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This Annual Report covers the events occurred from 1 January 2007 to 31 December 2007.

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.

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Key Indicators

	Unit	2004	2005	2006
ECONOMIC DATA				
GDP (at current market prices)	\$ million	1,291,425	1,382,675	1,474,319
Population (Mid-year)		6,783,500	6,813,200	6,857,100
Per capita GDP (at current market prices)	\$	190,377	202,941	215,006
INSURANCE MARKET STRUCTURE				
No. of Authorised Insurers				
Long Term		45	46	47
General		116	110	116
Composite		19	19	18
Total		180	175	181
No. of Authorised Insurance Brokers				
		476	471	486
No. of Registered Insurance Agents				
		31,207	29,163	29,715
INSURANCE MARKET STATISTICS				
Premium Income				
Long Term Business (Office premiums)	\$ million	98,414	114,756	133,087
General Business (Gross premiums)	\$ million	22,866	22,546	22,958
Annual Growth Rate				
Long Term Business	%	27.4	16.6	16.0
General Business	%	-5.9	-1.4	1.8
Insurance Density (Per capita expenditure)				
Long Term Business	\$	14,508	16,843	19,409
General Business	\$	3,371	3,309	3,348
Insurance Penetration (Premium as a % of GDP)				
Long Term Business	%	7.6	8.3	9.0
General Business	%	1.8	1.6	1.6
Individual Life Business				
No. of New Policies		1,007,313	1,012,488	1,014,332
Average Premium Size of New Policies	\$	36,990	44,791	51,768
No. of In-force Policies		6,049,940	6,587,525	7,101,148
Premiums Per Capita of In-force Policies	\$	12,122	14,410	16,758
No. of In-force Policies as a % of Population	%	89.2	96.7	103.6
Local Assets Maintained for General Business	\$ million	78,192	70,892	75,496

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Insurance Industry Statistical Highlights

Source of Information

The insurance business statistics for 2006 as contained in this annual report are based on the Hong Kong Insurance Business Statistics 2006 released by the Office of the Commissioner of Insurance in September 2007.

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Message from the Commissioner

Although Hong Kong experienced another year of stellar growth in 2007, it was shrouded in a trail of uncertainty as the world braces for full scale fallout of sub-prime woes emanating from the United States. A liquidity crunch caused by risk aversion has resulted in sharp correction of equity prices and jittery sentiments. Against this background, certain sectors in the local insurance market call for intensified regulatory attention, while impetus should be sustained to open up new frontiers.

Long term business remained buoyant, feeding on an insatiable crave for wealth management and retirement planning products brought about by changing demographics and rising affluence. The ability to navigate in this competitive landscape hinges upon targeted manpower training as well as seamless interface between frontline and back-office personnel. Insurers should therefore strike a sensible balance between business expansion and capacity building when charting their corporate strategies. Going forward, the shift of priority from return maximisation to capital protection will be challenging for insurance practitioners. As financial information turns into a global commodity, clients expect nothing less than incisive analysis and insightful advice. Amid undulating economic conditions, quality of service is always the defining edge to win customer loyalty and trust.

On the other hand, general business continued to be haunted by excess capacity and price competition. Given that market volatility will induce stress on those insurers whose operating profit is derived largely from investment income, we will place particular emphasis on monitoring of risk concentration and pricing behaviour. In terms of product innovation, the public consultation document entitled “Your Health Your Life” is going to arouse a timely debate on the direction of health care reforms. The industry has a good story to tell when it comes to the positive role that insurance could play in optimising efficiency through risk pooling, in facilitating movement of patients across different service providers, and in alleviating common anxieties about high administrative expenses and induced demand for medical treatment.

On specific initiatives, the Travel Insurance Agents Registration System is moving slowly on track as the one-off waiver of Form 5 education paves way for experienced travel agency staff to be brought under regulation after passing the requisite examination. I am pleased that a partnership has been forged between the insurance and travel industries to maintain market discipline and safeguard interest of the travelling public, thereby

enabling the Government to achieve its policy goal of encouraging people to take up travel insurance without compromising professional standards.

Furthermore, the Employees' Compensation Insurance Residual Scheme has been running smoothly and is turning into a platform for propagation of safe work practices and prudent underwriting principles. Similar to the market agreement that facilitated early opening of the Hong Kong Shenzhen Western Corridor, this example epitomises a firm commitment by the industry to respond to societal needs and aspirations.

On cross-boundary liaison, relentless efforts to pursue recommendations of the Economic Summit on China's 11th Five-Year Plan are beginning to bear fruit since promising progress has been made on a model of captives suitable for adoption by enterprises in the Mainland, and a delegation will be organised to discuss with the China Insurance Regulatory Commission on development of microinsurance and formation of captives.

During the year, we went through a vigorous mutual evaluation exercise on our anti-money laundering and combating the financing of terrorism regime conducted by a team of seasoned assessors from the Financial Action Task Force. I am indebted to everyone from the industry and my team of staff who took on this daunting task with a diligent, proactive and resilient attitude. All of us can indeed take pride in being part of a meaningful campaign to uphold and enhance the status of Hong Kong as an international financial centre.

Clement Cheung
Commissioner of Insurance
May 2008

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Work of the Insurance Authority

The Insurance Authority (“IA”) maintains high standards of supervision and facilitates market developments which enhances the stability of the insurance market and strengthens Hong Kong’s status as an international insurance centre.

Supervision of Insurers

Financial Examination

IA is responsible for monitoring and scrutinizing the financial position of insurers. This responsibility is carried out 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 primarily focused on key risks that have material impact on the financial strength and sustainability of an insurer, with due emphasis placed on adequacy of paid-up capital, asset quality, reserving position and reinsurance arrangements.

Recognising the looming threat of new infectious diseases and other emerging risks, the IA continued to carry out evaluations on the reinsurance arrangements and other risk management measures adopted by Employees’ Compensation (“EC”) insurers. Those insurers not having a “buy-back” cover must demonstrate that they have refrained from underwriting EC business that poses greater exposure to infectious disease risks. 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.

On-site Inspection

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

of insurance policies to Mainland visitors.

Market Consolidation

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

Merger and Acquisition

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

- Gerling-Konzern Allgemeine Versicherungs-Aktiengesellschaft was merged into HDI Industrie Versicherung Aktiengesellschaft (“HDI”) in accordance with the universal succession merger process under the German law in late September 2007. HDI was newly authorised to carry on business in Hong Kong on 2 August 2007. After completion of the merger on 24 September 2007, HDI was renamed HDI-Gerling Industrie Versicherung AG, and Gerling-Konzern Allgemeine Versicherungs-Aktiengesellschaft was de-authorized on 7 December 2007.
- AXA Wealth Management (HK) Limited (formerly known as Winterthur Life (Hong Kong) Limited (“Winterthur Life”)) was wholly acquired by AXA China Region Limited, the immediate holding company of AXA China Region Insurance Company (Bermuda) Limited, on 27 April 2007. After this acquisition, Winterthur Life was renamed as AXA Wealth Management (HK) Limited to reflect the change in ownership.
- Crown Life Insurance Company (“Crown Life”), formerly owned by HARO Financial Corporation and Extendicare Inc., became a wholly-owned subsidiary of the Canada Life Assurance Company (“Canada Life”) on 5 July 2007 after Canada Life acquired all the shares of Crown Life.
- The intermediate holding company of Fortis Insurance Company (Asia) Limited (formerly known as Pacific Century Insurance Company Limited (“Pacific Century”)) was acquired by Fortis Insurance International N.V. on 15 May 2007. After the acquisition, Pacific Century was renamed as Fortis Insurance Company (Asia) Limited to reflect the change in ownership.
- Hang Seng Insurance Company Limited (“HSIC”) acquired 50% of the shares of Hang Seng Life Limited (“HSL”) each from Hang Seng

Bank Limited ("HASE") and HSBC Insurance (Asia-Pacific) Holdings Limited on 25 September 2007. HSLI has since become a wholly-owned subsidiary of HSIC which in turn is wholly-owned by HASE.

- MetLife Fubon Limited, formerly a joint venture of MetLife Worldwide Holdings, Inc., and Fubon Life Assurance Co., Ltd., became a wholly-owned subsidiary of MetLife Worldwide Holdings, Inc. on 28 June 2007 after MetLife Worldwide Holdings, Inc., acquired the remaining 50% shareholding from Fubon Life Assurance Co., Ltd.

Transfer of Insurance Business

Under section 24 of the ICO, an insurer who seeks to transfer its long term business to another insurer is required to apply to the court for an order sanctioning the scheme of transfer. An insurer intending to transfer its general business portfolio to another insurer may do so under section 25D of the ICO by obtaining the approval of the IA. During the year, applications in respect of these two types of business transfer 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
8.11.2007	Hang Seng Life Limited	Hang Seng Insurance Company Limited
Under section 25D of the ICO		
Date of Approval by the IA	From	To
10.4.2007	Jerneh Insurance (HK) Limited	HSBC Insurance (Asia) Limited
27.8.2007	Hang Seng Insurance Company Limited	Hang Seng General Insurance (Hong Kong) Company Limited
21.9.2007	National Insurance Company, Limited	The New India Assurance Company, Limited
8.11.2007	Overseas Union Insurance, Limited	UOB Insurance (H.K.) Limited
15.11.2007	Sun Alliance and London Insurance plc	Royal & Sun Alliance Insurance plc

New Authorisation

The IA authorised five new insurers in 2007, comprising four general insurers and one long term insurers. The list of authorised insurers as at 31 December 2007 and changes of authorised insurers during the reporting period are summarised at Appendices 3 to 6.

