

◆ Supervision

2014 Annual Report

◆ Protection



◆ Development



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This Annual Report covers the events occurred from 1 January 2014 to 31 December 2014.

Currency and Exchange Rate

All dollars expressed in this Report are Hong Kong dollars. Since 17 October 1983, the Hong Kong dollar has been linked to the US dollar, through an arrangement in the note-issue mechanism, at a fixed rate of HK\$7.8 = US\$1.



Mission Statement

Mission Statement

Our missions are to protect the interests of policyholders and to promote the general stability of the insurance industry.

Our visions are to enhance the status of Hong Kong as a major international insurance centre with a world class supervisory regime, to facilitate financial market developments, and to enhance the general public's understanding of insurance.



Our values are underpinned by the highest standard of professionalism and the strongest commitment to meet the insuring public's expectation.



Key Indicators

Key Indicators

| | Unit | 2011 | 2012 | 2013 |
|---|------------|-----------|-----------|-----------|
| ECONOMIC DATA | | | | |
| GDP (at current market prices) | \$ million | 1,934,430 | 2,037,059 | 2,131,804 |
| Population (Mid-year) | | 7,071,600 | 7,154,600 | 7,187,500 |
| Per capita GDP (at current market prices) | \$ | 273,549 | 284,720 | 296,599 |
| INSURANCE MARKET STRUCTURE | | | | |
| Number of Authorised Insurers | | | | |
| Long Term | | 45 | 44 | 44 |
| General | | 98 | 92 | 92 |
| Composite | | 20 | 19 | 19 |
| Total | | 163 | 155 | 155 |
| Number of Authorised Insurance Brokers* | | 591 | 604 | 632 |
| Number of Chief Executives and Technical Representatives of Authorised Insurance Brokers | | 8,571 | 8,798 | 9,198 |
| Number of Appointed Insurance Agents | | 37,204 | 40,027 | 43,760 |
| Number of Responsible Officers and Technical Representatives of Appointed Insurance Agents | | 27,498 | 27,830 | 27,452 |

* Number of authorised insurance brokers by virtue of their membership with the approved bodies of insurance brokers, i.e. The Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

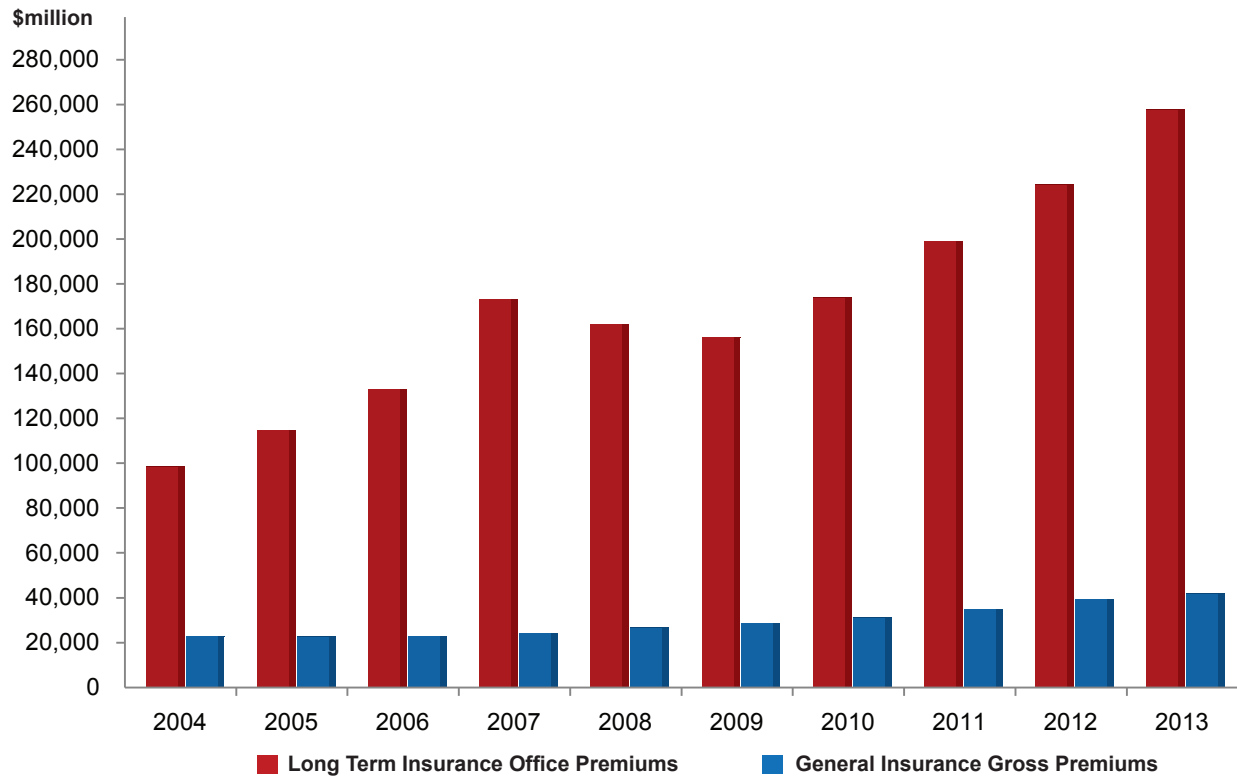
| | Unit | 2011 | 2012 | 2013 |
|---|------------|-----------|------------|------------|
| INSURANCE MARKET STATISTICS | | | | |
| Premium Income | | | | |
| Long Term Insurance Business (Office premiums) | \$ million | 198,915 | 224,124 | 257,717 |
| General Insurance Business (Gross premiums) | \$ million | 34,835 | 39,205 | 41,798 |
| Annual Growth Rate | | | | |
| Long Term Insurance Business | % | 14.4 | 12.7 | 15.0 |
| General Insurance Business | % | 12.2 | 12.5 | 6.6 |
| Insurance Density | | | | |
| Long Term Insurance Business | \$ | 28,129 | 31,326 | 35,856 |
| General Insurance Business | \$ | 4,926 | 5,480 | 5,815 |
| Insurance Penetration | | | | |
| Long Term Insurance Business | % | 10.3 | 11.0 | 12.1 |
| General Insurance Business | % | 1.8 | 1.9 | 2.0 |
| Individual Life Business | | | | |
| Number of New Policies | | 1,079,690 | 1,069,548 | 1,028,724 |
| Average Premium Size of New Policies | \$ | 64,708 | 70,383 | 86,277 |
| Number of In-force Policies | | 9,551,550 | 10,030,370 | 10,415,766 |
| Premiums Per Capita of In-force Policies | \$ | 26,401 | 29,218 | 33,492 |
| Number of In-force Policies as a % of Population | % | 135.1 | 140.2 | 144.9 |
| Local Assets Maintained for General Insurance Business | \$ million | 108,330 | 115,041 | 102,699 |



Insurance Industry Statistical Highlights

Insurance Industry Statistical Highlights

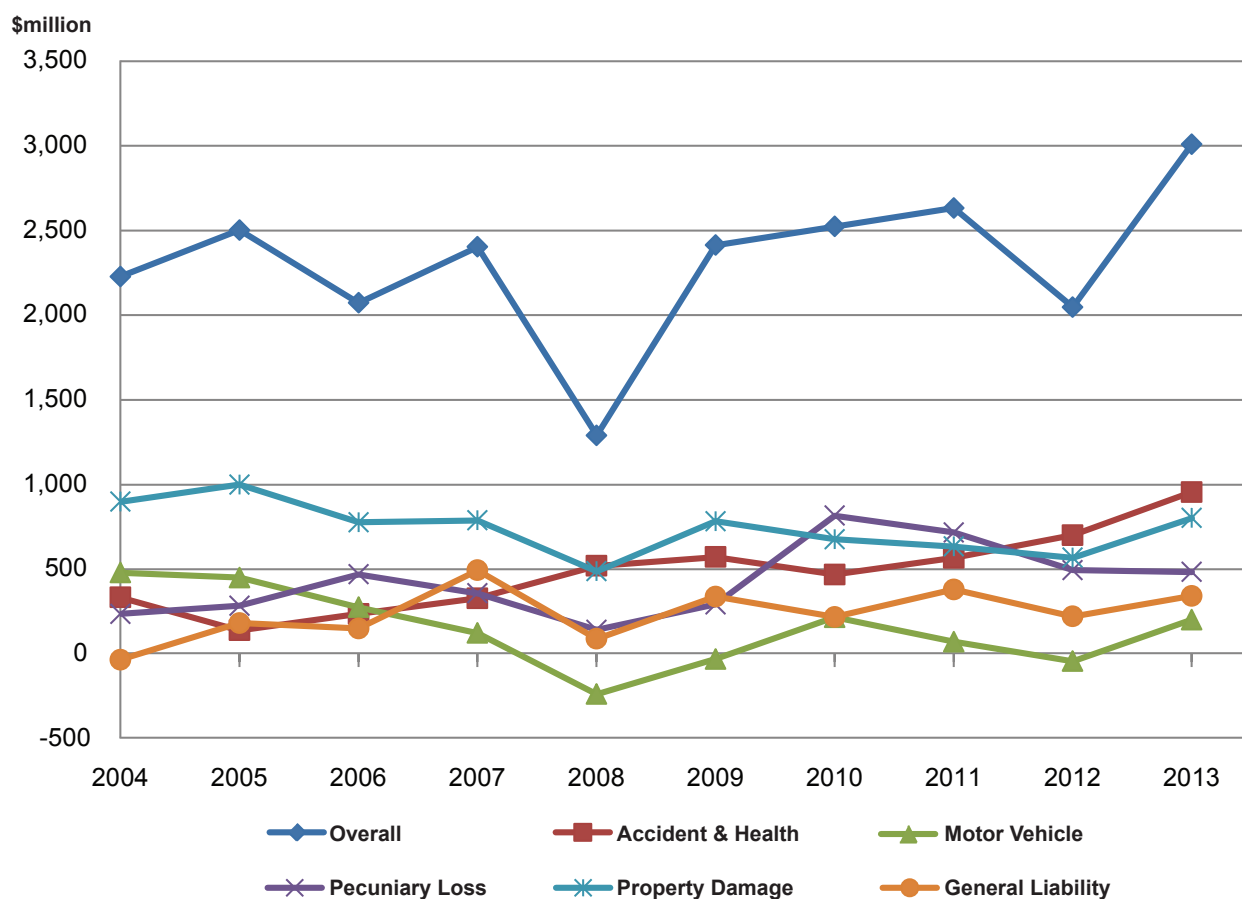
Premiums



Premiums (Accessible Version)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million |
| Long Term Insurance Office Premiums | 98,414.2 | 114,756.2 | 133,087.0 | 173,016.1 | 161,945.6 | 156,080.7 | 173,906.2 | 198,915.1 | 224,124.2 | 257,716.9 |
| General Insurance Gross Premiums | 22,866.3 | 22,545.8 | 22,958.0 | 24,271.0 | 26,715.7 | 28,565.0 | 31,054.9 | 34,834.7 | 39,204.8 | 41,797.6 |

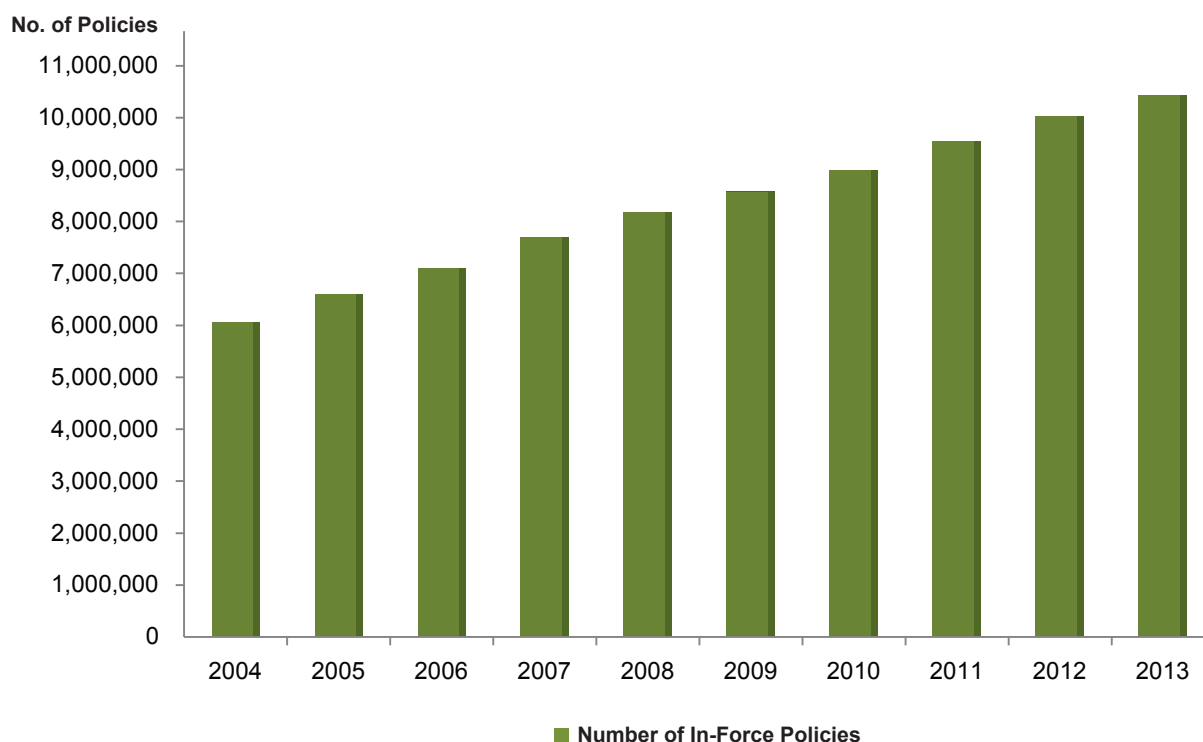
Underwriting Profit/Loss of General Insurance Business



Underwriting Profit/Loss of General Insurance Business (Accessible Version)

| Class of Business | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million |
| Overall | 2,222.2 | 2,497.2 | 2,067.0 | 2,398.2 | 1,284.8 | 2,407.5 | 2,518.5 | 2,627.2 | 2,042.8 | 3,004.2 |
| Accident & Health | 329.0 | 134.3 | 231.1 | 323.6 | 515.1 | 567.4 | 463.9 | 562.2 | 695.8 | 950.6 |
| Motor Vehicle | 474.5 | 445.5 | 270.8 | 118.1 | (242.1) | (34.7) | 211.7 | 67.6 | (47.8) | 197.5 |
| Pecuniary Loss | 231.7 | 280.1 | 465.1 | 353.1 | 137.7 | 288.1 | 811.8 | 712.8 | 490.1 | 479.3 |
| Property Damage | 893.4 | 994.5 | 772.0 | 783.0 | 482.8 | 778.8 | 672.6 | 629.6 | 562.6 | 797.7 |
| General Liability | (39.0) | 177.2 | 145.9 | 489.3 | 84.7 | 333.8 | 213.4 | 375.5 | 217.0 | 337.7 |

In-Force Individual Life Policies



In-Force Individual Life Policies (Accessible Version)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Number of In-Force Policies | 6,049,940 | 6,587,525 | 7,101,148 | 7,692,558 | 8,175,531 | 8,571,534 | 8,987,438 | 9,551,550 | 10,030,370 | 10,415,766 |

Source of Information

The insurance business statistics for 2013 as contained in this annual report are based on the Hong Kong Insurance Business Statistics 2013 released by the Office of the Commissioner of Insurance in September 2014.



Message from the Commissioner

Message from the Commissioner



2014 has been a fruitful year for the insurance industry. Total gross premiums recorded strong growth of over 13%. The life sector achieved 15% growth, and the non-life sector some 4%.

Strong market growth aside, we have also achieved good progress in our regulatory reforms. The passage of the Insurance Companies (Amendment) Bill 2014 in July 2015 marked a key milestone in our endeavours to enhance our regulatory framework. This piece of legislation facilitates the establishment of an independent Insurance Authority and a statutory licensing regime for insurance intermediaries, and also provides more flexibility and a better equipped toolbox for our supervisory work.

In 2014, we kickstarted our development of a risk-based capital regime for the insurance industry with a consultation exercise on the framework and key approaches. We would start our next phase of work soon. Meanwhile, we are preparing the legislation for the proposed Policyholders' Protection Fund and are working with other regulators to establish an effective resolution regime for systemically important financial institutions.

In July 2014, we issued GN 15 - Guidance Note on Underwriting Class C Business, which took effect from January 2015. It is premised on the principle of Fair Treatment of Customers promulgated by the International Association of Insurance Supervisors. It has adopted a cradle-to-grave approach, setting out comprehensive requirements for insurers underwriting Investment-linked Assurance Schemes business from product design to post-sale controls. Following the same spirit, we have also issued GN 16 - Guidance Note on Underwriting Long Term Insurance Business (other than Class C Business) in July 2015.

We treasure opportunities to cooperate with other financial regulators, both local and overseas. During 2014, we chaired two supervisory colleges in Hong Kong, one for a Global Systemically Important Insurer, and the other for an Internationally Active Insurance Group. We signed the Memorandum of Understanding Concerning Implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance in April 2014. We also signed a co-operative agreement on anti-insurance fraud in December 2014 with our Mainland and Macao counterparts.

I would like to thank all my colleagues and industry partners for their hard work and staunch support during the year, without which all the abovementioned missions would not have been accomplished. There will be further challenges ahead, but I am confident that with the concerted effort of all stakeholders, the insurance industry will continue to go from strength to strength.

Annie Choi
Commissioner of Insurance
August 2015



Work of the Insurance Authority

Work of the Insurance Authority

Being the regulator and market facilitator of the insurance industry, the Insurance Authority (“IA”) exercises prudential supervision over the insurance industry to ensure market stability. The IA also facilitates market developments to enhance Hong Kong’s status as an international insurance centre.

Supervision of Insurers

Financial Examination

The IA is responsible for monitoring and scrutinising the financial position of insurers. This responsibility is conducted through the examination of financial statements and returns as well as analysing critical areas to ensure that insurers comply with solvency standards and other requirements specified in the Insurance Companies Ordinance (Cap.41) (“ICO”). The examination focuses on key risks that have material impact on the financial strength and sustainability of an insurer, with due emphasis placed on adequacy of paid-up capital, asset quality, reserving position and reinsurance arrangements. The IA has a wide range of statutory powers to address causes for concern identified for insurers.



The IA takes a proactive role in assessing insurers’ exposures to both business and operational risks, including that of business underwritten, investment portfolio and those related to their parent groups. The IA conducts vigorous financial screening exercises and relevant stress tests, which not only facilitate monitoring of insurers’ capital adequacy, enforcement of interventionary actions and implementation of other appropriate regulatory measures, but also ensure that insurers in Hong Kong are able to fulfill stringent solvency requirements and enjoy a clean bill of health overall. These monitoring measures are carried out by the IA on a regular basis.

On-site Inspection

The IA conducts regular on-site inspections to insurers as part of her supervisory role. Through these inspection visits, the IA acquires a better understanding of the latest developments of insurers’ business operations, thereby facilitating performance of her supervisory functions and communication with the industry. Such inspections concentrate on areas like underwriting, claims handling, asset management, reinsurance arrangements and supervision of intermediaries, the scope and depth of which vary depending on the nature or level of risks involved. The inspection teams will focus on risk management and internal control systems to ensure that business is conducted orderly and in accordance with policies formulated by the Board of Directors or senior management. They will also verify compliance with the standing requirements on maintenance of assets in Hong Kong, corporate governance, as well as selling of insurance policies to Mainland visitors.

Market Consolidation

The IA closely monitors all merger and acquisition activities within the insurance industry to ensure that the interests of policyholders in Hong Kong are safeguarded both during and after these corporate reorganisation activities.

Merger and Acquisition

The following merger and acquisition activities took place during the year:

- Hiscox plc acquired Direct Asia Insurance (Holdings) Pte Ltd, the immediate holding company of Direct Asia Insurance (Hong Kong) Limited, from Whittington Group Pte Ltd in March 2014 with Hiscox Ltd being the ultimate holding company.
- Sompo Japan Insurance Inc. (“SJI”) was the holding company of Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited and Sompo Japan Nipponkoa Reinsurance Company Limited. SJI and Nipponkoa Insurance Company, Limited merged on 1 September 2014. The surviving company, SJI was renamed as Sompo Japan Nipponkoa Insurance Inc., and its holding company, NKSJ Holdings, Inc. was renamed as Sompo Japan Nipponkoa Holdings, Inc., the ultimate parent of the above companies.

Transfer of Insurance Business

Under section 24 of the ICO, an insurer who seeks to transfer its long term insurance business to another insurer is required to apply to the court for an order sanctioning the scheme of transfer. An insurer intending to transfer its general insurance business portfolio to another insurer may do so under section 25D of the ICO by obtaining the approval of the IA. During the year, there was no transfer of long term insurance business under section 24 of the ICO, while application under section 25D is summarised at Figure 1.1.

Figure 1.1 Transfer of Insurance Business

| Under section 25D of the ICO | | |
|------------------------------|---|--|
| Date of Approval by the IA | From | To |
| 26 June 2014 | Euler Hermes Deutschland Aktiengesellschaft | EULER HERMES (formerly known as Euler Hermes Europe) |

New Authorisation

The IA authorised seven new insurers in 2014. A complete list of authorised insurers as at 31 December 2014 and changes within the reporting period are summarised at Appendices 3 to 6.

Figure 1.2 New Authorisation

| Name of Insurer | Place of Incorporation | Type of Business |
|---|--------------------------|------------------|
| Assuranceforeningen SKULD (Gjensidig) | Norway | General |
| BE Reinsurance Limited | Hong Kong | General |
| Berkshire Hathaway Specialty Insurance Company | United States of America | General |
| CGN Captive Insurance Limited | Hong Kong | General |
| Euler Hermes Europe | Belgium | General |
| Factory Mutual Insurance Company | United States of America | General |
| United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited - The | United Kingdom | General |

Legislative Developments

The IA constantly reviews the insurance legislation with a view to keeping pace with international supervisory standards and developments of the insurance industry. The insurance industry will be consulted on any proposed amendments to the insurance legislation.

On 25 April 2014, the Insurance Companies (Amendment) Bill 2014 (“Bill”) was gazetted. It was introduced into the Legislative Council (“LegCo”) for first reading on 30 April 2014. It marked a significant step forward in establishing an insurance regulator which is independent of the industry and the Government.

The Bill provides for, among other things, the establishment of a body corporate with the name “Insurance Authority”, its enforcement powers, the establishment of an Insurance Appeals Tribunal and a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory system. A Bills Committee has been formed to examine the Bill. The IA will continue to engage stakeholders in taking forward the legislative process and work with the self-regulatory organisations on the transitional arrangements.

Policyholders’ Protection Fund (“PPF”)

The PPF aims to maintain market stability and better protect policyholders’ interest by a safety net in the event of insolvency of an insurer. The Government is preparing the enabling legislation for establishing the PPF and will continue to engage stakeholders in the process.

Facility for Terrorism Risks

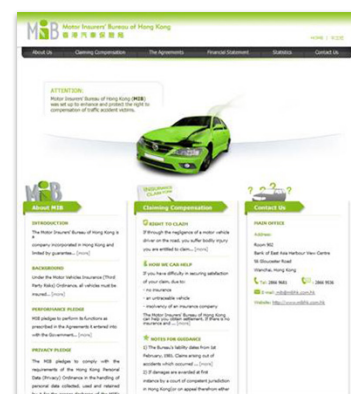
Employees' Compensation Insurance Business

Since January 2002, the Government has provided direct insurers carrying on Employees' Compensation ("EC") business with a facility of up to \$10 billion in aggregate ("the Facility") to cater for claims arising out of terrorism. This was intended to cope with the withdrawal of reinsurance cover following the September 11 terrorist attacks in the United States.

By the end of 2014, 53 EC insurers have joined the Facility and paid a monthly charge of 3% on their gross premiums, thereby enabling them to cover employment-related claims for death and bodily injuries caused by terrorist acts. The Government will keep in view developments and withdraw the Facility once reinsurance capacity returns to the market.

Motor Insurance Business

In parallel, the Motor Insurers' Bureau of Hong Kong has made available a facility of up to \$200 million from its First Fund since January 2002 to satisfy claims of third parties who suffer death or bodily injuries caused by terrorist acts through the use of motor vehicles in Hong Kong.



Supervision of Insurance Intermediaries

Insurance Agents

Part X of the ICO provides the statutory backing for the self-regulatory system of insurance agents in Hong Kong. The Insurance Agents Registration Board ("IARB") set up by The Hong Kong Federation of Insurers ("HKFI") is responsible for the registration and regulation of insurance agents in accordance with the Code of Practice for the Administration of Insurance Agents issued by the HKFI. The IA maintains close liaison with the IARB on policy issues regarding the supervision of insurance agents.



