

Market Overview – Long Term Insurance

Market Performance of Long Term Insurance Business in 2019¹

Total office premiums for in-force long term business increased by 10.8% to HK\$511,452 million in 2019. Individual Life category remained the dominant line of business, making up HK\$440,243 million or 86.1% of total long term business. The respective number of policies in 2019 stood at 13.2 million, carrying net liabilities of HK\$2,120,264 million.

Yearly contributions for Retirement Scheme contracts administered by insurers decreased by 5.3% to HK\$8,877 million. In 2019, there were 65,728 Retirement Scheme contracts carrying net liabilities of HK\$133,700 million. In-force office premiums for Group Life business increased by 22.7% to HK\$4,276 million, carrying net liabilities of HK\$1,418 million. In-force office premiums for Annuity business increased by 172.8% to HK\$56,449 million. In-force office premiums for Other business (mainly Permanent Health business) increased by 4.3% to HK\$1,608 million.

Office premiums for new Individual Life business increased by 0.4% to HK\$151,180 million in 2019, including HK\$139,421 million from Individual Life (Non-Linked) business and HK\$11,759 million from Linked business, which recorded an increase of 4.7% and a decrease of 32.4% respectively. The total number of new policies increased by 2.4% to 1.3 million in 2019. Office premiums for new Individual Annuity business increased by 93.2% to HK\$20,895 million. As at 31 December 2019, around 96,000 Qualifying Deferred Annuity Policies (“QDAPs”) had been sold in the nine months since the launch of QDAP in April 2019, contributing total premiums amounting to \$6,900 million. The average age of policy holders was 48.2, while the average annualised premiums per policy stood at around \$72,000.

¹ Market Overview statistics cover insurers whose financial year ended between 1 January 2019 and 31 December 2019.

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

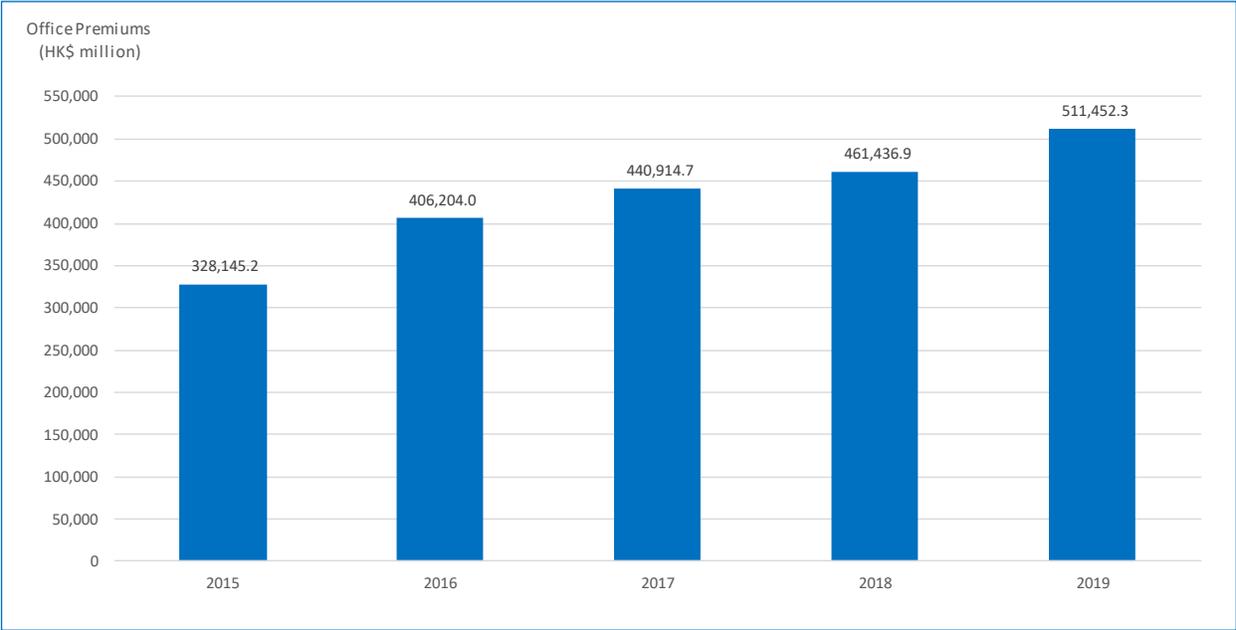
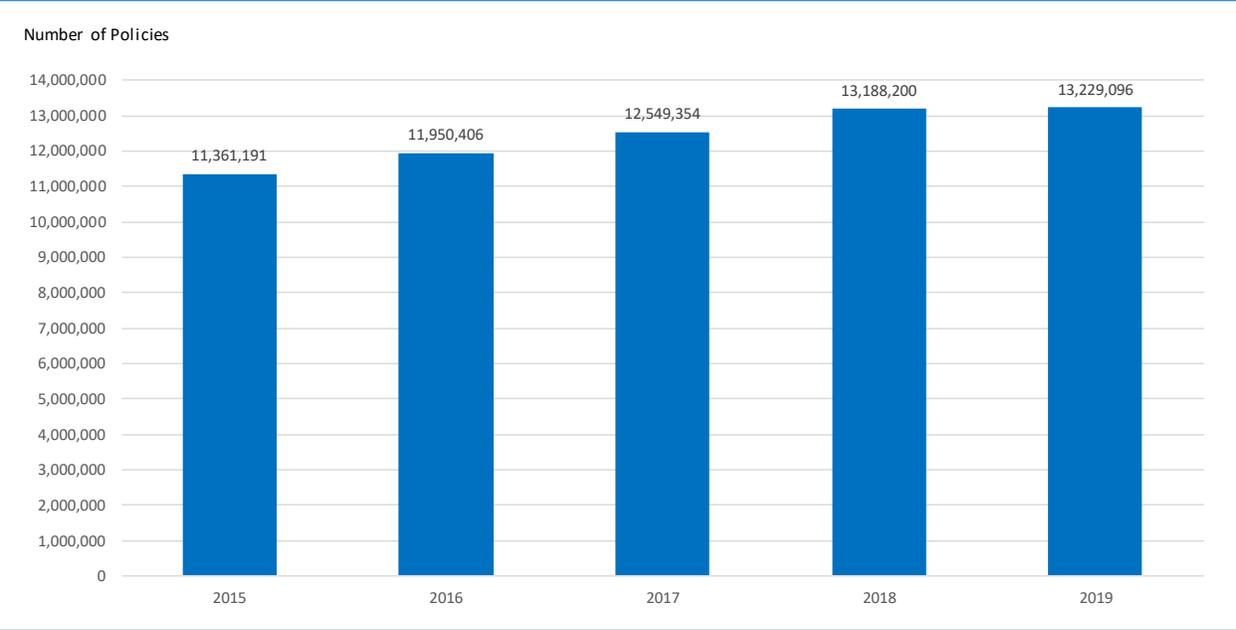