Figure 1.2 New Authorisation

	Place of Incorporation	Type of Business
Assuranceforeningen Gard-gjensidig-	Norway	General
FM Insurance Company Limited	United Kingdom	General
Royal & Sun Alliance Insurance plc	United Kingdom	General
HDI Industrie Versicherung Aktiengesellschaft	Federal Republic of Germany	General
BEA Life Limited	Hong Kong	Long Term

Legislative Developments

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

Many developed economies have some forms of policyholders' protection funds (PPFs) in place for providing protection to policyholders in case of insurer insolvencies. In view of this, the Government had carried out a consultancy study on the feasibility of establishing PPFs in Hong Kong. Stage 1 of the study commenced in 2002, and it comprised a background review and a feasibility study on establishing PPFs.

A consultation paper was issued in December 2003 and based on the findings, a final report was issued by the consultant in April 2007. The report revealed that views on the subject were diverse. While more than half of the respondents were holding neutral views, some respondents opposed to the proposal on grounds of high cost and moral hazard, and others indicated their support for this safety net.

Having considered the result of the consultancy study, the Government will consider exploring the feasibility of setting up a post-funded contingency plan with defined scope and parameters to cater for insurer insolvency cases in future.

Employees' Compensation Insurance Residual Scheme

The EC Insurance Residual Scheme ("Scheme") was successfully launched on 1 May 2007 as a venue of last resort catering for employers who are unable to secure coverage from the open insurance market. This represents an industry initiative to address public concerns over lack of coverage for certain high-risk trades and emerging calls for a central EC scheme.

The Scheme is operating on a co-insurance arrangement entered into by all EC insurers. Any employer who has been declined by no less than 3 insurers in a row or has received 3 successive quotations in excess of the benchmark premium rate are eligible to apply for coverage. An independent actuarial firm has been engaged to derive and regularly update the benchmark premium rates applicable to 19 high-risk trades, while a loading or discount may apply to these rates to encourage employers to adopt good safety practices.

Shenzhen Bay Port Hong Kong Port Area ("HKPA")

The Government has entered into a market agreement with insurers to extend the territorial scope of all existing motor and EC insurance policies to cover the HKPA after it began operation on 1 July 2007.

The HKPA, which includes the Shenzhen section of the Shenzhen Bay Bridge ("Bridge"), was set up and brought within the jurisdiction of the Hong Kong Special Administrative Region under the Shenzhen Bay Port Hong Kong Port Area Ordinance ("HKPA Ordinance"). The HKPA Ordinance confers no retrospective effect on pre-existing contractual rights and obligations under private documents concluded prior to 1 July 2007. Therefore insurance policies issued prior to that date would not automatically cover the HKPA. This posed potential problems to motor and EC policyholders who would need to individually seek extension of coverage.

To address this problem, the IA and The Hong Kong Federation of Insurers ("HKFI") have taken initiative to explore possible solutions that would be cost-effective and convenient to policyholders. Following deliberations and an on-site visit to the Bridge, insurers agreed to extend the insurance coverage of their existing motor and EC policies to include the HKPA without the need for issuing an endorsement and at no extra premiums. On behalf of the Government, the IA signed a market agreement with each of these insurers in June 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 2007, 63 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

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

Supervision of Insurance Intermediaries

Agents

Part X of the ICO provides for a self-regulatory system of insurance agents in Hong Kong which is operated through the Insurance Agents Registration Board ("IARB"). The IA works closely with the IARB on policy issues relating to supervision of insurance agents, including those relating to the handling of complaints against them and the monitoring of their compliance with the Code of Practice for the Administration of Insurance Agents.

Brokers

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

Statistics

Statistics on insurance intermediaries, their responsible officers, chief executives and technical representatives as at 31 December 2007 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

Hong Kong is a member of the Financial Action Task Force on Money

Laundering ("FATF") which is an international organization committed to combating money laundering and terrorist financing activities. Hong Kong is also a founder member of Asia-Pacific Group on Money Laundering ("APG") since 1997. The FATF sets the international benchmark for a robust anti-money laundering and counter-terrorist financing ("AML/CFT") regime in its Forty Recommendations and Nine Special Recommendations. Every member of the FATF is subject to mutual evaluation on compliance with the standards as contained in the Recommendations. The third round of Mutual Evaluation on Hong Kong by the FATF took place in November 2007.

The assessment team met with the OCI and HKFI to discuss issues concerning the AML/CFT regime as applied to the insurance sector. The assessment team will issue a Mutual Evaluation Report on the overall AML/CFT regime of Hong Kong in mid-2008. It will highlight some recommendations for improvement of our AML/CFT regime.

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 during the process.

On the front of our ongoing educational efforts , the IA convened two Anti-Money Laundering Seminars jointly with the Narcotics Division and the Joint Financial Intelligence Unit on 8 and 18 June 2007 to keep the insurance industry abreast of the latest development of the AML/CFT regime. The seminars were well received by over 400 insurance practitioners, including chief executives, compliance officers and training managers of insurance institutions.

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. A total of 311 suspicious transaction reports were made by the insurance industry in 2007.

Economic Summit on China's 11th Five-Year Plan and Development of Hong Kong

The Government issued the Report on Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong"("Report") in January 2007. The Report explores the opportunities and challenges arising from the Mainland's 11th Five-Year Plan and the strategies Hong Kong should adopt in the economic development of the Mainland.

In respect of the insurance sector, specific recommendations have been proposed in the Report to enhance cooperation with the Mainland for further development of the insurance and reinsurance industries in Hong Kong. Major recommendations include development of captive insurance in Hong Kong as well as introduction of rural area micro insurance and specialised commercial liability insurance products in the Mainland. The IA is in close liaison with the Mainland authorities on implementation of the recommendations.

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

Since the operation of CEPA with effect from 1 January 2004, Hong Kong insurers and individual industry practitioners are permitted to engage business in the Mainland upon fulfillment of certain conditions. With the signing of Supplement IV to CEPA on 29 June 2007, there are further liberalization measures in the insurance sector. They include the setting up of an examination centre in Hong Kong for the Mainland qualifying examinations for insurance intermediaries and the permission of Hong Kong insurance agency companies to set up wholly-owned enterprises in the Mainland to provide insurance agency services to the Mainland insurance companies.

These liberalization measures, which are in operation as from 1 January 2008, facilitate Hong Kong residents to obtain the Mainland's insurance qualifications and Hong Kong insurance agency companies to operate agency business in the Mainland. The IA will continue to pursue a wider scope of market liberalization for further benefits of the insurance industry in Hong Kong.

International and Domestic Cooperation

Globalization, expansion of financial conglomerates and strategic alliances among financial service providers have driven regulators worldwide to enhance their mutual communications in exchanging information and experience. In this regard, the IA has maintained regular dialogue with local and overseas financial service regulators, and actively participated in international conferences and seminars.

To enhance international cooperation with overseas regulators on insurance supervision, the IA has concluded a memorandum of understanding on cooperation both with the Australian Prudential Regulation Authority and the Insurance and Pensions Authority of Isle of Man in February 2007.

To strengthen the supervisory cooperation and exchange of information between the OCI and the Financial Reporting Council, the two regulators concluded a Memorandum of Understanding on 19 December 2007.

In October 2007, the Commissioner attended the 14th IAIS Annual Conference and committee meetings held in the USA. Through its membership on the IAIS Insurance Fraud Subcommittee, the IA has actively contributed towards the development of international standards on supervision of insurance fraud.

During the year, the IA received official delegations from Brunei and the Mainland. On its part, the IA has actively participated in seminars and conferences organized or co-organized by International Association of Insurance Supervisors, Financial Stability Institute, Financial Services Authority of the United Kingdom and Office of the Superintendent of Financial Institutions of Canada. The IA attended the 7th Asian CEO Insurance Summit held in Singapore in March 2007.

The IA has a close working relationship with the China Insurance Regulatory Commission ("CIRC"), insurance regulator in the Mainland. In June 2007, the IA organized a Seminar on Asset Management of Insurance Funds in Hong Kong to facilitate exchange of views amongst CIRC officials, industry practitioners and the Mainland stakeholders. Besides, a meeting was held in Shenzhen in November 2007 amongst insurance regulators of Guangdong, Hong Kong, Macao and Shenzhen.

Locally, the IA participated in regular meetings of the Council of Financial Regulators and the Financial Stability Committee to discuss regulatory issues and matters with implications on economic stability. The IA has also established close contact with the insurance industry and frequently meets the HKFI and other industry bodies to discuss topical issues concerning the industry.

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

Promoting Hong Kong as an international insurance hub characterized by our favorable business environment and world –class regulatory regime, as well as our unparalleled advantage as the gateway to the Mainland, the promotional VCD/DVD – "Hong Kong – An International Insurance Centre", produced by a professional film producer for the IA, was completed during the year. Copies of the promotional VCD/DVD have been distributed to the international business society through the network of Hong Kong Economic and Trade Offices located in different countries.

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General Insurance Business

Despite a modest increase in gross premiums of 1.8% to \$22,958 million, the general insurance sector recorded a decline of 17.2% in underwriting profit to \$2,067 million in 2006.

Overview

Total gross and net premiums of general insurance business increased slightly by 1.8% to \$22,958 million and 3.6% to \$16,198 million respectively in 2006. The gross premiums represented 1.6% of the Hong Kong Gross Domestic Product.

General Liability business (comprising mainly employees' compensation ("EC") business), Accident and Health business and Property Damage business 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 no higher than 6% of the total gross premiums.

As a sign of deterioration in claims experience, the overall net claims incurred ratio ("NCIR") (i.e. net claims incurred as a percentage of earned premiums) increased from 48.9% in 2005 to 51.0% in 2006. Reflecting the general rise in claims costs, general insurance business suffered a 17.2% drop in underwriting profit over 2005 to \$2,067 million. The underwriting margin (i.e. underwriting profit expressed as a percentage of earned premiums) decreased from 16.0% to 12.8% in 2006.

