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This Annual Report covers the events occurred from 1 January 2006 to 31 December 2006.

Currency and Exchange Rate

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

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Mission Statement

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

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

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

Key Indicators

	Unit	2003	2004	2005
ECONOMIC DATA				
GDP (<i>at current market prices</i>)	\$ million	1,233,983	1,291,568	1,382,052
Population (<i>Mid-year</i>)		6,803,100	6,882,600	6,935,900
Per capita GDP (<i>at current market prices</i>)	\$	181,385	187,657	199,261

INSURANCE MARKET STRUCTURE				
No. of Authorised Insurers				
Long Term		46	45	46
General		123	116	110
Composite		19	19	19
Total		188	180	175
No. of Authorised Insurance Brokers				
		464	476	471
No. of Registered Insurance Agents				
		31,635	31,207	29,163

INSURANCE MARKET STATISTICS				
Premium Income				
Long Term Business (<i>Office premiums</i>)	\$ million	77,225	98,414	114,756
General Business (<i>Gross premiums</i>)	\$ million	24,292	22,866	22,546

Annual Growth Rate				
Long Term Business	%	17.9	27.4	16.6
General Business	%	3.6	-5.9	-1.4

Insurance Density (<i>Per capita expenditure</i>)				
Long Term Business	\$	11,351	14,299	16,545
General Business	\$	3,571	3,322	3,251

Insurance Penetration (<i>Premium as a % of GDP</i>)				
Long Term Business	%	6.3	7.6	8.3
General Business	%	2.0	1.8	1.6

Individual Life Business				
No. of New Policies		982,643	1,007,313	1,012,488
Average Premium Size of New Policies	\$	24,612	36,990	44,791
No. of In-force Policies		5,606,222	6,049,940	6,587,525
Premiums Per Capita of In-force Policies	\$	9,083	11,947	14,156
No. of In-force Policies as a % of Population	%	82.4	87.9	95.0

Local Assets Maintained for General Business	\$ million	72,479	78,192	70,892
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Insurance Industry Statistical Highlights

(Graphic: Figure. Premiums)

(Graphic: Figure. Underwriting Profit/Loss of General Insurance Business)

(Graphic: Figure. Individual Life In-Force Policies)

Message from the Commissioner

(Graphic: Photo)

Insurance galvanizes economic development and growth by enhancing the efficiency and depth of the financial sector. This role is manifested in various ways such as promoting use of risk identification, management and mitigation measures, creating a source of long-term finance through contractual savings products, and directing investment towards debt and equity instruments. As prudent institutional investors, insurers also help to induce ethical behaviour, encourage stronger corporate governance and promote greater disclosure. It is fair to say that the emergence of Hong Kong as an international financial centre does owe much to unwavering efforts and dedication of the industry.

Financial services have become a kingpin of the local economy. In 2005, total premiums of the insurance industry grew by 13.2% to \$137.3 billion, making up 9.9% of our GDP. This strong performance is again led by long term business whose office premiums in force grew by 16.6% to \$114.8 billion, with individual life business making up 85.6% of the total. Meanwhile, the total number of individual life policies in force surged by 8.9% to 6.6 million, representing a penetration of 95 policies per 100 Hong Kong people. Such a trend sustained throughout the first three quarters of 2006 when office premiums of new long term business leaped by 20.8% over the same period in 2005 to reach \$38.4 billion.

General insurance business remained stagnant in 2005, moderating from a negative growth of 5.9% in the previous year. Nonetheless, improved claims experience paved way for an increase of underwriting profit by 12.4% to \$2.5 billion, while a sum of \$2 billion was registered in the first three quarters of 2006. Although this outturn is partly attributable to rational pricing and disciplined underwriting, intense competition will continue to loom over the performance of this sector. Launching of a qualifying examination for travel agency staff in May 2006 should lead to better public understanding and acceptability of travel insurance, thus presenting new business prospects. The recent entry into Hong Kong by global players engaging in trade and credit insurance also bodes well for product diversity and innovation.

Against the backdrop of a highly matured market, an ageing population and rising general affluence, many insurers are already venturing into retirement planning and wealth management to meet consumer demands. The Insurance Authority will focus his attention on product design and marketing strategies to ensure that the interest of policyholders is properly safeguarded. In this respect, we will place emphasis on assessment of client needs, quality of customer service and adoption of good practices.

A vibrant and progressive regulator should not only be content with effective enforcement of prescribed standards, but should also strive to enrich its knowledge and understanding of changing market dynamics. To this end, the Insurance Authority will forge a close partnership with other relevant regulatory bodies to pursue worthwhile initiatives such as coordinated enforcement actions, systematic information exchange and staff secondment programmes.

In light of the international shift towards risk-based regulatory regimes, Government needs to take up the proposal to establish an independent Insurance Authority. This exercise involves a host of complex issues and considerations, on which industry stakeholders will be duly consulted. Looking ahead, the Insurance Authority will collaborate with industry practitioners to open up new frontiers as envisaged in the Report on Economic Summit on China's 11th Five-Year Plan and the Development of Hong Kong.

Clement Cheung
Commissioner of Insurance
January 2007

1. Work of the Insurance Authority

To strengthen Hong Kong's status as an international insurance centre, the Insurance Authority ("IA") maintains high standards of supervision and facilitates market developments.

Supervision of Insurers

Financial Examination

(Graphic: Photo)

The IA is responsible for monitoring and scrutinizing the financial position of insurers. This is done by examining financial statements and returns as well as analysing critical areas to ensure that insurers comply with solvency standards and other requirements stipulated in the Insurance Companies Ordinance ("ICO"). Attention is focused primarily on key risks that impact materially on the financial strength and sustainability of an insurer, with due emphasis placed on adequacy of paid-up capital, asset quality, reserving position and nature of reinsurance arrangements.

Recognising the looming threat of new infectious diseases and other emerging risks, the IA carried out an evaluation on the reinsurance arrangements and other risk management measures adopted by Employees' Compensation ("EC") insurers. Those not having "buy-back" cover must show that they have refrained from underwriting EC business that poses greater exposure to infectious disease claims. All general insurers are required to file an annual submission of reinsurance arrangements and a brief description of guiding principles in setting the retention level and treaty limit for all classes of business.

The IA is obliged to regulate and supervise the insurance industry for the promotion of market stability and protection of existing and potential policyholders. Given the nature and risk exposure of retirement management schemes grouped under Class G business, the Guidance Note on Reserving Standards for Investment Guarantees ("GN7") was promulgated in 2001. In light of the regulatory experience gained since then and the recommendations of a consultancy study commissioned by the Mandatory Provident Fund Schemes Authority, GN7 was updated to reinforce and enhance reserving standards for Class G business by incorporating some guiding principles of reserving methodology. The second edition of GN7 has been issued and will take effect in the financial year ending 31 December 2008.

On-site Inspection

The IA undertakes on-site inspections to acquire better market knowledge and improve direct communication with the industry. Such inspections concentrate on aspects like underwriting, claims handling, asset management, reinsurance arrangements and supervision of intermediaries, the scope and depth of which vary depending on the nature or level of risks involved. The inspection teams will focus on risk management and internal control systems to ensure that business is conducted orderly and in accordance with policies formulated by the Board of Directors or senior management. They will also verify compliance with standing requirements on maintenance of assets in Hong Kong, corporate governance, prevention of money laundering and selling of insurance policies to Mainland visitors.

Market Consolidation

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

Merger and Acquisition

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

- AXA (Hong Kong) Life Insurance Company Limited (formerly MLC (Hong Kong) Limited) ("AXA HKLI") and its immediate holding company, AXA Financial Services Holdings Limited (formerly HKMLC Holdings Limited), was wholly acquired by AXA China Region Limited, the immediate holding company of AXA China Region Insurance Company (Bermuda) Limited, on 8 May 2006. After this acquisition, AXA HKLI was renamed as AXA (Hong Kong) Life Insurance Company Limited to reflect the change in ownership.
- Winterthur Swiss Insurance Company, a holding company of Winterthur Life (Hong Kong) Limited and Winterthur Insurance (Asia) Limited, was wholly acquired by AXA S.A. on 22 December 2006. After this acquisition, AXA S.A. became the ultimate holding company of Winterthur Life (Hong Kong) Limited and Winterthur Insurance (Asia) Limited.
- BOC Hong Kong (Holdings) Limited ("BOCHK Holdings") acquired 51% shares of BOC Group Life Assurance Company Limited from Bank of China Group Insurance Company Limited ("BOC Group Insurance") on 1 June 2006. BOCHK Holdings and BOC Group Insurance are both subsidiaries of the Bank of China Limited.
- Old Mutual plc acquired 72.1% shares of Skandia Insurance Company Limited from Royal Skandia Life Assurance Limited in February 2006 to become its ultimate holding company.
- In late-2006, Abbey National plc sold its UK and offshore life insurance businesses to Resolution plc, thus rendering it the ultimate holding company of Scottish Mutual International Public Limited Company and Scottish Provident International Life Assurance Limited.
- The CNA Group executed a scheme of merger under which several insurance subsidiaries of the Group, including Continental Reinsurance Corporation ("CRC"), were merged into The Continental Insurance Company ("CIC"). As the surviving entity under the merger, CIC applied for and obtained authorisation to continue with the runoff of the insurance portfolio of CRC in Hong Kong. CRC, which became extinct after completion of the merger, was deauthorised on 28 December 2006.

Transfer of Insurance Business

Section 24 of the ICO stipulates that an insurer seeking to transfer its long term business to another insurer should apply to the court for an order sanctioning the scheme of transfer, whereas an insurer seeking to transfer its general business to another insurer may do so after obtaining approval from the IA under section 25D. Applications in respect of these two types of transfer that took place in 2006 are summarised in Figure 1.1.

Figure 1.1 Transfer of Insurance Business

Under section 24 of the ICO		
Date of Sanction by the Court	From	To
6.9.2006	CIGNA Worldwide Insurance Company	CIGNA Worldwide Life Insurance Company Limited
29.9.2006	Sun Life Financial (Hong Kong) Limited	Sun Life Hong Kong Limited
11.12.2006	Transamerica Occidental Life Insurance Company	Transamerica Life (Bermuda) Ltd.

Under section 25D of the ICO		
Date of Approval by the IA	From	To
16.6.2006	Nipponkoa Insurance Company, Limited	Nipponkoa Insurance Company (Asia) Limited
7.12.2006	CIGNA Worldwide Insurance Company	CIGNA Worldwide General Insurance Company Limited

New Authorisation

The IA authorised 11 new insurers in 2006, making up of nine general insurers and two long term insurers. A complete list of authorised insurers as at 31 December 2006 and changes within the reporting period are summarised at Appendices 3 to 6.

Figure 1.2 New Authorisation

	Place of Incorporation	Type of Business
Liberty Mutual Insurance Europe Limited	United Kingdom	General
Transamerica Life (Bermuda) Ltd.	Bermuda	Long Term
PMI Mortgage Insurance Asia Limited	Hong Kong	General
AIG United Guaranty Insurance (Asia) Limited	Hong Kong	General
Berkley Insurance Company	USA	General
The Ming An Insurance Company (China) Limited	China	General
CIGNA Worldwide General Insurance Company Limited	Hong Kong	General
Radian Insurance Inc.	USA	General
CIGNA Worldwide Life Insurance Company Limited	Hong Kong	Long Term
Atradius Credit Insurance N.V.	Netherlands	General
The Continental Insurance Company	USA	General

Legislative Amendments

As part of an on-going exercise to review provisions in the ICO, the IA will propose some amendments to bring about better transparency and supervisory standards in keeping with international developments. The insurance industry will be consulted on these proposals at an appropriate juncture.

Policyholders' Protection Funds

Since many developed economies have put in place policyholders' protection funds (PPFs), Government has launched a consultancy study on the need to install such mechanisms in Hong Kong. Stage 1 of this study, commencing in 2002, comprised a background review, an assessment on the feasibility of establishing PPFs and available options.

Diverse views were expressed on a consultation paper issued by the IA in December 2003. Although more than half of the respondents were neutral, some indicated clear opposition to PPFs by citing high administrative costs and moral

hazards, while others supported PPFs as a safety net. Government will determine the way forward taking into account findings and recommendations to be made by the consultant.

Supervision on Assets of Long Term Insurance Business

Insurers in Hong Kong are already required to identify and separate assets and liabilities attributable to their long term business as well as adhere to regulations for determination of their long term liabilities. But there is no explicit valuation standard on the assets of long term insurance business, nor is there statutory provision for insurers to maintain local assets in support of the corresponding liabilities.

