保險業監管局
Insurance Authority

Annual Report 2017-18

CONTENTS

CHAIRMAN'S MESSAGE

"We need to look beyond Hong Kong and capitalise on wider regional developments. The Belt and Road Initiative has provided just the kinds of opportunities we need to enable the local market to expand."

Dr Moses Cheng
Chairman

Now in its third year of operation, the Insurance Authority ("IA") has been focusing on drafting rules and guidelines regulating market conduct, working with the insurance industry to promote its sustainable development, and building up its various internal teams. In this annual report, we report our work, including the major regulatory and market development initiatives we undertook during the reporting period 1 April 2017 to 31 March 2018[1].

Since taking over the work of the then Office of the Commissioner of Insurance in June 2017, the IA has had a dual role: as a regulator, and as a market facilitator. Apart from being responsible for the prudential regulation of the industry and the protection of policy holders, our task is also to help the industry achieve sustainable growth, and to enhance Hong Kong's competitiveness in the global insurance market. On this front, we strive to uncover new potential markets that will further the industry's development.

[1] The report covers initiatives undertaken by the then Office of the Commissioner of Insurance from 1 January 2017 to 25 June 2017.

Risk Management Centre

Hong Kong is a mature insurance market, and to grow further it needs fresh opportunities. To this end, we need to look beyond Hong Kong and capitalise on wider regional developments. The Belt and Road Initiative ("BRI") has provided just the kinds of opportunities we need to enable the local market to expand.

The BRI is providing enormous new business opportunities in large-scale infrastructure and investment projects in over 60 countries across Asia, Europe and Africa. Enterprises involved in these projects, and Mainland companies in particular, are exposed to a multitude of risks, and therefore need effective insurance coverage to protect their investments. Hong Kong has the opportunity to play to its strengths as the "super-connector" between the Mainland and the rest of the world, and support Mainland enterprises in their efforts to go global by providing them with professional risk management services and effective coverage for BRI projects.

Reinsurance and Captive Insurance

BRI investments involve major infrastructure projects with substantial risks. Since most of the BRI projects are underwritten by Mainland insurers, these insurers will need adequate reinsurance coverage to transfer and diversify offshore risks related to the BRI. Hong Kong has the right experience and expertise to offer such risk management services, in particular due to its strong presence of global reinsurers.

In addition, in July 2018 the China Banking and Insurance Regulatory Commission ("CBIRC") announced the granting of preferential treatment to Hong Kong reinsurers under the Equivalence Assessment Framework Agreement on Solvency Regulatory Regime between the Mainland and Hong Kong which will further encourage Mainland insurers to give priority to Hong Kong reinsurers when they consider ceding business offshore.

Hong Kong is also an ideal location for Mainland companies, and especially state-owned enterprises ("SoEs"), to set up captive insurers. Having a captive insurer in Hong Kong can help a Mainland group pool the risks among its subsidiaries and associates (in particular those arising from BRI projects), reduce its insurance costs, and enhance its risk management capabilities. Now that more and more Mainland SoEs are going global, we will continue to encourage these enterprises to set up captive insurers in Hong Kong. The result will be a strengthening of our position as a premier domicile for captives.

Meanwhile, we are working on an insurance facilitation platform that will connect enterprises engaging in BRI projects and commercial activities with a pool of insurance services providers and other related professional services providers. The platform will also serve as an integrated resource centre for potential captive applicants.

Regional Insurance Hub

Hong Kong is one of the world's major financial centres, with 13 of the top 20 global insurers conducting business in our city. To further strengthen Hong Kong's role as a regional insurance hub, we shall continue to encourage foreign and Mainland insurance groups to set up regional headquarters in Hong Kong with a view to developing their business in Asia and beyond. Recognising also that the local industry would benefit from greater access to the Mainland market, we are pursuing a proposal with the CBIRC for Hong Kong insurers to set up service centres in the Greater Bay Area. These centres would offer claims processing and policy servicing to existing policy holders, and would upgrade customer experience in the region.

Robust Regulatory Regime

For Hong Kong to capture the many opportunities ahead, it is essential that we have a healthy market built on a foundation of prudential regulation that protects policy holders and cements public confidence in the industry. This is the goal of many of the IA's planned initiatives for strengthening our regulatory regime in the years ahead. For example, we will launch the direct licensing regime for insurance intermediaries in mid-2019, while we aim to implement the enhanced Guideline on Enterprise Risk Management in 2020 and the new solvency rules under the Risk-based Capital Regime in 2021-22. Meanwhile, we are also working with the Government on the Policy Holders' Protection Scheme to provide additional safeguards to the insuring public. We are striving through these new initiatives to take the professionalism of our industry to the next level, and to create a supportive environment that nurtures growth and innovation in the industry.

Naturally, it would take more than regulation and legislation for our new regime to function well. Support from stakeholders is crucial. We have sought to foster stronger relationships with our stakeholders and build a new regulatory regime for Hong Kong together. To this end, we engaged in close communication on our regulatory objectives and priorities with insurers, intermediaries and various industry organisations during the year.

Recognition of Support

I am grateful for the unfailing support we have received over the year from the Government, the Financial Services and the Treasury Bureau, the insurance industry as a whole, our stakeholders and my fellow IA members. This support has enabled us to achieve a great deal.

I would like to thank our inaugural Chief Executive Officer Mr John Leung, who was seconded from the Government to the IA for over a year, for his valuable contributions. His steady leadership has helped us immensely in managing a smooth transition to the new regulatory regime.

On 15 August 2018, we welcomed our new Chief Executive Officer, Mr Clement Cheung. Mr Cheung is well-known for his over 30 years of service in the Government, during which he has served in various bureaux and departments. His tenure as Commissioner of Insurance took place amid the 2008 global financial crisis, when he showed his qualities by steering the insurance industry through challenging times. I am confident that Mr Cheung will take our new regime forward and further consolidate Hong Kong's position as a world-class insurance hub.

I would also like to extend my gratitude for the support we have received from the industry and the wider community. The IA is committed to working together with you in promoting Hong Kong as the insurance hub for the region.

Moses Cheng

Dr Moses Cheng
Chairman

August 2018

CEO's Message

"We are all committed to the same goals: strengthening protection for policy holders and increasing public confidence in the industry, and thus contributing to the healthy and sustainable development of the insurance sector."

Mr John Leung
Chief Executive Officer

In 2017-18, the Insurance Authority ("IA") moved ahead at full steam in its efforts to accomplish a smooth transition to the new regulatory regime for the insurance industry. I have been privileged to have served as the inaugural Chief Executive Officer during this time, and to have played a part in this mammoth task.

The IA has been set up as a robust, independent insurance regulator, and as such it possesses more operational flexibility than a government department when it comes to working with the industry. For example, the IA is now able to act more quickly to help the industry respond to evolving market needs. In September 2017, three months after we took over the regulatory functions of the then Office of the Commissioner of Insurance ("OCI"), we launched Insurtech Sandbox and Fast Track. These pilot schemes are helping the industry embrace technologies to develop innovative products, and are attracting new digital insurers to Hong Kong.

Direct Licensing Regime for Insurance Intermediaries

Our operational flexibility has enabled us to collaborate more effectively with the industry, and this has facilitated the development and introduction of regulatory reforms. By mid-2019, we will directly regulate insurance intermediaries under a new statutory licensing regime. This regime will raise the conduct and competence standards requirements for intermediaries, and thus promote a higher level of professionalism among insurance practitioners. To this end, we are developing a host of new rules, codes and guidelines for intermediaries that will cover, among other things, fit and proper criteria, requirements for continuing professional development, conduct, business practices, and disciplinary procedures.

Currently, Hong Kong has over 100,000 insurance intermediaries, including agents and brokers with quite distinct roles and functions. These different roles and functions need to be taken into account when developing new standards and weighing the appropriateness and reasonableness of new regulatory requirements. To engage intermediaries early on in the regulation development process, we have set up a working group consisting of representatives of the Self-Regulatory Organisations[1] and major insurance intermediary bodies, which is providing us with valuable comments in our process of developing new requirements. We have also set up two discussion groups with representatives from agents and brokers, to deliberate on issues specific to their roles.

Stakeholder Engagement

Under the new regime, the IA will have powers covering the licensing, inspection and investigation of insurance intermediaries, as well as powers of imposing disciplinary sanctions. While the new regime will introduce more regulatory tools to protect policy holders, it is important that we strike a good balance between effective regulation and facilitating sustainable growth for the industry. To achieve this, we are proactively seeking views from the industry and the general public on the new regulatory framework through a series of consultations. We hope that by encouraging stakeholders to play a part in formulating the regulatory requirements, we will create a strong sense of ownership of and commitment to the new requirements on the part of the industry. This would certainly lay a strong foundation for the success of the new regime.

A transition of this magnitude and complexity has posed unprecedented challenges to the industry and to the IA, especially since different stakeholders hold different views on how the new regulations should be developed. Ultimately, however, we are all committed to the same goals: strengthening protection for policy holders and increasing public confidence in the industry, and thus contributing to the healthy and sustainable development of the insurance sector.

[1] The Self-Regulatory Organisations are the Insurance Agents Registration Board established under The Hong Kong Federation of Insurers, The Hong Kong Confederation of Insurance Brokers, and the Professional Insurance Brokers Association.

Building Internal Strength

To help us manage the challenges ahead, we have been increasing our internal capacity by engaging new staff. As of March 2018, we had around 190 staff members, and aim to expand eventually into a full team of 300. Our development strategy for building a high-performance workforce is a three-pronged one, which involves retaining existing regulatory talent from the then OCI; recruiting industry professionals with diverse backgrounds and experience for new licensing, actuarial, research, and consumer education functions; and providing training and learning opportunities to our existing staff to expand their technical knowledge and exposure and gain a better understanding of the latest market trends and regulatory tools. We have also launched a Management Trainee programme that will help us build a talent pool to take up regulatory duties in the future. The three-year programme will focus on recruiting university graduates with high potential.

A New Culture

We aspire to be an agile and dynamic organisation. On this front, we have worked to create a new corporate culture in which our staff are motivated to think of themselves as a single team working towards shared achievements. This has given birth to a culture-building exercise that we call "The IA Way in Action", initiated by the IA Chairman and our senior executive team. "The IA Way" has been distilled into five core values: working as one team, professionalism, passion, relentless learning, and caring. We have adopted these core values as guiding principles of our daily operations, and they will motivate us in the face of challenges ahead.

Last December, we further reinforced our core value of "working as one team" when staff from four temporary offices relocated to our long-term office in Wong Chuk Hang. Being able to work under the same roof has led to better internal communication and an enhanced sense of teamwork.

A Strong Team

By the time this annual report is published, I will have returned to the Government after my period of secondment to the IA. I am grateful for having been offered such a unique and stimulating experience as part of my career. I would like to express my gratitude to Chairman Dr Moses Cheng and all the IA members for their guidance and leadership, and to the senior executive team for their staunch support over the past year. Finally, I wish to thank all the IA staff for their dedication and the hard work they have contributed towards achieving a smooth transition and helping build a new regulatory regime.

My successor, Mr Clement Cheung, took over the reins at the IA from 15 August 2018, and I am delighted on his appointment to the role. I wish him well in his efforts to write a new chapter in insurance regulation in Hong Kong, and to keep the city at the forefront of the global insurance market. I also wish everyone at the IA many successful years ahead.

John Leung
Chief Executive Officer

August 2018

ABOUT THE INSURANCE AUTHORITY

The Insurance Authority ("IA") is an insurance regulator independent of the Government and the insurance industry. Established in December 2015, the IA was set up to modernise the regulatory regime for the insurance industry in Hong Kong.

The new regulatory regime aims to facilitate sustainable development for the industry, promote Hong Kong's competitiveness in the global insurance market, and provide better protection for policy holders. From 26 June 2017, the IA replaced the Office of the Commissioner of Insurance, which was a government department, and started regulating insurance companies. By mid-2019, it will directly regulate insurance intermediaries[1]. The new regime will provide the insurance industry with a more holistic and effective regulatory system.

Statutory Functions

In accordance with the Insurance Ordinance (Cap. 41), the principal function of the IA shall be to regulate and supervise the insurance industry for the promotion of the general stability of the insurance industry and for the protection of existing and potential policy holders. The Insurance Ordinance stipulates that the IA shall:

(a) be responsible for supervising an authorized insurer's and a licensed insurance intermediary's compliance with the provisions of the Insurance Ordinance;

(b) consider and propose reforms of the law relating to insurance business;

(c) promote and encourage the adoption of proper standards of conduct and sound and prudent business practices by authorized insurers;

(d) promote and encourage the adoption of proper standards of conduct by licensed insurance intermediaries;

(e) review and, if necessary, propose reforms of the systems for regulating authorized insurers and licensed insurance intermediaries;

(f) regulate the conduct of insurance intermediaries through a licensing regime;

(g) promote the understanding by policy holders and potential policy holders of insurance products and the insurance industry;

(h) formulate effective regulatory strategies and facilitate the sustainable market development of the insurance industry, and promote the competitiveness of the insurance industry in the global insurance market;

(i) conduct studies into matters affecting the insurance industry;

(j) assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate measures in relation to the insurance industry;

(k) co-operate with and assist financial services supervisory authorities of Hong Kong or of any place outside Hong Kong, whenever appropriate, to the extent permitted by the Insurance Ordinance; and

(l) perform functions imposed or conferred on the IA by the Insurance Ordinance or any other Ordinance.

[1] Insurance intermediaries are currently regulated by the three Self-Regulatory Organisations, namely the Insurance Agents Registration Board established under The Hong Kong Federation of Insurers, The Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

The Organisation

The IA is governed by a board consisting of a Chairman, Non-Executive Directors and Executive Directors, all appointed by the Chief Executive of the Hong Kong Special Administrative Region. The Chief Executive Officer, who is an Executive Director, leads the executive arm of the IA and is responsible for managing the IA's day-to-day operations and assisting the IA in discharging its statutory functions. The IA has set up five divisions to carry out its duties and functions in different areas more effectively: the Long Term Business Division, the General Business Division, the Market Conduct Division, the Policy and Development Division, and the Corporate Services Division. Each division is headed by a directorial executive. Apart from the five divisions, the CEO's Office includes the External Relations Section, the Legal Section and the IA Secretariat.

As of March 2018, the IA had approximately 190 staff. This number will gradually expand to around 300 when it begins to directly regulate insurance intermediaries in mid-2019.

The IA's organisational structure is in Appendix 1 on page 92.

Joining Hands with Stakeholders

The IA is firmly committed to facilitating the sustainable development of the insurance sector. We work closely with industry practitioners and other stakeholders, and actively seek their views on the development of the industry. The Industry Advisory Committees ("IACs") and the Future Task Force ("FTF") of the Insurance Industry are two of the main platforms through which we exchange views with stakeholders. The two IACs are statutory committees set up to advise the IA on matters pertinent to long term insurance business and general insurance business respectively. The FTF, which is comprised of a wide spectrum of stakeholders including industry experts and academics, gives the IA direct input from stakeholders on issues relating to future developments and initiatives. To find out more about the IACs, please refer to the "Corporate Governance" chapter (pages 10 to 17). More information on the FTF can be found in the "Stakeholder Communication" chapter (pages 64 to 68).

Corporate Governance

The Insurance Authority ("IA") recognises that sound corporate governance is a vital prerequisite to the effective performance of its regulatory functions. Our corporate governance framework is designed to deliver transparency and accountability. It includes appropriate checks and balances, along with avenues for engaging stakeholders on issues that affect the insurance industry in general, and policy holders in particular.

Membership

The membership of the IA consists of a Chairman (a Non-Executive Director), a Chief Executive Officer (an Executive Director), and not less than six other Executive or Non-Executive Directors ("NEDs"), all appointed by the Chief Executive of the Hong Kong Special Administrative Region. NEDs offer independent perspectives and bring with them a wealth of experience and expertise in fields such as insurance, accountancy, law, consumer affairs, actuarial science and management.

Inaugural appointments of NEDs were made on 28 December 2015 for terms of three years, expiring on 27 December 2018. The inaugural appointments of the Chief Executive Officer ("CEO") and four Executive Directors were announced on 5 May 2017. Mr John Leung, the former Commissioner of Insurance, was seconded to the IA from the Government to serve as the IA's CEO from 26 June 2017. On 27 July 2018, the Government announced the appointment of Mr Clement Cheung as the IA's CEO for a term of two years starting from 15 August 2018.

Functional Committees

The IA has four functional committees: the Corporate Services Committee, the External Relations Committee, the Audit Committee, and the Codes and Guidelines Committee. The Corporate Services Committee oversees and advises on human resources, on financial and administrative matters, and on the level of levy and fees payable by insurance companies, intermediaries and policy holders. The External Relations Committee formulates external communication policies and strategies to enhance public understanding of the IA's role, as well as of the insurance industry generally and its insurance products. The Audit Committee monitors the IA's internal control and risk management systems. The Codes and Guidelines Committee makes recommendations concerning both existing codes and guidelines and the development of new and updated regulations in relation to the IA's statutory functions. Details of the terms of reference and the membership of the functional committees can be found in Appendix 3 from pages 94 to 97.

Industry Advisory Committees

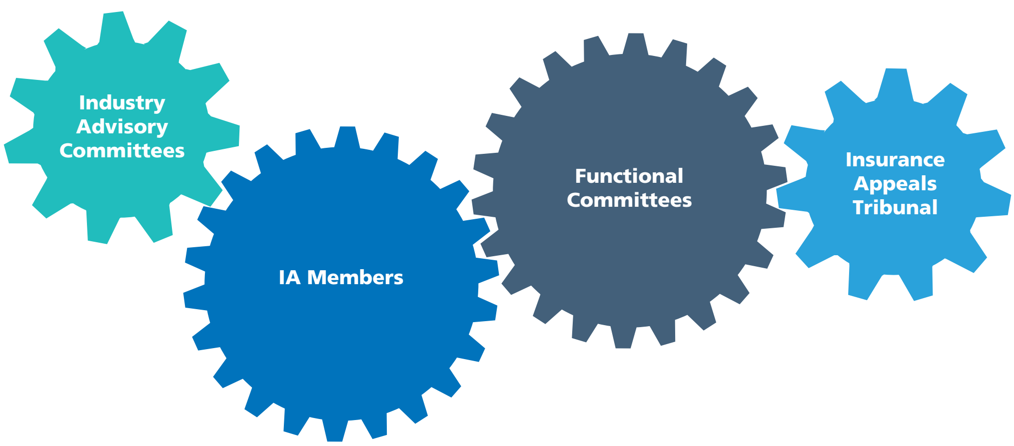
The IA is required by the Insurance Ordinance ("IO") to set up two Industry Advisory Committees ("IACs") to advise it on matters in relation to long term business and general business respectively. Each IAC is required to include the Chairman, the CEO and not more than two other Executive Directors of the IA, as well as not less than eight and not more than 12 other members, who are appointed by the Financial Secretary after consultation with the IA.

The two IACs were established in June 2016, with members appointed for a term of two years from 1 June 2016. They come from different lines of business within the insurance industry, as well as from related fields such as consumer protection, accounting, insurance law and compliance, academia, banking and management. During the year, three joint meetings of the IACs were held. Details of IAC membership can be found in Appendix 4 from pages 98 to 99.

Insurance Appeals Tribunal

The Insurance Appeals Tribunal ("IAT") is a review body established under the IO to review, on application, the specified decisions made by the IA, and to hear and determine a question or issue arising out of or in connection with a review. Its statutory purpose is to ensure that the relevant regulatory decisions made by the IA are reasonable and fair.

The IAT consists of a chairperson and two ordinary members selected by the chairperson from the pool of IAT panel members, and is formed whenever there is a case to be reviewed. The chairperson, appointed by the Chief Executive of the Hong Kong Special Administrative Region, must be a former Justice of Appeal of the Court of Appeal, a former judge or a former deputy judge of the Court of First Instance, or a person qualified for appointing as a High Court judge. Panel members are drawn from different insurance segments, as well as from related fields such as consumer protection, law, accounting, academia, banking and management. The chairperson and members of the IAT panel were appointed by the Chief Executive of the Hong Kong Special Administrative Region for terms of three years and two years respectively, with effect from 26 July 2017. Details of the IAT membership can be found in Appendix 5 on page 100.



CORPORATE GOVERNANCE

1. **Dr the Hon Moses Cheng Mo-chi**, *GBM, GBS, JP*
   Chairman

2. **Mr John Leung Chi-yan**, *JP*
   Chief Executive Officer

3. **Mr Samuel Chan Ka-yan**, *JP*
   Non-Executive Director

4. **Professor Chan Wai-sum**
   Non-Executive Director

5. **Ms Chitty Cheung Fung-ting**
   Non-Executive Director

6. **Mr Kenneth Kwok Tsun-wa**
   Non-Executive Director

7. **Mr Ma Ho-fai**, *GBS, JP*
   Non-Executive Director

8. **Mr James Wong Chien-kuo**
   Non-Executive Director

9. **Mr Stephen Yiu Kin-wah**
   Non-Executive Director

10. **Ms Carol Hui Mei-ying**
    Executive Director, Long Term Business

11. **Mr Simon Lam Sui-kong**
    Executive Director, General Business

12. **Mr Stephen Po Wai-kwong**
    Executive Director, Market Conduct

13. **Mr Raymond Tam Wai-man**
    Executive Director, Policy and Development

IA Members

Chairman

Dr the Hon Moses Cheng Mo-chi, GBM, GBS, JP

Dr Cheng is the Consultant of a law firm, after having served as its Senior Partner for over 20 years. His areas of practice cover capital markets, corporate governance, regulatory, and compliance. He has been actively contributing to the community and is currently a member of the Financial Leaders Forum. He has also served in various important positions, including Chairman of the Education Commission, government-appointed Director on the Board of Hong Kong Exchanges and Clearing Limited, and founding Vice-Chairman of the Estate Agents Authority.

Non-Executive Directors

Mr Samuel Chan Ka-yan, JP

Mr Chan is a practicing barrister, Vice Chairman of the Consumer Council, and an incumbent member of the Competition Commission and the Equal Opportunities Commission. He is also Deputy Chairman of the Appeal Board Panel (Town Planning) and a member of the Telecommunications (Competition Provisions) Appeal Board.

Professor Chan Wai-sum

Professor Chan is an actuary and Professor of Finance at the Chinese University of Hong Kong, with expertise covering life insurance products, retirement income arrangements and health care financing in Hong Kong.

Ms Chitty Cheung Fung-ting

Ms Cheung has served in a number of key management positions for an international airline. She is a former member of the Hong Kong Tourism Board and of the Planning and Development Committee of the Travel Industry Council.

Mr Kenneth Kwok Tsun-wa

Mr Kwok is a veteran insurance practitioner, and has served in senior positions in international insurance brokerage firms and general insurance companies. He was a member of the General Committee of the Insurance Complaints Bureau[1] and Chairman of the Motor Insurers' Bureau of Hong Kong (1987–1988).

Mr Ma Ho-fai, GBS, JP

Mr Ma is a senior partner of a law firm, with extensive experience in conveyancing-related work in Hong Kong. He is Chairman of the Protection of Wages on Insolvency Fund Board and an Independent Director and Honorary Secretary of the Travel Industry Council of Hong Kong. He is also the Chairman of the Home Purchase Allowance Appeals Committee Panel.

Mr James Wong Chien-kuo

Mr Wong is former Chief Executive Officer for major life insurance companies, former Chairman of the Hong Kong Federation of Insurers, a former member of the Hong Kong Banking Advisory Committee, and a member of the Committee on Strategic Enhancement of Hong Kong as an International Financial Centre.

[1] Formerly known as the Insurance Claims Complaints Bureau.

Mr Stephen Yiu Kin-wah

Mr Yiu was the Chairman and Chief Executive Officer of the Mainland China and Hong Kong operations of an international accounting firm. He has extensive experience in auditing listed and large corporations, particularly in the banking and finance sectors. He is a government-appointed Director on the Board of Hong Kong Exchanges and Clearing Limited.

Executive Directors

Mr John Leung Chi-yan, JP

Chief Executive Officer

Mr Leung is the former Commissioner of Insurance, and was seconded to the IA from the Government to take on the position of Chief Executive Officer from 26 June 2017 to 14 August 2018. He has served in various bureaux and departments, working mainly in policy areas including constitutional affairs, district administration, international trade and financial services.

Ms Carol Hui Mei-ying

Executive Director, Long Term Business

Ms Hui took up the position of Executive Director of the Long Term Business Division of the IA when it took over from the Office of the Commissioner of Insurance ("OCI") on 26 June 2017. She started her career in the OCI in 1990, and held various management positions there in the prudential supervision of insurers and insurance intermediaries, policy development and strategy formulation. As lead regulator of the insurance groups based in Hong Kong, she exercised group-wide supervision and organised supervisory college meetings in Hong Kong. Riding on the "Treat Customers Fairly" Principle, she launched two guidelines on the product development and sale of linked and non-linked life products. On the Fintech front, she has promoted the digital distribution of insurance products by launching the Fast Track Initiative and facilitating the e-onboarding process.

Mr Simon Lam Sui-kong

Executive Director, General Business

Mr Lam joined the IA as the Executive Director, General Business in June 2017. He is responsible for the supervision of the non-life insurance market. He carries with him over 30 years of experience in the insurance industry, covering non-life, life, and reinsurance businesses. He has been in leadership positions as Chief Executive Officer and Regional Chief Operating Officer for multinational insurers and reinsurers in Hong Kong, Mainland China, Vietnam and Thailand. Mr Lam has had wide business and operational exposure to, and extensive experience in, market development and startup operations, having set up and built greenfield operations in Mainland China and Vietnam.

Mr Stephen Po Wai-kwong

Executive Director, Market Conduct

Mr Po mainly oversees the regulation of the conduct of insurance intermediaries. The scope of his work includes licensing, inspection, investigation and the handling of complaints, in order to strive for the highest standards of conduct, ethics and integrity in insurance intermediaries. Mr Po was formerly the Senior Director and head of the Intermediaries Supervision Department of the Securities and Futures Commission of Hong Kong. Mr Po was also the Chairman of the Committee on the Regulation of Market Intermediaries of the International Organisation of Securities Commissions ("IOSCO") for seven years, responsible for setting conduct and prudential standards for the regulation of market intermediaries in a cross-border environment.

Mr Raymond Tam Wai-man

Executive Director, Policy and Development

Mr Tam started his career as an actuary in Canada in 1979. He has extensive experience in the insurance and retirement fund industry in Hong Kong, Mainland China, Asia and North America, having held senior positions in insurance companies and actuarial consulting firms. He joined the Hong Kong Government in 1992, and served in the then OCI and the Mandatory Provident Fund Office. He designed the solvency regime for life insurance business when serving as Assistant Commissioner of Insurance, and formulated the Mandatory Provident Fund regulations when serving as Assistant Director of the Mandatory Provident Fund Office. He helped establish the new Mandatory Provident Fund Schemes Authority as an Executive Director. Prior to joining the IA, he was Chief Risk Officer for Asia for an international insurance group.

