

Market Overview - General Insurance

Market Performance of General Insurance Business in 2023¹

Hong Kong general insurance market maintained a modest growth in total gross written premiums (“GWP”) of 4.6% to HK\$67,335 million in 2023, in alignment with the full resumption of economic activities. Overall underwriting profit, however, shrank by 76.3% to HK\$1,027 million in 2023.

The premium growth reported by the market in 2023 was mainly driven by Accident & Health (“A&H”) business and Property Damage business, which achieved increases of 12.2% and 10.3% respectively on the back of new businesses and rates hardening. However, the growth was partially offset by the decline in Pecuniary Loss business of 19.6% amid conservative sentiments in the property market.

The diminution in overall underwriting profit in 2023 was mainly related to the deteriorating performance reported in A&H business, Property Damage business and Pecuniary Loss business caused by emergence of latent medical claims and full resumption of economic activities after the pandemic, the extreme weather conditions, i.e. Typhoon Saola and Black Rainstorm, in early September 2023 and reserve adjustment for reverse mortgage insurance.

Looking ahead, as the impact from COVID-19 is easing, the market’s overall premium growth and claim frequency are converging to the normal level. The Hong Kong general insurance market, however, is facing a number of uncertainties and risks, including those from the domestic economic recovery, global growth prospects and exposures to typhoons. Insurers should remain vigilant and uphold strong underwriting discipline in order to ensure the viability and sustainability of their business.

¹ The statistics cover those insurers whose financial year ended between 1 January 2023 and 31 December 2023. A total of 103 insurers reported to the Insurance Authority on their Hong Kong general insurance business for 2023.

Figure 1 Growth of Gross Written Premiums for General Insurance Business

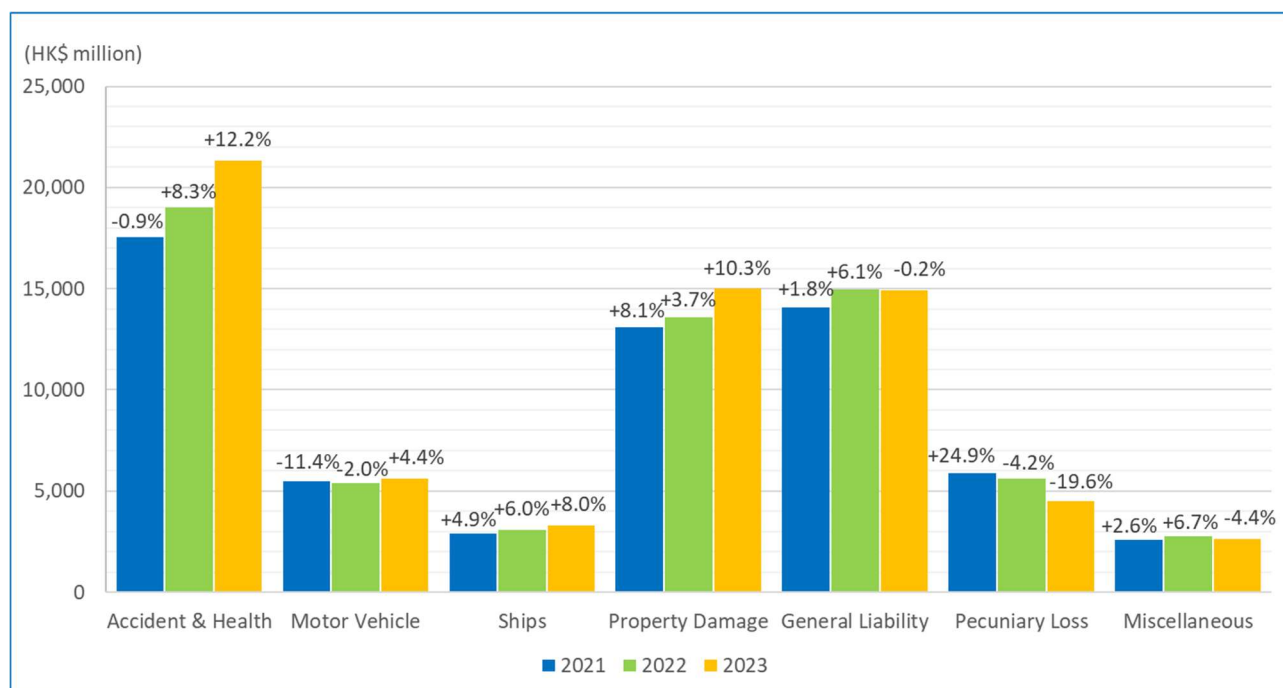
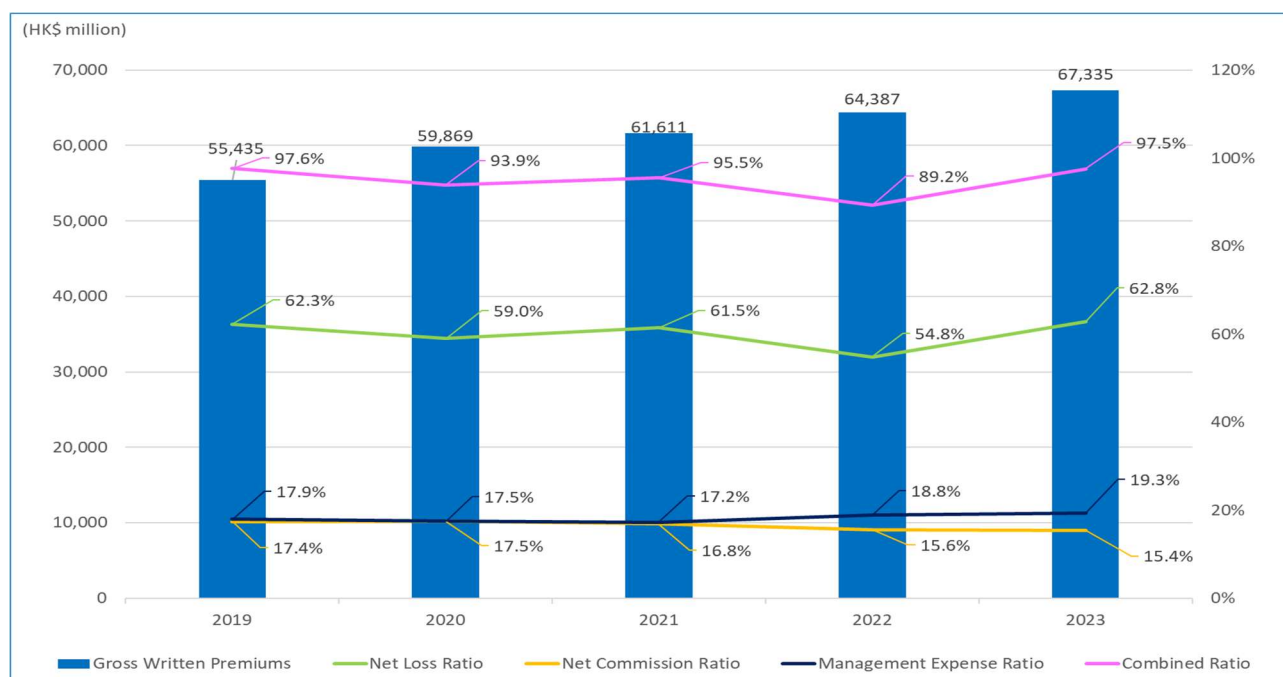


Figure 2 Overall Performance of General Insurance Business



Net Loss Ratio - Total of Net Claims Incurred and Unexpired Risks Adjustment expressed as a percentage of Net Earned Premiums

Net Commission Ratio - Net Commission Payable as a percentage of Net Earned Premiums

Management Expense Ratio - Management Expense as a percentage of Net Earned Premiums

Combined Ratio - Total of Net Loss Ratio, Net Commission Ratio and Management Expense Ratio

Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

Industry Statistics Highlights – General Insurance Business

Premiums Composition and Distribution

Direct business and reinsurance inward (“RI”) business generated GWP of HK\$49,232 million and HK\$18,103 million in 2023, representing 73.1% and 26.9% of total GWP respectively, broadly stable with last year which reported 73.6% and 26.4% respectively. The premium volume for each business line remained similar compared to last year, with A&H business taking up the biggest share, followed by Property Damage business and General Liability business.

