

“I lens” – March Issue 2002

Employees’ Compensation Insurance Business

The Facility for Terrorism Risks in Employees’ Compensation Business

Following the terrorist attacks in the USA last year, direct insurers were unable to obtain reinsurance coverage for terrorism risks in the following year. Despite that a terrorism exclusion clause could be inserted in the insurance policies, direct insurers could not repudiate their liability arising from terrorism risks under the Employees’ Compensation Ordinance for up-front payment to employees before any recovery from employers. As a result, direct insurers were financially unable to continue carrying on statutory employees’ compensation (“EC”) insurance business in Hong Kong due to the lack of reinsurance for terrorism.

Having regard to the problem, the Government proposed to provide direct insurers with a facility up to an amount of HK\$10 billion in aggregate to cover claims arising out of terrorism under their direct EC insurance policies. Following the approval of the Finance Committee of the Legislative Council on 11 January 2002, the Government (Commissioner of Insurance) separately entered into agreement with 56 insurers on the same day. The remaining insurers are expected to enter into similar agreement with the Government in the next few months when their

current reinsurance arrangements expire. This facility represents the joint efforts of the Government, employers and insurers to provide continuous protection for employees.

Participation in the above facility is voluntary. Insurers who have decided not to participate but continue writing statutory EC insurance policies must satisfy the Insurance Authority that they have made adequate reinsurance arrangements in this respect. Upon signing of the agreement, the insurers are obliged to pay to the Government a monthly charge equivalent to 3% calculated according to the amount of the gross premiums of their direct EC insurance policies. In the long term, the Government expects to withdraw the facility once the reinsurance market for this particular risk returns.

Transparency and Actuarial Review

Since the release of our survey result in March 2001, the Insurance Authority has been working closely with the “Task Force on the Employees' Compensation Review” of the Hong Kong Federation of Insurers to help redress the problems arising from the EC insurance business in Hong Kong. The Task Force has identified a number of remedial proposals which require the efforts of various parties, either individually or collectively.

On the part of the insurance industry, the Task Force issued a Code of

Best Practice for EC Insurers on 1 November 2001. The Code aims to promote prudent practice of the industry in underwriting EC insurance and to foster a higher professional standard in this type of business transaction.

On the part of the insurance regulator, the Insurance Authority plays an active role in the following areas:

(a) *Transparency of EC Insurance Business* - The Insurance Authority has agreed to collect and publish additional statistical information relating to EC business. Commencing from the first quarter of 2002, the quarterly statistics on direct EC business will be broken down into “Construction”, “Restaurants & Hotels”, and “Others” to provide a clearer picture on the underwriting performance in respect of each of these trades. In addition, a new set of annual statistical returns, further broken down into 10 trades, will be introduced to assist the industry in assessing the respective burning costs. The new format of annual returns will commence to be applicable to the submission of the statistical information relating to the year 2002.

(b) *Adequacy of Technical Reserves* - Commencing with the financial year ended on or after 31 December 2001, the technical reserves of insurers in respect of the two compulsory classes of insurance business i.e. EC and motor businesses, will be subject to actuarial review by an actuary if they exceed certain thresholds. On 12 January 2002, the Insurance Authority issued a Guidance Note on

Actuarial Review of Insurance Liabilities in respect of Employees' Compensation and Motor Insurance Businesses. The Guidance Note sets out the detailed requirements in this regard, including the qualifications of an actuary appointed for this purpose. The new requirement aims to ensure the adequacy and reliability of the insurers' technical reserves and to assist the industry in achieving a sustainable market pricing.

Commissioner Speaks

The September 11 Incidents have alerted the insurance industry worldwide of the severe damages that terrorist activities may potentially cause. Reinsurers have decided that they would discontinue, from 1 January 2002 onwards, reinsurance coverage resulting from terrorism on all business, including Employees' Compensation, accepted by direct insurers. Coupled with the continual unfavourable underwriting performance, the undesirable situation of "Employees' Compensation" has become a cause for public concern. Therefore, we have chosen this line of insurance business as the theme of this issue. The Insurance Authority will continue to work closely with the industry to safeguard the insurance protection rendered to employers as well as employees. Through this newsletter, I shall inform you of what we have done and are doing, so as to let you have a better understanding of this type of compulsory insurance.