Insurance Brokers



An insurance broker in Hong Kong must either be a member of a self-regulatory body of insurance brokers approved under section 70 of the ICO or authorised under section 69 of the ICO. Currently, there are two approved bodies of insurance brokers, namely The Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association and all authorised insurance brokers in Hong Kong are members of one of them. The IA liaises closely with the two bodies of insurance brokers on policy issues regarding the exercise of their self-regulatory functions.

Mandatory Provident Fund (“MPF”) Intermediaries

Part 4A of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“MPFSO”) provides for the statutory regulatory regime for MPF intermediaries in Hong Kong. Under the regime, the Mandatory Provident Fund Schemes Authority (“MPFA”) is responsible for, inter alia, registration of MPF intermediaries and imposition of disciplinary sanctions. The IA, as one of the frontline regulators, is responsible for inspection and investigation of registered MPF intermediaries whose core business is insurance. The IA maintains regular liaison with the MPFA and the other two frontline regulators (i.e. the Monetary Authority and the Securities and Futures Commission (“SFC”)) on matters relating to supervision of registered MPF intermediaries.

Statistics

Statistics on insurance intermediaries, their responsible officers, chief executives and technical representatives as at 31 December 2014 are shown at Appendix 7. Separately, there were 25,460 registered MPF intermediaries of whom the IA was assigned as the frontline regulator, comprising 337 principal intermediaries and 25,123 subsidiary intermediaries, as at 31 December 2014.

Promulgation of Guidance Notes

The IA promulgates guidance notes for the insurance industry from time to time in light of market developments. During the year, the IA issued the Guidance Note on Underwriting Class C Business (GN15) to strengthen protection of policyholders of Class C business, commonly known as Investment Linked Assurance Scheme (“ILAS”) policies. The GN15 is based on Insurance Core Principle 19 in respect of Fair Treatment of Customers issued by the International Association of Insurance Supervisors (“IAIS”). It has adopted a cradle-to-grave approach, setting out comprehensive requirements for insurers underwriting Class C business from product design to clarification of illustration, sales and underwriting processes, as well as post-sales control. All authorized insurers carrying on Class C business are required to comply with the GN15 by 1 January 2015.

A full list of the guidance notes promulgated by the IA is at Appendix 8.

Anti-Money Laundering (“AML”) and Counter-Terrorist Financing (“CTF”)

The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) (“AMLO”) provides for, inter alia, the statutory requirements relating to customer due diligence and record-keeping for financial institutions, and the powers of relevant authorities including the IA to supervise compliance with the AMLO. All authorised insurers, reinsurers, appointed insurance agents and authorised insurance brokers carrying on or advising on long term insurance business have to comply with the requirements under the AMLO and the Guideline on AML and CTF published under the AMLO.

Pursuant to section 23(1) of the AMLO, the IA published the Guideline on Exercising Power to Impose Pecuniary Penalty (“Fining Guideline”) on 29 June 2012. The Fining Guideline indicates the manner in which the IA proposed to exercise the power to impose a pecuniary penalty referred to in the AMLO.

The IA has signed the Memorandum of Understanding (“MoU”) Concerning Implementation of the AMLO with the Commissioner of Customs and Excise, the Monetary Authority and the SFC. The MoU, which has taken effect since 30 April 2014, sets out the framework to facilitate cooperation and communication amongst regulators in relation to their enforcement of the AMLO.

To further enhance the awareness of the industry on the AML requirements, the IA has maintained a “AML and CTF Corner” on the IA’s website with information relating to the AML/CTF regime, including the latest developments, upcoming events, AML related legislation and guidelines, circulars and other relevant materials.

To keep the insurance institutions abreast of the latest AML/CTF developments, the IA, in cooperation with the Financial Services and Treasury Bureau and the Joint Financial Intelligence Unit (“JFIU”), convened two AML seminars for the insurance industry in October 2014. The industry seminars were well received by around 500 insurance practitioners. The IA also worked with the Vocational Training Council and developed an AML/CTF course for the insurance industry which has been launched since the fourth quarter of 2012.

According to the statistics provided by the JFIU, a total of 446 suspicious transaction reports (“STRs”) were made by the insurance industry in 2014, as compared to 401 STRs in 2013. The IA continued to issue circulars and organise seminars to facilitate the insurance industry to better detect and report suspicious transactions or dealings.

The Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”)

Since CEPA came into effect on 1 January 2004, there have been a number of liberalisation measures for the Hong Kong insurance sector including (1) allowing Hong Kong insurers who meet the required access conditions to conduct insurance business in the Mainland; (2) allowing Hong Kong residents who possess the requisite qualifications and are appointed by a Mainland insurance institution to engage in insurance related business across the boundary; (3) setting up of an examination centre in Hong Kong for the Mainland qualifying examinations for insurance intermediaries; (4) allowing Hong Kong insurance agency companies to set up wholly-owned enterprises in the Mainland to provide insurance agency services to the Mainland insurance companies; (5) allowing eligible Hong Kong insurance brokerage companies to set up wholly-owned insurance agency companies in the Guangdong Province (including Shenzhen) on a pilot basis; and (6) encouraging mutual cooperation between Guangdong and Hong Kong on cross-border Renminbi reinsurance business. Apart from the above, in respect of “commercial presence”, Hong Kong service suppliers may enjoy national treatment in the Guangdong Province i.e. they can enjoy the same treatment as Mainland insurance enterprises, except for some specified reserved restrictive measures, with effect from 1 March 2015. All these measures have increased business opportunities for the Hong Kong insurance industry in the burgeoning Mainland insurance market. The IA will continue to pursue a wider scope of market liberalisation for mutual benefits of the Hong Kong and the Mainland insurance industries.



Consultation on a Risk-based Capital (“RBC”) Framework for the Insurance Industry of Hong Kong

A three-month consultation was conducted from September to December 2014 to solicit views from interested parties, especially the insurance industry and professional bodies, on the proposed RBC framework for the insurance industry of Hong Kong. A total of 51 written submissions were received. Feedback showed that there was general support for the move towards an RBC regime, making capital requirements on insurers more sensitive to the level of risk that they are bearing. There was general agreement of the high-level principles of the conceptual framework, with mixed view on some of the technical aspects.

The RBC regime for the insurance industry of Hong Kong will be developed in phases. The next phase will involve the development of detailed rules and conducting of Quantitative Impact Studies, followed by another consultation exercise. The RBC regime would be rolled out in phases with a sufficiently long run-in period, so that insurers will have adequate time to understand the requirements thoroughly, and be able to achieve full compliance incrementally.

Consultation on Establishing an Effective Resolution Regime for Financial Institutions in Hong Kong

As a member jurisdiction of the Financial Stability Board (“FSB”), and a major international financial centre, it is incumbent upon Hong Kong to meet the FSB’s standards of providing the financial regulators with powers to resolve non-viable financial institutions without severe systemic disruption whilst protecting taxpayers through the establishment of an effective resolution regime for financial institutions. Hong Kong’s existing statutory framework does not provide for all of the powers that the FSB considers necessary for an effective resolution regime. Enactment of a new Bill will be required to establish a resolution regime locally.

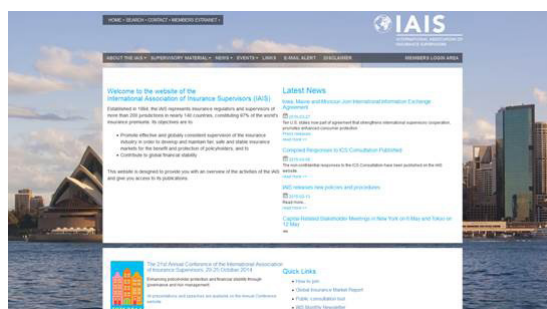
On 7 January 2014, the Government and the financial regulators, namely the Hong Kong Monetary Authority, the SFC and the IA (together “the authorities”), launched the first stage three-month consultation on establishing an effective resolution regime for financial institutions, including financial market infrastructures, in Hong Kong.

The first stage consultation paper sought views from the public and the financial services industry on initial thinking and some proposals for establishing a resolution regime in Hong Kong, including the scope, governance arrangements, resolution powers and options, safeguards, funding, cross-border cooperation and information sharing.

The consultation period ended on 6 April 2014. After considering the submissions received in response to the first consultation paper, and further developments at the international level, the authorities issued the second stage consultation paper in January 2015. Subject to the outcomes of the consultations, the authorities will seek to introduce legislative proposals into the LegCo by end of 2015.

International and Domestic Cooperation

In view of the global financial crisis and increasing business activities of financial institutions internationally, regulators worldwide recognise the need for enhancing mutual communications in exchanging information and experience on matters of common concern. In this regard, the IA has been working closely with both local and overseas financial services regulators and participating actively in international conferences and forums.



To strengthen international regulatory cooperation in the insurance industry to ensure effective group-wide supervision of multinational insurance groups, the IA has actively participated in supervisory colleges organised by various jurisdictions since 2008. In particular, in 2014, the IA led two supervisory colleges in Hong Kong.

In October 2014, the IA attended the 21st IAIS Annual Conference and committee meetings held in Amsterdam. As a member of the IAIS, the IA continued to actively participate in the development of international standards on insurance supervision.

Apart from the above, the IA also participated in international forums and seminars, including the Asian Financial Forum held in Hong Kong, the Asian Forum for Insurance Regulators held in Beijing and the AR Symposium in London.

With growing cross-boundary activities between Hong Kong and the Mainland, there is closer cooperation between the IA and the China Insurance Regulatory Commission ("CIRC"). In 2014, the IA actively participated in activities involving the CIRC including co-running a training course in Hong Kong for CIRC's officers in September; meeting the Chairman and Vice-Chairman of CIRC; and signing the trilateral cooperative agreement on anti-insurance fraud with the CIRC and the Monetary Authority of Macao in December. The IA will continue working closely with the CIRC and other Mainland authorities on insurance cooperation between the Mainland and Hong Kong.

On the domestic front, the IA also attended regular meetings of the Council of Financial Regulators and the Financial Stability Committee to discuss cross-sectoral regulatory issues and matters with implications on economic stability.

To keep abreast of market development for effective supervision of the insurance industry, the IA maintains close dialogue with the industry and frequently meets with the HKFI and other industry bodies to discuss topical issues concerning the industry.





General Insurance Business

General Insurance Business

General insurance sector recorded modest growth in 2013, with total gross premiums increased by 6.6% to \$41,798 million and underwriting profit surged by 47.1% to \$3,004 million.

Overview

The gross and net premiums of general insurance business increased by 6.6% to \$41,798 million and 6.9% to \$28,860 million respectively in 2013, with the overall retention ratio increased slightly from 68.9% to 69.0%.

The rise in gross premiums was mainly contributed by General Liability business (comprising Employees' Compensation ("EC") business), which recorded a significant growth of 15.6% from \$9,526 million in 2012 to \$11,011 million in 2013. Motor Vehicle business recorded a growth of gross premiums of 9.0% from \$4,174 million in 2012 to \$4,548 million in 2013, whilst Property Damage business posted an increase in gross premiums of 7.1% from \$8,379 million in 2012 to \$8,976 million in 2013.

Claims experience of general insurance business slightly improved in 2013 with a net claims incurred ratio ("NCIR") of 56.3% in 2013, compared with 58.0% in 2012. Due to improved claims experience, most major lines of business recorded an underwriting profit except for Aircraft business and Proportional Treaty business, which recorded underwriting losses of \$1 million and \$6 million respectively.

Accident & Health business reported an underwriting profit of \$951 million in 2013 and became the largest contributor in 2013. Property Damage business and Pecuniary Loss business also registered strong profits of \$798 million and \$479 million respectively. As regards the underwriting performance for two major classes of compulsory business, the underwriting profit for direct Motor Vehicle business increased to \$113 million, whereas the underwriting loss for direct EC business shrank to \$377 million.

Figure 2.1 Overall Performance of General Insurance Business

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-----------|-----------|-----------|-----------|-----------|
| | \$million | \$million | \$million | \$million | \$million |
| Gross Premiums | 28,565.0 | 31,054.9 | 34,834.7 | 39,204.8 | 41,797.6 |
| Net Premiums | 20,529.5 | 21,735.6 | 23,760.8 | 26,998.0 | 28,859.7 |
| Technical Reserves | 28,622.3 | 30,755.8 | 33,610.9 | 38,478.2 | 41,975.3 |
| Underwriting Results: | | | | | |
| Earned Premiums | 18,943.0 | 20,461.5 | 22,793.0 | 25,176.1 | 27,973.0 |
| Underwriting Expenses¹ | 6,538.7 | 6,983.4 | 7,634.7 | 8,526.5 | 9,211.4 |
| Net Claims Incurred | 9,996.8 | 10,959.6 | 12,531.1 | 14,606.8 | 15,757.4 |
| Underwriting Profit/(Loss) | 2,407.5 | 2,518.5 | 2,627.2 | 2,042.8 | 3,004.2 |
| | % | % | % | % | % |
| Growth of Gross Premiums | 6.9 | 8.7 | 12.2 | 12.5 | 6.6 |
| Retention Ratio | 71.9 | 70.0 | 68.2 | 68.9 | 69.0 |
| Commission Payable Ratio | 17.9 | 18.0 | 17.2 | 17.5 | 17.6 |
| Net Claims Incurred Ratio | 52.8 | 53.6 | 55.0 | 58.0 | 56.3 |
| Underwriting Margin² | 12.7 | 12.3 | 11.5 | 8.1 | 10.7 |
| Technical Reserve Ratio³ | 139.4 | 141.5 | 141.5 | 142.5 | 145.4 |

¹ Underwriting Expenses – Total of Net Commissions Payable, Management Expenses and Unexpired Risks Adjustment

² Underwriting Margin – Underwriting Profit/(Loss) expressed as a percentage of Earned Premiums

³ Technical Reserve Ratio – Technical Reserves expressed as a percentage of Net Premiums

Premium Incomes

Total gross premiums (comprising direct and reinsurance inward business) increased by 6.6% to \$41,798 million. The increase was mainly driven by the growth of premiums in General Liability business. Net premiums also recorded a growth of 6.9% to \$28,860 million. The retention ratio for 2013 was 69.0%, compared to 68.9% for 2012.

Figure 2.2 Growth of Premium Income for General Insurance Business

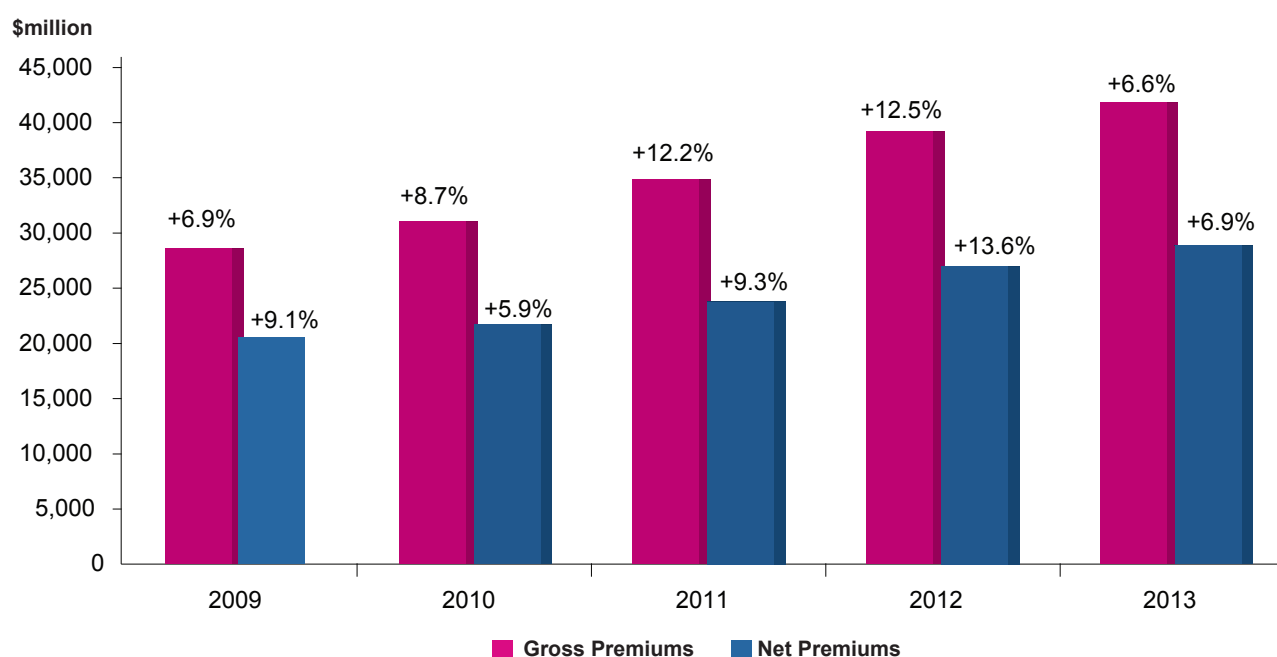
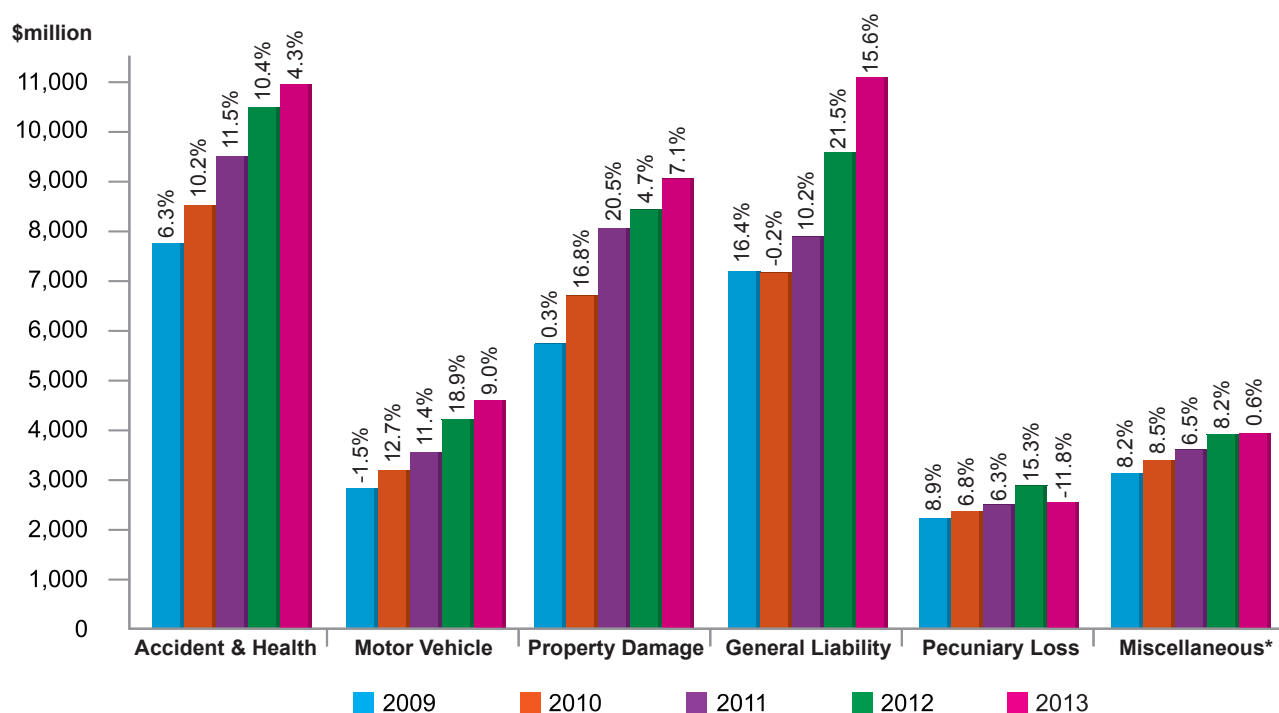


Figure 2.2 Growth of Premium Income for General Insurance Business (Accessible Version)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| | \$million | \$million | \$million | \$million | \$million |
| Gross Premiums | 28,565.0 | 31,054.9 | 34,834.7 | 39,204.8 | 41,797.6 |
| Net Premiums | 20,529.5 | 21,735.6 | 23,760.8 | 26,998.0 | 28,859.7 |
| | % | % | % | % | % |
| Growth of Gross Premiums | 6.9 | 8.7 | 12.2 | 12.5 | 6.6 |
| Growth of Net Premiums | 9.1 | 5.9 | 9.3 | 13.6 | 6.9 |

The major classes of general insurance business showed an increase in gross premiums in 2013. The gross premiums of General Liability business increased significantly by 15.6% to \$11,011 million. Motor Vehicle business increased by 9.0% to \$4,548 million. Property Damage business grew by 7.1% to \$8,976 million. Accident & Health and Miscellaneous (comprising Aircraft, Ships, Goods in Transit and Treaty Reinsurance) businesses registered modest growth and reached \$10,865 million and \$3,886 million respectively whereas Pecuniary Loss business dropped by 11.8% to \$2,513 million.

Figure 2.3 Growth of Gross Premiums for Major Lines of Business



*Miscellaneous Business mainly includes Ships and Goods In Transit Businesses

Figure 2.3 Growth of Gross Premiums for Major Lines of Business (Accessible Version)

| Class of Business | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | |
|-------------------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|-------|
| | \$million | % | \$million | % | \$million | % | \$million | % | \$million | % |
| Accident & Health | 7,684.3 | 6.3 | 8,464.9 | 10.2 | 9,438.1 | 11.5 | 10,415.2 | 10.4 | 10,864.6 | 4.3 |
| Motor Vehicle | 2,796.2 | -1.5 | 3,152.0 | 12.7 | 3,511.0 | 11.4 | 4,173.7 | 18.9 | 4,547.6 | 9.0 |
| Property Damage | 5,689.0 | 0.3 | 6,645.4 | 16.8 | 8,004.6 | 20.5 | 8,378.5 | 4.7 | 8,976.3 | 7.1 |
| General Liability | 7,128.9 | 16.4 | 7,115.4 | -0.2 | 7,839.8 | 10.2 | 9,526.4 | 21.5 | 11,010.5 | 15.6 |
| Pecuniary Loss | 2,177.1 | 8.9 | 2,324.4 | 6.8 | 2,470.0 | 6.3 | 2,848.4 | 15.3 | 2,512.6 | -11.8 |
| Miscellaneous* | 3,089.5 | 8.2 | 3,352.8 | 8.5 | 3,571.2 | 6.5 | 3,862.6 | 8.2 | 3,886.0 | 0.6 |

*Miscellaneous Business mainly includes Ships and Goods In Transit Businesses

Composition of Gross Premiums

Direct business and reinsurance inward business accounted for 74% and 26% respectively of total gross premiums in 2013, showing a similar composition as in 2012. General Liability, Accident & Health and Property Damage businesses topped the general insurance sector, constituted 26.3%, 26.0% and 21.5% respectively of the total gross premiums. Motor Vehicle business ranked fourth with its 10.9% share.

Figure 2.4 Composition of Gross Premiums

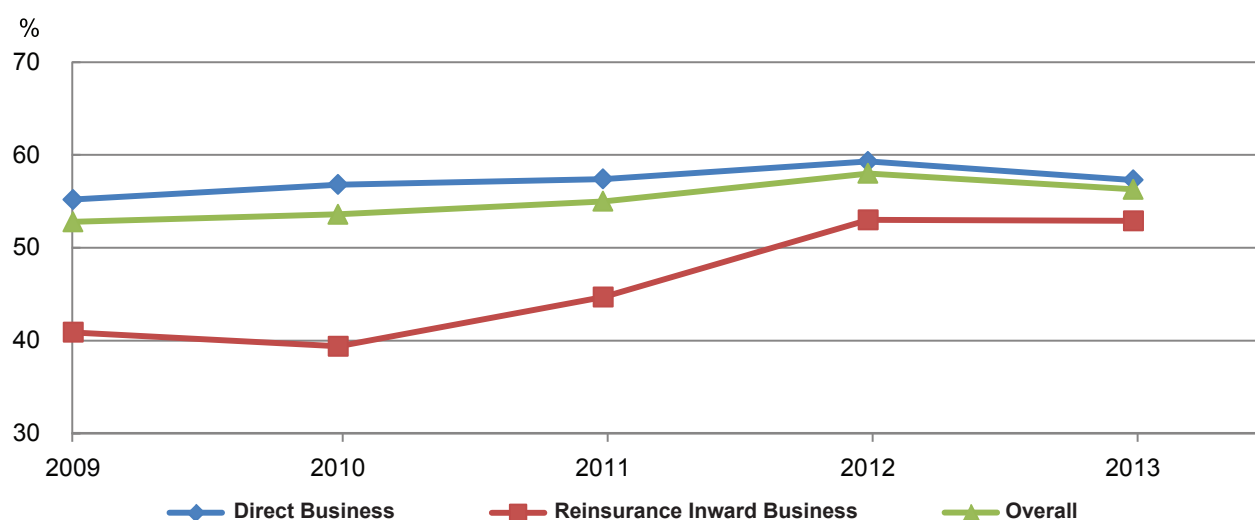
| Class of Business | Direct & Reinsurance Inward Business | | Direct Business | | Reinsurance Inward Business | |
|-------------------|--------------------------------------|--------|-----------------|--------|-----------------------------|--------|
| | 2012 % | 2013 % | 2012 % | 2013 % | 2012 % | 2013 % |
| Accident & Health | 26.6 | 26.0 | 34.1 | 33.5 | 5.3 | 4.6 |
| Motor Vehicle | 10.6 | 10.9 | 12.0 | 12.0 | 6.8 | 7.6 |
| Property Damage | 21.4 | 21.5 | 12.9 | 12.7 | 45.2 | 46.6 |
| General Liability | 24.3 | 26.3 | 28.3 | 30.5 | 12.9 | 14.6 |
| Pecuniary Loss | 7.3 | 6.0 | 5.6 | 4.8 | 12.0 | 9.5 |
| Miscellaneous | 9.8 | 9.3 | 7.1 | 6.5 | 17.8 | 17.1 |

Claims

The overall claims experience for general insurance business slightly improved in 2013. Overall NCIR decreased by 1.7% to 56.3%.