Market share of GWP for the top 10 and top 20 insurers was 41.5% and 64.0% in 2023 respectively.

Figure 3 Gross Written Premiums for Hong Kong Direct and Reinsurance Inward Business

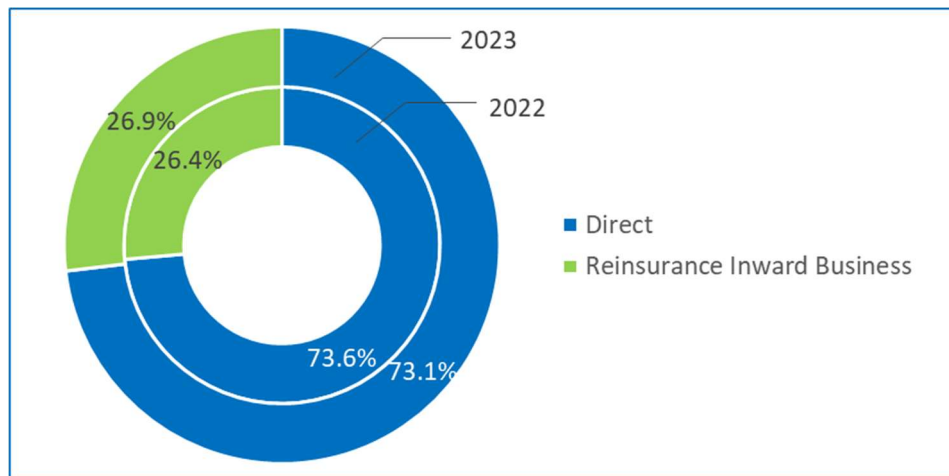
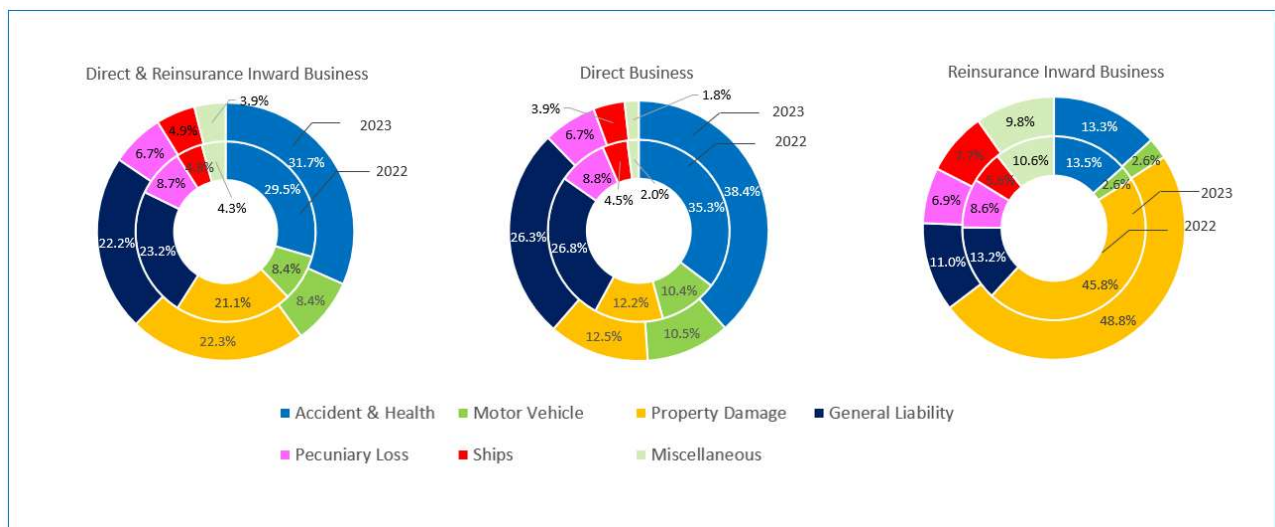
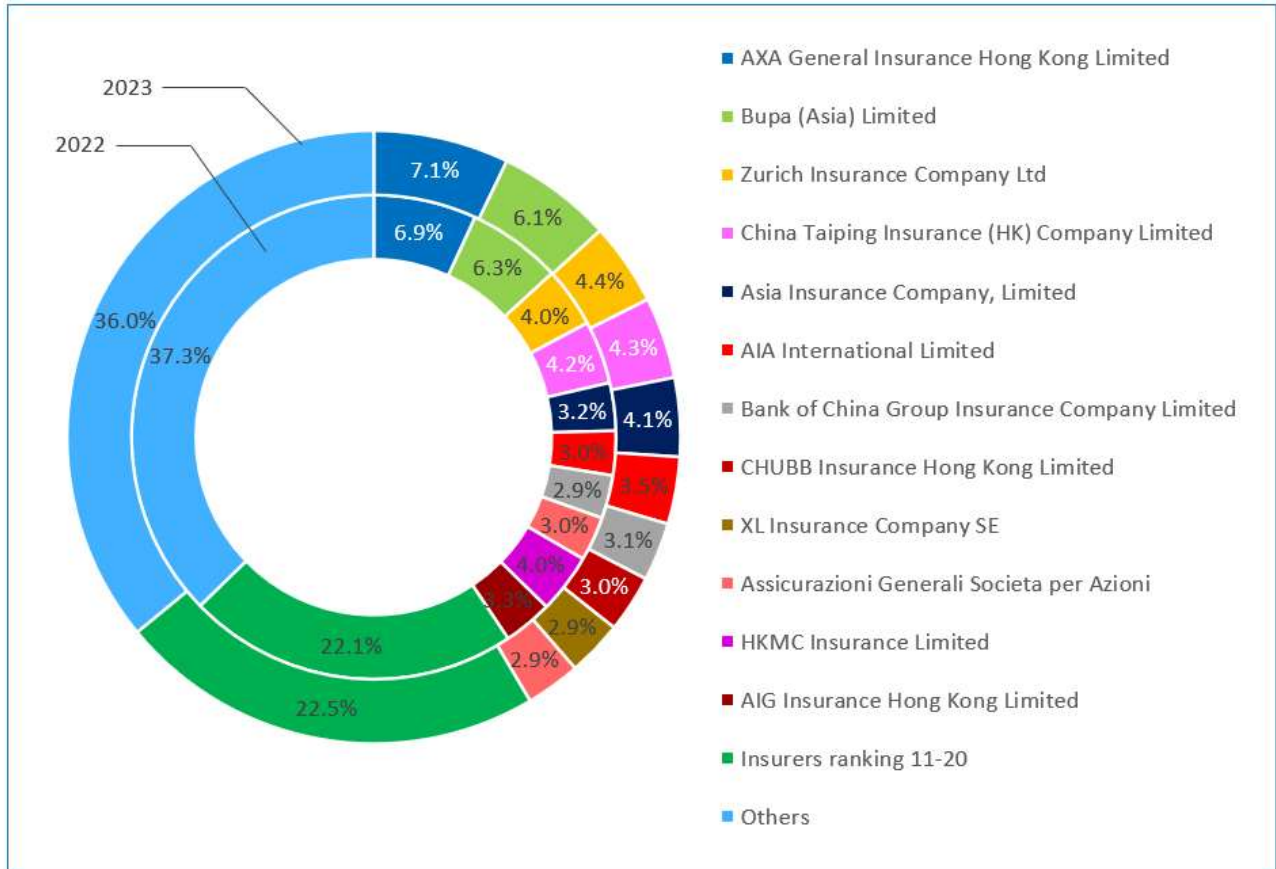


