

CHUBB®

Chubb Insurance Hong Kong Limited
安達保險香港有限公司

2025 Directors' Report and Financial Statements

For The Year Ended

31 December 2025



CHUBB INSURANCE HONG KONG LIMITED
安達保險香港有限公司

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2025

CHUBB INSURANCE HONG KONG LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2025.

Principal activity

The principal activity of the Company is the writing of general insurance business.

Business Review

The Company is exempt from preparing a business review.

Results and dividend

The results of the Company for the year are set out in the statement of comprehensive income in page 9. There was a dividend payment of HK\$326,399,000 during 2025 (2024: HK\$311,035,000).

Share capital

Details of the share capital of the Company are set out in Note 22 of the financial information.

Reserves

Movements in the reserves of the Company during the year, on a HKFRS basis, are set out in the statement of changes in equity on page 11.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Company are set out in Note 12 to the financial statements.

Charitable donations

Charitable donations made by the Company during the year amounted to HK\$70,000 (2024: HK\$222,760).

CHUBB INSURANCE HONG KONG LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors

The Directors during the year and up to the date of this report were:

Independent Non-executive Chairman and Independent Non-executive Director

Duncan Robert Spooner

Independent Non-executive Director

Michael John Lintern-Smith

Executive Directors

Douglas Gregor White

Mumtaz Farzand Ali

Scott Leslie Simpson

Wong Chun Kin

There being no provision in the Company's Articles of Association for retirement by rotation, all Directors continue in office.

The controllers during the year were:

Chubb Limited	(Ultimate holding company)
Chubb INA International Holdings Ltd	(Immediate holding company)
Chubb Group Holdings Inc.	(Sub-holding company)
Chubb INA Holdings LLC	(Sub-holding company)
INA Corporation	(Sub-holding company)
John W. Keogh	(President and Chief Operating Officer, Chubb Group)
Marcos Gunn	(Senior Vice President, Chubb Group and Regional President, Asia Pacific)
Paul James McNamee	(Executive Vice President, Chubb Group and President, Overseas General Insurance)
Scott Leslie Simpson	(President, Chubb Insurance Hong Kong Limited)

Directors' interest in contracts

Certain Directors have an interest in stock compensation schemes set out in Note 10 of the financial statements, and solely to the extent that certain Directors were also Directors of other group companies, certain administrative arrangements and group reinsurance. Other than these, no contracts of significance in relation to the Company's business to which the Company, its fellow subsidiaries or its holding companies was party and in which a Director or a controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CHUBB INSURANCE HONG KONG LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors' interests in equity or debt securities

At no time during the year was the Company, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, apart from the share-based incentive program highlighted in Note 10 to the financial statements.

Share-based compensation programs available to certain Directors of the Company are the restricted share grant plan, restricted share option plan and employee share purchase plan. Further details of these programs are highlighted in Note 10 to the financial statements. The Directors or controllers who participated in these share based compensation programs at any time during the year include Douglas Gregor White, Mumtaz Farzand Ali, Scott Leslie Simpson and Wong Chun Kin.

Directors' interests in property, payments, loans advanced or obligations assumed

No properties were transferred, payments made, loans advanced to or obligations assumed by or for a director or a controller of the Company, his nominees or associates during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or exited during the year.

Statutory insurance

The Company has, during the year, carried on the following classes of business, other than reinsurance business, relating to liabilities or risks in respect of which persons are required by any ordinance to be insured:

- (a) Employees' compensation liability
- (b) Motor vehicles-third party risks

Summary of reinsurance arrangements

During the year the Company carried on reinsurance arrangements mainly with following company. The main reinsurance arrangements are as follows:

<u>Name of reinsurer</u>	<u>Type of arrangement</u>
Tempest Reinsurance Company Limited	Quota share and excess of loss

Permitted indemnity provisions

At no time during the year and up to the date of this report, was a permitted indemnity provision in force for the benefit of any of the Directors of the Company.

CHUBB INSURANCE HONG KONG LIMITED
REPORT OF THE DIRECTORS (Continued)

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and being eligible offer themselves for re-appointment.

On behalf of the Board

S.D

Chairman

Hong Kong, 23 April 2026



羅兵咸永道

Independent Auditor's Report

To the Members of Chubb Insurance Hong Kong Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Chubb Insurance Hong Kong Limited (the "Company"), which are set out on pages 9 to 63, comprise:

- the statement of financial position as at 31 December 2025;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Report of the Directors, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Ms TSE, Ka Yan Jessica (practising certificate number: P06784).



PricewaterhouseCoopers
 Certified Public Accountants
 Hong Kong, 23 April 2026

CHUBB INSURANCE HONG KONG LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Year ended 31 December 2025 HK\$'000	Year ended 31 December 2024 HK\$'000
Insurance revenue		2,264,774	2,263,250
Insurance service expenses		(1,452,761)	(1,177,969)
Net expenses from reinsurance contracts held		(380,534)	(475,104)
Insurance service result	5	431,479	610,177
Investment income	6	79,083	73,005
Net fair value gain on financial assets at fair value through profit or loss		70,030	25,970
Net investment income		149,113	98,975
Finance expense from insurance contracts issued		(202,182)	(123,083)
Finance income from reinsurance contracts held		126,439	78,670
Net insurance finance expense		(75,743)	(44,413)
Net insurance and investment results		504,849	664,739
Expenses for marketing and administration	7	(170,029)	(261,529)
Expenses for asset management services received		(2,863)	(2,729)
Other operating expenses		(1,968)	(538)
Other finance expenses		(1,533)	(3,283)
Total expenses		(176,393)	(268,079)
Profit before tax		328,456	396,660
Income tax expense	11	(47,212)	(22,404)
Profit for the year		281,244	374,256

The notes on pages 13 to 63 are an integral part of these financial statements.