Taking this opportunity, I wish you a prosperous lunar new year of the Horse!

Benjamin Tang

Commissioner of Insurance

Editor's Note

The Employees' Compensation Ordinance lays down the employers' obligations in respect of their employees' injuries or deaths caused by accidents arising out of employment, even if the employees might have committed faults or negligence when the accidents occur. The Ordinance further provides that all employers are required to take out insurance policies to cover their liabilities for the employees' injuries or deaths at work. In Hong Kong, there is a workforce of over 3 million people who receive this form of protection. Mr. Raymond Chow, an experienced insurance educator, is about to brief you on this compulsory responsibility of employers.

Feature

Mr. Raymond Chow Wai-man is a Chartered Insurance Practitioner and a visiting lecturer of the Hong Kong Polytechnic University. Mr. Chow is well experienced in insurance consultancy, financial accounting, business management, as well as tertiary insurance education.

Employers' Compulsory Responsibility: Employees' Compensation Insurance

By Mr. Raymond Chow

Employees' Compensation ("EC") insurance is one of the major classes of general insurance business in Hong Kong. EC premiums reached HK\$ 2.9 billion in 2001, accounting for approximately 15% of the total gross premiums of general insurance business.

Under section 40 of the Employees' Compensation Ordinance ("Ordinance"), every employer is statutorily required to take out an EC insurance policy with an authorized insurer against his liability for his employees' accidental bodily injury in the course of employment. The objective is to ensure that employees, who have a valid claim against his employer, receive adequate compensation and protection.

The **minimum insurance cover** should be for an amount:

<u>No. of Employees</u>	<u>Amount of Insurance Cover Per Event</u>
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Not more than 200	Not less than HK\$100 million
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More than 200	Not less than HK\$200 million
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An employer is required to meet both his liabilities under the Ordinance and the Common Law. The Ordinance only lays down the minimum insurance cover. According to his own insurance need, an employer may take out an EC insurance policy above the statutory minimum.

Meaning of Employees

Under the Ordinance, employees include any persons who either enter into or work under a contract of service or apprenticeship with an employer in any employment, whether the contract is expressed or implied; oral or in writing.

The Ordinance also applies to employees who are employed in Hong Kong but suffer injuries while working outside Hong Kong.

To better understand the meaning of “employees”, it is important to distinguish a “contract of service” from a “contract for service” where the

employer-employee relationship does not exist and the person concerned is merely performing certain agreed tasks for a fee. Court cases have provided a number of tests to help determine whether there is an employer-employee relationship:

- a) Employer's power in selection of his employees
- b) Payment of wages or other remuneration
- c) Employer's right to control the method of doing the work
- d) Employer's right of suspension or dismissal
- e) The risk-bearing of business venture

Classification of Employer's Liability

The EC insurance covers the employers' legal liability under both the Ordinance and the Common Law for their employees' injuries at work:

i) Statutory Liability

Under the Ordinance, the compensation should be payable regularly or one-off by the employer to an employee in respect of an injury arising out of and in the course of his employment:

Periodical Payment: It is payable regularly on the injured employees' normal pay days for sick leaves connected with work injuries at the rate of four-fifths of their normal earnings.

Fatal case: It varies from 36 months' to 84 months' earnings subject to a minimum of HK\$303,000 and a maximum of HK\$1,764,000.

Permanent Total Incapacity: It varies from 48 months' to 96 months' earnings subject to a minimum of HK\$344,000 and a maximum of HK\$2,016,000.

The compensation payable for death or permanent total incapacity varies with the employees' age at the time of the accident.

If an injured employee suffers from permanent partial incapacity, the amount of compensation is a percentage of the compensation payable for permanent total incapacity and this percentage will be proportional to the loss of earning capacity caused by the injury.

Under the Ordinance, **earnings** include:

- a) cash wages;
- b) cash equivalent allowance such as food, fuel, quarters, etc;
- c) overtime payments or bonus of constant nature;
- d) customary tips.