To assess the effectiveness of this regime, Government has launched a consultancy study on the merits of introducing a valuation framework and safeguarding mechanism for supervision of the assets attributable to long term business of local insurers. Stage 1 of this study, commencing in September 2003, comprised a background review and research on international practices. A decision will be taken on whether to proceed further after examining the outcome and latest international trends of regulatory developments.

Employees' Compensation Insurance Residual Scheme

Following the September 11 terrorist attacks and the SARS outbreak, public concern was voiced on the lack of EC insurance coverage for certain high-risk trades. The Hong Kong Federation of Insurers ("HKFI") responded by advocating EC insurance residual scheme ("Residual Scheme") as a venue of last resort for employers who could not secure coverage from the market.

Guided by the five principles of affordability, availability, accessibility, transparency and sustainability, participation in the Residual Scheme is mandatory for all EC insurers, each bearing an element of the accepted risk derived based on their respective market share. The Employees' Compensation Insurance Residual Scheme Bureau ("ECIRSB") whose membership embraces all EC insurers will be formed to take over administration of the Residual Scheme. A member insurer will be appointed to perform underwriting and claims settlement functions, backed by the HKFI serving as the Scheme Administrator.

To ensure that the ECIRSB could function in a smooth and transparent manner, an Advisory Committee with members drawn from employer associations, labour unions, legal/accounting professions, the insurance industry, the Labour Department and the IA was set up in January 2006. The HKFI will finalise the benchmark premium rate for high-risk trades based on actuarial input before rolling out the Residual Scheme in 2007.

Facility for Terrorism Risks

EC Insurance Business

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

By the end of 2006, 64 EC insurers have joined the Facility and paid a monthly charge of 3% on their gross premiums, thereby enabling them to cover employment-related claims for death and bodily injuries caused by terrorist acts. Government will keep in view developments and withdraw the Facility once reinsurance capacity returns to the market.

Motor Insurance Business

(Graphic: Photo)

In parallel, the Motor Insurers' Bureau of Hong Kong has provided a facility of up to \$200 million out of its First Fund since January 2002 to satisfy third party death or bodily injury claims arising from terrorist acts under motor policies.

Supervision of Insurance Intermediaries

Agents

(Graphic: Photo)

Insurance agents in Hong Kong are supervised under a self-regulatory system backed by Part X of the ICO operated through the Insurance Agents Registration Board ("IARB") and complemented by the Code of Practice for the Administration of Insurance Agents ("Code of Practice"). The IA collaborates with the IARB in handling complaints lodged against insurance agents and in monitoring their compliance with the Code of Practice.

Brokers

Similarly, insurance brokers in Hong Kong must be members of a self-regulatory body approved under section 70 or authorised under section 69 of the ICO. At present, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association are approved bodies subject to oversight by the IA.

Statistics

Statistics on insurance intermediaries, their responsible officers, chief executives and technical representatives as at 31 December 2006 are shown at Appendix 7.

Promulgation of Guidance Notes

The IA reviews and updates different guidance notes promulgated to the industry from time to time. A full list of these guidance notes is at Appendix 8.

Anti-Money Laundering and Combating Terrorist Financing

(Graphic: Photo)

In accordance with revised recommendations made by the Financial Action Task Force on Money Laundering as well as the Guidance Paper on Anti-Money Laundering and Combating the Financing of Terrorism issued by the International Association of Insurance Supervisors ("IAIS"), the IA promulgated in July 2005 a Revised Guidance Note on Prevention of Money Laundering and Terrorist Financing to strengthen regulatory requirements, notably in customer acceptance and due diligence. To facilitate compliance, the IA hosted a seminar and convened another one jointly with the Narcotics Division and the Joint Financial Intelligence Unit ("JFIU") to boost awareness of the insurance industry on this subject.

Furthermore, to ensure that the anti-money laundering framework in Hong Kong is on a par with prevailing international standards, Government is contemplating legal obligations on customer due diligence and record keeping. The IA is working with relevant parties on this initiative and will consult the industry in due course.

On reporting of suspicious transactions, the IA has continued to circulate updated lists of suspected terrorists published by international sources or gazetted under local legislation. With the JFIU posting Quarterly Suspicious Transaction Report Analysis on its website since 2005, the IA has appealed to all insurance institutions in Hong Kong for support in improving the quality of their reports.

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

(Graphic: Photo)

The CEPA came into effect on 1 January 2004, under which Hong Kong residents who possess the requisite qualifications and are appointed by a Mainland insurance institution may engage insurance business across the border. Moreover, a Cooperative Agreement subsequently entered into with the China Insurance Regulatory Commission ("CIRC") paves way for local practitioners to enroll in Hong Kong and attempt insurance intermediary qualifying examinations in Shenzhen, and for setting up an examination centre in Hong Kong. The IA will follow up these initiatives and pursue a wider scope of market liberalisation.

International and Domestic Cooperation

(Graphic: Photo)

Rapid pace of globalisation, rise of financial conglomerates and strategic alliances forged between financial services providers are prompting regulators worldwide to exchange information and experience. In this context, the IA has maintained regular dialogue with its local and overseas counterparts and participated actively in international events.

In mid-2006, the Commissioner of Insurance attended IAIS committee meetings held in Ottawa and concluded a memorandum of understanding on cooperation with the Office of the Superintendent of Financial Institutions of Canada and the National Association of Insurance Commissioners of the United States. In late-2006, the Commissioner attended the 13th IAIS Annual Conference and committee meetings held in Beijing. Through its membership on the IAIS Insurance Fraud Subcommittee, the IA has actively contributed to deliberations on international supervisory standards.

(Graphic: Photo)

During the year, the IA received an official delegation from the CIRC, representatives from the Royal Monetary Authority of Bhutan and the Financial Services Authority ("FSA") of the United Kingdom. On his part, the IA paid a courtesy visit to the FSA and hosted the 6th Joint Meeting of Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen in November 2006.

Locally, the IA attended regular meetings of the Council of Financial Regulators and the Financial Stability Committee. It also established a communication channel with the HKFI and other industry bodies to discuss topical issues. On promotion of Hong Kong, the IA attended the 6th Asian CEO Insurance Summit held in Bangkok, the 5th Asian Conference on Catastrophe Insurance held locally and the 23rd East Asian Insurance Congress held in Brunei.

New Promotional VCD/DVD - "Hong Kong - An International Insurance Centre"

In order to promote Hong Kong as an international insurance hub, the IA has hired a professional film producer to update the promotional VCD/DVD - "Hong Kong - An International Insurance Centre". This project aims to highlight not only our favourable business environment and world-class regulatory regime, but also our unparalleled advantage as the gateway to Mainland China.

Copies of the promotional VCD/DVD will be distributed through the network of Hong Kong Economic and Trade Offices located in different countries.

2. General Insurance Business

Similar to 2004, despite a slight decline in gross premiums by 1.4% to \$22,546 million, the general insurance sector maintained a continuous growth in underwriting profit, climbing 12.4% to \$2,497 million in 2005.

Overview

Total gross and net premiums of general insurance business declined slightly by 1.4% to \$22,546 million and 2.0% to \$15,642 million respectively in 2005. The gross premiums represented 1.6% of the Hong Kong Gross Domestic Product, compared with 1.8% in 2004.

General Liability (comprising mainly employees' compensation ("EC") business), Property Damage, Accident and Health businesses remained the major classes of general insurance business by gross premiums written, each constituted more than 20% of the market total. Motor Vehicle business ranked fourth while the remaining business classes each constituted less than 10% of the total gross premiums.

As a sign of improvement in claims experience, the overall net claims incurred ratio ("NCIR") (i.e. net claims incurred as a percentage of earned premiums) lowered from 52.9% to 48.9% compared with 2004. Reflecting the general saving in claims costs, general insurance business achieved a 12.4% increase in underwriting profit over 2004 to \$2,497 million. The underwriting margin (i.e. underwriting profit expressed as a percentage of earned premiums) rose to 16.0% from 14.1% in 2004.

With the exception of Aircraft and Ships businesses, which recorded underwriting losses, all other business classes showed profitable underwriting results in 2005. Property Damage business remained the largest contributor to the overall underwriting profit, followed by Motor Vehicle and Goods in Transit businesses. The underwriting result for General Liability business should be seen in the light of the release of over-provision for prior-year claims by some EC insurers resulting in an aggregate extraordinary underwriting profit of about \$200 million for that class of business. Taking into account this extraordinary item, General Liability business reversed from an underwriting loss of \$39 million in 2004 to an underwriting profit of \$177 million in 2005. Ships business remained the worst performer, attributable to deteriorating claims experience.

Figure 2.1 Overall Performance of General Insurance Business

	2001	2002	2003	2004	2005
	\$m	\$m	\$m	\$m	\$m
Gross Premiums	19,436.2	23,447.6	24,291.8	22,866.3	22,545.8
Net Premiums	12,793.3	15,903.2	16,570.8	15,966.9	15,641.7
Technical Reserves	19,112.1	21,602.4	23,778.0	26,126.6	26,617.1
Underwriting Results:					
Earned Premiums	12,198.7	14,560.3	16,020.6	15,772.1	15,647.8
Underwriting Expenses ¹	5,261.5	5,174.6	5,152.8	5,198.6	5,502.8
Net Claims Incurred	7,410.6	8,142.5	9,387.4	8,351.3	7,647.8
Underwriting Profit/(Loss)	(473.4)	1,243.2	1,480.5	2,222.2	2,497.2
	%	%	%	%	%
Growth of Gross Premiums	8.8	20.6	3.6	-5.9	-1.4
Retention Ratio	65.8	67.8	68.2	69.8	69.4
Commission Payable Ratio	22.8	19.6	18.7	19.3	20.2
Net Claims Incurred Ratio	60.7	55.9	58.6	52.9	48.9

Underwriting Margin ²	-3.9	8.5	9.2	14.1	16.0
Technical Reserve Ratio ³	149.4	135.8	143.5	163.6	170.2

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

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

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

Premium Incomes

Total gross premiums (comprising direct and reinsurance inward business) declined slightly by 1.4% to \$22,546 million. The decline was mainly attributable to the significant contraction in gross premiums of General Liability business. Net premiums recorded a corresponding decline of 2.0% to \$15,642 million. The retention ratio for 2005 was 69.4%, comparable to 69.8% for 2004.

Figure 2.2 Growth of Premium Income for General Insurance Business

(Graphic: Figure 2.2 Growth of Premium Income for General Insurance Business)

Most of the major classes of general insurance business showed a decline in gross premiums in 2005. In particular, General Liability business (dominated by EC business) plunged by 11.8% to \$5,578 million in 2005, the second consecutive year of a double-digit percentage decline following 2004, which recorded a 13.3% drop in gross premiums for this line of business. This was largely a reflection of the continuing keen competition in EC business and the resulting rate cuts by insurers seeking to attract or retain business. Besides, Motor Vehicle and Goods in Transit businesses dropped by 4.6% to \$2,993 million and slightly by 0.1% to \$1,159 million respectively. Property Damage and Accident and Health businesses, on the other hand, grew by 2.5% to \$5,572 million and by 6.3% to \$4,674 million respectively.

Miscellaneous business (comprising Aircraft, Ships, Pecuniary Loss and Treaty Reinsurance businesses) also recorded a growth of 6.0% in 2005, largely attributable to Pecuniary Loss business which grew by 8.0% to \$1,478 million.

Figure 2.3 Growth of Gross Premiums for Major Lines of Business

(Graphic: Figure 2.3 Growth of Gross Premiums for Major Lines of Business)

Composition of Gross Premiums

Direct business and reinsurance inward business accounted for 77.8% and 22.2% respectively of total gross premiums in 2005, showing similar composition as in 2004. General Liability, Property Damage and Accident and Health businesses topped the general insurance sector, constituted 24.7%, 23.4% and 20.7% respectively of the total gross premiums. Motor Vehicle business ranked fourth with its 13.3% share.

Figure 2.4 Composition of Gross Premiums

Class of Business	Direct & Reinsurance Inward Business		Direct Business		Reinsurance Inward Business	
	2004 %	2005 %	2004 %	2005 %	2004 %	2005 %
Accident & Health	19.2	20.7	22.9	25.3	5.1	4.7
Motor Vehicle	13.7	13.3	15.6	15.7	6.4	5.0
Goods In Transit	5.1	5.1	5.4	5.5	3.9	3.7
Property Damage	22.5	23.4	16.8	16.6	44.4	47.3

General Liability	27.6	24.7	30.1	27.3	18.2	16.0
Miscellaneous	11.9	12.8	9.2	9.6	22.0	23.3

Claims

The claims experience for general insurance business improved both in the direct and reinsurance inward business sectors in 2005. Overall NCIR fell by 4 percentage points to 48.9%, largely due to release of excess provisions for outstanding claims, notably in General Liability business.