Board Meetings

During the reporting period from 1 April 2017 to 31 March 2018, a total of seven board meetings were held.

Meeting Attendance

Meetings attended / held	IA board	Corporate Services Committee	External Relations Committee ("ERC")	Audit Committee	Codes and Guidelines Committee ("CGC")
Chairman					
Moses Cheng	7/7	3/3	1/1	1/1	4/4
Non-Executive Directors					
Samuel Chan	6/7	3/3	1/1	-	4/4
Chan Wai-sum	6/7	3/3	-	1/1	-
Chitty Cheung	6/7	3/3	1/1	-	-
Kenneth Kwok	5/7	2/3	-	1/1	4/4
Ma Ho-fai	6/7	1/3	0/1	-	3/4
James Wong	6/7	3/3	1/1	-	4/4
Stephen Yiu	7/7	3/3	-	1/1	-
Executive Directors					
John Leung[1]	5/5	-	1/1	-	2/2
Carol Hui[2]	5/5	-	-	-	-
Simon Lam[3]	5/5	-	-	-	-
Stephen Po[4]	6/6	-	-	-	1/2
Raymond Tam[5]	6/6	-	0/1	-	2/2

[1] Appointed as a member of the IA board, ERC and CGC effective 26 June 2017.
[2] Appointed as a member of the IA board effective 26 June 2017.
[3] Appointed as a member of the IA board effective 19 June 2017.
[4] Appointed as a member of the IA board and CGC effective 25 May 2017.
[5] Appointed as a member of the IA board, ERC and CGC effective 1 June 2017.

Highlights Of The Year

2017

April

- The then Office of the Commissioner of Insurance ("OCI") hosts a supervisory college in Hong Kong for the group-wide supervision of AIA Group to enhance regulatory collaboration across jurisdictions.

May

- The Government announces the appointments of the Insurance Authority ("IA")'s senior executives and of members of the Insurance Appeals Tribunal.

June

- The IA takes over from the OCI as the regulator of insurers.
- The IA's official website and corporate video are launched.

July

- The IA briefs the industry on the levy collection mechanism in the Briefing on Collection of Levy on Insurance Premium.
- The IA hosts a media tea gathering to introduce its senior executive team and outline its priorities for the future.

August

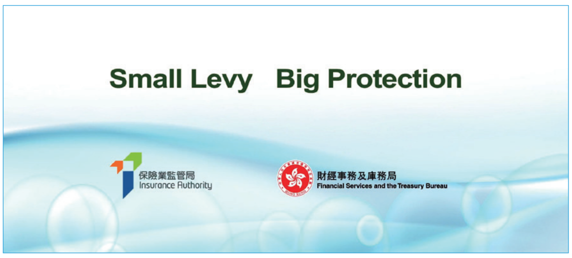
- The working groups on Risk-based Capital Regime and Promoting Positive Image of the Insurance Industry of the Future Task Force ("FTF") have a joint meeting.

September

- The IA signs a Fintech co-operation agreement with the UK Financial Conduct Authority.
- The IA launches Insurtech Sandbox and Fast Track to facilitate Insurtech development in Hong Kong.
- The IA co-organises an FTF forum on Fintech development with Cyberport.

October

- Prior to the introduction of the new premium levy on 1 January 2018, a publicity programme is launched that includes TV and radio announcements and leaflets to keep the public informed.



November

- The IA participates in the 17th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen.
- The IA publishes its second annual report.

- A media workshop is held by the IA on the market performance of Hong Kong's insurance industry for the first three quarters of 2017, with detailed statistics on policies taken out by Mainland visitors.

December

- The IA signs a Fintech co-operation agreement with the Dubai Financial Services Authority.

- The IA moves to a new office in Wong Chuk Hang on Hong Kong Island.

2018

January

- The new premium levy takes effect.

February

- The IA hosts two housewarming events in its new office.

March

- The IA signs a Fintech co-operation agreement with the Gibraltar Financial Services Commission.

- The IA shares its latest developments with media at a housewarming tea gathering.

Operational Review

Market Overview

Market Performance in 2017[1]

In 2017, the total gross premiums of the Hong Kong insurance industry increased by 8.3% to HK$489,172 million.

Long Term Insurance Business

Total office premiums for in-force long term business increased by 8.5% to HK$440,915 million in 2017. The Individual Life category remained the dominant line of business, making up HK$415,050 million or 94.1% of total long term business. The respective number of policies in 2017 stood at 12.5 million, carrying net liabilities of HK$1,849,898 million.

Yearly contributions for Retirement Scheme contracts administered by insurers increased by 4.2% to HK$8,908 million. There were 62,271 Retirement Scheme contracts carrying net liabilities of HK$125,166 million. In-force office premiums for Group Life business increased by 3.9% to HK$3,380 million, carrying net liabilities of HK$1,021 million. In-force office premiums for Annuity business and Other business (mainly Permanent Health business) increased by 39% to HK$13,577 million.

Office premiums for new Individual Life business decreased by 15.9% to HK$150,646 million, including HK$137,916 million from Individual Life (Non-Linked) business and HK$12,730 million from Linked business, which recorded a decrease of 20.5% and an increase of 123.2% respectively. The total number of new policies increased by 0.3% to 1.3 million in 2017.

[1] The statistics in the "Market Overview" chapter cover those insurers whose financial years ended between 1 January 2017 and 31 December 2017.

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

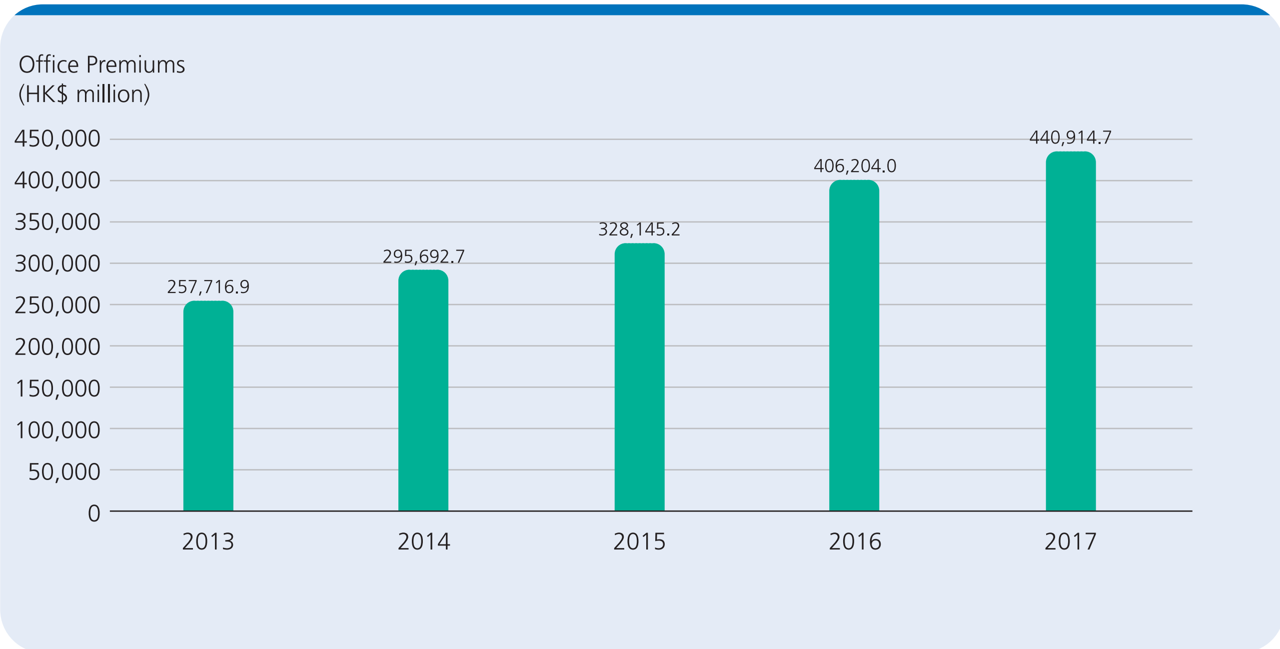
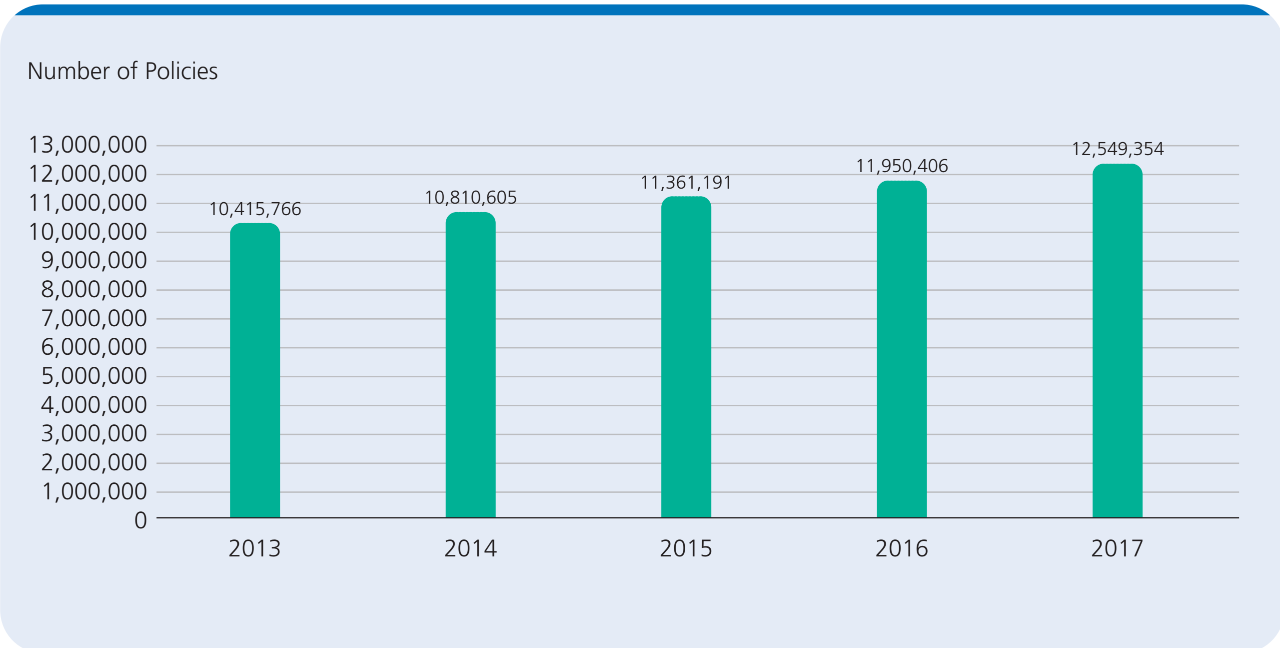


Figure 2 In-Force Individual Life Policies



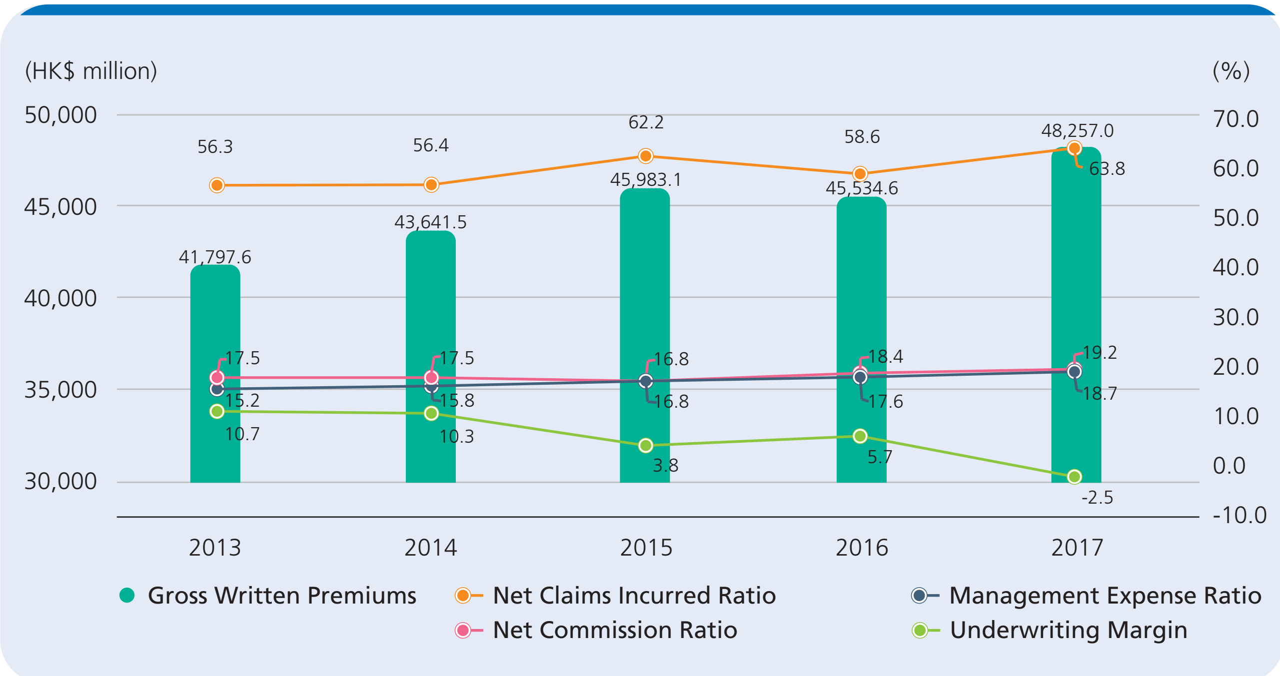
General Insurance Business

Total gross written premiums and total net written premiums recorded growth of 6% to HK$48,257 million and 5% to HK$33,076 million respectively in 2017. The overall retention rate in 2017 slightly decreased to 68.5% from 69.2% in 2016. The premium growth was mainly driven by growth in Accident & Health business followed by Motor Vehicle business, which recorded a 12.2% and 7.7% premium increment respectively. With the exception of General Liability business, the major classes of general insurance business recorded increases in gross written premiums in 2017.

Overall underwriting performance turned from a profit of HK$1,793 million in 2016 to a loss of HK$827 million, mainly due to performance downturn in reinsurance inward business. The overall claims situation for general insurance business deteriorated in 2017 with overall net claims incurred ratio ("NCIR") increased from 58.6% to 63.8%. This deterioration was mainly due to the unfavourable claims experience in the reinsurance inward business resulting from Typhoon Hato. As a result, Property Damage business was the largest contributor to the overall underwriting loss in 2017. It incurred overall underwriting loss for the first time in the past five years of HK$1,221 million.

With the exception of Property Damage, Motor Vehicle and General Liability business, the rest of the business classes had recorded positive underwriting result. Whilst underwriting profit for Miscellaneous business (including Ships, Goods in Transit, Aircraft and Treaty Reinsurance business) declined, both Accident & Health and Pecuniary Loss business recorded strong underwriting profit growth respectively.

Figure 3 Overall Performance of General Insurance Business



Net Claims Incurred Ratio — Net Claims Incurred expressed as a percentage of Net Earned Premiums.
Net Commission Ratio — Net Commission Payable as a percentage of Net Earned Premiums.
Management Expense Ratio — Management Expense as a percentage of Net Earned Premiums.
Underwriting Margin — Underwriting Profit/(Loss) expressed as a percentage of Net Earned Premiums.

Key Indicators

	Unit	2015	2016	2017
ECONOMIC DATA[(a)]				
GDP *(At current market prices)*	HK$ million	2,398,280	2,490,776	2,660,983
Population *(Mid-year)*		7,291,300	7,336,600	7,391,700
Per capita GDP *(At current market prices)*	HK$	328,924	339,500	359,996
Insurance Density				
Long Term Business	HK$	45,005	55,367	59,650
General Business	HK$	6,307	6,206	6,529
Insurance Penetration				
Long Term Business	%	13.7	16.3	16.6
General Business	%	1.9	1.8	1.8
INSURANCE MARKET STRUCTURE				
Number of Authorized Insurers				
Long Term		45	47	47
General		93	94	93
Composite		19	19	19
Total		157	160	159
Number of Authorized Insurance Brokers[(b)]		733	756	759
Number of Chief Executives and Technical Representatives of Authorized Insurance Brokers[(b)]		9,397	9,452	9,489
Number of Appointed Insurance Agents[(c)]		56,309	65,630	66,380
Number of Responsible Officers and Technical Representatives of Appointed Insurance Agents[(c)]		27,756	26,835	25,881
INSURANCE MARKET STATISTICS				
Premium Income				
Long Term Business *(Office premiums)*	HK$ million	328,145	406,204	440,915
General Business *(Gross premiums)*	HK$ million	45,983	45,535	48,257
Annual Growth Rate				
Long Term Business	%	11.0	23.8	8.5
General Business	%	5.4	(1.0)	6.0
Individual Life Business				
Number of New Policies		1,168,123	1,267,560	1,271,068
Average Premium Size of New Policies	HK$	109,672	141,278	118,519
Number of In-force Policies		11,361,191	11,950,406	12,549,354
Premiums Per Capita of In-force Policies	HK$	42,419	52,427	56,151
Number of In-force Policies as a % of Population	%	155.8	162.9	169.8
Local Assets Maintained for General Business	HK$ million	109,049	114,228	111,157

(a) Data source: Census and Statistics Department.

(b) Based on the figures supplied by the approved bodies of insurance brokers, i.e. The Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

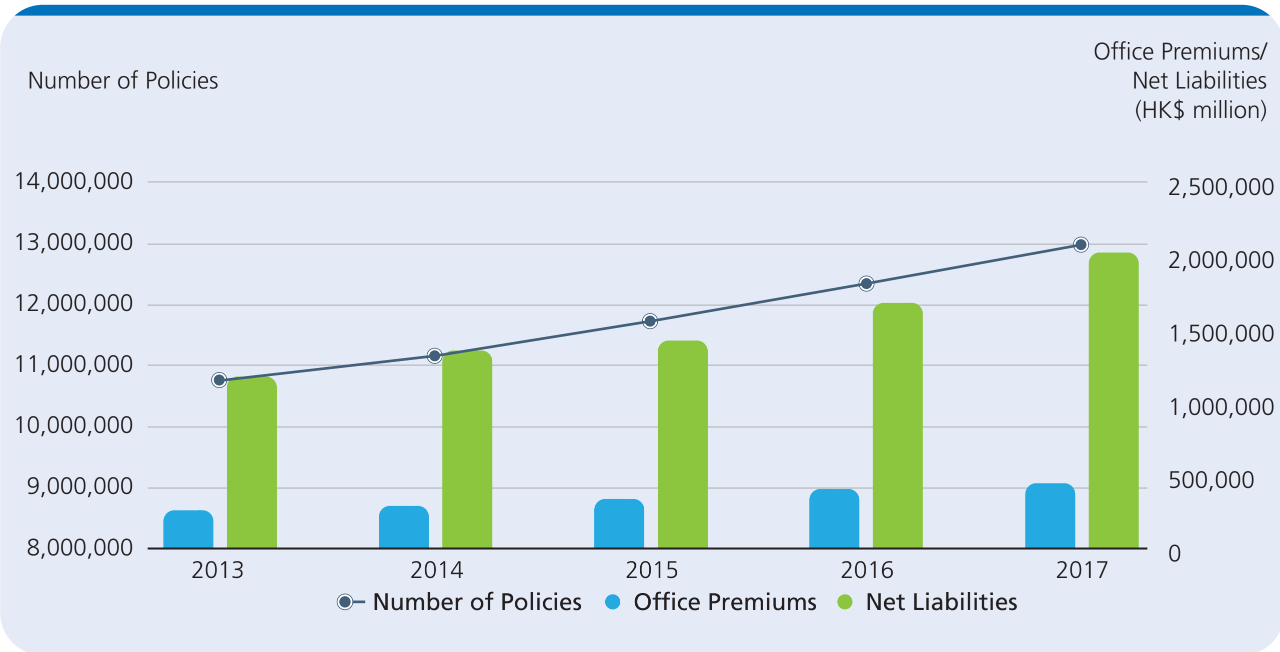
(c) Based on the figures supplied by the Insurance Agents Registration Board set up by the Hong Kong Federation of Insurers.

Highlights of Industry Statistics — Long Term Insurance Business

In-force Business

In-force office premiums for Individual Life business, which remained the dominant line of long term insurance business, increased by 7.9% from HK$384,636 million in 2016 to HK$415,050 million in 2017. Non-Linked and Linked business accounted for 88.5% and 11.5% of in-force Individual Life business respectively.

Figure 4 In-Force Long Term Business



Type of Insurance	Number of Policies					Office Premiums					Net Liabilities				
	2013	2014	2015	2016	2017	2013 HK$m	2014 HK$m	2015 HK$m	2016 HK$m	2017 HK$m	2013 HK$m	2014 HK$m	2015 HK$m	2016 HK$m	2017 HK$m
Individual Life															
Non-Linked	8,741,810	9,181,550	9,814,015	10,487,098	11,177,614	170,825.7	208,964.5	250,506.3	337,107.0	367,177.1	791,409.7	948,233.1	1,065,864.6	1,262,057.1	1,536,580.7
	5.2%	5.0%	6.9%	6.9%	6.6%	17.2%	22.3%	19.9%	34.6%	8.9%	7.8%	19.8%	12.4%	18.4%	21.8%
Linked	1,673,956	1,629,055	1,547,176	1,463,308	1,371,740	69,895.8	68,120.3	58,782.2	47,529.0	47,873.1	267,674.4	282,383.0	227,093.3	269,714.3	313,317.4
	-2.7%	-2.7%	-5.0%	-5.4%	-6.3%	10.5%	-2.5%	-13.7%	-19.1%	0.7%	5.5%	5.5%	-19.6%	18.8%	16.2%
Sub-total	10,415,766	10,810,605	11,361,191	11,950,406	12,549,354	240,721.5	277,084.8	309,288.5	384,636.0	415,050.2	1,059,084.1	1,230,616.1	1,292,957.9	1,531,771.4	1,849,898.1
	3.8%	3.8%	5.1%	5.2%	5.0%	15.2%	15.1%	11.6%	24.4%	7.9%	7.2%	16.2%	5.1%	18.5%	20.8%
Group Life	18,754	20,214	19,724	19,437	19,327	2,693.6	2,946.4	3,191.5	3,254.6	3,380.0	983.6	1,051.0	1,117.0	1,063.8	1,021.3
	2.7%	7.8%	–2.4%	–1.5%	–0.6%	36.2%	9.4%	8.3%	2.0%	3.9%	23.7%	6.9%	6.3%	–4.8%	–4.0%
Retirement Scheme	58,965	46,685	52,779	61,192	62,271	8,253.1	7,898.0	7,777.5	8,547.2	8,907.7	100,565.6	103,704.6	105,844.5	112,694.5	125,165.8
	7.6%	–20.8%	13.1%	15.9%	1.8%	–11.5%	–4.3%	–1.5%	9.9%	4.2%	5.5%	3.1%	2.1%	6.5%	11.1%
Annuity and Others	256,766	277,251	288,882	306,203	343,573	6,048.7	7,763.5	7,887.7	9,766.2	13,576.8	15,617.7	21,159.3	23,835.1	32,472.0	42,138.0
	6.2%	8.0%	4.2%	6.0%	12.2%	60.3%	28.3%	1.6%	23.8%	39.0%	32.4%	35.5%	12.6%	36.2%	29.8%
Total	10,750,251	11,154,755	11,722,576	12,337,238	12,974,525	257,716.9	295,692.7	328,145.2	406,204.0	440,914.7	1,176,251.0	1,356,531.0	1,423,754.5	1,678,001.7	2,018,223.2
	3.9%	3.8%	5.1%	5.2%	5.2%	15.0%	14.7%	11.0%	23.8%	8.5%	7.3%	15.3%	5.0%	17.9%	20.3%

Figures in percentage denote percentage changes over the prior year.

In-Force Individual Life Business

Non-Linked Business

Office premiums for Non-Linked business grew by 8.9% to HK$367,177 million in 2017, representing 88.5% of the office premiums for in-force Individual Life business. The number of in-force Non-Linked policies reached 11.18 million at the end of 2017, up 6.6% from 2016. Total sums assured increased by 16.1% to HK$5,842,983 million and net liabilities grew by 21.8% to HK$1,536,581 million as at 31 December 2017.

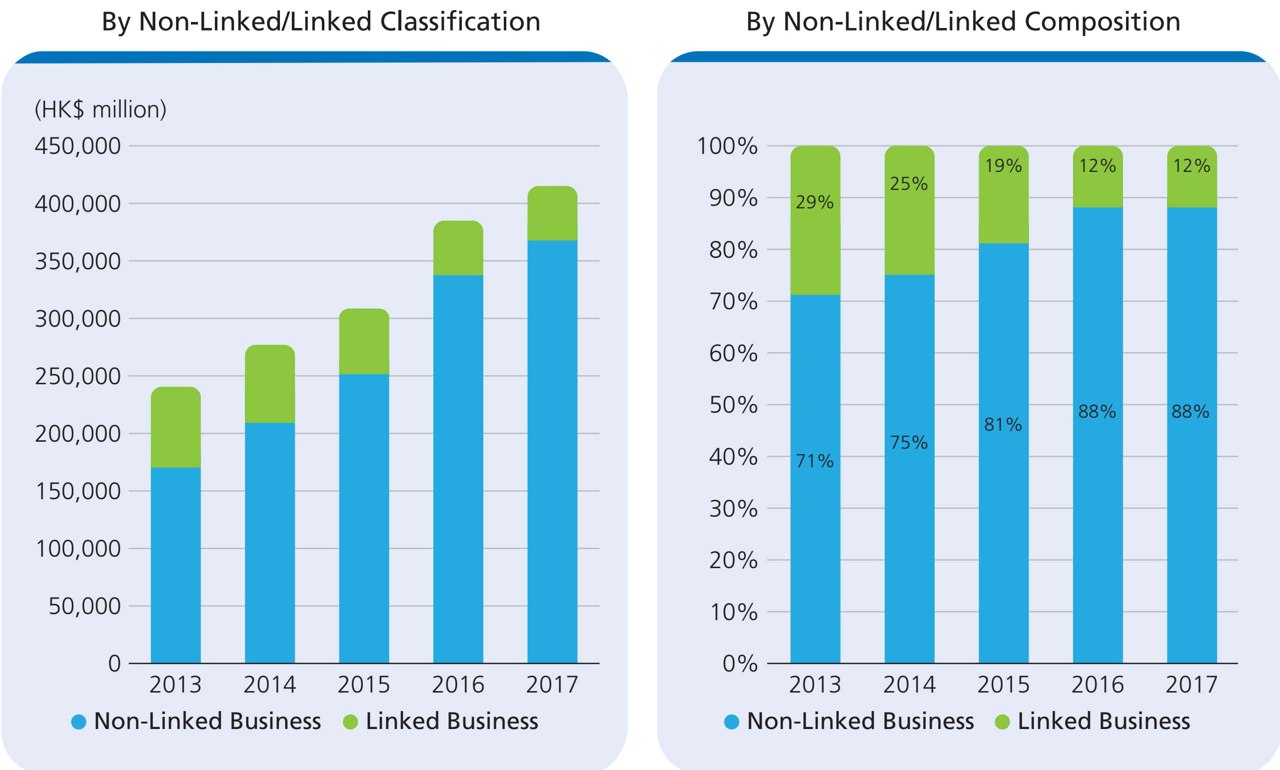
In terms of in-force office premiums, Whole Life and Endowment insurances accounted for 78.7% of Non-Linked business, with Term and Other insurances accounting for the remaining 21.3%.