On direct business, overall NCIR decreased from 59.3% to 57.3% in 2013. The star performer was Pecuniary Loss business which recorded the lowest NCIR, i.e. below 20%.

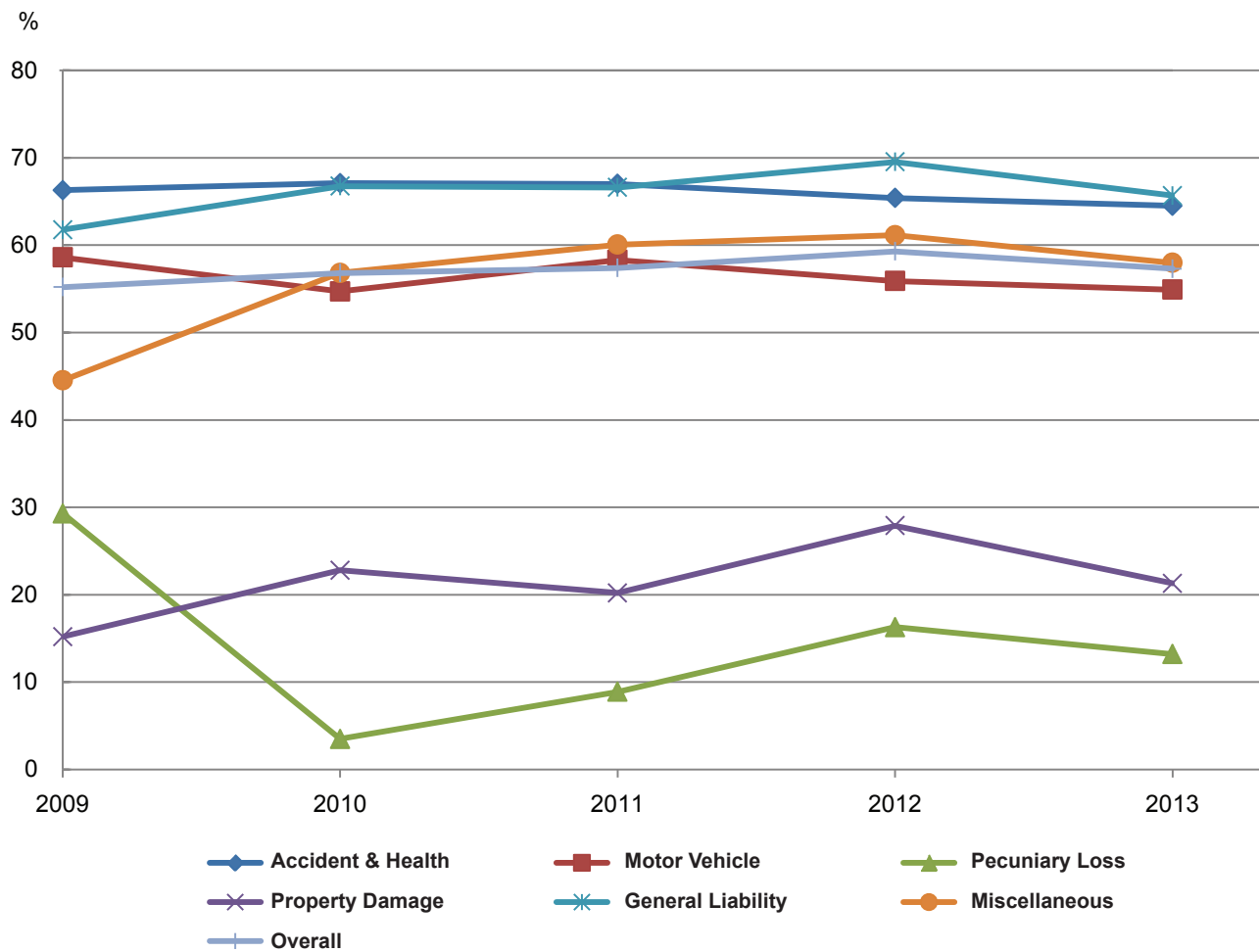
**Figure 2.5 Net Claims Incurred Ratio
Direct & Reinsurance Inward Business**



**Figure 2.5 Net Claims Incurred Ratio (Accessible Version)
Direct & Reinsurance Inward Business**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|------|------|------|------|------|
| | % | % | % | % | % |
| Direct Business | 55.2 | 56.8 | 57.4 | 59.3 | 57.3 |
| Reinsurance Inward Business | 40.9 | 39.4 | 44.7 | 53.0 | 52.9 |
| Overall | 52.8 | 53.6 | 55.0 | 58.0 | 56.3 |

**Figure 2.5 Net Claims Incurred Ratio
Direct Business**



**Figure 2.5 Net Claims Incurred Ratio (Accessible Version)
Direct Business**

| Class of Bussiness | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------|------|------|------|------|------|
| | % | % | % | % | % |
| Accident & Health | 66.3 | 67.1 | 67.0 | 65.4 | 64.5 |
| Motor Vehicle | 58.6 | 54.7 | 58.3 | 55.9 | 54.9 |
| Pecuniary Loss | 29.3 | 3.5 | 8.9 | 16.3 | 13.2 |
| Property Damage | 15.2 | 22.8 | 20.2 | 27.9 | 21.3 |
| General Liability | 61.8 | 66.8 | 66.6 | 69.5 | 65.7 |
| Miscellaneous | 44.5 | 56.8 | 60.1 | 61.1 | 58.0 |
| Overall | 55.2 | 56.8 | 57.4 | 59.3 | 57.3 |

Technical Reserves

Technical reserves, comprising outstanding claims provision (including provision for incurred but not reported claims), unearned premiums and unexpired risks provision, rose by 9.1% to \$41,975 million.

Overall technical reserve ratio (i.e. technical reserves expressed as a percentage of net premiums) increased from 142.5% in 2012 to 145.4% in 2013. The technical reserve ratio of General Liability business remained the highest in 2013, albeit it reduced from 237.7% to 228.7%. Such ratio for Property Damage business and Pecuniary Loss business grew from 137.8% to 141.4% and 193.8% to 209.9% respectively. As regards Motor Vehicle business, the technical reserve ratio slightly decreased from 161.8% to 157.6%. The technical reserve ratio for Accident & Health business slightly increased from 48.2% to 49.0% in 2013.

Figure 2.6 Technical Reserve Ratio

| Class of Business | UPR & UER Ratio ¹ | | Outstanding Claims Provision Ratio ² | | Technical Reserve Ratio ³ | |
|-------------------|------------------------------|--------|---|--------|--------------------------------------|--------|
| | 2012 % | 2013 % | 2012 % | 2013 % | 2012 % | 2013 % |
| Accident & Health | 29.0 | 29.6 | 19.2 | 19.4 | 48.2 | 49.0 |
| Motor Vehicle | 48.1 | 45.8 | 113.7 | 111.8 | 161.8 | 157.6 |
| Property Damage | 58.1 | 60.7 | 79.7 | 80.7 | 137.8 | 141.4 |
| General Liability | 62.1 | 61.2 | 175.6 | 167.5 | 237.7 | 228.7 |
| Pecuniary Loss | 137.1 | 142.1 | 56.7 | 67.8 | 193.8 | 209.9 |
| Miscellaneous | 22.5 | 25.0 | 129.7 | 133.2 | 152.2 | 158.2 |
| Overall | 49.5 | 50.1 | 93.0 | 95.3 | 142.5 | 145.4 |

¹ UPR & UER Ratio – Aggregate of Unearned Premiums and Unexpired Risks Provision expressed as a percentage of Net Premiums

² Outstanding Claims Provision Ratio – Outstanding Claims Provision expressed as a percentage of Net Premiums

³ Technical Reserve Ratio – Technical Reserves expressed as a percentage of Net Premiums

Underwriting Results

The overall underwriting profit increased from \$2,043 million in 2012 to \$3,004 million in 2013, representing a surge of 47.1%.

With the exception of Aircraft and Proportional Treaty businesses that incurred respective underwriting loss of \$1 million and \$6 million, all other business classes recorded underwriting profits in 2013. Accident & Health business became the largest contributor to the overall underwriting profit of the general insurance business in 2013, achieving a profit of \$951 million. Property Damage and Pecuniary Loss businesses came next, registering \$798 million and \$479 million in underwriting profit respectively. General Liability business recorded an underwriting profit of \$338 million in 2013. However, a major component of General Liability business, i.e. EC business, sustained an underwriting loss.

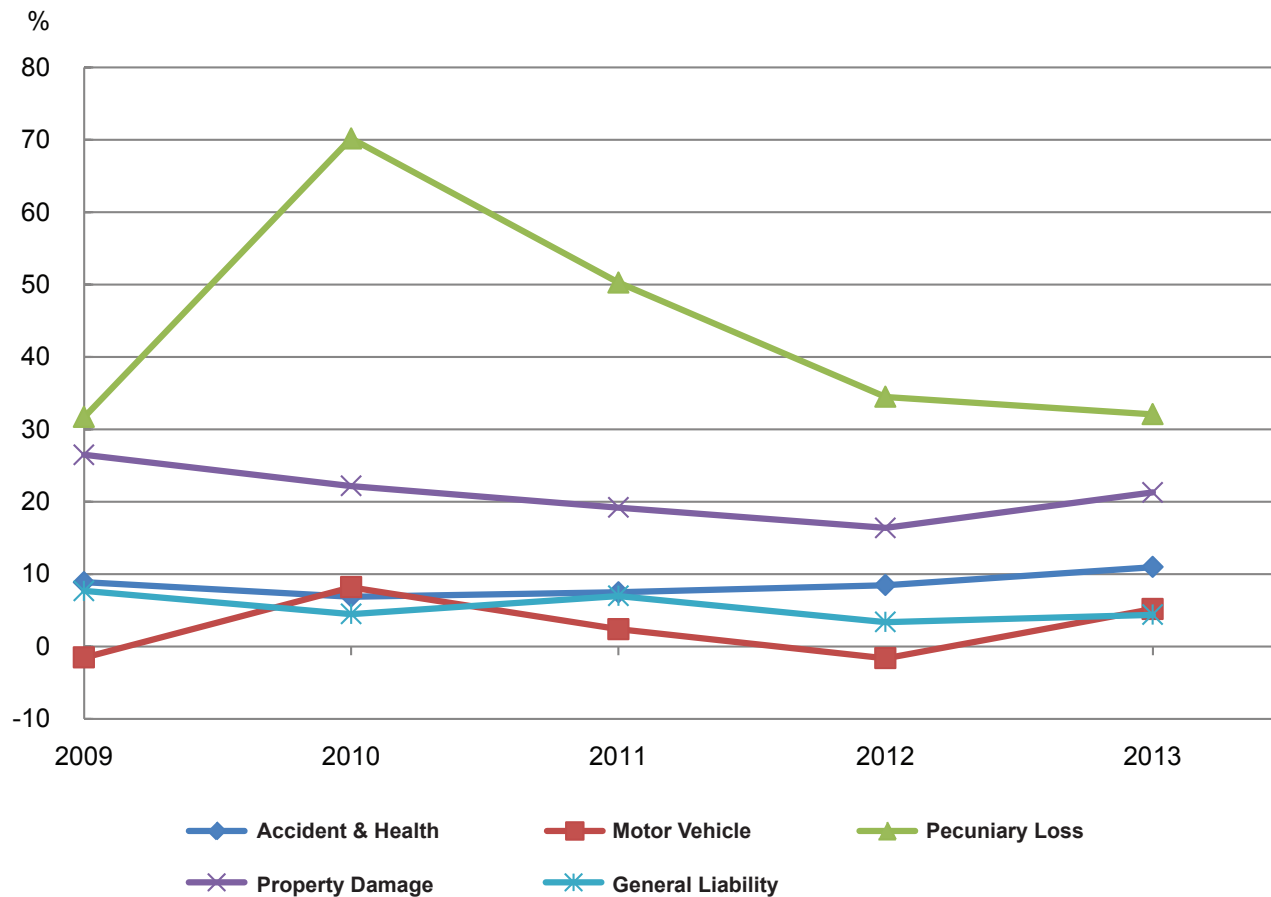
On direct business, the underwriting profit increased from \$1,571 million to \$2,252 million. Accident & Health business reported the highest underwriting profit of \$917 million, followed by Property Damage business of HK\$559 million, General Liability (non-EC) business of \$492 million and Pecuniary Loss business of \$410 million. As for Goods in Transit business and Motor Vehicle business, underwriting profits of \$205 million and \$113 million were recorded respectively. On the other hand, EC business was the worst performer reporting an underwriting loss of \$377 million in 2013, followed by Ships business of \$68 million.

On reinsurance inward business, the underwriting profit increased from \$472 million to \$752 million. Except for Goods in Transit, Proportional Treaty and Aircraft businesses incurring underwriting losses of \$33 million, \$6 million and \$2 million respectively, all other classes of reinsurance business recorded underwriting profits. Property Damage business was the best performer, reporting an underwriting profit of \$239 million, followed by General Liability business of \$222 million.

Figure 2.7 Underwriting Results

| | 2011 | | | 2012 | | | 2013 | | |
|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------------------|----------------|-----------------|-----------------------------|----------------|
| Underwriting Profit/(Loss) | Direct Business | Reinsurance Inward Business | Overall | Direct Business | Reinsurance Inward Business | Overall | Direct Business | Reinsurance Inward Business | Overall |
| | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million |
| Accident & Health | 510.2 | 52.0 | 562.2 | 656.5 | 39.3 | 695.8 | 916.8 | 33.8 | 950.6 |
| Motor Vehicle | 30.4 | 37.2 | 67.6 | 104.0 | (151.8) | (47.8) | 113.1 | 84.4 | 197.5 |
| Property Damage | 507.1 | 122.5 | 629.6 | 420.3 | 142.3 | 562.6 | 558.9 | 238.8 | 797.7 |
| General Liability | 41.2 | 334.3 | 375.5 | (109.6) | 326.6 | 217.0 | 115.4 | 222.3 | 337.7 |
| Pecuniary Loss | 669.4 | 43.4 | 712.8 | 410.5 | 79.6 | 490.1 | 409.7 | 69.6 | 479.3 |
| Miscellaneous | 104.6 | 174.9 | 279.5 | 89.6 | 35.5 | 125.1 | 138.5 | 102.9 | 241.4 |
| Total | 1,862.9 | 764.3 | 2,627.2 | 1,571.3 | 471.5 | 2,042.8 | 2,252.4 | 751.8 | 3,004.2 |

Figure 2.8 Underwriting Margin of Major Lines of Business



Underwriting Margin – Underwriting Profit or Loss expressed as a percentage of Earned Premiums

Figure 2.8 Underwriting Margin of Major Lines of Business (Accessible Version)

| Class of Business | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------|------|------|------|------|------|
| | % | % | % | % | % |
| Accident & Health | 8.9 | 6.9 | 7.5 | 8.5 | 11.0 |
| Motor Vehicle | -1.5 | 8.2 | 2.4 | -1.6 | 5.2 |
| Pecuniary Loss | 31.7 | 70.2 | 50.3 | 34.5 | 32.1 |
| Property Damage | 26.5 | 22.2 | 19.2 | 16.4 | 21.3 |
| General Liability | 7.7 | 4.5 | 7.0 | 3.4 | 4.4 |

Underwriting Margin – Underwriting Profit or Loss expressed as a percentage of Earned Premiums

Statutory Business

Statutory business comprises three classes of direct business - Motor Vehicle, EC (classified as General Liability - Statutory business) and Local Vessel Liability (classified as Ships - Statutory business) businesses. In 2013, they altogether contributed \$10,403 million in gross premiums to the general insurance business market, representing 33.6% of total direct business gross premiums. EC business took second place in terms of gross premiums for direct business in 2013, while its market share in the direct business market increased from 19.1% in 2012 to 21.3% in 2013.

Motor Vehicle Business

Gross premiums for direct Motor Vehicle business increased by 7.1% to \$3,720 million in 2013, with the number of vehicles covered grew by 4.0% to 756,904. Due to improved claims experience with NCIR decreasing from 55.9% to 54.9%, the underwriting profit increased from \$104 million in 2012 to \$113 million in 2013.

Figure 2.9 Motor Vehicle Business

| | Unit | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------|------------------|---------|---------|---------|---------|---------|
| Gross Premiums | \$million | 2,614.0 | 2,896.1 | 3,225.4 | 3,474.1 | 3,720.3 |
| Underwriting Profit/(Loss) | \$million | (55.9) | 105.4 | 30.4 | 104.0 | 113.1 |
| | | | | | | |
| Growth of Gross Premiums | % | -1.3 | 10.8 | 11.4 | 7.7 | 7.1 |
| Net Claims Incurred Ratio | % | 58.6 | 54.7 | 58.3 | 55.9 | 54.9 |
| Underwriting Margin | % | -2.7 | 4.5 | 1.2 | 3.8 | 3.9 |
| | | | | | | |
| Number of Vehicles Covered | | 615,759 | 645,882 | 699,923 | 727,910 | 756,904 |

Employees' Compensation Business

Gross premiums of EC business increased by 19.1% to \$6,601 million in 2013, with the number of EC policies in force grew by 0.2% to 381,265. With improved claims experience, the underwriting loss for EC business shrank from \$649 million in 2012 to \$377 million in 2013.

Figure 2.10 Employees' Compensation Business

| | Unit | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|------------------|---------|---------|---------|---------|---------|
| Gross Premiums | \$million | 4,037.0 | 3,730.9 | 4,063.1 | 5,540.3 | 6,600.6 |
| Underwriting Profit/(Loss) | \$million | (125.2) | (323.8) | (260.0) | (649.0) | (376.6) |
| | | | | | | |
| Growth of Gross Premiums | % | 33.5 | -7.6 | 8.9 | 36.4 | 19.1 |
| Net Claims Incurred Ratio | % | 71.4 | 79.7 | 77.5 | 85.3 | 77.2 |
| Underwriting Margin | % | -4.9 | -11.1 | -8.0 | -16.3 | -7.5 |
| | | | | | | |
| Number of Policies in Force | | 364,156 | 364,719 | 367,228 | 380,632 | 381,265 |

Local Vessel Liability Business

Gross premiums of Local Vessel Liability business increased by 73.7% to \$83 million in 2013, with the number of local vessels covered increased by 9.5% to 15,197. The underwriting performance of such business showed a turnaround from a profit of \$11 million in 2012 to a loss of \$5 million in 2013.

Figure 2.11 Local Vessel Liability Business

| | Unit | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|------------------|--------|--------|--------|--------|--------|
| Gross Premiums | \$million | 40.7 | 41.2 | 53.5 | 47.5 | 82.5 |
| Underwriting Profit/(Loss) | \$million | 14.2 | 13.1 | 16.3 | 10.8 | (5.0) |
| | | | | | | |
| Growth of Gross Premiums | % | -0.7 | 1.2 | 29.9 | -11.2 | 73.7 |
| Net Claims Incurred Ratio | % | 11.2 | 16.7 | 19.1 | 33.5 | 67.9 |
| Underwriting Margin | % | 56.6 | 49.8 | 48.7 | 38.0 | -12.3 |
| | | | | | | |
| Number of Local Vessels Covered | | 10,867 | 10,738 | 13,236 | 13,880 | 15,197 |

Pure Reinsurers' Business

Pure reinsurers (i.e. insurers that are only authorised to carry on reinsurance business in or from Hong Kong) recorded an increase in gross premiums by 6.8% to \$2,642 million in 2013. Their total underwriting profit decreased from \$538 million in 2012 to \$359 million in 2013. The top 5 pure reinsurers captured an aggregate market share of 82.0% in terms of gross premiums, indicating that the continuing high concentration of business in the pure reinsurers' market persisted in 2013.

Figure 2.12 Pure Reinsurers' Business

| | Unit | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------|------------------|---------|---------|---------|---------|---------|
| Gross Premiums | \$million | 1,544.5 | 1,970.5 | 2,154.6 | 2,474.5 | 2,641.8 |
| Underwriting Profit/(Loss) | \$million | 524.5 | 550.1 | 802.8 | 537.9 | 359.1 |
| | | | | | | |
| Growth of Gross Premiums | % | 7.5 | 27.6 | 9.3 | 14.8 | 6.8 |
| Net Claims Incurred Ratio | % | 21.1 | 22.9 | 17.9 | 38.2 | 50.0 |
| Underwriting Margin | % | 42.3 | 39.7 | 49.1 | 28.6 | 18.9 |

Figure 2.13 Top 5 Pure Reinsurers by Gross Premiums in 2013

| Ranking of Reinsurers | | Gross Premiums | Market Share |
|--|--|----------------|--------------|
| | | \$million | % |
| 1. | Taiping Reinsurance Company Limited | 481 | 18.2 |
| 2. | Asia Capital Reinsurance Group Pte. Ltd. | 478 | 18.1 |
| 3. | Swiss Reinsurance Company Ltd | 473 | 17.9 |
| 4. | Munich Reinsurance Company | 472 | 17.9 |
| 5. | BC Reinsurance Limited | 261 | 9.9 |
| Total Gross Premiums Written by Top 5 Reinsurers in 2013 | | 2,165 | 82.0 |
| Corresponding Figure for 2012 | | 1,993 | 80.6 |

Assets Maintained in Hong Kong

Pursuant to the local asset requirement under section 25A of the Insurance Companies Ordinance (Cap. 41), insurers other than pure reinsurers and captive insurers carrying on general insurance business in or from Hong Kong are required to maintain assets in Hong Kong to match their local insurance liabilities. As at their financial year ended in 2013, assets maintained by these insurers in Hong Kong totalled \$102,699 million, a 10.7% decrease over 2012. Deposits & Cash was the largest asset type, registering \$44,141 million or 43.0% of total local assets, followed by Mortgage Portfolio (15.7%) and Fixed & Variable Interest Securities (12.5%).

Figure 2.14 Breakdown of Assets Maintained in Hong Kong

| Category of Assets | | 2011 | | 2012 | | 2013 | |
|--|-----------------------|-----------|-------|-----------|-------|-----------|-------|
| | | \$million | % | \$million | % | \$million | % |
| Deposits & Cash | | 33,634.3 | 31.1 | 41,922.7 | 36.4 | 44,140.7 | 43.0 |
| Fixed & Variable Interest Securities | | 18,750.3 | 17.3 | 22,033.8 | 19.2 | 12,828.1 | 12.5 |
| Insurance Debts | | 5,028.0 | 4.7 | 5,551.6 | 4.8 | 6,111.5 | 6.0 |
| Letters of Credit | | 2,813.2 | 2.6 | 3,280.0 | 2.9 | 3,099.0 | 3.0 |
| Investments in Associated/ Subsidiary Companies | | 7,732.0 | 7.1 | 6,984.5 | 6.1 | 8,617.9 | 8.4 |
| Land & Buildings | | 6,103.6 | 5.6 | 6,800.7 | 5.9 | 7,084.3 | 6.9 |
| Other Assets | - Mortgage Portfolio* | 26,675.0 | 24.6 | 20,935.5 | 18.2 | 16,146.0 | 15.7 |
| | - Others | 7,593.9 | 7.0 | 7,531.9 | 6.5 | 4,671.7 | 4.5 |
| Total | | 108,330.3 | 100.0 | 115,040.7 | 100.0 | 102,699.2 | 100.0 |

*Mortgage Portfolio was owned by The Hong Kong Mortgage Corporation Limited

Market Analysis

A total of 108 insurers reported to the Insurance Authority on their Hong Kong general insurance business for 2013.

In 2013, gross premiums written by the top 10 and top 20 insurers amounted to \$18,819 million and \$26,820 million respectively. These premiums represented 45.2% and 64.3% of the market share, similar to the corresponding figures of 40.9% and 61.8% recorded in 2012. At the lower end of the scale, 17 insurers wrote gross premiums below \$1 million level in 2013.