CHUBB INSURANCE HONG KONG LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	As at 31 December 2025 HK\$'000	As at 31 December 2024 HK\$'000
Assets			
Property, plant and equipment	12	91,448	61,128
Intangible assets	13	238,204	261,801
Insurance contract assets	15	154,341	64,180
Reinsurance contract assets	16	2,327,466	2,420,717
Financial assets at fair value through profit or loss	18	2,397,245	2,310,009
Other receivables	19	22,644	25,194
Cash deposits	20	222,017	305,523
Cash and cash equivalents	20	130,166	531,662
Total assets		5,583,531	5,980,214
Liabilities			
Deferred tax liabilities	14	26,642	3,832
Insurance contract liabilities	15	3,238,004	3,290,354
Reinsurance contract liabilities	16	214,222	309,670
Other payables	21(a)	549,081	822,013
Lease liabilities	21(b)	36,101	12,210
Tax payable	11	29,290	6,789
Total liabilities		4,093,340	4,444,868
Equity			
Capital and reserve attributable to equity holders of the Company			
Share capital	22	553,839	553,839
Retained earnings		936,352	981,507
Total equity		1,490,191	1,535,346
Total liabilities and equity		5,583,531	5,980,214

Approved by the Board of Directors.
Date: 23 April 2026

S.D

Director

S.D

Director

The notes on pages 13 to 63 are an integral part of these financial statements.

CHUBB INSURANCE HONG KONG LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

Attributable to equity holders of the Company

	Note	Share capital HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Year ended 31 December 2024				
At the beginning of the year		553,839	918,286	1,472,125
Profit for the year		-	374,256	374,256
Dividend		-	(311,035)	(311,035)
At the end of the year		553,839	981,507	1,535,346
Year ended 31 December 2025				
At the beginning of the year		553,839	981,507	1,535,346
Profit for the year		-	281,244	281,244
Dividend	23	-	(326,399)	(326,399)
At the end of the year		553,839	936,352	1,490,191

The notes on pages 13 to 63 are an integral part of these financial statements.

CHUBB INSURANCE HONG KONG LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Year ended 31 December 2025 HK\$'000	Year ended 31 December 2024 HK\$'000
Cash flows from operating activities			
Cash generated from operations	24(a)	130,347	462,368
Income tax paid	11	(1,901)	(17,528)
Net cash generated from operating activities		<u>128,446</u>	<u>444,840</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(21,237)	(39,233)
Cash deposits matured during the year		83,506	24,074
Purchase of financial asset at fair value through profit or loss		(603)	(70,193)
Interest received		<u>62,480</u>	<u>53,284</u>
Net cash generated from/(used in) investing activities		<u>124,146</u>	<u>(32,068)</u>
Cash flows from financing activities			
Dividend paid		(637,434)	-
Lease liabilities payments		<u>(16,654)</u>	<u>(23,091)</u>
Net cash used in financing activities		<u>(654,088)</u>	<u>(23,091)</u>
Net (decrease)/increase in cash and cash equivalents		(401,496)	389,681
Cash and cash equivalents at beginning of year		<u>531,662</u>	<u>141,981</u>
Cash and cash equivalents balances at end of year	20	<u><u>130,166</u></u>	<u><u>531,662</u></u>

The notes on pages 13 to 63 are an integral part of these financial statements.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The principal activity of the Company is the writing of general insurance business. The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 39th Floors, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. Its immediate parent company is Chubb INA International Holdings Limited, a company incorporated in Delaware and the ultimate parent company is Chubb Limited, a company incorporated in Zurich, Switzerland. These financial statements have been approved and authorised for issue by the Board of Directors on 23 April 2026.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap.622). They have been prepared under the historical cost convention except for certain financial assets measured at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Company adopts the going concern basis in preparing its financial statements.

All amounts in the notes are shown in Hong Kong dollars unless otherwise stated.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards effective in 2025

The following relevant new interpretations and amendments to standards have been adopted for the financial year ended 31 December 2025 and have no material impact to the Company.

HKAS 21	-	Lack of Exchangeability (amendments)
---------	---	--------------------------------------

(b) New standards and interpretations that are not yet effective and have not been early adopted

HKFRS 9 and HKFRS 7	-	Classification and Measurement of Financial Instruments (amendments) (effective for annual periods beginning on or after 1 January 2026)
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	-	Annual Improvements to HKFRS Accounting Standards — Volume 11 (effective for annual periods beginning on or after 1 January 2026)
HKFRS 18	-	Presentation and Disclosure in Financial Statements (new standard) (effective for annual periods beginning on or after 1 January 2027)
HKFRS S1	-	General Requirements for Disclosure of Sustainability-related Financial Information (effective for annual periods beginning on or after 1 August 2025)
HKFRS S2	-	Climate-related Disclosures (effective for annual periods beginning on or after 1 August 2025)

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on certain non-monetary items, such as debt securities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on the property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture, fixtures and equipment	5-6 years
Vehicles	4 years
Hardware and software	2-15 years
Leasehold assets	Over the lease period

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.4 Assets under construction

Assets under construction are valued at cost and primarily relate to software development costs directly attributable to the design and testing of identifiable software products which the Company will use once completed.

