



**Supervision  
Protection  
Development**

# **ANNUAL REPORT 2016**



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This Annual Report covers the events occurred from 1 January 2016 to 31 December 2016.

## 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	2013	2014	2015
<b>ECONOMIC DATA</b>				
GDP (at current market prices)	\$ million	2,138,010	2,258,215	2,397,124
Population (Mid-year)		7,187,500	7,241,700	7,305,700
Per capita GDP (at current market prices)	\$	297,462	311,835	328,117
<b>INSURANCE MARKET STRUCTURE</b>				
<b>Number of Authorised Insurers</b>				
Long Term		44	44	45
General		92	95	93
Composite		19	19	19
Total		155	158	157
<b>Number of Authorised Insurance Brokers*</b>		632	657	733
<b>Number of Chief Executives and Technical Representatives of Authorised Insurance Brokers</b>		9,198	9,736	9,397
<b>Number of Appointed Insurance Agents</b>		43,760	48,559	56,309
<b>Number of Responsible Officers and Technical Representatives of Appointed Insurance Agents</b>		27,452	27,468	27,756

\* 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	2013	2014	2015
<b>INSURANCE MARKET STATISTICS</b>				
<b>Premium Income</b>				
Long Term Insurance Business (Office premiums)	\$ million	257,717	295,693	328,145
General Insurance Business (Gross premiums)	\$ million	41,798	43,642	45,983
<b>Annual Growth Rate</b>				
Long Term Insurance Business	%	15.0	14.7	11.0
General Insurance Business	%	6.6	4.4	5.4
<b>Insurance Density</b>				
Long Term Insurance Business	\$	35,856	40,832	44,916
General Insurance Business	\$	5,815	6,026	6,294
<b>Insurance Penetration</b>				
Long Term Insurance Business	%	12.1	13.1	13.7
General Insurance Business	%	2.0	1.9	1.9
<b>Individual Life Business</b>				
Number of New Policies		1,028,724	1,040,008	1,168,123
Average Premium Size of New Policies	\$	86,277	104,760	109,672
Number of In-force Policies		10,415,766	10,810,605	11,361,191
Premiums Per Capita of In-force Policies	\$	33,492	38,262	42,335
Number of In-force Policies as a % of Population	%	144.9	149.3	155.5
<b>Local Assets Maintained for General Insurance Business</b>	\$ million	102,699	109,356	109,049



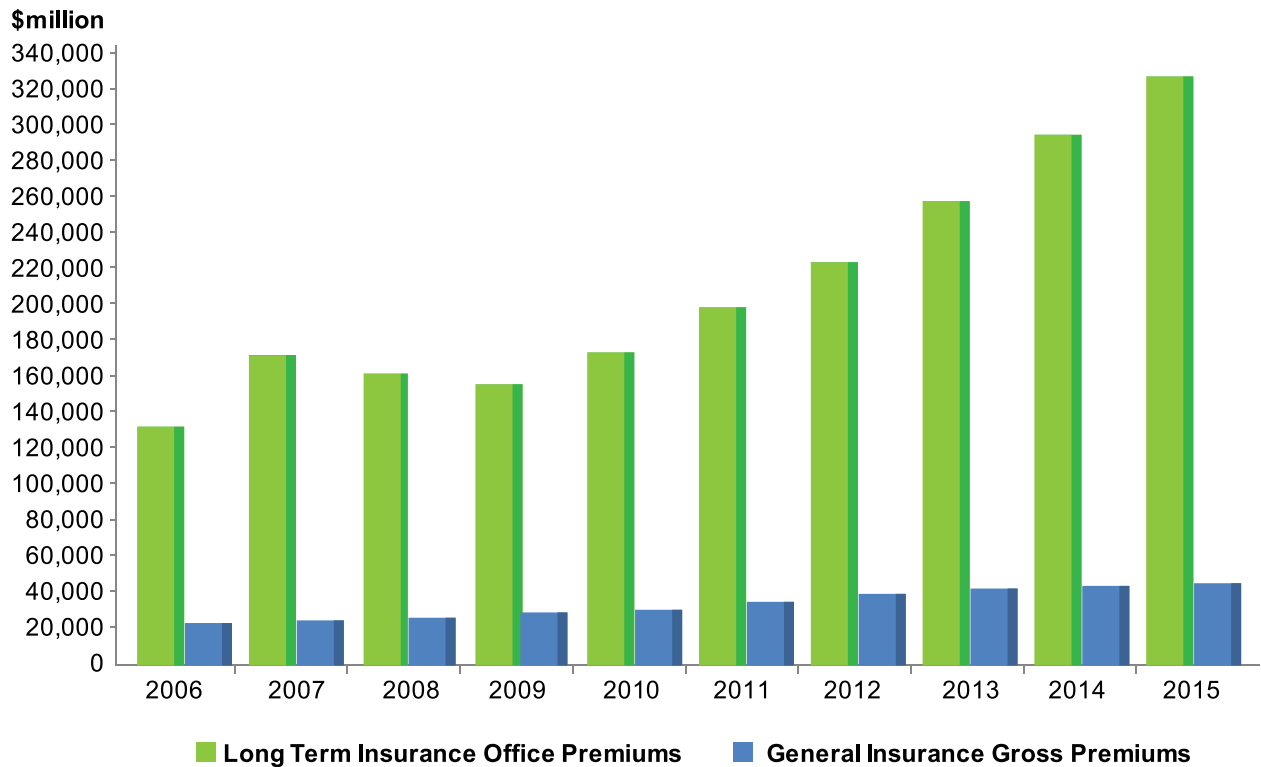
# Insurance Industry Statistical Highlights





# Insurance Industry Statistical Highlights

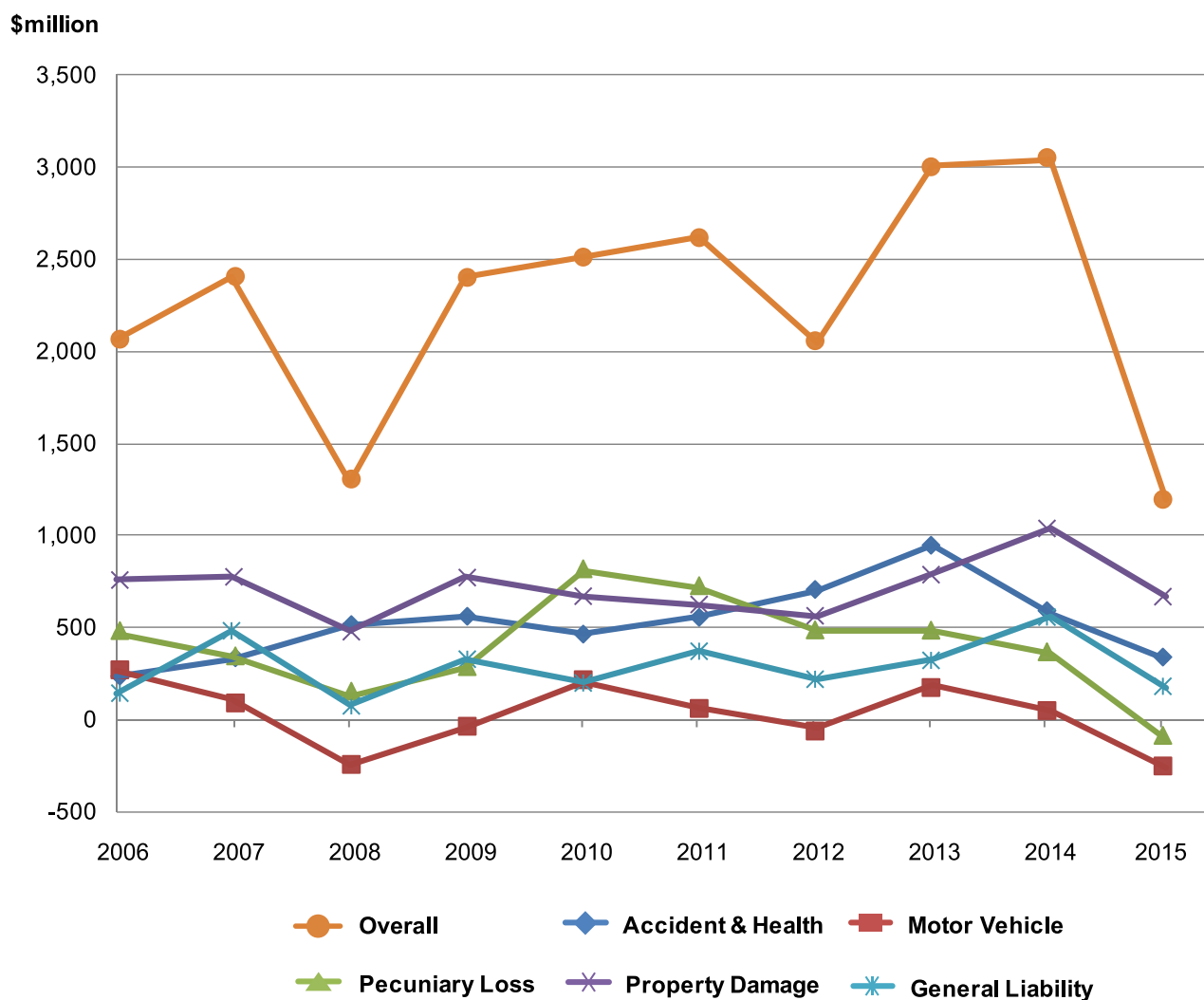
## Premiums



## Premiums (Accessible Version)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
<b>Long Term Insurance Office Premiums</b>	133,087.0	173,016.1	161,945.6	156,080.7	173,906.2	198,915.1	224,124.2	257,716.9	295,692.7	328,145.2
<b>General Insurance Gross Premiums</b>	22,958.0	24,271.0	26,715.7	28,565.0	31,054.9	34,834.7	39,204.8	41,797.6	43,641.5	45,983.1

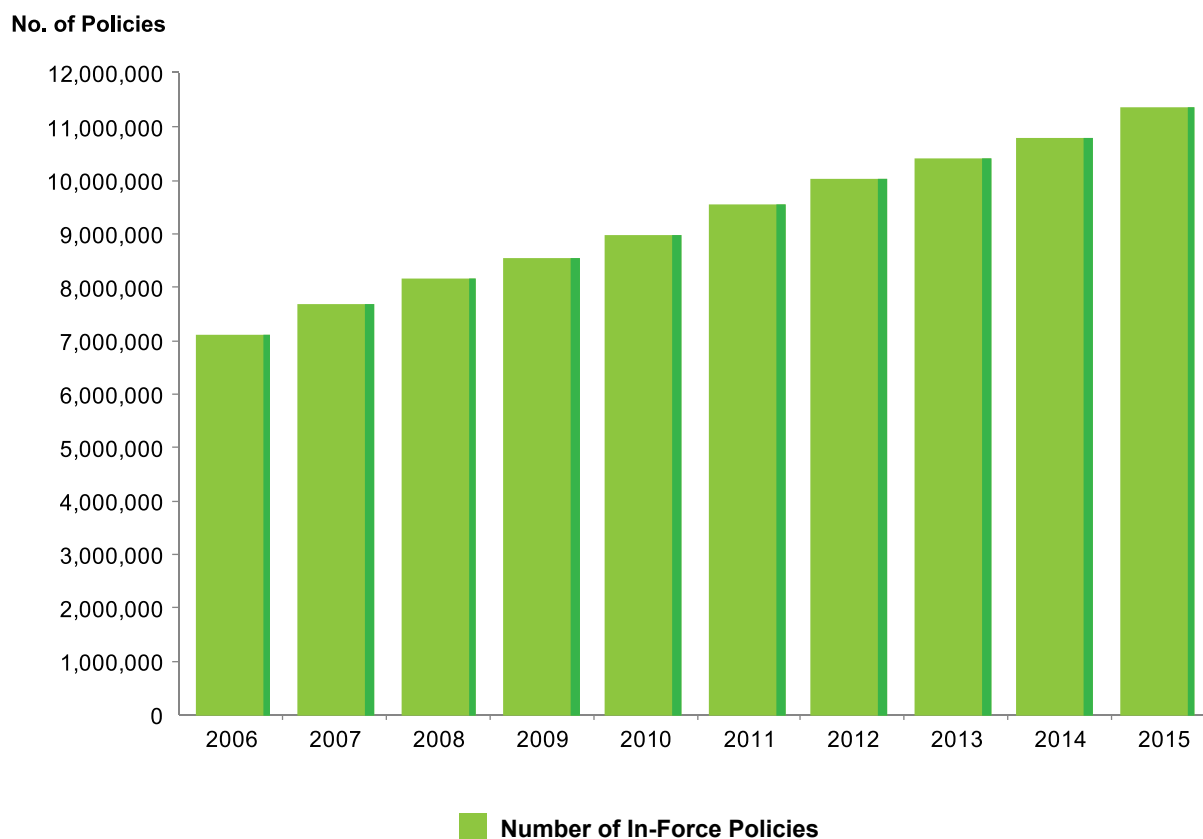
## Underwriting Profit/Loss of General Insurance Business



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

Class of Business	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
<b>Overall</b>	2,067.0	2,398.2	1,284.8	2,407.5	2,518.5	2,627.2	2,042.8	3,004.2	3,039.0	1,193.2
<b>Accident &amp; Health</b>	231.1	323.6	515.1	567.4	463.9	562.2	695.8	950.6	581.3	330.9
<b>Motor Vehicle</b>	270.8	118.1	(242.1)	(34.7)	211.7	67.6	(47.8)	197.5	56.4	(262.6)
<b>Pecuniary Loss</b>	465.1	353.1	137.7	288.1	811.8	712.8	490.1	479.3	355.7	(96.7)
<b>Property Damage</b>	772.0	783.0	482.8	778.8	672.6	629.6	562.6	797.7	1,045.2	669.6
<b>General Liability</b>	145.9	489.3	84.7	333.8	213.4	375.5	217.0	337.7	563.8	180.9

## In-Force Individual Life Policies



### In-Force Individual Life Policies (Accessible Version)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of In-Force Policies</b>	7,101,148	7,692,558	8,175,531	8,571,534	8,987,438	9,551,550	10,030,370	10,415,766	10,810,605	11,361,191

#### Source of Information

The insurance business statistics for 2015 as contained in this annual report are based on the Hong Kong Insurance Business Statistics 2015 released by the Office of the Commissioner of Insurance in September 2016.

An aerial photograph of the Hong Kong skyline at sunset. The sun is low on the horizon, casting a golden glow over the dense cluster of skyscrapers. The water in the foreground is dark blue with some white wake from boats. The sky is filled with soft, white clouds. A white rectangular box is overlaid on the upper left portion of the image, containing the title text. The top left corner of the page features a decorative pattern of green and white squares.

# **Message from the Commissioner**



# Message from the Commissioner

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2016 was an eventful year for the Office of the Commissioner of Insurance (“OCI”). We worked in full swing for the institutional change towards the new regulatory regime underpinned by the independent Insurance Authority (“IA”). In particular, we worked closely with the Provisional Insurance Authority under the chairmanship of Dr Moses Cheng to pave way for the necessary changes, including updating various regulations, guidance notes and guidelines. We also continued to strengthen our supervisory work and consumer protection measures. It is encouraging to note that the total gross premiums in the first three quarters of 2016 achieved a 20% growth over the corresponding period in 2015.

To strengthen the guidance on insurers’ corporate governance and risk management, we revised the Guidance Note on the Corporate Governance of Authorised Insurers (GN10) in October 2016 to incorporate high level standards that were on a par with international best practices. In June 2016, we issued the Guidance Note on Reinsurance (GN17), which set out the principles for establishing sound reinsurance management frameworks, and also provide guidance on reinsurance reporting and how we will assess the adequacy of reinsurance arrangements.

To enhance consumer protection, we worked closely with life insurers to implement the Guidance Note on Underwriting Long Term Insurance Business (other than Class C Business) (GN16) which took full effect from 1 January 2017. We will continue to monitor compliance by life insurers to ensure that they meet the principle of “fair treatment of customers” when developing and marketing products.

Meanwhile, we have kicked start the development of detailed rules for the Risk-based Capital (“RBC”) regime. Four Industry Focus Groups have been established to discuss the technical aspects identified from the Consultation Conclusions on the RBC framework published in September 2015. We aim at developing a set of data collection templates with guiding principles in mid-2017 for Quantitative Impact Studies to be carried out by the IA afterwards. We will continue to engage all relevant stakeholders throughout the development process and ensure that the proposals are viable and practicable.

The Insurance Authority (“IA”) and other local financial regulators achieved remarkable progress in the legislative efforts to set up an effective resolution regime for systemically important financial institutions. The Financial Institutions (Resolution) Ordinance was passed by the Legislative Council in June 2016. Under the Ordinance, the IA is one of the financial regulators designated as resolution authorities which are vested with a range of powers necessary to effect orderly resolution of a failed systemically important financial institution so as to minimise systemic disruption and protect taxpayers. The Ordinance reinforces the resilience and stability of Hong Kong’s financial system.

On the international front, close cooperation with our overseas counterparts is indispensable. In June 2016, we hosted the International Association of Insurance Supervisors 2016 Insurance Capital Standard Field Testing Volunteer Workshop. We also organised in the same month an Asian supervisory college for an insurance group based in France, with eight supervisors participating in the college. The supervisory college facilitated mutual exchanges among regulators for the better supervision of important insurance groups operating in the local market and in cross-jurisdictions. To maintain close cooperation with our Mainland counterparts, we participated actively in the Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen in December 2016 to promote regulatory exchanges and business opportunities for the insurance industry in the region.

On the application of financial technology (“Fintech”), we are encouraged to see more insurers taking initiatives to explore and develop business opportunities by pursuing Fintech application to enhance service delivery efficiency. We have worked with a number of life insurers to review their development of digital sales channels and online sales process to facilitate meeting the requirements on Financial Needs Analysis. We will continue to provide regulatory support and guidance to market players to facilitate wider application of Fintech.