Figure 2 In-Force Individual Life Policies

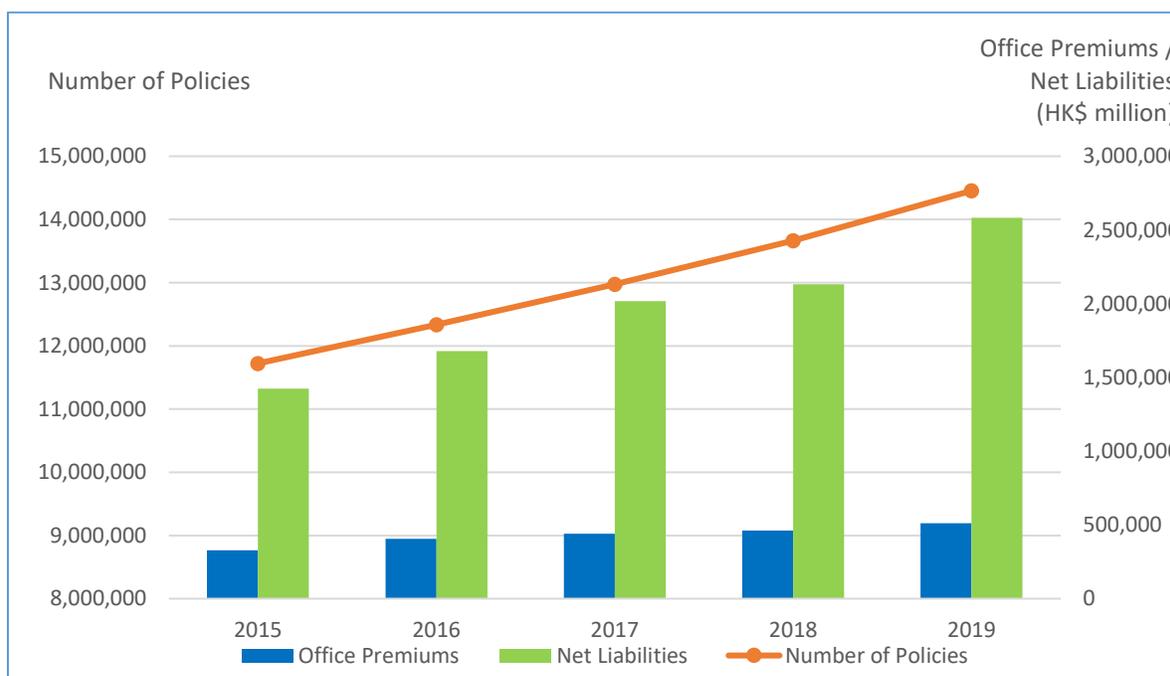


Industry Statistics Highlights – Long Term Insurance Business

In-force Business

In-force office premiums for Individual Life business, which remained the dominant line of long term insurance business, increased from HK\$426,344 million in 2018 to HK\$440,243 million in 2019, a rise of 3.3%. Non-Linked and Linked business accounted for 90.7% and 9.3% respectively of in-force Individual Life business.

Figure 3 In-Force Long Term Business



Type of Insurance	Number of Policies					Office Premiums (HK\$ million)					Net Liabilities (HK\$ million)				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Individual Life															
Non-Linked	9,814,015 6.9%	10,487,098 6.9%	11,177,614 6.6%	11,871,518 6.2%	11,969,240 0.8%	250,506.3 19.9%	337,107.0 34.6%	367,177.1 8.9%	377,474.8 2.8%	399,249.4 5.8%	1,065,864.6 12.4%	1,262,057.1 18.4%	1,536,606.7 21.8%	1,675,983.9 9.1%	1,816,185.2 8.4%
Linked	1,547,176 -5.0%	1,463,308 -5.4%	1,371,740 -6.3%	1,316,682 -4.0%	1,259,856 -4.3%	58,782.2 -13.7%	47,529.0 -19.1%	47,873.1 0.7%	48,868.8 2.1%	40,993.5 -16.1%	227,093.3 -19.6%	269,714.3 18.8%	313,317.4 16.2%	271,840.3 -13.2%	304,079.1 11.9%
Sub-total	11,361,191 5.1%	11,950,406 5.2%	12,549,354 5.0%	13,188,200 5.1%	13,229,096 0.3%	309,288.5 11.6%	384,636.0 24.4%	415,050.2 7.9%	426,343.6 2.7%	440,242.9 3.3%	1,292,957.9 5.1%	1,531,771.4 18.5%	1,849,924.1 20.8%	1,947,824.2 5.3%	2,120,264.3 8.9%
Group Life	19,724 -2.4%	19,437 -1.5%	19,327 -0.6%	19,131 -1.0%	18,548 -3.0%	3,191.5 8.3%	3,254.6 2.0%	3,380.0 3.9%	3,485.0 3.1%	4,275.5 22.7%	1,117.0 6.3%	1,063.8 -4.8%	1,021.3 -4.0%	999.2 -2.2%	1,417.7 41.9%
Retirement Scheme	52,779 13.1%	61,192 15.9%	62,271 1.8%	63,142 1.4%	65,728 4.1%	7,777.5 -1.5%	8,547.2 9.9%	8,907.7 4.2%	9,374.0 5.2%	8,877.0 -5.3%	105,844.5 2.1%	112,694.5 6.5%	125,139.8 11.0%	125,220.5 0.1%	133,700.3 6.8%
Annuity and Others	288,882 4.2%	306,203 6.0%	343,573 12.2%	393,735 14.6%	1,139,891 189.5%	7,887.7 1.6%	9,766.2 23.8%	13,576.8 39.0%	22,234.3 63.8%	58,056.9 161.1%	23,835.1 12.6%	32,472.0 36.2%	42,138.0 29.8%	58,028.9 37.7%	326,810.6 463.2%
Total	11,722,576 5.1%	12,337,238 5.2%	12,974,525 5.2%	13,664,208 5.3%	14,453,263 5.8%	328,145.2 11.0%	406,204.0 23.8%	440,914.7 8.5%	461,436.9 4.7%	511,452.3 10.8%	1,423,754.5 5.0%	1,678,001.7 17.9%	2,018,223.2 20.3%	2,132,072.8 5.6%	2,582,192.9 21.1%

Percentages denote change from the previous year.

In-Force Individual Life Business

Non-Linked Business

Office premiums for Non-Linked business grew by 5.8% to HK\$399,249 million in 2019, representing 90.7% of office premiums for in-force Individual Life business. There were 11.97 million in-force Non-Linked policies at the end of 2019, up by 0.8% from 2018. The total sums assured as at 31 December 2019 was HK\$7,213,981 million while net liabilities amounted to HK\$1,816,185 million, representing increases of 7.1% and 8.4% respectively.