At the point which the asset is ready for use, it will be capitalized as a fixed asset and depreciated over its useful life.

2.5 Intangible assets

Intangible assets (excluding intangible insurance assets) consists of exclusive distribution rights. Exclusive distribution rights are stated at historical cost less amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the distribution rights.

Exclusive distribution rights are recognised as assets and are amortised over their estimated useful lives to the statement of comprehensive income within expenses for marketing and administration. Amortisation commences when the asset is available for use and ceases when it is derecognised. The estimated useful life of the intangible assets is 5 - 20 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7 for the accounting policy on impairment).

2.6 Financial assets

(a) Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date, which is when the Company commits to purchase or sell the assets. Financial assets are derecognised when contractual rights to receive cash flows from the investments expire, or where the investments, together with substantially all the risks and rewards of ownership, have been transferred. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(b) Classification

The Company classifies its financial assets in the following measurement categories:

- those measured at amortised cost; and
- those measured subsequently at fair value (either through other comprehensive income, or through profit or loss).

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Financial assets (Continued)

(b) Classification (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of financial assets is set out below:

- (i) Financial assets measured at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gains and losses on derecognition are recognised in profit or loss.
- (ii) Financial assets measured at fair value through other comprehensive income: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other changes in carrying amounts are recognised in other comprehensive income. On derecognition of debt instruments, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- (iii) Financial assets measured at fair value through profit or loss: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

(d) Impairment of amortised cost financial assets

The Company assesses on a forward-looking basis the ECL associated with its debt instruments and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets measured at amortised cost, the Company uses a 'three-stage' model for impairment assessment to calculate financial asset's impairment.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Financial assets (Continued)

(d) Impairment of amortised cost financial assets (Continued)

Stage 1 - Financial assets where 12-month ECL is recognised. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ("12-month ECL");

Stage 2 - Financial assets which are considered to have experienced a significant increase in credit risk. In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial assets ("lifetime ECL");

Stage 3 - Financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired. Financial assets that are credit-impaired at the reporting date are stated as the difference between the gross carrying amount and the present value of estimated future cash flows.

Purchased or originated credit-impaired financial assets ("POCI") - Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Period over which ECL is measured

ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the company is exposed to credit risk.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.7 Impairment of other assets

Property and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.9 Cash and cash equivalents and cash deposits

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Deposits are stated at face value.

There is restricted cash held by the Company in the Funds Held account that is funded by Chubb Tempest Reinsurance to support the Per Case of Reported Outstanding Loss Reserve reinsurance recoveries from Chubb Tempest Reinsurance Agreements. Further details have been provided in Note 18.

2.10 Insurance contracts

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

2.10.1 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

2.10.2 Unit of account

The Company manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Insurance contracts (Continued)

2.10.2 Unit of account (Continued)

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

2.10.3 Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of the beginning of the coverage period of the group; or the initial recognition of any underlying insurance contract.

The Company does not recognise a group of quota share reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Insurance contracts (Continued)

2.10.3 Recognition and derecognition (Continued)

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or the contract is modified and certain additional criteria are met.

2.10.4 Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- a. are based on a probability weighted mean of the full range of possible outcomes;
- b. are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and
- c. reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Insurance contracts (Continued)

2.10.5 Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b. both of the following criteria are satisfied:
 - i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

2.10.6 Insurance acquisition costs

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are costs directly attributable to individual contracts and groups of contracts; and costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

2.10.7 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Insurance contracts (Continued)

2.10.8 Initial and subsequent measurement

Applying HKFRS 17 Paragraph 53, an entity may simplify the measurement of a group of insurance contracts using the Premium Allocation Approach (PAA) only if, at the inception of the group:

- a) the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage (LRC) for the group that would not differ materially from the one that would be produced applying the requirements in GMM; or
- b) the coverage period of each contract in the group (including insurance contract service arising from all premiums within the contract boundary determined at that date is one year or less.

Each group of contracts that the Company desires to measure under PAA are subjected to the testing procedures :

- Test 1: Does the HKFRS 17 group contain only contracts with a coverage period clearly defined as less than or equal to 12 months?
- Test 2: Does the group meet the requirement of any of Company's pre-defined eligibility categories?
- Test 3: Does base case/sensitivity modelling results for the HKFRS 17 group indicate less than 5% variability in cash flows in the LFRC?
- Test 4: Is the total of the groups that failed all previous steps not material

For the purpose of PAA eligibility testing, the Company has considered the longest coverage period within each line of business and after thorough assessment, it is concluded that the difference between the LRC estimation under PAA and GMM is less than the selected threshold of 5%. Thus, all lines of business are considered PAA eligible.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC; and the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is increased for premiums received in the period; decreased for insurance acquisition cash flows paid in the period; decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of the remaining coverage; and the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Insurance contracts (Continued)

2.10.8 Initial and subsequent measurement (Continued)

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is increased for ceding premiums paid in the period; and decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money since automobile insurance contracts issued by the Group and measured under the PAA typically have a settlement period of over one year.

2.10.9 Insurance revenue

The Company provides services under the group of insurance contracts which reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Company expects to be entitled to in exchange for those services. The Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

2.10.10 Insurance service expenses

Insurance service expenses include incurred claims; other incurred directly attributable insurance service expenses; amortisation of insurance acquisition cash flows; changes that relate to past service (i.e. changes in the FCF relating to the LIC); and changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components). The amortisation of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in the expenses for marketing and administration in the statement of comprehensive income.