On direct business, overall NCIR improved from 55.1% to 52.2% in 2005. The star performers were Goods in Transit and Property Damage businesses which recorded the lowest NCIRs, both below 20%.

On reinsurance inward business, overall NCIR improved from 45.5% to 36.3% in 2005.

Figure 2.5 Net Claims Incurred Ratio

(Graphic: Figure 2.5 Net Claims Incurred Ratio - Direct & Reinsurance Inward Business)

(Graphic: Figure 2.5 Net Claims Incurred Ratio - Direct Business)

(Graphic: Figure 2.5 Net Claims Incurred Ratio - Reinsurance Inward Business)

Technical Reserves

Technical reserves, comprising outstanding claims provision (including provision for incurred but not reported claims), unearned premiums and unexpired risks provision slightly rose by 1.9% to \$26,617 million.

Overall technical reserve ratio (i.e. technical reserves expressed as a percentage of net premiums written) strengthened from 163.6% in 2004 to 170.2% in 2005. Among the major classes of business, the technical reserve ratio of General Liability business increased the most, from 271.3% in 2004 to 316.5% in 2005. Notably, the technical reserve ratios of General Liability and Motor Vehicle businesses remained the highest of general insurance business classes in 2005, though the technical reserve ratio of Motor Vehicle business slightly decreased from 206.8% in 2004 to 205.3% in 2005.

Figure 2.6 Technical Reserve Ratio

Class of Business	UPR & UER Ratio ¹		Outstanding Claims Provision Ratio ²		Technical Reserve Ratio ³	
	2004 %	2005 %	2004 %	2005 %	2004 %	2005 %
Accident & Health	29.3	34.2	23.4	23.9	52.6	58.1
Motor Vehicle	43.8	45.0	163.0	160.3	206.8	205.3
Goods In Transit	18.6	17.1	48.7	49.4	67.3	66.5
Property Damage	40.0	43.4	73.5	68.3	113.5	111.7
General Liability	56.8	57.0	214.5	259.5	271.3	316.5
Miscellaneous	60.5	67.5	144.9	131.4	205.4	198.9
Overall	43.6	45.9	120.1	124.3	163.6	170.2

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

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

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

Underwriting Results

The overall underwriting profit increased from \$2,222 million in 2004 to \$2,497 million in 2005, representing a rise of 12.4%.

With the exception of Aircraft and Ships businesses which recorded underwriting losses of \$5 million and \$156 million respectively in 2005, all other business classes recorded underwriting profits. Property Damage business remained the largest contributor to the overall underwriting profit of the general insurance business in 2005, achieving an underwriting profit of \$995 million and an 11.3% increase over 2004. Motor Vehicle business and Goods in Transit business came next, registering \$446 million and \$399 million in underwriting profits respectively. General Liability business, attributable to the releases by some EC insurers of past claims over-provisions, showed a turnaround to an underwriting profit of \$177 million, reversing from an underwriting loss of \$39 million in 2004. Excluding this extraordinary item, EC business, the major component of General Liability business continued to incur an underwriting loss. Ships business remained the worst performer, with its underwriting loss deteriorated further from \$82 million in 2004 to \$156 million in 2005 as a result of worsened claims experience.

On direct business, the underwriting profit increased from \$1,197 million to \$1,441 million. All business classes maintained a profitable position, except for EC business, Ships business and Aircraft business. Property Damage business continued to record the highest underwriting profit (\$435 million), followed by Motor Vehicle business (\$384 million), Goods in Transit business (\$376 million) and General Liability (non-EC) business (\$306 million). On the other hand, Ships business was the worst performer recording an underwriting loss of \$175 million in 2005. As for EC and Aircraft businesses, an underwriting loss of \$136 million and \$1 million was recorded respectively in 2005.

On reinsurance inward business, the underwriting profit also increased from \$1,025 million to \$1,057 million. Except for Aircraft business which recorded an underwriting loss of \$4 million, all other classes of reinsurance business recorded an underwriting profit. Similar to direct business, Property Damage business was the best performer, recording an underwriting profit of \$560 million.

(Graphic: Figure 2.7 Underwriting Results)

Click [here](#) to enlarge figure.

Figure 2.8 Underwriting Margin of Major Lines of Business

(Graphic: Figure 2.8 Underwriting Margin of Major Lines of Business)

Statutory Business

Statutory business comprises three classes of direct business - Motor Vehicle, Employees' Compensation (classified as General Liability-Statutory business) and Launch and Vessel Liability businesses (classified as Ships-Statutory business). In 2005, they altogether contributed \$5,546 million in gross premiums to the general insurance business market, representing 31.6% of total direct business gross premiums. EC business, after receding from its top position as the largest class in terms of gross premiums for direct business in 2004, declined further by one more rank to the third position in 2005. Its market share in the direct business market reduced from 19.2% in 2004 to 15.9% in 2005.

Motor Vehicle Business

Gross premiums for direct Motor Vehicle business decreased by 3.3% to \$2,742 million in 2005, while the number of vehicles covered increased by 3.8% to 587,130,

reflecting a downward adjustment of premium rates persisting in the Motor insurance market in 2005. However, due to an improved NCIR from 48.4% to 42.1% recorded in 2005, the underwriting margin of direct Motor Vehicle business increased from 12.6% in 2004 to 17.0% in 2005.

Figure 2.9 Motor Vehicle Business

	Unit	2001	2002	2003	2004	2005
Gross Premiums	\$ million	2,766.7	3,171.0	2,902.5	2,835.9	2,741.8
Underwriting Profit / (Loss)	\$ million	(121.0)	79.5	13.2	276.3	384.1
Growth of Gross Premiums	%	12.2	14.6	-8.5	-2.3	-3.3
Net Claims Incurred Ratio	%	58.4	54.7	63.4	48.4	42.1
Underwriting Margin	%	-6.0	3.5	0.6	12.6	17.0
Number of Vehicles Covered		546,072	612,228	548,630	565,866	587,659

Employees' Compensation Business

Following the severe rate cut that happened across the EC insurance market in 2004, EC business remained highly competitive, creating continuing pressures on its premium rates. As a result, gross premiums of EC business dropped by as much as 20.1% in 2005, repeating the experience for 2004 when a fall of 21.2% in gross premiums was recorded. In 2005, the number of EC policies in force decreased slightly by 1.4% to 299,330, reversing the increasing trend for the past 4 years. The underwriting result, on the other hand, improved from an underwriting loss of \$264 million in 2004 to a loss of \$136 million, mainly due to the release of over-provisions for claims in prior years.

Figure 2.10 Employees' Compensation Business

	Unit	2001	2002	2003	2004	2005
Gross Premiums	\$ million	2,703.3	4,280.7	4,415.8	3,479.7	2,782.0
Underwriting Profit / (Loss)	\$ million	(1,039.0)	(161.7)	(107.6)	(263.9)	(136.4)
Growth of Gross Premiums	%	9.7	58.4	3.2	-21.2	-20.1
Net Claims Incurred Ratio	%	102.9	75.5	75.9	80.0	71.0
Underwriting Margin	%	-57.0	-6.4	-3.8	-9.4	-5.5
Number of Policies in Force		225,048	254,303	266,111	303,623	299,330

Launch and Vessel Liability Business

Gross premiums of Launch and Vessel Liability business increased from \$20 million in 2004 to \$22 million in 2005, with the number of launches, ferry vessels and pleasure vessels covered being increased by 7.3% to 6,529. Such business posted an underwriting profit of \$8 million as compared with \$4 million in 2004.

Figure 2.11 Launch and Vessel Liability Business

	Unit	2001	2002	2003	2004	2005
Gross Premiums	\$ million	22.6	17.9	17.5	20.1	22.3

Underwriting Profit / (Loss)	\$ million	0.9	(4.7)	5.4	4.0	7.7
Growth of Gross Premiums	%	-44.2	-20.8	-2.2	14.9	10.9
Net Claims Incurred Ratio	%	30.6	91.5	12.4	21.2	6.3
Underwriting Margin	%	7.3	-44.3	51.4	40.4	61.1
Number of Launches, Ferry Vessels & Pleasure Vessels Covered		5,461	5,631	5,645	6,087	6,529

Pure Reinsurers' Business

Pure reinsurers (i.e. insurers that are only authorised to carry on reinsurance business in or from Hong Kong) recorded a decline in gross premiums by 14.3% to \$2,030 million in 2005. However, their total underwriting profit increased from \$622 million in 2004 to \$633 million in 2005, a slight increase of 1.8% over 2004. The top 5 pure reinsurers took up a total market share of 81.5%, in terms of gross premiums, indicating the continuing high concentration of business in the pure reinsurers' market persisted in 2005.

Figure 2.12 Pure Reinsurers' Business

	Unit	2001	2002	2003	2004	2005
Gross Premiums	\$ million	1,749.2	2,893.9	3,260.9	2,371.3	2,030.3
Underwriting Profit / (Loss)	\$ million	153.1	240.7	296.1	621.5	633.0
Growth of Gross Premiums	%	14.3	65.4	12.7	-27.3	-14.4
Net Claims Incurred Ratio	%	53.5	60.4	67.7	51.0	36.8
Underwriting Margin	%	10.7	11.1	9.9	25.9	31.9

Figure 2.13 Top 5 Pure Reinsurers by Gross Premiums in 2005

Ranking of Insurers	Gross Premiums	Market Share
	\$m	%
1. The Toa Reinsurance Company, Limited	437	21.6
2. Swiss Reinsurance Company	417	20.5
3. China International Reinsurance Company Limited	346	17.0
4. Munich Reinsurance Company	318	15.7
5. Transatlantic Reinsurance Company	137	6.7
Total Gross Premiums Written by Top 5 Reinsurers in 2005	1,655	81.5
Corresponding Figure for 2004	1,955	82.4

Assets Maintained in Hong Kong

Pursuant to the local asset requirement under section 25A of the ICO, insurers other than pure reinsurers and captive insurers carrying on general insurance business in or from Hong Kong are required to maintain assets in Hong Kong to match their local insurance liabilities. As at their financial year ended in 2005, these insurers maintained assets in Hong Kong totalling \$70,892 million, a 9.3% decrease over 2004. Mortgage portfolio remained the largest asset type, registering \$29,418 million or 41.5% of total

local assets, followed by Deposits and Cash (23.7%) and Fixed and Variable Interest Securities (16.2%).

Figure 2.14 Breakdown of Assets Maintained in Hong Kong

Category of Assets	2003		2004		2005	
	\$m	%	\$m	%	\$m	%
Deposits & Cash	15,845.1	21.9	19,804.1	25.3	16,842.5	23.7
Fixed & Variable Interest Securities	8,765.0	12.1	9,343.0	12.0	11,493.8	16.2
Insurance Debts	4,419.1	6.1	4,479.4	5.7	3,970.9	5.6
Letters of Credit	3,343.3	4.6	2,964.0	3.8	2,905.1	4.1
Investments in Associated/Subsidiary Companies	2,020.2	2.8	2,535.0	3.2	2,401.0	3.4
Land & Buildings	743.6	1.0	1,288.3	1.6	1,456.1	2.1
Other Assets - Mortgage Portfolio ¹	34,581.7	47.7	34,829.1	44.6	29,417.7	41.5
- Others	2,761.3	3.8	2,948.7	3.8	2,404.8	3.4
Total	72,479.3	100.0	78,191.6	100.0	70,891.9	100.0

¹ Mortgage Portfolio was owned by The Hong Kong Mortgage Corporation Limited.

Market Analysis

A total of 126 insurers reported to the IA on their Hong Kong general insurance business for 2005. Of these insurers, 97 made underwriting profits while 29 suffered underwriting losses.

In 2005, gross premiums written by the top 10 and top 20 insurers amounted to \$8,516 million and \$13,255 million respectively. These premiums represented 37.7% and 58.8% of the market share, similar to the corresponding figures of 36.7% and 57.8% recorded in 2004. At the lower end of the scale, 26 insurers wrote gross premiums below the \$0.2 million level in 2005.

Comparing with the market share of the top 10 general business insurers by overall gross premiums (37.7%), the market share of the top 10 insurers by gross premiums of individual major classes of general insurance business was higher, namely Accident and Health business (65.2%), Motor Vehicle business (61.7%), Property Damage business (48.9%) and EC business (60.8%).