Non-Linked business may be classified into with-profits business and without-profits business. Under this classification, with-profits business accounted for 74.3% of the in-force office premiums and without-profits business for the remaining 25.7%.

Linked Business

Office premiums for Linked business increased by 0.7% to HK$47,873 million in 2017, accounting for 11.5% of the office premiums for in-force Individual Life business. The number of in-force policies dropped by 6.3% to 1.37 million while net liabilities increased by 16.2% to HK$313,317 million as at 31 December 2017.

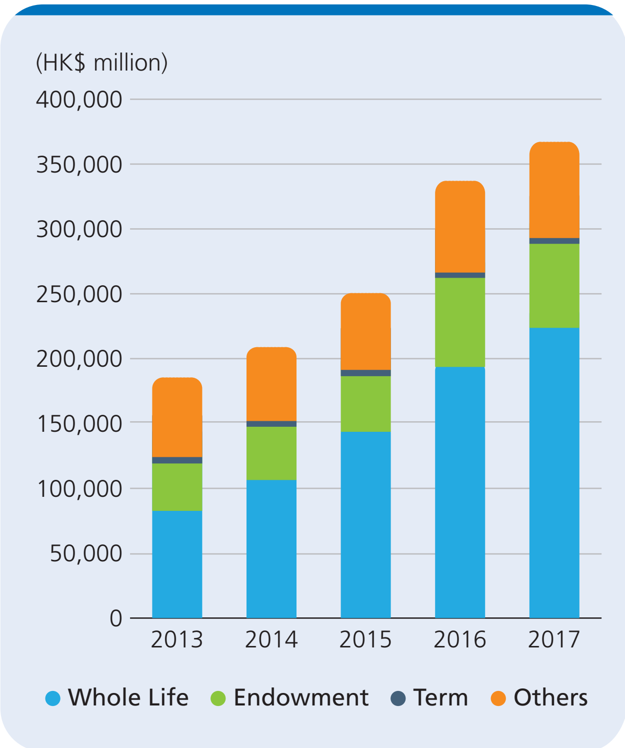
Figure 5 Office Premiums of In-Force Individual Life Business



Office Premiums (HK$ million)	2013	2014	2015	2016	2017
Non-Linked Business	170,825.7	208,964.5	250,506.3	337,107.0	367,177.1
Linked Business	69,895.8	68,120.3	58,782.2	47,529.0	47,873.1

Figure 6 Office Premiums of In-Force Individual Life (Non-Linked) Business

By Product Classification



With-profits Composition

Office Premiums of Non-Linked Business (By Product Classification) (HK$ million)	2013	2014	2015	2016	2017
Whole Life	82,473.5	106,436.1	143,356.2	193,824.4	223,752.9
Endowment	36,714.3	41,072.9	43,135.9	68,443.6	65,200.0
Term	4,103.3	4,405.8	4,840.0	4,103.9	4,026.8
Others	47,534.6	57,049.6	59,174.2	70,735.1	74,197.4

New Individual Life Business

Office premiums for new Individual Life business decreased by 15.9% from HK$179,078 million in 2016 to HK$150,646 million in 2017. Non-Linked business and Linked business accounted for 91.5% and 8.5% of new Individual Life business respectively.

Non-Linked Business

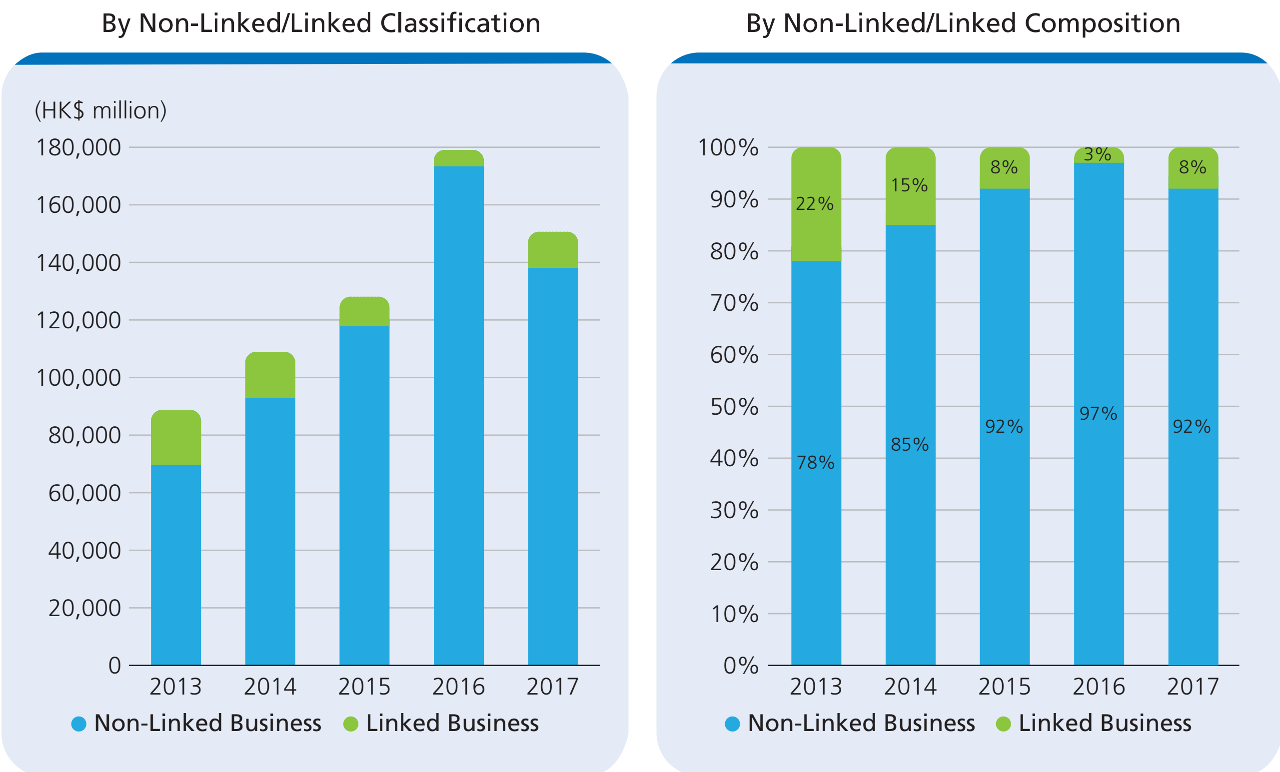
Office premiums for new Non-Linked business recorded a decrease of 20.5% to HK$137,916 million in 2017, with single premium business decreasing by 25% and regular premium business by 17.4%. The number of policies decreased by 1.2% to 1,237,329 in 2017.

Non-Linked business may be classified into with-profits and without-profits business, representing 70% and 30% respectively of the related new office premiums.

Linked Business

Office premiums for new Linked business increased by 123.2% in 2017, and the number of new policies recorded growth of 127.1%. The number of new policies in single payment mode and the related office premiums increased by 453.4% and 141.5% respectively. On the other hand, the number of new policies in regular payment mode and the related office premiums decreased by 6.8% and 13.3% respectively.

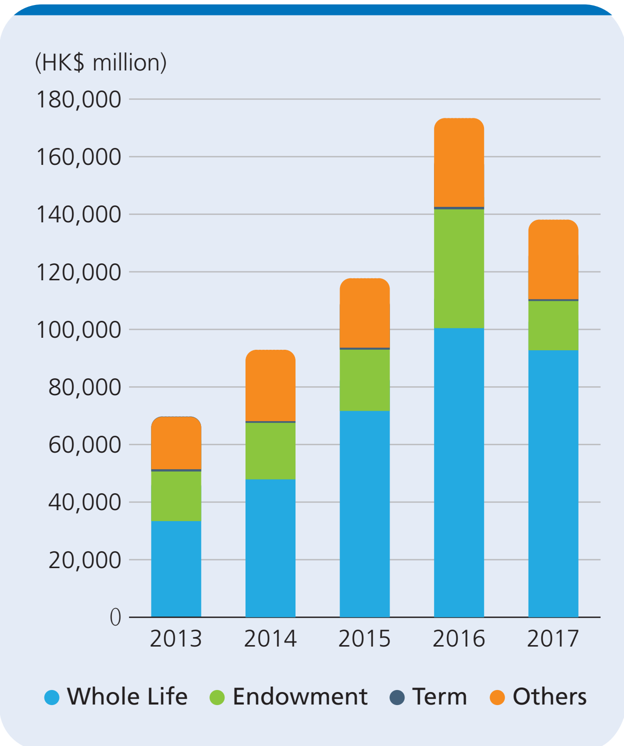
Figure 7 Office Premiums for New Individual Life Business



Office Premiums (HK$ million)	2013	2014	2015	2016	2017
Non-Linked Business	69,639.6	92,841.6	117,806.5	173,373.3	137,915.6
Linked Business	19,115.6	16,110.0	10,303.4	5,704.7	12,730.1

Figure 8 Office Premiums of New Individual Life (Non-Linked) Business

By Product Classification



With-profits Composition

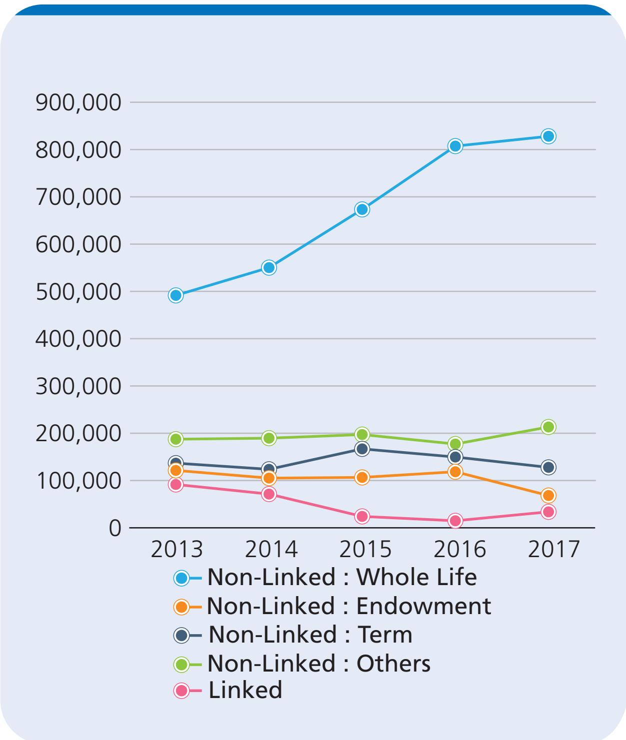
Office Premiums of Non-Linked Business (By Product Classification) (HK$ million)	2013	2014	2015	2016	2017
Whole Life	33,320.7	47,797.7	71,583.2	100,230.5	92,537.9
Endowment	17,423.5	19,759.7	21,361.9	41,628.9	17,356.7
Term	622.6	574.1	652.9	614.3	522.9
Others	18,272.8	24,710.1	24,208.5	30,899.6	27,498.1

New Business Index

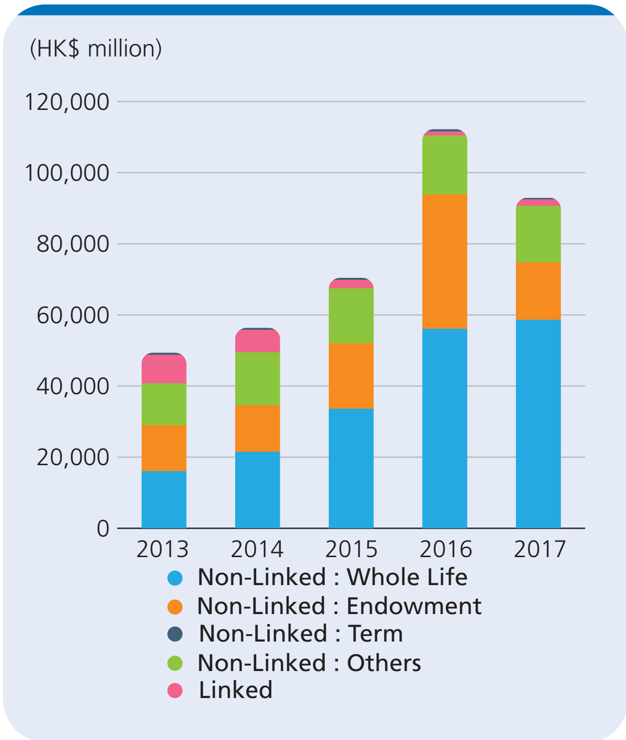
New Business Index, defined as total office premiums for all regular premium products plus one-tenth of single premiums, decreased by 17.2% in 2017. This decrease in New Business Index was attributable to a decrease in new premiums for both regular and single premium business, by 17.4% and 13.7% respectively. During the year, New Business Index for Non-Linked business decreased by 17.9% while that for Linked business increased by 52.7%.

Figure 9 New Individual Life Business (Number of Policies and New Business Index)

Number of Policies



New Business Index



Type of Insurance	Number of Policies: Single Payment 2013	2014	2015	2016	2017	Regular Payment 2013	2014	2015	2016	2017	Total 2013	2014	2015	2016	2017
Non-Linked:															
Whole Life	8,701	16,020	15,732	23,242	27,705	482,849	534,258	657,631	784,026	800,348	491,550	550,278	673,363	807,268	828,053
Endowment	14,098	19,133	11,252	11,757	3,879	107,293	85,974	95,315	106,803	64,362	121,391	105,107	106,567	118,560	68,241
Term	865	168	89	32	15	135,869	123,539	166,826	149,673	127,811	136,734	123,707	166,915	149,705	127,826
Others	6,762	9,180	6,887	9,339	7,988	180,642	180,387	190,312	167,833	205,221	187,404	189,567	197,199	177,172	213,209
	30,426	44,501	33,960	44,370	39,587	906,653	924,158	1,110,084	1,208,335	1,197,742	937,079	968,659	1,144,044	1,252,705	1,237,329
Linked:	7,782	5,850	4,136	4,324	23,928	83,863	65,499	19,943	10,531	9,811	91,645	71,349	24,079	14,855	33,739
Total	38,208	50,351	38,096	48,694	63,515	990,516	989,657	1,130,027	1,218,866	1,207,553	1,028,724	1,040,008	1,168,123	1,267,560	1,271,068

Type of Insurance	Office Premiums: Single Payment 2013 HK$m	2014 HK$m	2015 HK$m	2016 HK$m	2017 HK$m	Regular Payment 2013 HK$m	2014 HK$m	2015 HK$m	2016 HK$m	2017 HK$m	New Business Index[(a)] 2013 HK$m	2014 HK$m	2015 HK$m	2016 HK$m	2017 HK$m
Non-Linked:															
Whole Life	19,171.0	29,227.2	42,152.7	49,051.2	37,723.6	14,149.8	18,570.5	29,430.5	51,179.3	54,814.2	16,066.9	21,493.2	33,645.8	56,084.4	58,586.6
Endowment	5,015.0	7,482.6	3,366.5	4,345.5	1,365.2	12,408.5	12,277.1	17,995.4	37,283.3	15,991.5	12,910.0	13,025.4	18,332.1	37,717.9	16,128.0
Term	51.7	3.8	2.8	2.3	1.6	570.8	570.3	650.1	612.0	521.3	576.0	570.7	650.4	612.2	521.5
Others	7,197.6	10,883.7	9,663.4	15,856.5	12,860.9	11,075.3	13,826.3	14,545.1	15,043.1	14,637.3	11,795.1	14,914.7	15,511.4	16,628.8	15,923.4
	31,435.3	47,597.3	55,185.4	69,255.5	51,951.3	38,204.4	45,244.2	62,621.1	104,117.7	85,964.3	41,348.0	50,004.0	68,139.7	111,043.3	91,159.5
Linked:	12,315.1	10,835.6	8,903.1	5,028.7	12,144.1	6,800.6	5,274.4	1,400.3	676.0	586.0	8,032.1	6,358.0	2,290.6	1,178.9	1,800.4
Total	43,750.4	58,432.9	64,088.5	74,284.2	64,095.4	45,005.0	50,518.6	64,021.4	104,793.7	86,550.3	49,380.1	56,362.0	70,430.3	112,222.2	92,959.9

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

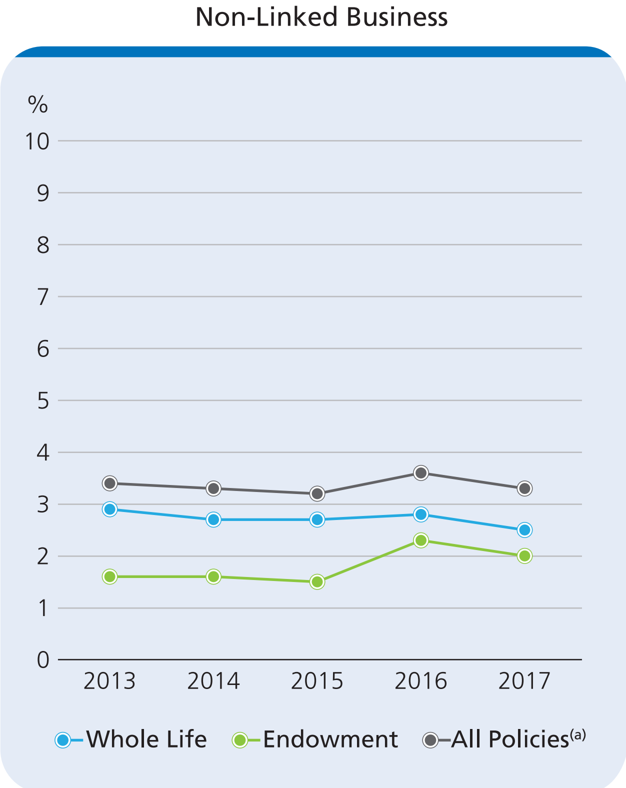
Individual Life Voluntary Termination Rate (Lapses and Surrenders)

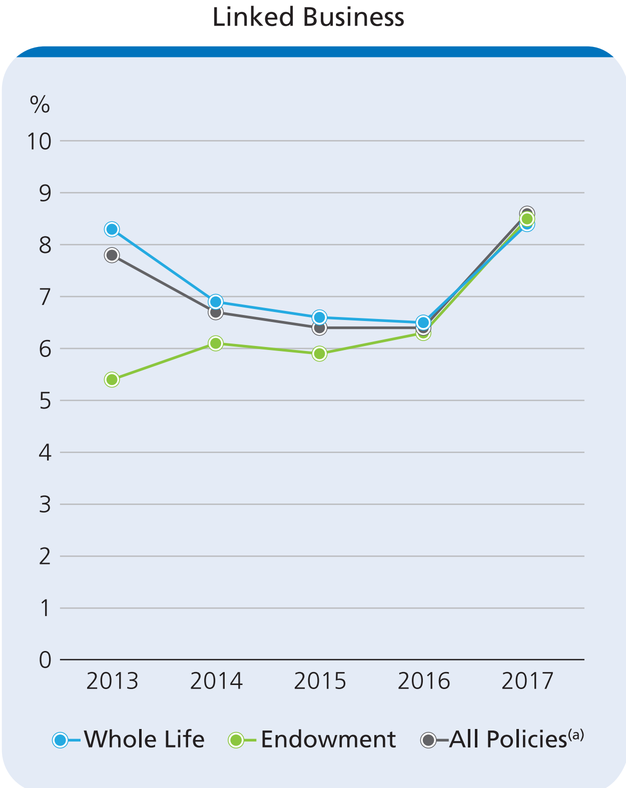
The voluntary termination rate is the ratio of the number of policies lapsed or surrendered during the year to the average number of policies in-force, and is a measure of the persistency of business.

For Individual Life (Non-Linked) business, the overall voluntary termination rate decreased from 3.6% in 2016 to 3.3% in 2017.

For Individual Life (Linked) business, the overall voluntary termination rate increased from 6.4% in 2016 to 8.6% in 2017.

Figure 10 Individual Life Voluntary Termination Rate





Non-Linked (%)	2013	2014	2015	2016	2017
Whole Life	2.9	2.7	2.7	2.8	2.5
Endowment	1.6	1.6	1.5	2.3	2.0
All Policies[a]	3.4	3.3	3.2	3.6	3.3

Linked (%)	2013	2014	2015	2016	2017
Whole Life	8.3	6.9	6.6	6.5	8.4
Endowment	5.4	6.1	5.9	6.3	8.5
All Policies[a]	7.8	6.7	6.4	6.4	8.6

(a) All Policies include term policies and others.

Group Life Business

Group Life business comprises Class A business (non-employer group business) and Class I business (employer group business).

For Class A business, office premiums in 2017 were HK$35 million, representing 1% of Group Life business. At the end of 2017, there were 152 Class A in-force policies covering 51,770 lives. Total sums assured and net liabilities were HK$13,663 million and HK$22 million respectively.

For Class I business, office premiums stood at HK$3,345 million, representing 99% of Group Life business. At the end of 2017, there were 19,175 Class I in-force policies covering 1,240,322 lives. Total sums assured and net liabilities were HK$898,321 million and HK$1,000 million respectively.

Figure 11 In-Force Group Life Business

Number of Policies	2013	2014	2015	2016	2017
Under Class A business	217	209	188	169	152
Under Class I business	18,536	20,005	19,536	19,268	19,175

Office Premiums (HK$ million)	2013	2014	2015	2016	2017
Under Class A business	89.4	91.0	82.5	71.6	35.1
Under Class I business	2,604.2	2,855.4	3,109.0	3,182.9	3,344.9

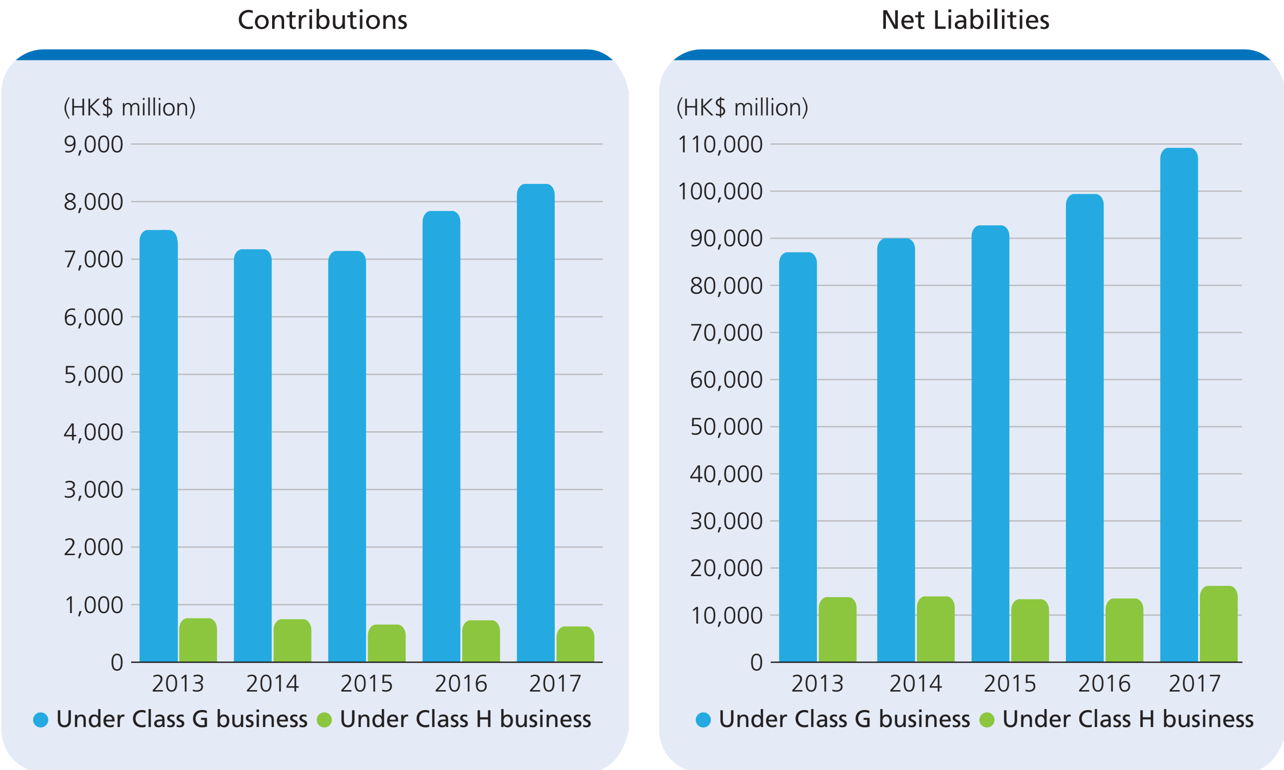
Retirement Scheme Business

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

Class G contributions amounted to HK$8,297 million in 2017, representing 93.1% of overall contributions for Retirement Scheme business. As at 31 December 2017, the related net liabilities amounted to HK$109,096 million. Net liabilities may be classified into unit (unitised) and non-unit liabilities. The related unit and non-unit liabilities were HK$98,164 million and HK$10,932 million respectively.

Class H contributions decreased from HK$720 million in 2016 to HK$611 million in 2017, representing 6.9% of overall contributions in 2017. As at 31 December 2017, related net liabilities stood at HK$16,070 million, made up of unit and non-unit liabilities of HK$11,116 million and HK$4,954 million respectively.

