

## **Completion Instructions**

### **Return on Insurance Activities**

#### **Introduction**

1. Part A1 to A4 of this return collects information on insurance activities conducted by Authorized Insurers that are subsidiaries of authorized institutions<sup>1</sup> (“AIs”) in Hong Kong.

#### **Section A: General Instructions**

2. This return is to be completed by Authorized Insurers that are owned directly or indirectly (over 50%) by AIs or are jointly owned by AIs.
3. Unless otherwise specified by the Insurance Authority (“IA”), Authorized Insurers should provide this return to the IA not later than 4 months after the end of the relevant financial year. If the submission deadline falls on a public holiday, it will be deferred to the next working day.
4. Insurance business consists of general business and long term business which have the same meaning assigned to them under section 2 of the Insurance Companies Ordinance.
5. Except where otherwise stated, dollar amounts should be shown to the nearest thousand in HKD. The closing middle market T/T rates prevailing at the end of the reporting period should be used for conversion purposes.
6. Except where otherwise stated, book value should be used for reporting in this return.
7. All positions are reported on a solo basis (i.e. not on a consolidated basis).
8. In addition to complying with the accounting principles generally accepted in Hong Kong, amount should be reported in accordance with the provisions of the Insurance Companies Ordinance and the relevant Regulations.
9. Grey cells in the return form are auto-generating cells that do not require inputting.

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1. “Authorized institution” means a bank, a restricted license bank, or a deposit taking company under section 2 of the Banking Ordinance (Cap. 155).

## **Section B: Specific Instructions**

### **A1. Return of Assets & Liabilities**

#### **Assets**

10. "Debt securities" includes negotiable certificates of deposits, floating rate notes, commercial papers, government debt securities and other debt instruments issued by AIs, banks outside Hong Kong, non-bank institutions and governments.
11. To avoid double counting, report a debt security with different categories of issuer and guarantor in the order of (i) government or government agencies; (ii) others. For instance, a floating rate note issued by a non-bank institution and jointly guaranteed by an AI and the U.S. Government should be reported as "issued or guaranteed by gov't or gov't agencies".
12. "Loans & advances" includes loans secured by contracts of insurance issued by the insurer. Do not deduct provisions for bad and doubtful debts.
13. "Fixed assets" refers to land and buildings, computer equipment, office machinery, furniture, motor vehicles and other equipment, net of depreciation.
14. "Other assets" refers to assets that could not be included in other reporting items of this return.

#### **Liabilities & Capital**

15. "Unearned premiums" refers to the amount set aside at the end of the reporting period out of premiums in respect of the risks to be borne by the insurer after the end of the reporting period under contracts of insurance entered into before the end of that reporting period.
16. "Unexpired risks" refers to the amount set aside at the end of the reporting period, in addition to any unearned premiums, which is considered necessary to meet the claims and expenses for settling claims arising from risks to be borne by the insurer after the end of the reporting period under contracts of insurance entered into before the end of that reporting period.
17. "Other liabilities" refers to liabilities that could not be included in other reporting items of this return.
18. "Paid-up capital" includes ordinary and preference share capital.
19. "Reserves" includes share premium, revaluation reserves and retained earnings. The amount to be included shall be net of any dividends paid or declared (i.e. on or before the reporting date) out of retained earnings. Accumulated losses, if any, should also be included in this item.

### **A2. Return of Profit & Loss**

20. "Gross premiums" refers to premiums after deduction of discounts specified in policies or refunds of premium made in respect of any termination or reduction of risks but before deduction of premiums for reinsurance ceded and of commissions payable by the insurer. It includes premiums receivable by the insurer under reinsurance contracts accepted by the insurer.
21. "Net commissions" refers to the amount of commissions payable net of commissions receivable.
22. "Management expenses" refers to the expenses incurred in the administration of an insurer or its business which are not commissions payable and, in the case of general business, are not included in "Gross claims paid" and "Outstanding claims provision".
23. "Gross claims paid", in relation to general business, refers to the amount (before deduction of recoveries from reinsurers and other parties) that is paid by an insurer in full or partial settlement of (a) claims, including claims relating to business accounted for over a longer period than the reporting period; and (b) expenses which are incurred by the insurer, whether through the employment of its own staff or otherwise, and are directly attributable to the settlement of individual claims, whether or not the individual claims in question are those mentioned above.
24. "Other investment income" does not include those coming from the long term business assets (which should be reported in item 21).
25. "Other income" and "Other expenses" refer to income and expenses respectively that could not be included in other reporting items of this return.

### **A3. Business Volume & Performance by Classes**

26. All insurance business classes have the same meaning assigned to them under First Schedule and Third Schedule of the Insurance Companies Ordinance.

#### **Hong Kong General Business**

27. All reported amounts should include direct and reinsurance inward business.
28. If the insurer subsidiary has no overseas business, the respective aggregate amounts of "Gross premiums", "Net premiums" and "Underwriting P&L" should match with items 1, 3 & 14 in **A2**.

#### **Hong Kong Long Term Business**

29. For "Retirement scheme management category I & II", report the number of in-force schemes as "Number of in-force policies" and report the contributions receivable in revenue account as "Premiums receivable in revenue account" for the sake of simplicity.
30. "Others" includes marriage and birth, tontines and capital redemption.

31. Report the period-end figures in the columns of “Number of in-force policies” and “Amount of sums assured or annuities per annum”.
32. “Amount of sums assured” refers to the amount payable by the insurer upon the happening of claim events as defined in the insurance contracts.
33. “Premiums receivable in revenue account” includes all single and non-single premiums that are receivable in revenue account in the reporting period. If the insurer subsidiary has no overseas business, the aggregate amount should match with item 15 in **A2**.

#### **A4. Information of Reinsurance Ceded**

##### **Number of reinsurers**

34. “With credit rating A-(S&P’s) / A3(Moody’s) or above?” refers to the financial strength rating “A-” or above by Standard & Poor’s Ratings Services, or “A3” or above by Moody’s Investors Service as at the end of the reporting period. In case the reinsurer’s ratings assigned by individual rating agencies are different, the lower one should be used as the basis for reporting. Please answer “Y” for “Yes”, “N” for “No” and “NA” for “Not available” in the space provided.
35. “Name of reinsurer receiving the largest amount of reinsurance premiums” refers to the reinsurer that received the largest amount of reinsurance outward premiums paid by the insurer during the reporting period.
36. “Names of reinsurers having 15% or more participation in each of the reinsurance arrangements” refers to the names of reinsurers participated 15% or more in each of the reinsurance arrangements of the insurer during the reporting period. Please fill in the names of all reinsurers falling into the above category and expand the space provided as appropriate.

##### **Amount of sums assured by reinsurers at period end**

37. “Amount of sums assured by reinsurers at period end” is applicable to long term business only and refers to the amount payable by the reinsurers upon happening of claim events as defined in the reinsurance contract as at the end of the reporting period.

Office of the Commissioner of Insurance  
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