With the exception of Ships business which recorded an underwriting loss, all other business classes showed profitable underwriting results in 2006. Property Damage business remained the largest contributor to the overall underwriting profit, followed by Pecuniary Loss and Goods in Transit businesses. As for the two major classes of compulsory insurance business, the underwriting result of EC business continued to improve with its loss diminishing from \$136 million to \$85 million in 2006 whereas that for direct Motor Vehicle business deteriorated with a significant reduction in profit from \$384 million to \$158 million. Ships business remained the worst performer, attributable to deteriorating claims experience.

Figure 2.1 Overall Performance of General Insurance Business

	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m
Gross Premiums	23,447.6	24,291.8	22,866.3	22,545.8	22,958.0

Net Premiums	15,903.2	16,570.8	15,966.9	15,641.7	16,198.1
Technical Reserves	21,602.4	23,778.0	26,126.6	26,617.1	26,898.7
Underwriting Results:					
Earned Premiums	14,560.3	16,020.6	15,772.1	15,647.8	16,100.0
Underwriting Expenses ¹	5,174.6	5,152.8	5,198.6	5,502.8	5,821.8
Net Claims Incurred	8,142.5	9,387.4	8,351.3	7,647.8	8,211.2
Underwriting Profit/(Loss)	1,243.2	1,480.5	2,222.2	2,497.2	2,067.0
	%	%	%	%	%
Growth of Gross Premiums	20.6	3.6	-5.9	-1.4	1.8
Retention Ratio	67.8	68.2	69.8	69.4	70.6
Commission Payable Ratio	19.6	18.7	19.3	20.2	20.4
Net Claims Incurred Ratio	55.9	58.6	52.9	48.9	51.0
Underwriting Margin ²	8.5	9.2	14.1	16.0	12.8
Technical Reserve Ratio ³	135.8	143.5	163.6	170.2	166.1

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

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

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

Premium Incomes

Total gross premiums (comprising direct and reinsurance inward business) increased slightly by 1.8% to \$22,958 million. The increase was mainly driven by the strong momentum registered in Accident and Health business. Net premiums recorded a slightly higher growth of 3.6% to \$16,198 million. The retention ratio for 2006 was 70.6%, compared to 69.4% for 2005.

Figure 2.2 Growth of Premium Income for General Insurance Business

The gross premiums of Accident and Health business surged by 14.8% to \$5,364 million in 2006. Nevertheless, Motor Vehicle business and Miscellaneous business (comprising Aircraft, Ships, Pecuniary Loss and Treaty Reinsurance businesses) dropped by 6.4% to \$2,801 million and by 7.8% to \$2,647 million respectively. General Liability and Goods in Transit businesses, on the other hand, grew by 2.3% to \$5,706 million and by 1.4% to \$1,175 million respectively. As for Property Damage business, it only registered a minimal decline of 0.1% and maintained at \$5,264 million.

Figure 2.3 Growth of Gross Premiums for Major Lines of Business

Composition of Gross Premiums

Direct business and reinsurance inward business accounted for 79.1% and 20.9% respectively of total gross premiums in 2006, showing similar composition as in 2005. General Liability, Accident and Health and Property Damage businesses topped the general insurance sector, constituted 24.9%, 23.4% and 22.9% respectively of the total gross premiums. Motor Vehicle business ranked fourth with its 12.2% share.

Figure 2.4 Composition of Gross Premiums

Class of Business	Direct & Reinsurance Inward Business		Direct Business		Reinsurance Inward Business	
	2005 %	2006 %	2005 %	2006 %	2005 %	2006 %
Accident & Health	20.7	23.4	25.3	28.5	4.7	3.9
Motor Vehicle	13.3	12.2	15.7	14.0	5.0	5.4
Goods In Transit	5.1	5.1	5.5	5.4	3.7	4.0
Property Damage	23.4	22.9	16.6	16.1	47.3	49.0
General Liability	24.7	24.9	27.3	27.1	16.0	16.4
Miscellaneous	12.8	11.5	9.6	8.9	23.3	21.3

Claims

The overall claims experience for general insurance business deteriorated in 2006. Overall NCIR edged up by 2.1 percentage points to 51.0%.

On direct business, overall NCIR increased from 52.2% to 55.3% in 2006. The star performer was Pecuniary Loss business which recorded the lowest NCIR, i.e. below 10%.

On reinsurance inward business, overall NCIR improved from 36.3% to 32.9% in 2006.

Figure 2.5 Net Claims Incurred Ratio

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 1.1% to \$26,899 million.

Overall technical reserve ratio (i.e. technical reserves expressed as a percentage of net premiums written) decreased from 170.2% in 2005 to 166.1% in 2006. The technical reserve ratios of General Liability and Motor Vehicle businesses remained among the highest in 2006, albeit that of

General Liability business slightly declined from 316.5% in 2005 to 311.6% in 2006 whereas that of Motor Vehicle business moderately strengthened from 205.3% to 209.3% in 2006. As regards Accident and Health business, the technical reserve ratio decreased from 58.1% to 52.5% in 2006.

Figure 2.6 Technical Reserve Ratio

Class of Business	UPR & UER Ratio ¹		Outstanding Claims Provision Ratio ²		Technical Reserve Ratio ³	
	2005 %	2006 %	2005 %	2006 %	2005 %	2006 %
Accident & Health	34.2	31.9	23.9	20.6	58.1	52.5
Motor Vehicle	45.0	44.8	160.3	164.5	205.3	209.3
Goods In Transit	17.1	16.7	49.4	50.9	66.5	67.7
Property Damage	43.4	44.6	68.3	67.2	111.7	111.8
General Liability	57.0	54.2	259.5	257.4	316.5	311.6
Miscellaneous	67.5	66.8	131.4	152.0	198.9	218.8
Overall	45.9	44.2	124.3	121.9	170.2	166.1

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 decreased from \$2,497 million in 2005 to \$2,067 million in 2006, representing a decline of 17.2%.

With the exception of Ships business which recorded an underwriting loss of \$249 million in 2006, 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 2006, achieving a profit of \$772 million. Pecuniary Loss business and Goods in Transit business came next, registering \$465 million and \$319 million in underwriting profits respectively. General Liability business reported an underwriting profit of \$146 million in 2006. However, a major component of General Liability business, i.e. EC business, continued to incur an underwriting loss of \$85 million in 2006. Ships business remained the worst performer, with its underwriting loss deteriorated further from \$156 million in 2005 to \$249 million in 2006 as a result of worsened claims experience.

On direct business, the underwriting profit decreased from \$1,441 million to \$1,116 million. All business classes maintained a profitable position,

except for Ships business, EC business and Aircraft business. Property Damage business continued to record the highest underwriting profit of \$355 million, followed by Pecuniary Loss business of \$302 million, Goods in Transit business of \$284 million and General Liability (non-EC) business of \$221 million. On the other hand, Ships business was the worst performer recording an underwriting loss of \$246 million in 2006. As for EC and Aircraft businesses, an underwriting loss of \$85 million and \$2 million was recorded respectively in 2006.

On reinsurance inward business, the underwriting profit also decreased from \$1,057 million to \$951 million. Except for Ships business which recorded an underwriting loss of \$3 million, all other classes of reinsurance business recorded underwriting profits. Similar to direct business, Property Damage business was the best performer, recording an underwriting profit of \$417 million.

Figure 2.7 Underwriting Results

Figure 2.8 Underwriting Margin of Major Lines of Business

Statutory Business

Statutory business comprises three classes of direct business - Motor Vehicle, EC (classified as General Liability-Statutory business) and Launch and Vessel Liability businesses (classified as Ships-Statutory business). In 2006, they altogether contributed \$5,489 million in gross premiums to the general insurance business market, representing 30.2% of total direct business gross premiums. EC business rebounded from its third position in terms of gross premiums for direct business in 2005 to the second position in 2006. Its market share in the direct business market slightly increased from 15.9% in 2005 to 16.1% in 2006.

Motor Vehicle Business

Gross premiums for direct Motor Vehicle business decreased by 7.3% to \$2,542 million in 2006, while the number of vehicles covered increased by 0.8% to 592,517, reflecting competition for business intensified in the motor insurance market in 2006. Due to deterioration in claims experience with NCIR increasing from 42.1% to 48.6%, the underwriting margin of direct Motor Vehicle business decreased from 17.0% in 2005 to 7.2% in 2006.

Figure 2.9 Motor Vehicle Business

	Unit	2002	2003	2004	2005	2006
Gross Premiums	\$ million	3,171.0	2,902.5	2,835.9	2,741.8	2,542.3

Underwriting Profit / (Loss)	\$ million	79.5	13.2	276.3	384.1	158.3
Growth of Gross Premiums	%	14.6	-8.5	-2.3	-3.3	-7.3
Net Claims Incurred Ratio	%	54.7	63.4	48.4	42.1	48.6
Underwriting Margin	%	3.5	0.6	12.6	17.0	7.2
Number of Vehicles Covered		612,228	548,630	565,866	587,659	592,517

Employees' Compensation Business

After the acute premium rate cut that happened across the EC insurance market in previous years, the situation seemed to have abated in 2006. Gross premiums of EC business increased by 4.9% to \$2,919 million in 2006. The number of EC policies in force also increased by 16.4% to 348,324. With improved claims experience, the underwriting loss for EC business diminished from \$136 million in 2005 to \$85 million in 2006.

Figure 2.10 Employees' Compensation Business

	Unit	2002	2003	2004	2005	2006
Gross Premiums	\$ million	4,280.7	4,415.8	3,479.7	2,782.0	2,919.1
Underwriting Profit / (Loss)	\$ million	(161.7)	(107.6)	(263.9)	(136.4)	(84.9)
Growth of Gross Premiums	%	58.4	3.2	-21.2	-20.1	4.9
Net Claims Incurred Ratio	%	75.5	75.9	80.0	71.0	69.5
Underwriting Margin	%	-6.4	-3.8	-9.4	-5.5	-3.5
Number of Policies in Force		254,303	266,111	303,623	299,330	348,324

Launch and Vessel Liability Business

Gross premiums of Launch and Vessel Liability business increased from \$22 million in 2005 to \$28 million in 2006, with the number of launches, ferry vessels and pleasure vessels covered increased by 7.1% to 6,992. Such business posted an underwriting loss of \$8 million as compared with a profit of \$8 million in 2005.