Comparing with the market share of the top 10 general business insurers by overall gross premiums (45.2%), the market share of the top 10 insurers by gross premiums of individual major classes of general insurance business was higher, namely Accident & Health business (78.0%), Motor Vehicle business (66.5%), EC business (65.8%) and Property Damage business (52.7%).

Figure 2.15 Distribution of Insurers' Market Share

| Ranking of Insurers | Range of Gross Premiums | | Market Share | |
|---------------------|-------------------------|---------------|--------------|------|
| | 2012 | 2013 | 2012 | 2013 |
| | \$million | \$million | % | % |
| 1 - 10 | 1,124 - 2,277 | 1,082 - 3,501 | 40.9 | 45.2 |
| 11 - 20 | 531 - 1,038 | 583 - 1,073 | 20.9 | 19.1 |
| 21 - 50 | 218 - 525 | 176 - 572 | 29.2 | 28.1 |
| Remaining | <202 | <176 | 9.0 | 7.6 |

Figure 2.16 Top 10 Insurers by Overall Gross Premiums in 2013

| Ranking of Insurers | | Gross Premiums | Market Share |
|---|---|----------------|--------------|
| | | \$million | % |
| 1. | AXA General Insurance Hong Kong Limited | 3,501 | 8.4 |
| 2. | Zurich Insurance Company Ltd | 2,615 | 6.3 |
| 3. | Bupa (Asia) Limited | 2,094 | 5.0 |
| 4. | Bank of China Group Insurance Company Limited | 1,784 | 4.3 |
| 5. | China Taiping Insurance (HK) Company Limited | 1,782 | 4.3 |
| 6. | AIG Insurance Hong Kong Limited | 1,713 | 4.1 |
| 7. | QBE Hongkong & Shanghai Insurance Limited | 1,423 | 3.4 |
| 8. | Asia Insurance Company, Limited | 1,416 | 3.4 |
| 9. | CNOOC Insurance Limited | 1,409 | 3.4 |
| 10. | MSIG Insurance (Hong Kong) Limited | 1,082 | 2.6 |
| Total Gross Premiums Written by Top 10 Insurers in 2013 | | 18,819 | 45.2 |
| Corresponding Figure for 2012 | | 16,077 | 40.9 |

Figure 2.17 Top 10 Insurers by Gross Premiums of Major Classes in 2013

| Accident & Health Business | | |
|-------------------------------|---|--------------|
| Ranking of Insurers | | Market Share |
| 1. | Bupa (Asia) Limited | 19.3% |
| 2. | AXA General Insurance Hong Kong Limited | 17.8% |
| 3. | AXA China Region Insurance Company Limited | 9.9% |
| 4. | Blue Cross (Asia-Pacific) Insurance Limited | 8.7% |
| 5. | AIA International Limited | 6.2% |
| 6. | The Prudential Assurance Company Limited | 3.8% |
| 7. | Bank of China Group Insurance Company Limited | 3.5% |
| 8. | AIG Insurance Hong Kong Limited | 3.5% |
| 9. | Liberty International Insurance Limited | 3.1% |
| 10. | ACE Insurance Limited | 2.2% |
| Top 10 Insurers' Market Share | | 78.0% |
| Number of Insurers : 68 | | |

| Motor Vehicle Business | | |
|-------------------------------|---|--------------|
| Ranking of Insurers | | Market Share |
| 1. | China Taiping Insurance (HK) Company Limited | 16.8% |
| 2. | AXA General Insurance Hong Kong Limited | 8.9% |
| 3. | Bank of China Group Insurance Company Limited | 7.3% |
| 4. | Target Insurance Company, Limited | 7.0% |
| 5. | Zurich Insurance Company Ltd | 6.4% |
| 6. | Allianz Global Corporate & Specialty SE | 4.9% |
| 7. | China Ping An Insurance (Hong Kong) Company Limited | 3.9% |
| 8. | QBE Hongkong & Shanghai Insurance Limited | 3.8% |
| 9. | Asia Insurance Company, Limited | 3.8% |
| 10. | Royal & Sun Alliance Insurance plc | 3.7% |
| Top 10 Insurers' Market Share | | 66.5% |
| Number of Insurers : 59 | | |

| Property Damage Business | | |
|-------------------------------|---|--------------|
| Ranking of Insurers | | Market Share |
| 1. | CNOOC Insurance Limited | 13.0% |
| 2. | Zurich Insurance Company Ltd | 8.9% |
| 3. | AXA General Insurance Hong Kong Limited | 6.0% |
| 4. | Asia Insurance Company, Limited | 4.2% |
| 5. | ACE Insurance Limited | 4.2% |
| 6. | Bank of China Group Insurance Company Limited | 3.6% |
| 7. | MSIG Insurance (Hong Kong) Limited | 3.5% |
| 8. | HDI-Gerling Industrie Versicherung AG | 3.3% |
| 9. | Asia Capital Reinsurance Group Pte. Ltd. | 3.1% |
| 10. | Lloyd's Underwriters | 2.9% |
| Top 10 Insurers' Market Share | | 52.7% |
| Number of Insurers : 72 | | |

| Employees' Compensation Business | | |
|----------------------------------|---|--------------|
| Ranking of Insurers | | Market Share |
| 1. | QBE Hongkong & Shanghai Insurance Limited | 10.8% |
| 2. | Bank of China Group Insurance Company Limited | 7.4% |
| 3. | Zurich Insurance Company Ltd | 7.4% |
| 4. | China Overseas Insurance Limited | 6.5% |
| 5. | Wing Lung Insurance Company Limited | 6.1% |
| 6. | AIG Insurance Hong Kong Limited | 6.0% |
| 7. | Sun Hung Kai Properties Insurance Limited | 5.8% |
| 8. | AXA General Insurance Hong Kong Limited | 5.5% |
| 9. | China Taiping Insurance (HK) Company Limited | 5.3% |
| 10. | Asia Insurance Company, Limited | 5.0% |
| Top 10 Insurers' Market Share | | 65.8% |
| Number of Insurers : 49 | | |

Market Performance for 2014

In 2014, gross and net premiums of general insurance business recorded a growth of 4.2% to \$43,896 million and 3.8% to \$30,299 million respectively compared with 2013. Overall underwriting profit maintained at \$3,010 million, which is on a par with that of 2013.

On direct business, gross and net premiums increased by 4.1% to \$32,429 million and 5.4% to \$24,234 million respectively, mainly driven by Accident & Health business (comprising Medical business) and Ships business. The former recorded gross and net premiums of \$11,020 million and \$8,951 million respectively, while the latter recorded \$1,709 million and \$1,140 million respectively.

The underwriting profit of direct business increased to \$2,268 million in 2014 from \$2,218 million in 2013. The underwriting profit of General Liability business increased from \$125 million to \$370 million. Such increase was partly offset by the underwriting performance of Ships business and Property Damage business. The former showed a turnaround from a profit of \$79 million to a loss of \$8 million while the latter recorded a decrease in the underwriting profit from \$562 million to \$489 million.

On reinsurance inward business, gross premiums increased from \$10,969 million to \$11,468 million whilst net premiums dropped from \$6,197 million to \$6,064 million in 2014 as compared with 2013. The underwriting profit declined from \$820 million in 2013 to \$742 million in 2014.



Long Term Insurance Business

Long Term Insurance Business

The growth of the long term insurance sector continued in 2013, with an increase of 15.0% in total in-force office premiums to \$257,717 million. Provisional statistics also reported a continuous growth in 2014.

Overview

In-force Business

Total in-force office premiums of long term insurance business amounted to \$257,717 million in 2013, increased by 15.0% when compared with \$224,124 million in 2012. The driving force was Non-Linked Individual Life business.

Individual Life business remained the dominant line of long term insurance business, representing 93.4% of the market total in 2013. Related in-force office premiums increased by 15.2% from \$209,041 million in 2012 to \$240,722 million in 2013. Non-Linked and Linked businesses accounted for 71.0% and 29.0% of in-force Individual Life business respectively. As at 31 December 2013, there were more than 10.41 million of in-force Individual Life policies, with net liabilities of \$1,059,084 million.

For Group Life business, in-force office premiums also recorded a growth by 36.2% to \$2,694 million in 2013. The number of in-force policies increased by 2.7% to 18,754 and net liabilities by 23.7% to \$984 million as at 31 December 2013.

Yearly contributions of Retirement Scheme contracts administered by insurers reduced by 11.5% to \$8,253 million in 2013. There were 58,965 Retirement Scheme contracts with net liabilities of \$100,566 million at the end of 2013.

Regarding Annuity and other businesses (comprising mainly Permanent Health business), in-force office premiums increased by 60.3% to \$6,049 million in 2013 and the number of in-force policies by 6.2% to 256,766 at the end of 2013.

New Business

Office premiums of new Individual Life business reached \$88,755 million in 2013, up 17.9% from \$75,278 million in 2012. Non-Linked Individual Life business and Linked Individual Life business grew by 19.7% and 11.8% respectively and accounted for 78.5% and 21.5% of the new Individual Life business respectively in 2013.

Figure 3.1 Long Term Insurance Business

| Type of Insurance | Number of Policies | | | | Office Premiums | | | | Net Liabilities | | | |
|---------------------------|--------------------|-----------|------------|------------|-----------------|-----------|-----------|-----------|-----------------|-----------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 |
| | | | | | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million |
| Individual Life | | | | | | | | | | | | |
| Non-Linked | 7,299,705 | 7,814,141 | 8,310,460 | 8,741,810 | 105,651.9 | 126,450.6 | 145,782.0 | 170,825.7 | 497,626.1 | 602,600.7 | 734,287.6 | 791,409.7 |
| | 5.3% | 7.0% | 6.4% | 5.2% | 16.3% | 19.7% | 15.3% | 17.2% | 20.7% | 21.1% | 21.9% | 7.8% |
| Linked | 1,687,733 | 1,737,409 | 1,719,910 | 1,673,956 | 54,587.3 | 60,245.9 | 63,259.1 | 69,895.8 | 245,108.4 | 223,773.6 | 253,757.4 | 267,674.4 |
| | 2.8% | 2.9% | -1.0% | -2.7% | 20.3% | 10.4% | 5.0% | 10.5% | 15.8% | -8.7% | 13.4% | 5.5% |
| Sub-total | 8,987,438 | 9,551,550 | 10,030,370 | 10,415,766 | 160,239.2 | 186,696.5 | 209,041.1 | 240,721.5 | 742,734.5 | 826,374.3 | 988,045.0 | 1,059,084.1 |
| | 4.9% | 6.3% | 5.0% | 3.8% | 17.7% | 16.5% | 12.0% | 15.2% | 19.0% | 11.3% | 19.6% | 7.2% |
| Group Life | 16,263 | 17,090 | 18,255 | 18,754 | 1,568.8 | 1,847.9 | 1,978.4 | 2,693.6 | 660.9 | 731.7 | 795.3 | 983.6 |
| | 1.1% | 5.1% | 6.8% | 2.7% | 9.0% | 17.8% | 7.1% | 36.2% | 3.0% | 10.7% | 8.7% | 23.7% |
| Retirement Scheme | 59,005 | 50,769 | 54,795 | 58,965 | 10,006.9 | 8,119.1 | 9,330.3 | 8,253.1 | 105,484.2 | 96,229.6 | 95,345.4 | 100,565.6 |
| | -3.9% | -14.0% | 7.9% | 7.6% | -35.9% | -18.9% | 14.9% | -11.5% | -30.4% | -8.8% | -0.9% | 5.5% |
| Annuity and Others | 251,037 | 229,676 | 241,743 | 256,766 | 2,091.3 | 2,251.6 | 3,774.4 | 6,048.7 | 8,209.6 | 8,919.4 | 11,792.6 | 15,617.7 |
| | -1.9% | -8.5% | 5.3% | 6.2% | -26.3% | 7.7% | 67.6% | 60.3% | 9.0% | 8.6% | 32.2% | 32.4% |
| Total | 9,313,743 | 9,849,085 | 10,345,163 | 10,750,251 | 173,906.2 | 198,915.1 | 224,124.2 | 257,716.9 | 857,089.2 | 932,255.0 | 1,095,978.3 | 1,176,251.0 |
| | 4.6% | 5.7% | 5.0% | 3.9% | 11.4% | 14.4% | 12.7% | 15.0% | 9.3% | 8.8% | 17.6% | 7.3% |

Figures in percentage denote percentage changes over the prior year

In-Force Individual Life Business

Non-Linked Business

Office premiums of Non-Linked business grew by 17.2% to \$170,826 million in 2013, representing 71.0% of the office premiums of in-force Individual Life business. The number of in-force Non-Linked policies reached 8.74 million at the end of 2013, up 5.2% from 2012. Total sums assured increased by 8.9% to \$3,438,604 million and net liabilities by 7.8% to \$791,410 million as at 31 December 2013.

In terms of in-force office premiums, Whole Life and Endowment insurances accounted for 69.8% of Non-Linked business and Term and Other insurances for the remaining 30.2%.

Non-Linked business may be classified into with-profits business and without-profits business. Under this classification, with-profits business took up 70.2% of the in-force office premiums while without-profits business the remaining 29.8%.

Linked Business

Office premiums of Linked business grew by 10.5% to \$69,896 million in 2013, accounting for 29.0% of the office premiums of in-force Individual Life business. The number of in-force policies dropped by 2.7% to 1,673,956 whereas net liabilities rose by 5.5% to \$267,674 million as at 31 December 2013.

Figure 3.2 In-Force Individual Life Business Office Premiums

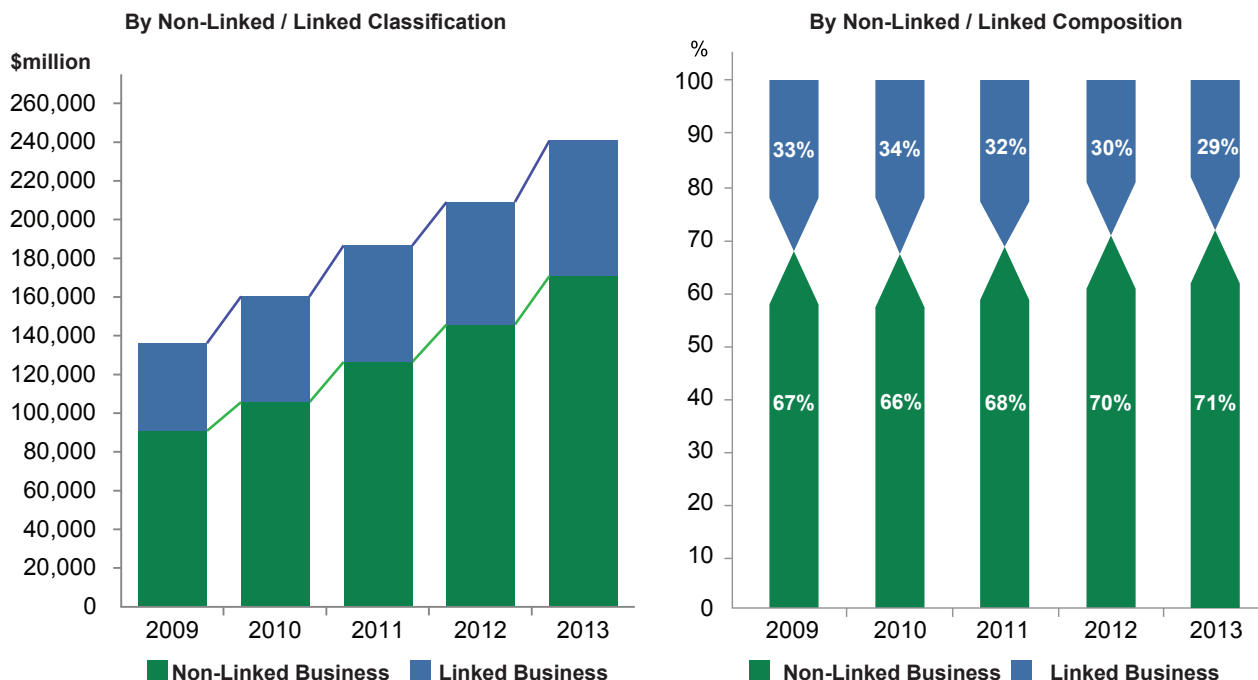


Figure 3.2 In-Force Individual Life Business (Accessible Version)

Office Premiums

| By Non-Linked / Linked Classification | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-----------|-----------|-----------|-----------|-----------|
| | \$million | \$million | \$million | \$million | \$million |
| Non-Linked Business | 90,832.1 | 105,651.9 | 126,450.5 | 145,782.1 | 170,825.7 |
| Linked Business | 45,360.4 | 54,587.3 | 60,245.9 | 63,259.1 | 69,895.8 |
| By Non-Linked / Linked Classification | 2009 | 2010 | 2011 | 2012 | 2013 |
| | % | % | % | % | % |
| Non-Linked Business | 67 | 66 | 68 | 70 | 71 |
| Linked Business | 33 | 34 | 32 | 30 | 29 |

**Figure 3.2 In-Force Individual Life Business
Office Premiums of Non-Linked Business**

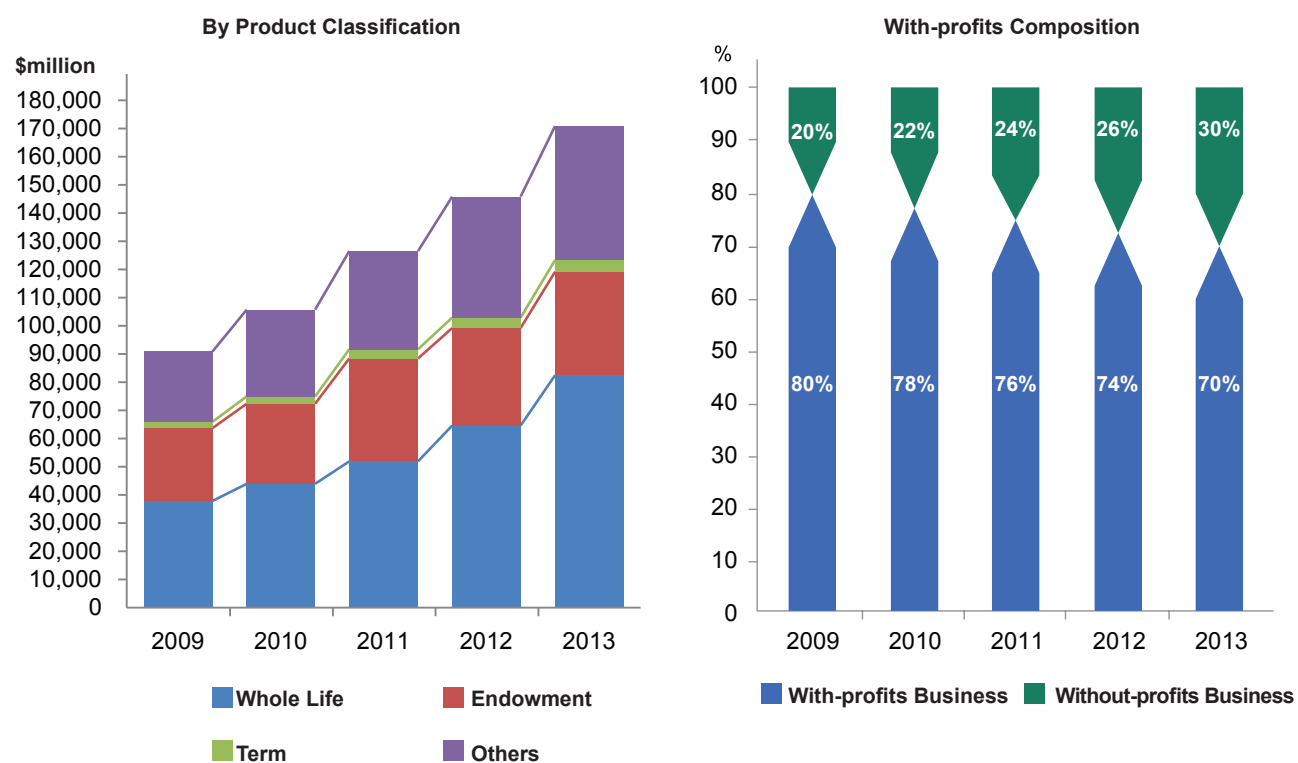


Figure 3.2 In-Force Individual Life Business (Accessible Version)

Office Premiums of Non-linked Business

| By Product Classification | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| | \$million | \$million | \$million | \$million | \$million |
| Whole Life | 37,813.0 | 43,867.8 | 51,894.7 | 64,538.5 | 82,473.5 |
| Endowment | 25,880.7 | 28,518.3 | 36,495.2 | 34,601.0 | 36,714.3 |
| Term | 2,218.9 | 2,515.3 | 3,307.5 | 3,764.0 | 4,103.3 |
| Others | 24,919.5 | 30,750.4 | 34,753.1 | 42,878.6 | 47,534.6 |
| With-profits Composition | 2009 | 2010 | 2011 | 2012 | 2013 |
| | % | % | % | % | % |
| With-profits Business | 80 | 78 | 76 | 74 | 70 |
| Without-profits Business | 20 | 22 | 24 | 26 | 30 |

New Individual Life Business

Office premiums of new Individual Life business increased by 17.9% to \$88,755 million whereas the number of new policies decreased by 3.8% to 1,028,724 in 2013. Non-Linked business accounted for 78.5% of the new total office premiums and Linked business for the remaining 21.5%.

Non-Linked Business

For new Non-Linked business, office premiums recorded an increase of 19.7% to \$69,640 million in 2013, with single premium business increased by 18.7% and regular premium business by 20.6%. The number of policies dropped by 1.8% to 937,079 in 2013.

Non-Linked business may be classified into with-profits and without-profits business, representing 60.1% and 39.9% of the related new office premiums respectively.

Linked Business

For new Linked business, the office premiums increased by 11.8% whereas the number of new policies recorded a drop by 20.4% in 2013. The number of new policies in single payment mode and the related office premiums increased by 34.9% and 66.9% respectively. The number of new policies in regular payment mode and the related office premiums decreased by 23.3% and 30.0% respectively.

New Business Index

New Business Index, defined as total office premiums for all regular premium products plus one-tenth of single premiums, increased by 10.2% in 2013. The rise in New Business Index was attributable to increases in new premiums of both regular and single premium businesses at a rate of 8.7% and 29.2% respectively. During the year, the New Business Index for Non-Linked business increased by 20.4% whereas that for Linked business decreased by 23.2%.