Figure 2.15 Distribution of Insurers' Market Share and Underwriting Performance

Ranking of Insurers		Range of Gross Premiums	Market Share	Number of Insurers	
		\$m	%	Profit-making*	Loss-making
1 - 10	2004	633.1 - 1,342.0	36.7	10	0
	2005	618.9 - 1,309.4	37.7	10	0
11 - 20	2004	422.8 - 613.3	21.1	10	0
	2005	416.6 - 534.4	20.9	9	1
21 - 50	2004	125.2 - 408.3	30.6	19	11
	2005	121.4 - 345.8	30.0	24	6
51 - 100	2004	0.3 - 123.9	11.6	36	14
	2005	0.2 - 121.2	10.9	36	14
Remaining	2004	<0.3	0.0	17	12

	2005	<0.2	0.5	18	8
Total	2004		100.0	92	37
	2005		100.0	97	29

* Including break-even insurers

Figure 2.16 Top 10 Insurers by Overall Gross Premiums in 2005

Ranking of Insurers		Gross Premiums	Market Share
		\$m	%
1.	American Home Assurance Company	1,309	5.8
2.	Bank of China Group Insurance Company Limited	1,266	5.6
3.	HSBC Insurance (Asia) Limited	1,034	4.6
4.	The Ming An Insurance Company (Hong Kong), Limited	835	3.7
5.	Asia Insurance Company, Limited	782	3.5
6.	QBE Hongkong & Shanghai Insurance Limited	682	3.0
7.	AXA General Insurance Hong Kong Limited	673	3.0
8.	Zurich Insurance Company	663	2.9
9.	ACE Insurance Limited	653	2.9
10.	Wing Lung Insurance Company Limited	619	2.7
Total Gross Premiums Written by Top 10 Insurers in 2005		8,516	37.7
Corresponding Figure for 2004		8,619	36.7

Figure 2.17 Top 10 Insurers by Gross Premiums of Major Classes in 2005

Accident & Health Business

Ranking of Insurers		Market Share
1.	BUPA (Asia) Limited	10.2%
2.	American International Assurance Company (Bermuda) Limited	9.7%
3.	HSBC Insurance (Asia) Limited	8.5%
4.	Blue Cross (Asia-Pacific) Insurance Limited	8.5%
5.	AXA China Region Insurance Company Limited	7.2%
6.	American Home Assurance Company	6.6%
7.	HSBC Medical Insurance Limited	4.5%
8.	The Prudential Assurance Company Limited	4.0%
9.	Hang Seng Insurance Company Limited	3.2%
10.	ACE Insurance Limited	2.8%
Top 10 Insurers' Market Share		65.2%
Number of Insurers : 79		

Motor Vehicle Business

Ranking of Insurers		Market Share
1.	Bank of China Group Insurance Company Limited	10.9%
2.	AXA General Insurance Hong Kong Limited	8.0%
3.	The Ming An Insurance Company (Hong Kong), Limited	7.7%

4.	The Pacific Insurance Company, Limited	6.9%
5.	Zurich Insurance Company	6.4%
6.	Anglo Starlite Insurance Company Limited	5.6%
7.	QBE Hongkong & Shanghai Insurance Limited	5.5%
8.	Target Insurance Company, Limited	3.8%
9.	HSBC Insurance (Asia) Limited	3.6%
10.	Wing Lung Insurance Company Limited	3.3%
Top 10 Insurers' Market Share		61.7%
Number of Insurers : 66		

Property Damage Business

Ranking of Insurers		Market Share
1.	CNOOC Insurance Limited	9.3%
2.	American Home Assurance Company	6.7%
3.	HSBC Insurance (Asia) Limited	5.7%
4.	The Toa Reinsurance Company, Limited	5.3%
5.	Bank of China Group Insurance Company Limited	4.7%
6.	Through Transport Mutual Insurance Association (Eurasia) Limited	3.8%
7.	Asia Insurance Company, Limited	3.7%
8.	Hang Seng Insurance Company Limited	3.6%
9.	Aviva General Insurance Limited	3.1%
10.	Munich Reinsurance Company	3.0%
Top 10 Insurers' Market Share		48.9%
Number of Insurers : 86		

Employees' Compensation Business

Ranking of Insurers		Market Share
1.	Bank of China Group Insurance Company Limited	14.2%
2.	Wing Lung Insurance Company Limited	9.5%
3.	Asia Insurance Company, Limited	7.3%
4.	The Ming An Insurance Company (Hong Kong), Limited	6.1%
5.	Sun Hung Kai Properties Insurance Limited	5.4%
6.	AXA General Insurance Hong Kong Limited	4.7%
7.	QBE Hongkong & Shanghai Insurance Limited	4.4%
8.	Zurich Insurance Company	3.6%
9.	China Overseas Insurance Limited	2.9%
10.	HSBC Insurance (Asia) Limited	2.7%
Top 10 Insurers' Market Share		60.8%
Number of Insurers : 62		

Market Performance for the First Three Quarters of 2006

According to the provisional statistics for the first three quarters of 2006, general insurance business remained stable and gross premiums recorded a slight decline of 0.4% to \$18,026 million compared with the corresponding period of 2005. Net premiums, on the other hand, increased by 0.5% to \$12,856 million due to a

marginally higher retention rate.

Overall underwriting profit of general insurance business substantially increased from \$860 million to \$2,034 million. This was mainly attributable to the general improvement in the claims experience recorded in the industry. More prominent was the significant improvement in the underwriting performance of Ships business, which turned from a loss of \$575 million to a profit of \$42 million. Property Damage business remained the largest contributor to the overall underwriting profit, albeit reducing from a profit of \$731 million to \$612 million.

On direct business, gross and net premiums increased by 2.8% to \$14,394 million and 5.9% to \$10,421 million respectively in the first three quarters of 2006. With the significantly improved performance of Ships business, the underwriting result of direct business achieved a profit of \$1,207 million in the first three quarters of 2006, up from \$351 million for the corresponding period of 2005. As regards the two major classes of compulsory insurance business, i.e. Motor Vehicle business and employees' compensation business (EC), underwriting profit of Motor Vehicle business moderately increased from \$162 million to \$196 million whereas EC business turned from a loss of \$160 million to a profit of \$21 million largely due to the significant release of over-provision for past claims.

On reinsurance inward business, gross and net premiums decreased by 11.1% to \$3,632 million and 17.4% to \$2,435 million respectively. Underwriting result continued to be profitable, with an increase in profit from \$509 million to \$827 million due to improvement in claims experience.

3. Long Term Insurance Business

Long term insurance industry grew by 16.6% in 2005, compared to 27.4% in 2004. The growth was mainly attributable to the increase in individual life business. Total office premiums in force increased from \$98,414 million to \$114,756 million, equivalent to about 8.3% of the gross domestic product.

Overview

Individual Life business remained the most dominant line of business, with office premiums in force of \$98,181 million or 85.6% of total office premiums in force. It represented a premium growth of 19.4% from 2004. The number of Individual Life policies attained 6.6 million. Net liabilities of these policies rose by 27.8% to \$292,888 million.

The yearly contributions for Retirement Scheme contracts administered by insurers increased by 2.2% to \$13,070 million. There were 66,298 Retirement Scheme contracts at the end of 2005 and the net liabilities of these contracts amounted to \$106,232 million.

Group Life business decreased slightly by 0.2% to \$1,200 million in terms of office premiums in force, whereas the number of policies and net liabilities of the business increased by 5.7% to 15,256 and 4.5% to \$527 million respectively.

Annuity and other long term insurance business (mainly comprises Permanent Health business) increased by 5.2% in terms of office premiums in force to \$2,305 million. These businesses in aggregate only accounted for 2.0% of the total office premiums of long term insurance business.

(Graphic: Figure 3.1 Long Term Insurance Business)

Click [here](#) to enlarge figure.

Individual Life In-Force Business

Non-Linked business accounted for 68.1% of the total office premiums of Individual Life in-force business, or \$66,866 million, representing a 17.1% increase from that of 2004. The number of in-force policies as at the end of 2005 was 5,779,640, up 6.9% from that of 2004. The total sums assured and net liabilities also increased by 5.5% and 27.2% to \$2,118,108 million and \$205,939 million respectively. Among the Non-Linked products, Whole Life and Endowment insurance took up 84.6% of the total Non-Linked office premiums in force, while Term and Other insurance accounted for the remaining 15.4%. Non-Linked business is classified into with-profits business and without-profits business. Under this classification, with-profits business took up 78.4% of the office premiums in force, while without-profits business accounted for the remaining 21.6%.

Linked business represented 31.9% of the total office premiums of Individual Life in-force business. The business grew by 24.7% in terms of office premiums to reach \$31,315 million at the end of 2005. Its number of policies and net liabilities also rose by 25.5% to 807,885 and 29.4% to \$86,949 million respectively.

Figure 3.2 Individual Life In-Force Business

(Graphic: Figure 3.2 Individual Life In-Force Business - Office Premiums)

(Graphic: Figure 3.2 Individual life In-Force Business - Office Premiums of Non-Linked Business)

Individual Life New Business

Benefiting from economic recovery, the office premiums of Individual Life new business achieved a growth of 21.7% over 2004 to reach \$45,351 million in 2005. The number of new Individual Life policies expanded mildly by 0.5% from 1,007,313 in 2004 to 1,012,488 in 2005. This indicated that the premiums per policy had increased on the average.

For new Non-Linked business, the number of policies decreased by 3.7% to 799,057 whereas the office premiums increased by 25.0% to \$23,879 million. Compared with regular premium business, single premium business registered higher sales growth both in terms of number of policies and office premiums. As regards different product categories, Whole Life and Endowment insurance business remained the dominant types of Non-Linked insurance product sold, taking up 90.3% of total new Non-Linked premiums, whereas Term and Other insurance accounted for the balance of 9.7%. When Non-Linked business is classified into with-profits and without-profits business, the former took up 82.2% of the new office premiums while the latter represented the remaining 17.8%.

New Linked business in 2005 recorded an increase of 20.1% in number of policies, and it registered a growth of 18.3% in new office premiums. The number of policies and office premiums of new single premium Linked business grew by 38.4% and 17.6% respectively. Sales of new regular premium Linked business also increased by 14.4% and 21.0% in terms of number of policies and office premiums respectively.

New Business Index, defined as total office premiums for all regular premium products plus one-tenth of single premiums, rose by 11.1% in 2005. The increase in New Business Index was the combined result of the new premiums recorded for regular premium business and single premium business, which rose by 7.7% and 29.0% respectively. During the year, the New Business Indexes for Non-Linked and Linked business grew by 6.6% and 20.0% respectively.

Figure 3.3 Individual Life New Business

(Graphic: Figure 3.3 Individual life New Business - Office Premiums)

(Graphic: Figure 3.3 Individual life New Business - Office Premiums of Non-Linked Business)

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

Click [here](#) to enlarge figure.

Individual Life Voluntary Termination Rate (Lapses and Surrenders)

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

For Non-Linked Individual Life business, the overall voluntary termination rate decreased to 7.5% in 2005. The rates for the two main types of insurance, i.e. Whole Life and Endowment businesses, were 5.6% and 3.3% respectively.

For Linked Individual Life business, the overall voluntary termination rate also decreased to 6.8% in 2005. Among others, the voluntary termination rate for Whole Life business was 7.7% and that for Endowment business was 4.1%.

Figure 3.5 Individual Life Voluntary Termination Rate

(Graphic: Figure 3.5 Individual life Voluntary Termination Rate - Non-linked Business, linked Business)

Group Life Business

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

Class A business accounted for 14.9% of the Group Life office premiums. At the end of 2005, there were 1,121 Class A policies in force, covering 332,668 lives and offering a total of \$74,669 million in form of insurance protection (i.e. total sums assured). The office premiums and the net liabilities for Class A policies were \$179 million and \$172 million respectively.

Class I business made up the remaining portion, or 85.1%, of the Group Life office premiums. At the end of 2005, the number of Class I policies in force was 14,135, covering 773,006 lives. The total sums assured, office premiums and net liabilities for this type of policies were \$356,160 million, \$1,021 million and \$355 million respectively.

Figure 3.6 Group Life In-Force Business

(Graphic: Figure 3.6 Group life In-Force Business - Number of Policies, Office Premiums)

Retirement Scheme Business

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

At the end of 2005, Class G contributions amounted to \$7,682 million, representing 58.8% of the overall contributions for Retirement Scheme business. Net liabilities amounted to \$64,599 million, representing 60.8% of the total net liabilities. Net liabilities can be classified into unit and non-unit liabilities. Unit liabilities took up 73.7% of the total net liabilities, or \$47,632 million, while non-unit liabilities took up the remaining 26.3% or \$16,967 million.

Class H business accounted for the remaining 41.2% of the contributions and 39.2% of the net liabilities for Retirement Scheme business. Unit liabilities accounted for 69.7% of the net liabilities or \$29,035 million while non-unit liabilities accounted for the remaining 30.3% or \$12,598 million.

Figure 3.7 Retirement Scheme In-Force Business

(Graphic: Figure 3.7 Retirement Scheme In-Force Business - Contributions, Net Liabilities)

Annuity and Other Business

Annuity in-force business decreased slightly by 1.7% in terms of number of policies, whereas office premiums and net liabilities increased by 2.5% to \$1,235 million and 22.0% to \$3,635 million respectively. During the year, a total of 5,508 new Annuities policies were sold, bringing office premiums of \$409 million.