2.10.11 Insurance service result from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising reinsurance expenses; incurred claims recovery; other incurred directly attributable insurance service expenses; effect of changes in risk of reinsurer non-performance and changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Company expects to pay in exchange for those services.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Insurance contracts (Continued)

2.10.11 Insurance service result from reinsurance contracts held (Continued)

The Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

2.10.12 Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money, the effect of financial risk and changes in financial risk, the effect of changes in interest rates and other financial assumptions and foreign exchange differences arising from contracts denominated in a foreign currency. The main amounts within insurance finance income or expenses are interest accreted on the LIC and the effect of changes in interest rates and other financial assumptions. The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

2.10.13 Loss Component

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.11 Employee benefits

(a) Pension Obligations

The pension plans are funded by payment from employees and by the Company. The assets of the plans are held in separate trustee-administered funds. The Company pays contributions to this privately administered pension plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payments is available.

(b) Share based compensation

The ultimate parent of the Company has share-based compensation plans which currently provide for awards of stocks options, restricted stock and restricted stock units to its employees and members of the Board. The fair value of the employee services received in exchange for the grant of the shares and options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of share options that expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income.

(c) Bonus plan

The Company recognises a liability and an expense for bonus arrangements for its employees.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.12 Leases

The Company leases office spaces. Rental contracts are typically made for fixed periods of 4 to 6 years.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Right-of-use assets are presented as a component of property and equipment, whilst lease liabilities are presented separately.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the rental payment.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases held by the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between the principal liability and finance cost. The finance cost is charged to the statement of comprehensive income, within finance costs, over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2.13 Short-term leases and leases of low-value assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor; which are either short term in nature (1 year or less) or low in value are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over period of the lease.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.14 Income tax expense

The tax expenses for the period comprise current and deferred tax. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Revenue recognition

Interest income is recognised using the effective interest method. When receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

2.17 Commission income

Commission income is recognised as revenue on the effective commencement or renewal dates of the related reinsurance contracts. Reinsurers' share of deferred acquisition costs is computed on a time apportionment basis.

2.18 Share Capital

Ordinary shares are classified as share capital when there is no obligation to transfer cash or other assets.

2.19 Dividend

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.20 Comparative figures

Comparative figures have been adjusted, where necessary, to comfort to the basis of presentation and the classification used in the current year.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are discussed below.

(i) Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts in the scope of HKFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a range of scenarios.

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis such as activity based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. Claims settlement related expenses are allocated based on claims costs.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements in applying accounting policies (Continued)

(ii) Assumptions and methods used to measure insurance contracts

The Company estimates insurance liabilities in relation to claims incurred. Estimates are performed on an accident year basis with further allocation to annual cohorts in proportion to the gross or reinsurance premiums earned by the respective cohort of contracts in a given accident year.

The process of estimating insurance liabilities for the claims incurred is subjected to considerable variability as it requires the use of informed estimates and judgements. These estimates and judgements are based on numerous factors, and may be revised as additional experience and other data become available or as regulations change.

Insurance liabilities for the claims incurred is estimated by class of business. Historical experience and other statistical information are used to estimate the ultimate claim costs and more than one method may be used to estimate ultimate losses and loss expenses and use the results to select a single point estimate. These methods may include, but are not necessarily limited to, extrapolations of historical reported and paid loss data, application of industry loss development patterns to the reported or paid loss, expected loss ratios developed by management, or historical industry loss ratios. Underlying judgement and assumptions that may be incorporated into these actuarial methods include, but are not necessarily limited to, adjustments to historical data used in models to exclude aberrations in claims data such as catastrophes that are typically analysed separately, adjustments to actuarial models and related data for known business changes, such as changes in claims covered under insurance contracts, and the effect of recent or pending litigation on future claims settlements.

The following key assumptions were made in determining the outstanding claims liabilities:

	2025	2024
Average weighted term to settlement from reporting date	2.06 years	1.73 years
Ultimate claim numbers - current accident year	37,121	29,612
Average claims size – current accident year	11,039	14,954
Indirect claims handling expense rate	6.70%	6.18%

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements in applying accounting policies (Continued)

(ii) Assumptions and methods used to measure insurance contracts (Continued)

The processes used to determine these assumptions are as follows:

Average weighted term to settlement from reporting date

The discounted average weighted term to settlement is calculated separately by class of business based on historical payment patterns.

Ultimate claim numbers - current year

The ultimate claim numbers for the current accident year is estimated separately by class of business by projecting the ultimate number of claims reported to date based on historical reporting patterns.

Average claims size - current year

The average claim size for the current accident year is estimated separately by class of business by projecting the ultimate claims costs based on historical claim development patterns and dividing by the estimated ultimate claim numbers.

Indirect claims handling expense rate

The indirect claims handling expense rate as percentage of outstanding claims is calculated separately by class of business based on historical indirect claims handling expenses as a percentage of historical payments.