Figure 12 In-Force Retirement Scheme Business



Contributions (HK$ million)	2013	2014	2015	2016	2017
Under Class G business	7,498.0	7,162.1	7,134.1	7,827.6	8,296.8
Under Class H business	755.1	735.9	643.4	719.6	610.9

Net Liabilities (HK$ million)	2013	2014	2015	2016	2017
Under Class G business	86,872.2	89,860.7	92,623.5	99,278.7	109,096.2
Under Class H business	13,693.4	13,843.9	13,221.0	13,415.9	16,069.6

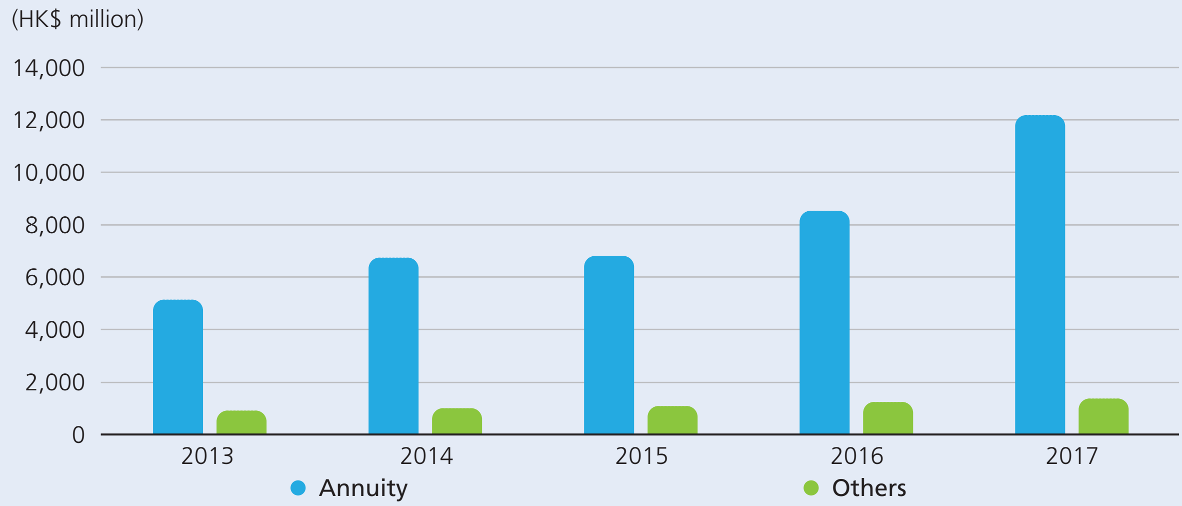
Annuity and Other Business

For Annuity business, there were 151,673 in-force policies at the end of 2017. Office premiums increased by 43.1% to HK$12,200 million and net liabilities increased by 34.7% to HK$38,070 million in 2017, compared with 2016. During the year, a total of 37,788 new Annuity policies were effected, with office premiums of HK$7,696 million.

Other business includes Permanent Health business and Tontines business. For Permanent Health business, the number of in-force policies and office premiums increased by 2.7% to 191,896 and 10.9% to HK$1,377 million respectively from 2016, while net liabilities decreased by 3.5% to HK$4,067 million in 2017. For Tontines business, total office premiums were less than HK$0.1 million in 2017.

In terms of premiums, Annuity and Other business only accounted for 3.1% of the market total of long term insurance business in 2017.

Figure 13 Office Premiums for In-Force Annuity and Other Business

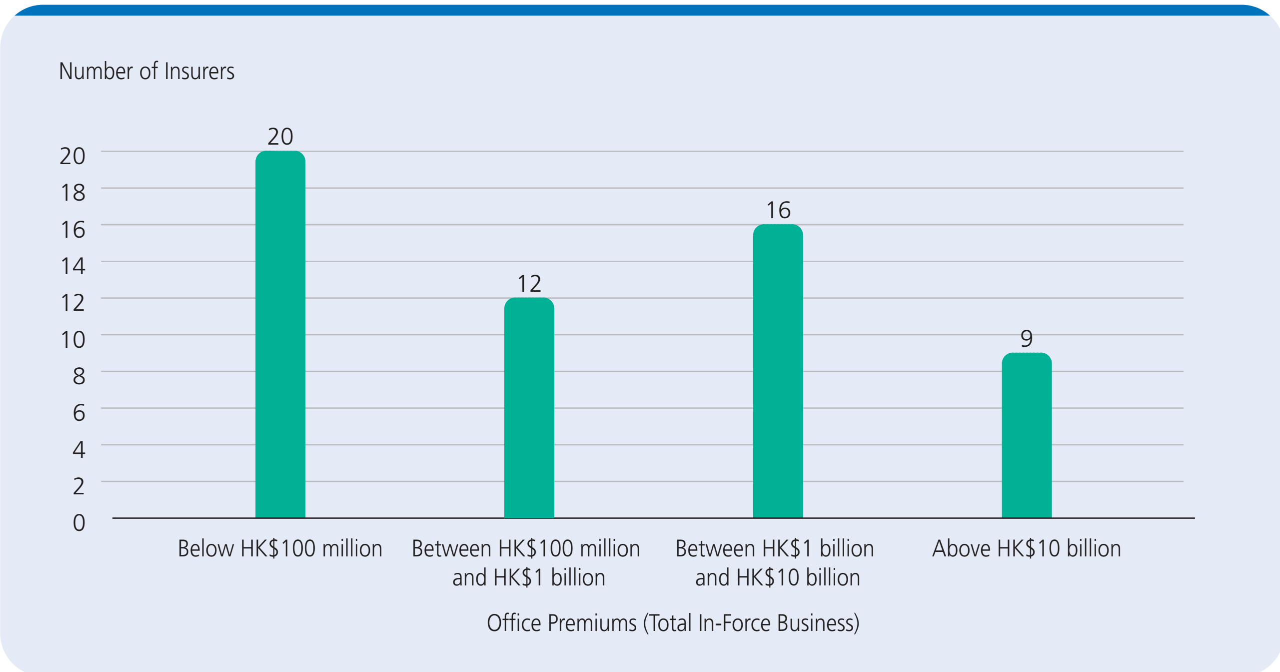


Office Premiums (HK$ million)	2013	2014	2015	2016	2017
Annuity	5,138.4	6,750.5	6,791.5	8,524.6	12,200.0
Others	910.3	1,013.0	1,096.2	1,241.5	1,376.8

Market Analysis

At as 31 December 2017, there were 66 authorized long term business insurers in the market. Apart from Lloyd's and 8 pure reinsurers, 9 insurers reported in-force office premiums of more than HK$10 billion; together they took up 84.9% of the long term insurance market. Another 48 insurers, with office premiums of less than HK$10 billion, represented the remaining 15.1% of the market.

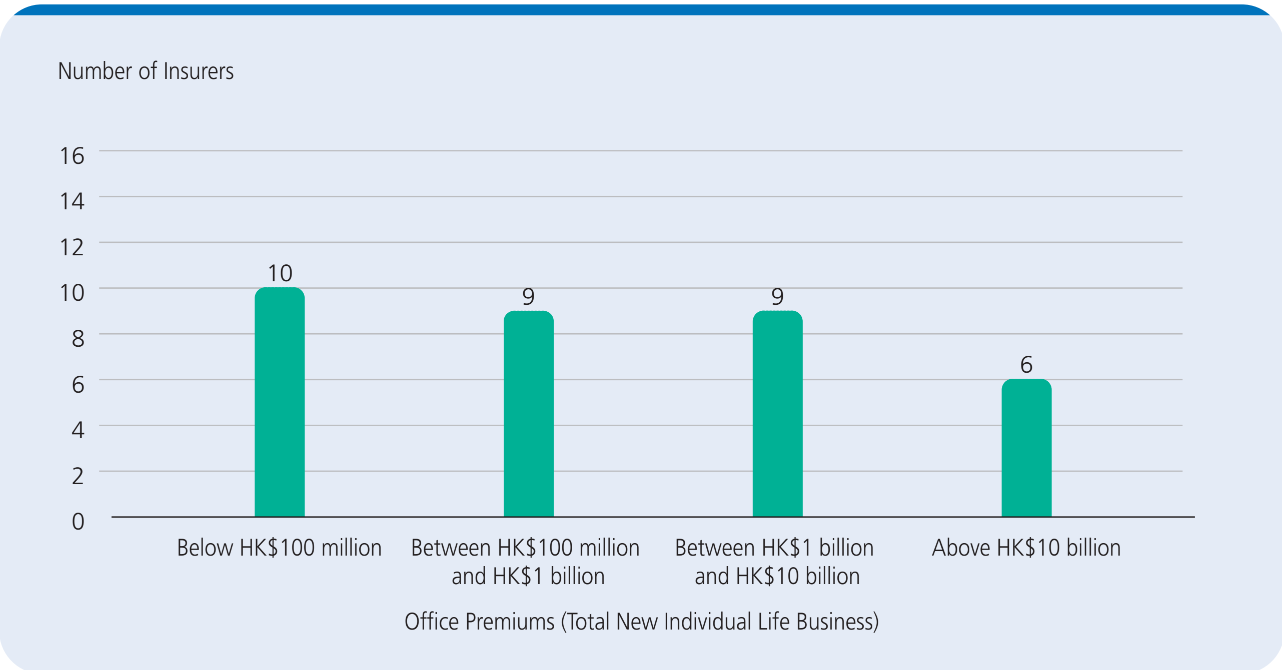
Figure 14 Distribution of Long Term Business Insurers in terms of In-Force Office Premiums



Office Premiums (Total In-Force Business)	Number of Insurers	% of Market Total
Below HK$100 million	20	0.1%
Between HK$100 million and HK$1 billion	12	1.6%
Between HK$1 billion and HK$10 billion	16	13.4%
Above HK$10 billion	9	84.9%
Total	57	100.0%

In terms of new Individual Life business, 34 insurers wrote new business in 2017. Among these insurers, 6 reported new office premiums of more than HK$10 billion and took up 76.5% of total business. Another 28 insurers, with new office premiums of less than HK$10 billion, shared the remaining 23.5% of the market.

Figure 15 Distribution of Long Term Business Insurers in terms of New Individual Life Office Premiums



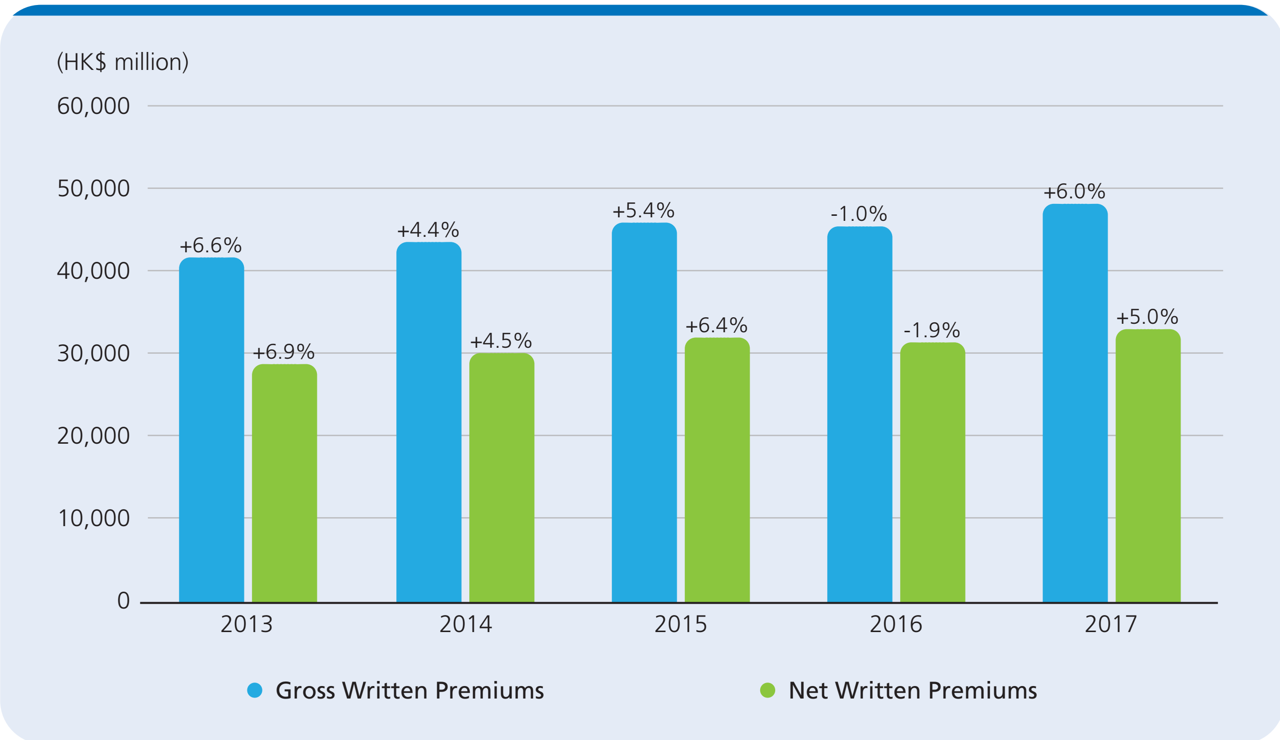
Office Premiums (Total New Individual Life Business)	Number of Insurers	% of Market Total
Below HK$100 million	10	0.2%
Between HK$100 million and HK$1 billion	9	2.9%
Between HK$1 billion and HK$10 billion	9	20.4%
Above HK$10 billion	6	76.5%
Total	34	100.0%

Highlights of Industry Statistics — General Insurance Business

Premium Incomes

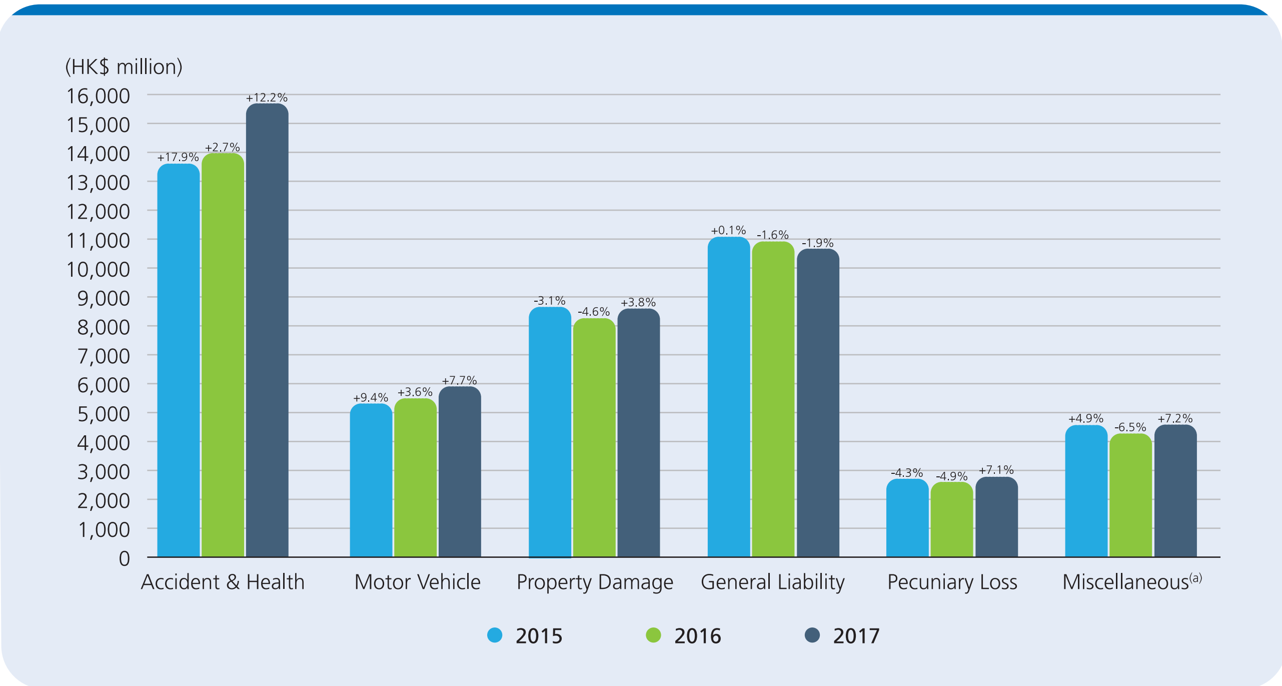
Both total gross written premiums and total net written premiums (comprising direct and reinsurance inward business) recorded growth of 6% to HK$48,257 million and 5% to HK$33,076 million respectively in 2017, compared to a premium decline in 2016. The overall retention rate in 2017 was similar to the trend of the last five years, despite a slight decrease to 68.5% from 69.2% in 2016.

Figure 16 Growth of Premium Incomes for General Insurance Business



The increase in total gross written premiums was mainly driven by growth in Accident & Health business followed by Motor Vehicle business, which recorded a 12.2% and 7.7% premium increment respectively. With the exception of General Liability business, all the major classes of general insurance business showed increases in gross written premiums in 2017. The Employees' Compensation ("EC") sub-class was responsible for the premium deterioration in General Liability business.

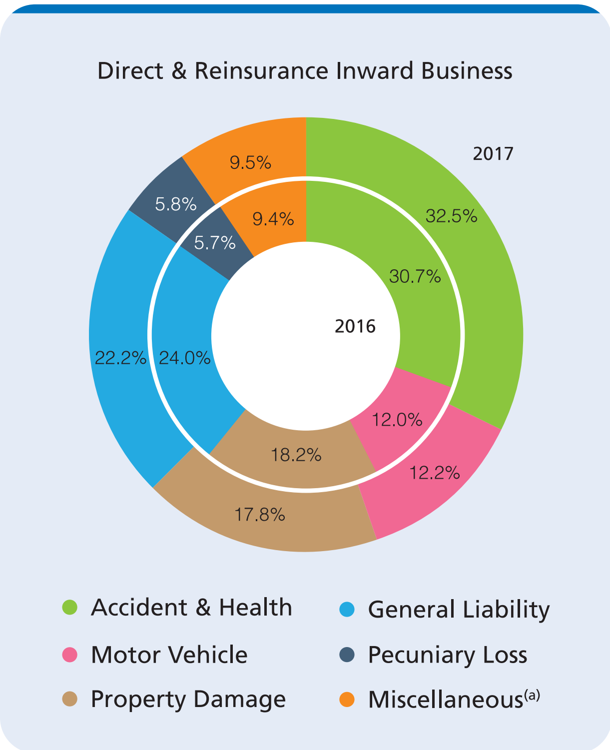
Figure 17 Growth of Gross Written Premiums for Major Lines of Business

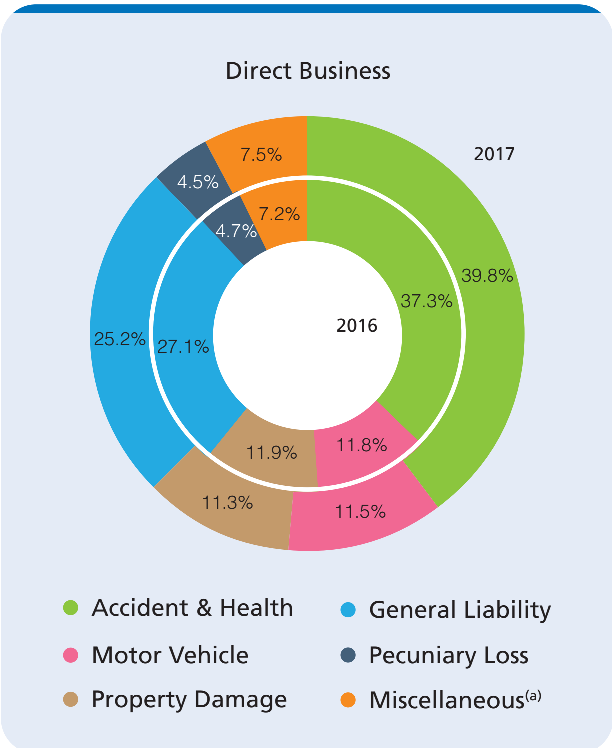


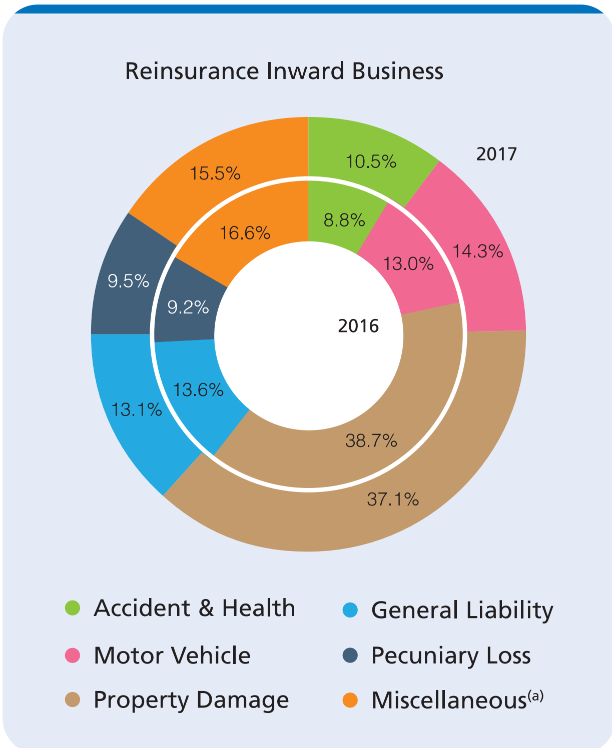
(a) Miscellaneous Business includes Ships, Goods in Transit, Aircraft and Treaty Reinsurance business.

Direct business and reinsurance inward business accounted for 74.9% and 25.1% respectively of the total gross written premiums in 2017, sharing a similar trend as 2016. The composition of business class also showed a stable trend year-on-year, with Accident & Health, General Liability and Property Damage business topping the general insurance business sector.

Figure 18 Composition of Gross Written Premiums







(a) Miscellaneous Business includes Ships, Goods in Transit, Aircraft and Treaty Reinsurance business.

Claims

The overall claims situation for general insurance business deteriorated in 2017, after a stable performance in 2016. In 2017, the overall NCIR increased to 63.8% compared to 58.6% in the previous year. This deterioration was mainly driven by a significantly worsened claims experience in the reinsurance inward business, where the NCIR increased to 73.3% compared to 51.8% in the previous year, mainly due to claims relating to Typhoon Hato.

In direct business, Accident & Health business delivered a consistent trend of high NCIR for the past five years. In 2017, Motor Vehicle business notably worsened delivering an NCIR of 71.2% compared to 65.3% in 2016, which is its highest in the last five years. For direct Property Damage business, the NCIR increased to 28.2% in 2017. Nevertheless, direct Property Damage business remained as one of the best performers continuing to deliver a comparatively low and stable NCIR.

Figure 19 Net Claims Incurred Ratio

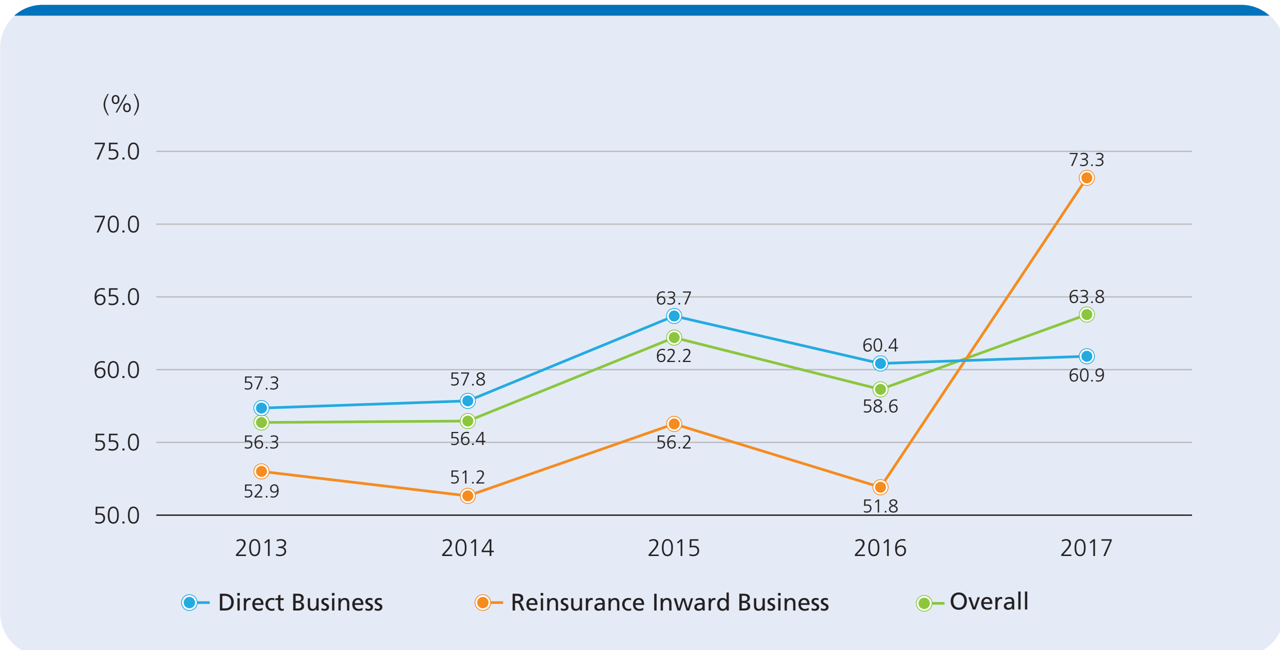


Figure 20 Net Claims Incurred Ratio (Direct Business)

(a) Miscellaneous Business includes Ships, Goods in Transit, Aircraft and Treaty Reinsurance business.

Underwriting Results

The overall underwriting performance turned from a profit of HK$1,793 million in 2016 to a loss of HK$827 million, mainly due to a downturn in the performance of reinsurance inward business.

In 2017, Property Damage reinsurance inward business was the largest contributor to the overall underwriting loss. This was mainly driven by Typhoon Hato related losses, resulting in an underwriting loss of HK$1,506 million. The favourable claims experience in direct Property Damage business slightly offset this underwriting loss, resulting in an overall underwriting loss of HK$1,221 million for both direct and reinsurance inward business. This was the first time in the past five years that Property Damage business incurred an underwriting loss.

Since 2015, there has been an overall trend of underwriting loss for Motor Vehicle business. For 2017, this loss widened to HK$512 million, from HK$267 million in 2016, mainly driven by direct Motor Vehicle business. However, the Motor Vehicle reinsurance inward business in 2017 delivered positive result. This was in contrast with the losses in 2015 and 2016, which were driven by both direct and reinsurance inward business.

The underwriting performance of General Liability business had been in a deteriorating trend in the past three years, driven by losses in direct business. In 2017, although reinsurance inward business for this class of business had restored its strong underwriting profit, the overall result was offset by underwriting loss from direct business. The unfavourable EC business performance also undermined the overall performance.

The rest of the business classes recorded positive underwriting results. While underwriting profit for Miscellaneous business declined, both Accidental & Health and Pecuniary Loss business recorded growth in underwriting profit.