The Ordinance does not modify the rules of the Common Law. The employee has the right to sue against the employer for damages if his injury is caused by the negligence or wrongful act of the employer. The Common Law damages would be reduced by the value of compensation payable under the Ordinance.

ii) Common Law Liability

The Common Law Liability of an employer may be caused by:

- His acts of personal negligence;
- His failure to select suitable and competent employees;
- His failure to provide or maintain suitable and safe plant and machinery;
- His failure to provide or maintain safe place of work;
- His failure to provide and maintain proper system, method and system of working;
- His failure to comply with statutory duties under, among others, the Occupational Safety and Health Ordinance and the Factories and Industrial Undertakings Ordinance.

There is no limit for the Common Law compensation. In general, the compensation award may be categorized under:

- pain and suffering;
- pecuniary loss;
- future loss of earnings;
- provision of care.

How does the policy condition of “Avoidance of Terms and Right of Recovery” protect an employee?

An employee will not be prejudiced by an employer’s failure to comply with insurance policy provisions. Generally speaking, breach of a policy provision might enable an insurer to repudiate liability but because of the “Avoidance of Terms and Right of Recovery”, the insurer has to settle the claim with the employees as if the employer has complied fully with the policy provisions.

What should an employer do after an accident?

If there is any employee injured during the course of employment, the employer should submit all original sick leave certificates, Labour Department Forms and other relevant documents to the insurer concerned as soon as possible. Any unreasonable delay may prejudice the rights of the insured. Details of staff, salary and Mandatory Provident Fund records may be required to substantiate the claim.

What should an employee do after an accident?

An employee should follow up with his employer to ensure that the employer has proceeded with the proper claim procedures. In case of any non-payments, the Ordinance enables the employees to claim against the insurer direct. The employees may also consult the Labour Department for any remedial measures.

Employees Compensation Assistance Scheme

The operation of the Employees Compensation Assistance Scheme (“ECAS”) is governed by the Employees Compensation Assistance Ordinance. Its aim is to provide compensation to:

- an injured employee who is unable to recover compensation from his employer because the employer is uninsured or untraceable, or the employer’s insurer has become insolvent; or
- an employer who has paid compensation to his employees but the concerned insurer has become insolvent.

The compensation fund is financed by a levy on the premiums payable in respect of EC insurance policies. The rate of levy and the current proportion of distribution are currently under review to strengthen the long-term financial position of the compensation fund.

Note: This newsletter aims to provide readers with the general knowledge on insurance. Any views expressed in the feature article represent the personal views of the writer, which may not be necessarily shared by the Insurance Authority.

Exchange

China's WTO Insurance Summit

With China's imminent entry into the WTO, the China Insurance Regulatory Commission organized "China's WTO Insurance Summit" in Beijing on 22-23 November 2001. The two-day Summit provided an opportunity for international insurance regulators and professionals to exchange their views on the opening up of China's insurance market.

The Commissioner of Insurance, Mr. Benjamin Tang, was invited to the Summit. He delivered a keynote speech on "Effective Regulation of the Hong Kong Insurance Market". Mr. Tang, together with a number of other overseas insurance regulators, were received by Vice-Premier Wen Jiabao during the Summit.

APEC Symposium for Managing Regulatory Change in Life Insurance and Pensions

On 8 - 9 November 2001, Symposium for Managing Regulatory Change ("MRC") in Life Insurance and Pensions, organized by the Australian APEC Study Centre ("the Centre"), was convened in Beijing. The Symposium was the second in a series of the MRC programme to discuss reforms in the long term insurance sector. It brought together senior insurance regulators from the Asia Pacific region.

On behalf of the OCI, the Assistant Commissioner of Insurance (Long Term Business) presented two papers, namely “Hong Kong Regulatory Philosophy and Implementation of Reform” and “Overcoming Obstacles on Implementation of Regulatory Reform” at the Symposium.