The IIA is expected to take over the functions of the OCI in the second quarter of 2017. We are working hard to ensure a smooth and orderly transition. The IIA will not only have an expanded scope of regulatory oversight over insurers, it will also take up the regulation of insurance intermediaries from the three existing Self-Regulatory Organisations in one or two years’ time. With the concerted effort of all stakeholders, I am confident of the bright future of our insurance industry under the new regulatory regime. Let us rise up to the challenges and seize the opportunities ahead.

*John Leung*

Commissioner of Insurance

March 2017



# **Work of the Insurance Authority**



# Work of the Insurance Authority

The Insurance Authority (“IA”) is the insurance regulator in Hong Kong, empowered by the Insurance Companies Ordinance (Cap.41) (“ICO”) to oversee the financial conditions and operations of authorised insurers. In addition, the IA is also the market enabler, committed to facilitating both the healthy development of the industry and the protection of policyholders 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 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 his supervisory role. Through these inspection visits, the IA acquires a better understanding of the latest developments of insurers’ business operations, thereby facilitating performance of his 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 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 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:

- Chubb Limited (formerly known as ACE Limited) acquired the Chubb Corporation in January 2016. Chubb Limited became the ultimate holding company of Federal Insurance Company.
- Direct Asia Insurance (Hong Kong) Limited was acquired by Well Link Group Holdings Limited from Direct Asia Insurance (Holdings) Pte Ltd (a subsidiary of Hiscox Group) on 31 August 2016.
- Exor S.p.A. completed the acquisition of PartnerRe Ltd. on 18 March 2016 and becomes the ultimate holding company of Partner Reinsurance Europe SE.
- Tongchuangjiuding Investment Management Group Co., Ltd acquired Ageas Insurance Company (Asia) Limited (“AICA”) on 12 May 2016. After the acquisition, AICA was renamed as FTLife Insurance Company Limited.
- Zurich Insurance Company Ltd completed the acquisition of Kono Insurance Limited on 29 January 2016 and the latter becomes its wholly-owned subsidiary.

## 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 applications under section 25D are 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
5 August 2016	Federal Insurance Company	Chubb Insurance Hong Kong Limited (formerly known as ACE Insurance Limited)
28 October 2016	Atradius Credit Insurance N.V.	Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.

## New Authorisation

The IA authorised five new insurers in 2016. A complete list of authorised insurers as at 31 December 2016 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
Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.	Spain	General
Fubon Life Insurance (Hong Kong) Company Limited	Hong Kong	Long Term
Generali Life (Hong Kong) Limited	Hong Kong	Long Term
St. James's Place International (Hong Kong) Limited	Hong Kong	Long Term
Swiss Re International SE	Luxembourg	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.

The Insurance Companies (Amendment) Ordinance 2015 (“the Amendment Ordinance”) was enacted on 10 July 2015. The Amendment Ordinance is being implemented by phases. On 7 December 2015, the first batch of provisions of the Amendment Ordinance came into operation which covered the provisions in relation to the establishment of the Provisional Insurance Authority (“PIA”) and its constitution; PIA’s powers; checks and balance on PIA; and the appointment of Industry Advisory Committees. It is expected that the second phase will take place in 2017 when PIA will be renamed back as “Insurance Authority” and take up the existing duties of the Office of the Commissioner of Insurance.

## Policyholders’ Protection Scheme (“PPS”)

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

# Facility for Terrorism Risks

## Employees' Compensation ("EC") Insurance Business

Since January 2002, the Government has provided direct insurers carrying on 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 in the market following the September 11 terrorist attacks in the United States.

By the end of 2016, 53 EC insurers have joined the Facility and paid a monthly charge of 3% on the gross premiums of EC policies they underwrote in Hong Kong, 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

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) 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 (“MA”) 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 2016 are shown at Appendix 7. Separately, there were 26,746 registered MPF intermediaries of whom the IA was assigned as the frontline regulator, comprising 360 principal intermediaries and 26,386 subsidiary intermediaries, as at 31 December 2016.

## Promulgation of Guidance Notes

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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 Reinsurance (“GN17”), with reference made to the Insurance Core Principle 13 regarding Reinsurance and Other Forms of Risk Transfer promulgated by the International Association of Insurance Supervisors (“IAIS”). The GN17 sets out the principles for establishing reinsurance management frameworks and related arrangements, and also provides guidance on reinsurance reporting as well as on how the IA will assess the adequacy of the reinsurance arrangements of an insurer. It should apply to the reinsurance and related arrangements made in respect of the financial years of an insurer commencing on or after 1 January 2017.

The IA has also revised the Guidance Note on the Corporate Governance of Authorised Insurers (“GN10”) to incorporate high level standards that were updated and adopted internationally. The revised GN10 shall take effect from 1 January 2017, except for certain requirements (including minimum number of independent non-executive directors, establishment of a Risk Committee and remuneration matters) which shall take effect from 1 January 2018 so as to allow sufficient time for compliance.

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

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

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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 proposes 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 MA 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 December 2016. 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 928 suspicious transaction reports (“STRs”) were made by the insurance industry in 2016, as compared to 495 STRs in 2015. The IA will continue 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 in the Mainland; (3) setting up of an examination centre in Hong Kong for the Mainland qualifying examinations for insurance intermediaries; (4) allowing eligible Hong Kong insurance intermediary companies to set up wholly-owned enterprises in the Mainland to provide insurance agency services to the Mainland insurance companies; and (5) encouraging mutual cooperation between the Mainland 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 Mainland i.e. they can enjoy the same treatment as Mainland insurance enterprises, except for some specified reserved restrictive measures, with effect from 1 June 2016. 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.



## **Risk-Based Capital (“RBC”) Regime for the Insurance Industry of Hong Kong**

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The IA has started Phase 2 of the development of the RBC regime and commissioned a consultancy study to formulate detailed rules for conducting the quantitative impact studies (“QIS”). Four Industry Focus Groups comprising representatives from the industry have been established to discuss technical aspects identified from the Consultation Conclusions on a Risk-based Capital Framework for the insurance industry of Hong Kong published on 30 September 2015. The IA aims at developing guidance and proforma for the QIS to be conducted in the second half of 2017, which seeks to obtain sufficient and appropriate data on quantitative and qualitative impact on insurers. Detailed rules will be drafted and another round of consultation will be conducted after the QIS.

Subsequent phases of the development of the RBC regime will involve amendment of legislation and implementation of the new regime. The RBC regime should 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. The IA will continue to engage all relevant stakeholders during the process of the development of the RBC regime.

## **Financial Institutions (Resolution) Ordinance**

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The Financial Institutions (Resolution) Ordinance (Cap.628) (“FIRO”) was enacted by the Legislative Council on 22 June 2016 and published in the gazette on 30 June 2016. The FIRO establishes in Hong Kong a resolution regime, which is designed to comply with the latest international standards set by the Financial Stability Board in its Key Attributes of Effective Resolution Regimes for Financial Institutions, to mitigate the risks posed by the non-viability of systemically important financial institutions to the stability and effective working of the financial system of Hong Kong.

The FIRO will commence operation on a date to be appointed by the Secretary for Financial Services and the Treasury pending the development and enactment of certain key regulations as subsidiary legislation under the FIRO.

One set of the key regulations is to impose some suitably tailored constraints on the resolution authorities in the exercise of their resolution powers to safeguard the economic effect of specific financial arrangements that are vital to the daily functioning of financial markets. In this regard, the Government and the related financial regulators launched a two-month public consultation on 22 November 2016. Subject to the outcome of the public consultation, the Government targets to table the relevant subsidiary legislation before the Legislative Council for negative vetting in the first half of 2017.

## Fintech Development

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Following the announcement by the Financial Secretary in his 2016-17 Budget Speech on measures to follow up on recommendations made by the Steering Group on Financial Technologies, the IA formed a Fintech Liaison Team in February 2016 to enhance communication with the insurance industry and the Fintech community.

Since then, the Fintech Liaison Team met with a number of start-ups for explanation of the relevant insurance regulatory requirements and referred a number of start-ups to the Task Force on Fintech of the HKFI for exploring the opportunities for further cooperation. In addition, the IA worked with individual market participants to assist them to implement their Fintech initiatives and participated in a number of Fintech events to exchange views on the further development of Fintech in Hong Kong.

The IA will continue to work closely with the insurance industry on fostering more innovation in insurance products and services.

## International and Domestic Cooperation

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In view of the volatility of the global financial market 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 June 2016, the IAIS and the IA jointly hosted the IAIS 2016 Field Testing Workshop in Hong Kong. The IAIS conducts Field Testing to develop a single, risk-based Insurance Capital Standard within the Common Framework for the Supervision of Internationally Active Insurance Groups (“Common Framework”) which would achieve comparable outcomes across jurisdictions. Field Testing is a multi-year exercise that involves series of impact studies and the result will provide evidence for the development of Common Framework. At the Workshop, representatives of large international insurance groups from Asia, South Africa and the United States actively exchanged views with IAIS representatives on the quantitative specifications of IAIS 2016 Field Testing.

In November 2016, the IA attended the 23rd IAIS Annual Conference and committee meetings held in Asuncion, Paraguay. As a member of the IAIS, the IA will continue 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 Forum of Insurance Regulators Meeting held in Taipei in April 2016.





With growing cross-border activities between the Mainland and Hong Kong, there is closer cooperation between the IA and the China Insurance Regulatory Commission (“CIRC”). In 2016, the IA actively participated in activities involving the CIRC, including meeting CIRC officials in Beijing and Shanghai in August; participating in the 2nd China-ASEAN Summit Forum on Insurance Cooperation and Development in Nanning in September; co-organising a training course in Hong Kong for CIRC’s officers in November; and participating in the 16th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen in Macao in December. The IA will continue to work closely with the CIRC and other Mainland authorities on insurance cooperation between the Mainland and Hong Kong.

On the domestic front, the IA 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.



An aerial photograph of a large cable-stayed bridge spanning a wide body of water. The bridge features multiple tall, white pylons and numerous stay cables. In the background, a city skyline with several high-rise buildings is visible under a clear blue sky. The foreground shows a multi-level highway interchange with several lanes of traffic. The overall scene is brightly lit, suggesting a clear day.

# General Insurance Business

# General Insurance Business

General insurance sector recorded a modest growth in 2015, with total gross premiums increased by 5.4% to \$45,983 million while underwriting profit decreased by 60.7% to \$1,193 million.

## Overview

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The gross and net premiums of general insurance business increased by 5.4% to \$45,983 million and 6.4% to \$32,089 million respectively in 2015, with the overall retention ratio increased from 69.1% to 69.8%.

The rise in gross premiums was mainly contributed by Accident & Health business, which recorded a growth of 17.9% from \$11,534 million in 2014 to \$13,600 million in 2015. Motor Vehicle business also recorded an increase in gross premiums of 9.4% from \$4,842 million in 2014 to \$5,295 million in 2015. General Liability business (comprising Employees' Compensation ("EC") business) reported a growth of gross premiums of 0.1% from \$11,082 million in 2014 to \$11,090 million in 2015, whilst Property Damage business posted a decrease in gross premiums of 3.1% from \$8,960 million in 2014 to \$8,683 million in 2015.

Claims experience of general insurance business deteriorated in 2015 with a net claims incurred ratio ("NCIR") of 62.2% in 2015, compared with 56.4% in 2014. Despite the worsened claims experience, most major lines of business recorded an underwriting profit except for Motor Vehicle, Ships, Pecuniary Loss and Aircraft businesses, which recorded underwriting losses of \$263 million, \$107 million, \$97 million and \$4 million respectively.

Property Damage business reported an underwriting profit of \$670 million in 2015 and became the largest contributor in 2015. Goods in Transit business and Accident & Health business also registered profits of \$379 million and \$331 million respectively. As regards the underwriting performance for two major classes of compulsory business, direct Motor Vehicle business and direct EC business reported underwriting losses of \$152 million and \$412 million respectively.

**Figure 2.1 Overall Performance of General Insurance Business**

	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
<b>Gross Premiums</b>	34,834.7	39,204.8	41,797.6	43,641.5	45,983.1
<b>Net Premiums</b>	23,760.8	26,998.0	28,859.7	30,165.3	32,089.0
<b>Technical Reserves</b>	33,610.9	38,478.2	41,975.3	45,003.9	50,776.3
<b>Underwriting Results:</b>					
<b>Earned Premiums</b>	22,793.0	25,176.1	27,973.0	29,568.4	31,761.7
<b>Underwriting Expenses<sup>1</sup></b>	7,634.7	8,526.5	9,211.4	9,843.9	10,811.2
<b>Net Claims Incurred</b>	12,531.1	14,606.8	15,757.4	16,685.5	19,757.3
<b>Underwriting Profit/(Loss)</b>	2,627.2	2,042.8	3,004.2	3,039.0	1,193.2
	%	%	%	%	%
<b>Growth of Gross Premiums</b>	12.2	12.5	6.6	4.4	5.4
<b>Retention Ratio</b>	68.2	68.9	69.0	69.1	69.8
<b>Commission Payable Ratio</b>	17.2	17.5	17.6	17.8	18.0
<b>Net Claims Incurred Ratio</b>	55.0	58.0	56.3	56.4	62.2
<b>Underwriting Margin<sup>2</sup></b>	11.5	8.1	10.7	10.3	3.8
<b>Technical Reserve Ratio<sup>3</sup></b>	141.5	142.5	145.4	149.2	158.2

<sup>1</sup> Underwriting Expenses - Total of Net Commissions Payable, Management Expenses and Unexpired Risks Adjustment

<sup>2</sup> Underwriting Margin - Underwriting Profit/(Loss) expressed as a percentage of Earned Premiums

<sup>3</sup> 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 5.4% to \$45,983 million. The increase was mainly driven by the growth of premiums in Accident & Health business. Net premiums also recorded a growth of 6.4% to \$32,089 million. The retention ratio for 2015 was 69.8%, compared to 69.1% for 2014.

Figure 2.2 Growth of Premium Income for General Insurance Business

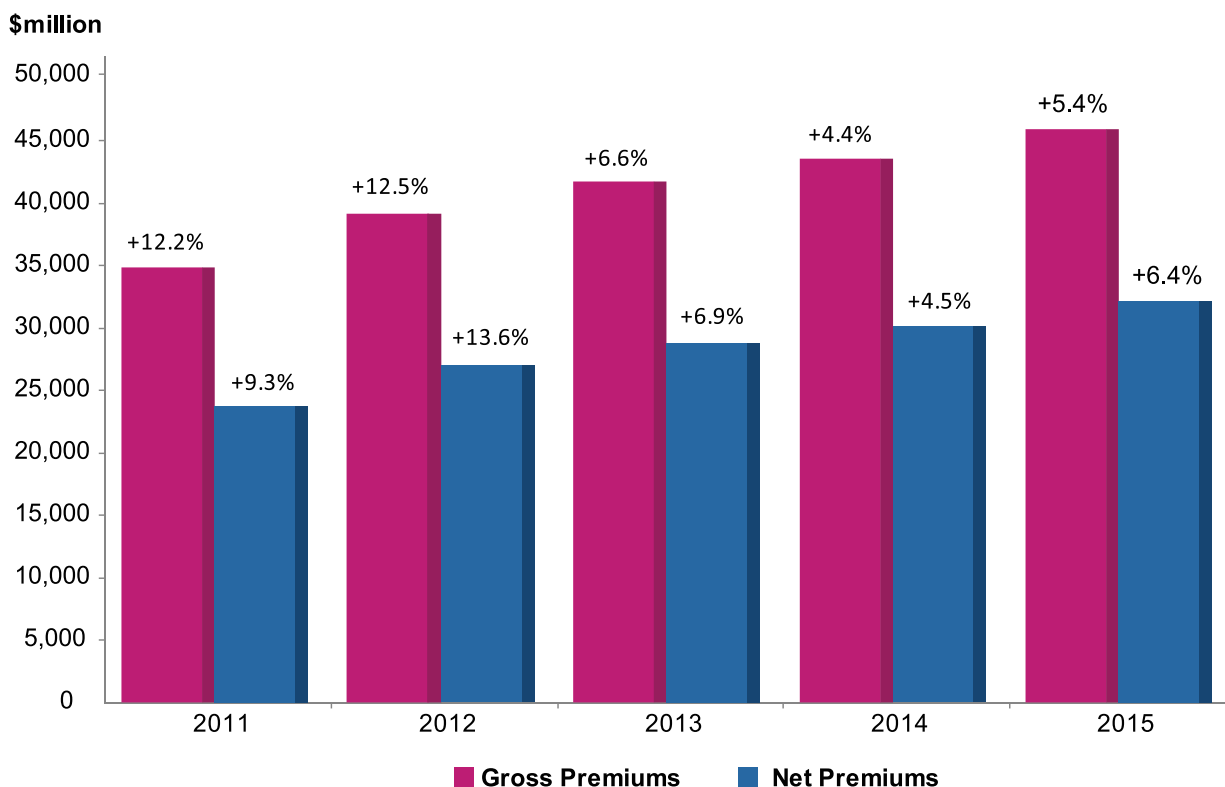
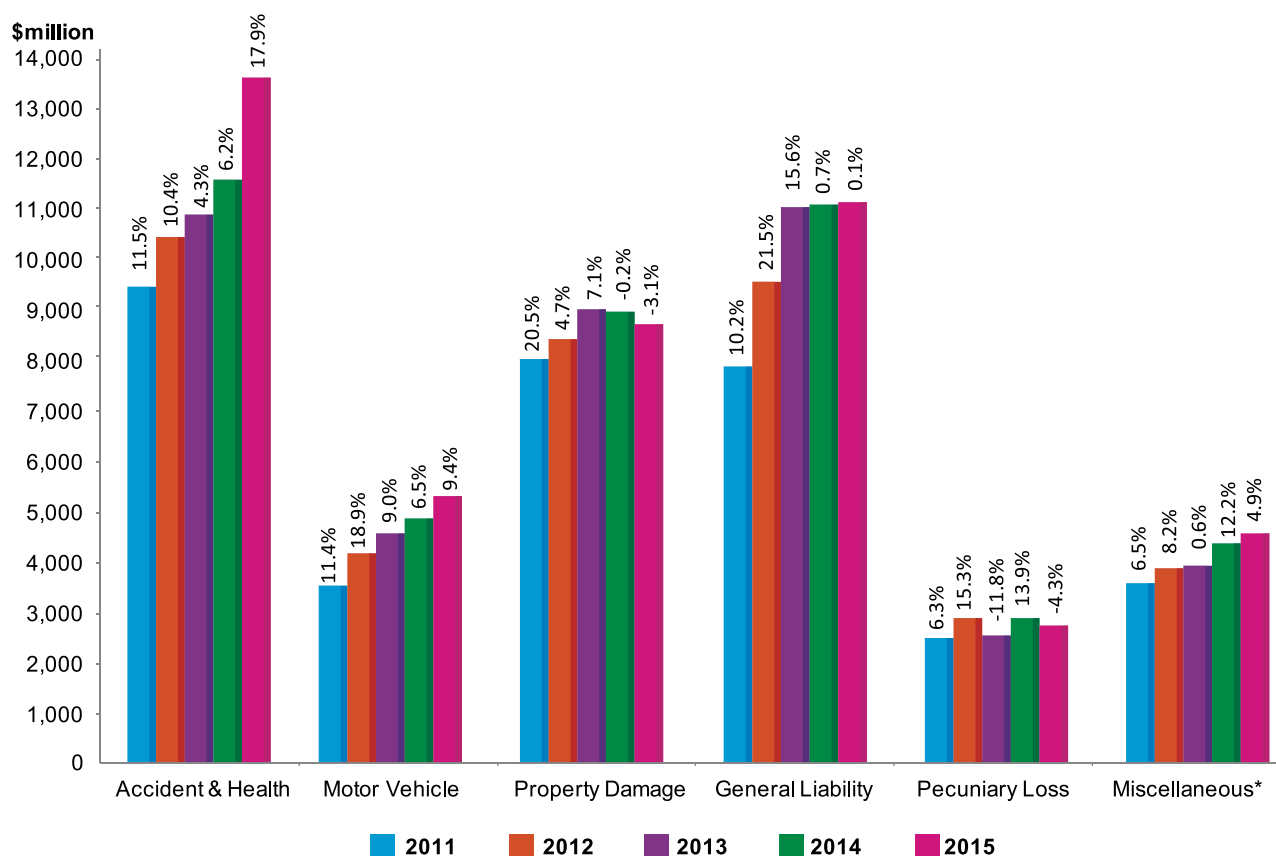