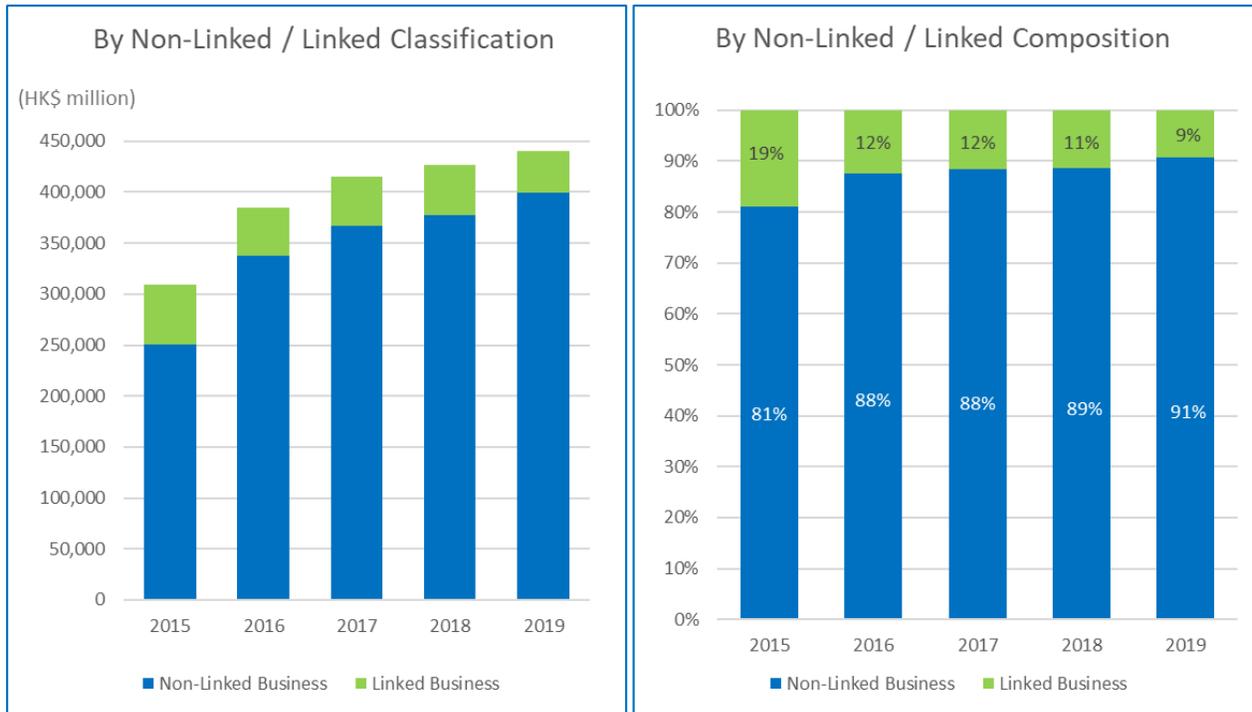
Regarding categories of in-force office premiums, Whole Life and Endowment together comprised 89.5% of Non-Linked business, while Term along with Other insurance accounted for the remaining 10.5%.

With-profits business accounted for 77.8% of in-force office premiums and without-profits business for the remaining 22.2%.

Linked Business

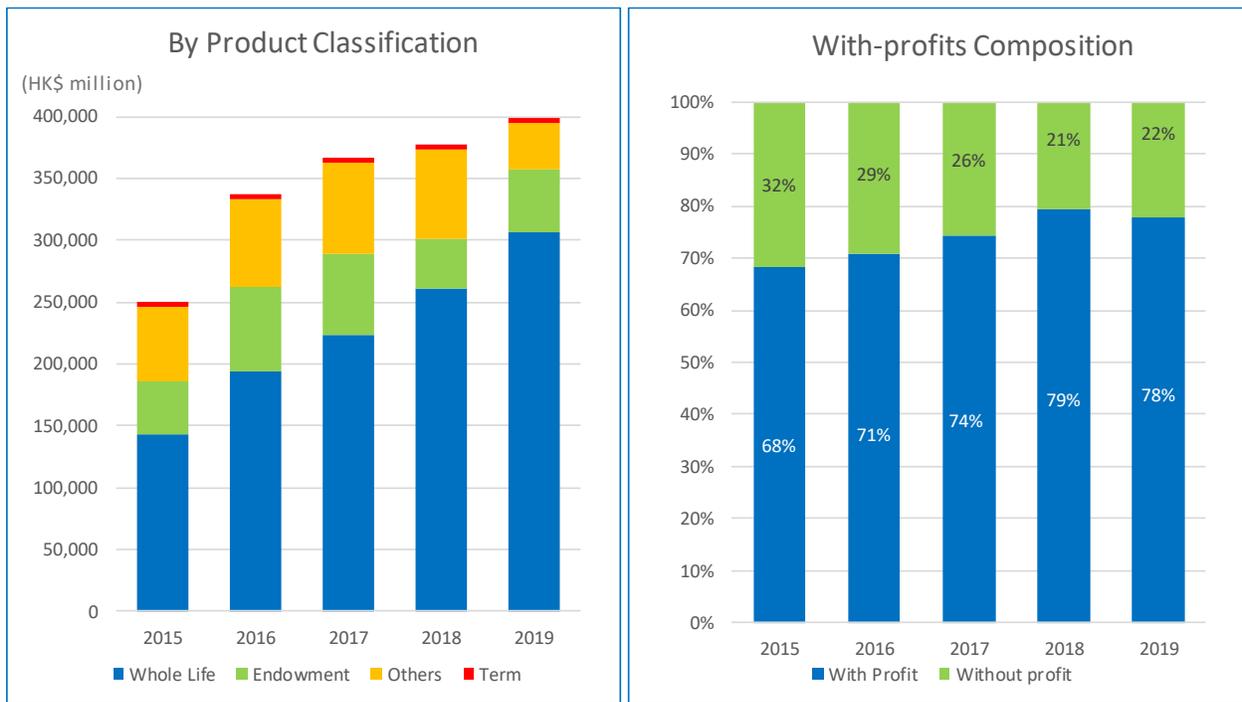
Office premiums for Linked business decreased by 16.1% to HK\$40,994 million in 2019, accounting for 9.3% of office premiums for in-force Individual Life business. The number of in-force policies as at 31 December 2019 was 1.26 million while net liabilities stood at HK\$304,079 million, representing a decrease of 4.3% and an increase of 11.9% respectively.

Figure 4 Office Premiums for In-Force Individual Life Business



Office Premiums (HK\$ million)	2015	2016	2017	2018	2019
Non-Linked Business	250,506.3	337,107.0	367,177.1	377,474.8	399,249.4
Linked Business	58,782.2	47,529.0	47,873.1	48,868.8	40,993.5

Figure 5 Office Premiums for In-Force Individual Life (Non-Linked) Business



Office Premiums for Non-Linked Business (By Product Classification)

(HK\$ million)	2015	2016	2017	2018	2019
Whole Life	143,356.2	193,824.4	223,752.9	261,375.2	306,295.9
Endowment	43,135.9	68,443.6	65,200.0	39,217.4	50,954.1
Term	4,840.0	4,103.9	4,026.8	4,418.4	4,834.2
Others	59,174.2	70,735.1	74,197.4	72,463.7	37,165.2

New Individual Life Business

Office premiums for new Individual Life business increased by 0.4% to HK\$151,180 million in 2019. Non-Linked Individual Life business and Linked Individual Life business accounted for 92.2% and 7.8% of new Individual Life business respectively.

