

Insurance Authority

Estimates of Income and Expenditure for 2018-19

		Estimates 2017-18 (i) HK\$ <u>million</u>	Revised Estimates 2017-18 (ii) HK\$ <u>million</u>	Proposed Estimates 2018-19 (iii) HK\$ <u>million</u>	Variance Proposed Estimates vs. Revised Estimates (vi)=(iii)-(ii) HK\$ <u>million</u>
A. <u>Income and Expenditure Statement</u>					
<u>Income</u>	1				
(a) Interest income	2	1.0	2.0	0.7	(1.3)
(b) Levy and Fees	3	65.5	57.5	182.2	124.7
Total Income		66.5	59.5	182.9	123.4
<u>Operating Expenditure</u>					
(a) Staff costs	4	179.8	162.7	314.6	151.9
(b) Office rental and related expenses	5	35.0	16.9	24.0	7.1
(c) Engagement of professional services	6	12.1	10.3	9.2	(1.1)
(d) Information Technology ("IT") expenses *	7	1.9	2.5	7.2	4.7
(e) External relations expenses *	8	2.6	1.5	4.4	2.9
(f) Remuneration to Members		2.5	2.5	2.5	-
(g) Other operating expenses *	9	5.7	5.8	16.9	11.1
(h) Depreciation	10	2.5	7.5	27.3	19.8
(i) Non-recurrent projects **	11	4.0	1.0	12.0	11.0
Total Operating Expenditure		246.1	210.7	418.1	207.4
Result for the year		(179.6)	(151.2)	(235.2)	(84.0)
B. <u>Capital Expenditure Statement</u>					
(a) Office set-up	12	31.6	56.5	3.8	(52.7)
(b) IT systems and equipment **	13	6.6	5.5	23.2	17.7
Total Capital Expenditure		38.2	62.0	27.0	(35.0)

Note

* Operating expenditure items (d), (e) & (g) were originally grouped under a single item "Miscellaneous expenses" in the Approved Estimates for 2017-18 with a total sum of \$10.4 million.

** \$6.4 million originally grouped under an operating expenditure item "Non-recurrent projects" and \$0.2 million under another operating expenditure item "Miscellaneous expenses" in the Approved Estimates for 2017 -18 for IT systems and equipment and website design and development respectively were reclassified as capital expenditure under the item "IT systems and equipment".

Notes to the Proposed Estimates for 2018-19

1. Income

According to the consultancy study¹ commissioned by the Government, income of the IA in the first four years of operation is not sufficient to cover its expenditure and will face a deficit of about \$650 million. Of the \$650 million, it is expected that there will be a deficit of \$450 million in the first two years. The Government has therefore proposed to provide the provision in two instalments to help the IA meet the shortfall in its initial years of operation. On 13 May 2016, the Legislative Council (“LegCo”)² approved the provision of \$450 million to the IA in the context of the Appropriation Bill 2016. The provision was received in early June 2016 and was recognized as capital upon receipt in the statement of financial position and it is provided by the Government without related costs. The remaining \$200 million will be sought in 2018-19.

2. Interest income

With the approval of the Financial Secretary, the IA has adopted an interim investment arrangement whereby funds not required for immediate use would be invested in the form of placement of Hong Kong Dollars fixed deposits to earn interest income. A long term investment strategy of the IA’s reserve funds will be worked out when there is more certainty on the IA’s cash flow requirements.

3. Levy and Fees

Starting from 1 January 2018, a levy of 0.04% on premiums of insurance policies will be payable by policy holders. The levy rate will gradually increase until it reaches its target level of 0.1% in 2021-22. A cap will be imposed on the levy on general insurance policies with annual premiums at or above \$5 million and long term insurance policies with single or annualized premiums at or above \$100,000. Captive insurance, contracts of reinsurance and marine, aviation and goods in transits are exempted from the levy.

¹ The consultancy study was carried out by the PricewaterhouseCoopers.