Figure 2.2 Growth of Premium Income for General Insurance Business (Accessible Version)

	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
<b>Gross Premiums</b>	34,834.7	39,204.8	41,797.6	43,641.5	45,983.1
<b>Net Premiums</b>	23,760.8	26,998.0	28,859.7	30,165.3	32,089.0
	%	%	%	%	%
<b>Growth of Gross Premiums</b>	12.2	12.5	6.6	4.4	5.4
<b>Growth of Net Premiums</b>	9.3	13.6	6.9	4.5	6.4

The major classes of general insurance business showed an increase in gross premiums in 2015. The gross premiums of Accident & Health business increased by 17.9% to \$13,600 million. Motor Vehicle business grew by 9.4% to \$5,295 million. General Liability business slightly increased by 0.1% to \$11,090 million. Miscellaneous (comprising Aircraft, Ships, Goods in Transit and Treaty Reinsurance) business registered moderate growth and reached \$4,574 million whereas Property Damage and Pecuniary Loss businesses recorded a drop by 3.1% and 4.3% to \$8,683 million and \$2,741 million respectively.

**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	2011		2012		2013		2014		2015	
	\$million	%	\$million	%	\$million	%	\$million	%	\$million	%
<b>Accident &amp; Health</b>	9,438.1	11.5	10,415.2	10.4	10,864.6	4.3	11,534.0	6.2	13,599.6	17.9
<b>Motor Vehicle</b>	3,511.0	11.4	4,173.7	18.9	4,547.6	9.0	4,842.1	6.5	5,295.3	9.4
<b>Property Damage</b>	8,004.6	20.5	8,378.5	4.7	8,976.3	7.1	8,959.9	-0.2	8,683.0	-3.1
<b>General Liability</b>	7,839.8	10.2	9,526.4	21.5	11,010.5	15.6	11,082.4	0.7	11,090.4	0.1
<b>Pecuniary Loss</b>	2,470.0	6.3	2,848.4	15.3	2,512.6	-11.8	2,862.9	13.9	2,740.8	-4.3
<b>Miscellaneous*</b>	3,571.2	6.5	3,862.6	8.2	3,886.0	0.6	4,360.2	12.2	4,574.0	4.9

\*Miscellaneous Business mainly includes Ships and Goods In Transit Businesses



## Composition of Gross Premiums

Direct business and reinsurance inward business accounted for 75.6% and 24.4% respectively of total gross premiums in 2015, showing a similar composition as in 2014. Accident & Health, General Liability and Property Damage businesses topped the general insurance sector, constituted 29.6%, 24.1% and 18.9% respectively of the total gross premiums. Motor Vehicle business ranked fourth with its 11.5% share.

**Figure 2.4 Composition of Gross Premiums**

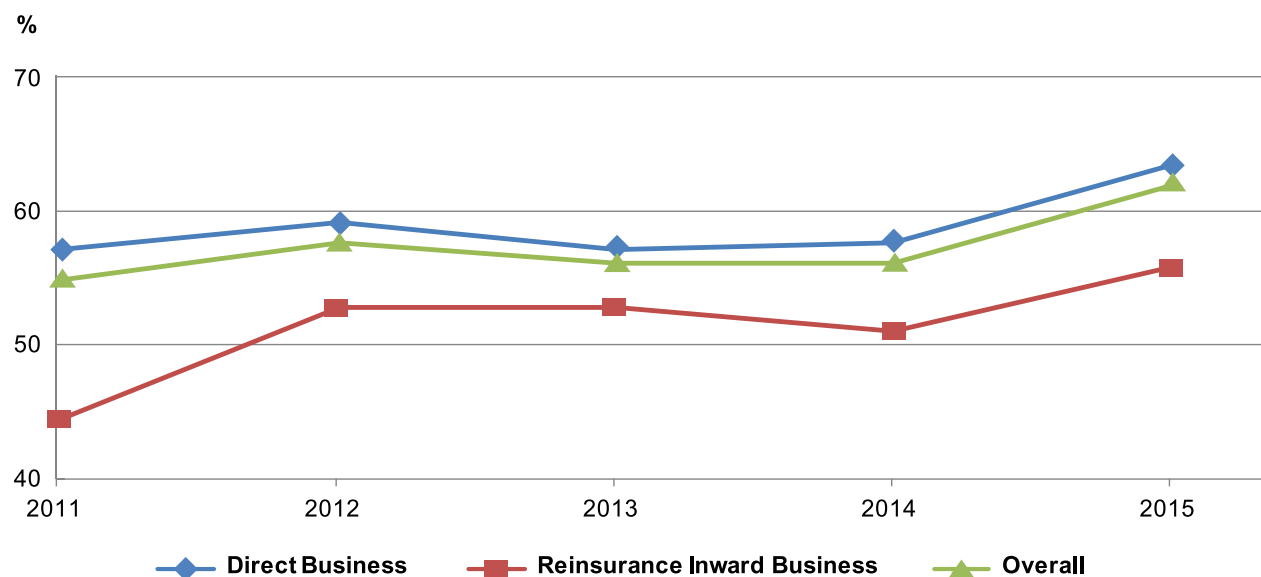
Class of Business	Direct & Reinsurance Inward Business		Direct Business		Reinsurance Inward Business	
	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %
<b>Accident &amp; Health</b>	26.4	29.6	34.2	37.0	4.6	6.6
<b>Motor Vehicle</b>	11.1	11.5	12.2	11.7	7.9	10.9
<b>Property Damage</b>	20.5	18.9	12.2	11.6	43.8	41.6
<b>General Liability</b>	25.4	24.1	29.5	27.6	13.8	13.2
<b>Pecuniary Loss</b>	6.6	6.0	5.0	4.6	11.1	10.3
<b>Miscellaneous</b>	10.0	9.9	6.9	7.5	18.8	17.4

## Claims

The overall claims experience for general insurance business deteriorated in 2015. Overall NCIR increased 5.8% to 62.2%.

On direct business, overall NCIR increased from 57.8% to 63.7% in 2015. The star performer was Property Damage business which recorded the lowest NCIR, i.e. below 30%.

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

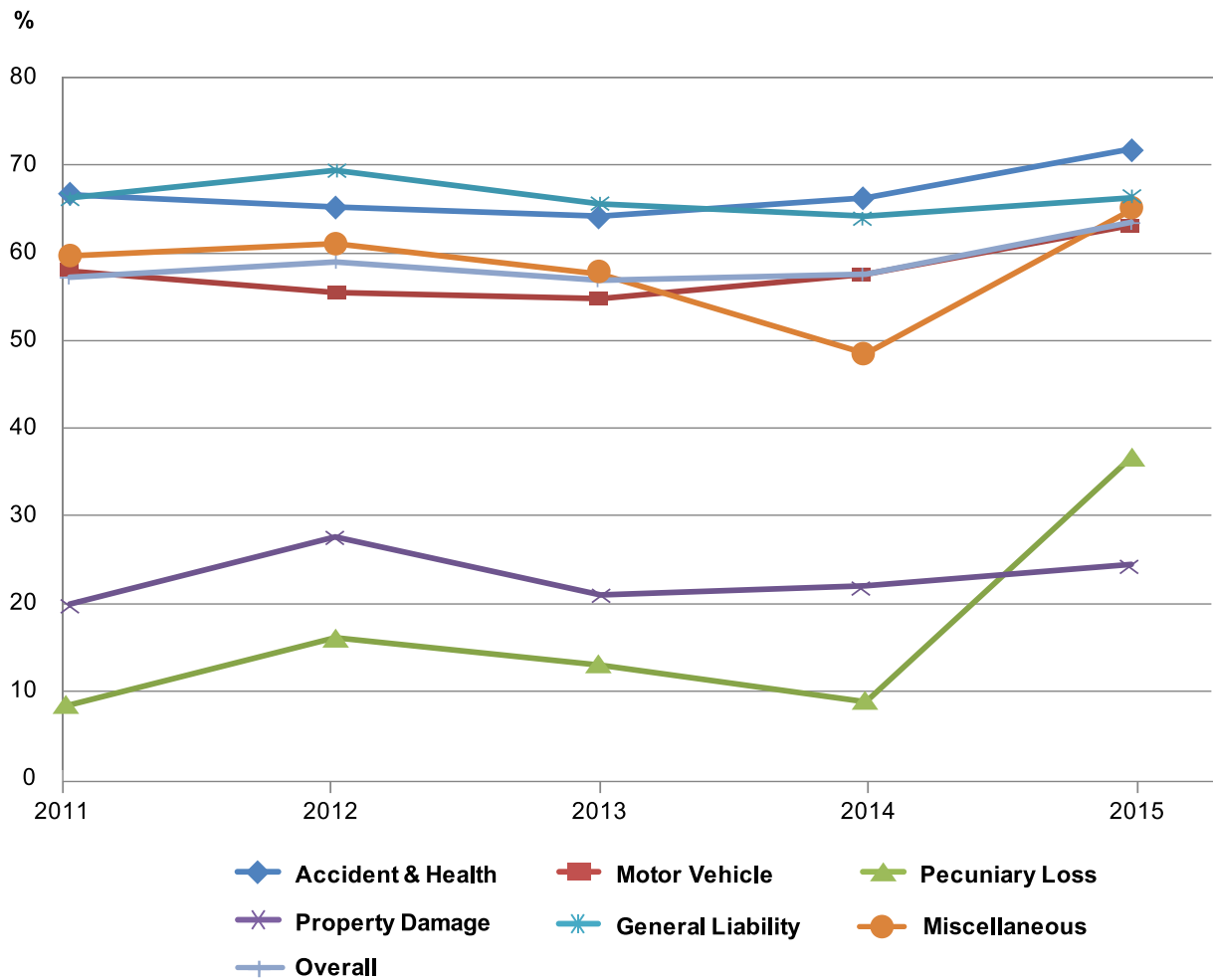


**Figure 2.5 Net Claims Incurred Ratio (Accessible Version)  
Direct & Reinsurance Inward Business**

	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>Direct Business</b>	57.4	59.3	57.3	57.8	63.7
<b>Reinsurance Inward Business</b>	44.7	53.0	52.9	51.2	56.2
<b>Overall</b>	55.0	58.0	56.3	56.4	62.2

**Figure 2.5 Net Claims Incurred Ratio**

**Direct Business**



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

**Direct Business**

Class of Business	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>Accident &amp; Health</b>	67.0	65.4	64.5	66.6	72.2
<b>Motor Vehicle</b>	58.3	55.9	54.9	57.9	63.4
<b>Pecuniary Loss</b>	8.9	16.3	13.2	9.2	37.1
<b>Property Damage</b>	20.2	27.9	21.3	22.5	24.7
<b>General Liability</b>	66.6	69.5	65.7	64.5	66.6
<b>Miscellaneous</b>	60.1	61.1	58.0	49.0	65.0
<b>Overall</b>	57.4	59.3	57.3	57.8	63.7

## Technical Reserves

Technical reserves, comprising outstanding claims provision (including provision for incurred but not reported claims), unearned premiums and unexpired risks provision, rose by 12.8% to \$50,776 million.

Overall technical reserve ratio (i.e. technical reserves expressed as a percentage of net premiums) increased from 149.2% in 2014 to 158.2% in 2015. The technical reserve ratio of General Liability business remained the highest in 2015, rising from 239.4% to 277.1%. Such ratio for Property Damage business and Pecuniary Loss business grew from 142.1% to 152.2% and 237.8% to 261.5% respectively. As regards Motor Vehicle business and Accident & Health business, the technical reserve ratio increased from 156.4% to 162.8% and 49.4% to 55.0% respectively in 2015.

**Figure 2.6 Technical Reserve Ratio**

Class of Business	UPR & UER Ratio <sup>1</sup>		Outstanding Claims Provision Ratio <sup>2</sup>		Technical Reserve Ratio <sup>3</sup>	
	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %
Accident & Health	31.3	29.6	18.1	25.4	49.4	55.0
Motor Vehicle	45.2	49.2	111.2	113.6	156.4	162.8
Property Damage	61.5	63.5	80.6	88.7	142.1	152.2
General Liability	59.1	62.8	180.3	214.3	239.4	277.1
Pecuniary Loss	157.2	151.1	80.6	110.4	237.8	261.5
Miscellaneous	24.3	23.0	137.6	132.5	161.9	155.5
<b>Overall</b>	<b>50.4</b>	<b>49.6</b>	<b>98.8</b>	<b>108.6</b>	<b>149.2</b>	<b>158.2</b>

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

<sup>2</sup> Outstanding Claims Provision Ratio – Outstanding Claims Provision expressed as a percentage of Net Premiums

<sup>3</sup> Technical Reserve Ratio – Technical Reserves expressed as a percentage of Net Premiums

## Underwriting Results

The overall underwriting profit decreased from \$3,039 million in 2014 to \$1,193 million in 2015, representing a drop of 60.7%.

With the exception of Motor Vehicle, Ships, Pecuniary Loss and Aircraft businesses that incurred respective underwriting losses of \$263 million, \$107 million, \$97 million and \$4 million, all other business classes recorded underwriting profits in 2015. Property Damage business became the largest contributor to the overall underwriting profit of the general insurance business in 2015, achieving a profit of \$670 million. Goods in Transit and Accident & Health businesses came next, registering \$379 million and \$331 million in underwriting profits respectively. General Liability business recorded an underwriting profit of \$181 million in 2015. However, a major component of General Liability business, i.e. EC business, sustained an underwriting loss.

On direct business, the underwriting profit decreased from \$2,260 million to \$887 million. Property Damage business reported the highest underwriting profit of \$431 million, followed by General Liability (non-EC) business of \$391 million, Accident & Health business of \$334 million and Goods in Transit business of \$326 million. Pecuniary Loss business reported an underwriting profit of \$172 million. As for Motor Vehicle and Ships businesses, underwriting losses of \$152 million and \$201 million were recorded respectively. Similar to 2014, EC business was the worst performer reporting an underwriting loss of \$412 million in 2015.

