

Insurance Authority
Estimates of Income and Expenditure for 2024-25

		Estimates 2023-24 (i) HK\$ <u>million</u>	Revised Estimates 2023-24 (ii) HK\$ <u>million</u>	Proposed Estimates 2024-25 (iii) HK\$ <u>million</u>	Proposed Estimates 2024-25 vs. Revised Estimates 2023-24 (vi) = (iii) - (ii) HK\$ <u>million</u>
A. <u>Income & Expenditure</u>					
<u>Income</u>					
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(a) Interest income	2	12.0	24.0	20.0	(4.0)
(b) Levy, fees and other income	3	512.6	511.5	517.6	6.1
Total Income		524.6	535.5	537.6	2.1
<u>Operating Expenditure</u>					
(a) Staff costs	4	420.4	388.1	435.1	47.0
(b) Office rental and related expenses	5	34.3	26.8	31.8	5.0
(c) Engagement of professional services	6	38.5	27.2	39.7	12.5
(d) Information Technology (“IT”) expenses	7	34.7	24.8	34.0	9.2
(e) External relations expenses	8	15.6	14.2	17.0	2.8
(f) Remuneration to Members		4.0	3.9	3.9	-
(g) Other operating expenses	9	37.9	24.7	38.8	14.1
(h) Depreciation	10	28.6	21.7	26.7	5.0
Total Operating Expenditure		614.0	531.4	627.0	95.6
Result for the year		(89.4)	4.1	(89.4)	(93.5)
B. <u>Capital Expenditure</u>					
(a) Office set-up and vehicles	11	13.1	13.1	8.6	(4.5)
(b) IT systems and equipment	12	35.7	23.4	30.5	7.1
Total Capital Expenditure		48.8	36.5	39.1	2.6

Notes to the Budget for 2024-25

1. Income

The consultancy study¹ commissioned by the Government forecasted that income received by the IA in the first four years of operation will generate a deficit of some \$650 million. On 13 May 2016 and 10 May 2018, LegCo approved two allocations of \$450 million and \$200 million to the IA respectively². These sums without related costs were received in June 2016 and June 2018 respectively. Subsequently on 14 May 2020, LegCo approved another \$300 million to meet expected cash shortfall of the IA. The sum without related costs was received in June 2020.

All the funding received from the Government is recognized as capital in the statement of financial position.

2. Interest income

The FS has granted approval for the IA to adopt an interim investment strategy whereby funds not required for immediate use could be invested in the form of fixed deposits in Hong Kong Dollar. A long-term investment strategy will be worked out when there is a practical need to do so.

3. Levy and Fees

A levy of 0.1% on premiums is payable by policy holders to the IA, subject to a levy cap for general policies with annual premiums at or above \$5 million and long term policies with single or annualized premiums at or above \$100,000. Captive insurance, contracts of reinsurance and marine, aviation and goods in transits are exempt from levy.

The annual authorization fees payable by insurance companies to the IA consist of two elements, namely a fixed fee of \$300,000 (\$15,000 for special purpose insurers, \$30,000 for captive insurers and \$600,000 for composite insurers) and a variable fee of 0.0039% subject to a cap of \$7 million on insurance liabilities (\$14 million for composite insurers).

¹ The consultancy study was conducted by PricewaterhouseCoopers.

² Before obtaining funding approval from LegCo, the Government approved in February 2016 a sum of \$3 million in 2015-16 for the IA to meet cash flow requirement of essential consultancies. This sum was received by the IA in March 2016.

The IA has been charging user fees to recover the cost of providing 23 specified services, of which 22 are applicable to insurance companies. The charging of annual fees for designated insurance holding companies at 0.0026% of insurance liabilities commenced in May 2021.

4. Staff costs

This item represents mainly salaries, Mandatory Provident Fund contributions and insurance for employees. The revised estimate for 2023-24 is based on actual staff profile and a full strength of about 370 staff net of 5% recurrent vacancies.

5. Office rental and related expenses

This item represents mainly office rentals, building management fees, utility charges, government rent/rates and related expenses.

6. Engagement of professional services

This item represents mainly legal and consultancy fees, executive search services and audit services. The higher estimate for 2024-25 reflects an increase in the provision for legal and consultancy services.

7. IT expenses

This item represents mainly maintenance fees of server infrastructure, security protection systems and IT applications. The higher estimate for 2024-25 is due to cybersecurity support and IT maintenance.

8. External relations expenses

This item represents mainly PR drives, the AIF and monitoring of online news and social media. The higher estimate for 2024-25 is attributable to public education campaigns.

9. Other operating expenses

This item represents mainly staff training and development, business travelling, corporate events and other incidental costs. The higher estimate for 2024-25 is because of more emphasis placed on staff training, resumption of business travels and more corporate events.

10. Depreciation

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

11. Office set-up

The estimate for 2024-25 represents mainly the office renovation costs.

12. IT systems and equipment

The higher estimate for 2024-25 is dedicated mainly for the project to revamp the Insurance System.

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