Figure 2.11 Launch and Vessel Liability Business

	Unit	2002	2003	2004	2005	2006
Gross Premiums	\$ million	17.9	17.5	20.1	22.3	27.6
Underwriting Profit / (Loss)	\$ million	(4.7)	5.4	4.0	7.7	(8.0)
Growth of Gross Premiums	%	-20.8	-2.2	14.9	10.9	23.8

Net Claims Incurred Ratio	%	91.5	12.4	21.2	6.3	118.1
Underwriting Margin	%	-44.3	51.4	40.4	61.1	-58.0
Number of Launches, Ferry Vessels & Pleasure Vessels Covered		5,631	5,645	6,087	6,529	6,992

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 4.7% to \$1,934 million in 2006. Their total underwriting profit also decreased from \$633 million in 2005 to \$487 million in 2006, a drop of 23.1% over 2005. The top 5 pure reinsurers captured an aggregate share of 84.1% in terms of gross premiums, indicating the continuing high concentration of business in the pure reinsurers' market persisted in 2006.

Figure 2.12 Pure Reinsurers' Business

	Unit	2002	2003	2004	2005	2006
Gross Premiums	\$ million	2,893.9	3,260.9	2,371.3	2,030.3	1,934.0
Underwriting Profit / (Loss)	\$ million	240.7	296.1	621.5	633.0	486.8
Growth of Gross Premiums	%	65.4	12.7	-27.3	-14.4	-4.7
Net Claims Incurred Ratio	%	60.4	67.7	51.0	36.8	32.9
Underwriting Margin	%	11.1	9.9	25.9	31.9	27.8

Figure 2.13 Top 5 Pure Reinsurers by Gross Premiums in 2006

Ranking of Insurers	Gross Premiums	Market Share
	\$ m	%
1. The Toa Reinsurance Company, Limited	431	22.3
2. China International Reinsurance Company Limited	394	20.3
3. Munich Reinsurance Company	348	18.0
4. Swiss Reinsurance Company	335	17.3
5. Transatlantic Reinsurance Company	121	6.2
Total Gross Premiums Written by Top 5 Reinsurers in 2006	1,629	84.1
Corresponding Figure for 2005	1,655	81.5

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 2006, assets maintained by these insurers in Hong Kong totalled \$75,496 million, a 6.5% increase over 2005. Mortgage portfolio remained the largest asset type, registering \$27,280 million or 36.1% of total local assets, followed by Deposits and Cash (25.4%) and Fixed and Variable Interest Securities (19.1%).

Figure 2.14 Breakdown of Assets Maintained in Hong Kong

Category of Assets	2004		2005		2006	
	\$m	%	\$m	%	\$m	%
Deposits & Cash	19,804.1	25.3	16,842.5	23.7	19,172.2	25.4
Fixed & Variable Interest Securities	9,343.0	12.0	11,493.8	16.2	14,416.8	19.1
Insurance Debts	4,479.4	5.7	3,970.9	5.6	3,340.4	4.4
Letters of Credit	2,964.0	3.8	2,905.1	4.1	2,837.9	3.8
Investments in Associated/Subsidiary Companies	2,535.0	3.2	2,401.0	3.4	2,047.9	2.7
Land & Buildings	1,288.3	1.6	1,456.1	2.1	1,883.6	2.5
Other Assets						
- Mortgage Portfolio ¹	34,829.1	44.6	29,417.7	41.5	27,279.5	36.1
- Others	2,948.7	3.8	2,404.8	3.4	4,517.6	6.0
Total	78,191.6	100.0	70,891.9	100.0	75,495.9	100.0

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

Market Analysis

A total of 129 insurers reported to the IA on their Hong Kong general insurance business for 2006. Of these insurers, 81 made underwriting profits while 36 suffered underwriting losses, with the remaining reporting nil business for the year.

In 2006, gross premiums written by the top 10 and top 20 insurers amounted to \$8,976 million and \$14,065 million respectively. These premiums represented 39.1% and 61.3% of the market share, similar to the corresponding figures of 37.7% and 58.6% recorded in 2005. At the lower end of the scale, 29 insurers wrote gross premiums below the \$1.1 million level in 2006.

Comparing with the market share of the top 10 general business insurers by overall gross premiums (39.1%), 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 (68.3%),

Motor Vehicle business (59.7%), Property Damage business (49.7%) and EC business (64.5%).

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	2005	618.9 - 1,309.4	37.7	10	0
	2006	637.5 - 1,410.2	39.1	10	0
11 - 20	2005	416.6 - 534.4	20.9	9	1
	2006	394.2 - 576.7	22.2	7	3
21 - 50	2005	121.4 - 345.8	30.0	24	6
	2006	104.7 - 393.5	29.3	20	10
51 - 100	2005	0.2 - 121.2	10.9	36	14
	2006	1.1 - 104.0	9.4	35	15
Remaining	2005	<0.2	0.5	10	8
	2006	<1.1	0.0	9	8
Total	2005		100.0	89	29
	2006		100.0	81	36

* Including break-even insurers

Figure 2.16 Top 10 Insurers by Overall Gross Premiums in 2006

Ranking of Insurers		Gross Premiums	Market Share
		\$m	%
1.	American Home Assurance Company	1,410	6.1
2.	HSBC Insurance (Asia) Limited	1,359	5.9
3.	Bank of China Group Insurance Company Limited	1,213	5.3
4.	The Ming An Insurance Company (Hong Kong), Limited	846	3.7
5.	Asia Insurance Company, Limited	727	3.2
6.	QBE Hongkong & Shanghai Insurance Limited	720	3.1
7.	AXA General Insurance Hong Kong Limited	701	3.1
8.	Zurich Insurance Company	691	3.0
9.	Wing Lung Insurance Company Limited	671	2.9
10.	ACE Insurance Limited	638	2.8
Total Gross Premiums Written by Top 10 Insurers in 2006		8,976	39.1
Corresponding Figure for 2005		8,516	37.7

Figure 2.17 Top 10 Insurers by Gross Premiums of Major Classes in 2006

Accident & Health Business		
Ranking of Insurers		Market Share
1.	HSBC Insurance (Asia) Limited	13.7%
2.	American International Assurance Company (Bermuda) Limited	10.5%
3.	BUPA (Asia) Limited	10.3%
4.	Blue Cross (Asia-Pacific) Insurance Limited	8.4%
5.	AXA China Region Insurance Company Limited	7.3%
6.	American Home Assurance Company	6.1%
7.	The Prudential Assurance Company Limited	3.9%
8.	Hang Seng Insurance Company Limited	2.8%
9.	ACE Insurance Limited	2.7%
10.	Bank of China Group Insurance Company Limited	2.6%
Top 10 Insurers' Market Share		68.3%
Number of Insurers : 74		
Motor Vehicle Business		
Ranking of Insurers		Market Share
1.	AXA General Insurance Hong Kong Limited	8.7%
2.	Bank of China Group Insurance Company Limited	8.0%
3.	The Ming An Insurance Company (Hong Kong), Limited	7.3%
4.	The Pacific Insurance Company, Limited	7.0%
5.	Zurich Insurance Company	6.8%
6.	QBE Hongkong & Shanghai Insurance Limited	6.2%
7.	Anglo Starlite Insurance Company Limited	4.7%
8.	HSBC Insurance (Asia) Limited	3.8%
9.	Target Insurance Company, Limited	3.7%
10.	The Toa Reinsurance Company, Limited	3.5%
Top 10 Insurers' Market Share		59.7%
Number of Insurers : 62		
Property Damage Business		
Ranking of Insurers		Market Share
1.	CNOOC Insurance Limited	9.7%
2.	American Home Assurance Company	6.5%
3.	HSBC Insurance (Asia) Limited	5.7%
4.	The Toa Reinsurance Company, Limited	4.9%
5.	Bank of China Group Insurance Company Limited	4.4%
6.	Asia Insurance Company, Limited	4.1%

7.	TT Club Mutual Insurance Limited	3.9%
8.	MSIG Insurance (Hong Kong) Limited	3.8%
9.	Hang Seng Insurance Company Limited	3.5%
10.	The Ming An Insurance Company (Hong Kong), Limited	3.2%
Top 10 Insurers' Market Share		49.7%
Number of Insurers : 85		
Employees' Compensation Business		
Ranking of Insurers		Market Share
1.	Bank of China Group Insurance Company Limited	14.4%
2.	Wing Lung Insurance Company Limited	11.0%
3.	Sun Alliance and London Insurance plc	6.9%
4.	The Ming An Insurance Company (Hong Kong), Limited	5.9%
5.	Sun Hung Kai Properties Insurance Limited	5.5%
6.	QBE Hongkong & Shanghai Insurance Limited	5.0%
7.	Asia Insurance Company, Limited	5.0%
8.	AXA General Insurance Hong Kong Limited	4.3%
9.	MSIG Insurance (Hong Kong) Limited	3.4%
10.	Falcon Insurance Company (Hong Kong) Limited	3.1%
Top 10 Insurers' Market Share		64.5%
Number of Insurers : 57		

Market Performance for the First Three Quarters of 2007

According to the provisional statistics for the first three quarters of 2007, gross and net premiums for general insurance business recorded a modest growth of 4.3% to \$18,809 million and 4.8% to \$13,477 million respectively as compared with the corresponding period in 2006. However, the overall underwriting result went down from \$2,034 million to \$1,783 million on account of deteriorating claims experience and higher management expenses.