Discount rate

The Company discount its liability for incurred claims and has applied a hybrid methodology to determine the discount rate. Under HKFRS 17, the Company has considered the timing and liquidity characteristics of the cash flows in insurance contracts when determining the discount rate. The Company derived the discount rate by applying a bottom-up approach. All the financial impacts associated with the accretion of the discount rate and changes in discount rates have been reflected in the statement of comprehensive income. Cash flows varying based on underlying items are discounted using a discount rate that reflects the variability of the underlying assets. The yield curves that were used to discount the estimates of future cash flows are based on risk free rates, which are determined by reference to the yields of government bonds. The illiquidity premium adjustment is set as zero.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements in applying accounting policies (Continued)

(ii) Assumptions and methods used to measure insurance contracts (Continued)

In addition, the Company estimates risk adjustment for non-financial risk separately from all other estimates. The risk adjustment is determined allowing for uncertainty of the outstanding claim estimates. Uncertainty is analysed for each class of business taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models and the general environment.

The estimate of uncertainty is greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The assumptions regarding uncertainty for each class are applied to the gross and net central estimates, and the results are aggregated to arrive at an overall provision which is intended to have a 75% (2024: 75%) probability of sufficiency.

The Company conducts sensitivity analysis to quantify the exposure to changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variables will impact the performance and equity of the Company. The below table shows how a change in each assumption will affect the outstanding claims liabilities both gross and net of reinsurance and shows an analysis of the sensitivity of the statement of comprehensive income and equity to changes in these assumptions. As no explicit inflation rate is used in the valuation, no sensitivity analysis is able to be carried out for a change in the inflation rate.

Impact of changes in key variables

		Impact on claims incurred for the year ended 31 December 2024		Impact on equity at 31 December 2024
		Gross of Reinsurance HK\$'000	Net of Reinsurance HK\$'000	HK\$'000
Ultimate claim number	+10%	120,698	58,062	(58,062)
	-10%	(120,698)	(58,062)	58,062
Average claims size	+10%	120,698	58,062	(58,062)
	-10%	(120,698)	(58,062)	58,062
Indirect claims handling expense rate	+1%	34,584	33,069	(33,069)
	-1%	(34,584)	(33,069)	33,069

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements in applying accounting policies (Continued)

(ii) Assumptions and method used to measure insurance contracts (Continued)

Impact of changes in key variables (Continued)

		Impact on claims incurred for the year ended 31 December 2025		Impact on equity at 31 December 2025
		Gross of Reinsurance HK\$'000	Net of Reinsurance HK\$'000	HK\$'000
Ultimate claim number	+10%	70,329	55,110	(55,110)
	-10%	(70,329)	(55,110)	55,110
Average claims size	+10%	70,329	55,110	(55,110)
	-10%	(70,329)	(55,110)	55,110
Indirect claims handling expense rate	+1%	33,683	32,230	(32,230)
	-1%	(33,683)	(32,230)	32,230

(iii) Assets arising from reinsurance contracts

Reinsurance recoverable includes the balances due to the Company from reinsurance companies for paid and unpaid losses and loss expenses based on contracts in force, net of uncollectible reinsurance which is determined based upon a review of the financial condition of the reinsurers and other factors.

The recognition of reinsurance recoverable requires two key judgements. The first involves the estimation of the gross IBNR to be ceded to reinsurers. Ceded IBNR is developed as part of the loss reserving process and consequently, its estimation is subject to similar risks and uncertainties as the estimation for gross IBNR. The second judgement involves the estimation of the amount of the reinsurance balance that ultimately will not be recovered from reinsurers due to insolvency, contractual dispute, or for other reasons.

4. Management of insurance risk and financial risk

The Company's operations are exposed to a number of key risks including insurance risk and financial risk. The Company's policies and procedures in respect of managing these risks are set out below.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.1 Insurance risk

4.1.1 Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Company recognises that risk management enables an organisation to minimise losses and maximise opportunities. Risk management forms parts of operational, line management responsibilities, and is integrated into the Company's planning process.

Some of the key risks faced by the Company include frequency, severity and development of claims along with concentration of risk.

The Board is responsible for overseeing that the Company has systems in place to ensure compliance with legislative and prudential requirements and the Risk Management Strategy and Reinsurance Management Strategy. Key controls objective include:

- employment of consistent, disciplined pricing and risk selection in order to maintain a profitable book of business;
- a formal underwriting review process to periodically test compliance standards and guidelines;
- employment of sophisticated catastrophe loss and risk modeling techniques to ensure that risks are well distributed and that loss potentials take into account the Company's financial capacity;
- centrally coordinated reinsurance management to facilitate appropriate risk transfer and efficient cost-effective use of external reinsurance markets. Reinsurance placement with a select group of financially secure and experienced companies in the reinsurance industry;
- the maintenance and use of sophisticated information systems to provide up-to-date and reliable data; thus certifying integrity of data to management and financial models;
- claims management team ensures there is consistent approach to reserving practices and the settlement of claims; and
- capital and assets management to ensure the Company meets the minimum capital required under the Insurance Ordinance.

4.1.2 Terms and conditions of insurance and inwards reinsurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Company. The majority of direct insurance contracts written are entered into on a standard form basis. Inwards reinsurance contracts are subject to substantially the same conditions. The authority to change standard terms and conditions is controlled through the personal underwriting authority delegated to the most experienced underwriters.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.1 Insurance risk (Continued)

4.1.3 Concentration of insurance risks

The Company's exposure to concentrations of insurance risk is mitigated by its diversified portfolio of business, the table below summarises the gross and net premium incomes in relation to each major type of business underwritten by the Company.