Non-Linked Business

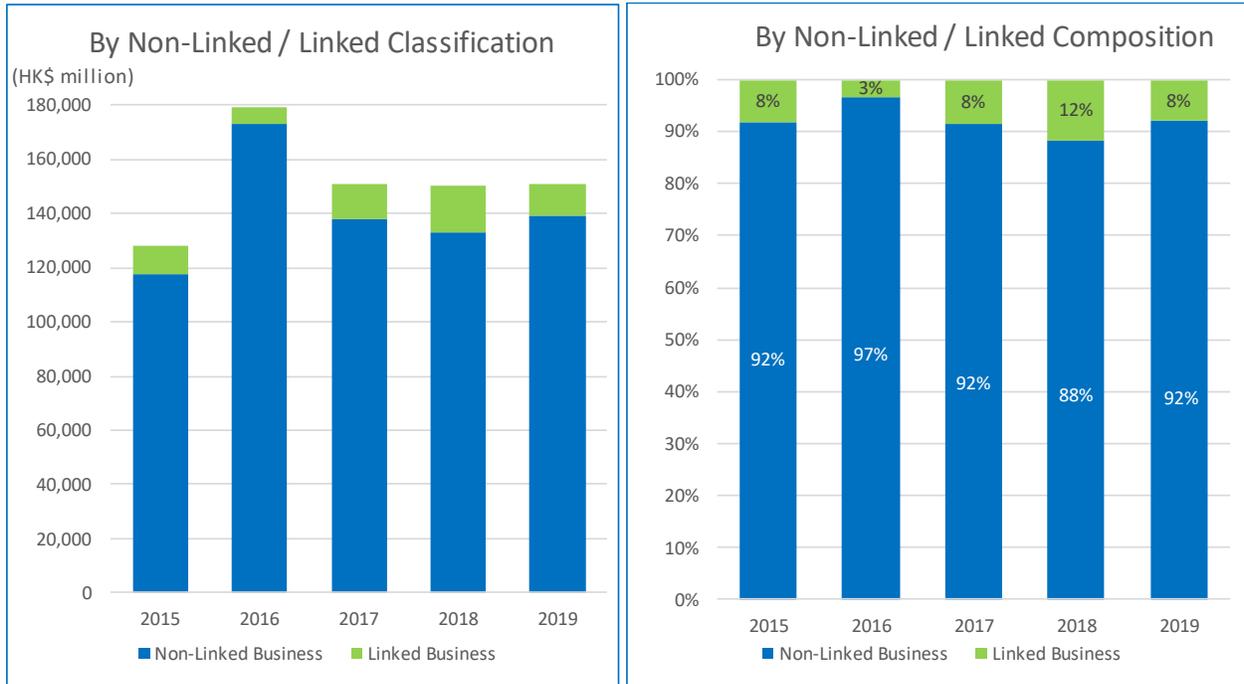
Office premiums for new Non-Linked business recorded an increase of 4.7% to \$139,422 million in 2019, with single premium business reducing by 6.8% and regular premium business increasing by 9.6%. The number of policies increased by 3.9% to 1,291,524.

With-profits and without-profits business represented 69.2% and 30.8% respectively of the related new office premiums.

Linked Business

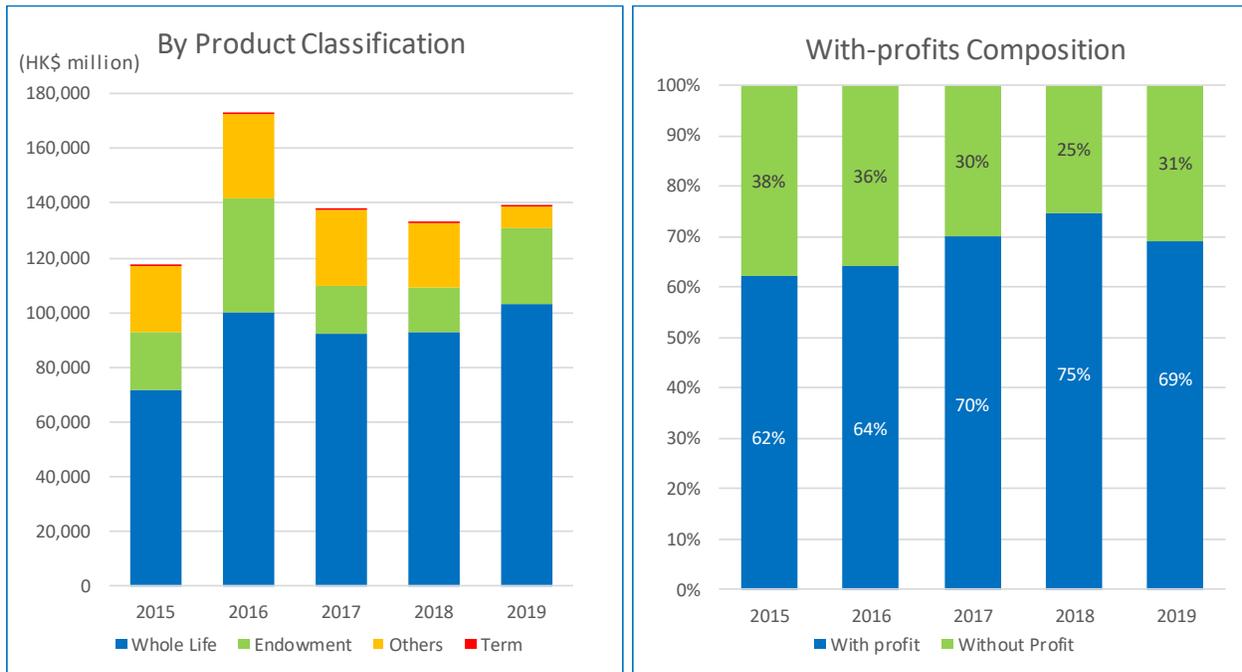
Office premiums for new Linked business decreased by 32.4% in 2019, and the number of new policies recorded a decline of 38.8%. The number of new policies in single payment mode dropped by 41.5%, while the related office premiums declined by 33.1%. The number of new policies in regular payment mode decreased by 31.1%, and the related office premiums declined by 19.2%.

Figure 6 Office Premiums for New Individual Life Business



Office Premiums (HK\$ million)	2015	2016	2017	2018	2019
Non-Linked Business	117,806.5	173,373.3	137,915.6	133,194.0	139,421.5
Linked Business	10,303.4	5,704.7	12,730.1	17,406.8	11,758.8