On direct business, gross premiums and net premiums increased by 4.7% to \$15,074 million and 5.2% to \$10,960 million respectively in the first three quarters of 2007, primarily driven by medical business whose gross premiums surged by 20.2% to \$3,642 million and net premiums by 19.2% to \$3,308 million. Despite a rising number of insured vehicles, motor vehicle business continued to contract with gross premiums falling by 3.9% to \$1,880 million. On the other hand, ships business benefited from a wider scope of vessels covered by the Merchant Shipping (Local Vessels) Ordinance with effect from 2 July 2007, and recorded a rise in gross premiums attributable to statutory business by \$11 million to \$32 million.

Underwriting profit of direct business shrank from \$1,207 million to \$893 million in the first three quarters of 2007, largely attributable to unfavourable outturn of motor vehicle business, ships business and employees' compensation business. Soft market conditions resulted in a plunge in underwriting profit from \$196 million to \$13 million for motor vehicle business as well as a reversal from a profit of \$21 million to a loss of \$87 million for employees' compensation business. Adverse claims experience was the primary cause for an underwriting loss of \$91 million for ships business compared with a profit of \$21 million for the corresponding period in 2006.

On reinsurance inward business, gross and net premiums grew by 2.9% to \$3,736 million and 3.4% to \$2,517 million respectively in the first three quarters of 2007, while underwriting profit improved slightly from \$827 million to \$890 million, mainly due to the release of claims reserve.

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Long Term Insurance Business

Long term insurance industry gained 16.0% in 2006, compared with that of 16.6% in 2005. Total office premiums in-force increased from \$114,756 million to \$133,087 million, equivalent to about 9.0% of the gross domestic product. The growth was mainly attributable to the increase in Individual Life business.

Overview

Individual Life business remained the dominant line of business, with office premiums in-force of \$114,912 million or 86.3% of the market total, rising 17.0% from 2005. The corresponding number of Individual Life policies stood at 7.1 million, carrying net liabilities of \$380,020 million that grew by 29.7%.

Yearly contributions for Retirement Scheme contracts administered by insurers added 12.0% to \$14,635 million. At the end of 2006, there were 67,860 Retirement Scheme contracts carrying net liabilities of \$124,233 million.

In-force office premiums of Group Life business moved up by 8.8% to \$1,305 million, while the corresponding number of policies and net liabilities increased by 2.6% to 15,651 and 13.3% to \$597 million respectively.

In-force office premiums of Annuity and other businesses (comprising mainly Permanent Health business) moderated by 3.0% to \$2,235 million, accounting only for 1.7% of the total in respect of long term insurance business.

Office premiums of new Individual Life business office premiums gained 15.8% to reach \$52,510 million, and the corresponding number of new policies edged up 0.2% from 1,012,488 in 2005 to 1,014,332 in 2006.

Figure 3.1 Long Term Insurance Business

(Graphic: [Figure 3.1 Long Term Insurance Business](#))

Individual Life In-Force Business

Total office premiums for Non-Linked business, which gained 5.0% from that of 2005 and accounted for 61.1% of the total office premiums of Individual Life in-force business, amounted to \$70,226 million. As at the end of 2006, the number of in-force policies stood at 6,072,450, up 5.1%

from that of 2005. The total sums assured and net liabilities also increased by 4.2% and 23.3% to \$2,207,716 million and \$253,942 million respectively. Among these Non-Linked policies, Whole Life and Endowment insurance accounted 79.9% of the total Non-Linked office premiums in-force, while Term and Other insurance took up the remaining 20.1%. Non-Linked business had been classified into with-profits business and without-profits business. Under this classification, with-profits business took up 81.2% of the office premiums in-force, while without-profits business accounted for the remaining 18.8%.

Total office premiums for Linked business, which represented 38.9% of the total office premiums of Individual Life in-force business, grew by 42.7% to reach \$44,687 million. The corresponding number of policies and net liabilities also rose by 27.3% to 1,028,698 and 45.0% to \$126,078 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

Office premiums of Individual Life new business achieved a growth of 15.8% over 2005 to reach \$52,510 million in 2006, although the number of new Individual Life policies expanded mildly by 0.2% from 1,012,488 in 2005 to 1,014,332 in 2006. This showed a general increase of average premiums per policy. Linked business became the dominant line of new business, with office premiums represented 60.8% of the total office premiums of Individual Life new business. The remaining 39.2% was attributable to Non-Linked business.

Contrary to Linked business, the number of policies of Non-Linked business decreased by 8.6% to 730,201, with office premiums decreased by 13.9% to \$20,566 million. Compared with regular premium business, single premium business registered deeper decline both in number of policies and office premiums. As regards product categories, Whole Life and Endowment insurance business remained the dominant types of Non-Linked business, taking up 75.9% of total premiums for Non-Linked new business, whereas Term and Other insurance accounted for the balance of 24.1%. Non-Linked business had been classified into with-profits and without-profits business. The former took up 86.2% of new office premiums while the latter represented the remaining 13.8%.

New Linked business in 2006 registered a growth of 48.8% in office premiums with the corresponding number of policies increased by 33.1%. The number of policies and office premiums of new Linked business in single payment mode grew by 34.1% and 48.9% respectively. New Linked business in regular payment mode also increased by 32.8% and 48.5% 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 14.1% in 2006. The increase in New Business Index was the combined result of new premiums recorded for regular premium business and single premium business, which rose by 13.5% and 16.8% respectively. During the year, the New Business Index for Non-Linked business decreased by 5.6% whereas the New Business Index for Linked business increased by 48.6%.

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)

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

(Graphic: [Figure 3.4 Individual Life New Business \(Number of Policies and New Business Index\)](#))

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 6.6% in 2006. The rates for the two main types of insurance, i.e. Whole Life and Endowment businesses, were 5.3% and 3.1% respectively.

For Linked Individual Life business, the overall voluntary termination rate also decreased to 6.2% in 2006. Among others, the voluntary termination rate for Whole Life business was 6.9% 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)

(Graphic: Figure 3.5 Individual Life Voluntary Termination Rate - 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 15.4% of the Group Life office premiums. At the end of 2006, there were 1,171 Class A policies in-force, covering 383,775 lives and offering a total of \$81,623 million in form of insurance protection (i.e. total sums assured). Office premiums and net liabilities for Class A policies were \$201 million and \$179 million respectively.

Class I business made up the remaining portion, i.e. 84.6%, of the Group Life office premiums. At the end of 2006, the number of Class I policies in-force was 14,480, covering 769,687 lives. Total sums assured, office premiums and net liabilities for this type of policies were \$379,983 million, \$1,104 million and \$418 million respectively.

Figure 3.6 Group Life In-Force Business

(Graphic: Figure 3.6 Group Life In-Force Business - Number of Policies)

(Graphic: Figure 3.6 Group Life In-Force Business - Office Premiums)

Retirement Scheme Business

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

At the end of 2006, Class G contributions amounted to \$7,436 million, representing 50.8% of overall contributions for Retirement Scheme business. Net liabilities amounted to \$69,898 million, representing 56.3% of total net liabilities. Net liabilities had been classified into unit and non-unit liabilities. Unit liabilities took up 75.7% of the total net liabilities, or \$52,880 million, while non-unit liabilities took up the remaining 24.3% or \$17,018 million.

Class H business accounted for the remaining 49.2% of overall contributions and 43.7% of total net liabilities for Retirement Scheme business. Unit liabilities accounted for 75.1% of net liabilities or \$40,791

million while non-unit liabilities accounted for the remaining 24.9% or \$13,545 million.

Figure 3.7 Retirement Scheme In-Force Business

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

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

Annuity and Other Business

Annuity in-force business decreased in terms of number of policies and office premiums by 1.2% and 14.5% respectively whereas net liabilities increased by 18.9% to \$4,322 million. During the year, a total of 5,282 new Annuity policies were sold, bringing office premiums of \$235 million.

Other business comprises Permanent Health, Tontines and Capital Redemption business. During the year, Permanent Health business decreased by 2.6% in terms of number of policies to 208,348. Its office premiums and net liabilities grew by 10.2% to \$1,178 million and 5.0% to \$2,026 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 2006, there were 65 authorised long term insurers. Excluding Lloyd's and 6 pure reinsurers, 4 insurers reported office premiums in-force of over \$10 billion. They took up 49.3%, in aggregate, of the long term insurance market. 21 insurers' office premiums were each in the region of \$1 billion to \$10 billion, covering 46.7% in aggregate of the total figure. 8 insurers reported office premiums in the region of \$100 million to \$1 billion, accounting for, in aggregate, a market share of 3.7%. 25 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 2006

(Graphic: Figure 3.8 Grouping of Long Term Business Insurers According to the Level of Office Premiums of In-Force Business in 2006)

Figure 3.9 Top 10 Long Term Business Insurers by Office Premiums of In-Force Business in 2006



Ranking	Name of Insurers	Abbreviated Name	Office Premiums	Market Share
			\$m	%
1.	American International Assurance Company (Bermuda) Limited	AIA (Bermuda)	21,517	16.2
2.	Manulife (International) Limited	Manulife (Int'l)	17,263	13.0
3.	HSBC Life (International) Limited	HSBC Life	14,717	11.1
4.	Prudential Assurance Company Limited - The	Prudential (UK)	12,014	9.0
5.	AXA China Region Insurance Company (Bermuda) Limited	AXA China (Bermuda)	8,252	6.2
6.	Hang Seng Life Limited	Hang Seng Life	7,734	5.8
7.	BOC Group Life Assurance Company Limited	BOC Group Life	6,216	4.7
8.	Sun Life Hong Kong Limited	Sun Life Hong Kong	4,838	3.6
9.	AXA Wealth Management (HK) Limited	AXA Wealth Mgt (HK)	3,663	2.8
10.	Zurich International Life Limited	Zurich International	3,192	2.4
	Sub-total		99,406	74.8
	Others (remaining insurers)		33,681	25.2
	Market Total		133,087	100.0

In terms of market concentration of in-force business, the top 10 long term business insurers in 2006 underwrote an aggregate of 74.8% of the total business, compared to that of 72.5% in 2005.