International Insurance Conference

On 8-9 November 2001, International Insurance Conference on “Challenges and Opportunities for Insurance in Asia in the New Millennium” was held in Macau. Chief Executive of the Macau SAR officiated at the opening of the Conference, which was attended by insurance supervisors from the Mainland, Hong Kong, Macau, Portugal, Singapore and the Philippines. The Commissioner of Insurance, Mr. Benjamin Tang, delivered a speech on the Hong Kong insurance market development and regulation.

Taking this opportunity, the OCI and the Monetary Authority of Macau concluded a Memorandum of Understanding of Mutual Assistance and Exchange of Information, which will strengthen the future co-operation of the two regulators.

The International Association of Insurance Supervisors (IAIS)

Due to the terrorist attacks in the United States last year, the General Meeting of the 8th Annual Conference of the IAIS in September 2001 was adjourned. On 9 January 2002, the OCI participated in the Continued General Meeting of the IAIS held in Tokyo, Japan.

Taking this opportunity, the OCI representatives also attended the Tokyo Executive Seminar on Insurance Regulation and Supervision on 10-11 January 2002. During the Seminar, the Assistant Commissioner of Insurance (Policy & Development) gave a presentation on Hong Kong's self-assessment exercise in complying with the Insurance Core Principles.

Joint Meeting of the Insurance Regulators of Guangzhou, Hong Kong, Macau and Shenzhen

To enhance co-operation among the insurance regulators in Guangzhou, Hong Kong, Macau and Shenzhen, they have agreed to convene regular meetings to discuss various topics on regulatory functions & framework, market development, latest supervisory work and topics of common interest.

There was extensive discussion and exchange during the first meeting held in Guangzhou on 28 February 2002. The second meeting will be held in Hong Kong at the end of this year.

Intermediaries

Insurance Intermediaries Quality Assurance Scheme (“IIQAS”)

Grandfathering Arrangement for the Investment-linked Long Term

Insurance Examination

The Steering Committee of the Insurance Intermediaries Quality Assurance Scheme has resolved at its last meeting a grandfathering arrangement for the Investment-linked Long Term Insurance Examination.

Under the grandfathering arrangement, insurance intermediaries, their chief executives/responsible officers or technical representatives who were engaged in the long term insurance intermediary business in Hong Kong immediately before 1 January 2002 are exempted from the Investment-linked Long Term Insurance Examination paper, if they are able to fulfill the following experience requirements:

- (1) They have proven long term insurance experience in Hong Kong for a cumulative period of at least seven years within the eight-year period immediately before 1 January 2002; and
- (2) They have proven experience in Hong Kong in selling at least 4 investment-linked long term policies per annum and 50 investment-linked long term policies in total within the five-year period immediately before 1 January 2002.

Continuing Professional Development (“CPD”) Programme

The CPD Programme was launched on 1 January 2002. All insurance intermediaries, their chief executives/responsible officers and technical representatives (collectively as “insurance intermediaries”) are required to comply with the requirements of the CPD Programme.

An insurance intermediary who has been practising immediately before 1 January 2002 may start accumulating his/her CPD credits from 1 January 2002. He/she has to submit evidence of having earned 10 core credits and 20 non-core credits to his/her principal(s) (in case of an insurance agent or a responsible officer of an insurance agency), appointing insurance agent or agency (in case of a technical representative of an insurance agent or agency) or appointing insurance broker (in case of a chief executive or technical representative of an insurance broker), for certification purpose. Certified documents will be forwarded to the relevant self-regulatory organization (i.e. the Insurance Agents Registration Board, the Hong Kong Confederation of Insurance Brokers or the Professional Insurance Brokers Association Limited) for monitoring purpose.

For insurance intermediaries who have been practising immediately before 1 January 2002, they are entitled to the transitional arrangement for a period of three assessment years. During the transitional period, non-compliance with the credits requirements will not, in general, trigger off de-registration/de-authorization. Deficiency of credits acquired in

one assessment year can be made up in another year and excess credits accumulated in one particular year can also be carried forward.

To ensure compliance with the CPD requirements, individual insurance intermediaries are advised to keep track of the followings:

- (1) They should plan ahead and earn the required credits before the assessment date;
- (2) They should keep evidence of attendance regarding the CPD activities; and
- (3) They should furnish evidence of attendance to their principals/appointing agents or agencies/appointing brokers on or before the assessment date.