Year ended 31 December		2025		2024	
		HK\$'000	%	HK\$'000	%
Accident and Health	Gross	554,007	25%	521,960	22%
	Net	151,326	14%	125,302	11%
Property insurance	Gross	579,949	26%	657,671	28%
	Net	273,049	26%	293,690	25%
Casualty insurance	Gross	859,409	39%	875,014	38%
	Net	463,314	44%	548,335	47%
Others	Gross	222,224	10%	278,860	12%
	Net	169,435	16%	208,929	17%
Total	Gross	2,215,589		2,333,505	
	Net	1,057,124		1,176,256	

The Company has a specific concentration risk associated with natural catastrophes. This risk is mitigated through a combination of underwriting strategy, management of risk accumulations and reinsurance.

4.2 Financial risk

The Company is exposed to a variety of financial risks including market risk (including currency and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

The Company's principal investment objective is to ensure that funds will be available to meet our primary insurance and reinsurance obligations. Within this broad liquidity constraint, our investment portfolio's structure seeks to maximise return subject to specifically approved guidelines of overall asset classes, credit quality, liquidity and volatility of expected returns. As such, our investment portfolio is invested primarily in investment-grade fixed income securities as measured by the major rating agencies. The Regional Investment Committee conducts quarterly review with fund managers on the portfolio's performance and ensures the investment mandates as set by the Company are adhered to.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.2 Financial risk (Continued)

4.2.1 Market risk - currency risk

Foreign currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company considers that the underlying insurance risks are predominantly underwritten in Hong Kong dollars and US dollars. Accordingly, the Company seeks to invest in assets denominated in the same currencies as its insurance liabilities, which mitigates the foreign Eurozone currency exchange rate risk for the operations.

At 31 December 2025, the Company has foreign currency exposure to the Chinese Renminbi (0.32% of total equity), Euro (0.52% of total equity) and Macau Patacas (0.49% of total equity) which are not material enough to have a significant impact on the Company's financial statements if the currencies weakened / strengthened against the Hong Kong dollar and US dollar.

4.2.2 Market risk - interest rate risk

The Company's exposure to interest rate risk is primarily through fixed interest holdings in the investment portfolio. The interest rate risk is managed and mitigated by maintaining a high quality fixed interest portfolio with a relatively short duration to reduce the effect of interest rate changes on the fair market value of the investment portfolio.

4.2.3 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an at least annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Regular reviews to assess the degree of compliance with the procedures on credit are made by management team of the Company. The financial analysis of the assets produces an assessment categorised by Standard & Poor's (S & P) rating (or equivalent when not available from S & P).

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.2 Financial risk (Continued)

4.2.3 Credit risk (Continued)

The financial analysis for financial items (other than reinsurance assets):

As at 31 December 2024

	AAA HK\$'000	AA HK\$'000	A HK\$'000	BBB HK\$'000	Below BBB HK\$'000	Not rated HK\$'000
Financial assets at fair value through profit or loss (exclude accrued interest)						
<u>Listed</u>						
Hong Kong	-	1,422,235	14,049	-	-	-
Overseas	-	131,970	249,782	63,647	-	-
<u>Unlisted</u>						
Hong Kong	-	20,343	120,252	-	-	-
Overseas	5,030	84,386	175,120	-	-	-
Other receivables	-	357	-	-	-	24,837
Cash and cash equivalents	-	489,971	41,691	-	-	-
Cash deposits	-	179,753	125,770	-	-	-
Total assets bearing credit risk	5,030	2,329,015	726,664	63,647	-	24,837

As at 31 December 2025

	AAA HK\$'000	AA HK\$'000	A HK\$'000	BBB HK\$'000	Below BBB HK\$'000	Not rated HK\$'000
Financial assets at fair value through profit or loss (exclude accrued interest)						
<u>Listed</u>						
Hong Kong	35,842	1,501,175	45,556	-	-	-
Overseas	-	225,596	162,986	12,476	-	-
<u>Unlisted</u>						
Hong Kong	-	41,307	112,577	-	-	-
Overseas	-	59,792	177,182	-	-	-
Other receivables	-	-	-	-	-	22,644
Cash and cash equivalents	-	45,640	84,526	-	-	-
Cash deposits	-	19,765	202,252	-	-	-
Total assets bearing credit risk	35,842	1,893,275	785,079	12,476	-	22,644

Net asset arising from reinsurance are HK\$2,113,244,000 (2024: HK\$2,111,047,024) including the estimated claims incurred but not reported and the recoverable unearned premiums from reinsurers. The Company maintains strict controls on reinsurance arrangements and the approved reinsurers which are at least with A- or equivalent and above financial rating at the date of contract inception. The approved list of reinsurers are periodically reviewed by the reinsurance management committee and communicated to all global operations.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.2 Financial risk (Continued)

4.2.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill policyholder commitments. The risk that the Company will be unable to do so is inherent in all insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Company's liquidity management process, as carried out within the Company and monitored by a separate team in Company treasury, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow and monitoring the liquidity ratios of the balance sheet against internal and regulatory requirements. Liquidity-risk is also a significant consideration when the Company evaluates its overall ALM profile.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Company treasury also monitors unmatched medium-term assets, the level and type of near-term commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The following tables indicate the contractual timing of cash flow arising from financial liabilities based on the remaining undiscounted contractual obligations, as well as the expected repayment dates of insurance contracts liabilities and reinsurance contracts assets.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.2 Financial risk (Continued)