Figure 7 Office Premiums for New Individual Life (Non-Linked) Business



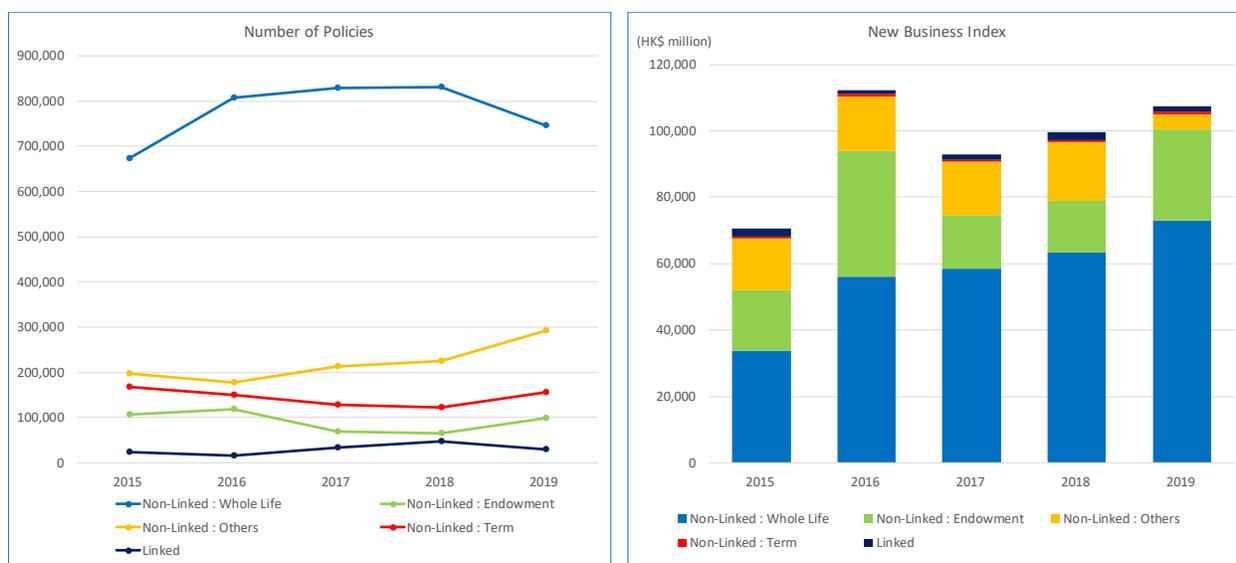
Office Premiums for Non-Linked Business (By Product Classification)

(HK\$ million)	2015	2016	2017	2018	2019
Whole Life	71,583.2	100,230.5	92,537.9	92,918.3	102,949.2
Endowment	21,361.9	41,628.9	17,356.7	15,982.8	28,055.6
Term	652.9	614.3	522.9	521.3	727.3
Others	24,208.5	30,899.6	27,498.1	23,771.6	7,689.4

New Business Index

The New Business Index, defined as the total office premiums for all regular premium products plus one-tenth of all single premiums, increased by 8% in 2019. This increase was attributable to an increase in new premiums for regular premium business of 9.4% balanced by a decrease in new premiums for single premium business of 14.5%. During the year, the New Business Index for Non-Linked business increased by 8.9% and for Linked business decreased by 28.6%.

Figure 8 New Individual Life Business (Number of Policies and New Business Index)



Type of Insurance	Number of Policies														
	Single Payment					Regular Payment					Total				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Non-Linked:															
Whole Life	15,732	23,242	27,705	22,440	21,464	657,631	784,026	800,348	808,132	723,437	673,363	807,268	828,053	830,572	744,901
Endowment	11,252	11,757	3,879	1,472	2,601	95,315	106,803	64,362	64,296	95,184	106,567	118,560	68,241	65,768	97,785
Term	89	32	15	14	15	166,826	149,673	127,811	121,366	156,486	166,915	149,705	127,826	121,380	156,501
Others	6,887	9,339	7,988	5,243	1,247	190,312	167,833	205,221	220,041	291,090	197,199	177,172	213,209	225,284	292,337
Total of Non-Linked	33,960	44,370	39,587	29,169	25,327	1,110,084	1,208,335	1,197,742	1,213,835	1,266,197	1,144,044	1,252,705	1,237,329	1,243,004	1,291,524
Linked:															
Whole Life	4,136	4,324	23,928	34,468	20,169	19,943	10,531	9,811	12,344	8,503	24,079	14,855	33,739	46,812	28,672
Total	38,096	48,694	63,515	63,637	45,496	1,130,027	1,218,866	1,207,553	1,226,179	1,274,700	1,168,123	1,267,560	1,271,068	1,289,816	1,320,196

Type of Insurance	Office Premiums														
	Single Payment (HK\$ million)					Regular Payment (HK\$ million)					New Business Index ^(a) (HK\$ million)				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Non-Linked:															
Whole Life	42,152.7	49,051.2	37,723.6	32,843.6	33,458.3	29,430.5	51,179.3	54,814.2	60,074.8	69,490.9	33,645.8	56,084.4	58,586.6	63,359.2	72,836.7
Endowment	3,366.5	4,345.5	1,365.2	507.7	707.3	17,995.4	37,283.3	15,991.5	15,475.1	27,348.3	18,332.1	37,717.9	16,128.0	15,525.9	27,419.0
Term	2.8	2.3	1.6	0.9	3.4	650.1	612.0	521.3	520.3	723.8	650.4	612.2	521.5	520.4	724.1
Others	9,663.4	15,856.5	12,860.9	6,816.4	3,287.1	14,545.1	15,043.1	14,637.3	16,955.2	4,402.3	15,511.4	16,628.8	15,923.4	17,636.8	4,731.0
Total of Non-Linked	55,185.4	69,255.5	51,951.3	40,168.6	37,456.1	62,621.1	104,117.7	85,964.3	93,025.4	101,965.3	68,139.7	111,043.3	91,159.5	97,042.3	105,710.8
Linked:															
Whole Life	8,903.1	5,028.7	12,144.1	16,624.0	11,126.0	1,400.3	676.0	586.0	782.8	632.8	2,290.6	1,178.9	1,800.4	2,445.2	1,745.4
Total	64,088.5	74,284.2	64,095.4	56,792.6	48,582.1	64,021.4	104,793.7	86,550.3	93,808.2	102,598.1	70,430.3	112,222.2	92,959.9	99,487.5	107,456.2

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

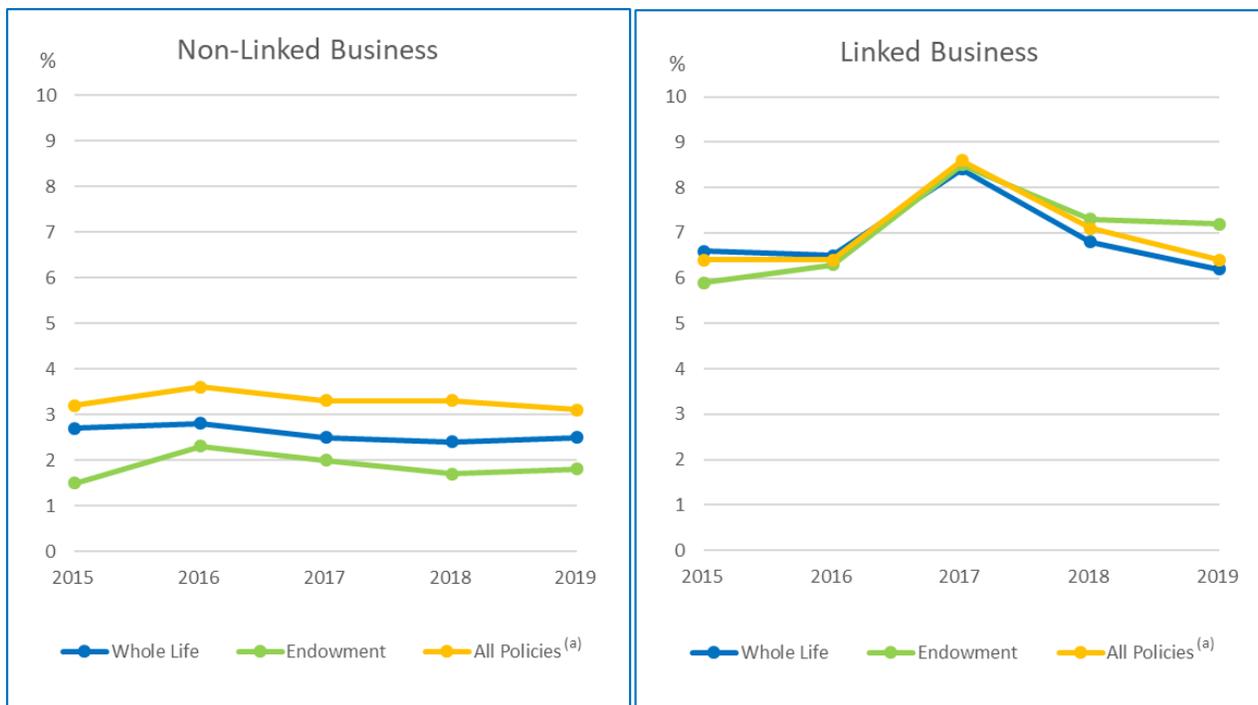
Individual Life Voluntary Termination Rate (Lapses and Surrenders)