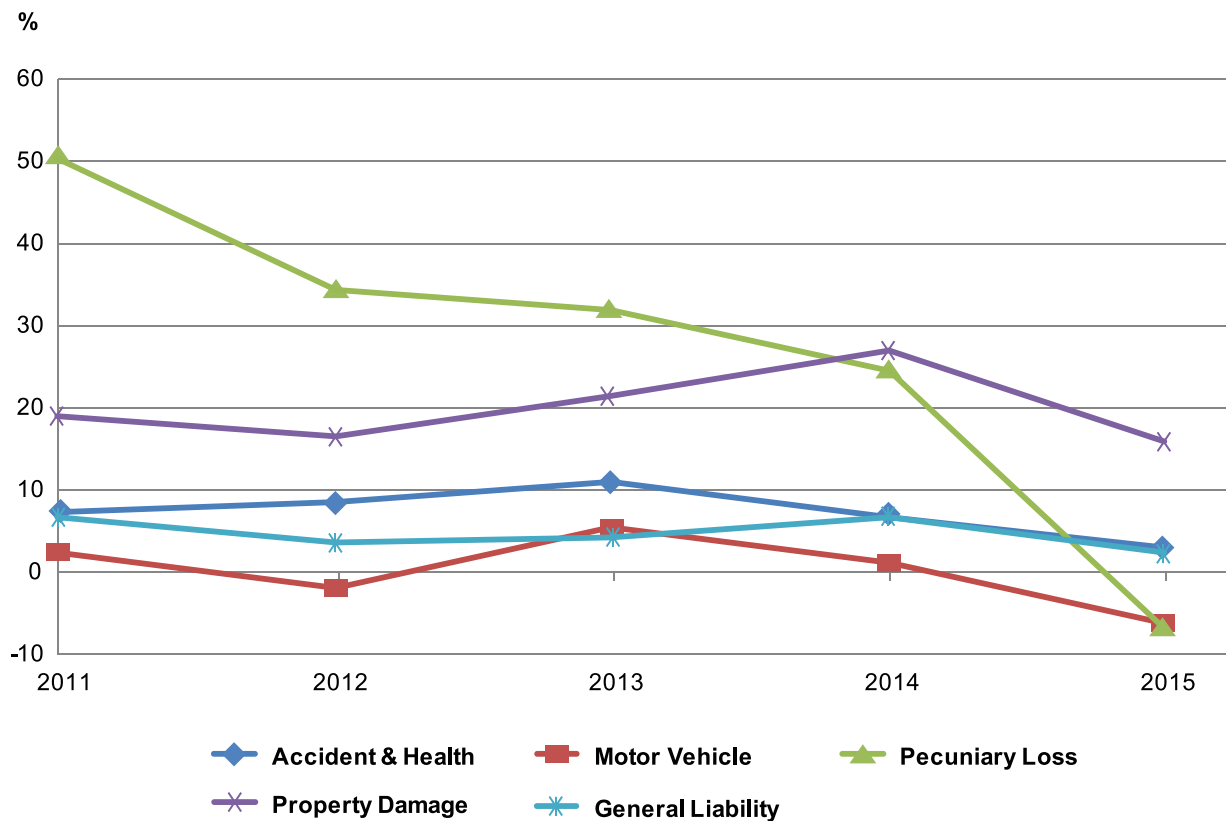
On reinsurance inward business, the underwriting profit also decreased from \$779 million to \$306 million. Except for Pecuniary Loss, Motor Vehicle, Aircraft and Accident & Health businesses incurring respective underwriting losses of \$268 million, \$110 million, \$4 million and \$3 million, all other 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 \$202 million.

**Figure 2.7 Underwriting Results**

Underwriting Profit/(Loss)	2013			2014			2015		
	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	916.8	33.8	950.6	654.8	(73.5)	581.3	333.8	(2.9)	330.9
Motor Vehicle	113.1	84.4	197.5	33.8	22.6	56.4	(152.3)	(110.3)	(262.6)
Property Damage	558.9	238.8	797.7	468.9	576.3	1,045.2	430.5	239.1	669.6
General Liability	115.4	222.3	337.7	388.0	175.8	563.8	(21.5)	202.4	180.9
Pecuniary Loss	409.7	69.6	479.3	442.0	(86.3)	355.7	171.5	(268.2)	(96.7)
Miscellaneous	138.5	102.9	241.4	272.8	163.8	436.6	125.2	245.9	371.1
<b>Total</b>	<b>2,252.4</b>	<b>751.8</b>	<b>3,004.2</b>	<b>2,260.3</b>	<b>778.7</b>	<b>3,039.0</b>	<b>887.2</b>	<b>306.0</b>	<b>1,193.2</b>



**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	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>Accident &amp; Health</b>	7.5	8.5	11.0	6.4	3.1
<b>Motor Vehicle</b>	2.4	-1.6	5.2	1.4	-6.3
<b>Pecuniary Loss</b>	50.3	34.5	32.1	24.8	-6.6
<b>Property Damage</b>	19.2	16.4	21.3	26.8	16.2
<b>General Liability</b>	7.0	3.4	4.4	6.6	2.2

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 2015, they altogether contributed \$10,894 million in gross premiums to the general insurance business market, representing 31.3% of total direct business gross premiums. EC business took second place in terms of gross premiums for direct business in 2015, while its market share in the direct business market decreased from 20.8% in 2014 to 19.3% in 2015.

### Motor Vehicle Business

Gross premiums for direct Motor Vehicle business increased by 3.7% to \$4,078 million in 2015, with the number of vehicles covered grew by 4.3% to 826,254. Due to deteriorated claims experience with NCIR increasing from 57.9% to 63.4%, the underwriting performance turned from a profit of \$34 million in 2014 to a loss of \$152 million in 2015.

Figure 2.9 Motor Vehicle Business

	Unit	2011	2012	2013	2014	2015
<b>Gross Premiums</b>	<b>\$million</b>	3,225.4	3,474.1	3,720.3	3,933.8	4,077.5
<b>Underwriting Profit/(Loss)</b>	<b>\$million</b>	30.4	104.0	113.1	33.8	(152.3)
<b>Growth of Gross Premiums</b>	<b>%</b>	11.4	7.7	7.1	5.7	3.7
<b>Net Claims Incurred Ratio</b>	<b>%</b>	58.3	55.9	54.9	57.9	63.4
<b>Underwriting Margin</b>	<b>%</b>	1.2	3.8	3.9	1.1	-4.7
<b>Number of Vehicles Covered</b>		699,923	727,910	756,904	791,883	826,254

## Employees' Compensation Business

Gross premiums of EC business increased by 0.3% to \$6,712 million in 2015, with the number of EC policies in force grew by 9.3% to 419,090. With deteriorated claims experience, the underwriting loss for EC business deepened from \$75 million in 2014 to \$412 million in 2015.

**Figure 2.10 Employees' Compensation Business**

	Unit	2011	2012	2013	2014	2015
<b>Gross Premiums</b>	<b>\$million</b>	4,063.1	5,540.3	6,600.6	6,689.5	6,711.7
<b>Underwriting Profit/(Loss)</b>	<b>\$million</b>	(260.0)	(649.0)	(376.6)	(74.7)	(412.0)
<b>Growth of Gross Premiums</b>	%	8.9	36.4	19.1	1.3	0.3
<b>Net Claims Incurred Ratio</b>	%	77.5	85.3	77.2	74.1	76.7
<b>Underwriting Margin</b>	%	-8.0	-16.3	-7.5	-1.3	-7.5
<b>Number of Policies in Force</b>		367,228	380,632	381,265	383,458	419,090

## Local Vessel Liability Business

Gross premiums of Local Vessel Liability business increased by 12.0% to \$105 million in 2015, with the number of local vessels covered increased by 5.1% to 17,117. The underwriting performance of such business showed a turnaround from a loss of \$9 million in 2014 to a profit of \$6 million in 2015.

**Figure 2.11 Local Vessel Liability Business**

	Unit	2011	2012	2013	2014	2015
<b>Gross Premiums</b>	<b>\$million</b>	53.5	47.5	82.5	93.3	104.5
<b>Underwriting Profit/(Loss)</b>	<b>\$million</b>	16.3	10.8	(5.0)	(9.0)	5.9
<b>Growth of Gross Premiums</b>	%	29.9	-11.2	73.7	13.1	12.0
<b>Net Claims Incurred Ratio</b>	%	19.1	33.5	67.9	64.7	32.8
<b>Underwriting Margin</b>	%	48.7	38.0	-12.3	-16.7	11.4
<b>Number of Local Vessels Covered</b>		13,236	13,880	15,197	16,285	17,117

## 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 11.6% to \$2,709 million in 2015. However, their total underwriting profit decreased from \$436 million in 2014 to \$158 million in 2015. The top 5 pure reinsurers captured an aggregate market share of 69.1% in terms of gross premiums, indicating that the continuing high concentration of business in the pure reinsurers' market persisted in 2015.

Figure 2.12 Pure Reinsurers' Business

	Unit	2011	2012	2013	2014	2015
<b>Gross Premiums</b>	<b>\$million</b>	2,154.6	2,474.5	2,641.8	2,425.9	2,708.5
<b>Underwriting Profit/(Loss)</b>	<b>\$million</b>	802.8	537.9	359.1	435.6	157.8
<b>Growth of Gross Premiums</b>	<b>%</b>	9.3	14.8	6.8	-8.2	11.6
<b>Net Claims Incurred Ratio</b>	<b>%</b>	17.9	38.2	50.0	45.7	59.8
<b>Underwriting Margin</b>	<b>%</b>	49.1	28.6	18.9	21.9	7.7

Figure 2.13 Top 5 Pure Reinsurers by Gross Premiums in 2015

Ranking of Reinsurers		Gross Premiums	Market Share
		\$million	%
1.	Taiping Reinsurance Company Limited	516	19.1
2.	Swiss Reinsurance Company Ltd	414	15.3
3.	Asia Capital Reinsurance Group Pte. Ltd.	412	15.2
4.	Peak Reinsurance Company Limited	291	10.7
5.	Munich Reinsurance Company	237	8.8
<b>Total Gross Premiums Written by Top 5 Reinsurers in 2015</b>		<b>1,870</b>	<b>69.1</b>
<b>Corresponding Figure for 2014</b>		<b>1,898</b>	<b>78.2</b>

## 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 2015, assets maintained by these insurers in Hong Kong totalled \$109,049 million, a 0.3% decrease over 2014. Deposits & Cash was the largest asset type, registering \$53,212 million or 48.8% of total local assets, followed by Fixed & Variable Interest Securities (17.3%) and Investments in Associated/Subsidiary Companies (7.3%).

Figure 2.14 Breakdown of Assets Maintained in Hong Kong

Category of Assets		2013		2014		2015	
		\$million	%	\$million	%	\$million	%
<b>Deposits &amp; Cash</b>		44,140.7	43.0	52,227.8	47.8	53,211.8	48.8
<b>Fixed &amp; Variable Interest Securities</b>		12,828.1	12.5	16,537.3	15.1	18,857.2	17.3
<b>Insurance Debts</b>		6,111.5	6.0	6,404.9	5.9	6,459.8	5.9
<b>Letters of Credit</b>		3,099.0	3.0	3,779.5	3.4	3,294.5	3.0
<b>Investments in Associated/ Subsidiary Companies</b>		8,617.9	8.4	8,406.5	7.7	7,942.0	7.3
<b>Land &amp; Buildings</b>		7,084.3	6.9	7,276.6	6.6	7,616.2	7.0
<b>Other Assets</b>	<b>- Mortgage Portfolio*</b>	16,146.0	15.7	10,354.2	9.5	7,085.3	6.5
	<b>- Others</b>	4,671.7	4.5	4,369.1	4.0	4,582.4	4.2
<b>Total</b>		<b>102,699.2</b>	<b>100.0</b>	<b>109,355.9</b>	<b>100.0</b>	<b>109,049.2</b>	<b>100.0</b>

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

## Market Analysis

A total of 109 insurers reported to the Insurance Authority on their Hong Kong general insurance business for 2015.

In 2015, gross premiums written by the top 10 and top 20 insurers amounted to \$21,114 million and \$29,806 million respectively. These premiums represented 45.9% and 64.8% of the market share, similar to the corresponding figures of 45.3% and 64.4% recorded in 2014. At the lower end of the scale, 11 insurers wrote gross premiums below \$1 million level in 2015.

Comparing with the market share of the top 10 general business insurers by overall gross premiums (45.9%), 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 (77.0%), Motor Vehicle business (69.0%), EC business (67.4%) and Property Damage business (50.0%).



Figure 2.15 Distribution of Insurers' Market Share

Ranking of Insurers	Range of Gross Premiums		Market Share	
	2014	2015	2014	2015
	\$million	\$million	%	%
<b>1 - 10</b>	1,161 - 3,651	1,185 - 3,798	45.3	45.9
<b>11 - 20</b>	620 - 1,133	684 - 1,171	19.1	18.9
<b>21 - 50</b>	211 - 604	224 - 659	27.3	26.3
<b>Remaining</b>	<170	<220	8.3	8.9

Figure 2.16 Top 10 Insurers by Overall Gross Premiums in 2015

Ranking of Insurers		Gross Premiums	Market Share
		\$million	%
1.	<b>AXA General Insurance Hong Kong Limited</b>	3,798	8.3
2.	<b>China Taiping Insurance (HK) Company Limited</b>	3,280	7.1
3.	<b>Bupa (Asia) Limited</b>	2,607	5.7
4.	<b>Zurich Insurance Company Ltd</b>	2,412	5.2
5.	<b>Bank of China Group Insurance Company Limited</b>	2,020	4.4
6.	<b>QBE Hongkong &amp; Shanghai Insurance Limited</b>	1,716	3.7
7.	<b>AIG Insurance Hong Kong Limited</b>	1,638	3.6
8.	<b>Blue Cross (Asia-Pacific) Insurance Limited</b>	1,242	2.7
9.	<b>Chubb Insurance Hong Kong Limited</b>	1,216	2.6
10.	<b>AXA China Region Insurance Company Limited</b>	1,185	2.6
<b>Total Gross Premiums Written by Top 10 Insurers in 2015</b>		21,114	45.9
<b>Corresponding Figure for 2014</b>		19,729	45.3

Figure 2.17 Top 10 Insurers by Gross Premiums of Major Classes in 2015

Accident & Health Business		
Ranking of Insurers		Market Share
1.	Bupa (Asia) Limited	19.2%
2.	AXA General Insurance Hong Kong Limited	15.7%
3.	AXA China Region Insurance Company Limited	8.7%
4.	Blue Cross (Asia-Pacific) Insurance Limited	8.2%
5.	China Taiping Insurance (HK) Company Limited	7.2%
6.	AIA International Limited	4.8%
7.	Prudential General Insurance Hong Kong Limited	3.7%
8.	Liberty International Insurance Limited	3.4%
9.	Bank of China Group Insurance Company Limited	3.2%
10.	Zurich Insurance Company Ltd	2.9%
Top 10 Insurers' Market Share		77.0%
Number of Insurers : 72		

Motor Vehicle Business		
Ranking of Insurers		Market Share
1.	China Taiping Insurance (HK) Company Limited	22.1%
2.	AXA General Insurance Hong Kong Limited	7.9%
3.	Zurich Insurance Company Ltd	7.5%
4.	Bank of China Group Insurance Company Limited	7.3%
5.	Target Insurance Company, Limited	7.1%
6.	Allianz Global Corporate & Specialty SE	4.6%
7.	Allied World Assurance Company, Ltd	3.5%
8.	QBE Hongkong & Shanghai Insurance Limited	3.1%
9.	China Ping An Insurance (Hong Kong) Company Limited	3.0%
10.	Asia Insurance Company, Limited	2.9%
Top 10 Insurers' Market Share		69.0%
Number of Insurers : 60		

### Property Damage Business

Ranking of Insurers		Market Share
1.	CNOOC Insurance Limited	10.4%
2.	AXA General Insurance Hong Kong Limited	7.1%
3.	Bank of China Group Insurance Company Limited	4.6%
4.	Chubb Insurance Hong Kong Limited	4.6%
5.	China Taiping Insurance (HK) Company Limited	4.5%
6.	Zurich Insurance Company Ltd	4.3%
7.	Asia Insurance Company, Limited	4.1%
8.	MSIG Insurance (Hong Kong) Limited	3.8%
9.	Asia Capital Reinsurance Group Pte. Ltd.	3.5%
10.	HDI Global SE	3.1%
Top 10 Insurers' Market Share		50.0%
Number of Insurers : 78		

### Employees' Compensation Business

Ranking of Insurers		Market Share
1.	QBE Hongkong & Shanghai Insurance Limited	14.3%
2.	Zurich Insurance Company Ltd	9.3%
3.	Bank of China Group Insurance Company Limited	8.4%
4.	Sun Hung Kai Properties Insurance Limited	6.0%
5.	AXA General Insurance Hong Kong Limited	5.6%
6.	Wing Lung Insurance Company Limited	5.4%
7.	AIG Insurance Hong Kong Limited	5.2%
8.	China Taiping Insurance (HK) Company Limited	4.8%
9.	Asia Insurance Company, Limited	4.4%
10.	MSIG Insurance (Hong Kong) Limited	4.0%
Top 10 Insurers' Market Share		67.4%
Number of Insurers : 50		

## Market Performance for first three quarters of 2016

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Based on provisional statistics, in the first three quarters of 2016, gross premiums of general insurance business increased by 0.8% to \$35,742 million whilst net premiums decreased by 0.5% to \$24,720 million compared with the corresponding period in 2015. Overall underwriting profit decreased from \$1,506 million to \$1,290 million.

On direct business, gross premiums recorded a growth of 2.8% to \$27,874 million whilst net premiums decreased by 0.3% to \$19,873 million in the first three quarters of 2016 compared with the corresponding period in 2015. The growth in gross premiums was mainly attributable to both Accident & Health business (comprising Medical business) and Property Damage business. The former recorded a growth in gross premiums from \$9,694 million to \$10,603 million while the latter recorded a growth in gross premiums from \$3,197 million to \$3,315 million.

The underwriting profit of direct business decreased to \$943 million in the first three quarters of 2016 from \$1,094 million in the corresponding period in 2015. Although the underwriting performance of Ships business showed a turnaround from a loss of \$103 million to a profit of \$195 million, such increase was offset by the fall in the underwriting profit of Goods in Transit business, General Liability business and Pecuniary Loss business from \$224 million, \$270 million and \$254 million to \$153 million, less than \$1 million and \$189 million respectively.

On reinsurance inward business, gross premiums decreased from \$8,364 million to \$7,868 million and net premiums decreased from \$4,912 million to \$4,847 million in the first three quarters of 2016 compared with the corresponding period in 2015. The underwriting profit also dropped from \$412 million to \$347 million.