Figure 21 Overall Performance of General Insurance Business

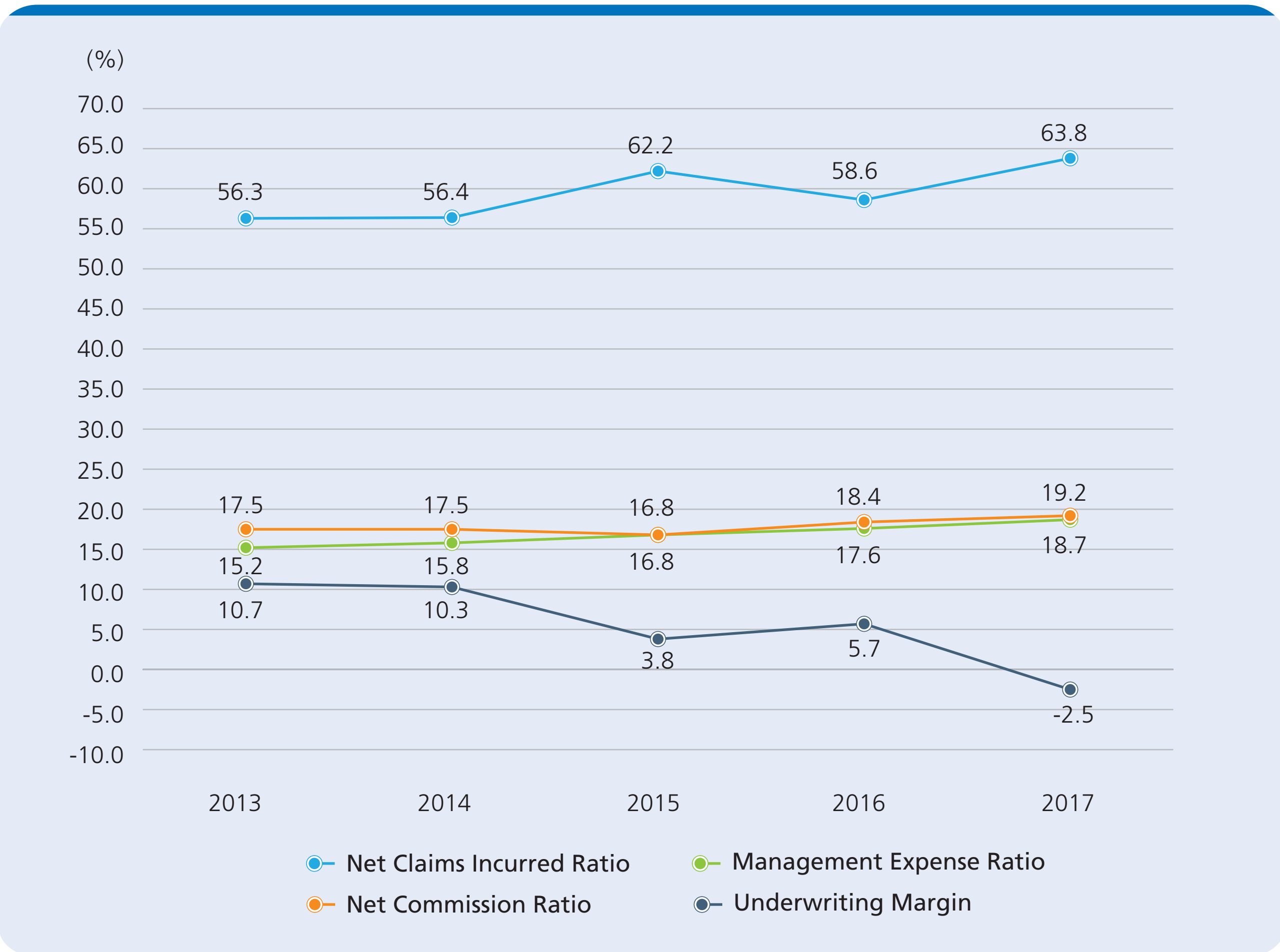


Figure 22 Underwriting Results

		2013	2014	2015	2016	2017
Accident & Health	Direct Business	916.8	654.8	333.8	218.1	200.3
	Reinsurance Inward Business	33.8	(73.5)	(2.9)	51.6	120.6
	Overall	950.6	581.3	330.9	269.7	320.9
	Underwriting Margin	11.0%	6.4%	3.1%	2.6%	2.7%
Motor Vehicle	Direct Business	113.1	33.8	(152.3)	(198.8)	(521.0)
	Reinsurance Inward Business	84.4	22.6	(110.3)	(68.3)	9.2
	Overall	197.5	56.4	(262.6)	(267.1)	(511.8)
	Underwriting Margin	5.2%	1.4%	(6.3%)	(6.0%)	(10.4%)
Property Damage	Direct Business	558.9	468.9	430.5	478.0	285.8
	Reinsurance Inward Business	238.8	576.3	239.1	421.6	(1,506.3)
	Overall	797.7	1,045.2	669.6	899.6	(1,220.5)
	Underwriting Margin	21.3%	26.8%	16.2%	21.1%	(28.2%)
General Liability	Direct Business	115.4	388.0	(21.5)	(59.6)	(238.7)
	Reinsurance Inward Business	222.3	175.8	202.4	71.7	173.9
	Overall	337.7	563.8	180.9	12.1	(64.8)
	Underwriting Margin	4.4%	6.6%	2.2%	0.2%	(0.8%)
Pecuniary Loss	Direct Business	409.7	442.0	171.5	280.8	334.0
	Reinsurance Inward Business	69.6	(86.3)	(268.2)	(53.8)	(13.7)
	Overall	479.3	355.7	(96.7)	227.0	320.3
	Underwriting Margin	32.1%	24.8%	(6.6%)	18.4%	22.4%
Miscellaneous[(a)]	Direct Business	138.5	272.8	125.2	452.0	335.8
	Reinsurance Inward Business	102.9	163.8	245.9	199.7	(7.2)
	Overall	241.4	436.6	371.1	651.7	328.6
	Underwriting Margin	9.1%	15.9%	11.9%	24.2%	12.8%
Total	Direct Business	2,252.4	2,260.3	887.2	1,170.5	396.2
	Reinsurance Inward Business	751.8	778.7	306.0	622.5	(1,223.5)
	Overall	3,004.2	3,039.0	1,193.2	1,793.0	(827.3)
	Underwriting Margin	10.7%	10.3%	3.8%	5.7%	(2.5%)

The figures above are in HK$ million except for "Underwriting Margin".

(a) Miscellaneous Business includes Ships, Goods in Transit, Aircraft and Treaty Reinsurance business.

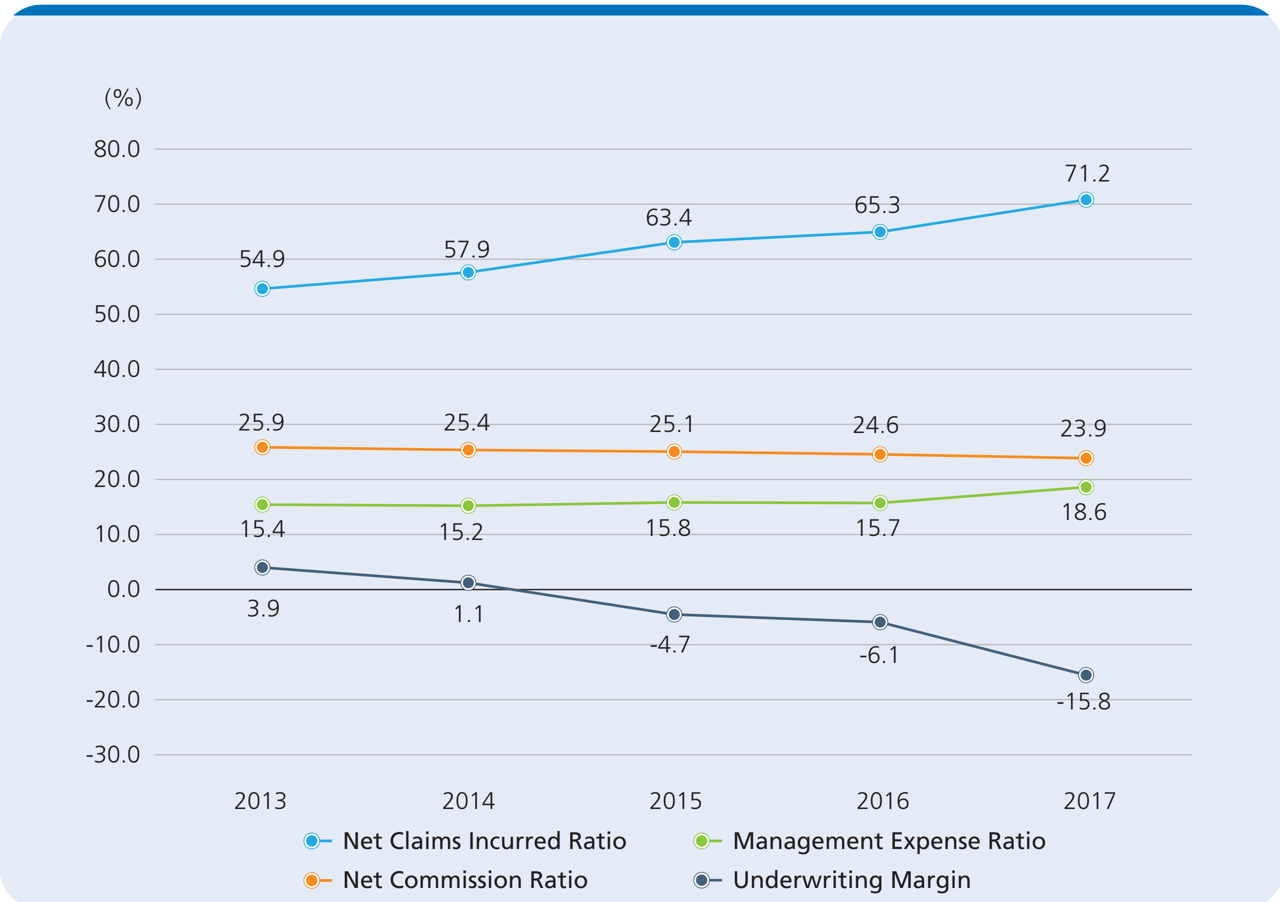
Market Analysis of Direct Motor Vehicle Business and Direct Employees' Compensation Business

Gross written premiums for direct Motor Vehicle business have been growing over the past five years, although the average premium rate has been decreasing since 2014. The underwriting margin has also been deteriorating, with annual underwriting losses being recorded since 2015.

Figure 23 Direct Motor Vehicle Business Key Statistics

	2013	2014	2015	2016	2017
Gross Written Premiums (HK$ million)	3,720.3	3,933.8	4,077.5	4,100.3	4,169.3
Underwriting Profit/(Loss) (HK$ million)	113.1	33.8	(152.3)	(198.8)	(521.0)
Number of Vehicles Covered	756,904	791,883	826,254	866,202	901,068
Average Premium Per Vehicle (HK$)	4,915	4,968	4,935	4,734	4,627

Figure 24 Key Ratios — Direct Motor Vehicle Business

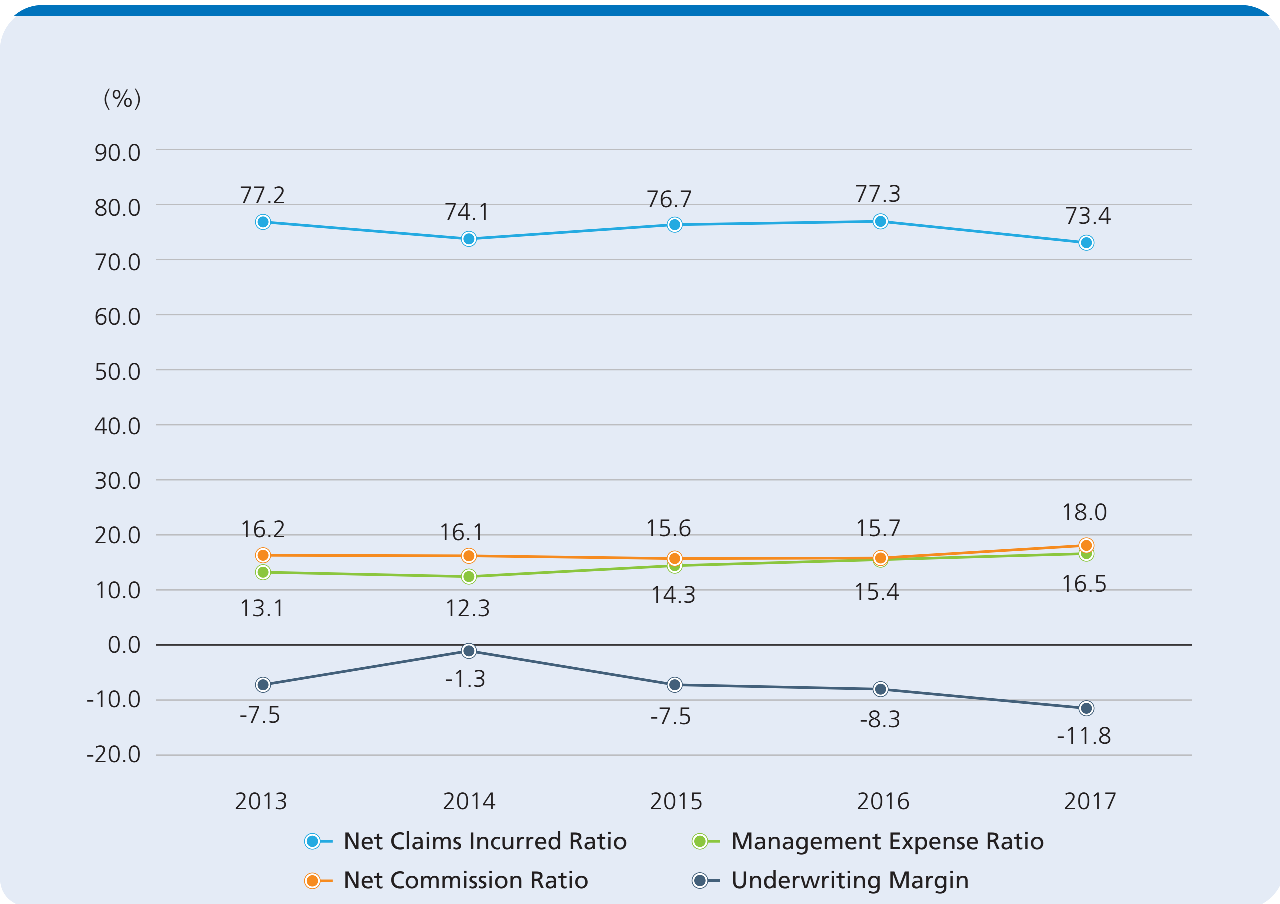


Gross written premiums for direct EC business have trended downward for the past three years. Despite the claims experience slightly improving in 2017, the industry still bore an underwriting loss, of which the loss had widened since 2014 and recorded its highest of the last five years.

Figure 25 Direct Employees' Compensation Business Key Statistics

	2013	2014	2015	2016	2017
Gross Written Premiums (HK$ million)	6,600.6	6,689.5	6,711.7	6,404.1	5,914.9
Underwriting Profit/(Loss) (HK$ million)	(376.6)	(74.7)	(412.0)	(431.1)	(583.9)
Number of Policies in Force	381,265	383,458	419,090	423,646	399,614

Figure 26 Key Ratios — Direct Employees' Compensation Business



The top 20 direct Motor Vehicle business insurers represented 93% of the total market share in terms of net earned premiums in 2017. As shown in Figure 27, on average, these players performed below the median of the underwriting margin. It is suggested the industry was skewed towards negative underwriting performance, that is most insurers were making underwriting losses in this class of business. The underperforming players were more concentrated with small performance variance among these players, as indicated by the height of the box chart for underwriting margin (-19.1% to -2.8%).

The top 25 direct EC business players represented 94% of the total market share in terms of net earned premiums in 2017. As shown in Figure 28, similar to the direct Motor Vehicle business, the majority of the players on average performed below the median of the underwriting margin. It is suggested the industry was skewed towards a negative underwriting performance. In 2017, 14 out of the 25 top EC players recorded underwriting losses.

As shown in Figure 28, for direct EC business, the unfavourable underwriting margin was mainly caused by adverse claims experience. The range of NCIR was wider for direct EC compared to the direct Motor Vehicle business, which suggested the EC industry's claim costs had higher variability. EC industry is known to be more likely to be affected by large claims.

On the expense side for the two statutory business classes, the net commission ratio for direct Motor Vehicle business was more dispersed implying insurers operated on different range of commission scale. For direct EC business, the median and the range of data between the commission ratio and management expense ratio shared similar configuration, suggesting pattern of expenses among the EC players were analogous. Both classes demonstrated more compact management expense figure, implying the industry players shared similar and stable management expense pattern.

Figure 27 Key Indicators — Top 20 Direct Motor Vehicle Insurers

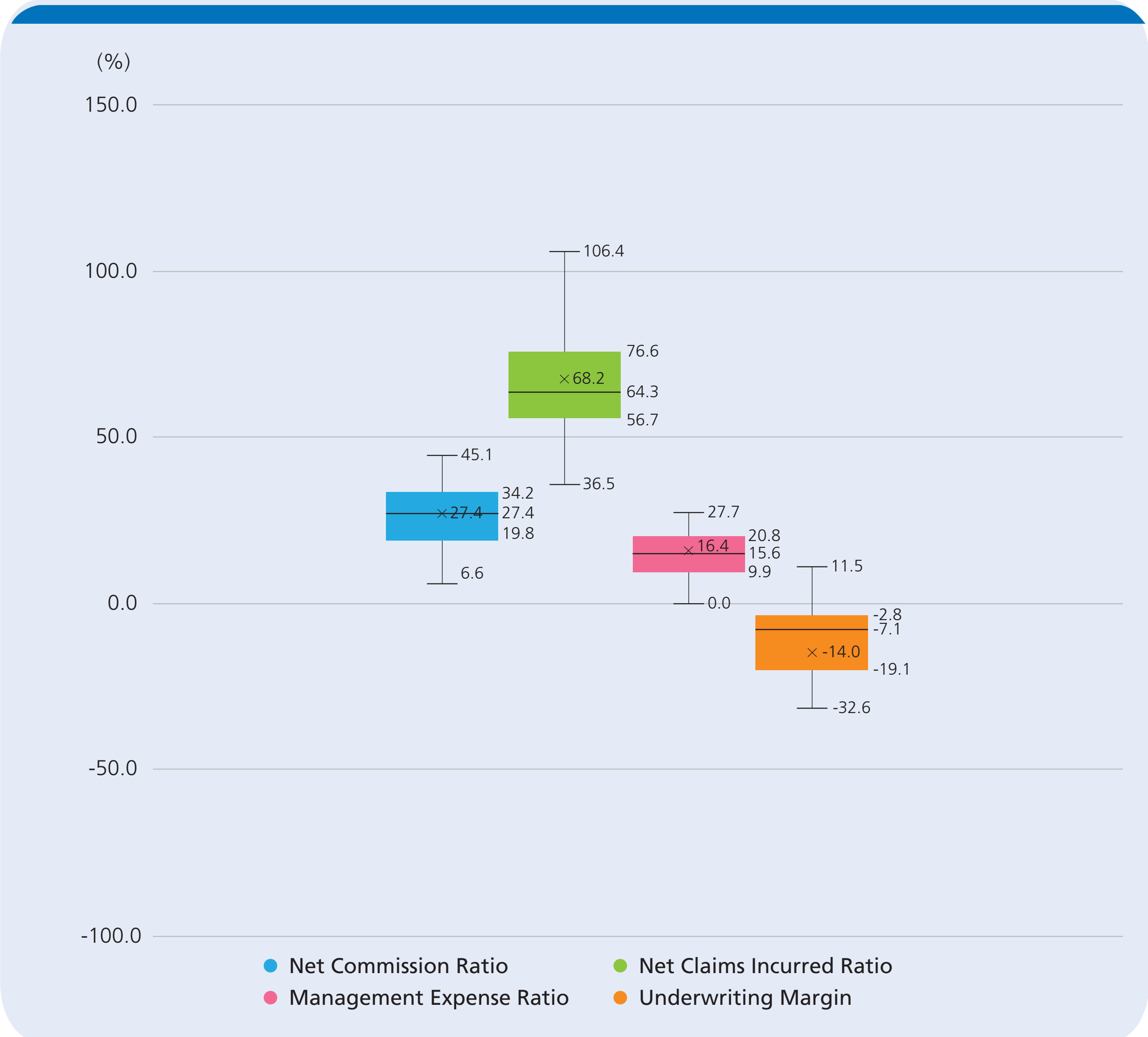
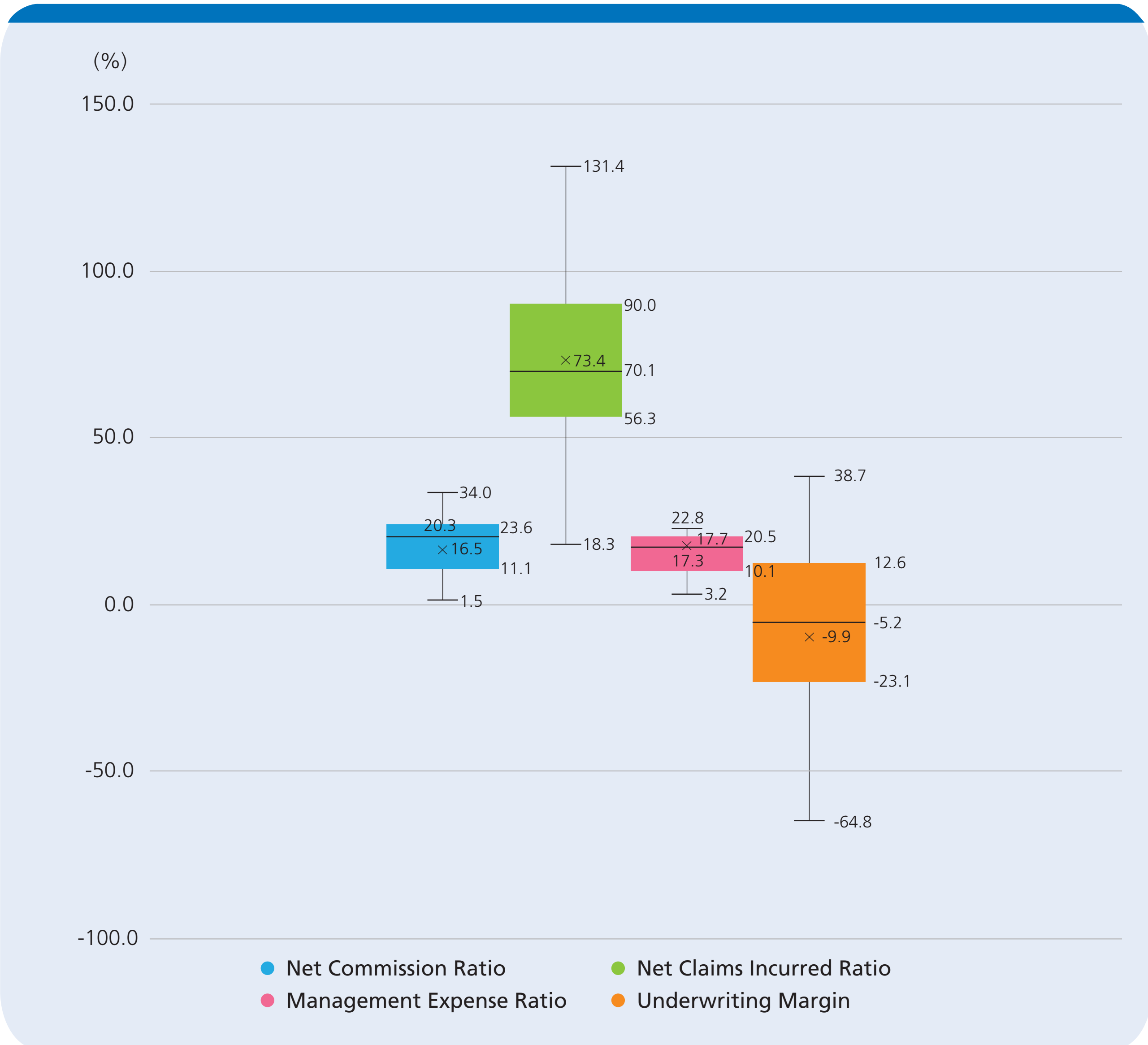


Figure 28 Key Indicators — Top 25 Direct EC Insurers



Market Share Overview

A total of 109 insurers reported to the Insurance Authority on their Hong Kong general insurance business for 2017.

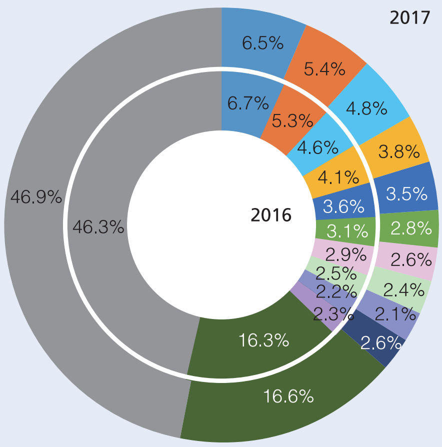
Similar to the previous year, more than half of the gross written premiums were concentrated in the top 20 insurers. Gross written premiums written by the top 10 and top 20 insurers amounted to HK$21,797 million and HK$31,708 million respectively, representing 45.2% and 66.0% of the market share in 2017. At the lower end of the scale, 16 insurers wrote gross written premiums below the HK$1 million level.

Compared with the market share of the top 10 general insurance business insurers by overall gross written premiums, the market share of the top 10 insurers by gross written premiums of individual major classes of general insurance business was more concentrated, namely Accident & Health business (76.5%), Motor Vehicle business (72.8%), EC business (67.4%) and Property Damage business (47.6%).