Figure 3.10 Market Share of Long Term Business Insurers by Office Premiums of In-Force Business in 2006

(Graphic: Figure 3.10 Market Share of Long Term Business Insurers by Office Premiums of In-Force Business in 2006)

In terms of Individual Life new business, of the total 37 insurers underwriting such business in 2006, 15 insurers reported new office premiums exceeding \$1 billion. These insurers accounted for a market share of 87.8% of total business. 15 insurers, with new office premiums in the range between \$100 million and \$1 billion, accounted for 12.0% 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 2006

(Graphic: Figure 3.11 Grouping of Long Term Business Insurers According to the Level of Office Premiums of Individual Life New Business in 2006)

Market Performance for the First Three Quarters of 2007

For the first three quarters of 2007, the provisional statistics showed that total revenue premiums of long term in-force business amounted to \$122,989 million, representing an increase of 26.0% over the same period in 2006.

Revenue premiums of Individual Life and Annuity (Non-Linked) business and Individual Life and Annuity (Linked) business grew by 8.2% to \$54,309 million and 59.4% to \$49,963 million respectively. Contributions of Retirement Scheme business also recorded a growth by 17.5% to \$16,558 million. On the benefit side, total insurance benefits paid to individuals increased by 30.8% to \$41,898 million.

Statistics for the first three quarters of 2007 showed that new office premiums (excluding Retirement Scheme business) of long term business increased by 41.7% to \$54,408 million compared with the same period in 2006. Although Individual Life and Annuity (Non-Linked) business decreased by 4.7% to \$14,317 million in terms of new office premiums, individual Life and Annuity (Linked) business leaped by 72.0% to \$39,756 million.

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Supervisory Developments for Insurance Intermediaries

Apart from continuing to upgrade the professionalism of intermediaries under the Insurance Intermediaries Quality Assurance Scheme, the Office of the Commissioner of Insurance ("OCI") has also strengthened its supervisory cooperation with local regulators on cross-sectoral issues.

Insurance Intermediaries Quality Assurance Scheme

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

The IIQE

In addition to other prerequisites, a prospective insurance intermediary is required to meet the IIQE requirements in order to be eligible for registration/authorisation. The IIQE currently consists of six examination papers: the basic paper on Principles and Practice of Insurance, three qualifying papers (viz. General Insurance, Long Term Insurance and Investment-linked Long Term Insurance), the Travel Insurance Agents Examination as well as the independent paper on Mandatory Provident Fund Schemes. Examinations are offered throughout the year in both pen-and-paper mode and computer screen mode. In 2007, the total numbers of sittings for each of the six examinations were about 280,000, 146,000, 246,000, 127,000, 6,000 and 105,000* respectively while the passing rates for the individual examination papers ranged from 43% to 71%. The cumulative statistics as at 31 December 2007 are shown in Figure 4.1.

The Vocational Training Council ("VTC") is the examination body of the IIQE. It regularly reviews and updates the study notes and examination questions for each of the IIQE examination papers, taking account of the latest regulatory and market developments. During the year, the VTC published a new edition (2007 Edition) of the study notes for the Long Term Insurance Examination as well as the Mandatory Provident Fund Schemes Examination.

Figure 4.1 The IIQE (Cumulative Statistics as at 31 December 2007)

	Subject	Number of Sittings	Passing Rate
Part I	Basic Paper - Principles and Practice of Insurance	279,514	51%
Part II	Qualifying Papers		
	- General Insurance	146,335	43%
	- Long Term Insurance	245,942	57%
	- Investment-linked Long Term Insurance	126,517	59%
Part III	Travel Insurance Agents Examination Paper	6,435	45%
Part IV	Independent Paper - Mandatory Provident Fund Schemes	105,393*	71%*

* The figures reported 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 aims at ensuring that insurance intermediaries constantly keep abreast of the industry knowledge and maintain their professional competence. By requiring them to earn a minimum of 10 CPD hours every year, the Programme encourages insurance intermediaries to pursue lifelong learning, enhance professionalism and deliver excellent services to the insuring public. Travel insurance agents will also be subject to the CPD requirement of 3 CPD hours per year and the implementation date will be promulgated in due course.

The Hong Kong Council for Accreditation of Academic and Vocational Qualification ("HKCAAVQ") is appointed as the assessment authority for the CPD Programme to provide assessment services for CPD activities. A list of the approved CPD activities and their respective CPD hours is posted on its website (<http://www.hkcaavq.edu.hk>).

Travel Insurance Agents

The OCI, after 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 to encourage Hong Kong people to take out travel insurance before travelling abroad.

Under the 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 clients. A person who wants to be registered as a "travel insurance agent" has to meet the fit and proper criteria and pass the new "Travel Insurance Agents Examination" covering principles and practice of insurance and travel

insurance. The "Travel Insurance Agents Examination" has been conducted by the Vocational Training Council on a regular basis since May 2006. Up to 31 December 2007, there were about 6,000 sittings for the "Travel Insurance Agents Examination", of which about 2,900 persons have passed the Examination. Besides, "Travel insurance agents" have to receive sufficient training to keep abreast of the latest professional knowledge.

All "Travel insurance agents" have to comply with the Code similar to other insurance agents. They are only allowed to sell travel insurance tied to a tour, travel package, trip or other travel services which the same "travel insurance agent" arranges for his clients. "Travel insurance agents" will be subject to the disciplinary action taken by the IARB if they are in breach of the Code. The OCI will continue to liaise with the insurance and travel industries in monitoring the implementation of the arrangement.

Monitoring of Insurance Intermediaries and Mandatory Provident Fund Intermediaries

As the insurance regulatory authority, the OCI has continued to monitor the insurance intermediaries and Mandatory Provident Fund ("MPF") intermediaries under its regime to ensure that they comply with the requirements of the Insurance Companies Ordinance and the Code of Conduct for MPF Intermediaries. To achieve this objective, the OCI carries out on-site inspections to these intermediaries and ensures that complaints against them are followed up properly.

During the past few years, the OCI visited all long term insurers and most insurance intermediaries selling MPF schemes. It was noted that some insurance brokers failed to comply with the minimum requirements for insurance brokers specified by the Insurance Authority ("Minimum Requirements"). Besides rectifying the irregularities, the OCI also required such insurance brokers to critically review their existing internal control procedures to ensure their compliance with the Minimum Requirements in future.

Cross-sectoral Cooperation

The OCI works closely with the Securities and Futures Commission ("SFC"), the Hong Kong Monetary Authority ("HKMA"), the Mandatory Provident Fund Schemes Authority ("MPFA"), and the Police on cross-sectoral issues. Regarding the regulation of MPF intermediaries, the OCI, the MPFA, the HKMA and the SFC entered into a cooperative agreement in 1999. During 2003 to 2005, the OCI concluded a Memorandum of Understanding ("MoU") separately with the HKMA, the MPFA and the

SFC. Such MoUs strengthen the supervisory cooperation and exchange of information between the OCI and the other local financial regulators.

The OCI and local regulators hold bilateral meetings at times to discuss issues of common supervisory concerns. Since 2004, the OCI has worked closely with the Police in investigating and prosecuting syndicated insurance fraud cases. In 2007, the OCI has conducted its first joint on-site inspection with the SFC. The above cross-sectoral cooperation signifies the move towards coordinated action among regulators in future.

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Consumer Protection

The Office of the Commissioner of Insurance (“OCI”), in cooperation with the Consumer Council and insurance industry implements or supports measures to enhance market transparency, good industry practices and the insuring public's understanding of insurance.

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 have been collected in the Hong Kong Long Term Business Quarterly Returns which include statistics on new business, in-force business, terminated policies, reinsurance business, policy replacements and individual policies issued to

Mainland visitors.

Newsletter "ILens"

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. Readership comprises members of the general public, insurance practitioners, academics, mass media and other financial services regulators.

Reporting on the latest market performance of the local insurance market, "ILens" contains feature articles, in each issue, which focus on specific topics like corporate governance, information technology, reinsurance, life insurance, bancassurance, money laundering, premium volatility, quality customer service, tsunami claims, travel insurance, catastrophe insurance, title insurance, investment-linked insurance, all being core issues of interests to the insurance sector and the insuring public. Relevant case studies are published to heighten the public awareness of insurance, alertness of fighting insurance frauds and misconduct and developments in the insurance field.

Copies of "ILens" are available free of charge from the OCI, the District Offices of the Home Affairs Department and the Consumer Council, as well as electronic version from the OCI's homepage.

Public Educational Campaign

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.

To promote public's awareness in travel insurance, the new announcements of public interests - Travel Insurance Means Travel Reassurance TV announcement prepared by Information Services Department was also linked to and available for viewing on OCI's homepage as from July 2007.

The Independent Commission Against Corruption, with an aim to promote professional ethics and corruption prevention for the finance sector, joined hands with the OCI and a number of insurance industry bodies and commenced to prepare series of seminars and training kits aiming to be launched in the coming year for insurance practitioners.

Other Measures for Consumer Protection

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

- **Consumer Protection Declaration Form ("CPDF")**

The CPDF is introduced under the Code of Practice for Life Insurance Replacement ("Code") issued by the insurance industry as a self-regulatory measure to prevent twisting of life policies. It should be completed and signed to evidence that an insurance intermediary has clearly explained to a life policyholder the consequences and potential disadvantages of replacing an existing policy. A life policy applicant is also required to declare in the CPDF that he/she has received a copy of the OCI's educational pamphlet "Life Insurance Policy Replacement –What you need to know". In 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 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 (after taking into account any market value adjustment as 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: iamaail@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 	<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@hkci.org Website: http://www.hkcib.org • 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

	<p>Email: info@piba.org.hk Website: http://www.piba.org.hk</p>
<ul style="list-style-type: none">● Claims dispute arising from personal insurance policies (with dispute amount not exceeding \$800,000, with effect from 1 February 2006)	<ul style="list-style-type: none">● The Insurance Claims Complaints Bureau 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

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Organisation and Management

The Office of the Commissioner of Insurance (“OCI”) dedicates to build a high performing professional team with cohesive and integrated knowledge and skills to meet new regulatory challenges.

