

## **Broker Survey 2018**

In order to have a broad and general understanding of the entire insurance broking industry, the Insurance Authority (“IA”) took the initiative to gather business information from insurance brokers by way of a survey in the 1<sup>st</sup> half of 2018.

The survey was conducted by the IA in April 2018 by sending out an e-questionnaire directly to all the insurance brokers authorized in Hong Kong as of 31 March 2018 (i.e. 771 insurance brokers). Subsequently, the IA received 708 replies<sup>1</sup>, representing a response rate of around 92%.

### **Key Observations**

1. The survey results showed that most of the insurance brokers in Hong Kong were small and medium-sized enterprises as 74% of the respondents were insurance brokers with headcounts of 10 or less, in terms of the number of registered chief executives (“CEs”) and technical representatives (“TRs”) as at 31 December 2017.

As at 31 December 2017	
No. of CEs and TRs	No. of Authorized Insurance Brokers
0 – 5	385 (56%)
6 – 10	128 (18%)
11 – 20	102 (15%)
21 – 50	40 (6%)
> 50	32 (5%)
Total	687 <sup>1</sup>

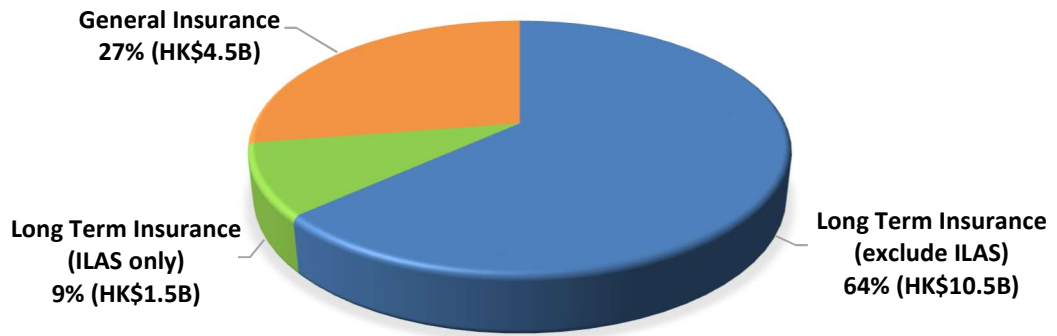
2. Being intermediaries providing insurance brokerage and advisory services, insurance brokers ran their businesses on asset-light model in general. It was noted that the total net assets of all the respondents for the latest audited financial year<sup>2</sup> amounted to HK\$5.6 billion.
3. Based on the survey results, the total gross insurance brokerage income of all the respondents for the latest audited financial year amounted to around HK\$16.5 billion. Around 73% of the total gross insurance brokerage income was contributed by long term insurance business, while the remaining portion was generated from general insurance business.

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<sup>1</sup> Amongst the 708 replies, 4 of them had majority of their revenue generated from activities other than insurance brokerage business, while 17 of them were newly authorized either in year 2017 or 2018 and were therefore unable to provide full year financial data. They were thus excluded from our statistics and observations to avoid distortion in the overall analysis. As a result, our statistics and observations were based on the remaining 687 replies.

<sup>2</sup> Insurance brokers are required to prepare and submit the audited financial statements within 6 months to the respective approved broker bodies after the end of each financial year. As this survey was conducted in April 2018, the latest financial year end dates of the respondents varied from years 2016 to 2018, with 27%, 70% and 3% of respondents had their latest financial year end dates in years 2016, 2017 and 2018 respectively.

**Figure 1: Total Gross Insurance Brokerage Income by Line of Business**



4. The insurance brokerage industry recorded profits of HK\$1.74 billion before taxation for the latest audited financial year. When this figure is compared with the total gross insurance brokerage income (HK\$16.5 billion), the profitability ratio of the insurance brokerage market would be around 10.5%. Comparing with the total net assets (HK\$5.6 billion), the return on shareholders' equity of the market would be around 31%.
5. In terms of gross insurance brokerage income for the latest audited financial year, the top 20 insurance brokers dominated the market. The aggregate gross insurance brokerage income from the top 20 insurance brokers for the latest audited financial year represented 49% of the total gross insurance brokerage income. The market share of insurance brokers in terms of gross insurance brokerage income was as follows:

**Figure 2: Market Share in terms of Gross Insurance Brokerage Income**