Figure 4 Composition of Gross Written Premiums by Lines of Business



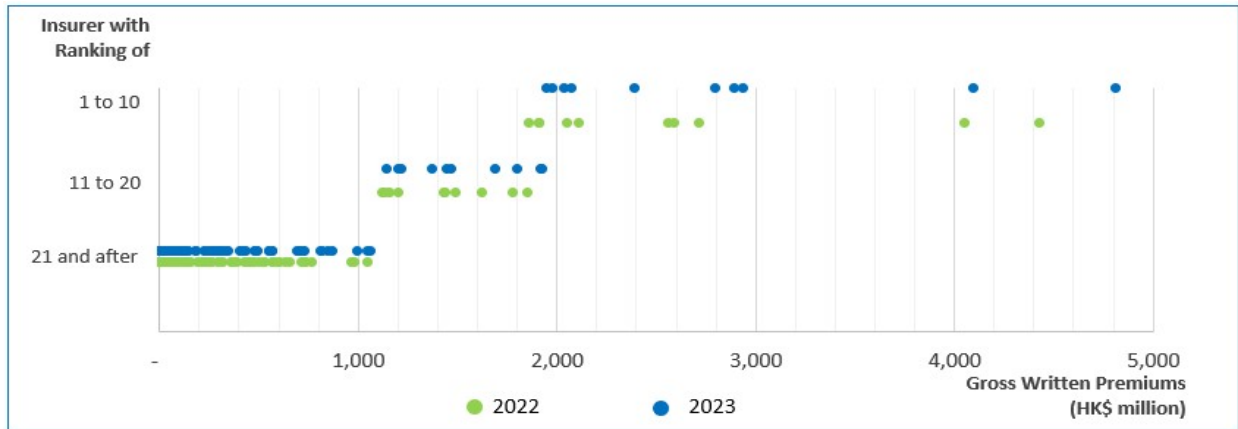
Percentages shown above may not add up to 100% due to rounding.

Figure 5 Market Share by Gross Written Premiums



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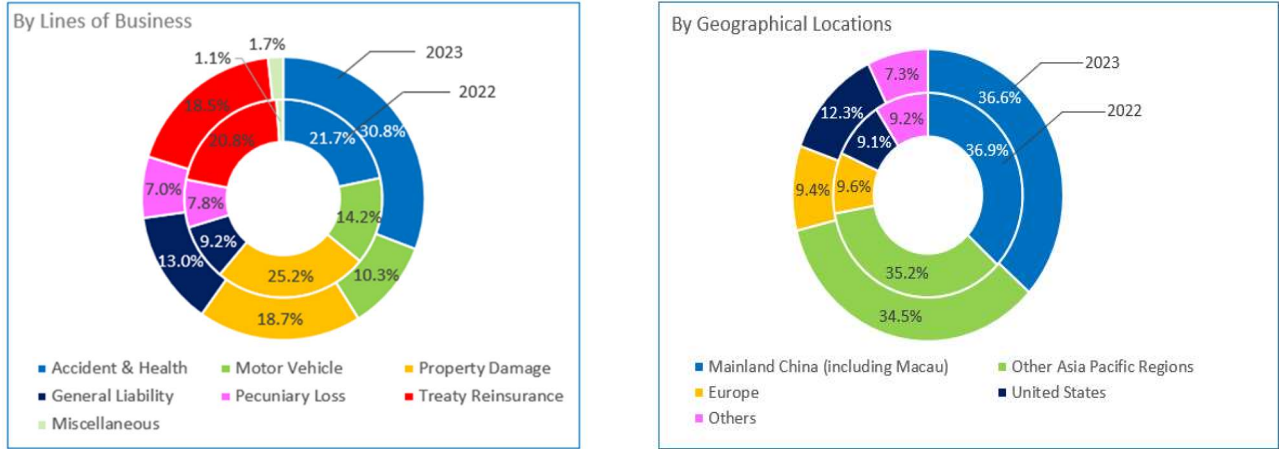
Figure 6 Distribution of Gross Written Premiums by Insurers' Ranking



The IA also collects data on non-Hong Kong general insurance business written by authorized insurers. According to this information, GWP for non-Hong Kong RI business retreated by 16.6% from HK\$33,868 million in 2022 to HK\$28,232 million in 2023. Referring to the premium changes in major lines of business, Property Damage business further contracted and Treaty Reinsurance

business also reduced, while A&H business continued to grow and became the largest contributor in 2023. These three business lines collectively represented 68.0% of premiums. By geographical locations, RI business originated from Mainland China and other Asia Pacific Regions accounted for 71.1% of premiums.

Figure 7 Composition of Gross Written Premiums for non-Hong Kong Reinsurance Inward Business



Percentages shown above may not add up to 100% due to rounding.

Direct Hong Kong Business

GWP for direct business expanded by 3.9% to HK\$49,232 million in 2023, slightly ahead the growth of 3.1% in 2022.

The growth was driven by various lines of business in the direct market. A&H business accelerated its growth to 13.2%, while General Liability business and Property Damage business continued to increase by 1.9% and 6.4% respectively, supported by new businesses and rates hardening. Motor Vehicle (“MV”) business expanded by 4.3% in 2023. Pecuniary Loss business, however, reduced by 21.1% amid the softening of property market.

Underwriting profit from direct business plunged from HK\$2,324 million in 2022 to HK\$194 million in 2023, with the overall combined ratio climbing from 92.7% to 99.4%. Pecuniary Loss business reported an underwriting loss of HK\$310.4 million in 2023, compared to an underwriting profit of HK\$576.4 million in 2022, owing to the reserve adjustments reflecting lower property prices for the reverse mortgage schemes. Property Damage business also turned from an underwriting profit of HK\$535.3 million in 2022 to an underwriting loss of HK\$46.2 million in 2023, mainly impacted by higher claim costs including those related to extreme weather conditions. The profitability of A&H business further declined, which reported a worsening underwriting loss from HK\$279.7 million in 2022 to HK\$866.7 million in 2023, impacted by the worsening claims experience.