Figure 29 Distribution of Insurers' Market Share

Ranking of Insurers	Range of Gross Written Premiums (HK$ million)		Market Share (%)	
	2016	2017	2016	2017
1–10	1,252–3,769	1,247–3,889	46.0	45.3
11–20	609–1,251	778–1,242	19.9	20.7
21–50	226–599	253–700	25.6	26.3

Figure 30 Market Share by Gross Written Premiums



- AXA General Insurance Hong Kong Limited
- Bupa (Asia) Limited
- China Taiping Insurance (HK) Company Limited
- Zurich Insurance Company Ltd
- Bank of China Group Insurance Company Limited
- AIG Insurance Hong Kong Limited
- QBE Hongkong & Shanghai Insurance Limited
- Chubb Insurance Hong Kong Limited
- Asia Insurance Company, Limited
- Blue Cross (Asia-Pacific) Insurance Limited
- Assicurazioni Generali Società per Azioni
- Insurers ranking 11-20
- Others

Figure 31 Top 10 Insurers by Gross Written Premiums for Major Business Classes in 2017

Accident & Health Business

Ranking of Insurers		Market Share
1.	Bupa (Asia) Limited	20.7%
2.	AXA General Insurance Hong Kong Limited	12.5%
3.	AIA International Limited	7.9%
4.	Blue Cross (Asia-Pacific) Insurance Limited	7.1%
5.	AXA China Region Insurance Company Limited	6.9%
6.	Assicurazioni Generali Società per Azioni	5.3%
7.	Bank of China Group Insurance Company Limited	4.2%
8.	Prudential General Insurance Hong Kong Limited	4.1%
9.	Liberty International Insurance Limited	3.9%
10.	CIGNA Worldwide General Insurance Company Limited	3.9%
Top 10 Insurers' Market Share Number of Insurers : 71		76.5%

Motor Vehicle Business

Ranking of Insurers		Market Share
1.	China Taiping Insurance (HK) Company Limited	26.5%
2.	Bank of China Group Insurance Company Limited	7.8%
3.	AXA General Insurance Hong Kong Limited	7.6%
4.	Target Insurance Company, Limited	6.9%
5.	Zurich Insurance Company Ltd	5.8%
6.	Allianz Global Corporate & Specialty SE	4.3%
7.	Allied World Assurance Company, Ltd	4.1%
8.	QBE Hongkong & Shanghai Insurance Limited	3.6%
9.	China Ping An Insurance (Hong Kong) Company Limited	3.1%
10.	Asia Insurance Company, Limited	3.1%
Top 10 Insurers' Market Share Number of Insurers : 58		72.8%

Property Damage Business

Ranking of Insurers		Market Share
1.	AXA General Insurance Hong Kong Limited	7.8%
2.	Bank of China Group Insurance Company Limited	5.5%
3.	CNOOC Insurance Limited	5.0%
4.	XL Insurance Company SE	4.9%
5.	China Taiping Insurance (HK) Company Limited	4.9%
6.	Chubb Insurance Hong Kong Limited	4.4%
7.	Asia Insurance Company, Limited	4.2%
8.	Assicurazioni Generali Società per Azioni	4.1%
9.	MSIG Insurance (Hong Kong) Limited	3.5%
10.	Zurich Insurance Company Ltd	3.3%
Top 10 Insurers' Market Share Number of Insurers : 78		47.6%

Employees' Compensation Business

Ranking of Insurers		Market Share
1.	QBE Hongkong & Shanghai Insurance Limited	12.5%
2.	Zurich Insurance Company Ltd	9.9%
3.	AXA General Insurance Hong Kong Limited	7.7%
4.	AIG Insurance Hong Kong Limited	7.0%
5.	Sun Hung Kai Properties Insurance Limited	5.8%
6.	China Taiping Insurance (HK) Company Limited	5.7%
7.	Bank of China Group Insurance Company Limited	5.4%
8.	Asia Insurance Company, Limited	5.3%
9.	MSIG Insurance (Hong Kong) Limited	4.2%
10.	Wing Lung Insurance Company Limited	3.9%
Top 10 Insurers' Market Share Number of Insurers : 50		67.4%

Pure Reinsurers' Business (Hong Kong business)

The high concentration of business in the pure reinsurers' market (i.e. insurers that are only authorized to carry on reinsurance business in or from Hong Kong) persisted in 2017. The top five pure reinsurers captured an aggregated market share of 73.3% in 2017, representing a slight increase from 69.9% in 2016.

In 2017, the pure reinsurers' market recorded its strongest gross written premiums growth in the past five years, an increase of 17.6%. That said, the underwriting margin plunged to a loss driven by a worsening claims environment. Largely due to the impact of Typhoon Hato, the NCIR increased to 72.2% in 2017 from 51.8% in 2016.

Figure 32 Pure Reinsurers' Business Gross Written Premiums and Underwriting Results

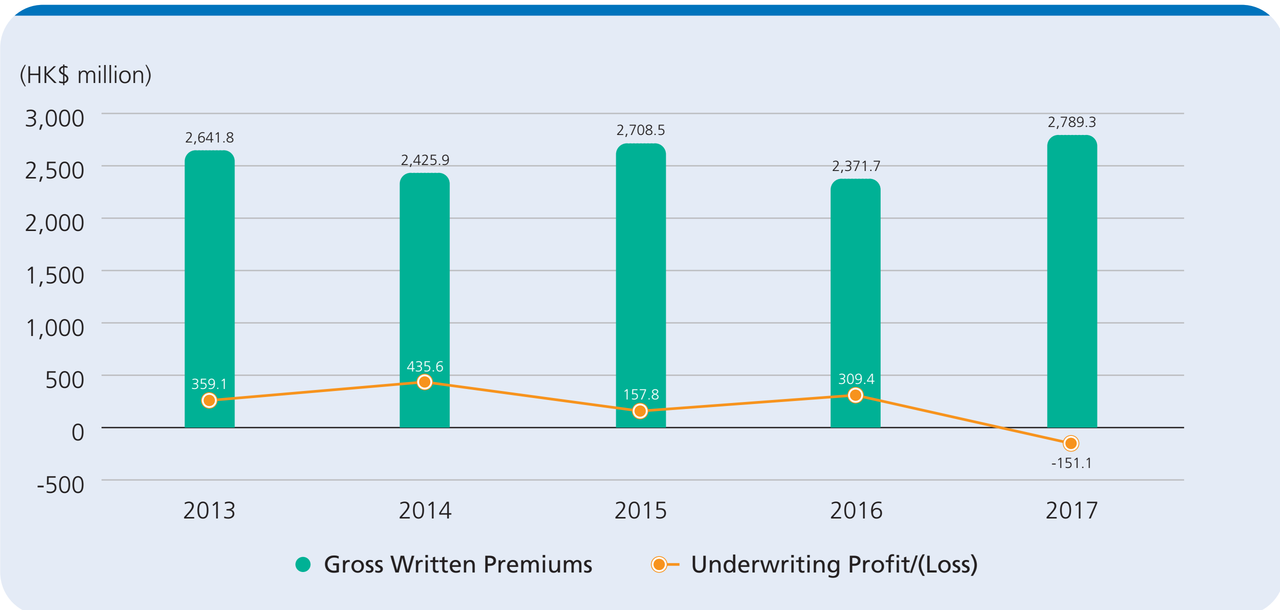


Figure 33 Market Share of the Top 5 Pure Reinsurers' Business by Gross Written Premiums

	Ranking of Reinsurers	Gross Written Premiums (HK$ million)	Market Share (%)
1.	Taiping Reinsurance Company Limited	700	25.1
2.	Peak Reinsurance Company Limited	439	15.7
3.	Swiss Reinsurance Company Ltd	384	13.8
4.	Asia Capital Reinsurance Group Pte. Ltd.	268	9.6
5.	Hannover Rück SE	253	9.1
Total Gross Premiums Written by Top 5 Reinsurers in 2017		2,044	73.3
Corresponding Figure for 2016		1,657	69.9

Supervision of Insurers

The Insurance Authority ("IA") is tasked with maintaining the general stability of the insurance industry. We closely monitor the financial soundness of insurers, as well as market activities such as new authorizations, transfers of insurance business, and mergers and acquisitions. We also collaborate with regulators in other jurisdictions to strengthen the regulation of global insurance groups, and are adopting a risk-based regulatory approach to enhance the supervision of insurers.

Financial Examinations

As at 31 March 2018, there were 160 authorized insurers in Hong Kong. To ensure these insurers have set aside sufficient capital to meet insurance obligations and that they comply with solvency requirements and other regulatory standards, we analyse their annual and quarterly financial statements and various returns. We look at areas such as the business they have underwritten, and their capital adequacy, asset quality, insurance liabilities, actuarial reserving, and reinsurance arrangements. These vigorous financial examinations help us identify possible key areas of risk that could compromise their financial strength and sustainability.

On-site Inspections

Regular on-site inspections are an integral part of our supervisory process. They let us have a better understanding of the business operations of individual insurers, including their compliance with regulatory requirements. Our inspections cover reviews of corporate governance practices, including risk management and internal control systems, of business strategies and operations assessed against industry practices, and of adherence to regulatory obligations in areas such as underwriting, claims handling, asset management, reinsurance arrangements and supervision of intermediaries. We determine the scope and depth of each inspection based on the nature and level of the risks involved.

New Authorizations[1]

Any company intending to carry on insurance business in or from Hong Kong must obtain authorization to do so from the IA. New authorizations are summarised in the table below.

New Authorizations

Name of Insurer	Place of Incorporation	Type of Business
Gard Marine & Energy Limited	Bermuda	General
Liberty International Underwriters Limited	Hong Kong	General
HKMC Insurance Limited	Hong Kong	General

In addition, the IA granted authorization to six authorized general/composite insurers allowing them to carry on additional classes of business.

Transfers of Insurance Business

Under section 24 of the Insurance Ordinance ("IO"), 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, and the IA is entitled to be heard at the court. An insurer intending to transfer its general insurance business portfolio to another insurer may do so under section 25D of the IO by obtaining the approval of the IA. Sanctions and approvals in respect of applications for these two types of business in 2017-18 are summarised in the table on page 52.

[1] New authorizations granted between 1 January 2017 and 31 March 2018 are included in this report.

Transfers of Insurance Business

Under Section 24 of the IO

Date of Sanction by the Court	From	To
28 April 2017	Scottish Widows Limited in respect of Class C (Linked Long Term) of long term business	RL360 Life Insurance Company Limited

Under Section 25D of the IO

Date of Approval by the IA	From	To
9 June 2017	Kono Insurance Limited	Zurich Insurance Company Ltd
29 August 2017	Liberty Mutual Insurance Europe Limited	Liberty International Underwriters Limited

Mergers and Acquisitions

Under the IO and other specific requirements imposed on individual insurers, authorized insurers are required to seek the IA's prior approval or notify the IA for the appointment of certain shareholder controllers. During the year, we approved changes in the shareholder controllers of five authorized insurers involving merger and acquisition activities:

1) On 19 June 2017, Tahoe Investment Group Company Limited acquired Dah Sing Life Assurance Company Limited (now known as Tahoe Life Insurance Company Limited).

2) On 1 July 2017, AIG United Guaranty Insurance (Asia) Limited (now known as Arch MI Asia Limited) was acquired by Arch Capital Group Ltd.

3) On 14 August 2017, Standard Life plc, the ultimate holding company of Standard Life (Asia) Limited, completed its merger with Aberdeen Asset Management plc and was subsequently renamed as Standard Life Aberdeen plc.

4) On 8 February 2018, Hillhouse Capital and Tencent groups completed their respective acquisitions of 40% and 20% shareholdings in Aviva Life Insurance Company Limited, which subsequently became a joint venture held by Aviva, Hillhouse Capital and Tencent groups.

5) On 1 March 2018, Canadian Insurance Company Limited (now known as Aetna Insurance (Hong Kong) Limited) was acquired by Aetna Group.

Supervisory Colleges

Effective group-wide supervision is required to consider risks based on the structure of multinational insurance groups and the interconnectedness of their member companies operating across different regions. Through supervisory colleges, insurance regulators from different jurisdictions can strengthen collaboration for group-wide supervision and exchange views on cross-border regulatory matters on a regular basis. In 2017-18, the IA, as the home supervisor, hosted a supervisory college in Hong Kong for the AIA Group, and, as the regional

The IA hosts and takes part in supervisory colleges on group-wide supervision of multi-national insurance groups supervisor, organised a regional teleconference for the AXA Group. Further, the IA took part in 21 other supervisory colleges, giving it opportunities to meet with regulators from Europe, Asia and North America.

Risk-based Capital Regime

To keep pace with the evolving global financial landscape and international standards, the IA is developing a Risk-based Capital ("RBC") Regime which will make the capital requirements for insurers more sensitive to the risks they bear. The RBC Regime also aims to enhance corporate governance and risk management practices for the industry.

During the year, we conducted the first round of Quantitative Impact Studies ("QIS") for the RBC. These involved collecting industry data for the purpose of assessing the impact of different valuation methodologies and risk charges on the capital adequacy of insurers under an RBC setting, helping us refine and calibrate our framework. We launched the second round of QIS in August 2018, and plan to run a further round in mid-2019. In 2020, we plan to conduct a consultation on the detailed rules of the RBC Regime, which should pave the way for implementation of the regime by 2022 with an appropriate run-in period.

To fulfil the qualitative requirements of the RBC Regime, we issued a draft Guideline on Enterprise Risk Management for consultation in May 2018. Through Industry Focus Groups and industry-wide meetings, we have solicited stakeholders' views to refine the details. We target to finalise the guideline by the end of 2018.

Regulatory Initiatives

We publish guidelines to help insurers reduce their exposure to business and operational risks, and to step up their corporate governance standards.

For example, we have issued the Guideline on Outsourcing ("GL14") under which an insurer needs to give the IA prior notification of any new material outsourcing arrangement it plans to make, or any significant changes to an existing arrangement. During the year, we completed 24 reviews of such arrangements to ensure the insurers' compliance with GL14.

In June 2017, we updated the Guideline on "Fit and Proper" Criteria under the Insurance Ordinance (Cap.41) ("GL4") so that the fitness and properness requirements are now applicable to key persons in control functions of actuarial, compliance, financial control, internal audit and risk management. During the year, the IA approved a total of 321 key persons in control functions.

Requirements relating to the increased proportion of independent non-executive directors on a Board and the establishment of a Risk Committee, and enhanced requirements on remuneration matters, came into effect on 1 January 2018 under the Guideline on the Corporate Governance of the Authorized Insurers ("GL10").

We also play an active role in helping to maintain the stability of Hong Kong's financial market and protecting public funds.

In July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) ("FIRO") came into force, leading to the establishment of a cross-sectoral resolution regime to meet the international standards set by the Financial Stability Board. Under the FIRO, the IA is the resolution authority for the insurance sector, and has been vested with a range of powers to mitigate risks posed by non-viable systemically important financial institutions. With effect from 27 April 2018, the IA has been designated by the Financial Secretary as the lead resolution authority for six cross-sectoral groups, including insurance sector entities and securities and futures sector entities within the scope of the FIRO.

Market Development

Apart from its role in prudential regulation, the Insurance Authority ("IA") is also responsible for facilitating the sustainable development of the insurance sector. During the year, we worked on a host of growth initiatives designed to invigorate Hong Kong's insurance market.

Insurtech

In recent years, advances in financial technology have caused a paradigm shift in insurers' business models. Such technology holds great potential for insurers wishing to continuously upgrade their value chain of service delivery, including new product development, customer service, underwriting, risk assessment, and claims processing and settlement. To promote the use of Insurtech (i.e. the application of financial technology in insurance), we launched Insurtech Sandbox ("Sandbox") and Fast Track in September 2017.

The Sandbox provides a platform for authorized insurers to run pilot trials of innovative Insurtech applications, enabling them to obtain real market data and information on user experience before any formal product launch. The Sandbox enables insurers to test the application of new technologies in a controlled environment without the need for full compliance with the IA's supervisory requirements. It has received a positive response. Of the two new pilot trials we granted in May 2018, one has subsequently been successfully rolled out in the market.

Mr John Leung, Chief Executive Officer, speaking at Hong Kong Fintech Week

Fast Track is a pilot scheme for handling new authorization by applicants proposing to use only digital distribution channels. A dedicated queue has been set up to expedite the authorization process while maintaining all prudential regulatory requirements. Applicants applying under Fast Track must have an innovative and robust business model using digital distribution that delivers benefits to policy holders in product development and delivery, customer service, and cost efficiency. Response from the industry has been positive. It is expected that the first authorization under Fast Track will be granted in 2018-19.

The Insurtech Facilitation Team, set up by the IA, maintains a close dialogue with insurers and the technology community, with a view to enhancing their understanding of the current regulatory regime relating to Insurtech applications and development.

During the year, we entered into co-operation agreements on Fintech development with three overseas regulators, the UK Financial Conduct Authority, the Dubai Financial Services Authority, and the Gibraltar Financial Services Commission. These agreements will enhance the sharing of information and co-operation on referrals of innovative firms seeking to enter the counterpart's market.

Hong Kong as an Insurance Hub

The Belt and Road Initiative ("BRI") has brought about immense opportunities for Hong Kong to develop as a risk management centre.

Reinsurance

As a large number of BRI projects are expected to be insured by Mainland insurers, these insurers will require adequate reinsurance coverage to properly manage and diversify their risks. With a strong presence of international reinsurers, Hong Kong has the relevant experience and expertise needed to provide professional risk management services and effective insurance coverage for BRI projects underwritten by Mainland insurers. To promote reinsurance in Hong Kong, we have been working with the China Banking and Insurance Regulatory Commission ("CBIRC") on obtaining preferential treatment for Hong Kong reinsurers. In May 2017, the Equivalence Assessment Framework Agreement on Solvency Regulatory Regime was signed between the Mainland and Hong Kong. Against this backdrop, in July 2018 CBIRC agreed to lower the capital charge applied to Mainland insurers if they cede business to qualified reinsurers in Hong Kong, a measure that will make Hong Kong reinsurers more competitive in obtaining business from Mainland insurers, particularly in supporting the BRI.

Captive Insurance

Hong Kong is also an ideal domicile for captive insurers of Mainland enterprises. By setting up a captive insurer, a Mainland enterprise with significant overseas investments can pool the risks among its subsidiaries and associates, thus reducing the group's insurance costs and improving its risk management capabilities. To attract more captive insurance business to Hong Kong, a 50% reduction in the profits tax rate on insurance business of offshore risks has been granted to captive insurers from the year of assessment 2013-14 onwards. To further promote reinsurance and captive insurance in Hong Kong, these profits tax concessions are extended to cover profits arising from the insurance business of onshore risks, commencing from the year of assessment 2018-19.

Dr Moses Cheng, Chairman (second from left), speaking at the Belt and Road conference organised by the Law Society of Hong Kong

To promote Hong Kong as a domicile of choice for Mainland captives, we have established contact with relevant stakeholders such as the China Captive Website and the Insurance Society of China, and visited major Mainland cities such as Beijing, Tianjin and Shenzhen throughout the year. By reaching out to these stakeholders, we are staying fully abreast of developments in captive insurance in the Mainland.

A Facilitation Platform

To help enterprises from the Mainland, Hong Kong and abroad make insurance and reinsurance placements for their investments along the Belt and Road routes, we are building a platform to connect them with relevant insurance professionals in Hong Kong. The platform will bring together all relevant stakeholders, creating a cluster of service providers in the value chain that will include insurance brokers, insurers and reinsurers, captive insurers, risk managers and captive managers. This platform will serve as an integrated resource centre to facilitate information exchange and knowledge sharing, helping to bridge the information gap between the demand and supply sides. We aim to launch the platform by the end of 2018.

Insurance Linked Securities

Insurance Linked Securities ("ILS") have emerged as one of the more dynamic alternative risk transfer instruments in the global insurance market. ILS is vital in the growth of Hong Kong's insurance business. To facilitate and support ILS transactions and attract ILS initiatives to Hong Kong, we are working with the Government and other regulatory and industry bodies on various alternatives to bring in appropriate new legislation that will support the development of an ILS market in Hong Kong.

Marine Insurance

To support Hong Kong as an international maritime centre, we are working to expand the marine insurance market. On this front, we have actively engaged with various industry bodies, such as Protection and Indemnity Clubs in Hong Kong, the Hong Kong Federation of Insurers, and the Hong Kong Shipowners Association. Together with the Government and other stakeholders, we are exploring measures for creating a bigger inward reinsurance market from the Mainland and overseas, and are looking to attract new marine insurers through regulatory and tax regime incentives.

Greater Bay Area

The efforts outlined above should further consolidate Hong Kong's position as a regional insurance hub. We aim to encourage more foreign and Mainland insurance groups to open regional headquarters in Hong Kong, and to this end we will deploy more resources to help them go regional and global. At the same time, we will continue to pursue measures to facilitate Hong Kong insurers' access to the Mainland market. Mainland consumers have a strong appetite for Hong Kong's insurance products because of the wide array of products on offer, their competitive pricing, and the professional service available here. We are exploring with CBIRC the feasibility of allowing Hong Kong insurers to set up service centres in the Greater Bay Area, to provide after-sales services such as claims processing and policy servicing to customers from Hong Kong and the Mainland.

Mr Simon Lam, Executive Director, General Business (second from right) at the Forum on the Development of Shipping-related Financial and Insurance Services in Hong Kong

The opening of the Hong Kong-Zhuhai-Macao Bridge will further foster the flow of people and goods within the Greater Bay area and bring new business opportunities for Hong Kong insurers looking to offer one-stop services to car owners and drivers using the bridge. We have worked with CBIRC and the Monetary Authority of Macao to elaborate on the requirements for statutory motor insurance for bridge users, so that car owners and drivers can purchase the appropriate insurance and locate the relevant insurers easily.

Hong Kong's ageing population has fuelled demand for retirement protection products. To support the Government's proposal to offer tax concessions for certified deferred annuity products, we are developing a guideline on the criteria needed for eligible products to enjoy tax deduction. We are aligning this with the legislative timetable of the Government, and plan to publish the guideline once the amendment bill is passed. A list of certified deferred annuity products will also be published on our website. The proposed deductions are expected to take effect in the assessment year 2019-20. In May 2018, we granted authorization for HKMC Annuity Limited to carry on long term insurance business, paving the way for it to launch its life annuity scheme in support of the Government's initiative to facilitate retirement financial planning for the elderly.

We will continue to follow developments in new products resulting from demographic changes and technological advancements, with the aim of providing a supportive environment for innovation.

Supervision of Intermediaries

From mid-2019, the regulation of over 100,000 insurance intermediaries in Hong Kong will change from the current self-regulatory regime to a direct supervision one operated by the Insurance Authority ("IA"). During the year, the IA laid the groundwork for the launch of the new direct licensing regime, and began to develop a new regulatory approach for the effective supervision of intermediaries.

Direct Licensing Regime

Currently, insurance intermediaries are regulated by three Self-Regulatory Organisations ("SROs"), namely the Insurance Agents Registration Board set up by The Hong Kong Federation of Insurers, The Hong Kong Confederation of Insurance Brokers ("CIB"), and the Professional Insurance Brokers Association ("PIBA").

The IA targets to take over the regulatory functions of the three SROs in mid-2019. Thereafter, the IA will directly regulate insurance intermediaries and have regulatory powers in relation to licensing, inspection, investigation, and disciplinary sanctions. There will be a three-year transitional period after the commencement of the new regime in which existing intermediaries will be allowed to carry on regulated activities provided that they had a valid registration with an SRO immediately before the commencement of the regime (i.e. they are deemed licensees).

Mr Stephen Po, Executive Director, Market Conduct, delivering an update on the direct licensing regime for insurance intermediaries

To prepare for the new regime, we are developing a new regulatory framework, formulating conduct standards and other regulatory requirements for insurance intermediaries, and building a new insurance intermediary licence application system. We are also working closely with the SROs for the smooth transfer of information on deemed licensees shown on the Register of Licensed Insurance Intermediaries.

Conduct Standards and Other Regulatory Requirements

To protect policy holders and potential policy holders, we are developing a new set of rules, codes and guidelines for the supervision of insurance intermediaries which will cover, among other things, their fit and proper criteria, continuing professional development ("CPD") requirements, conduct requirements, business practices and pecuniary penalties. When setting new requirements, we make reference to the SRO's existing rules and regulations and take into account industry views and the international regulatory standards issued by the International Association of Insurance Supervisors.

To efficiently gather the views of the industry on the new regulatory requirements, we have set up a Working Group on Direct Licensing Regime for Insurance Intermediaries which is made up of representatives of the three SROs and major insurance intermediary bodies. Given the distinct capacities of insurance agents and insurance brokers, we also set up two discussion groups, a Discussion Group (Insurance Agents) with representatives from major insurance agent bodies, and a Discussion Group (Insurance Brokers) with representatives from the CIB and PIBA. Through a series of meetings with the Working Group and the Discussion Groups in recent months, we took note of comments and suggestions from the industry, and these have been taken into account in our drafting of the rules, codes and guidelines. We have kick-started the soft consultations on those draft regulatory instruments with major stakeholders, whose feedback will be considered before the draft regulatory instruments are finalised for public consultation.

In addition, we are working on an intermediary supervisory framework covering investigation and disciplinary functions. We are developing a set of new procedures for the framework and have been in discussion with the industry regarding these. We are also in the process of preparing a set of guidelines regarding the imposition of pecuniary penalties on regulated persons, which will be followed by public consultation before the end of 2018.

New Computer System and Online Portal

To enhance our regulatory efficiency, we are computerising the entire licence application, complaints handling, inspection, investigation and disciplinary process. The new system will support the processing of licence applications, submission of CPD returns, updating of licensees' particulars, handling of complaints and maintenance of the online register of licensed insurance intermediaries for public review. The system will also come with an online portal that will enable electronic submission of information and documents by intermediaries and insurers.

Number of Appointed Insurance Agents, Their Responsible Officers and Technical Representatives Registered with the Insurance Agents Registration Board[a]

(as at 31 March 2018)

Type of Insurance Business		Number of Appointed Insurance Agents	Number of Responsible Officers and Technical Representatives of Appointed Insurance Agents
General[b]		3,645	5,955
Long Term	excluding Linked Long Term	24,820	1,317
	including Linked Long Term	9,594	718
General and Long Term	excluding Linked Long Term	5,746	7,691
	including Linked Long Term	21,419	10,352
Total		65,224	26,033

(a) Based on figures supplied by the Hong Kong Federation of Insurers.
(b) The figures also include travel agents who are registered for selling only restricted scope travel insurance.

Number of Authorized Insurance Brokers, Their Chief Executives and Technical Representatives[(a)]

(as at 31 March 2018)

Type of Insurance Business		Number of Authorized Insurance Brokers by Virtue of Their Membership of Approved Bodies of Insurance Brokers: CIB	PIBA	Number of Chief Executives and Technical Representatives of Authorized Insurance Brokers
General		37	36	1,314
Long Term	excluding Linked Long Term	3	4	1,142
	including Linked Long Term	53	27	2,571
General and Long Term	excluding Linked Long Term	68	81	1,608
	including Linked Long Term	133	329	2,987
Total		294	477	9,622

(a) Based on the figures supplied by the approved bodies of insurance brokers.

Transferring Data from SROs

An important part of our preparatory work is to obtain from the SROs their records of registrations, complaints, disciplinary actions and appeals in relation to insurance intermediaries. In addition to enabling us to build a register of licensed insurance intermediaries, these records will also serve as essential reference documents for matters such as determining the fitness and properness of existing intermediaries, and handling unresolved complaints from the SROs. We attach great importance to data integrity and accuracy, and are working closely with the SROs to ensure that their data is properly transferred to our new system.

Broker Inspection

As at 31 March 2018, there were 771 authorized insurance brokers in Hong Kong. The IA is responsible for overseeing their compliance with the relevant regulatory requirements. We make use of onsite inspections to gauge the level of compliance by insurance brokers, and have adopted a new holistic approach enabling us to make a comprehensive assessment of their risk levels and operations. This new approach is not only giving us a better understanding of their corporate culture and internal controls as a whole, but is also minimising disruptions to their daily operations.