# Long Term Insurance Business



# Long Term Insurance Business

In 2015, the total office premiums of long term insurance sector amounted to \$328,145 million, representing an increase of 11.0% over the previous year.

## Overview

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### In-Force Business

Total in-force office premiums of long term insurance business amounted to \$328,145 million in 2015, an increase of 11.0% when compared with \$295,693 million in 2014. The driving force was Non-Linked Individual Life business.

Individual Life business remained the dominant line of long term insurance business, representing 94.3% of the market total in 2015. Related in-force office premiums increased by 11.6% from \$277,085 million in 2014 to \$309,289 million in 2015. Non-Linked and Linked businesses accounted for 81.0% and 19.0% of in-force Individual Life business respectively. As at 31 December 2015, there were more than 11.36 million of in-force Individual Life policies, with net liabilities of \$1,292,958 million.

For Group Life business, in-force office premiums also recorded a growth by 8.3% to \$3,192 million in 2015. The number of in-force policies decreased by 2.4% to 19,724 while net liabilities increased by 6.3% to \$1,117 million as at 31 December 2015.

Yearly contributions of Retirement Scheme contracts administered by insurers reduced by 1.5% to \$7,778 million in 2015. There were 52,779 Retirement Scheme contracts with net liabilities of \$105,845 million at the end of 2015.

Regarding Annuity and other business (comprising mainly Permanent Health business), in-force office premiums increased by 1.6% to \$7,888 million in 2015 and the number of in-force policies by 4.2% to 288,882 at the end of 2015.

## New Business

Office premiums of new Individual Life business reached \$128,110 million in 2015, up 17.6% from 108,952 million in 2014. Non-Linked Individual Life business grew by 26.9% while Linked Individual Life business dropped 36.0%, accounted for 92.0% and 8.0% of the new Individual Life business respectively in 2015.

**Figure 3.1 Long Term Insurance Business**

Type of Insurance	Number of Policies				Office Premiums				Net Liabilities			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
					\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
<b>Individual Life</b>												
<b>Non-Linked</b>	8,310,460	8,741,810	9,181,550	9,814,015	145,782.0	170,825.7	208,964.5	250,506.3	734,287.6	791,409.7	948,233.1	1,065,864.6
	6.4%	5.2%	5.0%	6.9%	15.3%	17.2%	22.3%	19.9%	21.9%	7.8%	19.8%	12.4%
<b>Linked</b>	1,719,910	1,673,956	1,629,055	1,547,176	63,259.1	69,895.8	68,120.3	58,782.2	253,757.4	267,674.4	282,383.0	227,093.3
	-1.0%	-2.7%	-2.7%	-5.0%	5.0%	10.5%	-2.5%	-13.7%	13.4%	5.5%	5.5%	-19.6%
<b>Sub-total</b>	10,030,370	10,415,766	10,810,605	11,361,191	209,041.1	240,721.5	277,084.8	309,288.5	988,045.0	1,059,084.1	1,230,616.1	1,292,957.9
	5.0%	3.8%	3.8%	5.1%	12.0%	15.2%	15.1%	11.6%	19.6%	7.2%	16.2%	5.1%
<b>Group Life</b>	18,255	18,754	20,214	19,724	1,978.4	2,693.6	2,946.4	3,191.5	795.3	983.6	1,051.0	1,117.0
	6.8%	2.7%	7.8%	-2.4%	7.1%	36.2%	9.4%	8.3%	8.7%	23.7%	6.9%	6.3%
<b>Retirement Scheme</b>	54,795	58,965	46,685*	52,779	9,330.3	8,253.1	7,898.0	7,777.5	95,345.4	100,565.6	103,704.6	105,844.5
	7.9%	7.6%	-20.8%	13.1%	14.9%	-11.5%	-4.3%	-1.5%	-0.9%	5.5%	3.1%	2.1%
<b>Annuity and Others</b>	241,743	256,766	277,251	288,882	3,774.4	6,048.7	7,763.5	7,887.7	11,792.6	15,617.7	21,159.3	23,835.1
	5.3%	6.2%	8.0%	4.2%	67.6%	60.3%	28.3%	1.6%	32.2%	32.4%	35.5%	12.6%
<b>Total</b>	<b>10,345,163</b>	<b>10,750,251</b>	<b>11,154,755</b>	<b>11,722,576</b>	<b>224,124.2</b>	<b>257,716.9</b>	<b>295,692.7</b>	<b>328,145.2</b>	<b>1,095,978.3</b>	<b>1,176,251.0</b>	<b>1,356,531.0</b>	<b>1,423,754.5</b>
	<b>5.0%</b>	<b>3.9%</b>	<b>3.8%</b>	<b>5.1%</b>	<b>12.7%</b>	<b>15.0%</b>	<b>14.7%</b>	<b>11.0%</b>	<b>17.6%</b>	<b>7.3%</b>	<b>15.3%</b>	<b>5.0%</b>

Figures in percentage denote percentage changes over the prior year

\* Revised figure due to reclassification of relevant policies made by an insurer arising from a transfer of business in 2015.

# In-Force Individual Life Business

## Non-Linked Business

Office premiums of Non-Linked business grew by 19.9% to \$250,506 million in 2015, representing 81.0% of the office premiums of in-force Individual Life business. The number of in-force Non-Linked policies reached 9.81 million at the end of 2015, up 6.9% from 2014. Total sums assured increased by 13.7% to \$4,341,907 million and net liabilities by 12.4% to \$1,065,865 million as at 31 December 2015.

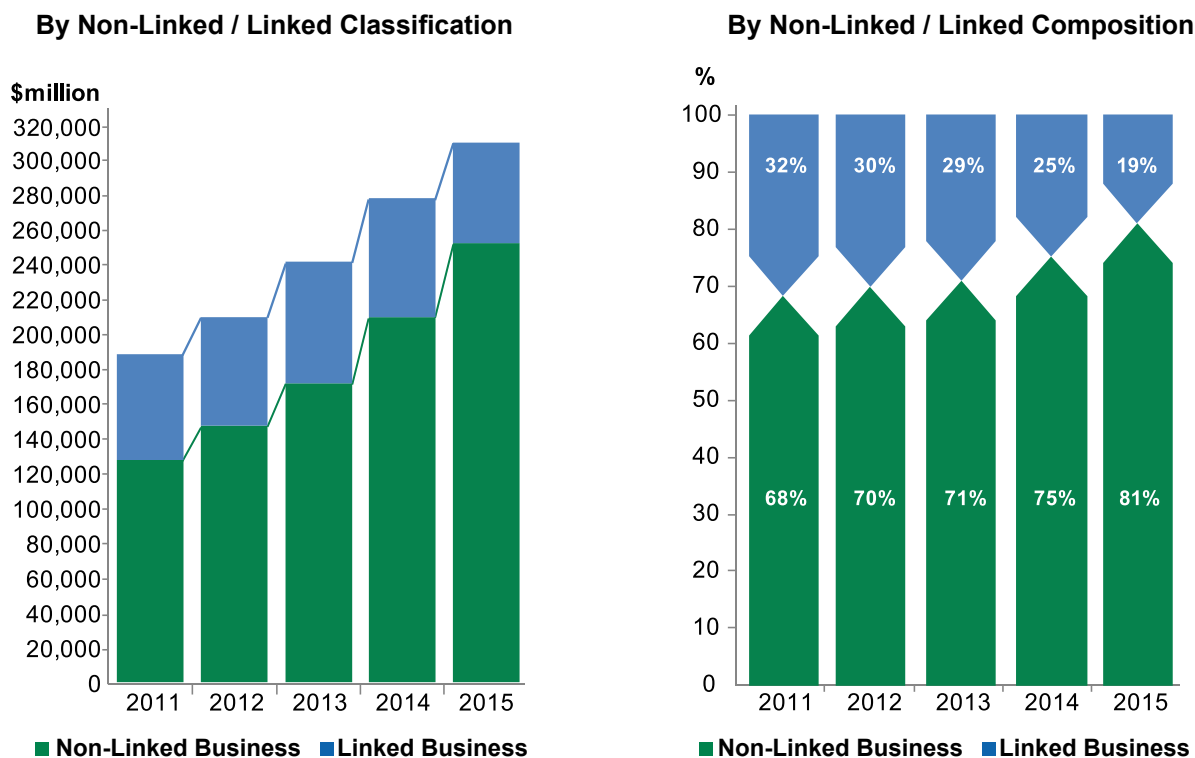
In terms of in-force office premiums, Whole Life and Endowment insurances accounted for 74.4% of Non-Linked business and Term and Other insurances for the remaining 25.6%.

Non-Linked business may be classified into with-profits business and without-profits business. Under this classification, with-profits business took up 68.2% of the in-force office premiums while without-profits business the remaining 31.8%.

## Linked Business

Office premiums of Linked business decreased by 13.7% to \$58,782 million in 2015, accounting for 19.0% of the office premiums of in-force Individual Life business. The number of in-force policies dropped by 5.0% to 1,547,176 and net liabilities by 19.6% to \$227,093 million as at 31 December 2015.

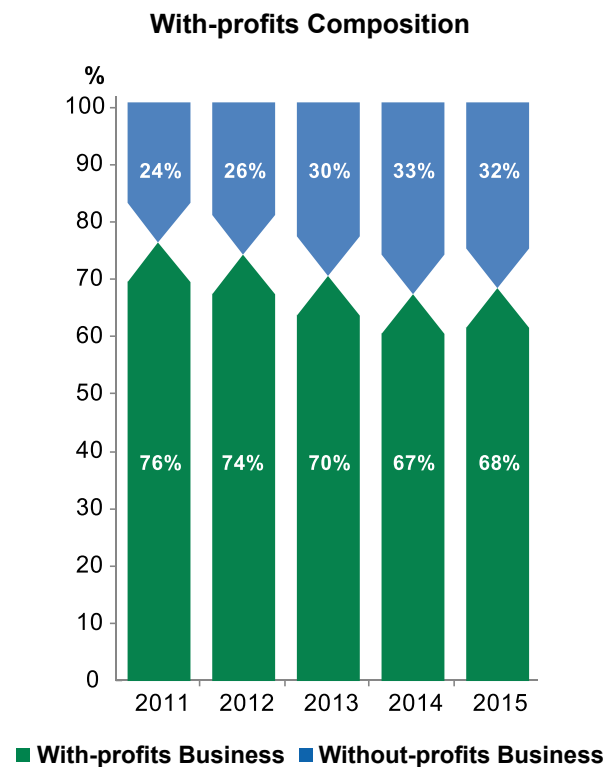
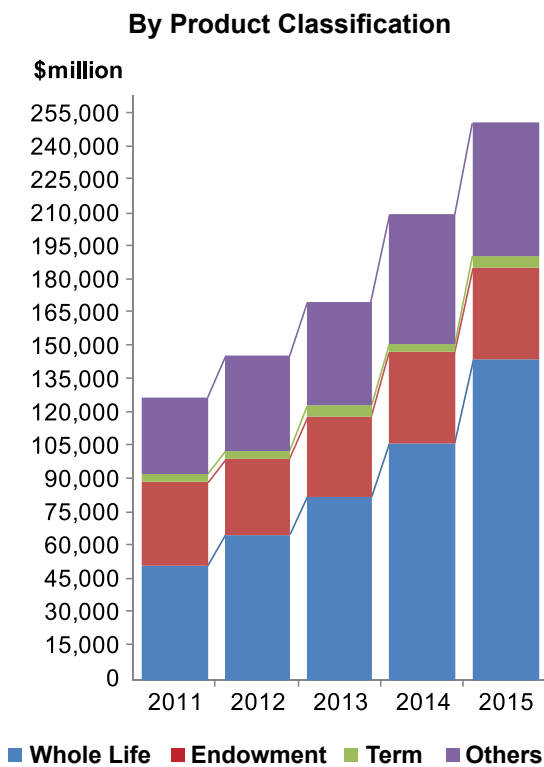
**Figure 3.2 In-Force Individual Life Business Office Premiums**



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

By Non-Linked / Linked Classification	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
<b>Non-Linked Business</b>	126,450.5	145,782.1	170,825.7	208,964.5	250,506.3
<b>Linked Business</b>	60,245.9	63,259.1	69,895.8	68,120.3	58,782.2
By Non-Linked / Linked Composition	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>Non-Linked Business</b>	68	70	71	75	81
<b>Linked Business</b>	32	30	29	25	19

**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	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
<b>Whole Life</b>	51,894.7	64,538.5	82,473.5	106,436.1	143,356.2
<b>Endowment</b>	36,495.2	34,601.0	36,714.3	41,072.9	43,135.9
<b>Term</b>	3,307.5	3,764.0	4,103.3	4,405.8	4,840.0
<b>Others</b>	34,753.1	42,878.6	47,534.6	57,049.6	59,174.2
With-profits Composition	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>With-profits Business</b>	76	74	70	67	68
<b>Without-profits Business</b>	24	26	30	33	32

## New Individual Life Business

Office premiums of new Individual Life business increased by 17.6% to \$128,110 million and the number of new policies by 12.3% to 1,168,123 in 2015. Non-Linked business accounted for 92.0% of the new total office premiums and Linked business for the remaining 8.0%.

### Non-Linked Business

For new Non-Linked business, office premiums recorded an increase of 26.9% to \$117,807 million in 2015, with single premium business increased by 15.9% and regular premium business by 38.4%. The number of policies increased by 18.1% to 1,144,044 in 2015.

Non-Linked business may be classified into with-profits and without-profits business, representing 62.2% and 37.8% of the related new office premiums respectively.

### Linked Business

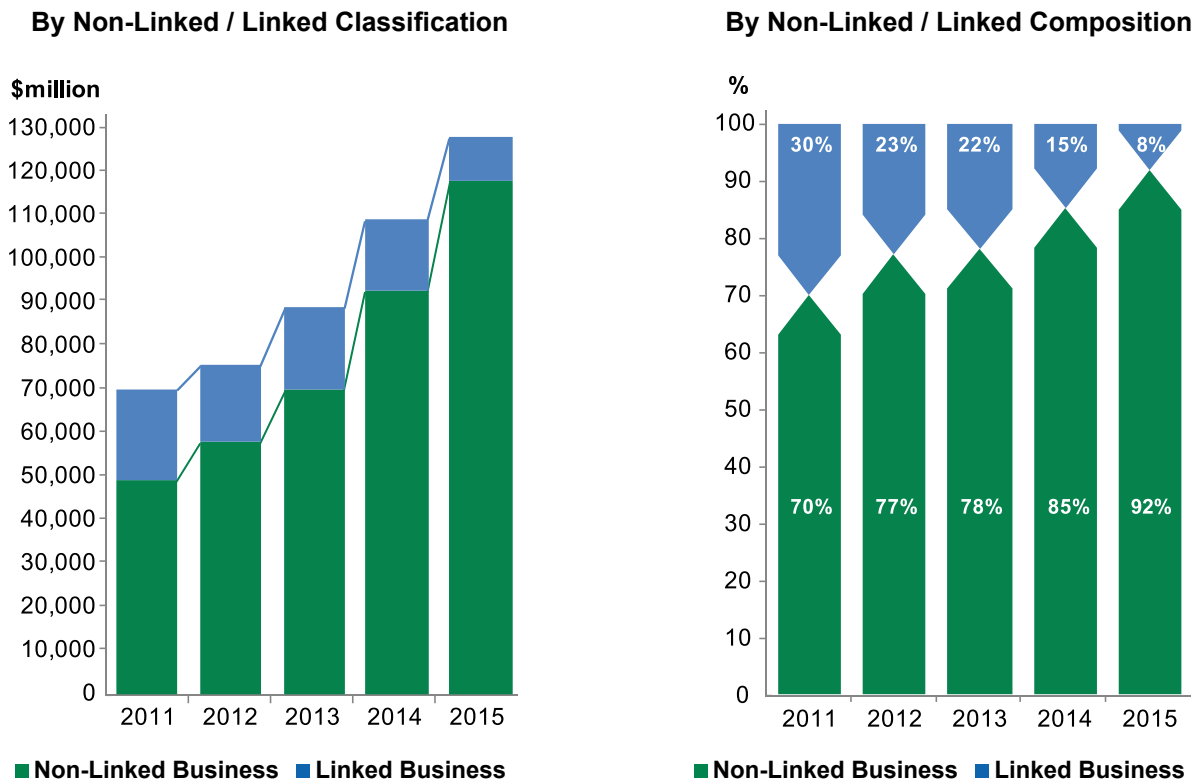
For new Linked business, the office premiums dropped by 36.0% and the number of new policies recorded a drop by 66.3% in 2015. The number of new policies in single payment mode and the related office premiums decreased by 29.3% and 17.8% respectively. The number of new policies in regular payment mode and the related office premiums decreased by 69.6% and 73.5% 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 25.0% in 2015. The rise in New Business Index was attributable to increases in new premiums of both regular and single premium businesses at a rate of 26.7% and 9.7% respectively. During the year, the New Business Index for Non-Linked business increased by 36.3% whereas that for Linked business decreased by 64.0%.