Figure 3.3 New Individual Life Business Office Premiums

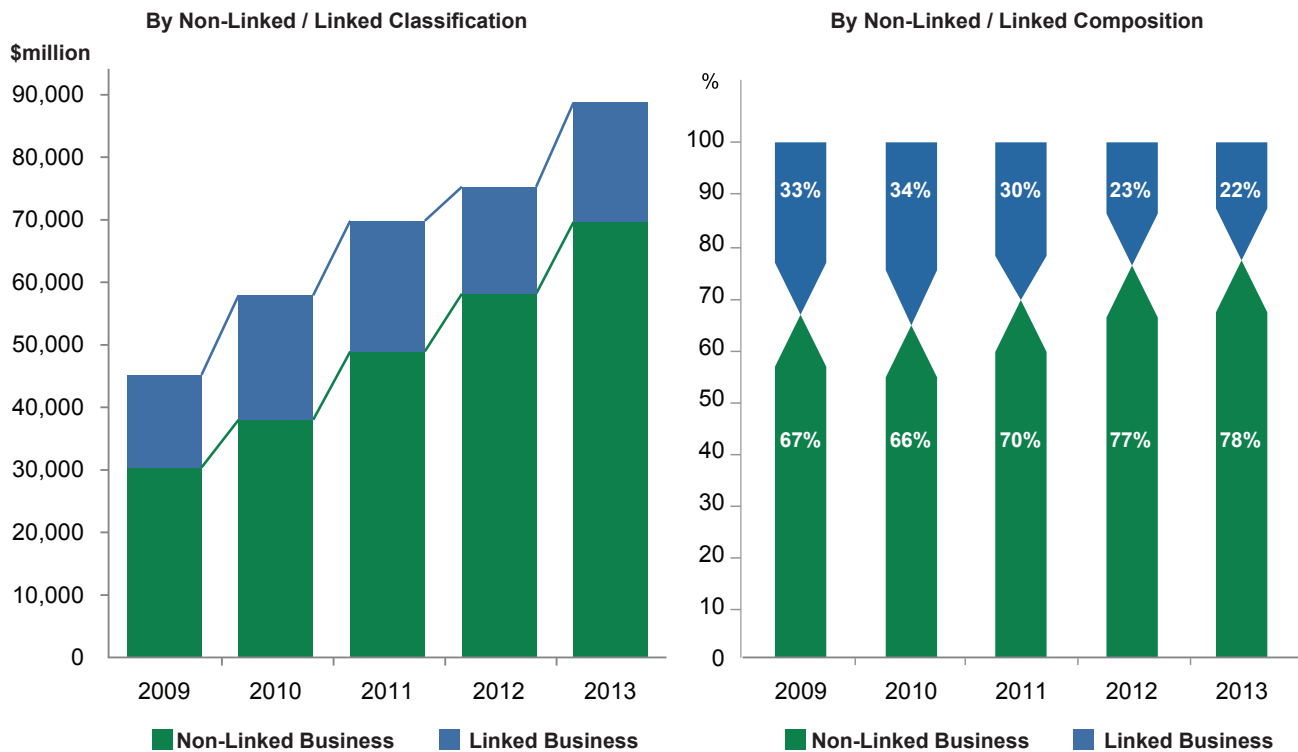
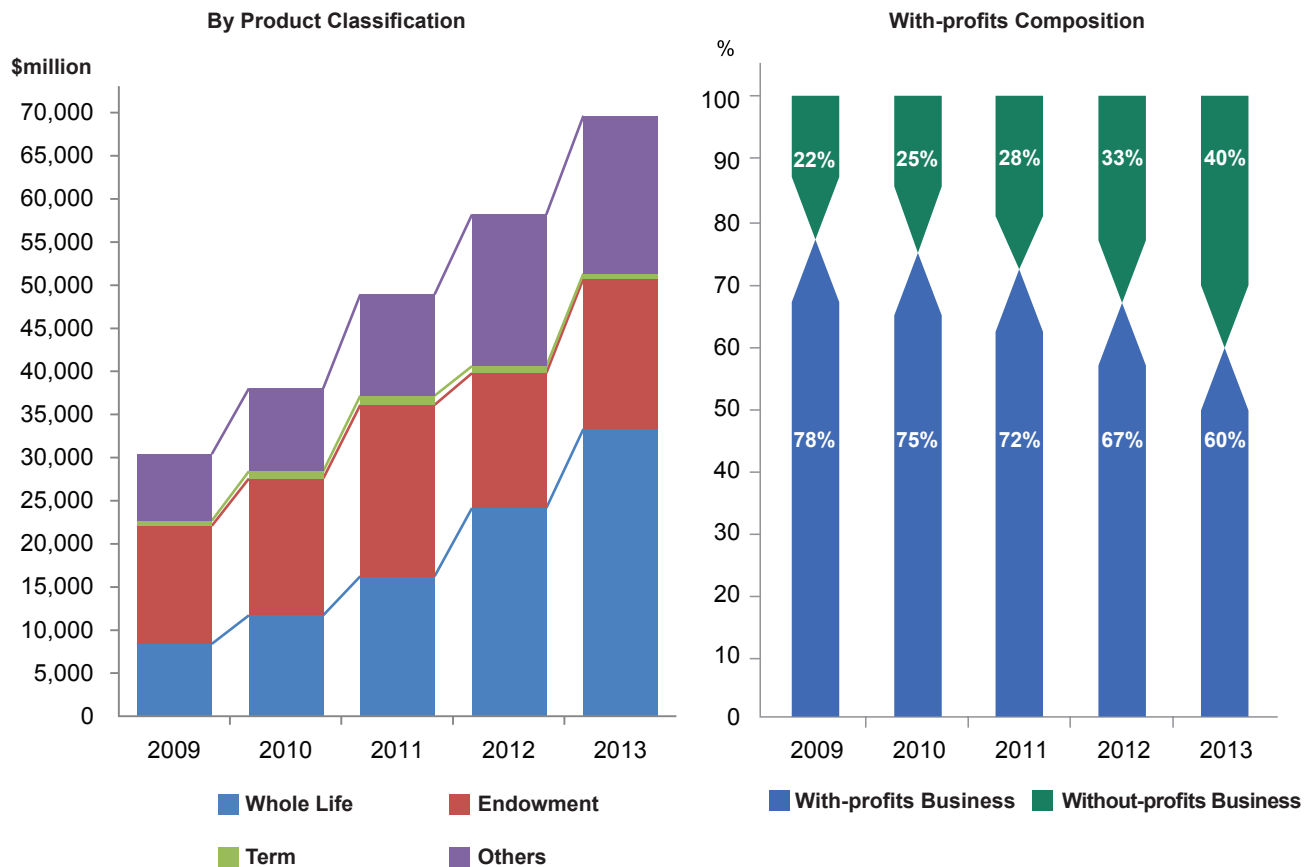


Figure 3.3 New Individual Life Business (Accessible Version) Office Premiums

| By Non-Linked / Linked Classification | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|
| | \$million | \$million | \$million | \$million | \$million |
| Non-Linked Business | 30,394.5 | 38,023.3 | 48,937.9 | 58,177.3 | 69,639.6 |
| Linked Business | 14,789.8 | 19,923.9 | 20,926.4 | 17,100.6 | 19,115.6 |
| By Non-Linked / Linked Classification | 2009 | 2010 | 2011 | 2012 | 2013 |
| | % | % | % | % | % |
| Non-Linked Business | 67 | 66 | 70 | 77 | 78 |
| Linked Business | 33 | 34 | 30 | 23 | 22 |

**Figure 3.3 New Individual Life Business
Office Premiums of Non-Linked Business**



**Figure 3.3 New Individual Life Business (Accessible Version)
Office Premiums of Non-Linked Business**

| By Product Classification | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| | \$million | \$million | \$million | \$million | \$million |
| Whole Life | 8,413.8 | 11,730.5 | 16,251.8 | 24,141.0 | 33,320.7 |
| Endowment | 13,683.2 | 15,852.2 | 19,870.2 | 15,658.8 | 17,423.5 |
| Term | 597.8 | 828.7 | 1,047.9 | 792.3 | 622.6 |
| Others | 7,699.7 | 9,611.9 | 11,768.0 | 17,585.2 | 18,272.8 |
| With-profits Composition | 2009 | 2010 | 2011 | 2012 | 2013 |
| | % | % | % | % | % |
| With-profits Business | 78 | 75 | 72 | 67 | 60 |
| Without-profits Business | 22 | 25 | 28 | 33 | 40 |

Figure 3.4 New Individual Life Business (Number of Policies and New Business Index)

| Type of Insurance | Number of Policies | | | | | | | | | | | |
|--------------------|--------------------|---------------|---------------|---------------|-----------------|------------------|------------------|----------------|------------------|------------------|------------------|------------------|
| | Single Payment | | | | Regular Payment | | | | Total | | | |
| | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 |
| Non-Linked: | | | | | | | | | | | | |
| Whole Life | 4,440 | 4,540 | 5,702 | 8,701 | 331,237 | 363,261 | 439,246 | 482,849 | 335,677 | 367,801 | 444,948 | 491,550 |
| Endowment | 23,472 | 24,959 | 21,703 | 14,098 | 118,512 | 135,631 | 114,892 | 107,293 | 141,984 | 160,590 | 136,595 | 121,391 |
| Term | 991 | 1,066 | 858 | 865 | 187,026 | 183,703 | 173,165 | 135,869 | 188,017 | 184,769 | 174,023 | 136,734 |
| Others | 6,964 | 6,866 | 7,901 | 6,762 | 176,372 | 199,912 | 190,982 | 180,642 | 183,336 | 206,778 | 198,883 | 187,404 |
| | 35,867 | 37,431 | 36,164 | 30,426 | 813,147 | 882,507 | 918,285 | 906,653 | 849,014 | 919,938 | 954,449 | 937,079 |
| Linked: | 13,827 | 11,010 | 5,769 | 7,782 | 151,768 | 148,742 | 109,330 | 83,863 | 165,595 | 159,752 | 115,099 | 91,645 |
| Total | 49,694 | 48,441 | 41,933 | 38,208 | 964,915 | 1,031,249 | 1,027,615 | 990,516 | 1,014,609 | 1,079,690 | 1,069,548 | 1,028,724 |

| Type of Insurance | Office Premiums | | | | | | | | | | | |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|
| | Single Payment | | | | Regular Payment | | | | New Business Index* | | | |
| | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 |
| | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million | \$million |
| Non-Linked: | | | | | | | | | | | | |
| Whole Life | 5,749.3 | 8,373.7 | 12,896.4 | 19,171.0 | 5,981.2 | 7,878.2 | 11,244.6 | 14,149.8 | 6,556.1 | 8,715.6 | 12,534.2 | 16,066.9 |
| Endowment | 6,362.2 | 7,867.2 | 6,555.6 | 5,015.0 | 9,490.0 | 12,003.0 | 9,103.2 | 12,408.5 | 10,126.2 | 12,789.7 | 9,758.8 | 12,910.0 |
| Term | 48.3 | 55.1 | 54.5 | 51.7 | 780.4 | 992.8 | 737.8 | 570.8 | 785.2 | 998.3 | 743.3 | 576.0 |
| Others | 3,756.3 | 4,955.4 | 6,984.3 | 7,197.6 | 5,855.6 | 6,812.7 | 10,601.0 | 11,075.3 | 6,231.2 | 7,308.2 | 11,299.4 | 11,795.1 |
| | 15,916.1 | 21,251.4 | 26,490.8 | 31,435.3 | 22,107.2 | 27,686.7 | 31,686.6 | 38,204.4 | 23,698.7 | 29,811.8 | 34,335.7 | 41,348.0 |
| Linked: | 9,725.6 | 9,626.9 | 7,380.6 | 12,315.1 | 10,198.3 | 11,299.5 | 9,720.1 | 6,800.6 | 11,170.9 | 12,262.2 | 10,458.2 | 8,032.1 |
| Total | 25,641.7 | 30,878.3 | 33,871.4 | 43,750.4 | 32,305.5 | 38,986.2 | 41,406.7 | 45,005.0 | 34,869.6 | 42,074.0 | 44,793.9 | 49,380.1 |

*New Business Index = 10% Single Premiums + Regular Premiums

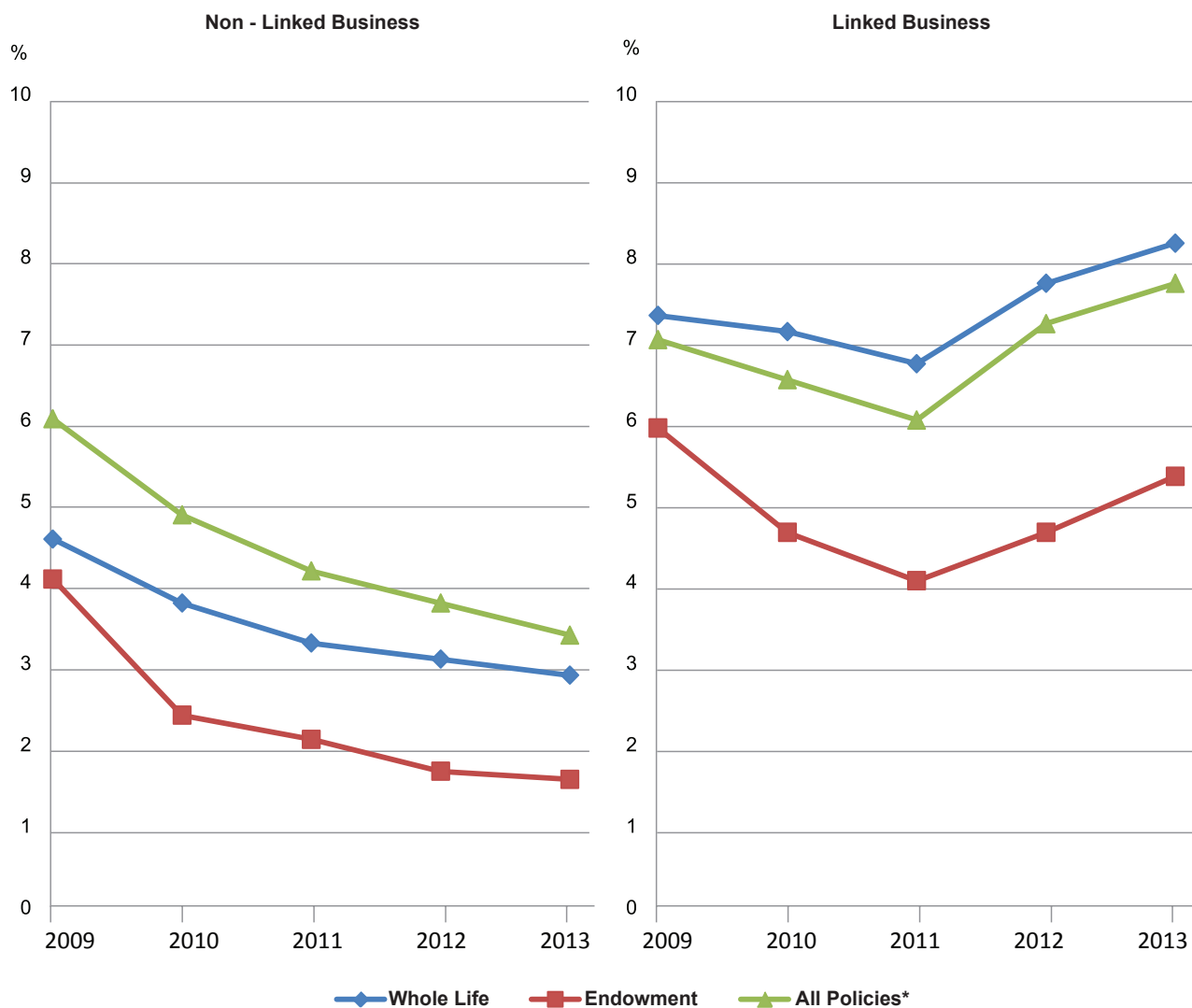
Individual Life Voluntary Termination Rate (Lapses and Surrenders)

Voluntary termination rate is the ratio of the number of policies lapsed or surrendered during the year to the average number of policies in-force and is a measure of the persistency of business.

For Non-Linked Individual Life business, the overall voluntary termination rate improved from 3.8% in 2012 to 3.4% in 2013.

For Linked Individual Life business, the overall voluntary termination rate deteriorated from 7.3% in 2012 to 7.8% in 2013.

Figure 3.5 Individual Life Voluntary Termination Rate



*All Policies include term policies and others

Figure 3.5 Individual Life Voluntary Termination Rate (Accessible Version)

| Non-Linked Business | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| | % | % | % | % | % |
| Whole Life | 4.6 | 3.8 | 3.3 | 3.1 | 2.9 |
| Endowment | 4.1 | 2.4 | 2.1 | 1.7 | 1.6 |
| All Policies* | 6.1 | 4.9 | 4.2 | 3.8 | 3.4 |
| Linked Business | 2009 | 2010 | 2011 | 2012 | 2013 |
| | % | % | % | % | % |
| Whole Life | 7.4 | 7.2 | 6.8 | 7.8 | 8.3 |
| Endowment | 6.0 | 4.7 | 4.1 | 4.7 | 5.4 |
| All Policies* | 7.1 | 6.6 | 6.1 | 7.3 | 7.8 |

*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 2013 were \$89 million, representing 3.3% of Group Life business. At the end of 2013, there were 217 Class A in-force policies covering 98,510 lives. Total sums assured and net liabilities were \$16,796 million and \$152 million respectively.

For Class I business, office premiums stood at \$2,604 million, representing 96.7% of Group Life business. At the end of 2013, there were 18,536 Class I in-force policies covering 1,106,902 lives. Total sums assured and net liabilities were \$710,717 million and \$805 million respectively.

Figure 3.6 In-Force Group Life Business

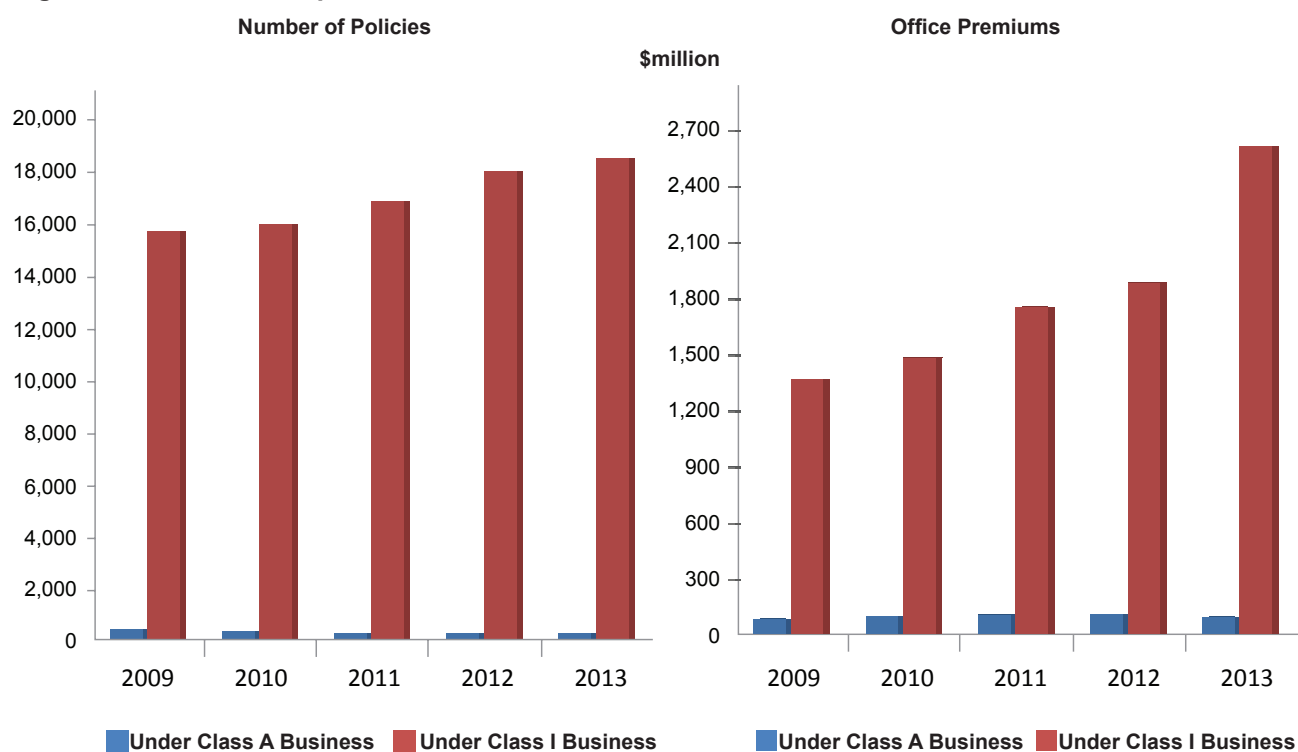


Figure 3.6 In-Force Group Life Business (Accessible Version)

| Number of Policies | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Under Class A Business | 384 | 284 | 225 | 236 | 217 |
| Under Class I Business | 15,694 | 15,978 | 16,864 | 18,018 | 18,536 |
| Office Premiums | 2009 | 2010 | 2011 | 2012 | 2013 |
| | \$million | \$million | \$million | \$million | \$million |
| Under Class A Business | 79.4 | 94.3 | 99.2 | 102.1 | 89.4 |
| Under Class I Business | 1,359.8 | 1,474.5 | 1,748.7 | 1,876.3 | 2,604.2 |

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 \$7,498 million in 2013, representing 90.9% of overall contributions of Retirement Scheme business. As at 31 December 2013, the related net liabilities amounted to \$86,872 million. Net liabilities may be classified into unit (unitised) and non-unit liabilities. The related unit and non-unit liabilities were \$69,626 million and \$17,246 million respectively.

Following the conversion of some non-guaranteed Retirement Schemes contracts into unit trust structures in 2010, Class H contributions continued decreasing from \$1,122 million in 2012 to \$755 million in 2013, representing 9.1% of overall contributions in 2013. As at 31 December 2013, the related net liabilities stood at \$13,693 million, of which unit and non-unit liabilities were \$9,103 million and \$4,590 million respectively.

Figure 3.7 In-Force Retirement Scheme Business

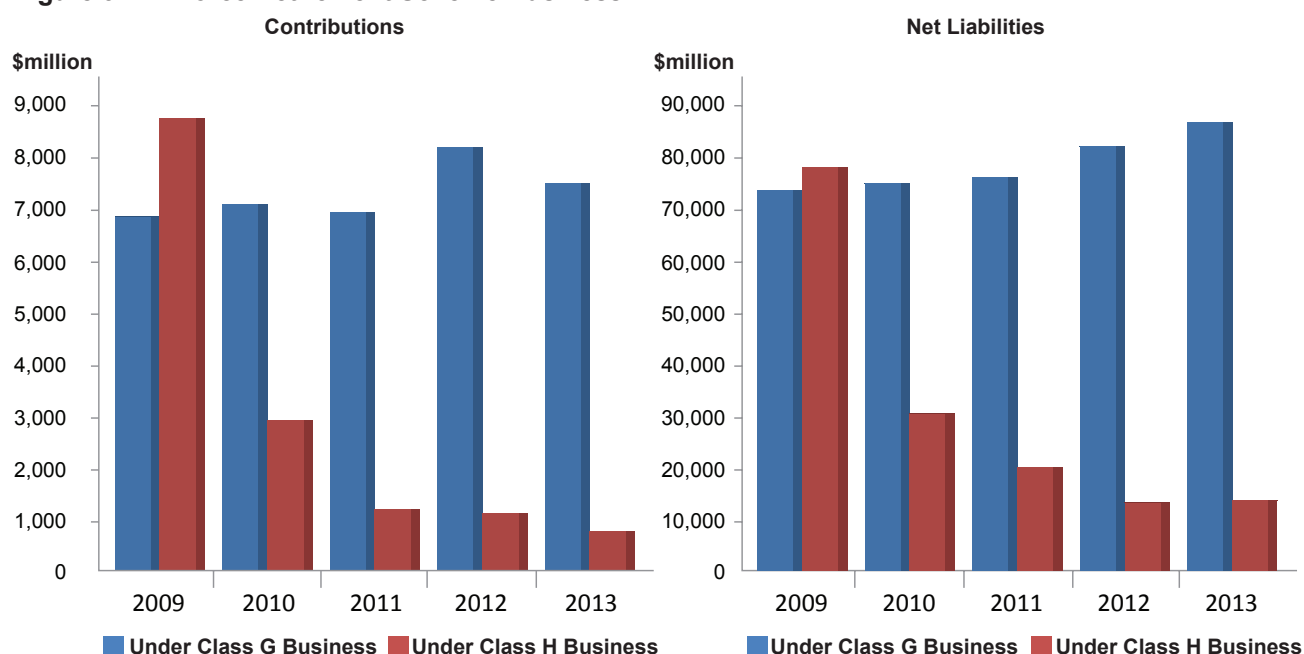


Figure 3.7 In-Force Retirement Scheme Business (Accessible Version)

| Contributions | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| | \$million | \$million | \$million | \$million | \$million |
| Under Class G Business | 6,854.0 | 7,091.2 | 6,930.6 | 8,208.2 | 7,498.0 |
| Under Class H Business | 8,756.5 | 2,915.7 | 1,188.5 | 1,122.1 | 755.1 |
| Net Liabilities | 2009 | 2010 | 2011 | 2012 | 2013 |
| | \$million | \$million | \$million | \$million | \$million |
| Under Class G Business | 73,587.7 | 75,069.9 | 76,248.5 | 82,156.6 | 86,872.2 |
| Under Class H Business | 78,019.8 | 30,414.3 | 19,981.1 | 13,188.8 | 13,693.4 |

Annuity and Other Business

For Annuity business, there were 77,923 in-force policies at the end of 2013. Its office premiums surged by 74.1% to \$5,138 million and net liabilities increased by 46.4% to \$11,717 million in 2013. During the year, a total of 19,113 new Annuity policies were effected with office premiums of \$3,146 million.

Other business comprises Permanent Health, Tontines and Capital Redemption businesses. For Permanent Health business, the number of in-force policies and office premiums increased by 0.3% to 178,837 and 10.6% to \$910 million respectively and net liabilities by 3.0% to \$3,899 million in 2013. For Tontines and Capital Redemption businesses, their total office premiums were about \$0.1 million in 2013.

In terms of premiums, Annuity and Other business only accounted for 2.3% of the market total of the long term insurance business in 2013.

Market Analysis

At as 31 December 2013, there were 63 authorised long term business insurers. Excluding Lloyd's and 7 pure reinsurers, 8 insurers reported in-force office premiums of more than \$10 billion and took up a total of 74.2% of the long term insurance market. The other 47 insurers with office premiums of less than \$10 billion represented the remaining 25.8% of the market total.