4.2.4 Liquidity risk (Continued)

As of 31 December 2024

Assets	Carrying amount as at 31 Dec 2024 HKD\$'000	Contractual cash flows (undiscounted)					
		0 - 1 yr HKD\$'000	1 - 2 yrs HKD\$'000	2 - 3 yrs HKD\$'000	3 - 4 yrs HKD\$'000	4 - 5 yrs HKD\$'000	over 5 yrs HKD\$'000
Financial assets at fair value through profit or loss	2,310,009	840,003	737,032	261,019	116,768	268,778	280,441
Other receivables	25,194	25,194	-	-	-	-	-
Reinsurance contract assets	2,194,017	1,334,308	600,656	354,590	248,017	57,891	46,172
Cash and cash equivalents	531,662	531,662	-	-	-	-	-
Cash deposits	305,523	305,523	-	-	-	-	-
	5,366,405	3,036,690	1,337,688	615,609	364,785	326,669	326,613
Liabilities	Carrying amount as at 31 Dec 2024 HKD\$'000	Contractual cash flows (undiscounted)					
		0 - 1 yr HKD\$'000	1 - 2 yrs HKD\$'000	2 - 3 yrs HKD\$'000	3 - 4 yrs HKD\$'000	4 - 5 yrs HKD\$'000	over 5 yrs HKD\$'000
Insurance contract liabilities	3,416,213	2,470,366	936,663	563,575	361,407	113,535	94,179
Other payables	822,013	822,013	-	-	-	-	-
Lease liabilities	12,210	12,210	-	-	-	-	-
	4,250,436	3,304,589	936,663	563,575	361,407	113,535	94,179

As of 31 December 2025

Assets	Carrying amount as at 31 Dec 2025 HKD\$'000	Contractual cash flows (undiscounted)					
		0 - 1 yr HKD\$'000	1 - 2 yrs HKD\$'000	2 - 3 yrs HKD\$'000	3 - 4 yrs HKD\$'000	4 - 5 yrs HKD\$'000	over 5 yrs HKD\$'000
Financial assets at fair value through profit or loss	2,397,245	820,385	369,753	438,158	392,988	78,000	488,652
Other receivables	22,644	22,644	-	-	-	-	-
Reinsurance contract assets	2,175,779	1,125,261	512,364	397,986	289,334	197,472	201,753
Cash and cash equivalents	130,166	130,166	-	-	-	-	-
Cash deposits	222,017	222,017	-	-	-	-	-
	4,947,851	2,320,473	882,117	836,144	682,322	275,472	690,405
Liabilities	Carrying amount as at 31 Dec 2025 HKD\$'000	Contractual cash flows (undiscounted)					
		0 - 1 yr HKD\$'000	1 - 2 yrs HKD\$'000	2 - 3 yrs HKD\$'000	3 - 4 yrs HKD\$'000	4 - 5 yrs HKD\$'000	over 5 yrs HKD\$'000
Insurance contract liabilities	3,344,464	382,456	814,102	597,980	415,417	270,904	300,489
Other payables	549,081	549,081	-	-	-	-	-
Lease liabilities	36,101	17,455	18,646	-	-	-	-
	3,929,646	948,992	832,748	597,980	415,417	270,904	300,489

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.3 Fair value hierarchy

Fair values are determined according to the following hierarchy:

Level 1: quoted market price: financial instruments with quoted prices for identical instruments in active markets.

Level 2: valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3: valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The fair value of financial instruments traded in active markets is based on quoted prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

At 31 December 2025, investments classified as Level 1 comprise approximately 83.4% (2024: 82.1%) of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities. Investments classified as Level 2 comprise approximately 16.6% (2024: 17.9%) of financial assets measured at fair value on a recurring basis. They primarily include government and certain corporate debt securities that are quoted, but not listed.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Management of insurance risk and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

The following tables present the Company's financial assets measured at fair value.

At 31 December 2024

			Total
Financial assets at fair value through profit or loss	Level 1 HK\$'000	Level 2 HK\$'000	balance HK\$'000
Debt Securities	1,897,069	412,940	2,310,009
Total	<u>1,897,069</u>	<u>412,940</u>	<u>2,310,009</u>

At 31 December 2025

			Total
Financial assets at fair value through profit or loss	Level 1 HK\$'000	Level 2 HK\$'000	balance HK\$'000
Debt Securities	2,000,423	396,822	2,397,245
Total	<u>2,000,423</u>	<u>396,822</u>	<u>2,397,245</u>

5. Insurance revenue and insurance service result

	2025 HK\$'000	2024 HK\$'000
Insurance revenue from contracts measured	<u>2,264,774</u>	<u>2,263,250</u>
Incurred claims and other directly attributable expenses	905,127	612,404
Insurance acquisition cost	<u>547,634</u>	<u>565,565</u>
Insurance service expense	<u>1,452,761</u>	<u>1,177,969</u>
Reinsurance expenses	876,039	815,684
Incurred claims recovery	<u>(495,505)</u>	<u>(340,580)</u>
Net expenses from reinsurance contracts held	<u>380,534</u>	<u>475,104</u>
Insurance service result	<u>431,479</u>	<u>610,177</u>

CHUBB INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. Net investment income

	2025 HK\$'000	2024 HK\$'000
Interest income from financial assets measured at amortised cost:		
Cash and cash equivalents	19,972	12,732
Interest income from financial assets measured at FVTPL:		
Listed securities	43,088	43,922
Unlisted securities	16,023	16,351
	<u>79,083</u>	<u>73,005</u>