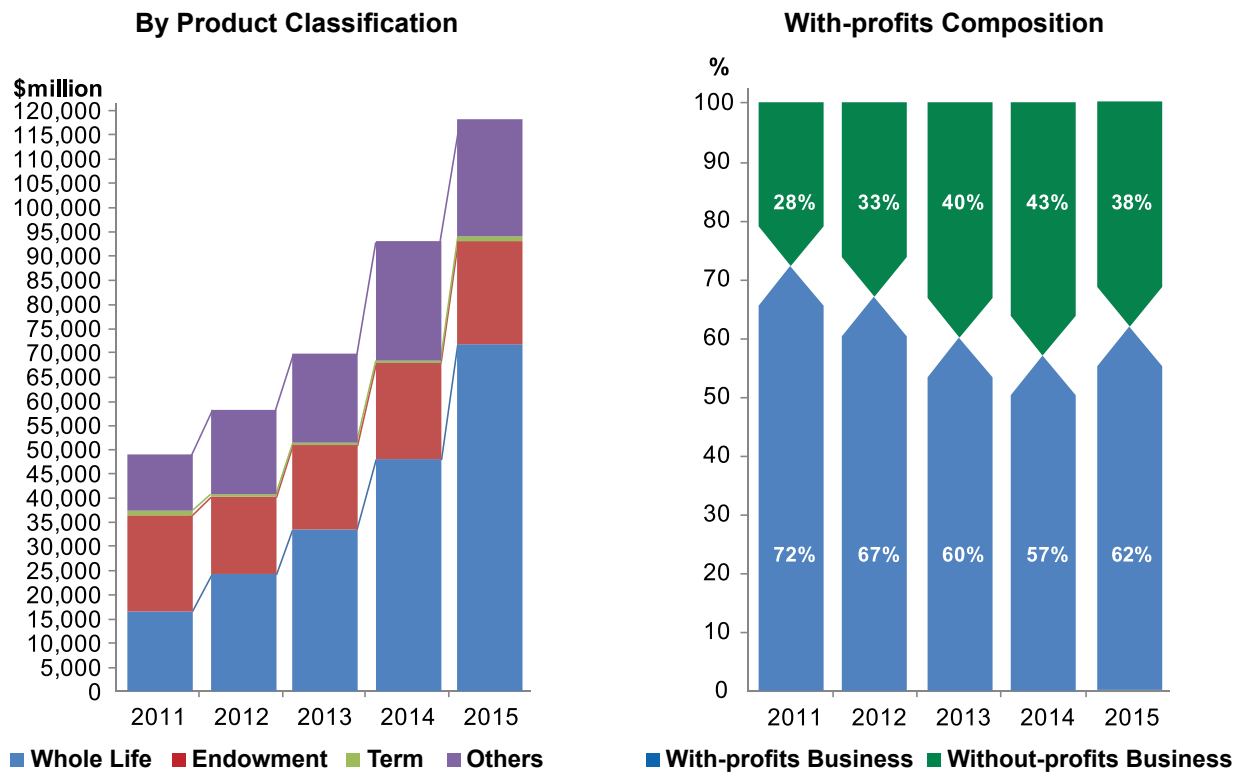
**Figure 3.3 New Individual Life Business Office Premiums**



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

By Non-Linked / Linked Classification	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
<b>Non-Linked Business</b>	48,937.9	58,177.3	69,639.6	92,841.6	117,806.5
<b>Linked Business</b>	20,926.4	17,100.6	19,115.6	16,110.0	10,303.4
By Non-Linked / Linked Composition	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>Non-Linked Business</b>	70	77	78	85	92
<b>Linked Business</b>	30	23	22	15	8

**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	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
<b>Whole Life</b>	16,251.8	24,141.0	33,320.7	47,797.7	71,583.2
<b>Endowment</b>	19,870.2	15,658.8	17,423.5	19,759.7	21,361.9
<b>Term</b>	1,047.9	792.3	622.6	574.1	652.9
<b>Others</b>	11,768.0	17,585.2	18,272.8	24,710.1	24,208.5
With-profits Composition	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>With-profits Business</b>	72	67	60	57	62
<b>Without-profits Business</b>	28	33	40	43	38

**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			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
<b>Non-Linked:</b>												
<b>Whole Life</b>	5,702	8,701	16,020	15,732	439,246	482,849	534,258	657,631	444,948	491,550	550,278	673,363
<b>Endowment</b>	21,703	14,098	19,133	11,252	114,892	107,293	85,974	95,315	136,595	121,391	105,107	106,567
<b>Term</b>	858	865	168	89	173,165	135,869	123,539	166,826	174,023	136,734	123,707	166,915
<b>Others</b>	7,901	6,762	9,180	6,887	190,982	180,642	180,387	190,312	198,883	187,404	189,567	197,199
	36,164	30,426	44,501	33,960	918,285	906,653	924,158	1,110,084	954,449	937,079	968,659	1,144,044
<b>Linked:</b>	5,769	7,782	5,850	4,136	109,330	83,863	65,499	19,943	115,099	91,645	71,349	24,079
<b>Total</b>	<b>41,933</b>	<b>38,208</b>	<b>50,351</b>	<b>38,096</b>	<b>1,027,615</b>	<b>990,516</b>	<b>989,657</b>	<b>1,130,027</b>	<b>1,069,548</b>	<b>1,028,724</b>	<b>1,040,008</b>	<b>1,168,123</b>

Type of Insurance	Office Premiums											
	Single Payment				Regular Payment				New Business Index*			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
<b>Non-Linked:</b>												
<b>Whole Life</b>	12,896.4	19,171.0	29,227.2	42,152.7	11,244.6	14,149.8	18,570.5	29,430.5	12,534.2	16,066.9	21,493.2	33,645.8
<b>Endowment</b>	6,555.6	5,015.0	7,482.6	3,366.5	9,103.2	12,408.5	12,277.1	17,995.4	9,758.8	12,910.0	13,025.4	18,332.1
<b>Term</b>	54.5	51.7	3.8	2.8	737.8	570.8	570.3	650.1	743.3	576.0	570.7	650.4
<b>Others</b>	6,984.3	7,197.6	10,883.7	9,663.4	10,601.0	11,075.3	13,826.3	14,545.1	11,299.4	11,795.1	14,914.7	15,511.4
	26,490.8	31,435.3	47,597.3	55,185.4	31,686.6	38,204.4	45,244.2	62,621.1	34,335.7	41,348.0	50,004.0	68,139.7
<b>Linked:</b>	7,380.6	12,315.1	10,835.6	8,903.1	9,720.1	6,800.6	5,274.4	1,400.3	10,458.2	8,032.1	6,358.0	2,290.6
<b>Total</b>	<b>33,871.4</b>	<b>43,750.4</b>	<b>58,432.9</b>	<b>64,088.5</b>	<b>41,406.7</b>	<b>45,005.0</b>	<b>50,518.6</b>	<b>64,021.4</b>	<b>44,793.9</b>	<b>49,380.1</b>	<b>56,362.0</b>	<b>70,430.3</b>

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

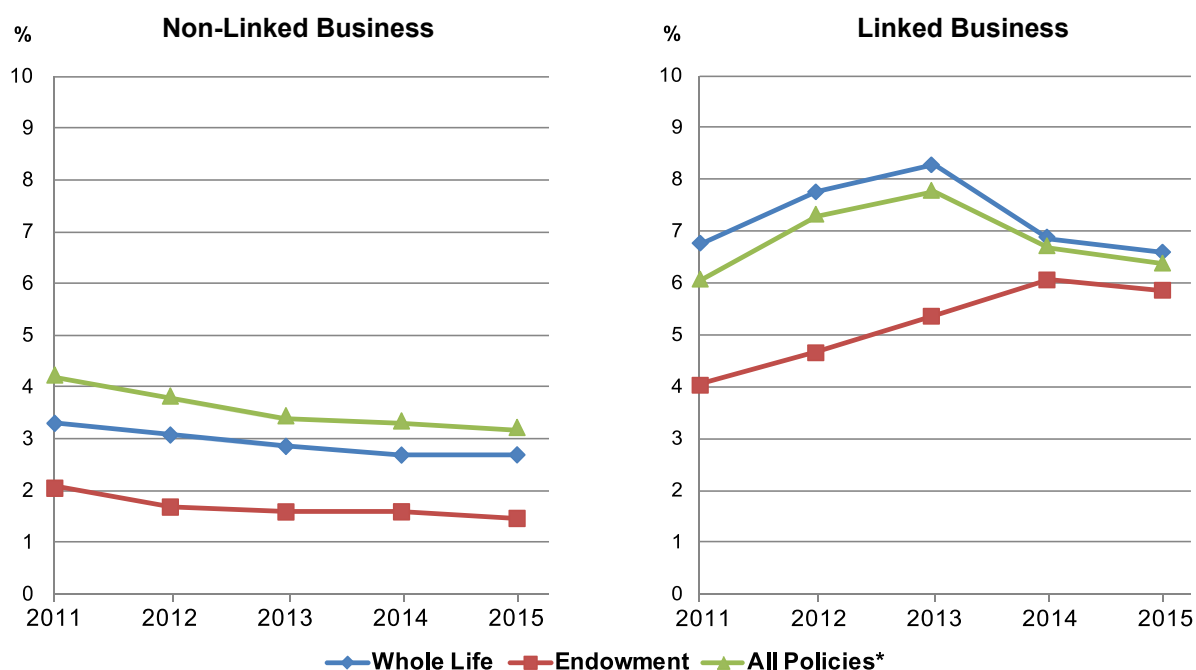
## Individual Life Voluntary Termination Rate (Lapses and Surrenders)

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 3.3% in 2014 to 3.2% in 2015.

For Linked Individual Life business, the overall voluntary termination rate improved from 6.7% in 2014 to 6.4% in 2015.

**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	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>Whole Life</b>	3.3	3.1	2.9	2.7	2.7
<b>Endowment</b>	2.1	1.7	1.6	1.6	1.5
<b>All Policies*</b>	4.2	3.8	3.4	3.3	3.2
Linked Business	2011	2012	2013	2014	2015
	%	%	%	%	%
<b>Whole Life</b>	6.8	7.8	8.3	6.9	6.6
<b>Endowment</b>	4.1	4.7	5.4	6.1	5.9
<b>All Policies*</b>	6.1	7.3	7.8	6.7	6.4

\* All Policies include term policies and others

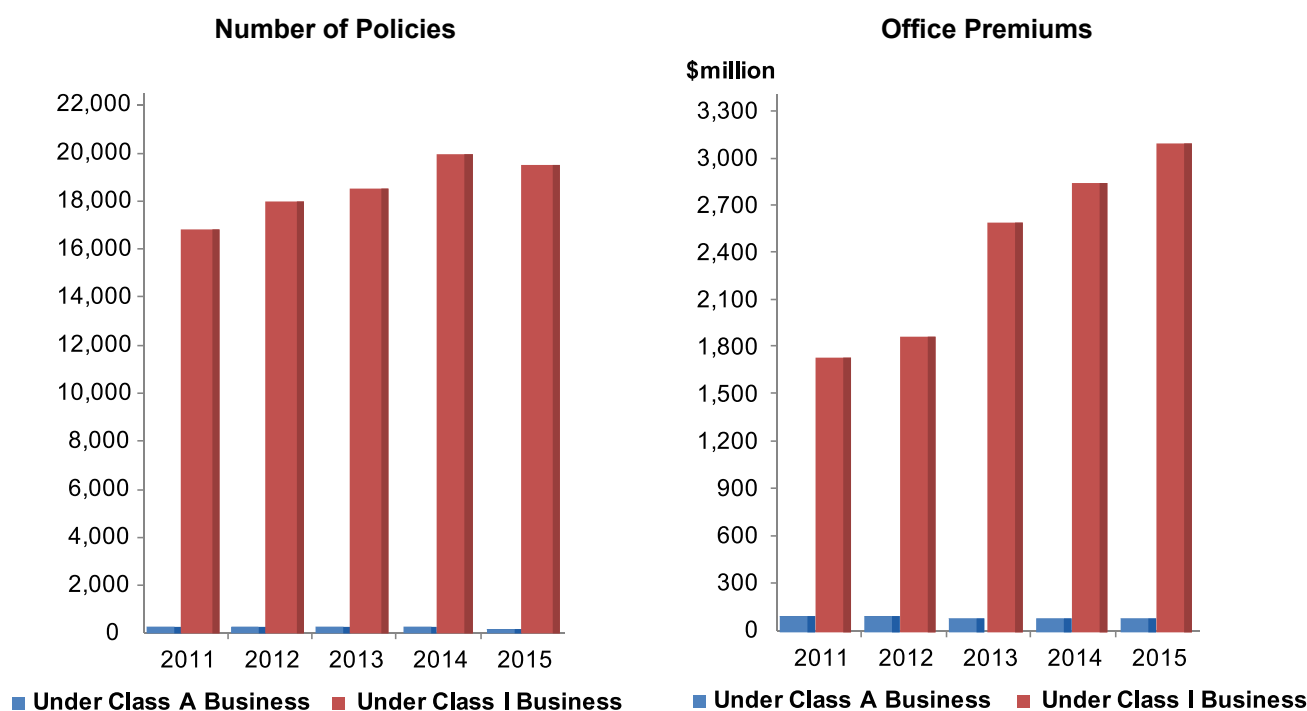
## Group Life Business

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 2015 were \$83 million, representing 2.6% of Group Life business. At the end of 2015, there were 188 Class A in-force policies covering 73,932 lives. Total sums assured and net liabilities were \$14,958 million and \$138 million respectively.

For Class I business, office premiums stood at \$3,109 million, representing 97.4% of Group Life business. At the end of 2015, there were 19,536 Class I in-force policies covering 1,227,100 lives. Total sums assured and net liabilities were \$814,910 million and \$979 million respectively.

**Figure 3.6 In-Force Group Life Business**



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

Number of Policies	2011	2012	2013	2014	2015
Under Class A Business	225	236	217	209	188
Under Class I Business	16,864	18,018	18,536	20,005	19,536
Office Premiums	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
Under Class A Business	99.2	102.1	89.4	91.0	82.5
Under Class I Business	1,748.7	1,876.3	2,604.2	2,855.4	3,109.0

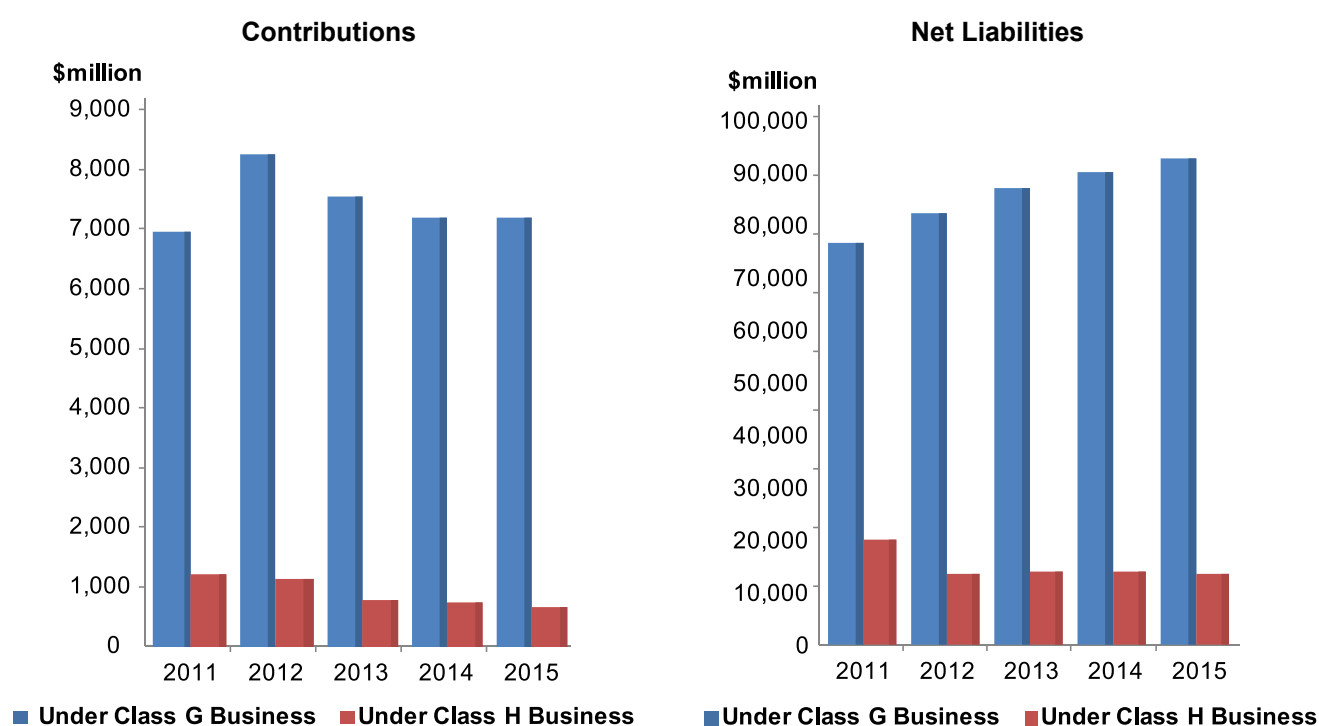
## Retirement Scheme Business

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 \$7,134 million in 2015, representing 91.7% of overall contributions of Retirement Scheme business. As at 31 December 2015, the related net liabilities amounted to \$92,624 million. Net liabilities may be classified into unit (unitised) and non-unit liabilities. The related unit and non-unit liabilities were \$83,186 million and \$9,438 million respectively.

Following the conversion of some non-guaranteed Retirement Schemes contracts into unit trust structures in 2010, Class H contributions continued decreasing from \$736 million in 2014 to \$643 million in 2015, representing 8.3% of overall contributions in 2015. As at 31 December 2015, the related net liabilities stood at \$13,221 million, of which unit and non-unit liabilities were \$8,694 million and \$4,527 million respectively.

**Figure 3.7 In-Force Retirement Scheme Business**



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

Contributions	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
Under Class G Business	6,930.6	8,208.2	7,498.0	7,162.1	7,134.1
Under Class H Business	1,188.5	1,122.1	755.1	735.9	643.4
Net Liabilities	2011	2012	2013	2014	2015
	\$million	\$million	\$million	\$million	\$million
Under Class G Business	76,248.5	82,156.6	86,872.2	89,860.7	92,623.5
Under Class H Business	19,981.1	13,188.8	13,693.4	13,843.9	13,221.0



## Annuity and Other Business

For Annuity business, there were 109,394 in-force policies at the end of 2015. Its office premiums slightly increased by 0.6% to \$6,792 million and net liabilities increased by 14.8% to \$19,695 million in 2015. During the year, a net total of 14,918 new Annuity policies were effected with office premiums of \$2,648 million.