**Figure 3.8 Grouping of Long Term Business Insurers
According to the Level of Office Premiums of In-Force Business in 2013**

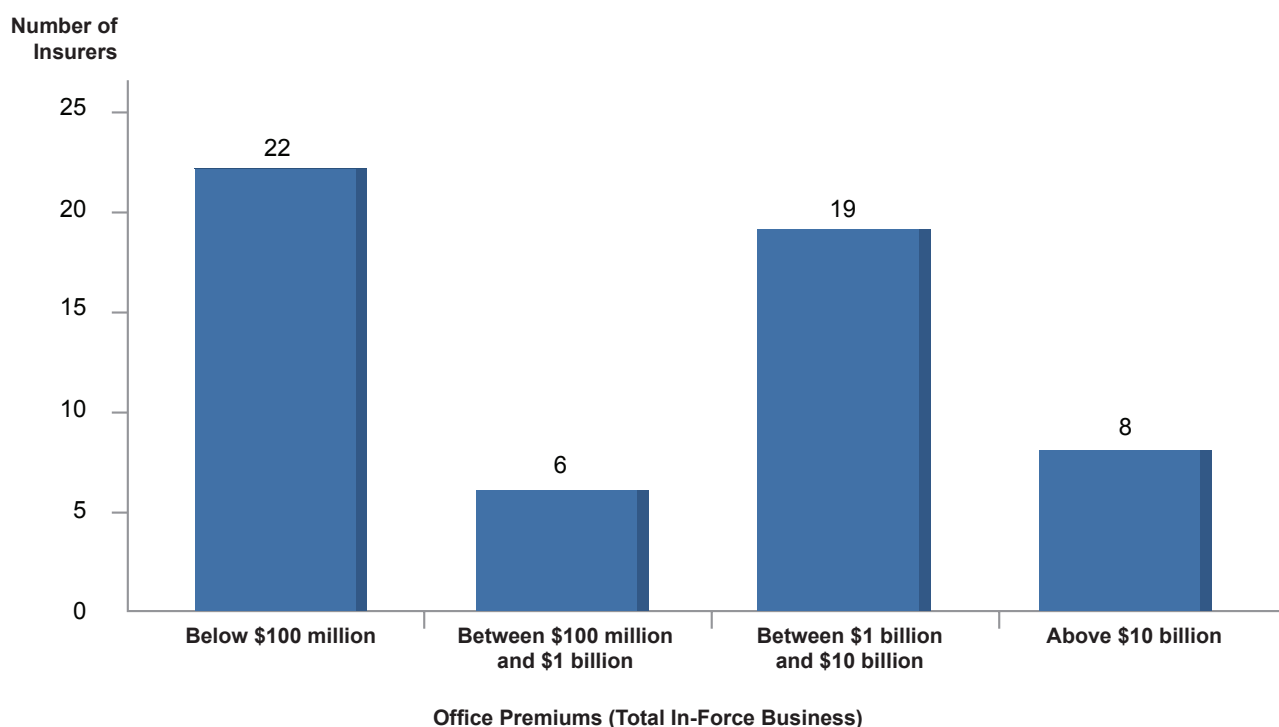


Figure 3.8 Grouping of Long Term Business Insurers
According to the Level of Office Premiums of In-Force Business in 2013 (Accessible Version)

| Office Premiums (Total In-Force Business) | Number of Insurers |
|---|--------------------|
| Below \$100 million | 22 |
| Between \$100 million and \$1 billion | 6 |
| Between \$1 billion and \$10 billion | 19 |
| Above \$10 billion | 8 |

In terms of new Individual Life business, 33 insurers wrote new business in 2013. Among these insurers, 13 reported new office premiums of more than \$1 billion and took up 91.5% of the total business. The other 20 insurers, with new office premiums of less than \$1 billion, shared the remaining 8.5% of the market total.

Figure 3.9 Grouping of Long Term Business Insurers
According to the Level of Office Premiums of New Individual Life Business in 2013

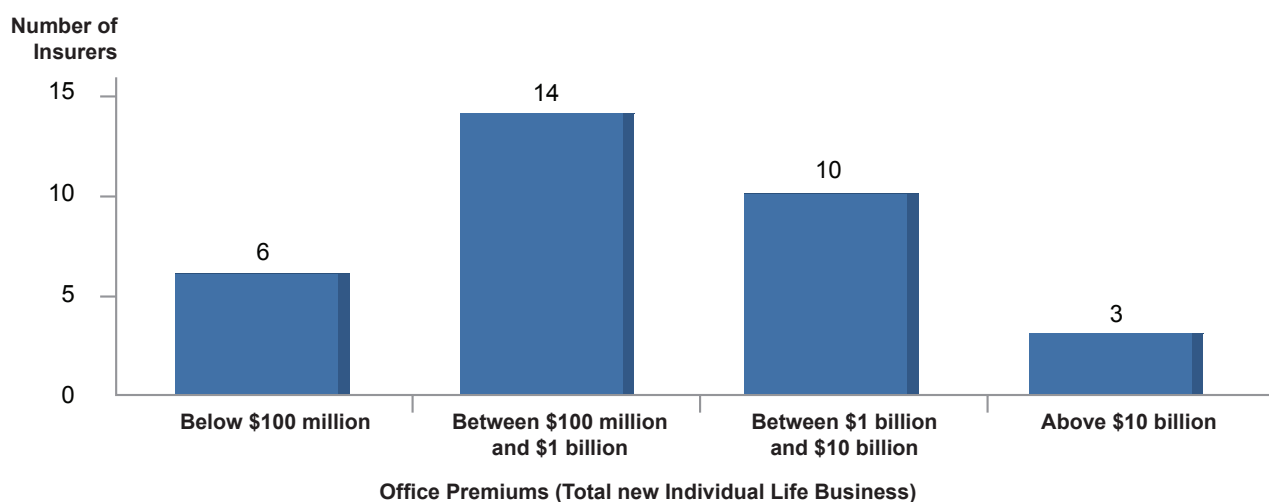


Figure 3.9 Grouping of Long Term Business Insurers
According to the Level of Office Premiums of New Individual Life Business in 2013
(Accessible Version)

| Office Premiums (Total New Individual Life Business) | Number of Insurers |
|--|--------------------|
| Below \$100 million | 6 |
| Between \$100 million and \$1 billion | 14 |
| Between \$1 billion and \$10 billion | 10 |
| Above \$10 billion | 3 |

Market Performance for 2014

Based on provisional statistics, total revenue premiums of in-force long term insurance business amounted to \$285,804 million in 2014, representing a rise of 14.9%.

For Individual Life and Annuity business, revenue premiums increased by 15.2% to \$262,659 million, in which Non-Linked and Linked businesses accounted for \$213,836 million and \$48,823 million respectively. Contributions of Retirement Scheme business also increased by 11.7% to \$19,090 million.

In respect of new business, the office premiums of long term insurance business (excluding Retirement Scheme business) increased by 23.2% to \$114,036 million in 2014. For Individual Life and Annuity business, Non-Linked business grew by 33.3% to \$97,357 million whereas Linked business decreased by 16.1% to \$16,052 million.

During 2014, almost 160,000 new policies were issued to Mainland visitors. Office premiums generated from these new policies amounted to \$24,356 million, representing 21.4% of the total new Individual Life business in 2014.



Supervisory Developments for Insurance Intermediaries

Supervisory Developments for Insurance Intermediaries

The Office of the Commissioner of Insurance (“OCI”) is committed as ever to enhancing the professionalism of insurance intermediaries to meet public expectation. We have been working closely with other financial services regulators to maximise cross-sectoral cooperation.

Insurance Intermediaries Quality Assurance Scheme (“IIQAS”)

Introduced in 2000, the IIQAS aims to enhance professionalism of insurance intermediaries in Hong Kong. All insurance agents and brokers, their responsible officers/chief executives and technical representatives (collectively referred to as “insurance intermediaries”) are subject to the Insurance Intermediaries Qualifying Examination (“IIQE”) and the Continuing Professional Development (“CPD”) Programme requirements under the IIQAS.

The IIQE

In addition to other prerequisites, a prospective insurance intermediary is required to meet the IIQE requirements in order to be eligible for registration/authorisation. The IIQE consists of five examination papers: the basic paper on Principles and Practice of Insurance, three qualifying papers (viz. General Insurance, Long Term Insurance, and Investment-linked Long Term Insurance), and the Travel Insurance Agents Examination.

Examinations are offered throughout the year in both pen-and-paper mode and computer screen mode. The cumulative statistics on the IIQE as at 31 December 2014 are shown in Figure 4.1 below.

Figure 4.1 The IIQE (Cumulative Statistics as at 31 December 2014)

| Examination Paper | Number of Sittings | Passing Rate |
|--|--------------------|--------------|
| Basic Examination Paper - Principles and Practice of Insurance | 509,210 | 53% |
| Qualifying Examination Papers - | | |
| General Insurance | 235,732 | 45% |
| Long Term Insurance | 452,743 | 58% |
| Investment-linked Long Term Insurance | 256,721* | 56%* |
| Travel Insurance Agents Examination Paper | 16,013 | 41% |

*As at 31 December 2014, there were a total of about 256,721 candidates sitting for the Investment-linked Long Term Insurance Paper ("IL Paper"), comprising 166,578 candidates sitting for the previous IL Paper and 90,143 for the enhanced version. The passing rates were about 58% and 54% respectively.

The Vocational Training Council is the examination body of the IIQE. It regularly reviews and updates the study notes and examination questions for each of the IIQE examination papers, taking account of the latest regulatory and market developments.

The CPD Programme

The CPD Programme aims at ensuring that insurance intermediaries constantly keep abreast of the industry knowledge and maintain their professional competence. By requiring them to earn a minimum of 10 CPD hours every year, the Programme encourages insurance intermediaries to pursue lifelong learning, enhance professionalism and deliver excellent services to the insuring public. As for travel insurance agents, they are also subject to the CPD requirement of 3 CPD hours per year.

For quality assurance, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications is appointed as the assessment authority for the CPD Programme to provide assessment services for CPD activities as well as vetting services for the recognition of Qualifications Framework ("QF") accredited programmes as qualified CPD activities. The lists of approved CPD activities and QF accredited programmes recognised as qualified CPD activities, with their respective CPD hours, are regularly updated and posted on its website (<http://www.hkcaavq.edu.hk>).



Monitoring of Insurance Intermediaries

The OCI continues to monitor the insurance intermediaries under its regime to ensure their compliance with the requirements of the Insurance Companies Ordinance (Cap. 41). The OCI also conducts on-site inspections to these intermediaries and ensures that irregularities identified are followed up properly.

Monitoring of MPF Intermediaries

Prior to 1 November 2012, the regulation of MPF intermediaries was under an administrative regulatory regime. With the introduction of Employee Choice Arrangement, the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“MPFSO”) was amended to, inter alia, put in place a statutory framework for the regulation of registered MPF intermediaries with effect from 1 November 2012. Under the statutory regime for regulation of MPF intermediaries, the Insurance Authority (“IA”) is given the statutory role as the frontline regulator under the MPFSO for monitoring compliance of registered MPF intermediaries from the insurance sector with the conduct requirements stipulated in the MPFSO and the relevant Guidelines on Conduct Requirements for Registered Intermediaries issued under the MPFSO.

Under the MPFSO, the IA may exercise the inspection powers for ascertaining the registered MPF intermediaries’ compliance with the statutory conduct requirements. Where the IA has reasonable cause to believe that any registered MPF intermediaries may have failed to comply with the statutory conduct requirements, the IA may exercise the investigation powers under the MPFSO for investigating the suspected non-compliance.

Cross-sectoral Cooperation

The OCI continues to work closely with the Hong Kong Monetary Authority, the Mandatory Provident Fund Schemes Authority, the Securities and Futures Commission, and other law enforcement agencies on cross-sectoral issues. The OCI and these regulators also hold regular meetings to discuss issues of common supervisory concerns.



Consumer Protection

Consumer Protection

Insurance involves the delivery of a promise in the future. Its nature warrants the need for consumer protection which helps instil their confidence in the insurance industry and facilitates its further growth. The Office of the Commissioner of Insurance (“OCI”) is committed to working hand-in-hand with all stakeholders to promote market transparency and good industry practices for the better protection of the insuring public.

Market Transparency

Policyholders and insurance industry need timely access to statistical information to assist them in appraising market performance and making financial decisions. To enhance market transparency, the OCI regularly publishes insurance statistics on its homepage, newsletters and annual reports.

Every year, the OCI compiles statistics on the underwriting performance of Hong Kong general insurance business based on the audited Hong Kong General Business Returns of insurers. Extensive data covering premiums, underwriting expenses, claims experiences as well as underwriting result for each class of business, distinguished between direct business and reinsurance inward business, are published. Key business figures of individual insurers are also released.

To better assist general business insurers in their assessment of the claims cost of two compulsory lines of insurance business, namely, employees’ compensation (“EC”) business and motor vehicle business, the OCI also publishes additional statistics for this purpose. These include annual statistics on the gross premiums, gross claims paid and gross outstanding claims development data, broken down by trade occupation for EC business, and by type of vehicle, type of coverage, and nature of claims for motor vehicle business on an aggregate basis.

Every quarter, the OCI publishes provisional general insurance business statistics on the underwriting performance for each class of direct and reinsurance inward business, under which direct Accident & Health business is further broken down into “medical” and “non-medical” business. The provisional statistics on the underwriting performance of Motor Vehicle business broken down by type of vehicle are also published quarterly.

To further enhance the transparency and quality of insurance statistics, the OCI also publishes quarterly statistics on the underwriting performance of new sub-classes of direct Motor Vehicle, Ships, Property Damage, General Liability and Pecuniary Loss businesses as well as that of EC insurance business by trade occupation.

In respect of long term insurance business, annual statistics are compiled based on the Hong Kong Long Term Business Returns certified by appointed actuaries of long term business insurers. The published statistics cover extensive information for both new and in-force businesses, such as number of policies, premiums, net liabilities and voluntary termination rates under various classes of business or types of insurance products.

Quarterly provisional long term insurance business statistics are also compiled based on the information reported by insurers in the Hong Kong Long Term Business Quarterly Returns. The statistics cover areas such as new business, in-force business, terminated policies, reinsurance business, policy replacements and individual policies issued to Mainland visitors. The OCI revised these quarterly returns in 2013 and further enhanced their coverage in 2014. Additional information was collected on breakdown of currency, on-shore/off-shore, premium term and distribution channel in respect of new individual business premiums and number of policies, and relevant statistics were first released in 2014. The quarterly and annual long term insurance business statistical data are released on both aggregate and individual insurer bases.

Newsletter “ILens”

The OCI’s newsletter “ILens” aims at promoting regulatory transparency and consumer education. It is a channel for the OCI to communicate to the public and the industry about insurance topical issues, market performance and development. Professionals and market experts are invited to write feature articles for the ILens, which focus on current industry developments and future trends, as well as drawing consumers’ attention to the important points to note when procuring insurance products. General topics like corporate governance, prevention of money laundering, professionalism, customer service and insurance product developments all aim at promoting consumer education. Latest performance of the local insurance market, industry initiatives and regulatory news are also reported to enhance the public’s understanding about the local insurance market and the regulatory regime.

Published copies of “ILens” are available free of charge from the OCI, the District Offices of the Home Affairs Department and the Consumer Council. The electronic version of “ILens” is accessible on the OCI’s website.



Public Educational Campaign

To promote consumer education, including drawing the attention of consumers to the important points that they should take note of when considering to procure insurance products, the OCI publishes booklets on insurance intermediaries and educational pamphlets on a variety of topics, including “Buying Insurance - What you need to know”, “Life Insurance Policy Replacement - What you need to know” and “Travel Insurance - What you need to know”. Electronic versions of these educational pamphlets are available on the OCI’s website and hyperlinked with the Consumer Council’s website.

In the areas of promoting professional ethics and corruption prevention, the OCI rendered its support to The Independent Commission Against Corruption (“ICAC”) which worked with industry bodies in the “Professional Ethics Programme for the Insurance Sector”. Training filmlet, “The Noble Means”, together with case studies, guidebooks, enhancement of anti-corruption contents in courses for Continuing Professional Development assessment and ICAC seminars on managing staff integrity and corruption prevention were produced and conducted for insurance practitioners. These materials contain guidelines and examples for good market practices which enhance professionalism and ethics.



Other Measures for Consumer Protection

The OCI and the insurance industry have continued to take joint efforts to promote consumer protection measures. These measures include:

Consumer Protection Declaration Form (“CPDF”)

The CPDF is introduced under the Code of Practice for Life Insurance Replacement (“Code”) issued by the insurance industry as a self-regulatory measure to prevent twisting of life policies. It should be completed and signed to evidence that an insurance intermediary has clearly explained to a life policyholder the consequences and potential disadvantages of replacing an existing policy. A life policy applicant is also required to declare in the CPDF that he/she has received a copy of the OCI’s educational pamphlet “Life Insurance Policy Replacement - What you need to know”. In 2008, the Code was revised to keep pace with market developments and to clarify the responsibility of claim payment under the circumstance of twisting being proven.

Cooling-Off Period for Long Term Insurance Policies

Policyholders are given a cooling-off period to review the terms and conditions of their long term insurance policies. The arrangement was first introduced in 1996 and would from time to time be revised to take into consideration of market developments. The cooling-off period aims to give policyholders of new life insurance policies a chance to re-consider within a reasonable period of time their decision to purchase a life insurance product. Policyholders have the right to cancel new policies within the cooling-off period and request for a refund of the premium(s) paid. With effect from 1 February 2010, the cooling-off period is 21 days after the delivery of the policy or issue of a notice (informing the policyholder of the availability of the policy and the expiry date of the cooling-off period) to the policyholder or the policyholder's representative, whichever is the earlier.

Illustration Standards for Long Term Insurance Policies

The insurance industry works with the relevant regulatory authorities in developing illustration standards to enhance the transparency of life policies. The standards provide prospective policyholders with a summary of insurance benefits, investment returns and surrender values. This illustration will not only reduce potential market malpractice, but also enable prospective policyholders to make informed decisions.

Enhancement of the illustration standards for investment-linked insurance products was made by implementing new illustration rates with effect from 1 January 2014. An additional no-growth illustration rate was also introduced from 1 January 2015.

Code of Conduct and Code of Practice

As part of the self-regulatory initiatives taken by the industry, The Hong Kong Federation of Insurers ("HKFI") has published the Code of Conduct for Insurers and the Code of Practice for the Administration of Insurance Agents. These Codes aim to promote good practice among insurers in the conduct of their insurance business and the administration of their insurance agents.

Strengthening of Investment-linked Assurance Scheme's ("ILAS") Regulation

To strengthen the regulation of ILAS, the OCI has worked with the HKFI to draw up a package of measures.

To ensure that consumers purchase products that are suitable for them and consistent with their needs and risk appetite, a suitability test comprising the enhanced Financial Needs Analysis, Risk Profile Questionnaire, Applicant's Declarations and post-sale telephone confirmation for vulnerable groups has been implemented since 2009.

As for ensuring that insurance intermediaries possess adequate knowledge of ILAS products available in the market place before introducing them to prospective clients, the examination and training requirements for insurance intermediaries selling ILAS products were enhanced in March 2010.

Since February 2011, the insurance industry has distributed a pamphlet entitled “Questions you need to ask before taking out an ILAS product” to potential policyholders of ILAS products at the point of sale. This pamphlet is prepared by the HKFI with the support of the OCI for the purpose of facilitating easy and clear understanding by the consumers before taking out an ILAS product. The pamphlet contains seven key questions that consumers may need to consider before taking out an ILAS product. These key questions help consumers to understand the nature and characteristics of the ILAS products they intend to buy. The pamphlet was revised in June 2013 to reflect the updated requirements to enhance customer protection for ILAS products. It is available for downloading on the website of the HKFI (<http://www.hkfi.org.hk>).

In December 2012, the HKFI, in consultation with the OCI, issued the Guidance Note on ILAS Illustration to change the existing illustration from two illustration rates (9% and 5%) to three (9%, 6% and 3%) with effect from 1 January 2014. The revised illustration rates are to ensure that customers receive proper information and disclosure and that the rates of illustration are more appropriate to the current investment environment.

The HKFI, after consulting the OCI, issued the Updated Requirements Relating to the Sale of Investment Linked Assurance Scheme to Enhance Customer Protection which came into effect on 30 June 2013. The enhanced measures include (1) the need for a policyholder to fill in an Important Facts Statement (“IFS”) cum Applicant’s Declaration Form which contains key features of the ILAS product for customers’ information at the point of sale, including cooling-off period, upfront and early surrender charges and intermediaries’ remuneration disclosure; and (2) the extension of audio-recorded post-sale telephone calls to all customers purchasing ILAS products.

Guidance Note on Underwriting Class C Business (GN15)

In July 2014, for the purposes of further strengthening protection for ILAS policyholders, the OCI issued the Guidance Note on Underwriting Class C Business (GN15) by adopting the International Association of Insurance Supervisors Insurance Core Principles in respect of “Fair Treatment of Customers”. The GN15 sets out comprehensive requirements for authorised insurers underwriting Class C (i.e. ILAS) business in all aspects from product development to post-sale controls.

The GN15 sets out the proper standards of conduct and business practices for authorised insurers underwriting Class C business, including product design, provision of adequate and clear information, suitability assessment, advice to client, appropriate remuneration structure, avoidance of conflict of interests, proper selling process and post-sale controls. All authorised insurers carrying on Class C business are required to comply with the GN15 by 1 January 2015. The Appendix to the GN15, a flowchart illustrating the selling process of ILAS products, was subsequently revised on 10 December 2014. In respect of the requirements on the sale of ILAS, the requirements of Financial Needs Analysis Form, Risk Profile Questionnaire, Applicant’s Declarations and post-sale control have been strengthened accordingly.

To ensure all ILAS insurers comply with the requirements of GN15, the HKFI has further enhanced its Standard Illustration of Unit-linked Products and Updated Requirements Relating to the Sale of Investment Linked Assurance Scheme to Enhance Customer Protection with effect from 1 January 2015. To enhance transparency of the reasonable expectations of investment return by customers and to be in compliance with the GN15, an additional illustration rate of zero investment return (0%) has been added on top of the existing illustration rates of 3%/6%/9%.

Remuneration Disclosure for ILAS

From 1 January 2015, insurers are required to follow the formulation stipulated by the OCI in calculating and disclosing the intermediaries' remuneration for each ILAS product via different distribution channels.

It is a compulsory upfront written disclosure in the IFS using "all-year-average" which is calculated based on a clear and uniformed methodology.

The objective of the remuneration disclosure is to enhance the transparency of ILAS products and allow policyholders to consider whether any potential conflicts of interests exist and whether the remuneration would affect the intermediaries' incentive in recommending the ILAS product concerned.

Disclosure of Commission by Insurance Brokers

The Hong Kong Confederation of Insurance Brokers ("CIB"), Professional Insurance Brokers Association ("PIBA") and the HKFI reached a consensus on the commission disclosure requirements, under which insurance brokers are required to disclose to their clients that they are remunerated by insurers for their services. When asked by clients about the extent of remuneration, it is incumbent upon insurance brokers to provide that information either in a maximum percentage of the premium or in a maximum dollar amount. Such requirements have been codified in the rules and regulations of CIB and PIBA. The HKFI has also released a position paper to its member companies setting out the requisite practice for them to make disclosure about the payment of commission by insurers in their own documents provided to clients. The new disclosure requirements have been implemented since 15 April 2013.

Prohibition of Gift Incentives

In order to encourage customers to focus on the nature and risks associated with their chosen insurance products, the HKFI, in collaboration with the OCI, issued the Guidance Note on Gifts in May 2011 to govern the offering of gifts in relation to the promotion of investment-linked insurance products.

To extend the guidance to other insurance products with saving component, the HKFI issued in January 2012 the Guidance Note on Gifts, Promotions and Incentives for Class A and Class C Products. This Guidance Note was revised in 2013 and came into effect on 1 January 2014.

The above Guidance Notes restrict insurers from offering any gift (other than a discount of fees or charges) when promoting insurance investment or saving products to policyholders or prospective policyholders.