During the year, we inspected 13 insurance brokers and identified 124 internal control deficiencies including potential non-compliance. These brokers were required to take remedial actions, while matters involving potential non-compliance with regulatory requirements were subject to further follow-up actions.

To raise industry standards and facilitate market development, we issued a circular in April 2018 to all insurance brokers highlighting the key deficiencies and shortcomings observed during our inspections. We also suggested various good practices, and encouraged brokers to strengthen their internal controls and procedures.

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

The Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) ("AMLO") describes the statutory requirements for financial institutions relating to customer due diligence and record-keeping, and the powers of relevant authorities (including the Insurance Authority) to supervise compliance with the AMLO.

All authorized insurers, reinsurers, appointed insurance agents and authorized insurance brokers carrying on or advising on long term insurance business are required to comply with the requirements under the AMLO and with the Guideline on AML and CTF ("GL3") published under the AMLO.

In March 2018, the AMLO was revised to ensure that it was in line with the latest Financial Action Task Force ("FATF") requirements. To facilitate compliance by the regulatees, GL3 was also revised to reflect these amendments.

The FATF is an independent, inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing, and financing for the proliferation of weapons of mass destruction. It conducts peer reviews of each member on an ongoing basis to assess their implementation of the FATF Recommendations.

To fulfil Hong Kong's obligations under the FATF standards, the Government published the Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report in April 2018. The report examines the money laundering and terrorist financing threats and vulnerabilities relating to various sectors in Hong Kong, and the city as a whole.

Since 2014, the FATF has been carrying out the 4th round of Mutual Evaluations of member jurisdictions, and Hong Kong will undergo an evaluation in 2018.

During the year, we conducted various inspections on insurers carrying on long term business to ensure their compliance with the AMLO, and issued a circular in May 2018 to report key findings we identified from on-site inspections. We also shared these findings at a briefing attended by more than 100 representatives of active life insurers. To further enhance the industry's awareness and understanding of the statutory obligations regarding AML/CTF, we hosted a total of four seminars in November 2017 and June 2018. The seminars were attended by over 1,000 insurance practitioners and were well received.

Alertness for suspicious transactions among industry practitioners is a vital part of an effective AML monitoring system. We will continue to issue circulars and organise seminars to raise the industry's awareness of AML regulations and to facilitate the detection and reporting of suspicious transactions and dealings.

Consumer Protection

Safeguarding the interests of the insuring public is a core and critical part of our work. To this end, the Insurance Authority ("IA") has developed a number of initiatives including working with the Government on the proposal for a Policy Holders' Protection Scheme ("PPS"), a revamp of our complaint handling system, various public education initiatives, and guidelines on the sale of insurance policies.

Policy Holders' Protection Scheme

To provide a safety net for policy holders in the event of an insurer's insolvency, the Government has put forth a proposal to establish the PPS.

The proposed PPS would cover most types of direct life and non-life policies[1], and benefit individual policy holders, small and medium enterprises and owners' corporations. The PPS would compensate the first HK$100,000 of any claim, and 80% of any remaining balance. The total compensation amount would be capped at HK$1 million per policy, per claim or per insured event, whichever is applicable. There would be two separate funds under the PPS, the Life Fund and the Non-life Fund, which would be supported by levies collected from insurers.

During the year, the IA worked closely with the Government on developing legislation for the PPS. At the same time, we gauged the views of the industry through the Hong Kong Federation of Insurers ("HKFI") and stakeholder meetings. In March 2018, the Panel on Financial Affairs of the Legislative Council ("LegCo") was consulted on the key legislative proposals under the PPS Bill.

Complaint Handling

During the year, we have streamlined our procedures for handling complaints against insurers and insurance intermediaries. The overhaul has included the creation of a dedicated e-mail address for complaints, and a new complaint form which standardises all the information needed from complainants when lodging complaints with the IA. In September 2017, we published a pamphlet titled "How the IA Handles Your Complaint" to enhance public understanding of our role in resolving grievances, and to increase the transparency of the complaint handling process.

In preparation for our direct regulation of insurance intermediaries in mid-2019, we are developing an internal system that will automate the operation process and enable relevant officers to track and manage all complaint cases in a timely manner.

We have actively engaged in discussions with the Self-Regulatory Organisations ("SROs")[2] on setting up transitional arrangements for any outstanding complaint cases they have on hand.

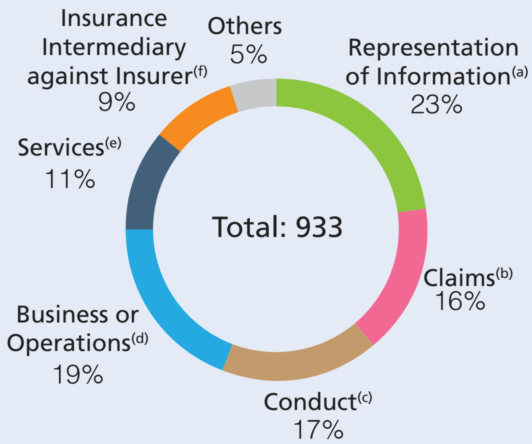
1 The proposed PPS would cover all direct life and non-life policies except for retirement schemes, motor vehicle policies, employees' compensation policies, credit insurance, aviation and marine insurance and certain insurance for offshore risks.

2 The three SROs are The Insurance Agents Registration Board set up by The Hong Kong Federation of Insurers, The Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

To enhance transparency and help the public better understand the nature of complaints received by the IA, we started publishing complaint statistics regularly on our website in early 2018. The data released dated back from the inception of our statutory regulatory functions on 26 June 2017.

Summary of Complaints

(26 June 2017 – 31 March 2018)



[a] Representation of Information (e.g. presentation of product features, policy terms and conditions, premium paying terms or returns on investment, dividend or bonus shown on benefit illustrations, etc.)

[b] Claims (e.g. dispute on the result of claims assessment or settlement amount, etc.)

[c] Conduct (e.g. fraud, forgery, complaints about selling process, handling of client's premium or money, commission rebate, twisting, cross-border selling or unlicensed selling, etc.)

[d] Business or Operations (e.g. complaints related to cancellation or renewal of policy, adjustment of premium, underwriting decision, or complaints against the management of insurer, etc.)

[e] Services (e.g. delay in delivery of premium notice or annual statement, dissatisfaction with service standards, etc.)

[f] Insurance Intermediary against Insurer (e.g. agent's registration or deregistration, termination of appointment, terms and conditions of agency agreement, remuneration arrangement, etc.)

Public Education

Education enables policy holders to make informed decisions about their insurance policies. To provide good education materials to the public, we have teamed up with the Investor Education Centre ("IEC"), an organisation striving to enhance financial literacy in Hong Kong. In March 2018, the IA and the IEC jointly published a leaflet entitled "Tips on Buying Insurance". This was an IA initiative for the "Hong Kong Money Month 2018", an annual territory-wide financial education campaign coordinated by the IEC. The leaflet presents essential and basic tips for buying insurance in an easy-to-understand format.

We will continue to work with the IEC to develop education materials on different insurance-related topics. For example, the Government's proposal to introduce a tax deduction for deferred annuities has generated market interest in such products. We plan to partner with the IEC on education work across various communication platforms aimed at enhancing public understanding of annuity products.

In addition to running thematic education programmes, we share information about insurance with the public on a daily basis. Assisted by an interactive telephone system, we answer general enquiries in relation to the Insurance Ordinance and insurance products. In June 2017, a new IA website was launched with a user-friendly interface and an online information centre that gathers frequently asked questions and useful information about insurance into one place.

Regulating the Selling Process

Treating customers fairly is vital to maintaining their confidence in the industry. To promote more ethical business practices and strengthen public confidence in Hong Kong's insurance industry, the Guideline on Underwriting Class C Business ("GL15") and the Guideline on Underwriting Long Term Insurance Business (other than Class C Business) ("GL16") were issued. Amongst others, new disclosure requirements for non-guaranteed dividends/bonuses fulfilment ratios and additional scenarios projecting high and low return of benefits in the standard illustration were introduced. This has greatly enhanced the transparency and disclosure of insurance policies, thus assisting potential policy holders to make informed purchase decisions. We are monitoring insurers' compliance with the guidelines on an ongoing basis through on-site inspections and off-site reviews.

Financial Needs Analysis ("FNA") is designed to help potential policy holders gain a better understanding of their overall financial situation and their financial goals. During the year, the IA embarked on an initiative to refine the existing requirements for FNA in view of the growing popularity of the sale of long term insurance products through digital distribution channels. The IA worked closely with the industry on the refined FNA requirements, which became effective from 1 June 2018.

The HKFI has issued guidelines relating to the insurance selling process. With the direct licensing regime for insurance intermediaries due to be introduced shortly, we are looking at whether these guidelines need to be updated and, if necessary, we will issue updated versions.

Facility for Terrorism Risks

Two facilities are in place to protect the interests of policy holders of certain statutory general business in the event of claims due to terrorism risks.

The September 11 terrorist attacks in the United States in 2001 led to the withdrawal of reinsurance cover in the commercial market. Since 2002, the Government has provided direct insurers carrying on Employees' Compensation ("EC") insurance business with a facility of up to HK$10 billion in aggregate to cover terrorism risks. On 26 June 2017, the IA took over administration of this facility from the then Office of the Commissioner of Insurance. By the end of March 2018, 54 EC insurers had joined the facility.

Since 2002, the Motor Insurers' Bureau of Hong Kong has made available a facility of up to HK$200 million from its First Fund to satisfy third-party claims that cover deaths or bodily injuries caused by terrorist acts through the use of motor vehicles in Hong Kong.

Stakeholder Communication

To ensure that our regulatory initiatives contribute to the stable and healthy development of the insurance industry, we are proactive in communicating our plans and priorities to stakeholders and garnering their support for our work.

The Insurance Industry

The two Industry Advisory Committees ("IACs") are statutory committees set up to advise the Insurance Authority ("IA") on matters pertinent to the long term business and the general business of the insurance industry respectively. The IACs enable the IA to gauge market views on the development of each sector. Over the past year, the IACs held three joint meetings at which a wide range of industry issues were considered.

We maintain close dialogue with the Hong Kong Federation of Insurers ("HKFI") and related professional bodies. For example, industry views on the establishment of the Risk-based Capital Regime have been sought through Industry Focus Groups, and through meetings with the HKFI and the Actuarial Society of Hong Kong. We also engaged the HKFI to discuss the tax deduction for certified deferred annuity products.

In our promotion of reinsurance, captive and marine insurance, and insurance linked securities in Hong Kong, we regularly engage with insurers, reinsurers, brokers, captive managers, Lloyds' syndicates, Protection and Indemnity Clubs, and the Hong Kong Shipowners Association. In August and September 2017, we met with representatives of the Reinsurers' Forum of the HKFI to discuss the proposal for favourable treatment for Hong Kong reinsurers under the China Risk Oriented Solvency System.

To facilitate the application of Insurtech, we liaise closely with both the technology and insurance communities. We set up the Insurtech Facilitation Team to enhance communication with businesses involved in the development of Insurtech, and enrich their understanding of the current regulatory regime. In addition, we also engaged the insurers in refining the customer onboarding requirements including electronic application and financial needs analysis to cater for distribution of life products through digital means. In September and December 2017, we met with the industry to discuss the use of cloud services through outsourcing.

▶ Dr Moses Cheng, Chairman (left), and Mr John Leung, Chief Executive Officer, explain details of the IA's work to stakeholders

Photo credit: Thomson Reuters

Stakeholders' input is critical to the successful implementation of regulatory reforms. In October 2017, we set up a Working Group on Direct Licensing Regime for Insurance Intermediaries, comprising representatives from the three Self-Regulatory Organisations[1] and major intermediary bodies. In addition, we formed two Discussion Groups, one for insurance agents and the other for insurance brokers, to deliberate on matters related to their different capacities. To enhance the industry's understanding of the statutory obligations regarding Anti-Money Laundering and Counter-Terrorist Financing, we hosted five seminars for over 1,100 industry participants and representatives of active life insurers between November 2017 and June 2018.

Professor Chan Wai-sum, Non-Executive Director (second from right) and Ms Carol Hui, Executive Director, Long Term Business (far right), speaking at an industry event

In December 2017, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued the Hong Kong Financial Reporting Standard 17 Insurance Contracts ("HKFRS 17"), which adopted an international financial reporting standard in order to make insurance accounting practices more consistent across jurisdictions. Due to come into force on 1 January 2021, HKFRS 17 will have a significant impact on the preparation of financial statements by insurers. To support insurers in implementing HKFRS 17, the HKICPA established a Hong Kong Insurance Implementation Support Group ("HKIISG") as a forum through which insurers could discuss questions relating to the implementation of HKFRS 17. The IA participated in the HKIISG as an observer to monitor the progress of HKFRS 17 implementation.

The IA is active in reaching out to stakeholders

[1] The three Self-Regulatory Organisations are the Insurance Agents Registration Board set up by the HKFI, the Hong Kong Confederation of Insurance Brokers, and the Professional Insurance Brokers Association.

We also participated in a number of international forums and seminars on financial markets during the year, including the 2017 Pacific Insurance Conference, the APIC-ABAC/APFF Regional Pension Funds & Social Security Systems Summit, and the Asian Financial Forum.

Future Task Force

The Future Task Force of the Insurance Industry (“FTF”) has been set up to leverage the expertise and experience of a wide spectrum of stakeholders, from insurance professionals to academics. The FTF aims to formulate strategies that will reinforce Hong Kong’s position as a regional insurance hub. Three working groups have been formed to look into important areas shaping the future of the insurance sector: Financial Technology (“Fintech”), the Risk-based Capital (“RBC”) Regime, and Image Building.

In August 2017, a combined meeting of the RBC Regime and Image Building working groups was held. The IA provided updates on the latest developments in the RBC Regime and on the Government’s Pilot Programme to Enhance Talent Training for the Insurance Sector. Over 60 FTF members exchanged views on these areas.

In September 2017, the IA and Cyberport jointly hosted the Forum of the Working Group on Embracing Fintech in Hong Kong. Over 80 participants from the insurance industry and the technology community explored initiatives to promote Insurtech in Hong Kong.

The IA gauges stakeholders’ views on the future development of the industry

Mr Raymond Tam, Executive Director, Policy and Development, speaking at a Future Task Force meeting

Regulatory Counterparts

To keep abreast of international developments, we exchange information and experience on matters of common interest with overseas financial regulators.

In November 2017, we attended the 24th International Association of Insurance Supervisors ("IAIS") Annual Conference and committee meetings in Malaysia. We have enhanced our participation in the work of IAIS by joining its Implementation and Assessment Committee, Insurance Groups Working Group and Market Conduct Working Group.

To promote regional regulatory exchanges, the IA hosted the 13th Annual Conference of the Asian Forum of Insurance Regulators in June 2018. We also jointly hosted the "Asia-Pacific High-level Meeting on Insurance Supervision" with the Financial Stability Institute and the IAIS.

During the year, we organised and took part in 23 supervisory colleges to strengthen communication with overseas regulators on group-wide supervision of multi-national insurance groups.

We collaborate with the China Banking and Insurance Regulatory Commission ("CBIRC") on cross-boundary supervision. During the year, we held a number of meetings with officials of the then China Insurance Regulatory Commission ("CIRC")[2].

The IA hosts the 13th Annual Conference of the Asian Forum of Insurance Regulators

The IA participates in the 17th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen

In November 2017, the IA and the then CIRC co-organised a training course in Hong Kong for the latter's officers, and participated in the 17th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen in Guangdong.

The IA also liaises closely with the Financial Services and the Treasury Bureau of the Government and other local financial regulators, including the Hong Kong Monetary Authority, the Securities and Futures Commission and the Mandatory Provident Fund Schemes Authority. The IA also attends regular meetings of the Council of Financial Regulators and the Financial Stability Committee to address cross-sectoral regulatory issues and matters having a potential impact on financial stability.

Government and Legislative Council

The Financial Secretary and Legislative Council ("LegCo") members are kept informed of our latest developments on an ongoing basis. In November 2017, our second annual report was tabled in LegCo in compliance with statutory requirements. In December 2017, we submitted the corporate plan for 2018-19 to the Financial Secretary setting out our operational objectives and budget for the coming financial year. In March 2018, the LegCo Panel on Financial Affairs was briefed on the IA's budget for 2018-19. The IA has also worked closely with the Government on developing legislation for the Policy Holders' Protection Scheme ("PPS") and the LegCo Panel on Financial Affairs was consulted on the key legislative proposals under the PPS Bill.

[2] The China Insurance Regulatory Commission and the China Banking Regulatory Commission merged in April 2018 to form the China Banking and Insurance Regulatory Commission.

Officiating guests with the IA Non-Executive Members and the IA's senior management team at the housewarming reception held at its new office

Housewarming Events

In February 2018, we held two housewarming events in our new office to show our appreciation to stakeholders. These events were attended by over 200 guests from the Government, the regulatory sector, the insurance industry, and related professional bodies. At one of these housewarming events, we were honoured to welcome Mrs Carrie Lam, the Chief Executive of the Hong Kong Special Administrative Region, and Mr Paul Chan, the Financial Secretary.

The Public

Various communication tools are used to engage with members of the public. For example, we published information leaflets and launched TV and radio announcements from October 2017 onwards to keep the public informed of the premium levy which took effect on 1 January 2018. In September 2017, we created a dedicated webpage on Insurtech to facilitate communication with insurers and the technology community.

In addition, we also issue press releases and arrange media interviews and briefings to keep the public updated on our activities. We have set up a dedicated team to answer public enquiries on the IA's work and on the insurance industry generally. To reach a wider audience, we make use of social media to communicate insurance knowledge and to interact with the general public.

Corporate Developments

We rely on a high-performance team to carry out our regulatory work effectively and efficiently. During the year, the Insurance Authority ("IA") made great efforts in developing its staff and providing them with an effectively functioning workspace.

Recruitment

As of March 2018, the IA had around 190 regulatory and industry professionals on its staff. Our plan is to build a full team of 300 by 2019, enabling us to take up new functions such as the implementation of the direct licensing regime for insurance intermediaries, actuarial work, research, and consumer education. We will continue to recruit high-calibre individuals from diverse backgrounds and with varied experience, from the insurance industry, professional firms, and the regulatory and public sectors.

The IA has launched a Management Trainee Scheme to develop a pool of young talent. The pilot scheme aims to groom outstanding university graduates to take up regulatory duties at the IA in future. During the three-year programme, trainees will undergo a structured training programme including induction, job rotation, professional and competency-based training, mentorship, and an action learning project. Over the year, we held career talks at universities and tertiary education institutes, and publicised the scheme through a designated IA webpage.

Training

We provide training programmes designed to encourage continuous learning and enhance performance. During the year, we arranged a number of seminars delivered by expert speakers on topical issues such as the Belt and Road Initiative and Hong Kong's media landscape. Key personnel from the Office of the Privacy Commissioner for Personal Data and Equal Opportunities Commission were invited to shed light on how their respective ordinances may impact on the IA's own regulatory work. Other training programmes included English writing workshops to help staff enhance their work-related writing skills.

In addition to in-house training programmes, we also provide staff with sponsorships to attend local and overseas training on insurance regulatory practices and to pursue professional qualifications directly related to their job duties.

Our training programme includes a number of seminars on topical issues delivered by expert speakers

A New Culture

We place great emphasis on fostering a culture in line with the IA's aspiration to become an agile and dynamic regulator. During the year, we rolled out "The IA Way in Action" culture building programme, initiated by the IA Chairman and our senior executive team based on the IA's core values of working as one team, professionalism, passion, relentless learning, and caring. To help our corporate culture take shape, we organised seven workshops for all managerial and frontline staff, at which participants discussed the core values. Efforts are being made to instil these core values into our daily work.

A moment from "The IA Way in Action" culture building workshop

Performance-driven System

We have put in place a Performance Management System ("PMS") based on the "pay for performance" strategy that links salary adjustments and incentive pay to staff members' performances. To ensure that our remuneration packages are competitive in the market and retain quality staff, we have engaged a human resources consultancy to review and make recommendations on our pay ranges and leave entitlements for non-directorate staff.

New Office and Facilities

In December 2017, we relocated from four temporary offices to our long-term office in Wong Chuk Hang, which has a total floor area of over 50,000 square feet covering four and a half storeys. Boasting contemporary decor and modern facilities, the new office is designed to cater for our future expansion to a full team of 300. It contains several multi-functional rooms that can be transformed into an open space for large-scale industry meetings, corporate events and organisation-wide training. Conference rooms and the Board Room are equipped with audio-visual systems that support multi-media presentations and video conferencing. The open office environment promotes cross-divisional collaboration, and is helping to develop a team spirit in the workplace.

The new office has an advanced IT infrastructure that is streamlining internal communication and automating our workflow. The IA intranet, with its intuitive user interface, facilitates information-sharing within the organisation by putting all the information relating to daily work, corporate policies and guidelines, and staff activities in one place. To support the expansion of our regulatory oversight duties, we are developing business systems for the regulation of insurers and insurance intermediaries and the collection of levies that will provide e-workflows to save paper and streamline our operations.

Colleagues at one of the IA's monthly get-togethers

Annual Dinner

Employee Relations

We organise regular social functions such as monthly get-togethers so staff from different divisions can get to know each other in a relaxed, informal setting. A Social Committee with 11 representatives from various divisions has been formed, with four teams responsible for organising interest groups, entertainment, sports, and corporate social responsibility activities. During the year, the Social Committee organised a number of staff activities such as paper-cutting, coffee tasting, yoga, basketball and bowling games, all of which received a positive response. Staff members are encouraged to contribute to our wider society by taking part in various charitable activities, such as Dress Casual Day and Love Teeth Day for the Community Chest.

Financial Arrangements

Funding

The authorization or annual fees set out in the Insurance Ordinance ("IO") are payable by insurance companies to the IA effective from 26 June 2017. Each fee payable is composed of two elements: (i) a fixed fee of HK$300,000 (for a captive insurance company: HK$30,000; for a composite insurance company with both long term business and general business: HK$600,000); and (ii) a variable fee starting at 0.0001% of a company's insurance liabilities, which will increase progressively to 0.0039% of a company's insurance liabilities in June 2022 and thereafter, with a maximum fee of HK$7 million (for a composite insurance company: HK$14 million).

Effective from 1 January 2018, the IO provides for the IA to collect levies on insurance premiums from policy holders through insurance companies if their contracts of insurance relate to classes of long term or general business as prescribed under the IO. The levy rate started at 0.04% of the insurance premium (maximum levy for life insurance: HK$40; for general insurance: HK$2,000) and will increase progressively to 0.1% of insurance premium in April 2021 and thereafter (maximum levy for life insurance: HK$100; for general insurance: HK$5,000).

Most of the costs for establishing and operating the IA in the year was still being covered by the grant from the Government. The levies on insurance premiums and the fees payable by insurance companies, intermediaries and users for specific service, will enable the IA to become financially independent of the Government in the long run.

Income and expenditure

The year comprises a period of approximately nine months since the IA took over the statutory functions of the then Office of the Commissioner of Insurance on 26 June 2017. Total income and operating expenditure for the year were HK$46.5 million and HK$182.4 million respectively. This resulted in a deficit position of HK$135.9 million, which was financed by the capital grant received from the Government of HK$453.0 million.

Levies, and authorization and annual fees recognised as income for the year amounted to HK$22.5 million and HK$16.1 million respectively. Staff costs and key management personnel compensation amounted to HK$143.0 million, which accounted for the majority of the IA's total operating expenditure.

Independent Auditor's Report

To the Insurance Authority
(Established in Hong Kong under the Insurance Ordinance (Cap. 41))

Opinion

What we have audited

The financial statements of the Insurance Authority ("the Authority") set out on pages 75 to 90, which comprise:

- the income and expenditure account for the year ended 31 March 2018;
- the statement of financial position as at 31 March 2018;
- the statement of changes in capital and reserve for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 March 2018, and of its results of the operations and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Insurance Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Authority in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Authority for the Financial Statements

The Authority is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Insurance Ordinance, and for such internal control as the Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authority is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

To the Insurance Authority (Continued)
(Established in Hong Kong under the Insurance Ordinance (Cap. 41))

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 5F of the Insurance Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority.

- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2018

Income and Expenditure Account

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 HK$	Year ended 31 March 2017 HK$
INCOME			
Levies	5	22,512,841	—
Authorization and annual fees		16,139,480	—
Insurers register's prescribed fee		5,172,900	—
Interest income		2,696,978	1,054,406
		46,522,199	1,054,406
EXPENDITURE			
Staff costs and key management personnel compensation	6, 7	143,004,163	25,035,912
Office accommodation		20,649,808	—
Professional fees	8	5,188,172	372,400
Information system services		2,300,092	—
External relations expenses		759,519	—
Other operating expenses	9	3,599,667	649,288
Depreciation	10	6,885,063	69,471
		182,386,484	26,127,071
DEFICIT FOR THE YEAR		(135,864,285)	(25,072,665)

The Insurance Authority (the "Authority") had no components of comprehensive income other than "deficit for the year" in either of the year presented. Accordingly, no separate statement of comprehensive income is presented as the Authority's "total comprehensive loss" was the same as the "deficit for the year" in both years.

The notes on pages 79 to 90 are an integral part of these financial statements.

Statement of Financial Position

At 31 March 2018

	Note	2018 HK$	2017 HK$
NON-CURRENT ASSETS			
Fixed assets	10	57,907,825	754,825
Deposits		5,406,620	—
		63,314,445	754,825
CURRENT ASSETS			
Deposits and prepayment		5,320,508	89,216
Accounts receivable	11	23,148,446	93,035
Time deposits with maturity longer than 3 months		101,505,654	—
Cash and cash equivalents		153,298,768	434,642,443
		283,273,376	434,824,694
CURRENT LIABILITIES			
Other payables and accruals		26,396,651	8,431,234
Accounts payable		262,029	—
Deferred authorization and annual fee income		26,615,599	—
		53,274,279	8,431,234
NON-CURRENT LIABILITIES			
Other payables and accruals		2,029,542	—
NET ASSETS		291,284,000	427,148,285
CAPITAL AND RESERVE			
Grant from the Government of HKSAR	13	453,000,000	453,000,000
Accumulated deficit for the year		(161,716,000)	(25,851,715)
		291,284,000	427,148,285

The financial statements on pages 75 to 90 were approved and authorized for issue by the Authority on 29 August 2018 and are signed on its behalf by:

Dr Moses Cheng
Chairman

Mr Clement Cheung
Chief Executive Officer

The notes on pages 79 to 90 are an integral part of these financial statements.