² Before obtaining LegCo’s funding approval, the Government approved in February 2016 a small sum of \$3 million in 2015-16 for the IA to meet mainly the cash flow requirement of the essential consultancy services. The allocation was received by the IA in early March 2016.

The new annual authorization fees payable by insurance companies effective from 26 June 2017 consist of two elements, namely, (a) a fixed fee of \$300,000 (for captive insurance company, \$30,000; and for composite insurance company, \$600,000); and (b) a variable fee, subject to a cap of \$7 million on insurance liabilities (\$14 million for composite insurer). The variable fee rate pitches at 0.0001% and will increase gradually until it reaches its target rate of 0.0039%.

With effect from 26 June 2017, the IA has been charging user fees to recover the cost of providing 11 specific services. Of them, ten are applicable to insurance companies.

4. Staff cost

The staff cost involves mainly salary, contributions to Mandatory Provident Fund schemes, staff insurance and employees' compensation insurance. The revised estimate for 2017-18 is mainly based on the actual profile of serving staff. We envisage that we would have full strength of about 300 staff members on board in 2018-19.

5. Office rental and related expenses

This item includes mainly office rental, management fees, utility charges, government rent/rates as well as other related expenses such as general office insurance and telephone rental. The IA's staff have been accommodated in the long term office in Wong Chuk Hang in December 2017. The estimate for 2018-19 reflects the full-year effect of the office rental and related expenses.

6. Engagement of professional services

This item involves mainly executive search services for staff recruitment, project management of office accommodation, legal and audit services. The estimate for 2018-19 is lower than the revised estimate for 2017-18 mainly due to the anticipated decrease in service fees for staff recruitment.

7. IT expenses

IT expenses cover maintenance fees of server infrastructure, security protection system and various IT application systems. The estimate

for 2018-19 reflects the full-year effect of various IT operating costs in the long term office.

8. External relations expenses

The revised estimate for 2017-18 takes into account the actual expenditure for the first six months of the year and the estimated costs of publicity programmes to be conducted in the remainder of the year. The estimate for 2018-19 mainly covers enhanced publicity initiatives such as launching of promotional campaigns to enhance public knowledge about insurance and related topical issues as well as to help promote the IA's work and the importance of the industry in society.

9. Other operating expenses

Other operating expenses covers mainly expenses on staff training and development, travelling expenses and other incidental expenses. The estimate for 2018-19 reflects the full-year effect of such expenses.

10. Depreciation

Depreciation is calculated to write off the cost of fixed assets (such as furniture and fixtures as well as office and IT systems and equipment) using the straight-line method over their estimated useful lives of either three or five years.

11. Non-recurrent projects

This item is for conducting consultancy studies related to the development of the Risk-based Capital ("RBC") regime³. Having developed a RBC framework and key approaches, we launched the first quantitative impact study ("QIS 1") in July 2017 with a view to collecting data from the industry by early December 2017. We shall conduct further consultancy studies to examine the outstanding issues from QIS 1, and prepare for the launch of QIS 2 in mid-2018. The estimated cost of the consultancy studies is \$12 million.

12. Office set-up

This item includes one-off expenses in respect of office renovation and

³ The RBC regime aims to enhance the prudential regulatory system for insurance companies with a view to aligning the capital requirements for insurance companies with the risks to which they are exposed and strengthening their enterprise risk management system. The RBC regime is being developed in phases.

fitting-out works, acquisition of furniture and office equipment, as well as IT infrastructure and equipment for the long term office. The revised estimate for 2017-18 takes into account the contract sums finalised after the tender procedures. The estimate for 2018-19 will decrease since the relevant works will largely be completed in 2017-18.

13. IT systems and equipment

We have embarked on developing several major IT projects to facilitate the regulatory operation since 2017-18. Examples are systems for the collection of returns on insurance levy as well as supervising insurance intermediaries. The estimate for 2018-19 will be higher taking into account the cash flow requirements of the IT projects.