Enquiries and Complaints

Members of the public may contact the following organisations for enquiries and complaints:

| Subject Matter | Name of Organisation |
|--|--|
| <ul style="list-style-type: none"> • Insurers • Insurance brokers authorised by the Insurance Authority • Other matters relating to the supervision of the insurance industry | <ul style="list-style-type: none"> • Office of the Commissioner of Insurance (Insurance Authority) Address : 21/F., Queensway Government Offices, 66 Queensway, Hong Kong Telephone : 2867 2565 Fax : 2869 0252 E-mail : iamail@oci.gov.hk Website : http://www.oci.gov.hk |
| <ul style="list-style-type: none"> • Insurance agents | <ul style="list-style-type: none"> • Insurance Agents Registration Board Address : 29/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong Telephone : 2520 1868 Fax : 2520 1967 E-mail : hkfi@hkfi.org.hk Website : http://www.hkfi.org.hk • The insurers concerned |

| Subject Matter | Name of Organisation |
|---|--|
| <ul style="list-style-type: none"> Insurance brokers who are members of approved bodies of insurance brokers | <ul style="list-style-type: none"> The Hong Kong Confederation of Insurance Brokers <p>Address : Room 3407, AIA Tower, 183 Electric Road, Fortress Hill, Hong Kong</p> <p>Telephone : 2882 9943</p> <p>Fax : 2890 2137</p> <p>E-mail : info@hkcib.org</p> <p>Website : http://www.hkcib.org</p>  Professional Insurance Brokers Association <p>Address : Room 2507-2508, 25/F., China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong</p> <p>Telephone : 2869 8515</p> <p>Fax : 2770 2372</p> <p>E-mail : info@piba.org.hk</p> <p>Website : http://www.piba.org.hk</p>  |

| Subject Matter | Name of Organisation |
|---|--|
| <ul style="list-style-type: none"> Registered MPF intermediaries | <ul style="list-style-type: none"> For complaints relating to conduct of registered MPF intermediaries, of whom the IA has been assigned as the frontline regulator, the OCI will handle such complaints in accordance with the relevant provisions of the Mandatory Provident Fund Schemes Ordinance (see the OCI's contacts above). If you have any enquiries relating to MPF matters, you may contact the Mandatory Provident Fund Schemes Authority: <p>Mandatory Provident Fund Schemes Authority</p> <p>Address : Units 1501A and 1508, Level 15, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong</p> <p>Telephone : 2918 0102 Fax : 2259 8806 E-mail : mpfa@mpfa.org.hk Website : http://www.mpfa.org.hk</p> |
| <ul style="list-style-type: none"> Claims dispute arising from personal insurance policies (with dispute amount not exceeding \$800,000, with effect from 1 February 2006) | <ul style="list-style-type: none"> The Insurance Claims Complaints Bureau <p>Address : 29/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong</p> <p>Telephone : 2520 2728 Fax : 2520 1967 E-mail : iccb@iccb.org.hk Website : http://www.iccb.org.hk</p>  |



Organisation and Management

Organisation and Management

The Office of the Commissioner of Insurance (“OCI”) with its high performing professional team is dedicated to meeting new regulatory challenges with enhanced knowledge in the increasingly sophisticated insurance market amid the tide of new global supervisory standards.

Establishment of the OCI

Established on 8 June 1990, the OCI is headed by the Commissioner of Insurance, who is appointed as the Insurance Authority (“IA”) responsible for regulation and supervision of the insurance industry in Hong Kong. The OCI is an establishment under the Financial Services and the Treasury Bureau of the Hong Kong Special Administrative Region Government.

Organisation Structure and Staffing

The OCI comprises four divisions, namely General Business Division, Long Term Business Division, Enforcement Division, and Policy and Development Division, each headed by an officer at the rank of Assistant Commissioner. Regulatory duties are assigned to 16 professional teams operating under these four divisions, each led by a Senior Insurance Officer/Senior Manager. Furthermore, there were 40 general grade staff members as at end of December 2014 providing administrative and clerical support to 110 professional officers. An organisation chart of the OCI is shown below:

Senior Management



**Commissioner of Insurance and
Assistant Commissioners of Insurance**



General Business Division



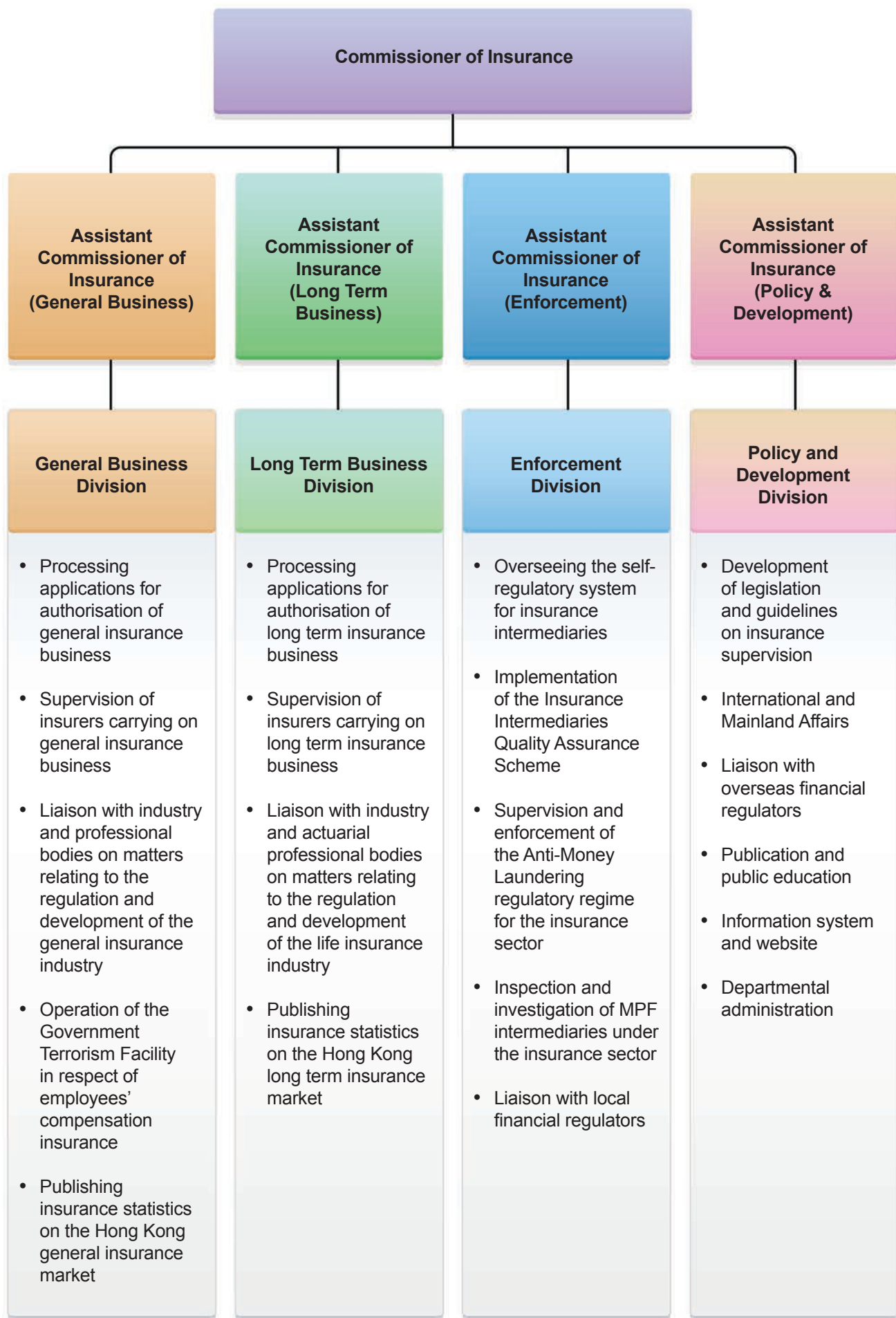
Long Term Business Division



Enforcement Division



Policy and Development Division



Establishment of an Independent IA

To modernise the regulatory infrastructure to facilitate the stable development of the industry and provide better protection for policyholders, we introduced the Insurance Companies (Amendment) Bill 2014 into the Legislative Council in April 2014 for establishing an independent IA. The Government will continue to engage stakeholders and has established a working group with The Hong Kong Federation of Insurers, three existing Self-regulatory Organisations and insurance intermediaries to prepare for a smooth transition from the existing self-regulatory regime to the statutory licensing regime for insurance intermediaries.

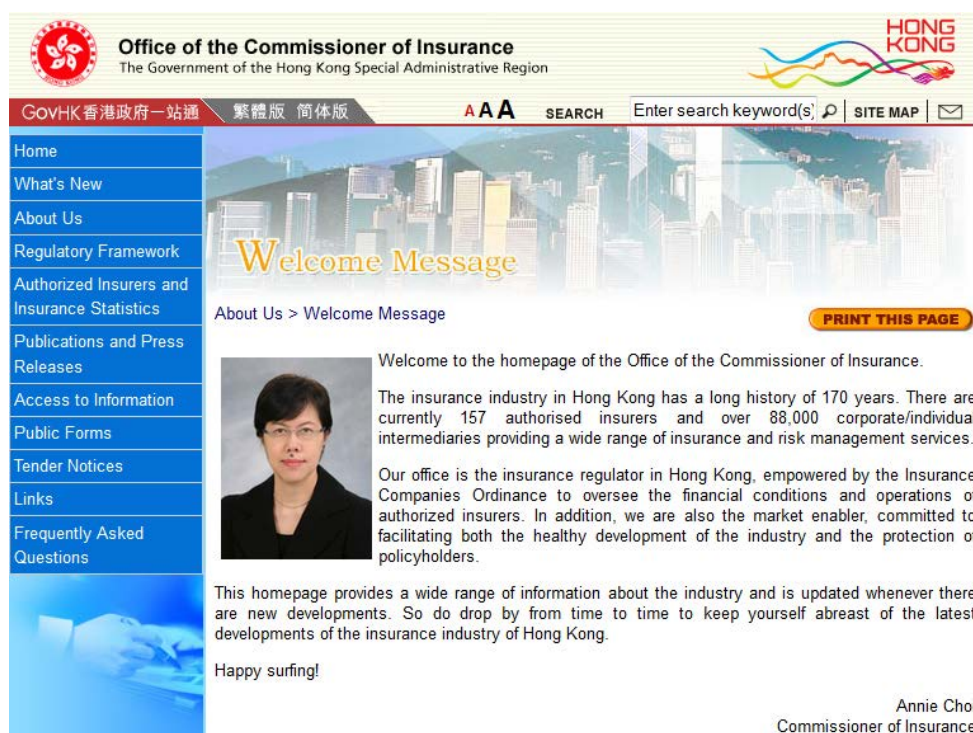
Staff Training and Development

The OCI recognises the importance of continuing professional development for its staff to ensure the effective supervision of the insurance industry. To keep staff abreast of the latest developments in their professions and update their supervisory skills, the OCI arranges seminars and courses on insurance, accounting, actuarial science, finance, risk management, law, information technology, anti-money laundering, etc. for them. Staff also participate in overseas training activities to enhance exchange of views with overseas regulators and counterparts. A total of 13 officers participated in conferences and seminars held in Belgium, Canada, France, Japan, the Netherlands, Switzerland, the United Kingdom as well as the Mainland during the year.

The OCI has also been registered as an Authorised Employer of the Hong Kong Institute of Certified Public Accountants since 2005 in support of its staff attaining professional membership. The OCI is also the first government office to be awarded the Professional Development status of the Association of Chartered Certified Accountants on accord of its comprehensive training and development programmes.

The OCI Website

The OCI website continues to function as an effective channel to disseminate regulatory information and statistical data. It also contains OCI publications, circulars, speeches, and hyperlinks to official websites of insurers authorised in Hong Kong. Adopting the Common Look and Feel of government websites and conforming to the World Wide Web Consortium (“W3C”) Web Content Accessibility Guidelines (“WCAG”) 2.0 Level AA requirements to the maximum extent possible, the OCI website provides a familiar interface with user-friendly navigation.



24-hour Enquiry Hotline

The OCI hotline boasts a trilingual (Cantonese, Mandarin and English) interactive telephone system providing service round the clock. It is capable of supplying general information on topics including authorisation status of insurers, regulation of insurance intermediaries, Insurance Intermediaries Quality Assurance Scheme as well as complaints against insurers and insurance intermediaries. A total of 3,686 enquiries were handled through this hotline in 2014.

A wide-angle night photograph of the Hong Kong skyline, featuring numerous illuminated skyscrapers and the Victoria Harbour. The image is overlaid with a semi-transparent teal filter and several light blue circular bokeh effects. The word "Appendices" is centered in a large, white, sans-serif font.

Appendices

Appendices

- Appendix 1** Regulatory Framework of the Insurance Industry
- Appendix 2** Insurance Advisory Committee Membership as at 31 December 2014
- Appendix 3** List of Authorised Insurers as at 31 December 2014
- Appendix 4** Changes of Authorised Insurers from 1 January 2014 to 31 December 2014
- Appendix 5** Number of Authorised Insurers by Place of Incorporation as at 31 December 2014
- Appendix 6** Number of Authorised Insurers by Class of Insurance Business as at 31 December 2014
- Appendix 7** Number of Insurance Intermediaries as at 31 December 2014
- Appendix 8** List of Guidance Notes Promulgated as at 31 December 2014
- Appendix 9** List of Circulars Issued from 1 January 2014 to 31 December 2014

Appendix 1

Regulatory Framework of the Insurance Industry

The **Insurance Companies Ordinance** (Cap. 41) (“ICO”) provides a legal framework for the prudential supervision of the insurance industry in Hong Kong. The objectives of the ICO are to protect the interests of the insuring public and to promote the general stability of the insurance industry. The Commissioner of Insurance is appointed the Insurance Authority (“IA”) to administer the ICO.

Regulatory Framework of Insurers

Authorisation Requirements – Any company wishing to carry on insurance business in or from Hong Kong must obtain authorisation from the IA. The minimum requirements for authorisation include those on capital and solvency, fitness and properness of directors and controllers and adequacy of reinsurance arrangements. Applicants for authorisation must also meet the conditions set out in the Authorisation Guidelines promulgated by the IA.

Minimum Capital and Solvency Margin Requirements – An insurer is required to have a minimum amount of paid-up capital and to maintain a surplus of assets over its liabilities of an amount not less than a specified margin of solvency.

| Minimum Amounts of Paid-up Capital and Solvency Margin | | | | |
|--|-----------------------------------|------------------------------|------------------------------|----------------------|
| Type of Insurance Business | | Minimum Paid-up Capital (\$) | Minimum Solvency Margin (\$) | |
| General | <u>Without</u> Statutory Business | 10 million | 10 million | |
| | <u>With</u> Statutory Business | 20 million | 20 million | |
| Long Term | | 10 million | 2 million | |
| Composite | <u>Without</u> Statutory Business | 20 million | General: 10 million | Long Term: 2 million |
| | <u>With</u> Statutory Business | 20 million | General: 20 million | |
| Captive | | 2 million | 2 million | |

Local Asset Requirement - With the exception of pure reinsurers and captive insurers, an insurer carrying on general insurance business is required to maintain assets in Hong Kong of an amount which is not less than the aggregate of 80% of its net liabilities and the solvency margin applicable to its Hong Kong general insurance business.

Financial Reporting Requirements – An insurer is required to submit annually to the IA the following financial documents:

| | Insurers carrying on General Business | Insurers carrying on Long Term Business |
|---|--|--|
| Audited financial statements | ✓ (In accordance with the requirements of the Third Schedule to the ICO) | ✓ |
| In respect of general insurance business carried on in or from Hong Kong | | |
| • Audited General Business Returns | ✓ | — |
| • Audited Statement of Assets & Liabilities | ✓ (Except captive insurer & pure reinsurer) | — |
| Actuarial Investigation Report | — | ✓ |
| In respect of long term insurance business carried on in or from Hong Kong | | |
| • Audited revenue account(s), together with the supplementary information | — | ✓ |
| • Valuation Summary | — | ✓ |
| • Valuation Balance Sheet, together with the supplementary information | — | ✓ |

Regulatory Framework of Insurance Intermediaries

Insurance intermediaries operate under a self-regulatory system which is specified under Part X of the ICO.

| | Insurance Agent | Insurance Broker |
|-----------------------|--|--|
| Registration | <p>A person is required to be appointed by an insurer and registered with the Insurance Agents Registration Board ("IARB") established under The Hong Kong Federation of Insurers ("HKFI") in order to act as an insurance agent. The responsible officer and technical representative of an insurance agent are also required to be registered with the IARB.</p> <p>An appointed insurance agent shall not represent more than four insurers, of whom no more than two shall be long term business insurers. In addition, he shall not be an authorised insurance broker at the same time.</p> | <p>A person is required to be authorised by the IA or become a member of a body of insurance brokers approved by the IA in order to act as an insurance broker. The chief executive and technical representative of an insurance broker are also required to be registered with the IA or the relevant approved body, as the case may be.</p> <p>An authorised insurance broker shall not be an appointed insurance agent at the same time.</p> |
| Administration | <p>An insurance agent, his responsible officer and technical representative have to satisfy the IARB that they are fit and proper and fulfil all the requirements specified under the Code of Practice for the Administration of Insurance Agents ("Code of Practice") issued by the HKFI.</p> <p>An insurer has to comply with the Code of Practice in its administration of insurance agents. An insurer is held responsible for the actions of its appointed insurance agents in their dealings of insurance contracts.</p> | <p>An insurance broker, its chief executive and technical representative must be fit and proper. Besides, the insurance broker must satisfy the minimum requirements specified by the IA with regard to:</p> <ul style="list-style-type: none"> • qualifications and experience; • capital and net assets; • professional indemnity insurance; • keeping of separate client accounts; and • keeping of proper books and accounts. <p>An insurance broker is required to submit annually to the IA or the relevant approved body of insurance brokers, as appropriate, its audited financial statements together with an auditor's report certifying the broker's continued compliance with the minimum requirements.</p> <p>An approved body of insurance brokers is also required to submit annually to the IA an auditor's report on the continued compliance with the minimum requirements by all its members.</p> |

Insurance Companies Ordinance and Subsidiary Legislation

| Insurance Companies Ordinance and Subsidiary Legislation |
|---|
| Insurance Companies Ordinance (Cap. 41) |
| Insurance Companies (Actuaries' Qualifications) Regulations (Cap. 41 sub. leg. A) |
| Insurance Companies (Register of Insurers) (Prescribed Fee) Regulations (Cap. 41 sub. leg. B) |
| Insurance Companies (Authorisation and Annual Fees) Regulation (Cap. 41 sub. leg. C) |
| Insurance Companies (Miscellaneous Fees) Regulation (Cap. 41 sub. leg. D) |
| Insurance Companies (Determination of Long Term Liabilities) Regulation (Cap. 41 sub. leg. E) |
| Insurance Companies (Margin of Solvency) Regulation (Cap. 41 sub. leg. F) |
| Insurance Companies (General Business) (Valuation) Regulation (Cap. 41 sub. leg. G) |
| Insurance Companies (Actuaries' Standards) Regulation (Cap. 41 sub. leg. H) |

Appendix 2

Insurance Advisory Committee Membership as at 31 December 2014

| | |
|------------------|--|
| Chairman | Professor K C CHAN, GBS, JP, Secretary for Financial Services and the Treasury |
| Members | Ms Annie CHOI, JP, Commissioner of Insurance |
| | The Honourable CHAN Kin-por, BBS, JP |
| | Ms Agnes CHOI Heung-kwan |
| | Mr Garth Brian JONES |
| | Mr Davey LEE Kwun-kwan |
| | The Honourable Starry LEE Wai-king, JP |
| | Mr LIU Ting-an |
| | Professor Angela NG Lai-ping |
| | Mr Jeremy Robert PORTER |
| | Dr Michael TSUI Fuk-sun |
| | Ms Winnie WONG Chi-shun |
| | Professor WONG Tak-jun |
| | Mr Jason YEUNG Chi-wai |
| | Mr Lennard YONG Peng-kuang |
| Secretary | Miss Lily CHAN |

The Insurance Advisory Committee is established under section 54 of the Insurance Companies Ordinance (Cap. 41) ("ICO"). Its function is to advise the Chief Executive on matters relating to the administration of the ICO and the carrying on of insurance business in Hong Kong.

Appendix 3

List of Authorised Insurers as at 31 December 2014

N.B.: This list includes insurers which were authorised as at 31 December 2014 but had ceased writing insurance business in or from Hong Kong thereafter. Reference should be made to the Register of Authorised Insurers kept by the Insurance Authority regarding the authorisation status of individual insurers.

| Name of Insurer | Place of Incorporation ¹ | Type of Business Authorised ² |
|--|-------------------------------------|--|
| ABCI Insurance Company Limited | HK | General |
| ACE Insurance Limited | HK | General |
| ACE Life Insurance Company Ltd. | Bermuda | Long Term |
| Ageas Insurance Company (Asia) Limited | Bermuda | Long Term |
| AIA Company Limited | HK | Composite |
| AIA International Limited | Bermuda | Composite |
| AIG Insurance Hong Kong Limited | HK | General |
| AIG United Guaranty Insurance (Asia) Limited | HK | General |
| Allianz Global Corporate & Specialty SE | Germany | General |
| Allied World Assurance Company, Ltd | Bermuda | General |
| American Family Life Assurance Company of Columbus | USA | Long Term |
| Asia Capital Reinsurance Group Pte. Ltd. | Singapore | General (R) |
| Asia Insurance Company, Limited | HK | Composite |
| Assicurazioni Generali Società per Azioni | Italy | Composite |
| Assuranceforeningen Gard-gjensidig- | Norway | General |
| Assuranceforeningen SKULD (Gjensidig) | Norway | General |
| Atradius Credit Insurance N.V. | Netherlands | General |

| Name of Insurer | Place of Incorporation¹ | Type of Business Authorised² |
|--|---|--|
| Aviva Life Insurance Company Limited | HK | Long Term |
| AXA China Region Insurance Company (Bermuda) Limited | Bermuda | Composite |
| AXA China Region Insurance Company Limited | HK | Composite |
| AXA Corporate Solutions Assurance | France | General |
| AXA General Insurance China Limited | HK | General |
| AXA General Insurance Hong Kong Limited | HK | General |
| AXA (Hong Kong) Life Insurance Company Limited | HK | Long Term |
| AXA Life Insurance Company Limited | HK | Composite |
| AXA Wealth Management (HK) Limited | HK | Long Term |
| Bank of China Group Insurance Company Limited | HK | General |
| BC Reinsurance Limited | HK | General (R) |
| BE Reinsurance Limited | HK | General (R) |
| BEA Life Limited | HK | Long Term |
| Berkley Insurance Company | USA | General (R) |
| Berkshire Hathaway Specialty Insurance Company | USA | General |
| Blue Cross (Asia-Pacific) Insurance Limited | HK | Composite |
| BOC Group Life Assurance Company Limited | HK | Long Term |
| Bupa (Asia) Limited | HK | General |
| California Insurance Company, Limited | HK | General |
| Canada Life Assurance Company - The | Canada | Long Term |
| Canada Life Limited | UK | Long Term |

| Name of Insurer | Place of Incorporation¹ | Type of Business Authorised² |
|--|---|--|
| Canadian Insurance Company Limited | HK | General |
| CGN Captive Insurance Limited | HK | General (C) |
| Chevalier Insurance Company Limited | HK | General |
| China BOCOM Insurance Company Limited | HK | General |
| China Life Insurance (Overseas) Company Limited | China | Long Term |
| China Merchants Insurance Company Limited | HK | General |
| China Overseas Insurance Limited | HK | General |
| China Pacific Insurance Co., (H.K.) Limited | HK | General |
| China Ping An Insurance (Hong Kong) Company Limited | HK | General |
| China Taiping Insurance (HK) Company Limited | HK | General |
| Chong Hing Insurance Company Limited | HK | General |
| CIGNA Worldwide General Insurance Company Limited | HK | General |
| CIGNA Worldwide Life Insurance Company Limited | HK | Long Term |
| Clerical Medical Investment Group Limited | UK | Long Term |
| CMI Insurance Company Limited | Isle of Man | Long Term |
| CNOOC Insurance Limited | HK | General (C) |
| Compagnie Française d'Assurance pour le Commerce Extérieur | France | General |
| Concord Insurance Company Limited | HK | General |
| Dah Sing Insurance Company (1976) Limited | HK | General |

| Name of Insurer | Place of Incorporation¹ | Type of Business Authorised² |
|---|---|--|
| Dah Sing Life Assurance Company Limited | Bermuda | Long Term |
| Desjardins Sécurité Financière, Compagnie d'Assurance Vie (Desjardins Financial Security Life Assurance Company) | Canada | Long Term |
| Direct Asia Insurance (Hong Kong) Limited | HK | General |
| East Point Reinsurance Company of Hong Kong Limited | HK | General (R) |
| EULER HERMES | Belgium | General |
| Factory Mutual Insurance Company | USA | General |
| FAI First Pacific Insurance Company Limited (in provisional liquidation) | HK | General |
| Falcon Insurance Company (Hong Kong) Limited | HK | General |
| Federal Insurance Company | USA | General |
| First American Title Insurance Company | USA | General |
| FM Insurance Company Limited | UK | General |
| Friends Provident International Limited | Isle of Man | Long Term |
| FWD General Insurance Company Limited | HK | General |
| FWD Life Insurance Company (Bermuda) Limited | Bermuda | Long Term |
| GAN Assurances | France | General |
| General Reinsurance AG | Germany | Composite (R) |
| Generali International Limited | Guernsey | Long Term |
| Hang Seng Insurance Company Limited | HK | Composite |
| Hang Seng Life Limited | HK | Long Term |
| Hannover Rück SE | Germany | Composite (R) |
| HDI-Gerling Industrie Versicherung AG | Germany | General |