Figure 8 Growth of Written Premium Income for Direct Business

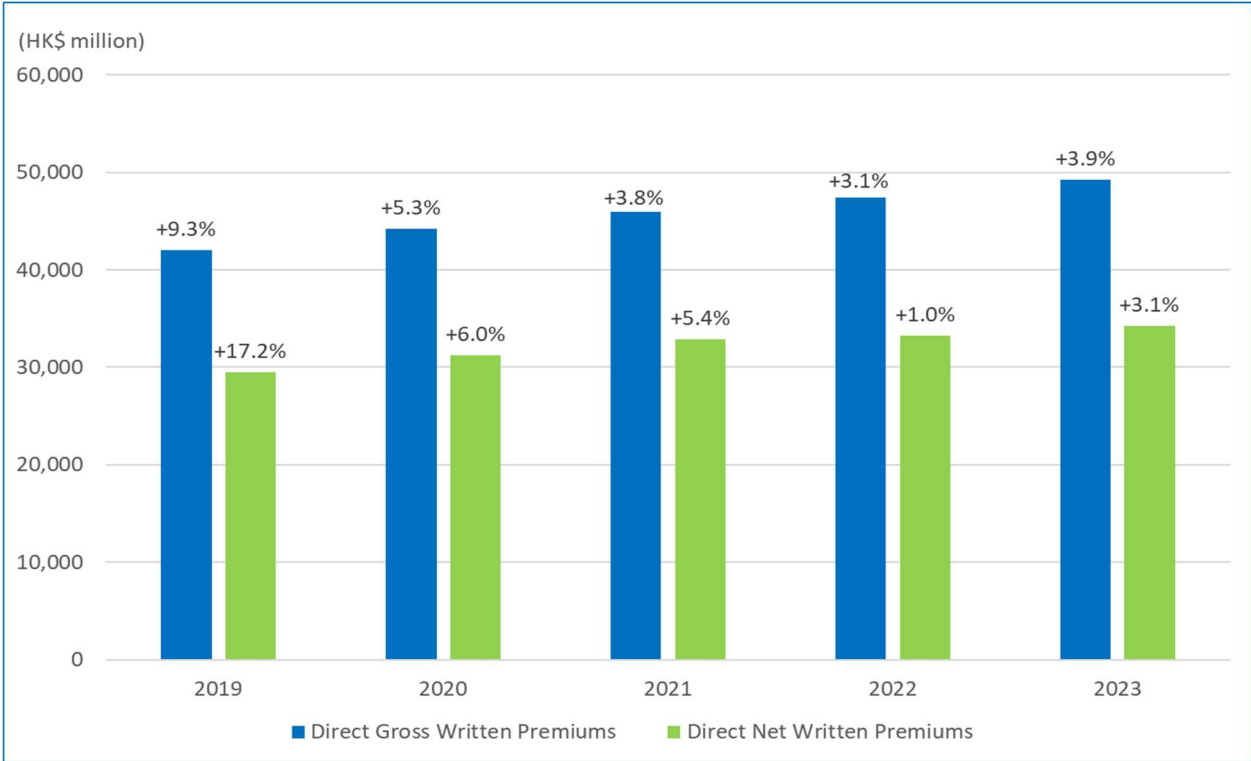


Figure 9 Growth of Direct Gross Written Premiums for Major Lines of Business

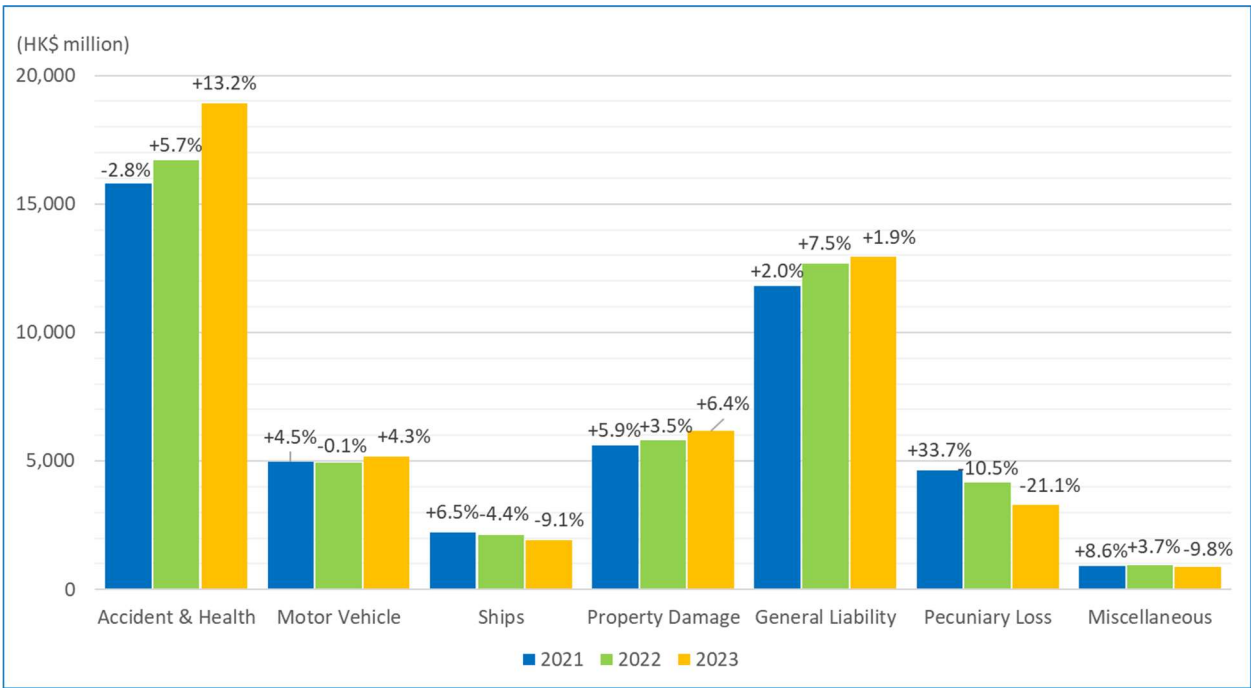
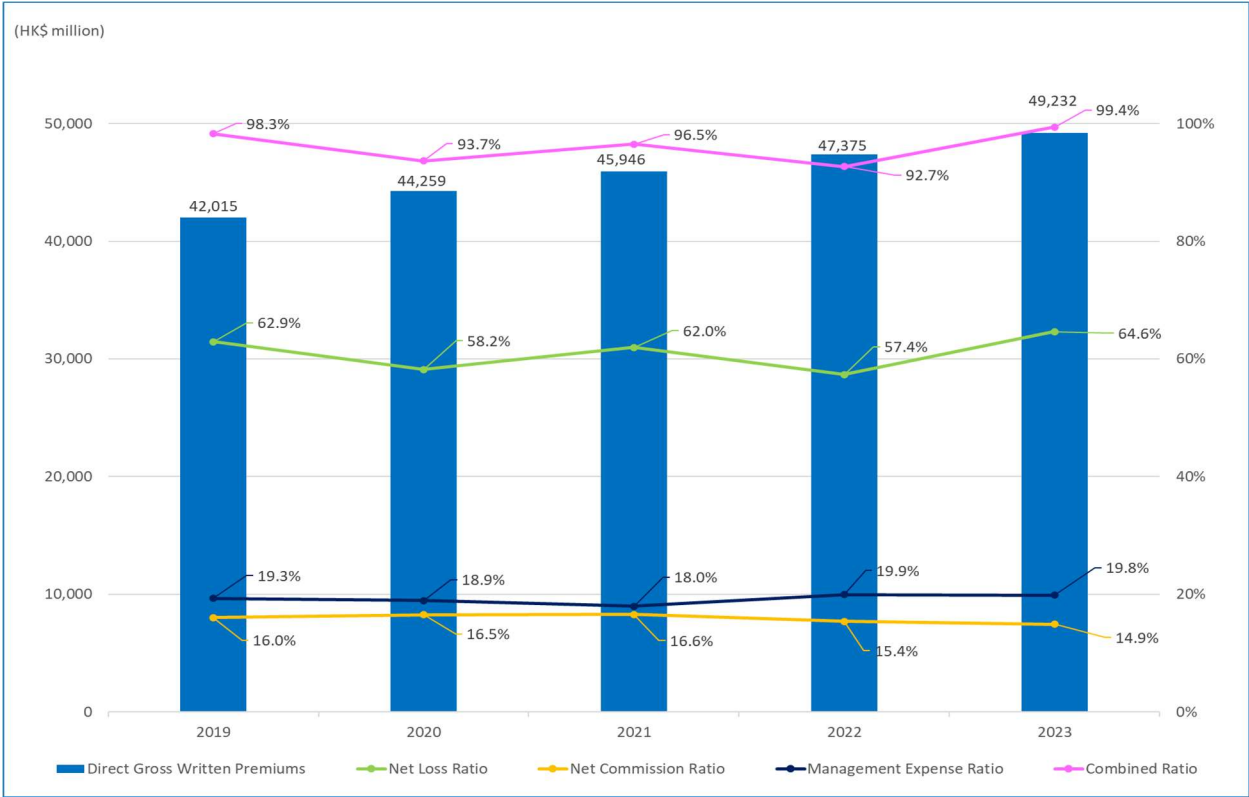


Figure 10 Overall Performance of Direct Business



Ratios shown are rounded to the nearest first decimal place and may not always add up to the rounded Combined Ratio.