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

For Individual Life (Non-Linked) business, the overall voluntary termination rate slightly decreased to 3.1% in 2019.

For Individual Life (Linked) business, the overall voluntary termination rate decreased from 7.1% in 2018 to 6.4% in 2019.

Figure 9 Individual Life Voluntary Termination Rate



Non-Linked (%)	2015	2016	2017	2018	2019
Whole Life	2.7	2.8	2.5	2.4	2.5
Endowment	1.5	2.3	2.0	1.7	1.8
All Policies ^(a)	3.2	3.6	3.3	3.3	3.1

Linked (%)	2015	2016	2017	2018	2019
Whole Life	6.6	6.5	8.4	6.8	6.2
Endowment	5.9	6.3	8.5	7.3	7.2
All Policies ^(a)	6.4	6.4	8.6	7.1	6.4

^(a) All policies include term policies and others.

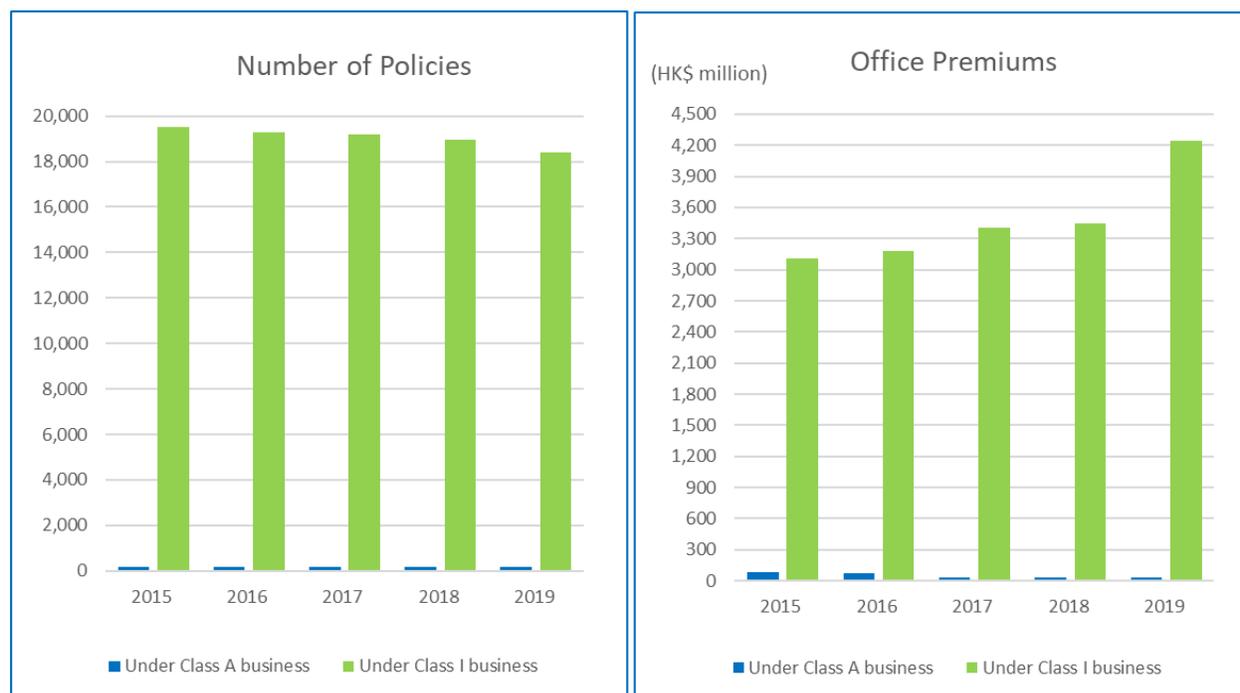
Group Life Business

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 2019 stood at \$35 million, representing 0.8% of all Group Life business. At the end of 2019, there were 160 Class A in-force policies covering 46,636 lives. The total sums assured and total net liabilities were HK\$18,013 million and HK\$17 million respectively.

For Class I business, office premiums stood at \$4,240 million, representing 99.2% of all Group Life business. At the end of 2019, there were 18,388 Class I in-force policies covering 1,275,984 lives. The total sums assured and total net liabilities were HK\$980,868 million and HK\$1,401 million respectively.

Figure 10 In-Force Group Life Business



Number of Policies	2015	2016	2017	2018	2019
Under Class A business	188	169	152	151	160
Under Class I business	19,536	19,268	19,175	18,980	18,388

Office Premiums (HK\$ million)	2015	2016	2017	2018	2019
Under Class A business	82.5	71.6	35.1	35.5	35.1
Under Class I business	3,109.0	3,182.9	3,405.7	3,449.5	4,240.4