Other business includes Permanent Health and Tontines businesses. For Permanent Health business, the number of in-force policies and office premiums increased by 0.3% to 179,483 and 8.2% to \$1,096 million respectively and net liabilities by 3.3% to \$4,139 million in 2015. For Tontines, its total office premiums were less than \$0.1 million in 2015.

In terms of premiums, Annuity and Other business only accounted for 2.4% of the market total of the long term insurance business in 2015.

## Market Analysis

At as 31 December 2015, there were 64 authorised long term business insurers. Excluding Lloyd's and 8 pure reinsurers, 9 insurers reported in-force office premiums of more than \$10 billion and took up a total of 81.0% of the long term insurance market. The other 46 insurers with office premiums of less than \$10 billion represented the remaining 19.0% 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 2015**

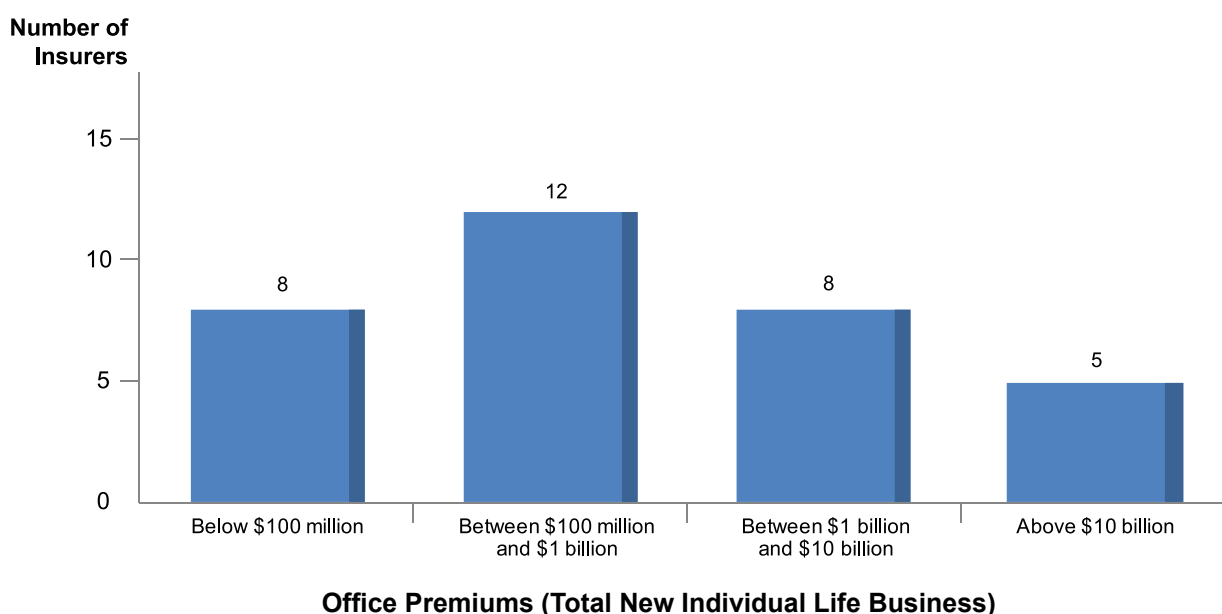


**Figure 3.8 Grouping of Long Term Business Insurers**  
**According to the Level of Office Premiums of In-Force Business in 2015 (Accessible Version)**

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	18
Above \$10 billion	9

In terms of new Individual Life business, 33 insurers wrote new business in 2015. Among these insurers, 13 reported new office premiums of more than \$1 billion and took up 95.7% of the total business. The other 20 insurers, with new office premiums of less than \$1 billion, shared the remaining 4.3% 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 2015**



**Figure 3.9 Grouping of Long Term Business Insurers**  
**According to the Level of Office Premiums of New Individual Life Business in 2015 (Accessible Version)**

Office Premiums (Total New Individual Life Business)	Number of Insurers
Below \$100 million	8
Between \$100 million and \$1 billion	12
Between \$1 billion and \$10 billion	8
Above \$10 billion	5

## Market Performance for First Three Quarters of 2016

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Based on provisional statistics of the first three quarters of 2016, total revenue premiums of in-force long term insurance business amounted to \$291,508 million, representing a rise of 22.9% over the same period in 2015.

For revenue premiums, Individual Life and Annuity (Non-Linked) business increased by 33.2% to \$247,809 million whereas Individual Life and Annuity (Linked) business decreased by 33.6% to \$20,884 million. Contributions of Retirement Scheme business increased by 18.0% to \$19,068 million.

In respect of new business, office premiums of long term insurance business (excluding Retirement Scheme business) increased by 35.8% to \$132,552 million. For Individual Life and Annuity business, Non-Linked business grew by 45.6% to \$128,564 million whereas Linked business dropped by 60.0% to \$3,514 million.

For policies issued to Mainland visitors, new office premiums amounted to \$48,945 million, representing 37.0% of the total new Individual Life business in the first three quarters of 2016.



**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 Insurance Intermediaries Qualifying Examination

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 2016 are shown in Figure 4.1 below.



**Figure 4.1 The Insurance Intermediaries Qualifying Examination  
(Cumulative Statistics as at 31 December 2016)**

Examination Paper	Number of Sittings	Passing Rate
<b>Basic Examination Paper</b> Principles and Practice of Insurance	609,443	52%
<b>Qualifying Examination Papers</b>		
General Insurance	263,707	46%
Long Term Insurance	546,536	57%
Investment-linked Long Term Insurance	276,107*	56%*
<b>Travel Insurance Agents Examination Paper</b>	17,460	42%

\* As at 31 December 2016, there were a total of about 276,107 candidates sitting for the Investment-linked Long Term Insurance Paper (“IL Paper”), comprising 166,578 candidates sitting for the previous IL Paper and 109,529 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 Continuing Professional Development 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

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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.

## Regulation of Mandatory Provident Fund (“MPF”) Intermediaries

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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

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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

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

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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. From 2014, the OCI has enhanced these quarterly returns and released additional information on breakdown of currency, on-shore/off-shore, premium term and distribution channel in respect of new individual business premiums and number of policies. The quarterly and annual long term insurance business statistical data are released on both aggregate and individual insurer bases.

## Newsletter “ILens”

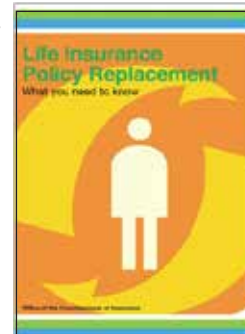
The OCI’s newsletter “ILens” aims at promoting regulatory transparency and consumer education. It is a channel for the OCI to communicate to the public and the industry about insurance topical issues, market performance and development. Professionals and market experts are invited to write feature articles for “ILens” on current industry developments and future trends, as well as drawing consumers’ attention to the important points to note when procuring insurance products. 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 are hyperlinked with the Consumer Council’s website.



To promote the general public’s awareness of the importance of taking out suitable travel insurance when they travel abroad, the OCI and the Tourism Commission launched a new publicity campaign to promote travel insurance in December 2015. With the key message “Choose travel insurance with adequate coverage. Make your trip wonderful!”, the publicity campaign aims to encourage members of the public to take out adequate travel insurance before their trips and choose insurance plans that meet their specific needs. The publicity campaign includes a poster and a TV/Radio Announcement in the Public Interest (“API”) commenced broadcasting on 15 December 2015. The API is also available for viewing at the websites of the OCI and the Tourism Commission ([www.tourism.gov.hk](http://www.tourism.gov.hk)).



To promote professional ethics and corruption prevention, the OCI has rendered its support to the Independent Commission Against Corruption (“ICAC”) which worked with industry bodies in formulating the booklet “Professional Ethics Programme for the Insurance Sector”. A 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 of good market practices which aim to enhance professionalism and ethics.



## Other Measures for Consumer Protection

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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 be revised from time to time 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 insurance 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.

In 2015, illustration standards for participating and universal life (non-linked) products were introduced and enhanced respectively with effect from 1 April 2016 for new products and 1 January 2017 for current products.

### 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 assessment 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.

To ensure that insurance intermediaries possess adequate knowledge of ILAS products available in the market before introducing them to prospective clients, the OCI has regularly reviewed the examination and training requirements for insurance intermediaries selling ILAS products.

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 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 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 illustration from two illustration rates (5% and 9%) to three (3%, 6% and 9%) from 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. Following the implementation of the Guidance Note on Underwriting Class C Business ("GN15"), an additional illustration rate of zero investment return (0%) was also required from January 2015 on top of the illustration rates of 3%, 6% and 9%.

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

In July 2014, for the purpose of further strengthening protection for ILAS policyholders, the Insurance Authority ("IA") issued the 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. 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 comply with the GN15, an illustration rate of zero investment return (0%) is also required in addition to the illustration rates of 3%, 6%, and 9%.

## Guidance Note on Underwriting Long Term Insurance Business (other than Class C Business) (“GN16”)

To strengthen the protection of non-linked life insurance policyholders based on the “Fair Treatment of Customers” principle, the IA issued the GN16 in July 2015.

Similar to the GN15, the GN16 sets out proper standards of conduct relating to all non-linked insurance products and also adopts a “cradle-to-grave” approach by requiring insurers to meet regulatory requirements on product design, disclosure of key product features, suitability assessment as well as sales and post-sale control measures, with a view to ensuring that the products being recommended can better match the target customers’ insurance and protection needs. All authorised insurers carrying on long term insurance business (other than Class C business) are required to comply with the GN16 from 1 April 2016 for new products and 1 January 2017 for current products.

For further protection of vulnerable customers, the GN16 requires insurers to make audio-recorded post-sale confirmation calls to all vulnerable customers procuring life insurance products (except term insurance). The post-sale calls will be conducted by a separate team of quality assurance staff to ensure customers’ understanding of the products and their associated risks.

To assist insurers in complying with the GN16 in respect of enhanced disclosure to customers upon selling of participating policies and universal life policies, the IA also issued the Guide on Calculation Methodology and Disclosure Format - Fulfillment Ratios & Historical Crediting Interest Rates (“Methodology Guide”) in September 2015. The Methodology Guide sets out a clear and uniform methodology to calculate and disclose fulfillment ratios of the non-guaranteed dividends/bonuses for participating products, and historical crediting interest rates for universal life products.

In October 2015, the HKFI, in consultation with the OCI, issued the Standard Benefit Illustrations for Participating Policies and Universal Life (Non-Linked) Policies for revision of previous standard illustration templates. For participating policies, additional projections under pessimistic and optimistic scenarios will be introduced to demonstrate variability of non-guaranteed benefits. For universal life (non-linked) policies, the crediting interest rates used in the illustration will be revised to reflect the changing interest rate environment. In addition to point of sale illustration, the revised standards also apply to a refreshed up-to-date in-force benefit illustration, reflecting the latest conditions and outlook of non-guaranteed benefits, at least annually in accordance with the GN16. The new requirements have been implemented together with the GN16.

To ensure that insurers comply with the suitability and affordability requirements under the GN16, the HKFI also enhanced in July 2015 the Financial Needs Analysis Form with effect from 1 January 2016. Insurance products should not be marketed to customers before their needs are properly analysed.

The IA has also worked with the HKFI on the issuance of the frequently asked questions (“FAQs”) relating to the GN16, Financial Needs Analysis and benefit illustration requirements. Two batches of FAQs on the Financial Needs Analysis were issued in November 2015 and in January 2016 respectively. The FAQs on the GN16 and benefit illustration requirements were issued in February 2016.

The Actuarial Society of Hong Kong issued a new Actuarial Guidance Note on Best Estimate Assumptions in February 2016 to facilitate the implementation of the GN16.

## Remuneration Disclosure for ILAS

From 1 January 2015, insurers are required to follow the formulation stipulated by the IA 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 uniform 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 the CIB and the 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.



## Important Facts Statement for Mainland Policyholder


The IA notes the increasing trend of Mainland China visitors ("MCV") taking out long term insurance policies in Hong Kong and sees the need to remind those Mainland customers the factors and risks to be considered when taking out policies in Hong Kong to enable them to make an informed decision. In this regard, the IA has required all new applications of individual long term insurance policies made by MCV to include an "Important Facts Statement for Mainland Policyholder" ("IFS-MP") which reminds MCV that the entire selling process must be conducted in Hong Kong and highlights the factors and risks they need to consider before taking out policies in Hong Kong. The IFS-MP came into effect on 1 September 2016.

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

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

Subject Matter	Name of Organisation
<ul style="list-style-type: none"> <li>Registered MPF intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>For complaints relating to conduct of registered MPF intermediaries, of whom the Insurance Authority 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:</li> </ul> <p><b>Mandatory Provident Fund Schemes Authority</b></p> <p>Address : Level 8, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong</p> <p>Telephone : 2918 0102</p> <p>Fax : 2259 8806</p> <p>E-mail : <a href="mailto:mpfa@mpfa.org.hk">mpfa@mpfa.org.hk</a></p> <p>Website : <a href="http://www.mpfa.org.hk">http://www.mpfa.org.hk</a></p>
<ul style="list-style-type: none"> <li>Claims dispute arising from personal insurance policies (with dispute amount not exceeding \$1,000,000, with effect from 1 January 2016)</li> </ul>	<ul style="list-style-type: none"> <li><b>The Insurance Claims Complaints Bureau</b></li> </ul> <p>Address : 29/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong</p> <p>Telephone : 2520 2728</p> <p>Fax : 2520 1967</p> <p>E-mail : <a href="mailto:iccb@iccb.org.hk">iccb@iccb.org.hk</a></p> <p>Website : <a href="http://www.iccb.org.hk">http://www.iccb.org.hk</a></p> 





# Organisation and Management



# Organisation and Management

With a high performing professional team dedicated to meeting new regulatory challenges, the Office of the Commissioner of Insurance (“OCI”) endeavours to manage and lead the increasingly sophisticated insurance market amid the tide of new global supervisory standards.

## Establishment of the Office of the Commissioner of Insurance

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Established on 8 June 1990, the OCI is headed by the Commissioner of Insurance, who is appointed as the Insurance Authority 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

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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 2016 providing administrative and clerical support to 111 professional officers. An organisational 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 the Independent Insurance Authority (“IIA”)

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The Insurance Companies (Amendment) Ordinance 2015 (“the Amendment Ordinance”), which provides for a legal framework for the establishment of the IIA and a statutory licensing regime for insurance intermediaries, was enacted by the Legislative Council on 10 July 2015. The purposes of the Amendment Ordinance are to modernise the regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policyholders, and align with the international practice that financial regulators should be financially and operationally independent of the Government.

The Government is implementing the Amendment Ordinance by phases to ensure a smooth transition. In the first phase, members of the IIA were appointed and took office in December 2015. According to the Amendment Ordinance, IIA is now automatically renamed as the Provisional Insurance Authority for the period from its inception to the disbandment of the OCI. During the period, OCI will continue its supervisory role over insurance companies.

The IIA is taking forward essential preparatory work for taking over the regulatory functions of the OCI, including staff recruitment and the setting up of internal administrative, financial and information technology systems. The IIA will also work with the Government to take forward necessary changes and updates to existing regulations, guidance notes and guidelines with respect to the regulation of insurance companies for a smooth transition from the existing regime to the new regime.

Two Industry Advisory Committees (“IACs”) on general and long term insurance business respectively were established in June 2016. The two IACs will advise the IIA on various matters pertaining to the development of the insurance industry. Members of the two IACs come from different lines of business with expertise within the insurance industry, as well as from related fields such as consumer protection, accounting, insurance law and compliance, academia, banking and management. The first joint meeting of the IACs was held in early September 2016.

The Government will continue to work closely with the IIA and engage stakeholders for the target of a seamless transition from OCI to the IIA. When the regulatory tools are in place, the IIA will commence the licensing and regulatory regime for insurance intermediaries in the third phase.

## Staff Training and Development

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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 Japan, Paraguay, Taiwan, 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.

## 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 3,555 enquiries were handled through this hotline in 2016.



# Appendices



# Appendices

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# 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
<b>Audited financial statements</b>	✓  (In accordance with the requirements of the Third Schedule to the ICO)	✓
<b>In respect of general insurance business carried on in or from Hong Kong</b>		
◆ <b>Audited General Business Returns</b>	✓	—
◆ <b>Audited Statement of Assets &amp; Liabilities</b>	✓  (Except captive insurer & pure reinsurer)	—
<b>Actuarial Investigation Report</b>	—	✓
<b>In respect of long term insurance business carried on in or from Hong Kong</b>		
◆ <b>Audited revenue account(s), together with the supplementary information</b>	—	✓
◆ <b>Valuation Summary</b>	—	✓
◆ <b>Valuation Balance Sheet, together with the supplementary information</b>	—	✓

## 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
<b>Registration</b>	<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>
<b>Administration</b>	<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"> <li>◆ qualifications and experience;</li> <li>◆ capital and net assets;</li> <li>◆ professional indemnity insurance;</li> <li>◆ keeping of separate client accounts; and</li> <li>◆ keeping of proper books and accounts.</li> </ul> <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

<b>Insurance Companies Ordinance and Subsidiary Legislation</b>
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 from 1 January 2016 to 30 September 2016

<b>Chairman</b>	Professor K C CHAN, GBS, JP, Secretary for Financial Services and the Treasury
<b>Members</b>	Mr John LEUNG, JP, Commissioner of Insurance
	The Honourable CHAN Kin-por, BBS, JP
	Ms Agnes CHOI Heung-kwan, MH
	Mr Garth Brian JONES
	Mr Davey LEE Kwun-kwan
	The Honourable Starry LEE Wai-king, SBS, 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
<b>Secretary</b>	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.