Reinsurance Inward Business

Total GWP for RI business rose by 6.4% to HK\$18,103 million in 2023, mainly driven by Ships business and Property Damage business, which reported increases of 45.5% and 13.2% respectively, offsetting the declines of 15.3% and 12.0% in Pecuniary Loss business and General Liability business respectively.

The underwriting profit of RI business reduced by 58.6% to HK\$833.1 million in 2023, with the overall combined ratio rising to 90.1%, owing to the increase of reserve in Property Damage business and higher claims in A&H business.

Figure 11 Growth of Written Premium Income for Reinsurance Inward Business

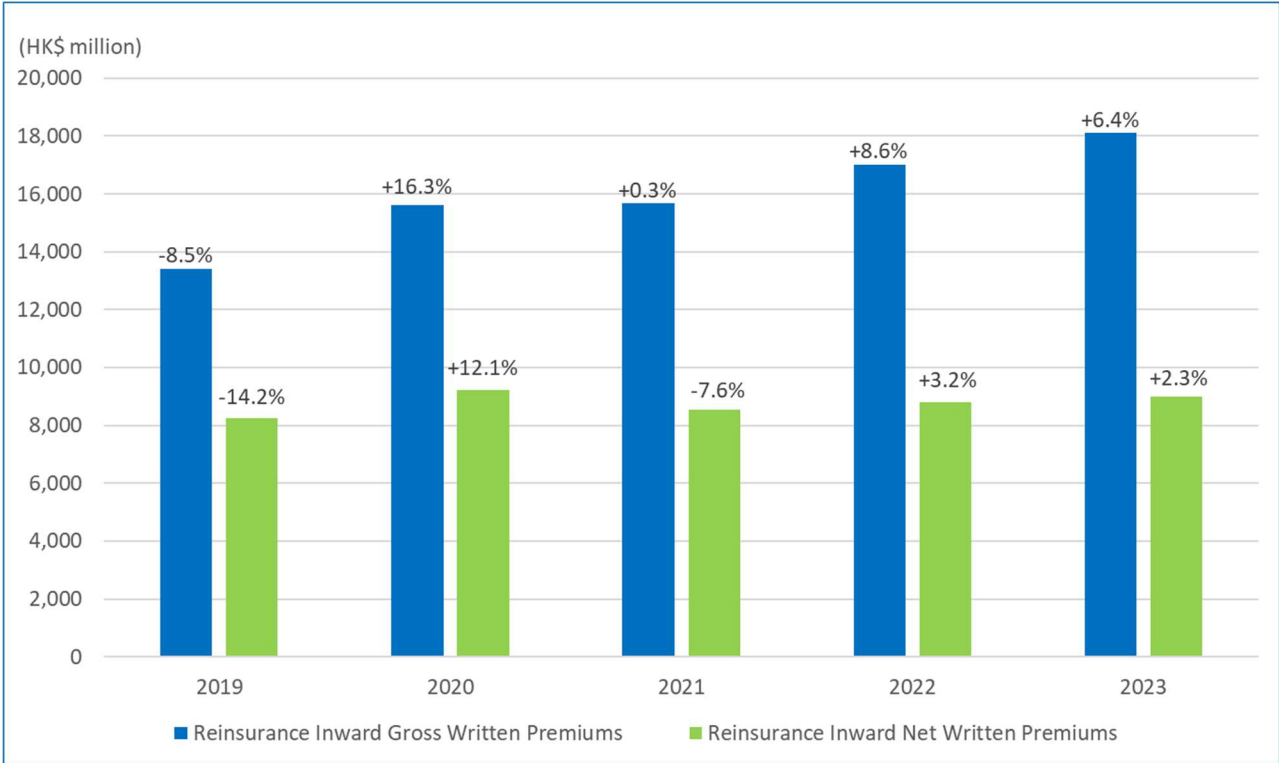


Figure 12 Growth of Reinsurance Inward Gross Written Premiums for Major Lines of Business

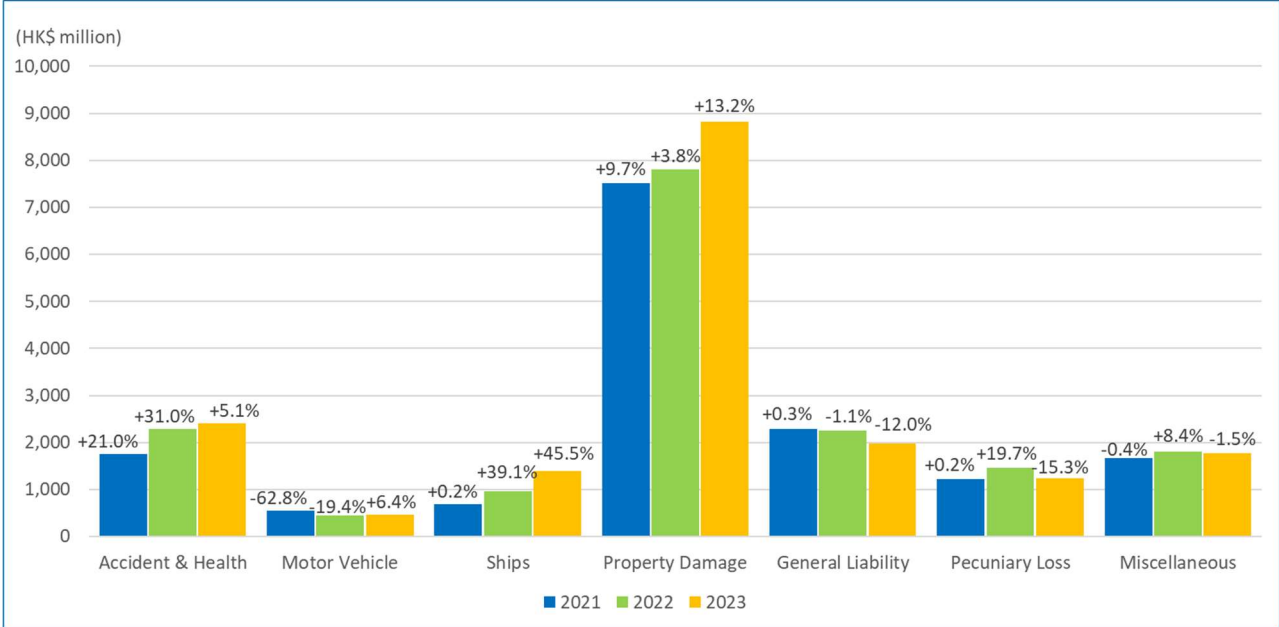
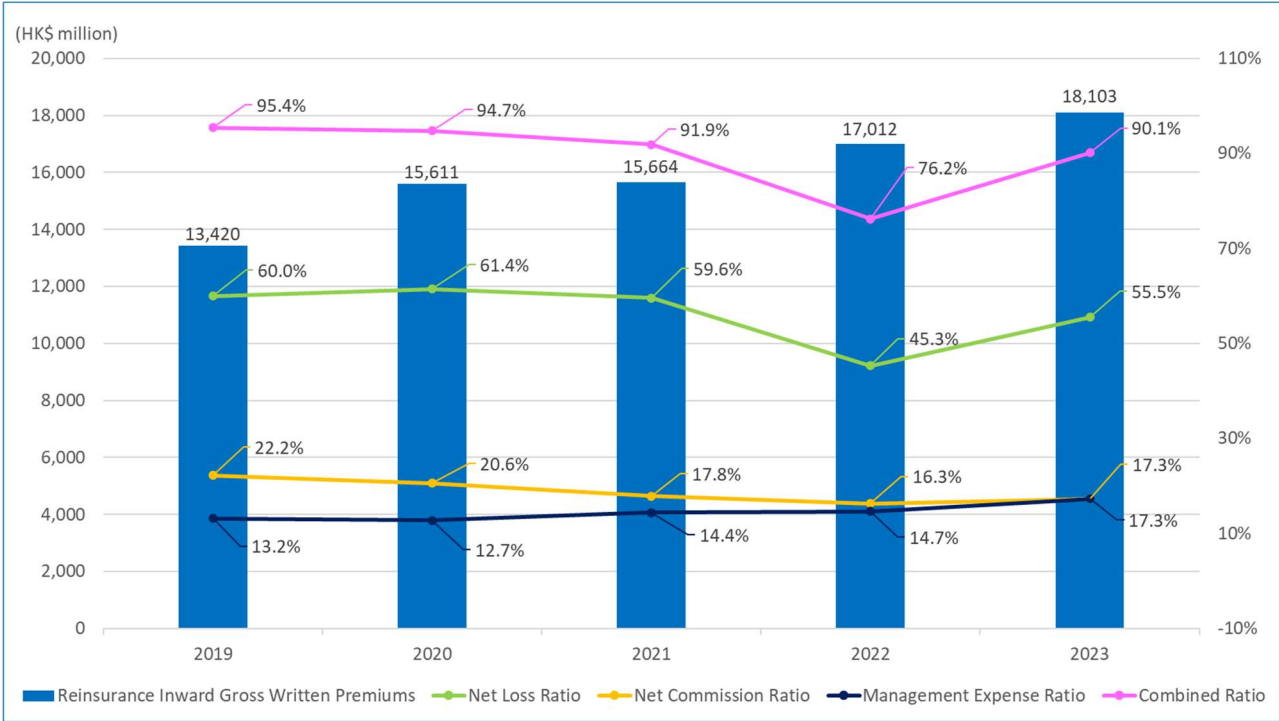