December 2017

保險業監管局
二零一八至一九年度收支預算

		二零一七至 一八年度 預算	二零一七至 一八年度 修訂預算	二零一八至 一九年度 建議預算	建議預算與 修訂預算的 差額
	註釋	(i) 港元 百萬	(ii) 港元 百萬	(iii) 港元 百萬	(vi)=(iii)-(ii) 港元 百萬
A. 收支報表					
收入	1				
(a) 利息收入	2	1.0	2.0	0.7	(1.3)
(b) 徵費及收費	3	65.5	57.5	182.2	124.7
總收入		66.5	59.5	182.9	123.4
經營開支					
(a) 員工開支	4	179.8	162.7	314.6	151.9
(b) 辦公室租金及有關開支	5	35.0	16.9	24.0	7.1
(c) 僱用專業服務的開支	6	12.1	10.3	9.2	(1.1)
(d) 資訊科技開支*	7	1.9	2.5	7.2	4.7
(e) 對外關係開支*	8	2.6	1.5	4.4	2.9
(f) 保監局成員報酬		2.5	2.5	2.5	-
(g) 其他運作開支*	9	5.7	5.8	16.9	11.1
(h) 折舊	10	2.5	7.5	27.3	19.8
(i) 非經常開支項目**	11	4.0	1.0	12.0	11.0
經營開支總額		246.1	210.7	418.1	207.4
年度(虧絀) / 盈餘		(179.6)	(151.2)	(235.2)	(84.0)
B. 非經營開支報表					
(a) 設立辦公室所需開支	12	31.6	56.5	3.8	(52.7)
(b) 資訊科技系統和設備**	13	6.6	5.5	23.2	17.7
非經營開支總額		38.2	62.0	27.0	(35.0)

註釋

* 在二零一七至一八年度核准預算中，經營開支項目(d)、(e)及(g)原本歸入同一項目“雜項開支”項下，該項目的總額為 1,040 萬元。

** 在二零一七至一八年度核准預算中，用作購置資訊科技系統和設備的 640 萬元原本歸入經營開支項目“非經常開支項目”；用作網頁設計和開發的 20 萬元則歸入另一經營開支項目“雜項開支”項下。兩者經重新分類，歸入非經營開支“資訊科技系統和設備”項下。

二零一八至一九年度建議預算註釋

1. 收入

政府委聘顧問進行的研究¹顯示，保監局在運作首四年會入不敷支，出現約 6.5 億元赤字，首兩年的赤字預計為 4.5 億元。因此，政府建議分兩期撥款，以助保監局應付運作首數年入不敷支的情況。立法會²在二零一六年五月十三日審批《2016 年撥款條例草案》時，批准向保監局撥款 4.5 億元。保監局在二零一六年六月初收到撥款(該撥款沒有附加成本)，並於財務狀況表歸類其為資本。政府會於二零一八至一九年度申請批撥餘下的 2 億元。

2. 利息收入

保監局獲財政司司長批准作出過渡期投資安排，把無須即時動用的資金以港元定期存款方式投資，賺取利息收入。當保監局對現金流量的需求較為明確時，便會為儲備金制訂長遠投資策略。

3. 徵費及收費

由二零一八年一月一日起，保單持有人須按保單保費 0.04% 的比率繳付徵費。徵費率按年調升，直至在二零二一至二二年度達到 0.1% 的目標水平。每年保費為 500 萬元或以上的一般保險保單，以及整付保費或年付保費為 10 萬元或以上的長期保險保單，會設徵費上限。專屬自保保險、再保險合約、以及海運、空運和貨運業務，可獲豁免徵費。

