premiums and exposure” together with the quarterly return on Hong Kong business within one month after the close of each quarter starting from the first quarter of 2009. A sample return is attached, the spreadsheet template of which could be downloaded from our website for electronic submission. This set of additional breakdown should enable us to identify any discernible trend of premium rate movements, evaluate the resulting impact and assess the need for intervention.

We would like to remind all insurers that it is their collective and incumbent responsibility to exercise discipline and prudence in product pricing and risk underwriting, both of which are important not only in securing a viable commercial operation, but also in upholding the interests of the insuring public.

If you have any questions on this matter, please do not hesitate to contact our Ms. Sarah Sung on 2867 4807.

Yours faithfully,

(Ros K.T. Lam)  
for Commission of Insurance  
(Insurance Authority)

c.c. Chairman, The Hong Kong Federation of Insurers

Encl.