Figure 13 Overall Performance of Reinsurance Inward Business



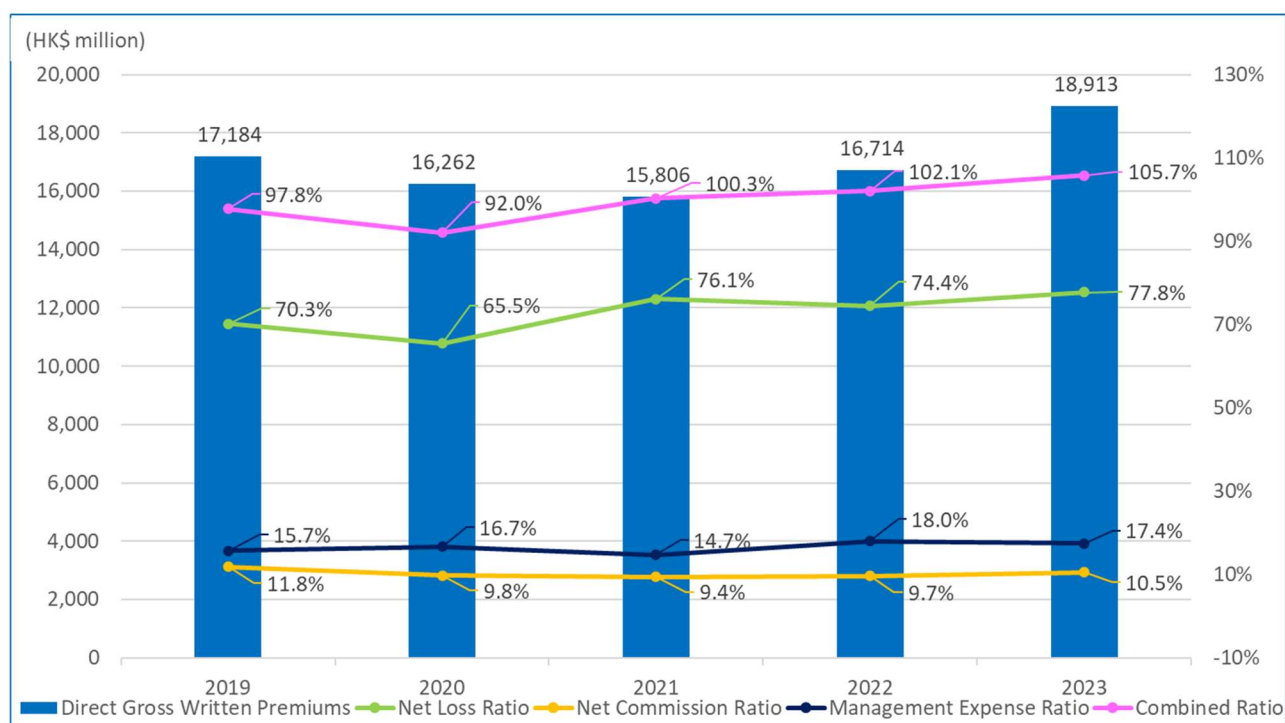
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Direct Accident & Health Business

A&H business, being the largest line of business in terms of GWP, accounted for 38.4% of total direct business GWP in 2023. The GWP was impacted by the outbreak of COVID-19, resulting in decreases in 2020 and 2021. After that, it resumed the momentum of growth and rebounded by 5.7% in 2022 on the back of rates hardening, and further rose by 13.2% to HK\$18,913 million in 2023 driven by a surge in demand for travel business and group medical business.

Impacted by increasing medical claims, the underwriting performance of direct A&H business remained under pressure, with its combined ratio rising to 105.7% in 2023 from 102.1% and 100.3% in 2022 and 2021 respectively. The market would need to pay attention in the determination of sustainable pricing and reserving.

Figure 14 Overall Performance of Direct Accident & Health Business



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Direct Employees' Compensation Business

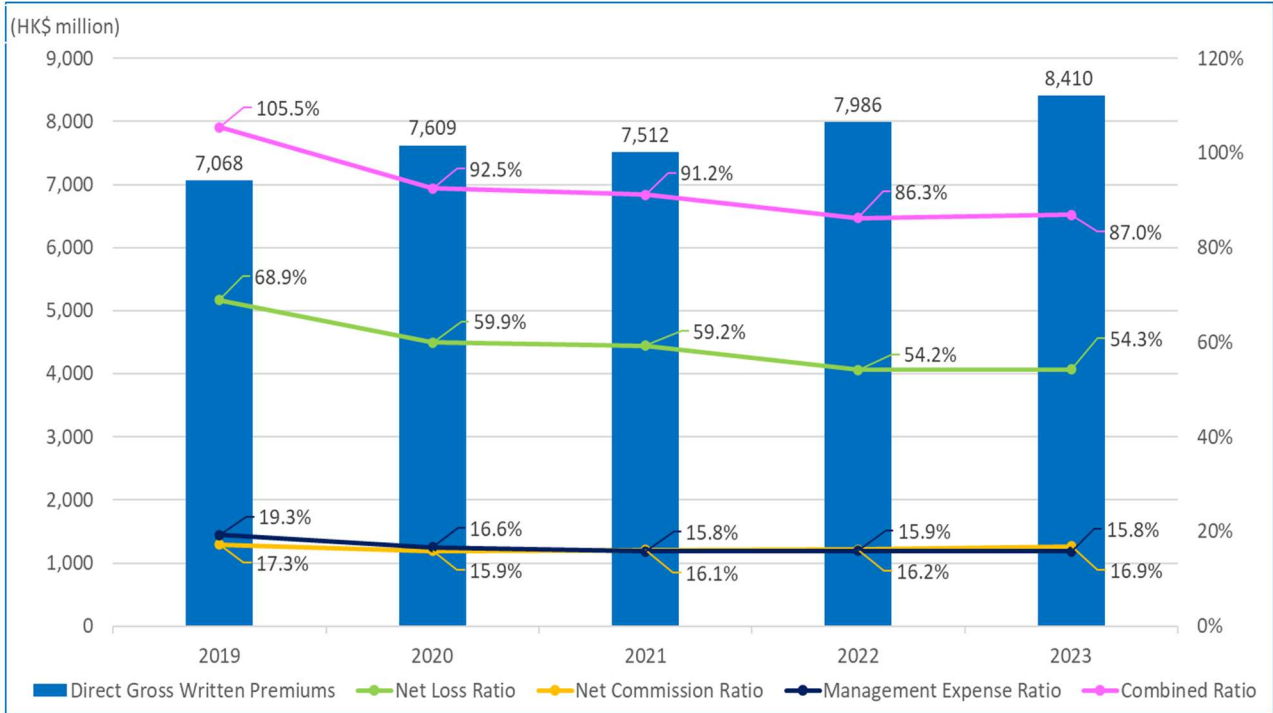
Employees' Compensation ("EC") business, a major component of General Liability business, contributed 17.1% of direct business GWP in 2023. Direct EC business recorded growth since 2017 except 2021. EC Construction (on contract value basis) sub-class business continued to be the major contributor and its contribution enlarged to 37.4% of total GWP of direct EC business.