For detailed administrative matters, individual insurance intermediaries should contact their principals/appointing agents or agencies/appointing brokers, or the relevant self-regulatory organization.

Up to the end of February 2002, the Hong Kong Council for Academic Accreditation (HKCAA) has accredited 51 CPD activities. Insurance intermediaries are encouraged to visit the website of the HKCAA (<http://www.hkcaa.edu.hk>) for an updated list of accredited activities.

Review of the Regulatory System for Insurance Intermediaries

The consultation on the review of the regulatory system for insurance intermediaries ended on 31 October 2001. More than 20 submissions were received from industry bodies, professional bodies and other interested parties. The Insurance Authority has given due consideration to each submission. Industry bodies will be further consulted on the way forward.

The Insurance Authority will continue to closely liaise with the industry with a view to enhancing the regulatory framework for insurance intermediaries to protect the interests of the insuring public.

Conference on Professional Ethics for Insurance Industry

To uphold high ethical standards of the industry, the Independent Commission Against Corruption organized the “Conference on Professional Ethics for Insurance Industry” on 17 November 2001. Over 180 senior insurance executives and insurance agents attended the Conference. The Commissioner of Insurance delivered a keynote speech on “Challenges Ahead and Regulatory Framework in the Insurance Industry” during the Conference.

Legal and Technical Corner

Measures to Combat Terrorist Financing

As a result of the September 11 Incidents, the President of the United States called for international concerted efforts to starve terrorists of financing. Hong Kong, being reputed for international cooperativeness, has joined the global campaign in combating this crime.

The United Nations Sanctions (Afghanistan) Regulation and the United Nations Sanctions (Afghanistan) (Arms Embargoes) Regulation were gazetted in October 2001. In effecting sanctions on Afghanistan, these Regulations also aim to freeze the funds and other financial resources of the Taliban, Usama bin Laden and any connected persons/entities. The Insurance Authority has issued a circular to the insurance institutions to alert them of taking necessary steps to ensure their compliance with the Regulations.

In response to the Executive Order issued by the President of the United States in September 2001, the Insurance Authority has also issued a circular to insurance institutions advising them to watch out for any suspicious transactions relating to those persons/entities prescribed under the Order and to report them to the Joint Financial Intelligence Unit.

To assist the insurance institutions in checking their own records, the Insurance Authority has circulated the respective lists of

terrorist-connected persons/entities prescribed under the Regulations and the Executive Order. We shall continue to update the insurance institutions on any revision of the lists.

Promotion of Insurance Industry

A New Reinsurer's Profile

Partner Reinsurance Company Ltd. ("Partner Re"), incorporated in Bermuda in 1993, was authorized on 28 September 2001 to carry on reinsurance business in Hong Kong. Partner Re is a professional reinsurer who specializes in property and catastrophe risks.

The presence of Partner Re will enhance Hong Kong's status as a regional reinsurance centre. The OCI welcomes other multinational professional reinsurers to set up their operations here.

News Summary

Calendar of Events

Date	Event
8-9/11/01	The OCI participated in the International Insurance Conference in Macau, China. The Commissioner of Insurance delivered a speech on “Challenges and Opportunities for Insurance in Hong Kong in the New Millennium” at the Conference.
22/11/01	The OCI participated in China's WTO Insurance Summit held in Beijing, China. The Commissioner of Insurance delivered a speech on “Effective Regulation of the Hong Kong Insurance Market” at the Summit.
26/11/01	The OCI received Meritorious Mention in the Best Practices on “Organizational Learning” in HRD Award 2001 organized by the Civil Service Training and Development Institute.
18/12/01	The Educational Pamphlet entitled “Buying Insurance – What you need to know” was released. The Pamphlet aims to promote the awareness of the insuring public on their rights and obligations under the contracts of insurance.
18/12/01	Radio and TV Commercials in the form of “Announcement of Public Interest” were launched to reinforce the Public Educational Campaign.
20/12/01	The OCI's 2001 Annual Report, which incorporated statistics on the Hong Kong insurance business for 2000, was published.
9-11/1/02	The OCI participated in the Continued General Meeting of the International Association of Insurance Supervisors and the Tokyo Executive Seminar on Insurance Regulation and Supervision held in Tokyo, Japan.
11/1/02	On behalf of the Government of the HKSAR, the Commissioner of Insurance separately entered into agreement with direct insurers for the provision of a facility up to HK\$10 billion to cover claims arising out of terrorism in respect of direct employees' compensation insurance policies.