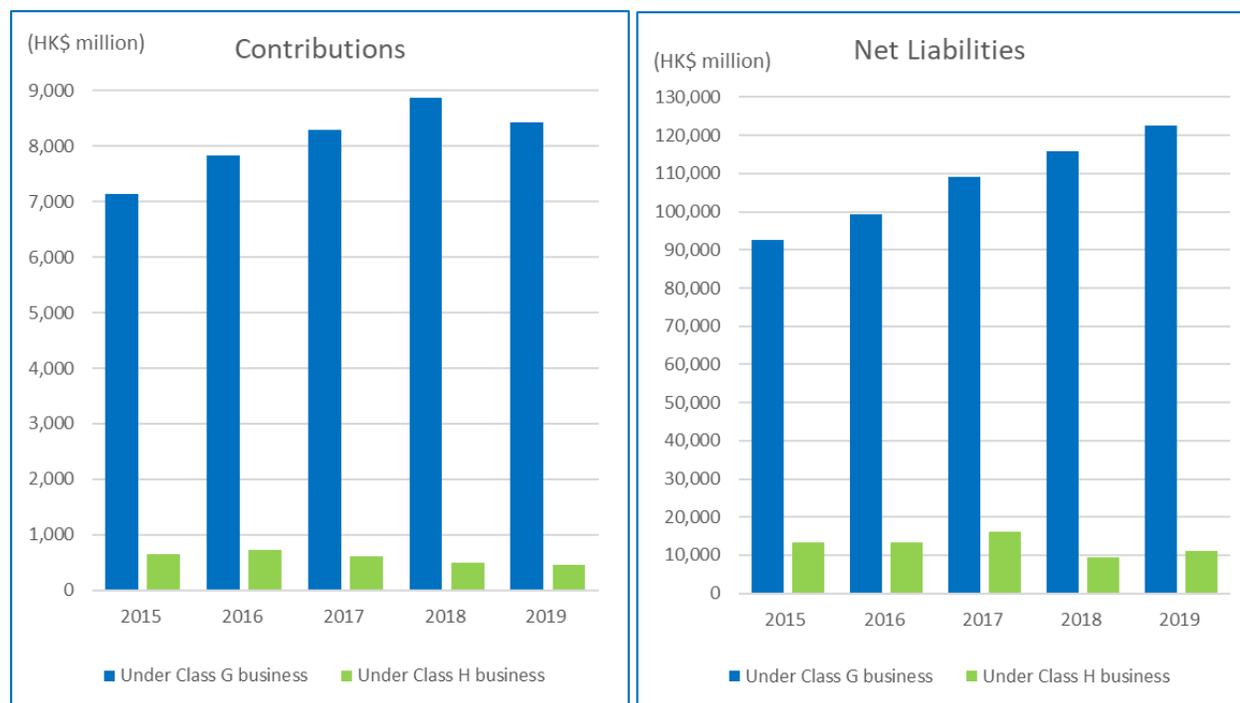
Retirement Scheme Business

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 \$8,428 million in 2019, representing 94.9% of overall contributions for Retirement Scheme business. As at 31 December 2019, the related net liabilities amounted to HK\$122,695 million. Net liabilities may be classified into unit (unitised) and non-unit liabilities. The related unit and non-unit liabilities were HK\$111,975 million and HK\$10,720 million respectively.

Class H contributions decreased from HK\$495 million in 2018 to HK\$449 million in 2019, and represented 5.1% of overall contributions in 2019. As at 31 December 2019, related net liabilities stood at HK\$11,005 million, of which unit and non-unit liabilities were HK\$10,900 million and \$105 million respectively.

Figure 11 In-Force Retirement Scheme Business



Contributions (HK\$ million)	2015	2016	2017	2018	2019
Under Class G business	7,134.1	7,827.6	8,296.8	8,878.6	8,428.0
Under Class H business	643.4	719.6	610.9	495.4	449.0

Net Liabilities (HK\$ million)	2015	2016	2017	2018	2019
Under Class G business	92,623.5	99,278.7	109,096.2	115,757.3	122,695.3
Under Class H business	13,221.0	13,415.9	16,069.6	9,463.2	11,005.0

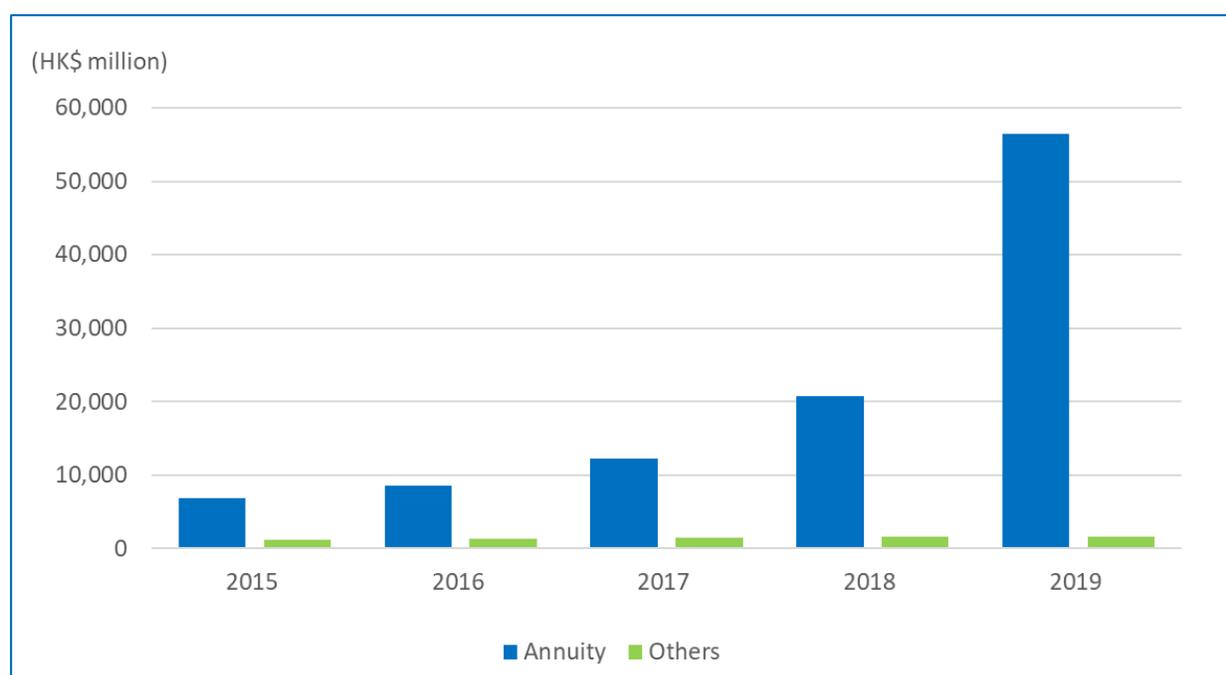
Annuity and Other Business

Under Annuity business, there were 937,406 in-force policies at the end of 2019. Office premiums increased by 172.8% to HK\$56,449 million in 2019, and net liabilities increased by 499.7% to HK\$322,637 million. During the year, a total of 133,620 new Annuity policies were effected, with office premiums of HK\$20,895 million. As at the end of 2019, around 96,000 Qualifying Deferred Annuity Policies (“QDAPs”) had been sold in the nine months since the launch of QDAP in April 2019, contributing total premiums amounting to HK\$6,900 million. The average age of policy holders was 48.2 years, while the average annualised premiums per policy amounted to around HK\$72,000.

Other business includes Permanent Health business and Tontines business. For Permanent Health, the number of in-force policies increased by 0.3% to 202,481 in 2019, with office premiums increasing by 4.3% to HK\$1,608 million, while net liabilities decreased by 1.3% to HK\$4,172 million. Regarding Tontines, total office premiums amounted to less than \$0.1 million in 2019.

In terms of premiums, Annuity and Other business accounted for 11.4% of the market total for all long term insurance business premiums in 2019.