The underwriting results continued to be well contained amid the favourable claims development, with a net loss ratio of 54.3% and combined ratio of 87.0% in 2023.

Figure 15 Direct Employees' Compensation Business Key Statistics

	2019	2020	2021	2022	2023
Direct Gross Written Premiums (HK\$ million)	7,068	7,609	7,512	7,986	8,410
Underwriting Profit/(Loss) (HK\$ million)	(260)	409	501	848	792
Number of Policies in Force	390,265	378,726	377,588	357,621	364,289

Figure 16 Overall Performance of Direct Employees' Compensation Business



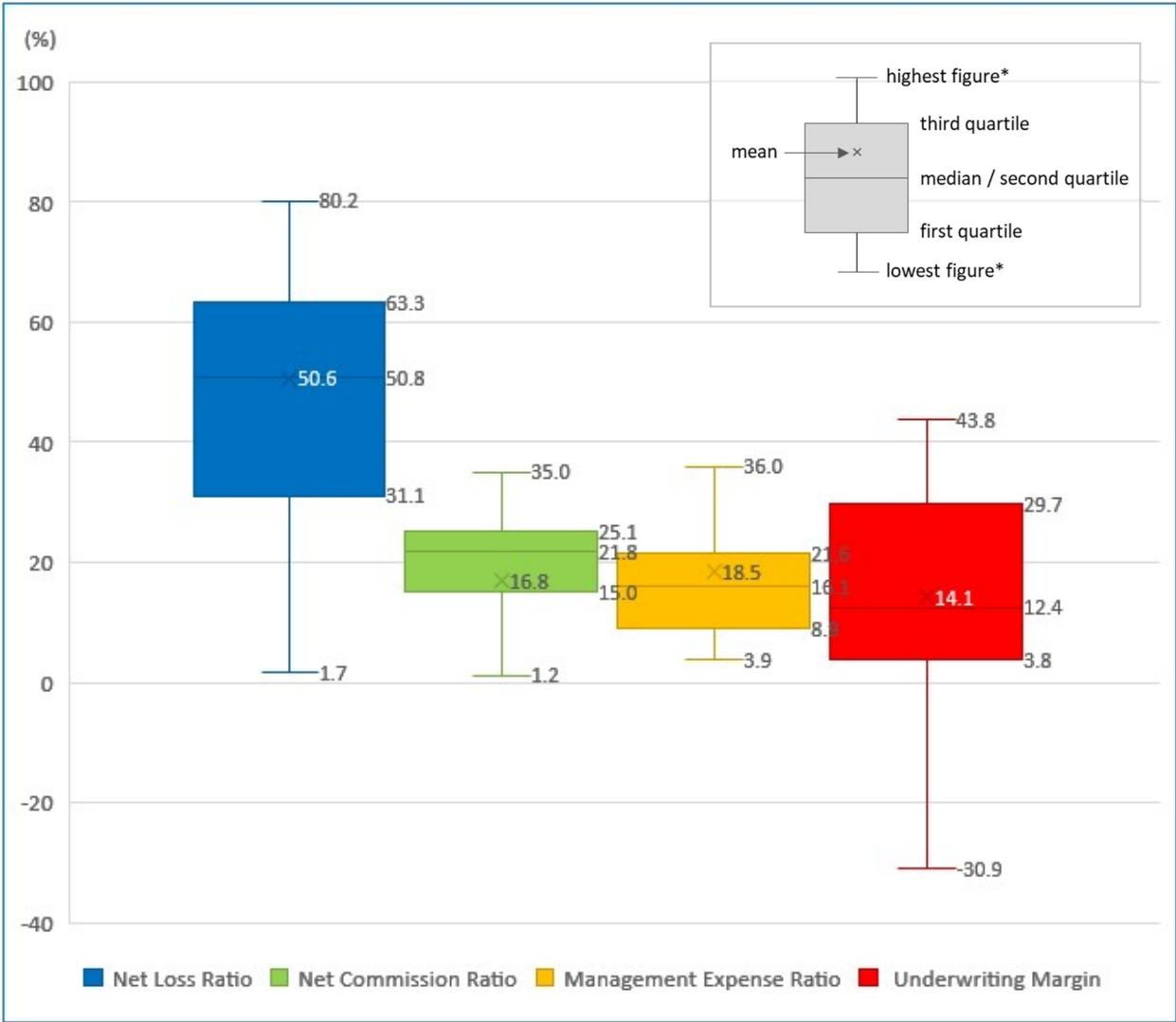
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The top 25 direct EC business insurers had taken up 93.3% of the total market share in terms of net earned premiums in 2023. The first quartile of underwriting margin was positive in 2023 which means over three-quarters of these top 25 direct EC insurers had achieved a positive underwriting result.

The average net loss ratio further reduced from 53.9% in 2022 to 50.6% in 2023, while the average net commission ratio and average management expense ratio remained stable at 16.8% and 18.5% in 2023 respectively. The net loss ratio was also less dispersed with the highest figure of 80.2% and third quartile being 63.3%, improved from 102.0% and 70.2% in 2022 respectively.

The IA will continue to pay close attention to insurers exhibiting high loss ratios that are not sustainable in the long term and to collaborate with the industry to facilitate healthy development of the direct EC insurance market.

Figure 17 Key Indicators — Top 25 Direct Employees' Compensation Insurers in 2023



* Figures of outliers are excluded.

Direct Motor Vehicle Business

MV business recorded GWP of HK\$5,158 million which denoted 10.5% of total direct business GWP in 2023. The GWP increased by 4.3% in 2023, benefiting from new business and repricing, as evidenced by the growth in both number of vehicles covered and average premium per vehicle. The top three sub-classes of MV business are Private Cars, Goods Carrying Vehicles and Taxis which represented 57.6%, 18.3% and 12.8% of total direct MV business GWP in 2023 respectively. The business composition is stable throughout the years.