New Authorization

Date of Authorization	Name of Insurer	Place of Incorporation	Type of Business
30/11/01	Vahinkovakuutusosakeyhtiö Pohjola (Pohjola Non-Life Insurance Company Ltd.)	Finland	General

Withdrawal of Authorizations

Date of Withdrawal	Name of Insurer	Place of Incorporation	Type of Business
27/12/01	Haiphoon Insurance Company Limited	Hong Kong	General
31/12/01	Pearl Assurance Public Limited Company	United Kingdom	General
14/1/02	QBE Insurance (Hong Kong) Limited	Hong Kong	General
18/1/02	China Insurance Company, Limited	China	Composite

Portfolio Transfers

Date	Event
21/12/01	The transfer of the general business carried on in Hong Kong by QBE Insurance (Hong Kong) Limited to Hongkong and Shanghai Insurance Company, Limited was approved under section 25D of the Insurance Companies Ordinance.
31/1/02	The transfer of the general business carried on in Hong Kong by Pohjola Group Insurance Corporation to Pohjola Non-Life Insurance Company Ltd. was approved under section 25D of the Insurance Companies Ordinance.

Circulars Issued

Date	Addressee	Subject Matter
8/11/01	Chief Executives of authorized insurers carrying on general business	Transparency of Insurance Business and Actuarial Review of Claims Reserves
8/11/01	Chief Executives of authorized insurers carrying on long term business	Freezing Terrorist Assets - United States Executive Order 13224
14/11/01	Chief Executives of all authorized insurers	United Nations Sanctions (Afghanistan) (Arms Embargoes) Regulation & United Nations Sanctions (Afghanistan) Regulation
19/11/01	Chief Executives of all authorized insurers	Release of Insurance Statistics for First Three Quarters of 2001
29/11/01	Chief Executives of authorized insurers	Release of Long Term Insurance Statistics on In-force Business for First

	carrying on long term and composite business	Three Quarters of 2001
3/12/01	Chief Executives of authorized insurers carrying on long term and composite business	IIQAS – Investment-linked Long Term Insurance Examination: Grandfathering Arrangement
4/12/01	Chief Executives of all authorized insurers	United Nations Sanctions (Afghanistan) (Arms Embargoes) Regulation
10/12/01	Chief Executives of authorized insurers carrying on long term business	Non-cooperative Countries and Territories & United States Executive Order 13224
21/12/01	Chief Executives of all authorized insurers	Imprinting Registration Number of Insurance Intermediaries on Business Cards
28/12/01	Chief Executives of authorized insurers carrying on long term business	United States Executive Order 13224
8/1/02	Chief Executives of authorized insurers carrying on direct employees' compensation insurance business	Insurance Coverage for Terrorism in respect of Direct Employees' Compensation Insurance Business
12/1/02	Chief Executives of authorized insurers carrying on general business	Guidance Note on Actuarial Review of Insurance Liabilities in respect of Employees' Compensation and Motor Insurance Businesses

17/1/02	Chief Executives of authorized insurers carrying on long term business	United States Executive Order 13224
17/1/02	Chief Executives of all authorized insurers	United Nations Sanctions (Afghanistan) Regulation & United Nations Sanctions (Afghanistan) (Arms Embargoes) Regulation
21/1/02	Chief Executives of authorized insurers carrying on employees' compensation business	Agreement for Provision of Facility