Establishment of the OCI

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

Organisation Structure and Staffing

The OCI comprises three divisions, namely General Business Division, Long Term Business Division, and Policy and Development 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 34 general grade staff members as at end of December 2007 providing administrative and clerical support to 65 professional officers. An organisational chart of the OCI is shown below:

(Graphic: Commissioner of Insurance)

Establishment of an Independent IA

With rapid development in the insurance market and an evolving international regulatory regime, Government is looking into the feasibility of turning OCI into an independent regulatory authority. A consultancy study has commenced in November 2007 to prepare proposals on the organisational, governance and staffing structures, funding mechanism and budgeting system for the proposed new independent authority. All key stakeholders will be consulted on the proposals upon completion of the study in 2008.

Training & Development

The OCI recognises the importance of developing a team of professional staff for the effective regulation of the insurance industry and is committed to equipping its staff with updated professional knowledge and supervisory skills through a balanced mix of overseas and local training programmes.

During the year, 19 officers participated in training programmes held in Cambodia, Japan, Malaysia, Singapore, Switzerland, the United Kingdom and the mainland of China. Experience and knowledge-sharing is done through subsequent in-house debriefing sessions. These were complemented by local classes, seminars, conferences, workshops and in-house guest lectures on subjects spanning across insurance, accounting and 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 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 be awarded the status of Accredited Employer by virtue of its training and development programmes.

Information Systems

The OCI has completed a study on IT security policy and carried out a detailed risk assessment on the reliability and stability of various information systems. A series of training sessions have been conducted to increase staff awareness of information security. The security of the Insurance System will also be further enhanced.

The OCI Website

The OCI website continues to function as an effective channel to disseminate regulatory information and statistical data. It also contains OCI publications, circulars, speeches, and hyperlinks to official websites of insurers authorised in Hong Kong. Adopting the Common Look and Feel of government websites, the OCI website provides a familiar interface with user-friendly navigation.

24-hour Enquiry Hotline

The OCI hotline boasts a trilingual (Cantonese, Mandarin and English) interactive telephone system providing service round the clock. It is capable of supplying general information on topics including authorisation status of insurers, regulation of insurance intermediaries, IIQAS as well as complaints against insurers and insurance intermediaries. A total of 2,963 enquiries were handled through this hotline in 2007.

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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	Long Term: 2 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 carried on in or from Hong Kong		
• Audited General Business Returns	✓	–
• Audited Statement of Assets & Liabilities	✓ (Except captive insurer & pure reinsurer)	–
Actuarial Investigation Report	–	✓
In respect of long term insurance business carried on in or from Hong Kong		
• Audited revenue account(s), together with the supplementary information	–	✓
• Valuation Summary	–	✓
• Valuation Balance Sheet, together with the supplementary information	–	✓

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	<p>An insurance agent, his 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</p>	<p>An insurance broker, its chief executive and technical representative must be fit and proper. Besides, the insurance broker must satisfy the minimum requirements specified by the IA with regard to:</p> <ul style="list-style-type: none"> • qualifications and experience; • capital and net assets; • professional indemnity insurance;

	<p>by The Hong Kong Federation of Insurers.</p> <p>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.</p>	<ul style="list-style-type: none"> • keeping of separate client accounts; and • keeping of proper books and accounts. <p>An insurance broker is required to submit annually to the IA or the relevant approved body of insurance brokers, as appropriate, its audited financial statements together with an auditor's report certifying the broker's continued compliance with the minimum requirements.</p> <p>An approved body of insurance brokers is also required to submit annually to the IA an auditor's report on the continued compliance with the minimum requirements by all its members.</p>
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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)

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Insurance Advisory Committee Membership as at 31.12.2007

Chairman	Professor Ceajer CHAN Ka-keung, SBS, 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
	Professor HAN Li-ming
	Mr Dominic HO Chiu-fai
	Mr Benjamin HUNG Pi-cheng
	Mr Alwin LAM Mun-dart
	Mr Frank LEE King-ting
	Mr Andrew MAK Yip-shing
	Mr Mark Vincent Thomas SAUNDERS
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.

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Appendix 3

List of Authorised Insurers as at 31.12.2007

N.B.: This list includes insurers which were authorised as at 31.12.2007 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 Global Corporate & Specialty (France)	France	General
Allianz Insurance (Hong Kong) Limited	HK	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
Assuranceforeningen Gard-gjensidig	Norway	General
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 China Limited	HK	General
AXA General Insurance Hong Kong Limited	HK	General
AXA Life Insurance Company Limited	HK	Composite

AXA RE	France	General (R)
AXA Wealth Management (HK) Limited	HK	Long Term
Bank of China Group Insurance Company Limited	HK	General
BC Reinsurance Limited	HK	General (R)
BEA Life Limited	HK	Long Term
Berkley Insurance Company	USA	General (R)
Blue Cross (Asia-Pacific) Insurance Limited	HK	Composite
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
Chevalier Insurance Company Limited	HK	General
China BOCOM 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 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 Exterieur	France	General
Concord Insurance Company Limited	HK	General
Continental Insurance Company - The	USA	General (R)
Cosmic Insurance Corporation Limited	Singapore	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 Assurance Company)	Canada	Long Term
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
FM Insurance Company Limited	UK	General
Försäkringsaktiebolaget INSA (publ) (INSA Insurance Corporation (publ))	Sweden	General (R)
Fortis Insurance Company (Asia) Limited	Bermuda	Long Term
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
Genevoise, Compagnie d'Assurances sur la Vie SA (Genevoise, Life Insurance Company Ltd)	Switzerland	Long Term
Groupama Transport	France	General
GT Insurance (H.K.) Co., Limited	HK	General
Hang Seng General Insurance (Hong Kong) Company Limited	HK	General
Hang Seng Insurance Company Limited	HK	Composite
Hang Seng Life Limited	HK	Long Term
Hannover Rückversicherung AG	Germany	Composite (R)
HDI-Gerling Industrie Versicherung AG	Germany	General
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
Kölnische Rückversicherungs-Gesellschaft AG (Cologne Reinsurance Company Plc)	Germany	Composite (R)
Kono Insurance Limited	HK	General
Liberty International Insurance Limited	HK	Composite
Liberty Mutual Insurance Europe Limited	UK	General
Lloyd's Underwriters	UK	Composite
London Steam-Ship Owners' Mutual Insurance Association Limited - The	UK	General
Malayan Insurance Company (Hong Kong) Limited	HK	General (R)
Malayan International Insurance Corporation Limited	Bahama Islands	General
Manufacturers Life Insurance Company - The	Canada	Long Term
Manulife (International) Limited	Bermuda	Long Term
Massachusetts Mutual Life Insurance Company	USA	Long Term
MassMutual Asia Limited	HK	Long Term
MetLife 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
Pacific Insurance Company, Limited - The	HK	General
Pacific Life Assurance Company, Limited - The	HK	Long Term
Pafoong Insurance Company (Hong Kong) Limited	HK	General
Partner Reinsurance 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 & Sun Alliance Insurance plc	UK	General
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 Hung Kai Properties Insurance Limited	HK	General
Sun Life Hong Kong Limited	Bermuda	Long Term
Swiss Re Denmark Reinsurance A/S	Denmark	General (R)
Symbol Underwriters Limited	HK	General
Target Insurance Company, Limited	HK	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
TT Club Mutual Insurance Limited	UK	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
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

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Appendix 4

Changes of Authorised Insurers from 1.1.2007 to 31.12.2007

Name of Insurer	Place of Incorporation *	Type of Business Authorised #
New Authorisations		
Assuranceforeningen Gard-gjensidig	Norway	General
BEA Life Limited	HK	Long Term
FM Insurance Company Limited	UK	General
HDI Industrie Versicherung Aktiengesellschaft	Germany	General
Royal & Sun Alliance Insurance plc	UK	General
Withdrawal of Authorisations		
Centre Solutions (Asia) Limited	Bermuda	General
CIGNA Worldwide Insurance Company	USA	General
Cosmos Fire Insurance Company Limited	HK	General
Gerling-Konzern Allgemeine Versicherungs-Aktiengesellschaft	Germany	General
Jerneh Insurance (HK) Limited	HK	General
Overseas Union Insurance, Limited	Singapore	General
Sun Alliance and London Insurance plc	UK	General
Sun Life Financial (Hong Kong) Limited	Bermuda	Long Term
Change of Names of Insurers		
Allianz Marine & Aviation (France) to Allianz Global Corporate & Specialty (France)	France	General
Bankers Alliance Insurance Company Limited to Hang Seng General Insurance (Hong Kong) Company Limited	HK	General
China Communications Insurance Company Limited to China BOCOM Insurance Company Limited	HK	General
HDI Industrie Versicherung Aktiengesellschaft to HDI-Gerling Industrie Versicherung AG	Germany	General
La Genevoise, Compagnie d'Assurances sur la Vie (Geneva, Life Insurance Company) to Genevoise, Compagnie d'Assurances sur la Vie SA	Switzerland	Long Term

(Genevoise, Life Insurance Company Ltd)		
Pacific Century Insurance Company Limited to Fortis Insurance Company (Asia) Limited	Bermuda	Long Term
Scottish Mutual International Public Limited Company to Scottish Mutual International Limited	Ireland	Long Term
Swiss Re Copenhagen Reinsurance A/S to Swiss Re Denmark Reinsurance A/S	Denmark	General (R)
Through Transport Mutual Insurance Association (EurAsia) Limited to TT Club Mutual Insurance Limited	UK	General
Winterthur Insurance (Asia) Limited to AXA General Insurance China Limited	HK	General
Winterthur Life (Hong Kong) Limited to AXA Wealth Management (HK) Limited	HK	Long Term