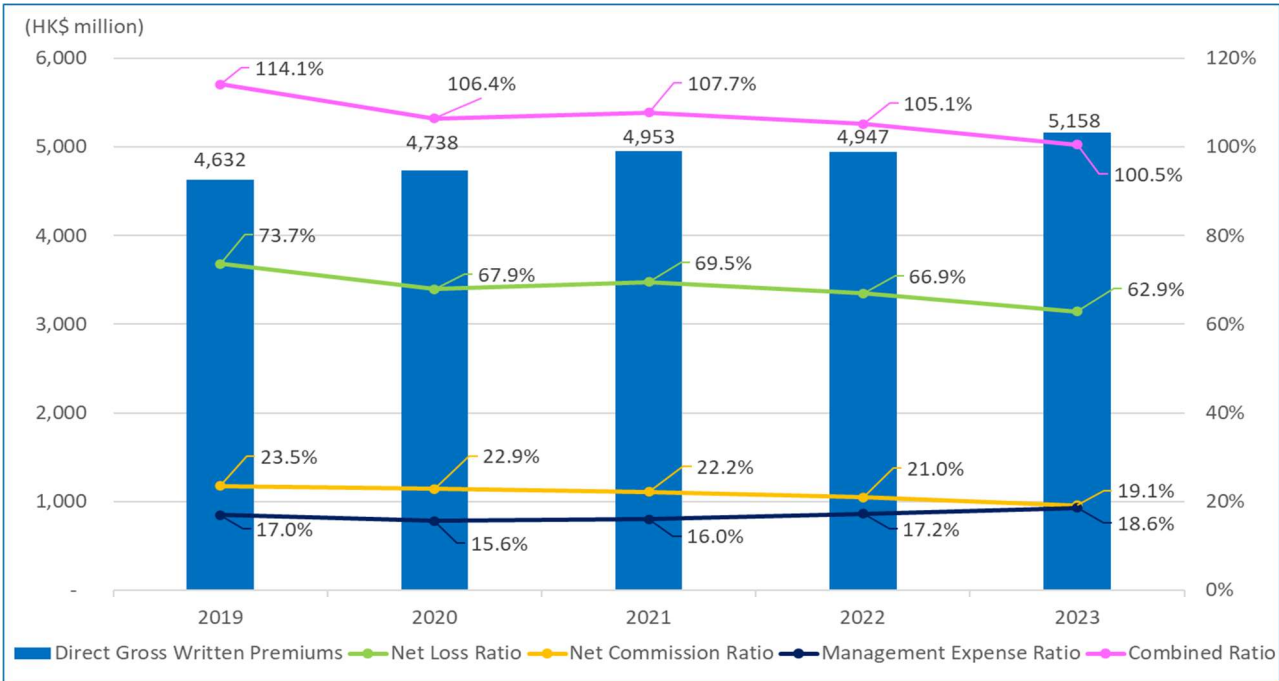
Since 2015, MV business has reported underwriting losses. The cessation of business by an insurer in winding up process, coupled with the favourable impact from commission income, relieved the pressure on the underwriting result of MV business. The combined ratio has declined from 105.1%

in 2022 to 100.5% in 2023, despite the inflated net claims paid amount. Insurers should remain vigilant as economic activities resume normal and claim frequencies may fluctuate.

Figure 18 Direct Motor Vehicle Business Key Statistics

	2019	2020	2021	2022	2023
Direct Gross Written Premiums (HK\$ million)	4,632	4,738	4,953	4,947	5,158
Underwriting Profit/(Loss) (HK\$ million)	(514)	(242)	(301)	(208)	(21)
Number of Vehicles Covered	921,161	937,059	979,407	941,068	952,074
Average Premium Per Vehicle (HK\$)	5,029	5,056	5,057	5,257	5,418

Figure 19 Overall Performance of Direct Motor Vehicle Business



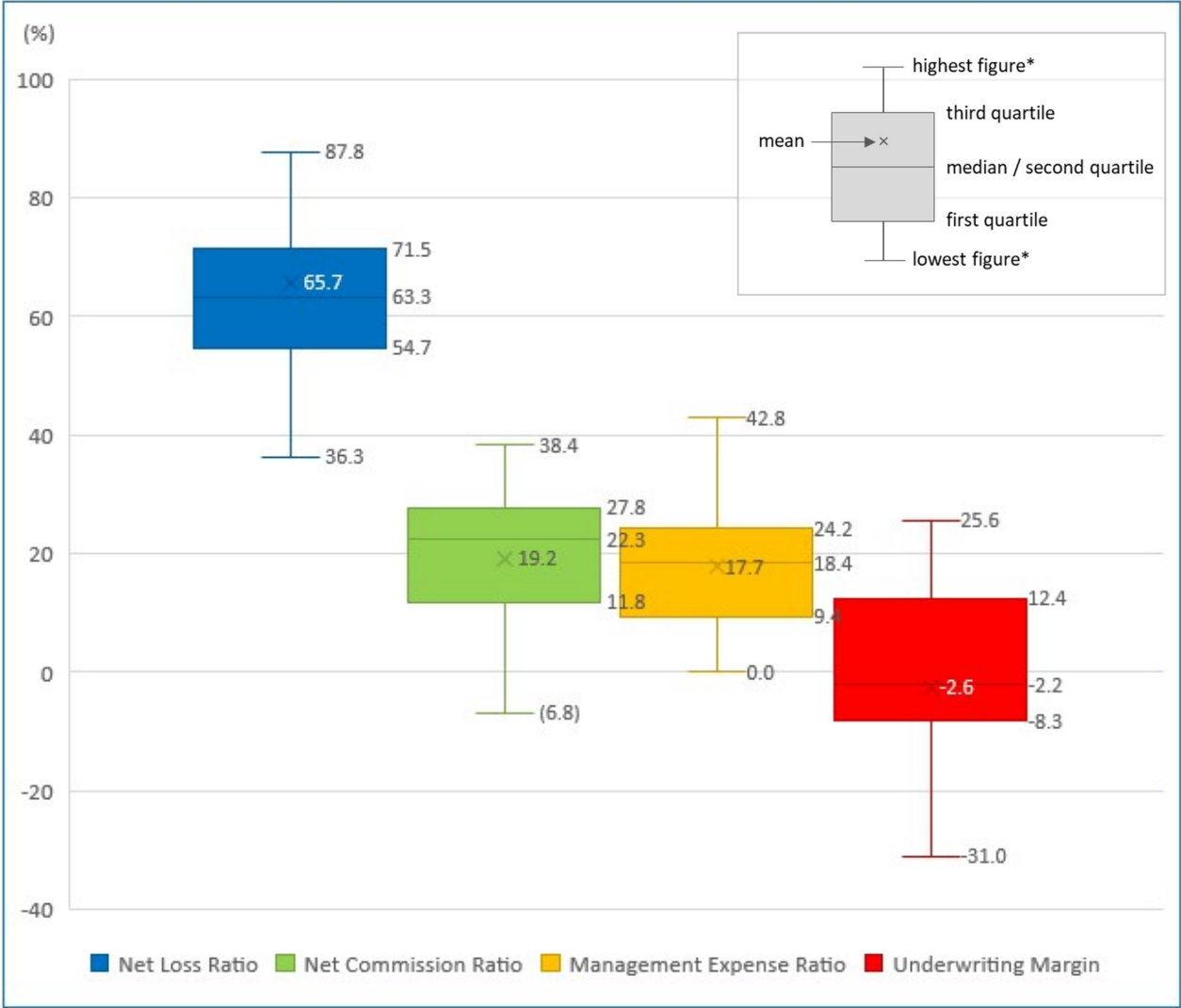
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The top 24 direct MV business insurers represented 99.6% of the total market share in terms of net earned premiums in 2023. The average underwriting margin remained at -2.6% in 2023 while it is less dispersed than 2022, indicated by the lowest figure, first quartile and median which improved from -56.3%, -16.8% and -6.1% in 2022 to -31.0%, -8.3% and -2.2% in 2023 respectively. These indicated that the individual underwriting result for half number of insurers had improved when compared with 2022.

The net loss ratio was also less dispersed in 2023, with the highest figure and third quartile decreased from 101.3% and 78.9% in 2022 to 87.8% and 71.5% in 2023 respectively. While the median was lower at 63.3% compared with the mean at 65.7%, it indicates that half of these top 24 direct MV insurers had a net loss ratio below 65.7%.

Same as direct EC market, the IA will keep collaboration with the industry to facilitate sustainable development of the direct MV market. Given reserving is one of the supervisory concerns, the IA maintains thematic review exercise on individual insurers to ensure robust reserving in place.

Figure 20 Key Indicators — Top 24 Direct Motor Vehicle Insurers in 2023ⁱ



* Figures of outliers are excluded.

ⁱ Given that one of the top 25 direct MV business insurers is in winding up process with a relatively low net earned premiums but an exceptionally high management expense being reported, inclusion of the peculiar key ratios of this insurer would substantially distort the statistics. As such, the data regarding this insurer has been excluded from Figure 20.