由二零一七年六月二十六日起生效新設的每年授權費涵蓋兩項費用，即：(a)30 萬元的定額費用(專屬自保保險公司的定額費用為 3 萬元，經營綜合業務的保險公司為 60 萬元)；以及(b)按保險負債額計算的非定額費用，上限為 700 萬元(經營綜合業務的保險公司為 1,400 萬元)。非定額費用收費率定為 0.0001%，按年調升，直至達到 0.0039% 的目標水平。

¹ 有關顧問研究由羅兵咸永道會計師事務所進行。

² 在立法會批准撥款前，政府在二零一六年二月批出一筆為數只有 300 萬元的款項，主要讓保監局應付在二零一五至一六年度聘用必要的顧問服務的現金流量需求。保監局在二零一六年三月初獲得撥款。

由二零一七年六月二十六日起，保監局已就 11 項特定服務收取服務費，以收回成本，其中 10 項只適用於保險公司。

4. 員工開支

主要包括薪金、強制性公積金計劃供款、員工保險和僱員補償保險的開支。二零一七至一八年度的修訂預算主要根據在職員工的實質情況計算。預計在二零一八至一九年度的實際人數總共約有 300 名。

5. 辦公室租金及有關開支

主要包括辦公室租金、管理費、公用設施收費、地租 / 差餉，以及一般辦公室保險和電話租用費等其他相關開支。保監局員工已由二零一七年十二月起在黃竹坑的長期辦公室工作。二零一八至一九年度的預算已計及全年的辦公室租金及相關開支。

6. 僱用專業服務的開支

主要包括行政人員招聘服務、辦公室項目管理、法律和審計服務。二零一八至一九年度的預算低於二零一七至一八年度的修訂預算，主要由於招聘員工的服務費用料會減少。

7. 資訊科技開支

包括伺服器基礎設施、保安防護系統及各個資訊科技應用系統的維修費。二零一八至一九年度的預算已計及長期辦公室內各項資訊科技系統的全年操作成本。

8. 對外關係開支

二零一七至一八年度的修訂預算計及該年首六個月的實際開支額及該年餘下時間將展開的宣傳計劃預算費用。二零一八至一九年度的預算主要包括經加強的宣傳措施，例如開展宣傳運動加強公眾對保險和相關專題事宜的認識，以及協助宣傳保監局的工作和保險業對社會的重要性。

9. 其他運作開支

主要包括員工培訓和發展、交通和雜項開支。二零一八至一九年度的預算已計及這些開支的全年費用。

10. 折舊

折舊的估算方法是用固定資產(例如家具和固定裝置、辦公室和資訊科技的系統及設備等)的成本值，除以其預計可使用年期(三或五年)，以直線法攤銷。

11. 非經常開支項目

這個項目涉及發展風險為本資本制度³的顧問研究工作。在制定風險為本資本框架和主要方法後，我們在二零一七年七月展開首輪量化影響研究，以期在二零一七年十二月初向業界收集數據。我們會進行下一步顧問研究，審視首輪量化影響研究尚未解決的問題，並會準備好在二零一八年年中展開第二輪量化影響研究。有關的顧問研究費用預算為 1,200 萬元。

12. 設立辦公室所需開支

包括為長期辦公室進行裝修和裝置工程，以及購置家具、辦公室設備和資訊科技基礎設施和設備的一筆過費用。二零一七至一八年度的修訂預算計及經招標程序最後結算的合約金額。由於相關的工作大都會在二零一七至一八年度內完成，故二零一八至一九年度的預算會有所減少。

13. 資訊科技系統和設備

我們已由二零一七至一八年度開始，準備發展多個便利執行監管工作的大型資訊科技項目，例如收集保費徵費申報表的系統，以及保險中介人的發牌系統。二零一八至一九年度的預算會因為這些資訊科技項目對現金流量的需求而提高。

二零一七年十二月

³ 風險為本資本制度旨在優化對保險公司的審慎監管制度，讓保險公司須遵守的資本要求與其所承擔的風險相符，以及加強保險公司的企業風險管理制度。風險為本資本制度的發展工作，現分階段進行。