| Name of Insurer | Place of Incorporation ¹ | Type of Business Authorised ² |
|---|-------------------------------------|--|
| HIH Casualty and General Insurance (Asia) Limited (in provisional liquidation) | HK | General |
| HIH Insurance (Asia) Limited (in provisional liquidation) | HK | General |
| Hong Kong Life Insurance Limited | HK | Long Term |
| Hong Kong Mortgage Corporation Limited - The | HK | General |
| Hong Kong Printers Association - The | HK | General |
| Hong Kong Reinsurance Company Limited | HK | General (R) |
| Hong Leong Insurance (Asia) Limited | HK | General |
| HSBC Insurance (Asia) Limited | HK | Composite |
| HSBC Life (International) Limited | Bermuda | Long Term |
| Kono Insurance Limited | HK | General |
| Liberty International Insurance Limited | HK | Composite |
| Liberty Mutual Insurance Europe Limited | UK | General |
| Lloyd's Underwriters | UK | Composite |
| London Steam-Ship Owners' Mutual Insurance Association Limited - The | UK | General |
| Malayan Insurance Company (Hong Kong) Limited | HK | General (R) |
| Malayan International Insurance Corporation Limited | Bahama Islands | General |
| Manufacturers Life Insurance Company - The | Canada | Long Term |
| Manulife (International) Limited | Bermuda | Long Term |
| Massachusetts Mutual Life Insurance Company | USA | Long Term |
| MassMutual Asia Limited | HK | Long Term |
| MetLife Limited | HK | Long Term |

| Name of Insurer | Place of Incorporation¹ | Type of Business Authorised² |
|---|---|--|
| Metropolitan Life Insurance Company of Hong Kong Limited | HK | Long Term |
| Min Xin Insurance Company Limited | HK | General |
| Minan Property And Casualty Insurance Company Limited | China | General |
| MSIG Insurance (Hong Kong) Limited | HK | General |
| Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company) | Germany | Composite (R) |
| New India Assurance Company, Limited - The | India | General |
| Old Mutual International Isle of Man Limited | Isle of Man | Long Term |
| Old Mutual Life Assurance Company (South Africa) Limited | South Africa | Long Term |
| Pacific Insurance Company, Limited - The | HK | General |
| Pacific Life Assurance Company, Limited - The | HK | Long Term |
| Paofoong Insurance Company (Hong Kong) Limited | HK | General |
| Partner Reinsurance Europe SE | Ireland | General (R) |
| Peak Reinsurance Company Limited | HK | Composite (R) |
| People's Insurance Company of China (Hong Kong), Limited - The | HK | General |
| Phoenix Life Limited | UK | Long Term |
| Pioneer Insurance and Surety Corporation | Philippines | General |
| Principal Insurance Company (Hong Kong) Limited | HK | Long Term |
| Prudential General Insurance Hong Kong Limited | HK | General |
| Prudential Hong Kong Limited | HK | Long Term |
| Prudential Insurance Company of America - The | USA | Long Term |

| Name of Insurer | Place of Incorporation¹ | Type of Business Authorised² |
|---|---|--|
| QBE General Insurance (Hong Kong) Limited | HK | General |
| QBE Hongkong & Shanghai Insurance Limited | HK | General |
| QBE Mortgage Insurance (Asia) Limited | HK | General |
| Radian Insurance Inc. | USA | General |
| RGA Reinsurance Company | USA | Long Term (R) |
| RL360 Insurance Company Limited | Isle of Man | Long Term |
| Royal & Sun Alliance Insurance plc | UK | General |
| Schweizerische Rückversicherungs-Gesellschaft AG (Swiss Reinsurance Company Ltd) | Switzerland | Composite (R) |
| SCOR Reinsurance Company (Asia) Limited | HK | Composite (R) |
| Shipowners' Mutual Protection and Indemnity Association (Luxembourg) - The | Luxembourg | General |
| Sincere Insurance & Investment Company, Limited - The | HK | General |
| Sincere Life Assurance Company Limited - The | HK | Long Term |
| Sinopec Insurance Limited | HK | General (C) |
| Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited | HK | General |
| Sompo Japan Nipponkoa Insurance Inc. | Japan | General |
| Sompo Japan Nipponkoa Reinsurance Company Limited | HK | General (R) |
| Standard Life (Asia) Limited | HK | Long Term |
| Starr International Insurance (Asia) Limited | HK | General |
| Sun Hung Kai Properties Insurance Limited | HK | General |
| Sun Life Hong Kong Limited | Bermuda | Long Term |

| Name of Insurer | Place of Incorporation ¹ | Type of Business Authorised ² |
|--|-------------------------------------|--|
| Taiping Reinsurance Company Limited | HK | Composite (R) |
| Target Insurance Company, Limited | HK | General |
| Toa Reinsurance Company, Limited - The | Japan | General (R) |
| Tokio Marine and Fire Insurance Company (Hong Kong) Limited - The | HK | General |
| Transamerica Life (Bermuda) Ltd. | Bermuda | Long Term |
| Transatlantic Reinsurance Company | USA | General (R) |
| Trinity General Insurance Company Limited | HK | General |
| TT Club Mutual Insurance Limited | UK | General |
| Tugu Insurance Company Limited | HK | General |
| United Builders Insurance Company, Limited | HK | General |
| United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited - The | UK | General |
| United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited - The | Bermuda | General |
| West of England Ship Owners Mutual Insurance Association (Luxembourg) - The | Luxembourg | General |
| Wing Lung Insurance Company Limited | HK | General |
| XL Insurance Company SE | UK | General |
| Zurich Assurance Ltd | UK | Long Term |
| Zurich International Life Limited | Isle of Man | Long Term |
| Zürich Lebensversicherungs-Gesellschaft AG (Zurich Life Insurance Company Ltd) | Switzerland | Long Term |
| Zürich Versicherungs-Gesellschaft AG (Zurich Insurance Company Ltd) | Switzerland | General |

¹ Place of Incorporation:
HK - Hong Kong, China
UK - United Kingdom
USA - United States of America

² (C) denotes a captive insurer
(R) denotes a pure reinsurer

Appendix 4

Changes of Authorised Insurers from 1 January 2014 to 31 December 2014

| Name of Insurer | Place of Incorporation ¹ | Type of Business Authorised ² |
|---|-------------------------------------|--|
| New Authorisations | | |
| Assuranceforeningen SKULD (Gjensidig) | Norway | General |
| BE Reinsurance Limited | HK | General (R) |
| Berkshire Hathaway Specialty Insurance Company | USA | General |
| CGN Captive Insurance Limited | HK | General (C) |
| Euler Hermes Europe | Belgium | General |
| Factory Mutual Insurance Company | USA | General |
| United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited - The | UK | General |
| Withdrawal of Authorisations | | |
| Euler Hermes Deutschland Aktiengesellschaft | Germany | General |
| Mitsui Sumitomo Insurance Company, Limited | Japan | General |
| Nipponkoa Insurance Company (Asia) Limited | HK | General |
| Prudential Assurance Company Limited - The | UK | Composite |
| Change of Type of Insurer | | |
| Peak Reinsurance Company Limited | HK | General (R) to Composite (R) |

| Name of Insurer | Place of Incorporation ¹ | Type of Business Authorised ² |
|--|-------------------------------------|--|
| Change of Names of Insurers | | |
| Allianz Global Corporate & Specialty AG to Allianz Global Corporate & Specialty SE | Germany | General |
| Euler Hermes Europe to EULER HERMES | Belgium | General |
| Royal Skandia Life Assurance Limited to Old Mutual International Isle of Man Limited | Isle of Man | Long Term |
| Sompo Japan Insurance Inc. to Sompo Japan Nipponkoa Insurance Inc. | Japan | General |
| Tugu Insurance Company, Limited to Tugu Insurance Company Limited | HK | General |
| XL Insurance Company Plc to XL Insurance Company SE | UK | General |

¹ Place of Incorporation:
 HK - Hong Kong, China
 UK - United Kingdom
 USA - United States of America

² (C) denotes a captive insurer
 (R) denotes a pure reinsurer

Appendix 5

Number of Authorised Insurers by Place of Incorporation as at 31 December 2014

| Place of Incorporation | Number of Authorised Insurers | Type of Business Authorised | | |
|--------------------------|-------------------------------|-----------------------------|----------------|---------------|
| | | Pure Long Term | Pure General | Composite |
| Bahama Islands | 1 | - | 1 | - |
| Belgium | 1 | - | 1 | - |
| Bermuda | 12 | 8 | 2 | 2 |
| Canada | 3 | 3 | - | - |
| China * | 2 | 1 | 1 | - |
| France | 3 | - | 3 | - |
| Germany | 5 (3) | - | 2 | 3 (3) |
| Guernsey | 1 | 1 | - | - |
| India | 1 | - | 1 | - |
| Ireland | 1 (1) | - | 1 (1) | - |
| Isle of Man | 5 | 5 | - | - |
| Italy | 1 | - | - | 1 |
| Japan | 2 (1) | - | 2 (1) | - |
| Luxembourg | 2 | - | 2 | - |
| Netherlands | 1 | - | 1 | - |
| Norway | 2 | - | 2 | - |
| Philippines | 1 | - | 1 | - |
| Singapore | 1 (1) | - | 1 (1) | - |
| South Africa | 1 | 1 | - | - |
| Switzerland | 3 (1) | 1 | 1 | 1 (1) |
| United Kingdom | 12 | 4 | 7 | 1 |
| United States of America | 11 (3) | 4 (1) | 7 (2) | - |
| Non-Hong Kong | 72 (10) | 28 (1) | 36 (5) | 8 (4) |
| Hong Kong | 86 (9) | 16 | 59 (6) | 11 (3) |
| Total | 158 (19) | 44 (1) | 95 (11) | 19 (7) |

Figures in brackets denote the number of authorised insurers which are pure reinsurers

* Excluding insurers incorporated in Hong Kong

Appendix 6

Number of Authorised Insurers by Class of Insurance Business as at 31 December 2014

| Class of Insurance Business Authorised | | Number of Authorised Insurers | | |
|--|---|-------------------------------|---------------|-------|
| | | Hong Kong | Non-Hong Kong | Total |
| Long Term Insurance Business | | | | |
| A | Life and annuity | 27 | 33 | 60 |
| B | Marriage and birth | 1 | 4 | 5 |
| C | Linked long term | 14 | 29 | 43 |
| D | Permanent health | 11 | 21 | 32 |
| E | Tontines | 1 | 3 | 4 |
| F | Capital redemption | 1 | 4 | 5 |
| G | Retirement scheme management category I | 9 | 12 | 21 |
| H | Retirement scheme management category II | 8 | 8 | 16 |
| I | Retirement scheme management category III | 20 | 21 | 41 |
| General Insurance Business | | | | |
| 1 | Accident | 60 | 32 | 92 |
| 2 | Sickness | 52 | 25 | 77 |
| 3 | Land vehicles | 51 | 25 | 76 |
| 4 | Railway rolling stock | 52 | 33 | 85 |
| 5 | Aircraft | 25 | 25 | 50 |
| 6 | Ships | 53 | 33 | 86 |
| 7 | Goods in transit | 55 | 35 | 90 |
| 8 | Fire and natural forces | 59 | 29 | 88 |
| 9 | Damage to property | 59 | 29 | 88 |
| 10 | Motor vehicle liability | 50 | 25 | 75 |
| 11 | Aircraft liability | 28 | 24 | 52 |
| 12 | Liability for ships | 53 | 32 | 85 |
| 13 | General liability | 57 | 32 | 89 |
| 14 | Credit | 43 | 25 | 68 |
| 15 | Suretyship | 55 | 31 | 86 |
| 16 | Miscellaneous financial loss | 56 | 36 | 92 |
| 17 | Legal expenses | 38 | 28 | 66 |

Appendix 7

Number of Insurance Intermediaries as at 31 December 2014

Number of Appointed Insurance Agents, their Responsible Officers and Technical Representatives registered with the Insurance Agents Registration Board¹

| Type of Insurance Business | | Number of Appointed Insurance Agents | Number of Responsible Officers and Technical Representatives of Appointed Insurance Agents |
|----------------------------|----------------------------|--------------------------------------|--|
| General ² | | 3,160 | 6,388 |
| Long Term | excluding Linked Long Term | 13,198 | 1,149 |
| | including Linked Long Term | 11,555 | 685 |
| General and Long Term | excluding Linked Long Term | 1,508 | 7,244 |
| | including Linked Long Term | 19,138 | 12,002 |
| Total | | 48,559 | 27,468 |

Number of Authorised Insurance Brokers, their Chief Executives and Technical Representatives³

| Type of Insurance Business | | Number of Authorised Insurance Brokers by virtue of their Membership with Approved Bodies of Insurance Brokers: | | Number of Chief Executives and Technical Representatives of Authorised Insurance Brokers |
|----------------------------|----------------------------|---|--|--|
| | | The Hong Kong Confederation of Insurance Brokers | Professional Insurance Brokers Association | |
| General | | 28 | 36 | 1,074 |
| Long Term | excluding Linked Long Term | 3 | 2 | 429 |
| | including Linked Long Term | 42 | 23 | 3,796 |
| General and Long Term | excluding Linked Long Term | 58 | 76 | 1,354 |
| | including Linked Long Term | 135 | 254 | 3,083 |
| Total | | 266 | 391 | 9,736 |

¹ Based on figures supplied by The Hong Kong Federation of Insurers.

² The figures also include those travel agents who are registered for selling only restricted scope travel insurance.

³ Based on the figures supplied by the approved bodies of insurance brokers.

Appendix 8

List of Guidance Notes Promulgated as at 31 December 2014

| Reference Number | Title of Guidance Note |
|------------------|---|
| GN1 | Authorisation Guidelines |
| GN2 | Guidance Note on Insurance Companies (General Business) (Valuation) Regulation |
| GN3 | Guideline on Anti-Money Laundering and Counter-Terrorist Financing |
| GN3A | Guideline on Exercising Power to Impose Pecuniary Penalty |
| GN4 | Guidance Note on “Fit and Proper” Criteria under the Insurance Companies Ordinance (Cap. 41) |
| GN5 | Guidance Note on Application for Authorisation to Carry on Insurance Business in or from Hong Kong |
| GN6 | Guidance Note on Reserving for Mortgage Guarantee Business |
| GN7 | Guidance Note on the Reserve Provision for Class G of Long Term Business |
| GN8 | Guidance Note on the Use of Internet for Insurance Activities |
| GN9 | Guidance Note on Actuarial Review of Insurance Liabilities in respect of Employees’ Compensation and Motor Insurance Businesses |
| GN10 | Guidance Note on the Corporate Governance of Authorised Insurers |
| GN11 | Guidance Note on Classification of Class C - Linked Long Term Business |
| GN12 | Guidance Note on Reinsurance with Related Companies |
| GN13 | Guidance Note on Asset Management by Authorised Insurers |
| GN14 | Guidance Note on Outsourcing |
| GN15 | Guidance Note on Underwriting Class C Business |

List of Circulars Issued from 1 January 2014 to 31 December 2014

| Date | Addressee | Subject Matter |
|-----------------|--|---|
| 3 January 2014 | Chief Executives of all authorised insurers | United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Afghanistan) Regulation 2012 & United States Executive Order 13224 |
| 29 January 2014 | Chief Executives of all authorised insurers | Money Laundering and Terrorist Financing Risks Associated with Virtual Commodities |
| 7 March 2014 | Chief Executives of all authorised insurers | United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Afghanistan) Regulation 2012, United Nations Sanctions (Democratic People's Republic of Korea) Regulation, United Nations Sanctions (Liberia) Regulation 2013 & United States Executive Order 13224 |
| 7 March 2014 | Chief Executives of all authorised insurers carrying on long term insurance business | Statements issued by the Financial Action Task Force on Money Laundering |
| 14 March 2014 | Chief Executives of all authorised insurers | Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the Year of 2013 |
| 21 March 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Liberia) Regulation 2014 & United Nations Sanctions (Liberia) Regulation 2013 (Repeal) Regulation |
| 21 March 2014 | Chief Executives of all authorised insurers | Money Laundering and Terrorist Financing Risks Associated with Virtual Commodities |
| 26 March 2014 | Chief Executives of all authorised insurers carrying on long term insurance business | Readiness for the Implementation of US Foreign Account Tax Compliance Act |
| 28 March 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Liberia) Regulation 2014 |
| 17 April 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Central African Republic) Regulation, United Nations Sanctions (Democratic Republic of the Congo) Regulation 2014 & United Nations Sanctions (Somalia) (Amendment) Regulation 2014 |

| Date | Addressee | Subject Matter |
|---------------|--|---|
| 25 April 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Democratic Republic of the Congo) Regulation 2014 & United States Executive Order 13224 |
| 9 May 2014 | Chief Executives of all authorised insurers | United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Afghanistan) Regulation 2012, United Nations Sanctions (Eritrea) Regulation & United Nations Sanctions (Somalia) Regulation |
| 19 May 2014 | Chief Executives of all authorised insurers carrying on long term insurance business | Discussions on an Inter-governmental Agreement to Facilitate the Implementation of US Foreign Account Tax Compliance Act |
| 23 May 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Yemen) Regulation |
| 30 May 2014 | Appointed actuaries of authorised long term and composite insurers in Hong Kong | Insurance Companies Ordinance (Cap. 41) - Valuation Interest Rate for Reserving |
| 30 May 2014 | Chief Executives of all authorised insurers | Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the First Quarter of 2014 |
| 27 June 2014 | Chief Executives of all authorised insurers | Advisory Notice issued by Financial Stability Board |
| 11 July 2014 | Chief Executives of all authorised insurers | United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Afghanistan) Regulation 2012, United Nations Sanctions (Democratic People's Republic of Korea) Regulation, United Nations Sanctions (Sudan) Regulation 2013 & United States Executive Order 13224 |
| 11 July 2014 | Chief Executives of all authorised insurers carrying on long term insurance business | Statements issued by the Financial Action Task Force on Money Laundering |
| 18 July 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Central African Republic) Regulation & United States Executive Order 13224 |
| 30 July 2014 | Chief Executives of authorised insurers carrying on long term insurance business | GN15 - Guidance Note on Underwriting Class C Business |
| 5 August 2014 | Chief Executives of authorised insurers carrying on long term insurance business | Intermediaries' Remuneration Disclosure - Guide on Calculation Methodology and Disclosure Format |

| Date | Addressee | Subject Matter |
|-------------------|--|--|
| 29 August 2014 | Chief Executives of all authorised insurers | Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the First Half of 2014 |
| 5 September 2014 | Chief Executives of all authorised insurers | United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Afghanistan) Regulation 2012, United Nations Sanctions (Democratic Republic of the Congo) Regulation 2014, United Nations Sanctions (Democratic People's Republic of Korea) Regulation, United Nations Sanctions (Libya) Regulation 2011 & United States Executive Order 13224 |
| 5 September 2014 | Chief Executives of authorised insurers carrying on long term insurance business | Insurance Companies Ordinance (Cap. 41) - Hong Kong Long Term Business Quarterly Returns |
| 12 September 2014 | Chief Executives of all authorised insurers carrying on long term insurance business | Anti-Money Laundering Seminars for the Insurance Industry |
| 16 September 2014 | Chief Executives of all authorised insurers | Consultation on a Proposed Risk-based Capital Framework for the insurance industry of Hong Kong |
| 30 September 2014 | Chief Executives of all authorised insurers | Hong Kong Insurance Business Statistics for 2013 |
| 3 October 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Côte d'Ivoire) Regulation 2014 & United Nations Sanctions (Democratic People's Republic of Korea) (Amendment) Regulation 2014 |
| 17 October 2014 | Chief Executives of authorised insurers | Information on Actuarial Staff |
| 17 October 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Côte d'Ivoire) Regulation 2014 & United States Executive Order 13224 |
| 24 October 2014 | Chief Executives of authorised insurers carrying on general insurance business | Employees' Compensation Insurance (Direct Business) and Motor Vehicle Insurance (Direct Business) Statistics for 2013 |
| 7 November 2014 | Chief Executives of all authorised insurers | United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Afghanistan) Regulation 2012, United Nations Sanctions (Eritrea) Regulation, United Nations Sanctions (Libya) Regulation 2011, United Nations Sanctions (Somalia) Regulation & United States Executive Order 13224 |


| Date | Addressee | Subject Matter |
|------------------|--|---|
| 14 November 2014 | Chief Executives of all authorised insurers carrying on long term insurance business | Statements issued by the Financial Action Task Force on Money Laundering |
| 17 November 2014 | Chief Executives of all authorised insurers carrying on long term insurance business | Signing of the Inter-governmental Agreement with the US to Facilitate the Implementation of US Foreign Account Tax Compliance Act |
| 24 November 2014 | Chief Executives of authorised insurers with Class C open architecture products | Additional Requirements regarding Class C Products with Open Architecture |
| 28 November 2014 | Appointed actuaries of authorised long term and composite insurers in Hong Kong | Insurance Companies Ordinance (Cap. 41) - Valuation Interest Rate for Reserving |
| 28 November 2014 | Chief Executives of all authorised insurers | Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the First Three Quarters of 2014 |
| 3 December 2014 | Chief Executives of all authorised insurers carrying on general insurance business | Insurance Intermediaries Quality Assurance Scheme - Study Notes for Travel Insurance Agents Examination (2014 Edition) |
| 5 December 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Libya) Regulation 2011 (Amendment) Regulation 2014 |
| 10 December 2014 | Chief Executives of authorised insurers carrying on long term insurance business | GN15 - Guidance Note on Underwriting Class C Business |
| 19 December 2014 | Chief Executives of all authorised insurers | United Nations Sanctions (Yemen) Regulation & United States Executive Order 13224 |



Calendar of Events 2014

Calendar of Events

January – December 2014

| Date | Event |
|--------------------|---|
| 13-14 January 2014 | The IA participated in the Asian Financial Forum 2014 held in Hong Kong. |
| 13 March 2014 | The IA participated in a supervisory college convened by Autorité de contrôle prudentiel et de résolution ("ACPR") of France. |
| 25-26 March 2014 | The IA participated in a supervisory college convened by the New York State Department of Financial Services of the United States. |
| 1-2 April 2014 | The IA participated in a supervisory college convened by the Prudential Regulation Authority ("PRA") of the United Kingdom. |
| 7-8 April 2014 | The IA participated in a supervisory college convened by the Office of the Superintendent of Financial Institutions ("OSFI") in Toronto. |
| 9 April 2014 | The IA participated in a supervisory college convened by the OSFI of Canada. |
| 17 April 2014 | The IA participated in a supervisory college convened by the Missouri Department of Insurance, Financial Institutions and Professional Registration ("DIFP") of the United States. |
| 23-24 April 2014 | The IA participated in a supervisory college convened by the Financial Services Agency in Tokyo. |
| 28-29 April 2014 | The IA participated in a supervisory college convened by the PRA in London. |
| 30 April 2014 | <p>The IA, Commissioner of Customs and Excise, Monetary Authority and Securities and Futures Commission effected a Memorandum of Understanding Concerning Implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap.615).</p>  |
| 12-13 May 2014 | <p>The IA organised a supervisory college for an insurance group headquartered in Hong Kong.</p>  |

| Date | Event |
|----------------------|---|
| 5 June 2014 | The IA participated in two supervisory colleges convened by the OSFI of Canada. |
| 18-19 June 2014 | The IA participated in a supervisory college convened by the National Bank of Belgium in Brussels. |
| 17-18 July 2014 | <p>The IA participated in the 9th Asian Forum for Insurance Regulators Meeting held in Beijing.</p>  |
| 30 July 2014 | <p>Guidance Note on Underwriting Class C Business (GN15) was released.</p>  |
| 4-5 August 2014 | <p>The IA organised a regional supervisory college for an insurance group with its regional headquarters in Hong Kong.</p>  |
| 28 August 2014 | The OCI Annual Report 2013 (E-version) was released. |
| 10 September 2014 | The IA participated in two supervisory colleges convened by OSFI of Canada. |
| 16 September 2014 | The IA issued the consultation document "Risk-based Capital Framework for the Insurance Industry of Hong Kong". |
| 24-25 September 2014 | The IA participated in a supervisory college convened by ACPR of France in Paris. |

| Date | Event |
|-----------------------|---|
| 30 September 2014 | Annual statistics on Hong Kong's insurance business for 2013, including statistics on individual insurers, were released. |
| 4 October 2014 | The IA participated in the AR Symposium held in London. |
| 9 October 2014 | The IA participated in a supervisory college convened by Missouri DIFP of the United States. |
| 9 and 13 October 2014 | The Financial Services and the Treasury Bureau, the Joint Financial Intelligence Unit and the IA jointly organised anti-money laundering seminars for the insurance industry in Hong Kong. |
| 20-25 October 2014 | <p>The IA participated in the 21st Annual Conference of the International Association of Insurance Supervisors held in Amsterdam.</p>  |
| 25 November 2014 | The IA participated in a supervisory college convened by Swiss Financial Market Supervisory Authority of Switzerland. |
| 15 December 2014 | The IA participated in a supervisory college convened by the Monetary Authority of Singapore. |
| 17 December 2014 | The IA participated in a supervisory college convened by the PRA of the United Kingdom. |
| 18 December 2014 | The IA participated in two supervisory colleges convened by OSFI of Canada. |
| 18 December 2014 | <p>The IA, the China Insurance Regulatory Commission and the Monetary Authority of Macao signed the Trilateral Co-operative Agreement on Anti-Insurance Fraud.</p>  |