Other business comprises Permanent Health, Tontines and Capital Redemption business. During the year, Permanent Health business decreased by 2.4% in terms of number of policies to 213,800. Its office premiums and net liabilities grew by 8.6% to \$1,070 million and 20.5% to \$1,928 million respectively. As regards Tontines and Capital Redemption businesses, they represented total office premiums of about \$0.1 million.

Market Analysis

At the end of 2005, there were 65 authorised long term insurers. Excluding Lloyd's and 6 pure reinsurers, 3 insurers reported office premiums in force of over \$10

billion. They took up 39.5%, in aggregate, of the long term insurance market. 21 insurers' office premiums were each in the region of \$1 billion to \$10 billion, covering 54.7% in aggregate of the total figure. 10 insurers reported office premiums in the region of \$100 million to \$1 billion, accounting for, in aggregate, a market share of 5.5%. 24 insurers with office premiums of less than \$100 million represented the remaining 0.3% of the total market.

Figure 3.8 Grouping of Long Term Business Insurers According to the Level of Office Premiums of In-Force Business in 2005

(Graphic: Figure 3.8 Grouping of Long Term Business Insurers According to the Level of Office Premiums of In-Force Business in 2005)

**Figure 3.9
Top 10 Long Term Business Insurers by Office Premiums of In-Force Business in 2005**

Ranking	Name of Insurers	Abbreviated Name	Office Premiums	Market Share
			\$m	%
1	American International Assurance Company (Bermuda) Limited	AIA (Bermuda)	18,055	15.7
2	Manulife (International) Limited	Manulife (Int'l)	14,608	12.7
3	HSBC Life (International) Limited	HSBC Life	12,732	11.1
4	Prudential Assurance Company Limited - The	Prudential (UK)	9,731	8.5
5	Hang Seng Life Limited	Hang Seng Life	7,616	6.6
6	AXA China Region Insurance Company (Bermuda) Limited	AXA China (Bermuda)	6,915	6.0
7	BOC Group Life Assurance Company Limited	BOC Group Life	3,628	3.2
8	China Life Insurance (Overseas) Company Limited	China Life	3,498	3.1
9	Winterthur Life (Hong Kong) Limited	Winterthur Life	3,227	2.8
10	Sun Life Hong Kong Limited	Sun Life Hong Kong	3,183	2.8
Sub-total			83,193	72.5
Others (remaining insurers)			31,563	27.5
Market Total			114,756	100.0

In terms of market concentration of in-force business, the top 10 long term business insurers in 2005 underwrote an aggregate of 72.5% of the total business, compared to 72.6% in 2004.

Figure 3.10 Market Share of Long Term Business Insurers by Office Premiums of In-Force Business in 2005

(Graphic: Figure 3.10 Market Share of Long Term Business Insurers by Office Premiums of In-Force Business in 2005)

In terms of Individual Life new business, out of the total 37 insurers underwriting such business in 2005, 13 insurers reported new office premiums in excess of \$1 billion. These insurers accounted for a market share of 81.4% of the total business. 17 insurers with new office premiums in the range between \$100 million and \$1 billion accounted for 18.4% in aggregate of the total market. The remaining

7 insurers with new office premiums less than \$100 million represented 0.2% of the total figure.

Figure 3.11 Grouping of Long Term Business Insurers According to the Level of Office Premiums of Individual Life New Business in 2005

(Graphic: Figure 3.11 Grouping of Long Term Business Insurers According to the Level of Office Premiums of Individual Life New Business in 2005)

Market Performance for the First Three Quarters of 2006

For the first three quarters of 2006, the provisional statistics showed that the long term insurance industry grew by 18.5% in terms of total revenue premiums to \$97,616 million when comparing with the corresponding period of 2005. Among the major classes of business, Non-Linked Individual Life and Annuity business grew by 6.4% to \$50,211 million; Linked Individual Life and Annuity business expanded by 47.4% to \$31,345 million; and Retirement Scheme business also increased by 16.6% to \$14,097 million.

New business statistics for the first three quarters of 2006 showed that new office premiums (excluding Retirement Scheme business) of long term business increased by 20.8% to \$38,400 million when comparing with the same period of 2005. Individual Life and Annuity (Non-Linked) business decreased by 9.9% to \$15,020 million in terms of new office premiums. New office premiums of Individual Life and Annuity (Linked) business grew by 55.4% to \$23,109 million.

4. Supervisory Developments for Insurance Intermediaries

The Office of the Commissioner of Insurance ("OCI") continues to enhance the professional standard of insurance intermediaries and introduces a new examination paper under the Insurance Intermediaries Quality Assurance Scheme for travel industry practitioners planning to become travel insurance agents. We also work closely with other financial services regulators to strengthen supervisory cooperation.

Insurance Intermediaries Quality Assurance Scheme

As a hallmark to enhance professionalism of insurance intermediaries, the Insurance Intermediaries Quality Assurance Scheme ("IIQAS") was launched on 1 January 2000. All insurance intermediaries, their responsible officers/chief executives and technical representatives (collectively referred to as "insurance intermediaries") are required to comply with the requirements of the IIQAS. The IIQAS consists of the Insurance Intermediaries Qualifying Examination ("IIQE") and the Continuing Professional Development ("CPD") Programme.

The IIQE

(Graphic: Photo)

In order to be eligible for registration/authorisation, a prospective insurance intermediary is required to, inter alia, pass the IIQE, unless otherwise exempted. The IIQE currently consists of six examination papers which include the compulsory paper on Principles and Practice of Insurance, three qualifying papers (viz. General Insurance, Long Term Insurance and Investment-linked Long Term Insurance), the independent paper on Mandatory Provident Fund Schemes and the newly introduced Travel Insurance Agents Examination. The examinations are offered in both pen-and-paper mode and computer screen mode. Up to the end of 2006, the total number of sittings for the first five examinations were about 250,000, 134,000, 221,000, 108,000, and 98,000* while the passing rates for the individual examination papers ranged from 42% to 72%. The newly launched Travel Insurance Agents Examination commenced in May 2006. By the end of 2006, there were a total of about 4,000 sittings for this new examination and the passing rate was 45%. The statistics are shown in Figure 4.1.

(Graphic: Photo)

The Vocational Training Council ("VTC") is appointed as the examination body for the administration of the IIQE. The study notes and the examination questions for each of the IIQE examination papers are regularly reviewed and updated by the VTC, taking account of the latest regulatory and market development.

Figure 4.1 The IIQE

	Subject	Number of Sittings	Passing Rate
Part I	Compulsory Paper - Principles and Practice of Insurance	250,469	51%
Part II	Qualifying Papers - General Insurance	133,662	42%
	- Long Term Insurance	221,218	57%
	- Investment-linked Long Term Insurance	107,808	60%
Part III	Travel Insurance Agents Examination Paper	4,061	45%
Part IV	Independent Paper - Mandatory Provident Fund Schemes	98,256*	72%

* The figures reported here for the Mandatory Provident Fund Schemes Examination also included the number of sittings for the MPF Intermediaries Examination conducted by the

Hong Kong Securities Institute. Both examinations are recognised by the Mandatory Provident Fund Schemes Authority for meeting the MPF intermediary examination requirement.

The CPD Programme

The CPD Programme encourages insurance intermediaries to pursue lifelong learning, enhance professionalism and deliver excellent services to the insuring public. It aims to ensure that insurance intermediaries constantly keep abreast of the industry knowledge and maintain their professional competence. Insurance intermediaries are required to earn 10 CPD hours every year. As for travel insurance agents, they are required to earn 3 CPD hours annually and the implementation date will be promulgated in due course.

Appointed as the accreditation authority for the CPD Programme, the Hong Kong Council for Academic Accreditation ("HKCAA") provides accreditation services for CPD activities. A list of the accredited CPD activities is periodically updated at the HKCAA's website (<http://www.hkcaa.edu.hk>).

Travel Insurance Agents

To encourage Hong Kong people to take out travel insurance before travelling abroad, the OCI, in consultation with the travel industry, the insurance industry and other parties concerned, introduced a new category of insurance agents, "travel insurance agents", to the regulatory system.

Under the new regulatory arrangement, travel agents and their staff must be registered with the Insurance Agents Registration Board ("IARB") as "travel insurance agents" before they are allowed to sell travel insurance to their customers. Apart from meeting the fit and proper criteria, a person who wants to be registered as a "travel insurance agent" also has to pass the new "Travel Insurance Agents Examination" covering principles and practice of insurance and travel insurance. The "Travel Insurance Agents Examination", conducted by the VTC on a regular basis, was introduced in May 2006. "Travel insurance agents" must also receive sufficient training to keep abreast of the latest professional knowledge.

Under the new arrangement, "travel insurance agent" is only allowed to sell travel insurance tied to a tour, travel package, trip or other travel services that the same "travel insurance agent" arranges for his or her clients. Any "travel insurance agent" who is in breach of the Code of Practice for the Administration of Insurance Agents will be subject to the disciplinary action taken by the IARB.

Monitoring of Insurance Intermediaries and Mandatory Provident Fund Intermediaries

The OCI as the insurance regulatory authority has regulatory oversight of insurance intermediaries and Mandatory Provident Fund ("MPF") intermediaries under its regime to ensure that they comply with the requirements of the Insurance Companies Ordinance ("ICO") and the Code of Conduct for MPF Intermediaries ("Code of Conduct"). To discharge this function, the OCI conducts on-site inspections to these intermediaries and ensures that complaints against intermediaries are handled properly.

Since the inspection programme commenced in 2000, the OCI has visited all long term insurers and most insurance intermediaries selling MPF schemes. In general, no major irregularities or serious breaches of the Code of Conduct were noted. Nevertheless, some insurance brokers were found to have failed to comply with the Minimum Requirements specified under the ICO. The OCI has urged the two approved bodies of insurance brokers to step up enforcement of the compliance with the Minimum Requirements by their members.

Cross-sectoral Cooperation

The OCI works closely with local financial services regulators, i.e. the Securities and Futures Commission ("SFC"), the Hong Kong Monetary Authority ("HKMA"), and the Mandatory Provident Fund Schemes Authority ("MPFA") on cross-sectoral issues. Concerning the regulation of MPF intermediaries, the OCI, MPFA, HKMA and SFC entered into a cooperative agreement in 1999. Thereafter, the OCI concluded a Memorandum of Understanding ("MoU") separately with the HKMA in 2003, the MPFA in 2004 and the SFC in 2005. Such MoUs seek to strengthen the supervisory cooperation and exchange of information between the OCI and the three other financial services regulators. The OCI and other regulators also hold bilateral meetings at times to discuss issues of common supervisory concerns.

5. Consumer Protection

Partnering with the Consumer Council and insurance industry, the Office of the Commissioner of Insurance ("OCI") enhances market transparency, promotes good industry practice, and educates the insuring public.

Market Transparency

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

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

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

Every quarter, the OCI publishes provisional general business statistics on the underwriting performance for each class of direct and reinsurance inward business, under which direct Accident & Health business is further broken down into "medical" and "non-medical" business and EC business into "construction", "restaurants and hotels" and "others" business. The provisional statistics on the underwriting performance of motor vehicle business broken down by type of vehicle are also published quarterly.

Quarterly provisional long term business statistics include both in-force and new business. Returns on long term business have included quarterly statistics on life policy replacement to gauge the extent of this activity. A new form has also been used to collect statistics on individual policies issued to Mainland visitors.

Newsletter "ILens"

(Graphic: Photo)

Launched in May 2000, the bilingual "ILens" is instrumental in strengthening regulatory transparency and communication among the OCI, the insuring public and the insurance industry. The official newsletter's circulation is consistently over 40,000 with readership comprising members of the general public, insurance practitioners, academics, mass media and other financial services regulators.

In addition to the latest market performance, "ILens" contains a feature article, in each issue, focusing on a specific topic, for instance, corporate governance, information technology, reinsurance, life insurance, bancassurance, money laundering, premium volatility, quality customer service, tsunami claims, travel insurance, catastrophe insurance, etc. Relevant case studies are also published to heighten the public awareness of insurance and alertness of fighting insurance frauds and misconduct.

Copies of "ILens" are available free of charge from the OCI, District Offices of the Home Affairs Department and the Consumer Council. Electronic version of the newsletter is also available from the OCI's homepage.

Public Educational Campaign

(Graphic: Photo)

To provide consumer guidance for the insuring public, the OCI publishes booklets on insurance intermediaries and a series of educational pamphlets, e.g. "Buying Insurance - What you need to know", "Life Insurance Policy Replacement - What you need to know", and "Travel Insurance - What you need to know". TV/Radio Announcements in public interest (APIs) are also launched to reinforce the educational campaign.