Change of Names of Insurers

Date of Change	Name of Insurer	Place of Incorporation	Type of Business
31/10/01	Sun Life of Canada (International) Limited to Sun Life Financial (Hong Kong) Limited	Bermuda	Long Term
19/11/01	Mitsui Kaijo Kasai Hoken Kabushiki Kaisha (Mitsui Marine and Fire Insurance Company, Limited) to Mitsui Sumitomo Insurance Company, Limited	Japan	General

17/12/01	GAN Incendie Accidents compagnie française d'assurances et de réassurances incendie, accidents et risques divers to GAN Assurances IARD Compagnie Francaise D'Assurances Et De Reassurances Incendie, Accidents Et Risques Divers	France	General
28/12/01	Winterthur Swiss Insurance (Asia) Limited to Falcon Insurance Company (Hong Kong) Limited	Hong Kong	General

Market Performance of the Hong Kong Insurance Industry in 2001

In 2001, the gross and net premiums of general insurance business recorded a growth of 10.2% to HK\$19,486 million and 6.4% to HK\$12,903 million respectively as compared with that of 2000.

The overall underwriting result of general insurance business improved from a loss of HK\$559 million to a loss of HK\$380 million as compared with 2000. The underwriting performance of the two major classes of business i.e. Motor Vehicle business and General Liability business, improved by reducing their underwriting losses from HK\$306 million to HK\$239 million, and from HK\$916 million to HK\$888 million

respectively. These improvements are attributable mainly to the general increase in premium rates during the year. Accident and Health business had continued its growth momentum with an increase of 11.5% in gross premiums during the year.

Long term new office premiums (exclude Retirement Scheme business) amounted to HK\$17,020 million in 2001, an increase of 47.5% over 2000. Individual Life and Annuity (Linked) business recorded a growth of 88.4% to HK\$8,406 million in new office premiums, with 160,911 new policies. New office premiums of Individual Life and Annuity (Non-Linked) business increased by 24.3% to HK\$8,177 million in 2001, with 798,909 new policies.

Provisional Statistics on Hong Kong Insurance Business

January – December 2001

Insurance Market Structure as at 31 December 2001

Number of Authorized Insurers

Long Term	45
General	140
Composite	19
Total	204

Number of Insurance Intermediaries

Authorized Insurance Brokers	399
Registered Insurance Agents	32,788
Total	33,187

	2001	2000
	Full Year	Full Year
Highlights	(HK\$ m)	(HK\$ m)
General Business		
Gross Premiums	19,486	17,678
Net Premiums	12,903	12,132
Underwriting Profit / (Loss)	(380)	(559)

Long Term Business (New Business*)

Office Premiums (exclude Retirement Scheme)	17,020	11,536
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Composition of Premiums by Class of Business

General Business by Gross Premiums

General Liability	22%
Accident & Health	21%
Motor Vehicle	16%
Goods in Transit	5%

Property Damage	24%
Others	12%

Long Term Business (New Business*) by Office Premiums

Individual Life & Annuity (Linked)	50%
Individual Life & Annuity (Non-Linked)	48%
Group Life & Annuity	1%
Others (exclude Retirement Scheme)	1%

Premiums by Class of Business

Gross Premiums of General Business

	(HK\$m)
Accident & Health	4,076
Motor Vehicle	3,068
Goods in Transit	960
Property Damage	4,778
General Liability	4,316
Others	2,288
Total	19,486

Office Premiums of Long Term Business (New Business*)

	(HK\$m)
Individual Life and Annuity (Non-Linked)	8,177
Individual Life and Annuity (Linked)	8,406

Group Life and Annuity	232
Others (exclude Retirement Scheme)	205
Total (exclude Retirement Scheme)	17,020

* New business includes single revenue premiums and annualized premiums, but excludes all contributions from retirement scheme business.

Statistics contained herein are compiled from statistical information provided by insurers in their quarterly returns to the Insurance Authority. The statistics are provisional and unaudited, and prepared on a calendar year basis. There is therefore a possibility of amendments before the final audited figures are produced. While due care is taken in the compilation of the statistics, the Insurance Authority disclaims any warranties or representations of any kind with regard to such information. More details of the provisional statistics are available for downloading at the OCI's website.