

**Insurance Authority**  
**Estimates of Income and Expenditure for 2025-26**

					Approved Estimates 2025-26 vs. Revised Estimates 2024-25 (vi) = (iii) - (ii)
		Estimates 2024-25 (i) HK\$ <u>million</u>	Revised Estimates 2024-25 (ii) HK\$ <u>million</u>	Approved Estimates 2025-26 (iii) HK\$ <u>million</u>	
	Note				HK\$ <u>million</u>
<b>A. <u>Income and Expenditure</u></b>					
<b><u>Income</u></b>	1				
(a) Interest income	2	20.0	24.0	15.0	(9.0)
(b) Levy and fees	3	517.6	503.7	553.4	49.7
<b>Total Income</b>		<b>537.6</b>	<b>527.7</b>	<b>568.4</b>	<b>40.7</b>
<b><u>Operating Expenditure</u></b>					
(a) Staff costs	4	435.1	421.0	443.8	22.8
(b) Office rental and related expenses	5	31.8	31.2	32.4	1.2
(c) Engagement of professional services	6	39.7	22.0	36.0	14.0
(d) Information Technology ("IT") expenses	7	34.0	29.2	38.7	9.5
(e) External relations expenses	8	17.0	16.1	17.3	1.2
(f) Remuneration to Members		3.9	3.9	4.0	0.1
(g) Other operating expenses	9	38.8	25.5	36.9	11.4
(h) Depreciation	10	26.7	20.3	25.2	4.9
<b>Total Operating Expenditure</b>		<b>627.0</b>	<b>569.2</b>	<b>634.3</b>	<b>65.1</b>
<b>Result for the year</b>		<b>(89.4)</b>	<b>(41.5)</b>	<b>(65.9)</b>	<b>(24.4)</b>
<b>B. <u>Capital Expenditure</u></b>					
(a) Office set-up and vehicles	11	8.6	1.6	1.5	(0.1)
(b) IT systems and equipment	12	30.5	29.9	33.8	3.9
<b>Total Capital Expenditure</b>		<b>39.1</b>	<b>31.5</b>	<b>35.3</b>	<b>3.8</b>

## Notes to the Approved Estimates for 2025-26

### 1. Income

The consultancy study<sup>1</sup> commissioned by the Government anticipated that income received by the IA in the first four years of operation will not be sufficient to cover its expenditure and will generate a deficit of some \$650 million. On 13 May 2016, LegCo<sup>2</sup> approved the provision of \$450 million to the IA, followed by the remaining \$200 million on 10 May 2018. These two sums without related costs were received in June 2016 and June 2018 respectively. On 14 May 2020, LegCo approved another funding injection of \$300 million to the IA to meet cash shortfall that it is expecting to face. This sum without related costs was received in June 2020.

All funding received from the Government is recognised as capital in the financial statement.

### 2. Interest income

With approval of the FS, the IA has adopted an interim investment strategy whereby funds not required for immediate use could be placed in Hong Kong Dollars fixed deposits at the three note-issuing banks. A long-term strategy will be worked out when there is more certainty on cash flow requirements of the IA.

### 3. Levy and Fees

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

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<sup>1</sup> The consultancy study was conducted by PricewaterhouseCoopers.

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

The annual authorisation fees payable by insurance companies 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). The annual group-wide supervision fees payable by DIHCs is pitched at 0.0026% on insurance liabilities, user fees are charged to recover the cost of providing specified services and licence fees for insurance intermediaries are set at different rates according to types of application covering periods from one to three years.

#### **4. Staff costs**

Staff costs involve mostly salaries, contributions to the Mandatory Provident Fund and insurance coverage. The revised estimate for 2024-25 is based on actual profile of the workforce, but the estimate for 2025-26 must accommodate a full strength of about 380 staff after factoring in a recurrent vacancy rate of 5%.

#### **5. Office rental and related expenses**

This item involves mainly office rental, building management fees, utility charges, government rent/rates and other expenses such as office insurance and telephone rentals.

#### **6. Engagement of professional services**

This item involves mainly legal and consultancy services, executive search services and audit services. The estimate for 2025-26 is driven by increased demand for legal and consultancy services.

#### **7. IT expenses**

IT expenses involve mainly server maintenance, cybersecurity and various applications. The estimate for 2025-26 caters for rising needs of system maintenance and cybersecurity.

#### **8. External relations expenses**

External relations expenses involve mainly publicity campaigns, the Asian Insurance Forum, tracking of online news and monitoring of social media posts.

**9. Other operating expenses**

Other operating expenses involve mainly staff training, business travels, corporate events and incidental outlays. The estimate in 2025-26 reflects increasing frequency of these activities.

**10. Depreciation**

Depreciation is calculated to write off the cost of fixed assets such as furniture and fixtures, office equipment and IT systems making use of the straight-line method over expected lifespan of three to six years.

**11. Office set-up**

The estimate for 2025-26 involves mainly minor renovation of existing office premises.

**12. IT systems and equipment**

The estimate for 2025-26 involves mainly an overhaul of the IS.

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