Other Measures for Consumer Protection

(Graphic: Photo)

To enhance consumer protection, a series of measures have been taken jointly by the OCI and the insurance industry. These measures include:

- **Customer Protection Declaration Form ("CPDF")**
The CPDF is introduced under the Code of Practice for Life Insurance Replacement ("Code") issued by the insurance industry as a self-regulatory measure to prevent twisting of life policies. It should be completed and signed to evidence that an insurance intermediary has clearly explained to a life policyholder the consequences and potential disadvantages of replacing an existing policy. A life policy applicant is also required to declare in the CPDF that he/she has received a copy of the OCI's educational pamphlet "Life Insurance Policy Replacement - What you need to know". In 2006, the Code was revised to keep pace with the rapid market developments. Under the new Code, definition of life insurance policy replacement has been extended to cover the situation where a substantial part (i.e. 50% or above) of the guaranteed cash value of the existing policy was reduced or would be reduced.
- **Cooling-off Period for Long Term Insurance Policies**
Policyholders are given a cooling-off period to review the terms and conditions of their long term insurance policies. The cooling-off period is 21 days from the date of signing the insurance application form, 14 days from the issue date of a policy, 5 days after the delivery of the policy to the policyholder or his/her representative, or in the case of a policy replacement 14 days after the date on which the CPDF is delivered to the insurer of the policy replaced, whichever is the latest. The policyholder has a right to cancel the policy and obtain a full refund of the insurance premium (less a market value adjustment where applicable) if he/she changes his/her mind within that period.
- **Illustration Standards for Long Term Insurance Policies**
The insurance industry works with the relevant regulatory authorities in developing illustration standards to enhance the transparency of life policies. The standards provide prospective policyholders with a summary of insurance benefits, investment returns and surrender values. This illustration shall not only reduce potential market malpractice, but also enable prospective policyholders to make informed decisions.
- **Code of Conduct and Code of Practice**
As part of the self-regulatory initiatives taken by the industry, the Hong Kong Federation of Insurers has published the Code of Conduct for Insurers and the Code of Practice for the Administration of Insurance Agents. These Codes aim to promote good practice among insurers in the conduct of their insurance business and the administration of their insurance agents.

Enquiries and Complaints

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

Subject Matter	Name of Organisation
<ul style="list-style-type: none"> • Insurers • Insurance brokers authorised by the Insurance Authority • Other matters relating to the supervision of the insurance industry 	<ul style="list-style-type: none"> • Office of the Commissioner of Insurance (Insurance Authority) Address: 21/F., Queensway Government Offices, 66 Queensway, Hong Kong Telephone: 2867 2565 Fax: 2869 0252 E-mail: iamail@oci.gov.hk Website: http://www.oci.gov.hk
<ul style="list-style-type: none"> • Insurance agents 	<ul style="list-style-type: none"> • The Insurance Agents Registration Board Address: 29/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong Telephone: 2520 1868 Fax: 2520 1967 E-mail: hkfi@hkfi.org.hk Website: http://www.hkfi.org.hk • The insurers concerned
<ul style="list-style-type: none"> • Insurance brokers who are members of approved bodies of insurance brokers <p><i>(Graphic: Photo)</i> <i>(Graphic: Photo)</i></p>	<ul style="list-style-type: none"> • The Hong Kong Confederation of Insurance Brokers Address: Room 308, 3/F, St. George's Building, 2 Ice House Street, Central, Hong Kong Telephone: 2882 9943 Fax: 2890 2137 E-mail: info@hkcib.org Website: http://www.hkcib.org • The Professional Insurance Brokers Association Address: Room 1406-07, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong Telephone: 2869 8515 Fax: 2770 2372 Email: info@piba.org.hk Website: http://www.piba.org.hk
<ul style="list-style-type: none"> • Claims dispute arising from personal insurance policies (with dispute amount not exceeding \$800,000, with effect from 1 February 2006) 	<ul style="list-style-type: none"> • The Insurance Claims Complaints Bureau Address: 29/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong Telephone: 2520 2728 Fax: 2520 1967 E-mail: iccb@iccb.org.hk Website: http://www.iccb.org.hk

6. Organisation and Management

To meet new regulatory challenges, the Office of the Commissioner of Insurance ("OCI") places great emphasis on building a dedicated and high performing professional team.

Establishment of the OCI

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

Organisation Structure and Staffing

(Graphic: Photo)

(Graphic: Photo)

(Graphic: Photo)

The OCI comprises three divisions, namely Policy and Development Division, General Business Division and Long Term Business Division, each headed by an officer at the rank of Assistant Commissioner. Regulatory duties are assigned to 10 professional teams operating under these three divisions, each led by a Senior Insurance Officer. Furthermore, there were 29 general grade staff members as at end of December 2006 providing administrative and clerical support to 64 professional officers. An organisational chart of the OCI is shown below:

Organisation Chart

(Graphic: Figure. Organisation Chart)
Click [here](#) to enlarge.

Institutional Set-up of the OCI

In line with international supervisory principles and to keep pace with rapid development of the insurance market, Government is looking into the status and institutional setup of the OCI with a view to hiving it off as an independent authority. All key stakeholders will be consulted before a final decision is taken.

Staff Training & Development

The OCI is committed to equipping its staff with updated professional knowledge and supervisory skills through a balanced mix of local and overseas training programmes. During the year, 10 officers participated in courses held in Canada, Japan, the United Kingdom and the mainland of China, sharing their experience through in-house debriefing sessions thereafter. This was complemented by local seminars, conferences, workshops and in-house guest lectures on subjects spanning across insurance, accounting & finance, actuarial science, law and management.

Furthermore, the OCI has been registered as an Authorised Employer of the Hong Kong Institute of Certified Public Accountants since 2005 so as to assist its staff in attaining professional membership. The OCI is also the first government

office to become an Approved Continuing Professional Development Employer of the Association of Chartered Certified Accountants and to be awarded the status of Accredited Employer by virtue of its training and development programmes.

Financial Services Career Exhibition

(Graphic: Photo)

The OCI participated in the Financial Services Career Exhibition jointly organised by the Advisory Committee on Human Resources Development in the Financial Services Sector and the Hong Kong Polytechnic University by setting up a booth from 26 to 28 October 2006. This event provided an invaluable platform for students to gain first-hand knowledge about the work carried out by professional officers in the OCI as well as the requisite entry requirements.

Information Systems

To bring about better capacity of market analysis and supervision, the OCI has expanded reporting functions of the Insurance System and commissioned a study on the existing security policy as well as a detailed risk assessment on the reliability and stability of various information systems. Meanwhile, a series of training sessions are under planning to increase staff awareness of information security.

The OCI Website

(Graphic: Photo)

The OCI website continues to function as an effective channel to disseminate regulatory information and statistical data. In support of the Common Look and Feel approach adopted for all government websites, the OCI embarked on a project in 2005 to revamp its website for more user-friendly navigation and enriched contents. The revamped website completed in January 2006 includes additional features such as circulars, speeches, and hyperlinks to official websites of insurers authorised in Hong Kong.

5-Day Week

(Graphic: Photo)

Following the decision of Government to adopt a 5-day week, the OCI has ceased to operate on Saturdays with effect from 1 July 2006. The opening hours between Mondays and Fridays are correspondingly extended to run from 8:45 am to 12:45 pm and 1:45 pm to 6:00 pm, while the registers search counter service is available from 9:00 am to 12:30 pm and 2:00 pm to 5:30 pm.

24-hour Enquiry Hotline

The OCI hotline boasts a trilingual (Cantonese, Mandarin and English) interactive telephone system providing service round the clock. It is capable of supplying general information on topics including authorisation status of insurers, regulation of insurance intermediaries, IIQAS as well as complaints against insurers and insurance intermediaries. A total of 3,164 enquiries were handled through this hotline in 2006.

Appendices

Appendix 1	Regulatory Framework of the Insurance Industry
Appendix 2	Insurance Advisory Committee Membership as at 31.12.2006
Appendix 3	List of Authorised Insurers as at 31.12.2006
Appendix 4	Changes of Authorised Insurers from 1.1.2006 to 31.12.2006
Appendix 5	Number of Authorised Insurers by Place of Incorporation as at 31.12.2006
Appendix 6	Number of Authorised Insurers by Class of Insurance Business as at 31.12.2006
Appendix 7	Number of Insurance Intermediaries as at 31.12.2006
Appendix 8	List of Guidance Notes Promulgated as at 31.12.2006
Appendix 9	List of Circulars Issued From 1.1.2006 to 31.12.2006

Appendices

Appendix 1

Regulatory Framework of the Insurance Industry

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

Regulatory Framework of Insurers

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

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

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

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

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

	Insurers carrying on General business	Insurers carrying on Long Term business
Audited financial statements	✓	✓
	(In accordance with the requirements of the Third Schedule to the ICO)	
In respect of general insurance business		

<p>carried on in or from Hong Kong</p> <ul style="list-style-type: none"> Audited General Business Returns 	✓	—
<ul style="list-style-type: none"> Audited Statement of Assets & Liabilities 	✓	—
	(Except captive insurer & pure reinsurer)	
Actuarial Investigation Report	—	✓
<p>In respect of long term insurance business carried on in or from Hong Kong</p> <ul style="list-style-type: none"> Audited revenue account(s), together with the supplementary information 	—	✓
<ul style="list-style-type: none"> Valuation Summary 	—	✓
<ul style="list-style-type: none"> Valuation Balance Sheet, together with the supplementary information 	—	✓

Regulatory Framework of Insurance Intermediaries

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

	Insurance Agent	Insurance Broker
Registration	<p>A person is required to be appointed by an insurer and registered with the Insurance Agents Registration Board established under The Hong Kong Federation of Insurers in order to act as an insurance agent. The responsible officer and technical representative of an insurance agent are also required to be registered with the Insurance Agents Registration Board.</p> <p>An appointed insurance agent shall not represent more than four insurers, of whom no more than two shall be long term business insurers. In addition, he shall not be an authorised insurance broker at the same time.</p>	<p>A person is required to be authorised by the IA or become a member of a body of insurance brokers approved by the IA in order to act as an insurance broker. The chief executive and technical representative of an insurance broker are also required to be registered with the IA or the relevant approved body, as the case may be.</p> <p>An authorised insurance broker shall not be an appointed insurance agent at the same time.</p>
Administration	An insurance agent, his	An insurance broker, its chief

responsible officer and technical representative have to satisfy the Insurance Agents Registration Board that they are fit and proper and fulfil all the requirements specified under the Code of Practice for the Administration of Insurance Agents issued by The Hong Kong Federation of Insurers.

An insurer has to comply with the Code of Practice for the Administration of Insurance Agents in its administration of insurance agents. An insurer is held responsible for the actions of its appointed insurance agents in their dealings of insurance contracts.

executive and technical representative must be fit and proper. Besides, the insurance broker must satisfy the minimum requirements specified by the IA with regard to:

- qualifications and experience;
- capital and net assets;
- professional indemnity insurance;
- keeping of separate client accounts; and
- keeping of proper books and accounts.

An insurance broker is required to submit annually to the IA or the relevant approved body of insurance brokers, as appropriate, its audited financial statements together with an auditor's report certifying the broker's continued compliance with the minimum requirements.

An approved body of insurance brokers is also required to submit annually to the IA an auditor's report on the continued compliance with the minimum requirements by all its members.

Insurance Companies Ordinance and Subsidiary Legislation

Insurance Companies Ordinance and Subsidiary Legislation

Insurance Companies Ordinance (Cap. 41)

Insurance Companies (Actuaries' Qualifications) Regulations (Cap.41 sub. leg. A)

Insurance Companies (Register of Insurers) (Prescribed Fee) Regulations (Cap.41 sub. leg. B)

Insurance Companies (Authorisation and Annual Fees) Regulation (Cap.41 sub. leg. C)

Insurance Companies (Miscellaneous Fees) Regulation (Cap.41 sub. leg. D)

Insurance Companies (Determination of Long Term Liabilities) Regulation (Cap.41 sub. leg. E)

Insurance Companies (Margin of Solvency) Regulation (Cap.41 sub. leg. F)

Insurance Companies (General Business) (Valuation) Regulation (Cap.41 sub. leg. G)

Insurance Companies (Actuaries' Standards) Regulation (Cap.41 sub. leg. H)

Appendices

Appendix 2

Insurance Advisory Committee Membership as at 31.12.2006

Chairman	Mr Frederick MA Si-hang, JP, Secretary for Financial Services and the Treasury
Members	Mr Clement CHEUNG, JP, Commissioner of Insurance
	The Honourable Bernard Charnwut CHAN, GBS, JP
	Mr CHAN Kin-por, JP
	Ms Maggie CHAN Man-ki
	Mr FENG Xiaozeng
	Mr Bernard FUNG Siu-yu
	Mr Franz-Josef HAHN
	Professor HAN Li-ming
	Mr Dominic HO Chiu-fai
	Mr Alwin LAM Mun-dart
	Mr Frank LEE King-ting
	Mr Andrew MAK Yip-shing
	Mr Mark Vincent Thomas SAUNDERS
	Mr Samuel Nag TSIEN
Secretary	Ms Frances TONG

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

Appendices

Appendix 3

List of Authorised Insurers as at 31.12.2006

N.B.: This list includes insurers which were authorised as at 31.12.2006 but had ceased writing insurance business in or from Hong Kong thereafter. Reference should be made to the Register of Authorised Insurers kept by the Insurance Authority regarding the authorisation status of individual insurers.