Figure 12 Office Premiums for In-Force Annuity and Other Business

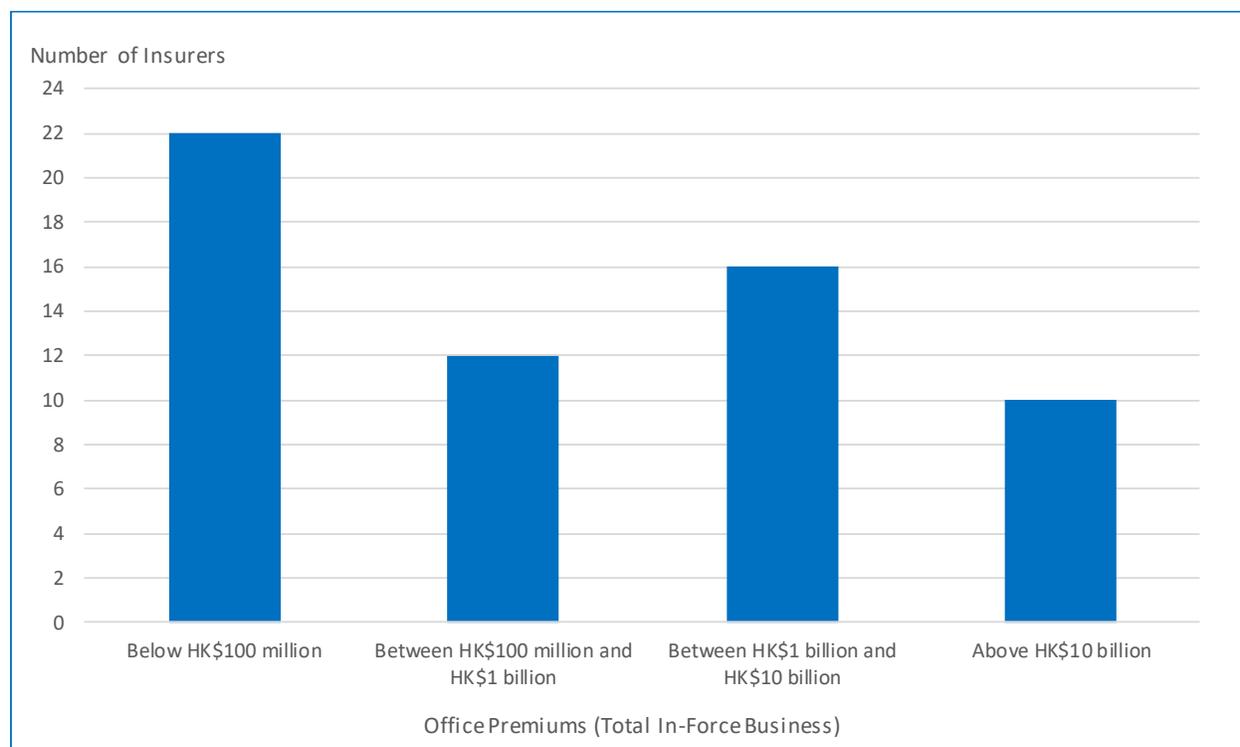


Office Premiums (HK\$ million)	2015	2016	2017	2018	2019
Annuity	6,791.5	8,524.6	12,200.0	20,692.2	56,448.9
Others	1,096.2	1,241.5	1,376.8	1,542.1	1,608.0

Market Analysis

At as 31 December 2019, there were 72 authorized long term business insurers in the market. Putting aside Lloyd's and 11 pure reinsurers, ten insurers reported in-force office premiums of more than HK\$10 billion, taking up 86.3% of the long term insurance market. Another 50 insurers, with office premiums of less than HK\$10 billion, represented the remaining 13.7% of the market.

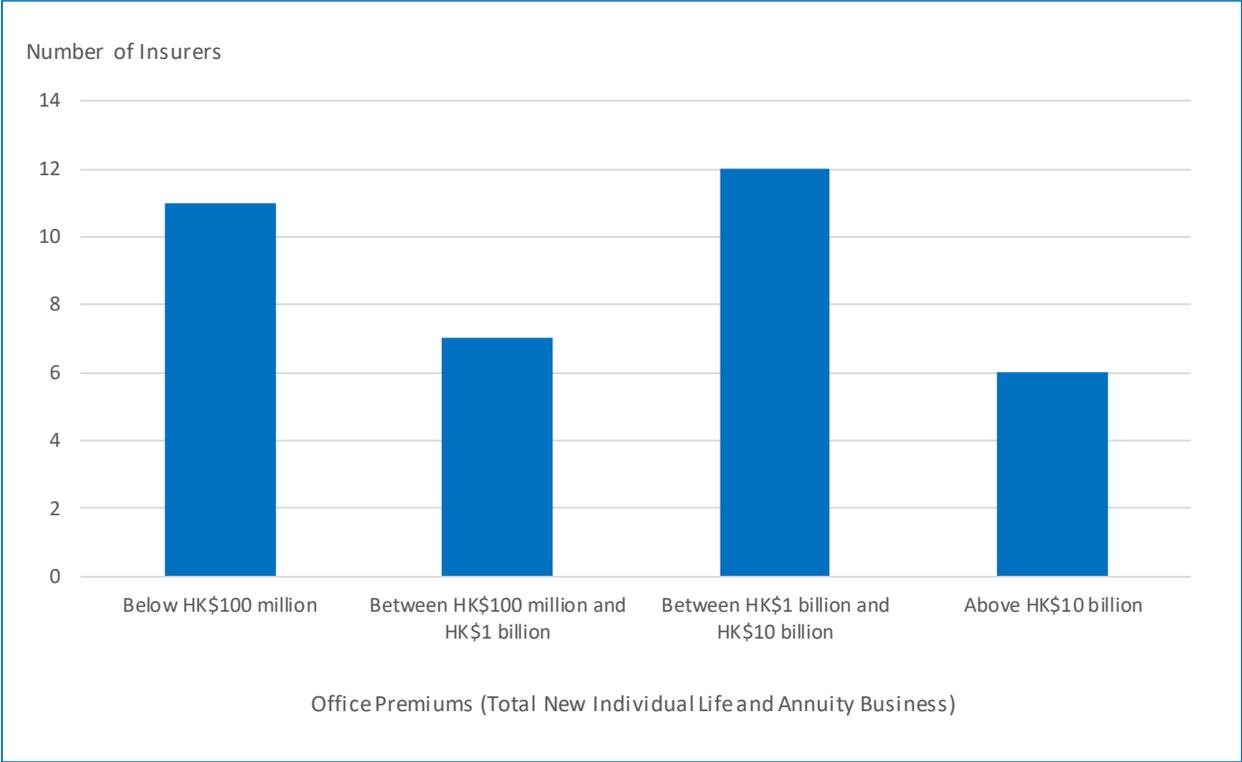
Figure 13 Distribution of Long Term Business Insurers in terms of In-Force Office Premiums



Office Premiums (Total In-Force Business)	Number of Insurers	% of Market Total
Below HK\$100 million	22	0.1%
Between HK\$100 million and HK\$1 billion	12	1.3%
Between HK\$1 billion and HK\$10 billion	16	12.3%
Above HK\$10 billion	10	86.3%
Total	60	100.0%

In terms of new Individual Life and Annuity business, 36 insurers wrote new business in 2019. Of these insurers, six reported new office premiums of more than HK\$10 billion and between them shared 72.6% of total business. Another 30 insurers, with new office premiums of less than HK\$10 billion, shared the remaining 27.4% of the market.

Figure 14 Distribution of Long Term Business Insurers in terms of New Individual Life and Annuity Office Premiums



Office Premiums (Total New Individual Life and Annuity Business)	No. of Insurers	% of Market Total
Below HK\$100 million	11	0.1%
Between HK\$100 million and HK\$1 billion	7	2.3%
Between HK\$1 billion and HK\$10 billion	12	25.0%
Above HK\$10 billion	6	72.6%
Total	36	100.0%