Upon expiry of the current term on 30 September 2016, no appointments or re-appointments were made as two Industry Advisory Committees on general and long term insurance businesses respectively had been established in June 2016 to advise the independent Insurance Authority on various matters pertaining to the development of the insurance industry.



## Appendix 3

### List of Authorised Insurers as at 31 December 2016

N.B.: This list includes insurers which were authorised as at 31 December 2016 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 <sup>1</sup>	Type of Business Authorised <sup>2</sup>
ABCI Insurance Company Limited	HK	General
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
Asia-Pacific Property & Casualty Insurance Co., Ltd.	China	General
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 Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
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 Hong Kong Limited	HK	General
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
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

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
Canada Life Limited	UK	Long Term
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
China Taiping Life Insurance (Hong Kong) Company Limited	HK	Long Term
Chong Hing Insurance Company Limited	HK	General
Chubb Insurance Hong Kong Limited	HK	General
Chubb Life Insurance Company Ltd.	Bermuda	Long Term
CIGNA Worldwide General Insurance Company Limited	HK	General

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
CIGNA Worldwide Life Insurance Company Limited	HK	Long Term
CNOOC Insurance Limited	HK	General (C)
Compagnie Française d'Assurance pour le Commerce Extérieur	France	General
Compañía Española de Seguros y Reaseguros de Crédito y Caucción S.A.	Spain	General
Concord Insurance Company Limited	HK	General
Dah Sing Insurance Company (1976) Limited	HK	General
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

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
Friends Provident International Limited	Isle of Man	Long Term
FTLife Insurance Company Limited	Bermuda	Long Term
Fubon Life Insurance (Hong Kong) Company Limited	HK	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 Life (Hong Kong) Limited	HK	Long Term
Generali Worldwide Insurance Company 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 Global SE	Germany	General
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 Reinsurance Company Limited	HK	General (R)
Hong Leong Insurance (Asia) Limited	HK	General

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
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	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
Metropolitan Life Insurance Company of Hong Kong Limited	HK	Long Term
Min Xin Insurance Company Limited	HK	General
MSIG Insurance (Hong Kong) Limited	HK	General
Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company)	Germany	Composite (R)



Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
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
Pafoong 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
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

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
RGA Reinsurance Company	USA	Long Term (R)
RL360 Insurance Company Limited	Isle of Man	Long Term
RL360 Life Insurance Company Limited	Isle of Man	Long Term
Schweizerische Rückversicherungs-Gesellschaft AG (Swiss Reinsurance Company Ltd)	Switzerland	Composite (R)
SCOR Reinsurance Company (Asia) Limited	HK	Composite (R)
Scottish Widows Limited	UK	Long Term
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 Insurance (Hong Kong) Company Limited	HK	General
Sompo Japan Nipponkoa Insurance Inc.	Japan	General
Sompo Japan Nipponkoa Reinsurance Company Limited	HK	General (R)
St. James's Place International (Hong Kong) Limited	HK	Long Term
Standard Life (Asia) Limited	HK	Long Term
Starr International Insurance (Asia) Limited	HK	General
Sun Hung Kai Properties Insurance Limited	HK	General

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
Sun Life Hong Kong Limited	Bermuda	Long Term
Swiss Re International SE	Luxembourg	General
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 (Bermuda) Limited - The	Bermuda	General
United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited - The	UK	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

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
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 2016 to 31 December 2016

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
<b>New Authorisations</b>		
Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.	Spain	General
Fubon Life Insurance (Hong Kong) Company Limited	HK	Long Term
Generali Life (Hong Kong) Limited	HK	Long Term
St. James's Place International (Hong Kong) Limited	HK	Long Term
Swiss Re International SE	Luxembourg	General
<b>Withdrawal of Authorisations</b>		
AXA (Hong Kong) Life Insurance Company Limited	HK	Long Term
The Hong Kong Printers Association	HK	General
<b>Change of Type of Insurer</b>		
Berkley Insurance Company	USA	General (R) to General

Name of Insurer	Place of Incorporation <sup>1</sup>	Type of Business Authorised <sup>2</sup>
<b>Change of Names of Insurers</b>		
ACE Insurance Limited to Chubb Insurance Hong Kong Limited	HK	General
ACE Life Insurance Company Ltd. to Chubb Life Insurance Company Ltd.	Bermuda	Long Term
Ageas Insurance Company (Asia) Limited to FTLife Insurance Company Limited	Bermuda	Long Term
Clerical Medical Investment Group Limited to Scottish Widows Limited	UK	Long Term
CMI Insurance Company Limited to RL360 Life Insurance Company Limited	Isle of Man	Long Term
Generali International Limited to Generali Worldwide Insurance Company Limited	Guernsey	Long Term
HDI-Gerling Industrie Versicherung AG to HDI Global SE	Germany	General
Minan Property And Casualty Insurance Company Limited to Asia-Pacific Property & Casualty Insurance Co., Ltd.	China	General
Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited to Sompo Insurance (Hong Kong) Company Limited	HK	General

1 Place of Incorporation:

HK - Hong Kong, China

UK - United Kingdom

USA - United States of America

2 (R) denotes a pure reinsurer



## Appendix 5

### Number of Authorised Insurers by Place of Incorporation as at 31 December 2016

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	3	-	3	-
Netherlands	1	-	1	-
Norway	2	-	2	-
Philippines	1	-	1	-
Singapore	1 (1)	-	1 (1)	-
South Africa	1	1	-	-
Spain	1	-	1	-
Switzerland	3 (1)	1	1	1 (1)
United Kingdom	11	4	6	1
United States of America	11 (2)	4 (1)	7 (1)	-
<b>Non-Hong Kong</b>	<b>73 (9)</b>	<b>28 (1)</b>	<b>37 (4)</b>	<b>8 (4)</b>
Hong Kong	87 (9)	19	57 (6)	11 (3)
<b>Total</b>	<b>160 (18)</b>	<b>47 (1)</b>	<b>94 (10)</b>	<b>19 (7)</b>

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

\* Excluding insurers incorporated in Hong Kong

## Number of Authorised Insurers by Class of Insurance Business as at 31 December 2016

Class of Insurance Business Authorised		Number of Authorised Insurers		
		Hong Kong	Non-Hong Kong	Total
<b>Long Term Insurance Business</b>				
A	Life and annuity	29	33	62
B	Marriage and birth	1	4	5
C	Linked long term	16	29	45
D	Permanent health	14	21	35
E	Tontines	1	3	4
F	Capital redemption	1	4	5
G	Retirement scheme management category I	9	11	20
H	Retirement scheme management category II	7	8	15
I	Retirement scheme management category III	19	22	41
<b>General Insurance Business</b>				
1	Accident	59	32	91
2	Sickness	52	25	77
3	Land vehicles	50	25	75
4	Railway rolling stock	51	33	84
5	Aircraft	25	25	50
6	Ships	52	34	86
7	Goods in transit	54	35	89
8	Fire and natural forces	58	29	87
9	Damage to property	58	29	87
10	Motor vehicle liability	49	25	74
11	Aircraft liability	28	24	52
12	Liability for ships	52	33	85
13	General liability	57	31	88
14	Credit	42	26	68
15	Suretyship	54	32	86
16	Miscellaneous financial loss	55	36	91
17	Legal expenses	38	29	67

## Number of Insurance Intermediaries as at 31 December 2016

Number of Appointed Insurance Agents, their Responsible Officers and Technical Representatives registered with the Insurance Agents Registration Board<sup>1</sup>

Type of Insurance Business		Number of Appointed Insurance Agents	Number of Responsible Officers and Technical Representatives of Appointed Insurance Agents
General <sup>2</sup>		3,406	6,349
Long Term	excluding Linked Long Term	27,123	1,408
	including Linked Long Term	10,379	737
General and Long Term	excluding Linked Long Term	4,274	7,269
	including Linked Long Term	20,448	11,072
<b>Total</b>		<b>65,630</b>	<b>26,835</b>

Number of Authorised Insurance Brokers, their Chief Executives and Technical Representatives<sup>3</sup>

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		33	34	1,108
Long Term	excluding Linked Long Term	1	4	907
	including Linked Long Term	45	32	2,932
General and Long Term	excluding Linked Long Term	63	79	1,477
	including Linked Long Term	138	327	3,028
<b>Total</b>		<b>280</b>	<b>476</b>	<b>9,452</b>

<sup>1</sup> Based on figures supplied by The Hong Kong Federation of Insurers.

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

<sup>3</sup> Based on the figures supplied by the approved bodies of insurance brokers.

## List of Guidance Notes Promulgated as at 31 December 2016

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
GN16	Guidance Note on Underwriting Long Term Insurance Business (other than Class C Business)
GN17	Guidance Note on Reinsurance

## List of Circulars Issued from 1 January 2016 to 31 December 2016

Date	Addressee	Subject Matter
7 January 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Central African Republic) Regulation 2015
21 January 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Iran) (Amendment) Regulation 2016 & United States Executive Order 13224
4 February 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Somalia) (Amendment) Regulation 2016 & United States Executive Order 13224
24 February 2016	Chief Executives of authorised insurers carrying on long term insurance business	Questions and Answers on Guidance Note on Underwriting Long Term Insurance Business (other than Class C Business) ("GN16")
3 March 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance & United States Executive Order 13224
10 March 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
11 March 2016	Chief Executives of all authorised insurers carrying on long term insurance business	Statements issued by the Financial Action Task Force on Money Laundering
15 March 2016	Chief Executives of all authorised insurers	Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the Year of 2015
17 March 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance & United States Executive Order 13224
24 March 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Democratic People's Republic of Korea) Regulation
21 April 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Libya) Regulation 2011 & United States Executive Order 13224
5 May 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance

Date	Addressee	Subject Matter
31 May 2016	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 2016
1 June 2016	Chief Executives of all authorised insurers	GN17 - Guidance Note on Reinsurance
2 June 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Central African Republic) Regulation 2016 & United Nations Sanctions (Yemen) Regulation 2015 (Amendment) Regulation 2016
8 June 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Central African Republic) Regulation 2016
7 July 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Libya) Regulation 2011 (Amendment) Regulation 2016
8 July 2016	Chief Executives of authorised insurers carrying on long term insurance business	Important Facts Statement for Mainland Policyholder
14 July 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
15 July 2016	Chief Executives of all authorised insurers carrying on long term insurance business	Statements issued by the Financial Action Task Force on Money Laundering
21 July 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
28 July 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
11 August 2016	Chief Executives of all authorised insurers carrying on long term insurance business	Automatic Exchange of Financial Account Information
12 August 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
18 August 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance & United Nations Sanctions (Afghanistan) Regulation 2012
31 August 2016	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 2016
8 September 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance




Date	Addressee	Subject Matter
15 September 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Central African Republic) Regulation 2016
22 September 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
30 September 2016	Chief Executives of all authorised insurers	Hong Kong Insurance Business Statistics for 2015
6 October 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance, United Nations Sanctions (Yemen) Regulation 2015 & United Nations Sanctions (Afghanistan) Regulation 2012
7 October 2016	Chief Executives of all authorised insurers	GN10 - Guidance Note on the Corporate Governance of Authorised Insurers
11 October 2016	Chief Executives of authorised insurers carrying on general insurance business	Employees' Compensation Insurance (Direct Business) and Motor Vehicle Insurance (Direct Business) Statistics for 2015
13 October 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
20 October 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Democratic Republic of the Congo) Regulation 2016 & United Nations Sanctions (South Sudan) Regulation 2016
27 October 2016	Chief Executives of all authorised insurers	United Nations Sanctions (South Sudan) Regulation 2016 & United Nations Sanctions (Democratic Republic of the Congo) Regulation 2016
28 October 2016	Chief Executives of all authorised insurers carrying on long term insurance business	Anti-Money Laundering Seminars for the Insurance Industry
3 November 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
10 November 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance
11 November 2016	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 2016	Chief Executives of all authorised insurers carrying on long term insurance business	Automatic Exchange of Financial Account Information
21 November 2016	Chief Executives of authorised insurers writing direct medical business	Insurance Companies Ordinance (Cap. 41) - Statistics on Direct Medical Business




Date	Addressee	Subject Matter
30 November 2016	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 2016
1 December 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Iran) Regulation (Repeal) Regulation & United Nations Sanctions (Joint Comprehensive Plan of Action—Iran) Regulation
8 December 2016	Chief Executives of all authorised insurers	United Nations Sanctions (Joint Comprehensive Plan of Action—Iran) Regulation
15 December 2016	Chief Executives of all authorised insurers	United Nations Sanctions (South Sudan) Regulation 2016, United Nations Sanctions (Democratic Republic of the Congo) Regulation 2016, United Nations Sanctions (Democratic People's Republic of Korea) Regulation & United Nations Sanctions (Libya) Regulation 2011
20 December 2016	Chief Executives of all authorised insurers carrying on long term and composite insurance business	Insurance Intermediaries Quality Assurance Scheme - Study Notes for the Long Term Insurance Examination (2016 Edition)
29 December 2016	Chief Executives of all authorised insurers	United Nations (Anti-Terrorism Measures) Ordinance

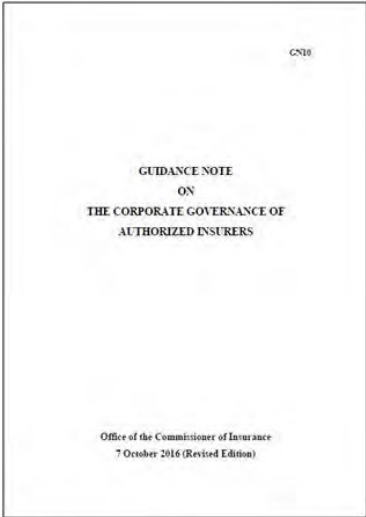


# Calendar of Events 2016


## Calendar of Events January – December 2016

Date	Event
14 January 2016	The Insurance Authority (“IA”) participated in two supervisory colleges convened by the Office of the Superintendent of Financial Institutions (“OSFI”) of Canada.
16 March 2016	The IA participated in two supervisory colleges convened by the OSFI of Canada.
8 April 2016	The IA participated in a supervisory college convened by the Autorité de contrôle prudentiel et de résolution (“ACPR”) of France.
19-20 April 2016	The IA participated in a supervisory college convened by the Prudential Regulation Authority (“PRA”) of the United Kingdom in London.
21-22 April 2016	<p>The IA participated in the 11th Asian Forum of Insurance Regulators Meeting held in Taipei.</p> 
28 April 2016	The IA participated in a supervisory college convened by the Missouri Department of Insurance, Financial Institutions and Professional Registration (“DIFP”) of the United States.
29 April 2016	The IA organised a supervisory college for an insurance group headquartered in Hong Kong.
10-12 May 2016	The IA participated in a supervisory college cum crisis management group meeting convened by the PRA of the United Kingdom in London.

Date	Event
1 June 2016	<p>Guidance Note on Reinsurance was issued.</p> 
14-15 June 2016	<p>The IA organised a regional supervisory college for an insurance group with its regional headquarters in Hong Kong.</p> 
16 June 2016	<p>The IA participated in two supervisory colleges convened by the OSFI of Canada.</p>
21 June 2016	<p>The IA participated in a supervisory college convened by the Financial Services Agency of Japan in Tokyo.</p>
26 June 2016	<p>The IA organised an International Association of Insurance Supervisors (“IAIS”) 2016 Insurance Capital Standard Field Testing Volunteer Workshop in Hong Kong.</p> 

Date	Event
7 July 2016	The IA participated in a supervisory college convened by the Swiss Financial Market Supervisory Authority ("FINMA") of Switzerland.
20 July 2016	The OCI Annual Report 2015 (E-version) was released.
7 September 2016	The IA participated in two supervisory colleges convened by the OSFI of Canada.
19 September 2016	The IA participated in the 2nd China-ASEAN Summit Forum on Insurance Cooperation and Development held in Nanning.
30 September 2016	Annual statistics on Hong Kong's insurance business for 2015, including statistics on individual insurers, were released.
6-7 October 2016	The IA participated in a supervisory college convened by the ACPR of France in Paris.
7 October 2016	<p>Guidance Note on the Corporate Governance of Authorised Insurers (Revised Edition) was issued.</p> 
13 October 2016	The IA participated in the China Life Insurance October Qianhai Summit 2016 held in Shenzhen.
25-27 October 2016	The IA participated in a supervisory college convened by the PRA of the United Kingdom in Madrid, Spain.
26 October 2016	The IA participated in a supervisory college convened by the Missouri DIFP of the United States.



Date	Event
7-27 November 2016	The IA participated in the Workshop on Asian Solvency Regulation & Cooperation organised by the China Insurance Regulatory Commission (“CIRC”) in Beijing, Shanghai, Shenzhen and Kunming respectively.
10-11 November 2016	The IA participated in the 23rd Annual Conference of the IAIS held in Paraguay.
23 November 2016	The IA participated in a supervisory college convened by the FINMA of Switzerland.
28 November 2016	A delegation of the CIRC attended a training course co-organised by the OCI.
29 November 2016	The IA participated in a supervisory college convened by the FINMA of Switzerland.
30 November - 1 December 2016	The IA participated in a supervisory college convened by the Bermuda Monetary Authority.
1&2 December 2016	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.
5 December 2016	The IA participated in a supervisory college convened by the Monetary Authority of Singapore.
7 December 2016	The IA participated in a supervisory college convened by the PRA of the United Kingdom.
9 December 2016	<p>The IA participated in the 16th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen held in Macao.</p>  <p>The photograph shows a group of approximately 20 individuals, including men and women in professional attire, posing for a group photo. They are arranged in two rows, with some standing in the back and others seated in the front. The background is a light blue wall with Chinese text: '第十六屆粵港深澳四地保險監管聯席會議' (16th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen) and '澳門, 2016年12月9日' (Macao, December 9, 2016).</p>
15 December 2016	The IA participated in two supervisory colleges convened by the OSFI of Canada.