Name of Insurer	Place of Incorporation *	Type of Business Authorised #
ACE Insurance Limited	HK	General
AIG United Guaranty Insurance (Asia) Limited	HK	General
Allianz Insurance (Hong Kong) Limited	HK	General
Allianz Marine & Aviation (France)	France	General
American Family Life Assurance Company of Columbus	USA	Long Term
American Home Assurance Company	USA	General
American International Assurance Company (Bermuda) Limited	Bermuda	Composite
American International Assurance Company, Limited	HK	Composite
Anglo Starlite Insurance Company Limited	HK	General
Asia Insurance Company, Limited	HK	Composite
Asian Area Reinsurance Company Limited (in liquidation)	HK	General (R)
Assicurazioni Generali Societa per Azioni	Italy	Composite
Atradius Credit Insurance N.V.	Netherlands	General
Aviva Life Insurance Company Limited	HK	Long Term
AXA (Hong Kong) Life Insurance Company Limited	HK	Long Term
AXA China Region Insurance Company (Bermuda) Limited	Bermuda	Composite
AXA China Region Insurance Company Limited	HK	Composite
AXA General Insurance Hong Kong Limited	HK	General
AXA Life Insurance Company Limited	HK	Composite
AXA RE	France	General (R)
Bank of China Group Insurance Company Limited	HK	General
Bankers Alliance Insurance Company Limited	HK	General
BC Reinsurance Limited	HK	General (R)
Berkley Insurance Company	USA	General (R)
Blue Cross (Asia-Pacific) Insurance	HK	Composite

Limited		
BOC Group Life Assurance Company Limited	HK	Long Term
British Marine Luxembourg S.A.	Luxembourg	General
BUPA (Asia) Limited	HK	General
CAF International Insurance Company Limited	HK	General
California Insurance Company, Limited	HK	General
Canada Life Limited	UK	Long Term
Canadian Insurance Company Limited	HK	General
Centre Solutions (Asia) Limited	Bermuda	General
Chevalier Insurance Company Limited	HK	General
China Communications Insurance Company Limited	HK	General
China International Reinsurance Company Limited	HK	Composite (R)
China Life Insurance (Overseas) Company Limited	China	Long Term
China Merchants Insurance Company Limited	HK	General
China Overseas Insurance Limited	HK	General
China Pacific Insurance Co., (H.K.) Limited	HK	General
China Ping An Insurance (Hong Kong) Company Limited	HK	General
Chong Hing Insurance Company Limited	HK	General
CIGNA Worldwide General Insurance Company Limited	HK	General
CIGNA Worldwide Insurance Company	USA	General
CIGNA Worldwide Life Insurance Company Limited	HK	Long Term
Clerical Medical Investment Group Limited	UK	Long Term
CMI Insurance Company Limited	Isle of Man	Long Term
CNOOC Insurance Limited	HK	General
Compagnie Francaise d'Assurance pour le Commerce Extérieur	France	General
Concord Insurance Company Limited	HK	General
Continental Insurance Company - The	USA	General (R)
Cosmic Insurance Corporation Limited	Singapore	General
Cosmos Fire Insurance Company Limited	HK	General
Crown Life Insurance Company	Canada	Long Term
Dah Sing General Insurance Company Limited	Bermuda	General
Dah Sing Life Assurance Company Limited	Bermuda	Long Term
Dao Heng Insurance Co., Limited	HK	General
Desjardins Sécurité Financière, Compagnie d' Assurance Vie (Desjardins Financial Security Life	Canada	Long Term

Assurance Company)		
East Point Reinsurance Company of Hong Kong Limited	HK	General (R)
Euler Hermes Kreditversicherungs-Aktiengesellschaft	Germany	General
FAI First Pacific Insurance Company Limited (in provisional liquidation)	HK	General
Falcon Insurance Company (Hong Kong) Limited	HK	General
Federal Insurance Company	USA	General
First American Title Insurance Company	USA	General
Försäkringsaktiebolaget INSA (publ) (INSA Insurance Corporation (publ))	Sweden	General (R)
Friends Provident International Limited	Isle of Man	Long Term
GAN Assurances IARD Compagnie Francaise D'Assurances Et De Reassurances Incendie, Accidents Et Risques Divers	France	General
Generali International Limited	Guernsey	Long Term
Gerling-Konzern Allgemeine Versicherungs-Aktiengesellschaft	Germany	General
Groupama Transport	France	General
GT Insurance (H.K.) Co., Limited	HK	General
Hang Seng Insurance Company Limited	HK	General
Hang Seng Life Limited	HK	Long Term
Hannover Rückversicherung AG	Germany	Composite (R)
HIH Casualty and General Insurance (Asia) Limited (in provisional liquidation)	HK	General
HIH Insurance (Asia) Limited (in provisional liquidation)	HK	General
HKC Insurance Company Limited	HK	General
Hong Kong Life Insurance Limited	HK	Long Term
Hong Kong Mortgage Corporation Limited - The	HK	General
Hong Kong Printers Association - The	HK	General
Hong Kong Reinsurance Company Limited	HK	General (R)
HSBC Insurance (Asia) Limited	HK	Composite
HSBC Life (International) Limited	Bermuda	Long Term
ING General Insurance Company Limited	HK	General
ING Life Insurance Company (Bermuda) Limited	Bermuda	Long Term
International Health Insurance danmark Forsikringsaktieselskab	Denmark	General
Jerneh Insurance (HK) Limited	HK	General
Kölnische Rückversicherungs-Gesellschaft AG (Cologne Reinsurance Company Plc)	Germany	Composite (R)
Kono Insurance Limited	HK	General
La Genevoise, Compagnie d'Assurances sur la Vie (Geneva, Life Insurance	Switzerland	Long Term

Company)		
Liberty International Insurance Limited	HK	Composite
Liberty Mutual Insurance Europe Limited	UK	General
Lloyd's Underwriters	UK	Composite
London Steam-Ship Owners' Mutual Insurance Association Limited - The	UK	General
Malayan Insurance Company (Hong Kong) Limited	HK	General (R)
Malayan International Insurance Corporation Limited	Bahama Islands	General
Manufacturers Life Insurance Company - The	Canada	Long Term
Manulife (International) Limited	Bermuda	Long Term
Massachusetts Mutual Life Insurance Company	USA	Long Term
MassMutual Asia Limited	HK	Long Term
MetLife Fubon Limited	HK	Long Term
Metropolitan Life Insurance Company of Hong Kong Limited	HK	Long Term
Min Xin Insurance Company Limited	HK	General
Ming An Insurance Company (China), Limited - The	China	General
Ming An Insurance Company (Hong Kong), Limited - The	HK	General
Mitsui Sumitomo Insurance Company (Hong Kong), Limited	HK	General
Mitsui Sumitomo Insurance Company, Limited	Japan	General
MSIG Insurance (Hong Kong) Limited	HK	General
Münchener Rückversicherungs - Gesellschaft (Munich Reinsurance Company)	Germany	Composite (R)
National Insurance Company, Limited	India	General
National Union Fire Insurance Company of Pittsburgh, Pa.	USA	General
New Hampshire Insurance Company	USA	General
New India Assurance Company, Limited - The	India	General
New York Life Insurance Worldwide Ltd.	Bermuda	Long Term
Nipponkoa Insurance Company (Asia) Limited	HK	General
Nissay Dowa General Insurance Co., Ltd.	Japan	General
Old Mutual Life Assurance Company (South Africa) Limited	South Africa	Long Term
Overseas Union Insurance, Limited	Singapore	General
Pacific Century Insurance Company Limited	Bermuda	Long Term
Pacific Insurance Company, Limited - The	HK	General
Pacific Life Assurance Company, Limited - The	HK	Long Term
Paofoong Insurance Company (Hong		

Kong) Limited	HK	General
Partner Reinsurance Company Ltd.	Bermuda	General (R)
People's Insurance Company of China (Hong Kong), Limited - The	HK	General
Phoenix & London Assurance Limited	UK	Long Term
Phoenix Life Limited	UK	Long Term
Pioneer Insurance And Surety Corporation	Philippines	General
PMI Mortgage Insurance Asia Limited	HK	General
PMI Mortgage Insurance Co.	USA	General
Principal Insurance Company (Hong Kong) Limited	HK	Long Term
Prudential Assurance Company Limited - The	UK	Composite
Prudential Insurance Company of America - The	USA	Long Term
QBE Hongkong & Shanghai Insurance Limited	HK	Composite
Radian Insurance Inc.	USA	General
RGA Reinsurance Company	USA	Long Term (R)
Royal Skandia Life Assurance Limited	Isle of Man	Long Term
Schweizerische Rückversicherungs - Gesellschaft (Swiss Reinsurance Company)	Switzerland	Composite (R)
SCOR Reinsurance Company (Asia) Limited	HK	General (R)
Scottish Mutual International Public Limited Company	Ireland	Long Term
Scottish Provident International Life Assurance Limited	Isle of Man	Long Term
Shipowners' Mutual Protection and Indemnity Association (Luxembourg) - The	Luxembourg	General
Sincere Insurance & Investment Company, Limited - The	HK	General
Sincere Life Assurance Company Limited - The	HK	Long Term
Sompo Japan Insurance Inc.	Japan	General
Sompo Japan Reinsurance Company Limited	HK	General (R)
Standard Life (Asia) Limited	HK	Long Term
Summit Insurance (Asia) Limited	HK	General
Sun Alliance and London Insurance plc	UK	General
Sun Hung Kai Properties Insurance Limited	HK	General
Sun Life Financial (Hong Kong) Limited	Bermuda	Long Term
Sun Life Hong Kong Limited	Bermuda	Long Term
Swiss Re Copenhagen Reinsurance A/S	Denmark	General (R)
Symbol Underwriters Limited	HK	General
Target Insurance Company, Limited	HK	General

Through Transport Mutual Insurance Association (EurAsia) Limited	UK	General
Toa Reinsurance Company, Limited - The	Japan	General (R)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Japan	General
Tokio Marine and Fire Insurance Company (Hong Kong) Limited - The	HK	General
Trans-Ocean Insurance Company Limited	HK	General
Transamerica Life (Bermuda) Ltd.	Bermuda	Long Term
Transamerica Occidental Life Insurance Company	USA	Long Term
Transatlantic Reinsurance Company	USA	General (R)
Trinity General Insurance Company Limited	HK	General
Tugu Insurance Company, Limited	HK	General
United Builders Insurance Company, Limited	HK	General
United Guaranty Mortgage Indemnity Company	USA	General
United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited - The	Bermuda	General
UOB Insurance (H.K.) Limited	HK	General
West of England Ship Owners Mutual Insurance Association (Luxembourg) - The	Luxembourg	General
William S.T. Lee Insurance Company Limited	HK	General
Wing Hang Zurich Insurance Company Limited	HK	General
Wing Lung Insurance Company Limited	HK	General
Wing On Fire & Marine Insurance Company Limited - The	HK	General
Winterthur Insurance (Asia) Limited	HK	General
Winterthur Life (Hong Kong) Limited	HK	Long Term
World-Wide Marine and Fire Insurance Company Limited - The	HK	General
XL Insurance Company Limited	UK	General
Zurich Assurance Ltd	UK	Long Term
Zurich Insurance Company	Switzerland	General
Zurich International Life Limited	Isle of Man	Long Term
"Zürich" Lebensversicherungs - Gesellschaft (Zurich Life Insurance Company Ltd)	Switzerland	Long Term

(R) denotes a pure reinsurer.