(R) denotes a pure reinsurer

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

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Appendix 5

Number of Authorised Insurers by Place of Incorporation as at 31.12.2007

Place of Incorporation	Number of Authorised Insurers	Type of Business Authorised		
		Pure Long Term	Pure General	Composite
Bahama Islands	1	-	1	-
Bermuda	13 (1)	8	3 (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	-
Norway	1	-	1	-
Philippines	1	-	1	-
Singapore	1	-	1	-
South Africa	1	1	-	-
Sweden	1 (1)	-	1 (1)	-
Switzerland	4 (1)	2	1	1 (1)
United Kingdom	13	5	6	2
United States of America	16 (4)	5 (1)	11 (3)	-
Non-Hong Kong	88 (13)	32 (1)	47 (8)	9 (4)
Hong Kong	90 (8)	15	65 (7)	10 (1)
Total	178 (21)	47 (1)	112 (15)	19 (5)

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

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Appendix 6

Number of Authorised Insurers by Class of Insurance Business as at 31.12.2007

Class of Insurance Business Authorised		Number of Authorised Insurers		
		Hong Kong	Non-Hong Kong	Total
Long Term Business				
A	Life and annuity	25	38	63
B	Marriage and birth	1	4	5
C	Linked long term	13	32	45
D	Permanent health	10	21	31
E	Tontines	1	3	4
F	Capital redemption	1	4	5
G	Retirement scheme management category I	9	14	23
H	Retirement scheme management category II	7	8	15
I	Retirement scheme management category III	20	22	42
General Business				
1	Accident	66	42	108
2	Sickness	56	34	90
3	Land vehicles	53	35	88
4	Railway rolling stock	59	41	100
5	Aircraft	24	27	51
6	Ships	59	42	101
7	Goods in transit	61	44	105
8	Fire and natural forces	64	38	102
9	Damage to property	64	38	102
10	Motor vehicle liability	52	34	86
11	Aircraft liability	28	27	55
12	Liability for ships	59	41	100
13	General liability	63	40	103
14	Credit	43	32	75
15	Suretyship	59	39	98
16	Miscellaneous financial loss	61	44	105
17	Legal expenses	38	35	73

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Appendix 7

Number of Insurance Intermediaries as at 31.12.2007

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		2,635	4,961
Long Term	(excluding Linked Long Term)	2,686	1,171
	(including Linked Long Term)	8,963	838
Both General and Long Term	(excluding Linked Long Term)	940	5,213
	(including Linked Long Term)	15,818	12,215
Total		31,042	24,398

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

Type of Insurance Business		Number of Authorised Insurance Brokers by virtue of their Membership with ⁴ :		Number of Chief Executives and Technical Representatives of Authorized Insurance Brokers
		The Hong Kong Confederation of Insurance Brokers	Professional Insurance Brokers Association	
General		26	20	738
Long Term	(excluding Linked Long Term)	1	1	200
	(including			

	Linked Long Term)	28	20	2,505
Both General and Long Term	(excluding Linked Long Term)	59	67	1,004
	(including Linked Long Term)	132	154	2,105
Total		246	262	6,552

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 authorization of Lloyds TSB Pacific Limited, the insurance broker authorised by the Insurance Authority under section 69 of the Insurance Companies Ordinance was withdrawn in 2007

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

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Appendix 8

List of Guidance Notes Promulgated as at 31.12.2007

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

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Appendix 9

List of Circulars Issued from 1.1.2007 to 31.12.2007

Date	Addressee	Subject Matter
2.1.2007	Chief Executives of insurers authorised to carry on general business	Merchant Shipping (Local Vessels) Ordinance (Cap.548)
16.3.2007	Chief Executives of all authorised insurers	Release of Provisional Statistics on the Hong Kong General and Long Term Insurance Business for the year of 2006
24.4.2007	Chief Executives of all authorised insurers carrying on long term business	United Nations Sanctions (Democratic Republic of the Congo) Regulation 2006, United Nations (Anti-Terrorism Measures) Ordinance & United States Executive Order 13224
30.4.2007	Chief Executives of all authorised insurers carrying on long term business	Anti-Money Laundering Seminar for Insurance Industry
30.5.2007	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 2007
4.6.2007	Chief Executives of all authorised insurers carrying on long term business	Responsibilities of Insurance Intermediaries Engaged in the Sale of Insurance-related Investment Products
29.6.2007	Chief Executives of all authorised long term insurers	Insurance Intermediaries Quality Assurance Scheme ("IIQAS") Study Notes (2007 Edition) for Long Term Insurance Examination
30.8.2007	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 2007
13.9.2007	Chief Executives of authorised insurers carrying on general insurance business	Employees' Compensation Insurance (Direct Business) and Motor Vehicle Insurance (Direct Business) Statistics for 2006
28.9.2007	Chief Executives	Hong Kong Insurance Business Statistics for 2006

	of all authorised insurers	
31.10.2007	Chief Executives of all authorised long term insurers	Statement on Iran issued by the Financial Action Task Force on Money Laundering
7.11.2007	Chief Executives of all authorised long term insurers	United Nations Sanctions (Democratic People's Republic of Korea) Regulation, United Nations Sanctions (Democratic Republic of the Congo) Regulation 2006, United Nations Sanctions (Cote d' Ivoire) Regulations 2007, United Nations Sanctions (Sudan) Regulation, United Nations Sanctions (Iran) Regulation, United Nations (Anti-Terrorism Measures) Ordinance & United States Executive Order 13224
16.11.2007	Chief Executives of all authorised long term insurers	Application for Password to Access the Joint Financial Intelligence Unit's Website
23.11.2007	Chief Executives of all authorised long term insurers	United National (Anti-Terrorism Measures) Ordinance & United States Executive Order 13224
6.12.2007	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 2007
17.12.2007	Chief Executives of all authorised long term insurers	United States Executive Order 13224

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January –December 2007

Date	Event
8.2.2007	The OCI and Isle of Man Insurance and Pensions Authority concluded a memorandum of understanding to strengthen supervisory cooperation and exchange of information between the two regulators.
9.2.2007	The OCI and Australian Prudential Regulation Authority concluded a memorandum of understanding to strengthen supervisory cooperation and exchange of information between the two regulators.
16.2.2007	The OCI Annual Report 2006 (E-version) was released.
6-8.3.2007	The OCI participated in the 7th Asian CEO Insurance Summit held in Singapore.
26.4.2007	The Commissioner of Insurance gave a presentation on “Hong Kong –A Premier Insurance Centre” at a breakfast brief organised by the British Chamber of Commerce in Hong Kong.
1.5.2007	The Employees’ Compensation Insurance Residual Scheme, acting as a market of last resort to assist employers who have difficulties in finding EC insurance cover, was launched.
17-18.5.2007	The OCI participated in the Beijing-Hong Kong Financial Services Forum, held in Beijing, China.
23.5.2007	The Commissioner of Insurance delivered a speech on “Opportunities and Challenges of Hong Kong Insurance Industry” at a seminar organised by the Hong Kong Securities Institute.
6.6.2007	On behalf of the Government of HKSAR, the Insurance Authority entered into an agreement with insurers to extend the territorial limit of the existing EC and motor insurance policies.
8.6.2007, 18.6.2007	The OCI, Narcotics Division of the Security Bureau and Joint Financial Intelligence Unit jointly organised anti-money laundering seminars for the insurance industry in Hong Kong.
22.6.2007	The Commissioner of Insurance delivered a speech on “Hong Kong - Gateway to China and Premier Financial Services Hub” at the 3rd Annual Wealth Management Conference held in Hong Kong.
26.6.2007	The OCI organised a Seminar on Asset Management of Insurance Funds in Hong Kong.
26-28.6.2007	The OCI participated in the Asian Forum of Insurance Regulators Meeting in Seoul, Korea.
28.6.2007	The OCI participated in the 1st IFRIMA International Risk Management Summit held in Hong Kong.
5.7.2007	The Commissioner of Insurance delivered an opening speech at the LUA and GAMA Joint Convention 2007 held in Hong Kong.

2.8.2007	The OCI participated in the Shanghai/Hong Kong Financial Cooperation Roundtable Meeting jointly organised by the Shanghai Municipal Government Financial Services Office, the Shanghai Pudong New Area Government and the Hong Kong Trade Development Council.
22-23.8.2007	The Commissioner of Insurance paid a courtesy visit to China Insurance Regulatory Commission in Beijing.
6-9.9.2007	The Commissioner of Insurance attended the AR Symposium on "Insurance Market in Hong Kong, Employees' Compensation Claim Tribunal & Definition of Occurrence" held in Bintan, Indonesia.
28.9.2007	Annual statistics on the Hong Kong insurance business for 2006, including statistics for individual insurers, were released.
14-19.10.2007	The OCI participated in the 14th Annual Conference of the International Association of Insurance Supervisors and its committee meetings held in Florida, USA.
25.10.2007	The OCI, Commercial Crime Bureau of the Hong Kong Police Force and The Hong Kong Federation of Insurers jointly organized a Seminar on Insurance Fraud for the insurance industry in Hong Kong.
6-7.11.2007	The OCI participated in the 7th Appointed Actuaries Symposium organised by the Actuarial Society of Hong Kong. At the symposium, Commissioner of Insurance delivered an opening speech.
15.11.2007	The OCI attended an on-site mutual evaluation meeting with the FATF/APG Assessment Team.
29-30.11.2007	The OCI participated in the 7th Joint Meeting of the Insurance Regulators of Guangdong, Hong Kong, Macao and Shenzhen, held in Shenzhen.
3-7.12.2007	The OCI participated in the FSA Annual International Seminar held in London, United Kingdom.