Statement of Changes in Capital and Reserve

For the year ended 31 March 2018

	Note	Grant from the Government of HKSAR HK$	Accumulated deficit for the year HK$	Total HK$
Balance at 1 April 2016		3,000,000	(779,050)	2,220,950
Grant from the Government of HKSAR	13	450,000,000	—	450,000,000
Deficit for the year		—	(25,072,665)	(25,072,665)
At 31 March 2017		453,000,000	(25,851,715)	427,148,285
Balance at 1 April 2017		453,000,000	(25,851,715)	427,148,285
Deficit for the year		—	(135,864,285)	(135,864,285)
At 31 March 2018		453,000,000	(161,716,000)	291,284,000

The notes on pages 79 to 90 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK$	2017 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit for the year	**(135,864,285)**	(25,072,665)
Adjustment for:		
Depreciation	**6,885,063**	69,471
Interest income on bank deposits	**(2,696,978)**	(1,054,406)
Operating cash flows before movements in working capital	**(131,676,200)**	(26,057,600)
Change in working capital:		
Increase in deposits and prepayments	**(10,637,912)**	(89,216)
Increase in accounts receivable	**(22,515,405)**	—
Increase in other payables and accruals	**17,965,417**	7,292,211
Increase in accounts payable	**2,291,571**	—
Increase in deferred authorization and annual fee income	**26,615,599**	—
NET CASH USED IN OPERATING ACTIVITIES	**(117,956,930)**	(18,854,605)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in time deposits with maturity longer than 3 months	**(101,505,654)**	—
Fixed assets purchased	**(64,038,063)**	(464,370)
Interest received from bank deposits	**2,156,972**	961,418
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(163,386,745)**	497,048
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant from the Government of HKSAR	—	450,000,000
NET CASH GENERATED FROM FINANCING ACTIVITIES	—	450,000,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(281,343,675)**	431,642,443
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**434,642,443**	3,000,000
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**153,298,768**	434,642,443
Analysis of Cash and Cash Equivalents:		
Time deposits with maturity less than 3 months	**130,000,000**	350,855,394
Other bank balances and cash	**23,298,768**	83,787,049
	153,298,768	434,642,443

The notes on pages 79 to 90 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2018

1. Background and Functions of the Insurance Authority

The Authority was established on 7 December 2015 with the commencement of the relevant provisions added by the Insurance Companies (Amendment) Ordinance 2015 ("Amendment Ordinance"). The Authority is a new insurance regulator independent of the Government.

The Authority took over the statutory functions of the Office of the Commissioner of Insurance ("OCI") on 26 June 2017. The OCI was disbanded on the same day.

To ensure a smooth transition from the OCI to the Authority, the Amendment Ordinance takes effect in phases. The Authority has first taken over the statutory functions of OCI in regulating insurers and will eventually take over the regulation of insurance intermediaries from the three Self-Regulatory Organizations ("SROs")[1] through a statutory licensing regime.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Authority.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost basis and in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the Insurance Ordinance (the "IO").

(i) Changes in accounting policy and disclosures

New mandatory standards, amendments and interpretations to existing standards, which have become mandatory for the first time for the financial year beginning on or after 1 April 2017, have been adopted by the Authority. These include the following amendments to standards and interpretations to existing standards:

Amendment to Hong Kong Accounting Standards ("HKAS") 7 on 'Statement of cash flows',

Amendment to HKAS 12 on 'Income tax', and

Amendment to HKFRS 12 on 'Disclosure of interest in other entities'.

The effect of amendments to these standards is not material to the Authority's financial statements.

Further, HKFRS 15 "Revenue from contracts with customers" have been adopted early. There was no revenue inflow in the prior year and thus, retrospective change and the assessment of cumulative effect from prior periods at the date of initial recognition is not applicable.

[1] The three SROs are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, amendments and interpretations to existing standards not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for financial year beginning 1 April 2017 and have not been early adopted by the Authority. The Authority's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income and for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted but not mandatory. The Authority expects no material impact to its financial statements from the adoption of HKFRS 9.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for accounting periods beginning on or after 1 January 2019 and earlier adoption is permitted but not mandatory. The Authority is assessing the impact of HKFRS 16.

There are no other standards, amendments or interpretations that are not yet effective that would be expected to have a material impact on the Authority.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

2. Significant Accounting Policies (Continued)

(b) Recognition of income

(i) Levies

Levies on insurance premiums are payable by policy holders and are recognized in the income and expenditure account as income in the period the respective insurance policies are written and as reported by the authorized insurers to the Authority. The amount of levies to be recognized in the Authority's reporting period is based on the remittance of levies reported by authorized insurers during that period, and adjusted for the best estimate of the portion of levies that the Authority is expected to return or refund for policies cancelled subsequent to the date of the statement of financial position or levies uncollected.

(ii) Fees

Authorization and annual fees are recognized as income on a straight-line basis over the periods to which they relate. Insurers register's prescribed fee are recognized as income when relevant applications are completed.

(iii) Interest income

Interest income represents gross interest income from bank deposits and is recognized on a time apportionment basis using the effective interest method.

(c) Financial assets

The Authority's financial assets include deposits, accounts receivable, time deposits with maturity longer than 3 months and cash and cash equivalents. They are held within a model whose objective is to hold assets in order to collect contractual cash flows. The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are initially measured at fair value plus direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any allowance for impairment loss. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. Other receivables are assessed collectively to determine whether there is any objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognized in a separate provision for impairment, if any. For other financial assets, an impairment loss is recognized when there is objective evidence that the asset is impaired.

The amount of the impairment loss of accounts receivable and other financial assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any impairment loss is recognized in income and expenditure account within other expenses and reflected in an allowance account. When the Authority considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Subsequent recoveries of amounts previously written off are credited against income and expenditure account within other expenses.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

2. Significant Accounting Policies (Continued)

(c) Financial assets (Continued)

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Authority has transferred substantially all the risks and rewards of ownership of the asset.

(d) Financial liabilities

Financial liabilities include other payables and accruals and accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method subsequent to initial recognition. A financial liability is derecognized when the relevant obligation is discharged, cancelled or expires.

(e) Fixed assets

Fixed assets are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

Depreciation is provided to write-off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Fixed assets are depreciated on a straight-line basis, in the case of leasehold improvements, the shorter lease term as follows:

Information Technology ("IT") equipment and software	3 years
Office equipment	5 years
Office furniture	5 years
Motor vehicles	5 years
Leasehold improvements	3 years

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income and expenditure account in the year in which the item is derecognized.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an assets fair value less costs of disposal and value in use.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

2. Significant Accounting Policies (Continued)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and short-term highly liquid investments with original maturities of three months or less.

(g) Other payables and accruals

Creditors and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors and accruals are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Creditors and accruals are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(h) Employee benefits

Annual leave and variable pay are recognised when they are accrued according to employees' entitlements. A provision is made for the estimated liability for untaken annual leave and variable pay as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave, maternity leave and paternity leave are not recognized until the time of leave.

Employee benefit expenses, including pensions and housing benefits provided by the Government to the civil service staff seconded ("seconded staff") to the Authority, are charged as expenditure on an accrual basis in the period in which the associated services are rendered.

(i) Retirement benefit costs

The Authority has joined a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. Contributions paid or payable to the MPF Scheme is charged as expenses when employees have rendered services entitling them to the benefits.

(j) Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Authority expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

2. Significant Accounting Policies (Continued)

(k) Grant from the Government of Hong Kong Special Administrative Region ("HKSAR")

Grant from the Government of HKSAR is provided without related conditions. It is recognized as capital upon receipt in the statement of financial position.

3. Critical Estimates and Judgements

3.1 Critical accounting estimates

In the process of applying the accounting policy of levies recognition, the Authority estimated that there will be no significant amount of levies to be returned or refunded for cancelled policies or uncollected levies as at 31 March 2018 and for the period of 1 January 2018 to 31 March 2018. As a result, there is no adjustment or provision against the levies as per the remittance reports.

3.2 Critical accounting judgements

Note 14 contains information about the statutory deposits, placed by the authorized insurers in the name of the Authority in accordance with the respective sections of Insurance Ordinance. The Authority is of the opinion that such deposits are not the resources for the Authority's own purposes and there are no economic benefits flown to the Authority from those. The Authority has therefore determined that those deposits are not its own financial assets and should not be recognised in its statement of financial position as at 31 March 2018.

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Authority is exempt from Hong Kong Profits Tax under the Inland Revenue Ordinance.

5. Levies

Effective from 1 January 2018, IO section 134 provides for the Authority to collect levies on insurance premiums from the policy holders through the authorized insurers if the insurance contract relates to a prescribed class of insurance business or a prescribed type of insurance contract. The levy rates are established by law. Levies of HK$22,512,841 (31 March 2017: Nil) are recognized for the year ended 31 March 2018.

6. Staff Costs

The staff costs include salaries, contributions to MPF Scheme, insurance, employee benefits and other staff related costs of the Authority.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

7. Key Management Personnel Compensation

The key management personnel are the Authority members as defined in the IO section 4AA. They consists of a chairperson (a non-executive director of the Authority), a chief executive officer (an executive director of the Authority), 4 other executive directors, and 7 other non-executive directors (31 March 2017: a chairperson and 7 other non-executive directors). Authority members' remuneration and benefits for the year ended 31 March 2018 and the year ended 31 March 2017 are set out below:

	2018 HK$	2017 HK$
Non-executive Directors		
Remuneration	2,520,000	2,520,000
Chief Executive Officer		
Salary and other short term employee benefits	2,123,191	—
Post-employment benefits	743,762	—
Other Executive Directors		
Salary and other short term employee benefits	13,887,775	—
Post-employment benefits	571,660	—
	17,326,388	—

8. Professional Fees

	2018 HK$	2017 HK$
Consultancy fees	3,917,250	—
Legal fees	447,715	182,400
Auditor's remuneration	210,000	190,000
Other fees	613,207	—
	5,188,172	372,400

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

9. Other Operating Expenses

	2018 HK$	2017 HK$
Journals, periodicals, and corporate membership	752,258	—
Staff training and welfare	751,798	—
Duty visits	718,234	—
Other expenses	1,377,377	649,288
	3,599,667	649,288

10. Fixed Assets

	Office equipment HK$	Office furniture HK$	IT equipment and software HK$	Motor vehicle HK$	Leasehold improvements HK$	Total HK$
COST						
At 1 April 2016	—	—	—	—	—	—
Additions during the year	124,990	22,469	676,837	—	—	824,296
At 31 March 2017	124,990	22,469	676,837	—	—	824,296
ACCUMULATED DEPRECIATION						
At 1 April 2016	—	—	—	—	—	—
Charge for the year	18,621	—	50,850	—	—	69,471
At 31 March 2017	18,621	—	50,850	—	—	69,471
CARRYING AMOUNT						
At 31 March 2017	106,369	22,469	625,987	—	—	754,825
COST						
At 1 April 2017	124,990	22,469	676,837	—	—	824,296
Additions during the year	8,849,863	4,534,207	24,623,181	468,435	25,562,377	64,038,063
At 31 March 2018	8,974,853	4,556,676	25,300,018	468,435	25,562,377	64,862,359
ACCUMULATED DEPRECIATION						
At 1 April 2017	18,621	—	50,850	—	—	69,471
Charge for the year	646,769	306,522	3,013,435	78,073	2,840,264	6,885,063
At 31 March 2018	665,390	306,522	3,064,285	78,073	2,840,264	6,954,534
CARRYING AMOUNT						
At 31 March 2018	8,309,463	4,250,154	22,235,733	390,362	22,722,113	57,907,825

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

11. Accounts Receivable

	2018 HK$	2017 HK$
Levies receivable	22,512,841	—
Interest receivable	633,041	—
Others	2,564	93,035
	23,148,446	93,035

The authorized insurers collect levies from policy holders and report to the Authority within 2 months after 6 months ending 31 March and 30 September of each year. The table below shows the aging analysis of the Authority's levies receivables that are neither past due but not impaired.

	2018 HK$	2017 HK$
Current	22,512,841	—

There are no impairment losses recognized for the year ended 31 March 2018 (31 March 2017: Nil).

12. Financial Risk Management

The Authority's financial instruments include deposits, accounts receivable, time deposits with maturity longer than 3 months, cash and cash equivalents, other payables and accruals and accounts payable.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Authority to mitigate these risks are set out below.

(a) Market risk

(i) **Foreign currency risk**

Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The Authority is not exposed to significant foreign exchange risk.

(ii) **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Authority is mainly exposed to interest rate risk in relation to the interest bearing bank deposits.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Authority takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks and closely monitors the interest rate risk exposure within an acceptable level.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

12. Financial Risk Management (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The following table lists the details of the interest rate profile of the Authority's interest bearing financial assets as at 31 March 2018 and 31 March 2017. All other financial assets and liabilities are non-interest bearing. The Authority is of the opinion that it is not exposed to significant interest rate risk and therefore no sensitivity analysis is presented.

	2018		2017	
	Interest rate per annum	HK$	Interest rate per annum	HK$
Cash and cash equivalents	0.06%–1.28%	153,298,768	0.07%–0.90%	434,642,443
Time deposits with maturity longer than 3 months	0.88%	101,505,654	—	—

(iii) Price risk

The Authority does not hold any investments which are exposed to significant price risk as at 31 March 2018 (31 March 2017: Nil).

(b) Fair value estimation

The Authority is of the opinion that the carrying amount of all financial assets and liabilities are approximate to their fair values.

(c) Credit risk

The Authority takes on exposure to credit risk, which is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment in full when due, that it has entered into with the Authority.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Credit risks arise from cash and cash equivalent and time deposits with maturity longer than 3 months, accounts receivable and deposits. The Authority's bank balances are deposited with financial institutions that the Authority consider reputable.

(d) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Authority manages liquidity risk by holding adequate cash and unencumbered assets which can be readily realized for cash to meet expected cash outflow.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

12. Financial Risk Management (Continued)

(d) Liquidity risk (Continued)

As at 31 March 2018, the Authority held sufficient cash and cash equivalents to meet all of the cash outflow arising from other payables and accruals and accounts payable.

(e) Capital risk management

The Authority manages its capital to ensure its ability to continue as a going concern so that the Authority can be financially independent and recover its operating costs through levies, authorization and annual fees and other income. The capital structure of the Authority comprises the grant from the Government of HKSAR net of accumulated losses as disclosed in the statement of changes in capital and reserve on page 77.

13. Grant from the Government of HKSAR

The Authority received a grant of HK$450 million and HK$3 million from the Government of HKSAR in June 2016 and March 2016 respectively as funding to cover the establishment and operating costs of the Authority in its initial years. The grants are recognized as capital in the statement of financial position and are provided by the Government of HKSAR without related conditions.

14. Statutory Deposits from Authorized Insurers

Under the IO section 35A, the Authority may exercise its rights to require an authorized insurer to place a deposit in the name of the Authority as trustee for the authorized insurer's funds when this is considered desirable in the general interests of persons who are or may become policy holders of the authorized insurer. Deposits placed by the particular authorized insurer is to be used by the Authority as a source of payment to policyholders in case of the insolvency of that authorized insurer. As at 31 March 2018, the statutory deposits amounted to HK$733,249,124 (31 March 2017: Nil).

15. Letters of Credit from Authorized Insurers

Under the IO section 25C, an authorized insurer may, instead of maintaining assets in Hong Kong as required by IO section 25, substitute, in whole or in part, a letter of credit or other commitment from a bank, in favour of the Authority. As at 31 March 2018, the letters of credit or other commitments held by the Authority amounted to HK$5,532,623,308 (31 March 2017: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

16. Capital Commitments

At the date of statement of financial position, the Authority had commitments for capital expenditure in respect of the acquisition of fixed assets as follows:

	2018 HK$	2017 HK$
Contracted but not yet incurred	14,806,306	665,500
Authorized but not contracted for	—	2,176,000
	14,806,306	2,841,500

17. Operating Lease Commitment

The Authority leases office premises under non-cancellable operating lease expiring within three years. At the date of statement of financial position, the Authority had commitment for future minimum lease payments under a non-cancellable operating lease as follows:

	2018 HK$	2017 HK$
Within one year	16,743,722	—
Later than one year but not later than five years	24,354,504	—
	41,098,226	—

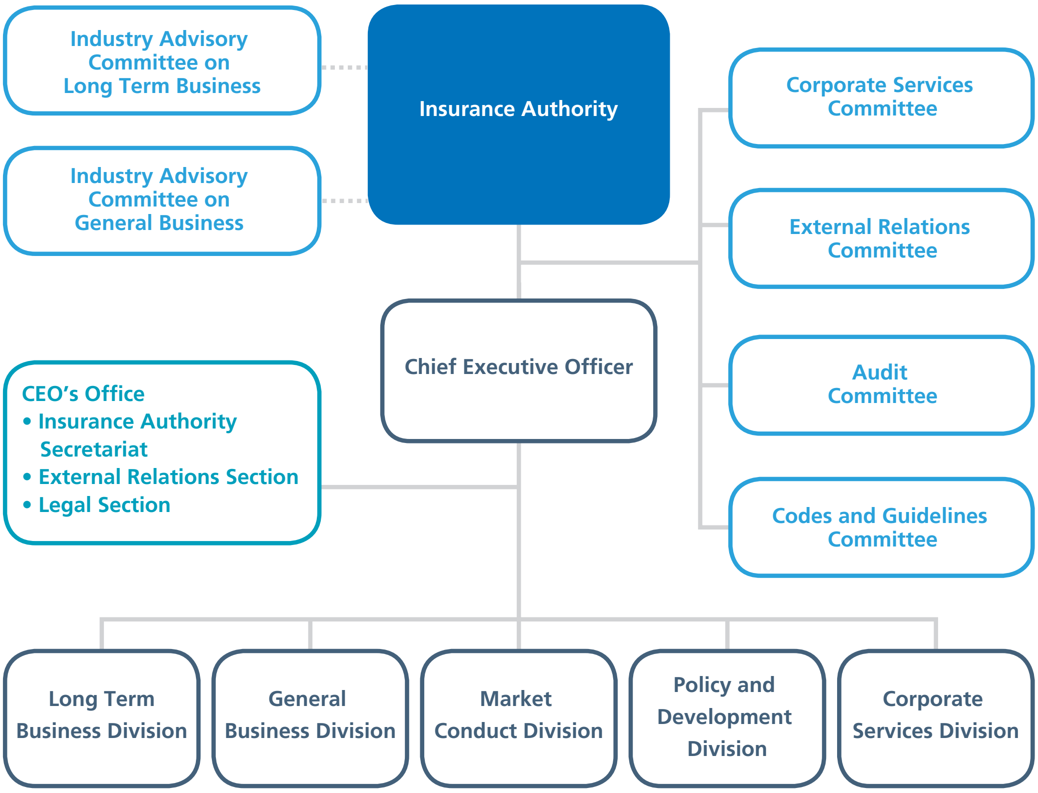
18. Events After the Reporting Period

Subsequent to the end of the reporting period, the Legislative Council of HKSAR, approved, on 10 May 2018, a government grant without related conditions of HK$200 million to the Authority. The grant was received on 7 June 2018.

On 27 July 2018, the Chief Executive of the Government has appointed Mr Clement Cheung as the Chief Executive Officer of the Authority for a period of two years from 15 August 2018 to 14 August 2020.

APPENDICES

The Organisational Structure



Changes of Authorized Insurers

(From 1 January 2017 to 31 March 2018)

Name of Insurer	Place of Incorporation	Type of Business Authorized
New Authorizations		
Gard Marine & Energy Limited	Bermuda	General
HKMC Insurance Limited	Hong Kong	General
Liberty International Underwriters Limited	Hong Kong	General
Withdrawal of Authorizations		
Atradius Credit Insurance N.V.	Netherlands	General
FM Insurance Company Limited	UK	General
United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited – The	Bermuda	General
Change of Names of Insurers		
AIG United Guaranty Insurance (Asia) Limited To Arch MI Asia Limited	Hong Kong	General
COMPAÑÍA ESPAÑOLA DE SEGUROS Y REASEGUROS DE CRÉDITO Y CAUCIÓN S.A. To ATRADIUS CRÉDITO Y CAUCIÓN SA DE SEGUROS Y REASEGUROS	Spain	General
Dah Sing Life Assurance Company Limited To Tahoe Life Insurance Company Limited	Bermuda	Long Term
Direct Asia Insurance (Hong Kong) Limited To Well Link General Insurance Company Limited	Hong Kong	General

Functional Committees

(As at 31 March 2018)

Corporate Services Committee

Terms of Reference

(a) To advise on the development of policies and procedures relating to human resources, financial and administrative matters.

(b) To review the structure and level of staff remuneration, and recommend adjustments, if justified.

(c) To ensure the integrity of the accounting and financial reporting systems of the Insurance Authority ("IA"), and the compliance of these systems with statutory, regulatory, and relevant technical requirements.

(d) To review and make recommendations on the draft annual corporate plans (including the estimates of income and expenditure) of the IA.

(e) To review and make recommendations on the levels of levy and various fees payable by policy holders, insurers and insurance intermediaries respectively.

(f) To advise on matters in relation to the IA's office accommodation.

(g) To consider any human resources, financial and administrative matters referred to it by the IA.

Membership

Mr James Wong Chien-kuo (Convenor)

Mr Samuel Chan Ka-yan, JP

Professor Chan Wai-sum

Dr the Hon Moses Cheng Mo-chi, GBM, GBS, JP

Ms Chitty Cheung Fung-ting

Mr Kenneth Kwok Tsun-wa

Mr Ma Ho-fai, GBS, JP

Mr Stephen Yiu Kin-wah

Functional Committees (Continued)

External Relations Committee

Terms of Reference

(a) To formulate policies and strategies on external communications, and promotion of public understanding of insurance products and the insurance industry.

(b) To oversee the implementation of the communications and public promotion strategies approved by the IA.

(c) To advise on matters relating to the IA's logo, website, publications (including the annual reports), engagement events, publicity campaigns and external relations.

(d) To consider any other external relations matters referred to it by the IA.

Membership

Ms Chitty Cheung Fung-ting (Convenor)

Mr Samuel Chan Ka-yan, JP

Dr the Hon Moses Cheng Mo-chi, GBM, GBS, JP

Mr Ma Ho-fai, GBS, JP

Mr James Wong Chien-kuo

Mr John Leung Chi-yan, JP

Mr Raymond Tam Wai-man

Functional Committees (Continued)

Audit Committee

Terms of Reference

(a) To review and monitor the effectiveness of the IA's internal control and risk management systems, and make recommendations to the IA as and when necessary.

(b) To recommend the appointment of an external auditor.

(c) To review annual financial statements, including the composition and accounting principles adopted in such statements, before submission to the IA for consideration.

(d) To review the findings and recommendations of the auditor, and oversee the implementation of the auditor's recommendations.

(e) To consider any other audit matters referred to it by the IA.

Membership

Mr Stephen Yiu Kin-wah (Convenor)

Professor Chan Wai-sum

Dr the Hon Moses Cheng Mo-chi, GBM, GBS, JP

Mr Kenneth Kwok Tsun-wa

Functional Committees (Continued)

Codes and Guidelines Committee

Terms of Reference

(a) To review draft codes ("Codes") and guidelines ("GLs") in relation to (i) matters relating to any of the functions of the IA under the Insurance Ordinance (the "Ordinance"); or (ii) the operation of a provision of the Ordinance, and make recommendations to the IA as and when necessary.

(b) To review existing Codes/GLs and advise on major amendments to these Codes/GLs, and make recommendations to the IA as and when necessary.

(c) To oversee industry consultation of new and updated Codes/GLs where necessary as well as to monitor promulgation of these Codes/GLs.

(d) To consider and advise on any other matters relating to Codes and GLs.

Membership

Mr Samuel Chan Ka-yan, JP (Convenor)

Dr the Hon Moses Cheng Mo-chi, GBM, GBS, JP

Mr Kenneth Kwok Tsun-wa

Mr Ma Ho-fai, GBS, JP

Mr James Wong Chien-kuo

Mr John Leung Chi-yan, JP

Mr Stephen Po Wai-kwong

Mr Raymond Tam Wai-man

Industry Advisory Committees

(As at 31 March 2018)

Industry Advisory Committee on Long Term Business

Chairman

Dr the Hon Moses Cheng Mo-chi, GBM, GBS, JP

Ex-officio Members

Mr John Leung Chi-yan, JP

Ms Carol Hui Mei-ying

Mr Raymond Tam Wai-man

Non-official Members

Mr David Alexander

Ms Jo Jo Chan Shuk-fong

Mr Chan Yim-kwong

Mr Michael Edward Huddart

Mr Garth Brian Jones

Mr Mike Lee Siu-chuen

Professor Li Jing-yuan

Mr Weber Lo Wai-pak

Mr Jeremy Robert Porter

Mr Martin Tam Chi-wai

Ms Clarice Yen Wing-chi

Mr Lennard Yong Peng-kuang

Industry Advisory Committees (Continued)

Industry Advisory Committee on General Business

Chairman

Dr the Hon Moses Cheng Mo-chi, GBM, GBS, JP

Ex-officio Members

Mr John Leung Chi-yan, JP

Mr Simon Lam Sui-kong

Mr Raymond Tam Wai-man

Non-official Members

Mr Cheng Kwok-ping

Ms Agnes Choi Heung-kwan, MH

Mr Michael Fung Lik-yeung

Mr Franz Josef Hahn

Professor Angela Ng Lai-ping

Ms Rebecca Poon Chui-ngor

Dr Michael Tsui Fuk-sun

Mr Peter Anthony Whalley

Mr Harry Wong Kwok-tim

Professor Jason Yeh Jia-hsing

Mr Allan Yu Kin-nam

Insurance Appeals Tribunal

(As at 31 March 2018)

Chairman

Mr Douglas Lam Tak Yip, SC

Panel Members

Mr Frederick Chan Hing Fai

Ms Karen Chan Ka Yin, JP

Professor Stella Cho Lung Pui Lan

Mr Alex Chu Wing Yiu

Professor Goo Say Hak

Mr Dennis Ho Chiu Ping

Mr Marvin Hsu Tsun Fai

Mr Eric Hui Kam Kwai

Professor Michael Hui King Man, MH

Mr Adrian King

Miss Anna-Mae Koo Mei Jong

Ms Juan Leung Chung Yan

Dr Miranda Lou Lai Wah

Mr Philip Mak Shun Pong, MH

Mr Andrew Mak Yip Shing, BBS, JP

Professor Joshua Mok Ka Ho

Dr Patrick Poon Sun Cheong, SBS

Mr Bhabani Sankar Rath

Mr Soo Kwok Leung

Ms Phoebe Tse Siu Ling

Dr William Wong Ming Fung, SC

Mr Charles Yang Chuen Liang, BBS, JP

Dr Samuel Yung Wing Ki, SBS, MH, JP

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