* Place of Incorporation:

HK - Hong Kong, China

UK - United Kingdom

USA - United States of America

Appendices

Appendix 4

Changes of Authorised Insurers from 1.1.2006 to 31.12.2006

Name of Insurer	Place of Incorporation*	Type of Business#
New Authorisations		
AIG United Guaranty Insurance (Asia) Limited	HK	General
Atradius Credit Insurance N.V.	Netherlands	General
Berkley Insurance Company	USA	General (R)
CIGNA Worldwide General Insurance Company Limited	HK	General
CIGNA Worldwide Life Insurance Company Limited	HK	Long Term
Continental Insurance Company - The	US	General (R)
Liberty Mutual Insurance Europe Limited	UK	General
Ming An Insurance Company (China) Limited - The	China	General
PMI Mortgage Insurance Asia Limited	HK	General
Radian Insurance Inc.	USA	General
Transamerica Life (Bermuda) Ltd	Bermuda	Long Term
Withdrawal of Authorisations		
Continental Reinsurance Corporation	US	General (R)
Intercargo Insurance Company H.K. Limited	HK	General
Nipponkoa Insurance Company, Limited	Japan	General
PA (GI) Limited	UK	Long Term
Winterthur Insurance Services Asia Limited	HK	General
Change of Names of Insurers		
Aviva General Insurance Limited to MSIG Insurance (Hong Kong) Limited	HK	General
Citi Fubon Life Insurance Company Hong Kong Limited to MetLife Fubon Limited	HK	Long Term
CMG Asia Limited to Sun Life Hong Kong Limited	Bermuda	Long Term
GE Frankona Reinsurance A/S to Swiss Re Copenhagen Reinsurance A/S	Denmark	General (R)
MLC (Hong Kong) Limited to AXA (Hong Kong) Life Insurance Company Limited	HK	Long Term
Phoenix Assurance Limited to PA (GI) Limited	UK	Long Term
Royal & Sun Alliance Linked Insurance Limited to Phoenix Life Limited	UK	Long Term

(R) denotes a pure reinsurer.

* Place of Incorporation:

HK - Hong Kong, China

UK - United Kingdom

USA - United States of America

Appendices

Appendix 5

Number of Authorised Insurers by Place of Incorporation as at 31.12.2006

Place of Incorporation	Number of Authorised Insurers	Type of Business Authorised		
		Pure Long Term	Pure General	Composite
Bahama Islands	1	-	1	-
Bermuda	15(1)	9	4(1)	2
Canada	3	3	-	-
China #	2	1	1	-
Denmark	2(1)	-	2(1)	-
France	5(1)	-	5(1)	-
Germany	5(3)	-	2	3(3)
Guernsey	1	1	-	-
India	2	-	2	-
Ireland	1	1	-	-
Isle of Man	5	5	-	-
Italy	1	-	-	1
Japan	5(1)	-	5(1)	-
Luxembourg	3	-	3	-
Netherlands	1	-	1	-
Philippines	1	-	1	-
Singapore	2	-	2	-
South Africa	1	1	-	-
Sweden	1(1)	-	1(1)	-
Switzerland	4(1)	2	1	1(1)
United Kingdom	12	5	5	2
United States of America	17(4)	5(1)	12(3)	-
Non-Hong Kong	90(13)	33(1)	48(8)	9(4)
Hong Kong	91(8)	14	68(7)	9(1)
Total	181(21)	47(1)	116(15)	18(5)

*Figures in brackets denote the number of authorised insurers which are pure reinsurers
Excluding insurers incorporated in Hong Kong*

Appendices

Appendix 6

Number of Authorised Insurers by Class of Insurance Business as at 31.12.2006

Class of Insurance Business Authorised		Number of Authorised Insurers		
		Hong Kong	Non-Hong Kong	Total
Long Term Business				
A	Life and annuity	23	39	62
B	Marriage and birth	1	4	5
C	Linked long term	10	33	43
D	Permanent health	9	21	30
E	Tontines	1	3	4
F	Capital redemption	1	4	5
G	Retirement scheme management category I	8	14	22
H	Retirement scheme management category II	6	8	14
I	Retirement scheme management category III	19	22	41
General Business				
1	Accident	67	44	111
2	Sickness	56	35	91
3	Land vehicles	53	35	88
4	Railway rolling stock	60	41	101
5	Aircraft	24	26	50
6	Ships	60	41	101
7	Goods in transit	62	43	105
8	Fire and natural forces	66	38	104
9	Damage to property	66	38	104
10	Motor vehicle liability	52	34	86
11	Aircraft liability	28	27	55
12	Liability for ships	60	41	101
13	General liability	63	40	103
14	Credit	43	32	75
15	Suretyship	59	41	100
16	Miscellaneous financial loss	61	45	106
17	Legal expenses	39	34	73

Appendices

Appendix 7

Number of Insurance Intermediaries as at 31.12.2006

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

Type of Insurance Business		Number of Appointed Insurance Agents	Number of Responsible Officers and Technical Representatives of Appointed Insurance Agents
General ²		2,270	3,711
Long Term	(excluding Linked Long Term)	3,555	1,170
	(including Linked Long Term)	7,598	501
Both General and Long Term	(excluding Linked Long Term)	1,206	7,003
	(including Linked Long Term)	15,086	10,021
Total		29,715	22,406

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

Type of Insurance Business		Number of Insurance Brokers Authorised under Section 69 of the Insurance Companies Ordinance ³	Number of Authorised Insurance Brokers by virtue of their Membership with ⁴ :		Number of Chief Executives and Technical Representatives of Authorised Insurance Brokers
			The Hong Kong Confederation of Insurance Brokers	Professional Insurance Brokers Association	
General		0	24	18	716
Long Term	(excluding Linked Long Term)	0	0	1	180
	(including Linked Long Term)	1	25	15	1,979
Both General and Long Term	(excluding Linked Long Term)	0	61	64	947
	(including Linked Long Term)	0	137	140	1,853

Total	1	247	238	5,675
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1 Based on figures supplied by The Hong Kong Federation of Insurers.

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

3 The insurance broker authorised by the Insurance Authority under section 69 of the Insurance Companies Ordinance was "Lloyds TSB Pacific Limited".

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

Appendices

Appendix 8

List of Guidance Notes Promulgated as at 31.12.2006

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

Appendices

Appendix 9

List of Circulars Issued From 1.1.2006 to 31.12.2006

Date	Addressee	Subject Matter
5.1.2006	Chief Executives of all authorised insurers carrying on long term business	United Nations Sanctions (Democratic Republic of the Congo) Regulation 2005, United Nations Sanctions (Liberia) Regulation 2005, United Nations (Anti-Terrorism Measures) Ordinance & United States Executive Order 13224
27.1.2006	Chief Executives of all authorised insurers	Website Upgrade
15.2.2006	Chief Executives of all authorised insurers carrying on long term business	Seminar on Prevention of Money Laundering
3.3.2006	Chief Executives of all authorised insurers	Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the year of 2005
23.3.2006	Chief Executives of all authorised insurers carrying on long term business	Revised GN3 - Guidance Note on Prevention of Money Laundering and Terrorist Financing
10.4.2006	Chief Executives of all authorised general insurers	Insurance Intermediaries Quality Assurance Scheme Study Notes (2006 Edition) for Travel Insurance Agents Examination
10.4.2006	Chief Executives of all authorised composite insurers	Insurance Intermediaries Quality Assurance Scheme Study Notes (2006 Edition) for Travel Insurance Agents Examination
10.4.2006	Chief Executives of all authorised insurers	Insurance Fraud
13.4.2006	Chief Executives of all authorised insurers carrying on long term business	United Nations Sanctions (Côte d'Ivoire) Regulation 2006, United Nations Sanctions (Democratic Republic of the Congo) Regulation 2005 & United Nations (Anti-Terrorism Measures) Ordinance
25.5.2006	Chief Executives of all authorised insurers	Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the First Quarter of 2006
9.6.2006	Chief Executives of all authorised insurers	Five-day Week and New Office Hours
23.6.2006	Chief Executives of all authorised insurers carrying on long term business	United Nations Sanctions (Sudan) Regulation, United Nations Sanctions (Liberia) Regulation 2005 & United Nations (Anti-Terrorism Measures) Ordinance
14.7.2006	Chief Executives of all authorised insurers carrying on long term business (issued by Narcotics Division of Security Bureau)	Anti-Money Laundering Seminar for Insurance Industry
31.7.2006	Chief Executives of all authorised insurers carrying on long term	Non-co-operative Countries and Territories, United Nations Sanctions (Côte d'Ivoire) Regulation 2006, & United

	business	Nations Sanctions (Democratic Republic of the Congo) Regulation 2005
4.8.2006	Chief Executives of all authorised insurers carrying on long term business	Quarterly Suspicious Transaction Report Analysis
8.9.2006	Chief Executives of all authorised insurers	Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the First Half of 2006
15.9.2006	Chief Executives of authorised insurers carrying on general insurance business	Employees' Compensation Insurance (Direct Business) and Motor Vehicle Insurance (Direct Business) Statistics for 2005
29.9.2006	Chief Executives of all authorised insurers	Hong Kong Insurance Business Statistics for 2005
31.10.2006	Chief Executives of all authorised insurers carrying on long term business	Non-cooperative Countries and Territories, United Nations Sanctions (Anti-Terrorism Measures) Ordinance, United States Executive Order 13224 & Combating Financing of Weapons of Mass Destruction Activities
29.11.2006	Chief Executives of all authorised insurers	Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the First Three Quarters of 2006
28.12.2006	Chief Executives of all authorised insurers carrying on long term business	GN7 (second edition) - Guidance Note on the Reserve Provision for Class G of Long Term Business

Calendar of Events 2006

January - December 2006

Date	Event
25.1.2006	The OCI's website was revamped to adopt the government website's Common Look and Feel approach and to enhance its presentation and contents.
20-22.2.2006	The OCI participated in the 6th Asian CEO Insurance Summit, held in Bangkok, Thailand.
28.2.2006	The OCI Annual Report 2005 (E-version) was released.
22.3.2006	<i>(Graphic: Photo)</i> The OCI organised a seminar on "Prevention of Money Laundering" to keep the insurance industry abreast of the latest regulatory developments of anti-money laundering regime in Hong Kong.
24.4.2006	<i>(Graphic: Photo)</i> The OCI gave a briefing on "Regulation of Travel Insurance Agents" to members of the Travel Industry Council of Hong Kong.
15.5.2006	Travel Insurance Agents Examination of the Insurance Intermediaries Quality Assurance Scheme was launched.
29.5 - 1.6.2006	The OCI participated in the committee meetings of the International Association of Insurance Supervisors held in Ottawa of Canada.
29.5.2006	The OCI and the Office of the Superintendent of Financial Institutions Canada concluded a memorandum of understanding to strengthen supervisory cooperation and exchange of information between the two regulators.
1.6.2006	<i>(Graphic: Photo)</i> The OCI and the National Association of Insurance Commissioners of the United States concluded a memorandum of understanding to strengthen supervisory cooperation and exchange of information between the two regulators.
19.6.2006	The Commissioner of Insurance delivered an opening address at the 14th Annual LOMA/LIMRA Strategic Issues Conference held in Hong Kong.
20.6.2006	The Commissioner of Insurance delivered a keynote speech at the 5th Asian Conference on Catastrophe Insurance held in Hong Kong.
1.7.2006	The OCI started to implement the 5-day week.
31.7.2006	Mr. Clement Cheung assumed the post of the Commissioner of Insurance vice Mr. Richard Yuen.
30.7-2.8.2006	The Commissioner of Insurance attended the 23rd East Asian Insurance Congress 2006 held in Bandar Seri Begawan, Brunei Darussalam.
7.9.2006	The OCI, Narcotics Division of the Security Bureau and Joint Financial Intelligence Unit jointly organised an anti-money laundering seminar for the insurance industry.
29.9.2006	Annual statistics on the Hong Kong insurance business for 2005, including statistics on individual insurers, were released.
16-21.10.2006	<i>(Graphic: Photo)</i> The OCI participated in the 13th Annual Conference of the International Association of Insurance Supervisors and its committee meetings held in Beijing, China.
26-28.10.2006	The OCI participated in the Financial Services Career Exhibition jointly organised by the Advisory Committee on

	Human Resources Development in the Financial Services Sector and the Hong Kong Polytechnic University.
27-31.10.2006	<i>(Graphic: Photo)</i> The Commissioner of Insurance attended the AR Symposium on "Insurance Market in Hong Kong & Employees' Compensation Claim Tribunal" held in Osaka, Japan.
15.11.2006	The OCI participated in the 6th Appointed Actuaries Symposium organised by the Actuarial Society of Hong Kong.
23-24.11.2006	<i>(Graphic: Photo)</i> The OCI participated in the 6th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen, held in Hong Kong.
27.11-5.12.2006	The OCI participated in the Office of Thrift Supervision Conference held in Washington D.C., the United States of America.
4-8.12.2006	The OCI participated in the FSA Annual International Seminar held in London, United Kingdom.