

L.N. 118 of 2017

Insurance (Levy) Order

(Made by the Chief Executive in Council under section 134 of the Insurance Ordinance (Cap. 41))

1. Commencement

This Order comes into operation on 1 January 2018.

2. Interpretation

In this Order—

inception anniversary date (開立周年日), in relation to a contract of insurance, means the day and month of each year that correspond to the inception date of the contract;

inception date (開立日), in relation to a contract of insurance, means the date on which the first premium under the contract becomes payable;

policy year (保單年度)—

- (a) in relation to a contract of insurance that lasts for more than 12 months, means—
 - (i) the 12-month period beginning on the inception date;
 - (ii) each subsequent 12-month period beginning on an inception anniversary date; or
 - (iii) the period beginning on the last inception anniversary date and ending on the date on which the contract expires; or

- (b) in relation to a contract of insurance that lasts for 12 months or less, means the period beginning on the inception date and ending on the date on which the contract expires;

premium (保費)—see section 3;

specified general business (指明一般業務) means insurance business of the nature specified in—

- (a) class 1, 3, 4, 8, 9, 10, 13, 14, 15, 16 or 17 in Part 3 of Schedule 1 to the Ordinance; or
- (b) class 2 in Part 3 of that Schedule, regardless of whether the business is also of the nature specified in class I in Part 2 of that Schedule;

specified long term business (指明長期業務)—

- (a) means insurance business of the nature specified in any of the classes in Part 2 of Schedule 1 to the Ordinance; but
- (b) excludes insurance business of the nature specified in both class I in Part 2, and class 2 in Part 3, of that Schedule.

3. Meaning of ***premium***

- (1) For the purposes of this Order, premium, in relation to a contract of insurance, is the amount of the premium receivable—
 - (a) after deducting—
 - (i) any discounts specified in the contract; and
 - (ii) any refunds of premiums made in respect of any avoidance or reduction of risks; and

- (b) before deducting—
 - (i) any premiums for reinsurance ceded; and
 - (ii) any commission payable by the authorized insurer for the contract in relation to a Hong Kong insurance business, or a Hong Kong long term insurance business, as defined by paragraph 1(1) of Schedule 3 to the Ordinance.
- (2) To avoid doubt, premium—
 - (a) includes any premium paid otherwise than in cash; and
 - (b) excludes any premium settled by way of a waiver of premium by an authorized insurer.

4. Levy payable for premium

For the purposes of section 134(1) of the Ordinance, a levy is payable for each premium payment made under a contract of insurance if—

- (a) the contract relates to—
 - (i) specified general business; or
 - (ii) specified long term business;
- (b) the contract is not—
 - (i) a contract of reinsurance; or
 - (ii) a contract of insurance underwritten by a captive insurer; and
- (c) the policy year for which the premium payment is made begins in a period set out in column 1 of the Schedule.

5. Amount of levy

Subject to section 6, the amount of levy payable for each premium payment is the amount of the premium multiplied by the levy rate set out in column 2 of the Schedule opposite to the period set out in column 1 of the Schedule in which the policy year for which the premium payment is made begins.

6. Maximum levy**(1) If—**

- (a) there is a premium payment schedule in a contract of insurance; and
- (b) the schedule stipulates that premiums are payable more than once a year,

then—

- (c) the maximum aggregate amount of levies payable for scheduled premium payments for a policy year is the relevant maximum amount; and
- (d) if there is one or more extra premium payments for the policy year, the maximum aggregate amount of levies payable for the scheduled premium payments and extra premium payments for the policy year is the relevant maximum amount.

(2) If—

- (a) there is a premium payment schedule in a contract of insurance; and
- (b) the schedule stipulates that a premium is payable once a year,

then—

- (c) the maximum amount of levy payable for each scheduled premium payment is the relevant maximum amount; and
- (d) if there is one or more extra premium payments for a policy year, the maximum aggregate amount of levies payable for the scheduled premium payment and extra premium payments for the policy year is the relevant maximum amount.

(3) If—

- (a) there is a premium payment schedule in a contract of insurance; and
- (b) the schedule stipulates that a premium is payable once in more than a year (*insurance period*),

then—

- (c) the maximum amount of levy payable for each scheduled premium payment is the relevant maximum amount multiplied by the specified ratio for the contract; and
 - (d) if there is one or more extra premium payments for the insurance period, the maximum aggregate amount of levies payable for the scheduled premium payment and extra premium payments for the insurance period is the relevant maximum amount multiplied by the specified ratio for the contract.
- (4) If there is no premium payment schedule in a contract of insurance, the maximum amount of levy payable for each premium payment is the relevant maximum amount.
- (5) For the purposes of subsections (1), (2), (3) and (4), the relevant maximum amount is the amount set out in column 3 or 4 of the Schedule (as may be appropriate)

specified opposite to the period set out in column 1 of the Schedule in which the policy year for which the relevant premium payment is made begins.

(6) In this section—

extra premium payment (額外保費付款), in relation to a contract of insurance, means a premium payment that is not stipulated in the contract's premium payment schedule;

scheduled premium payment (議定保費付款), in relation to a contract of insurance, means a premium payment stipulated in the contract's premium payment schedule;

specified ratio (指明比率), for a contract of insurance, means the number of months between the dates on which 2 successive premium payments are required to be made in accordance with the premium payment schedule in the contract (rounded up to the next whole number if the number of months is not a whole number) divided by 12.

7. **Rounding of levy amounts**

If the amount of a levy payable would, but for this section, include a fraction of a cent, the amount is to be rounded to the nearest cent.

Schedule

[ss. 4, 5 & 6]

Rates of Levy

Column 1	Column 2	Column 3	Column 4
Period	Levy rate	Maximum levy for specified general business	Maximum levy for specified long term business
From 1 January 2018 to 31 March 2019 (both dates inclusive)	0.04%	\$2,000	\$40
From 1 April 2019 to 31 March 2020 (both dates inclusive)	0.06%	\$3,000	\$60
From 1 April 2020 to 31 March 2021 (both dates inclusive)	0.085%	\$4,250	\$85
From 1 April 2021 onwards (inclusive of that date)	0.1%	\$5,000	\$100

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Kinnie WONG
Clerk to the Executive Council

COUNCIL CHAMBER

6 June 2017

Explanatory Note

Under section 134(1) of the Insurance Ordinance (Cap. 41), a prescribed levy is payable to the Insurance Authority for a contract of insurance by its policy holder if the contract relates to a prescribed class of insurance business or a prescribed type of contract of insurance.

2. This Order specifies—
 - (a) the classes of insurance business;
 - (b) the types of contract of insurance; and
 - (c) the rates of the levies.