

Insurance

Profit attributable to equity holders of the Company:	HK\$260.4m	+ 196.4%
Underwriting profit:	HK\$55.9m	+ 2.1%
Investment and dividend income:	HK\$184.0m	+ 507.7%
Interest and other income:	HK\$54.9m	+ 58.4%
Premium turnover:	HK\$742.0m	-6.6%
Operating expenses:	HK\$82.6m	+ 24.0%

Asia Insurance Company, Limited (“Asia Insurance”) enjoyed another good year, with net profit rising by 196.4% to HK\$260.4 million. Asia Insurance particularly benefited from significant unrealized year-on-year gains in the value of its blue-chip investments in the Hong Kong and New York stock markets. It also experienced a significant increase in interest income following the injection of new capital from the proceeds of the sale of Asia Commercial Bank.

Insurance operations’ performance was satisfactory. Turnover declined by 6.6% as part of a management decision to minimize exposure to market segments, notably employees’ compensation, in which cutthroat pricing continued if not worsens. This prudent approach enabled Asia Insurance to increase underwriting profit by 2.1%. Asia Insurance also enjoyed an increase in income from associated companies’ and JVs’ profits as investments such as Hong Kong Life Insurance Limited performed well.

The 24.0% increase in operating expenses is partly related to staff incentives and partly to costs involved in the consolidation of Asia Insurance’s branch network and the establishment of new premises. The new premises deliver greater administrative efficiency and are more economic.

The injection of capital raises Asia Insurance’s tolerance of risk and its solvency margin and enables it to increase its retention limit. As well as offering the company the opportunity to increase its profits by way of co-insurance, it also enables it to participate in a wider range of large-scale business. Asia Insurance also plans to expand its reinsurance business, especially in Japan and Southeast Asia. Using such routes, management expects to keep Asia Insurance growing, even though it is already one of the top general insurers in a crowded and mature domestic market. We also expect Asia Insurance to build on its reputation for strength and service. In recognition of Asia Insurance’s very high capitalization and liquidity, Standard & Poor’s now rates the company ‘A-’ with ‘positive’ outlook, and we are confident that this will help us continue to attract and retain the loyalty of our high-quality client base.