7. Expenses for marketing and administration

	2025 HK\$'000	2024 HK\$'000
Depreciation (Note 12)	29,494	28,955
Employee benefit expenses (Note 8)	214,165	210,077
Operating lease rentals	101	153
Auditor's remuneration		
- Audit services	3,247	3,464
- Non-audit services	105	105
Intercompany service fees (Note 26)	141,825	121,901
Other expenses	80,834	65,184
Expense recoveries	(299,742)	(168,310)
	<u>170,029</u>	<u>261,529</u>

CHUBB INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. Employee benefit expenses

	2025 HK\$'000	2024 HK\$'000
Salaries and bonus	162,263	160,809
Restricted stock grant	3,140	3,414
Restricted option grant	687	627
Annual incentive plan	21,190	20,314
Pensions	10,000	9,774
Other benefits	16,885	15,139
	<u>214,165</u>	<u>210,077</u>

9. Directors' and chief executive's emoluments

Aggregate emoluments of all Directors are as follows:

	2025 HK\$'000	2024 HK\$'000
Fees	460	503
Salaries, allowances and benefits in kind	9,398	13,258
Discretionary bonuses	3,256	3,117
Share based remuneration	3,397	3,157
Employer's contribution to retirement benefit scheme	54	54
	<u>16,565</u>	<u>20,089</u>
 The aggregate emoluments of the three highest-paid directors	 <u>16,096</u>	 <u>19,578</u>

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Share based compensation

Chubb Limited has a restricted share grant plan, a restricted share option plan and an employee share participation plan.

Restricted Share Grant Plan

Under Chubb Limited's long term incentive plan, 2,405 restricted ordinary shares were awarded to eligible employees of the Company and 267 restricted ordinary shares were transferred to other Chubb entities due to employee transfers during the year ended 31 December 2025 (for the year ended 31 December 2024, 2,391 restricted ordinary shares were awarded to eligible employees of the Company and 1,496 restricted ordinary shares were transferred to other Chubb entities due to employee transfers). These shares vest at various dates over a 4-year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current year's expense portion of all restricted share grants issued in the current and prior years, and is consistent with the treatment required by HKFRS 2. There is no liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of Chubb Limited's common stock in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb Limited to the eligible employees. The total expense for the year was HK\$3,140,000 (total expense during 2024: HK\$3,414,000).

Under Chubb Limited's long term incentive plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value at issue date. These options vest at various dates over a 3-year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant. The total value of the options granted during the year was HK\$687,000 (the options granted during 2024: HK\$1,057,000).

Restricted Share Option Plan

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2025		2024	
	Average exercise price in HK dollar per share	Options	Average exercise price in HK dollar per share	Options
At 1 January		16,378		19,071
Granted	2,251.3	3,208	1,981.62	3,189
Forfeited	-	(205)	-	-
Exercised	1,274.83	(5,491)	1,170.45	(4,859)
Transfer out	1,794.73	(267)	1,075.61	(1,496)
Transfer in	-	-	1,835.67	473
At 31 December		<u>13,623</u>		<u>16,378</u>

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Share based compensation (Continued)

Out of the 13,623 outstanding options (2024: 16,378 outstanding options), 7,207 options (2024: 9,441 options) were exercisable. Options exercised in 2025 resulted in 5,491 shares (2024: 4,859 shares) being issued at 1,980.46 HK dollar each (2024: 1,622.06 HK dollar each). The related weighted average share price at the time of exercise was 1,274.83 HK dollar (2024: 1,170.45 HK dollar) per share.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price	Share options	
	HK dollar per share	2025	2024
2025	896.24	-	102
2026	924.42	-	507
2027	1,085.43	433	628
2028	1,117.13	436	1,274
2029	1,045.53	509	907
2030	1,172.10	660	1,963
2031	1,287.90	1,360	1,864
2032	1,554.08	1,579	2,486
2033	1,628.81	2,556	3,177
2034	1,980.46	2,917	3,470
2035	2,251.30	3,173	-
		<u>13,623</u>	<u>16,378</u>

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was HK\$664.61 per option (2024: HK\$565.93). The significant inputs into the model were share price of HK\$2,251.3 (2024: HK\$1,981.62), at the grant date, the exercise price shown above, volatility of 23% (2024: 22%), dividend yield of 1.26% (2024: 1.44%), an expected option life of 5 years and on annual risk-free interest rate of 4.03% (2024: 4.42%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Employee Share Purchase Plan

The Company collects monies from local eligible employees and acquires ordinary shares in Chubb Limited on behalf of the employees on a bi-annual basis. The price paid by the eligible employees is set at a discount of 15% to the fair value of the ordinary shares at the date of acquisition; this discount is incurred at the group level by Chubb Limited and not charged to the Company. The total amount of discount applied to the employee share plan purchases in the current year was HK\$1,190,000 (2024: HK\$1,060,000).

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Income tax

	2025 HK\$'000	2024 HK\$'000
Hong Kong profit tax	37,582	21,469
Over provision for prior year	(13,180)	(1,550)
Total Current tax	24,402	19,919
Deferred taxation (Note 14)	22,810	2,485
Income tax	47,212	22,404

The Inland Revenue (Amendment) (Profit Tax Concessions for Insurance-related Businesses) which offers a 8.25% concessionary profits tax rate for all general reinsurance business and certain general insurance business of direct insurers with effective date 19 March 2021. For 2025, the Company has benefited from the profit tax concessions to the amount of HK\$15,688,000 (2024: HK\$14,453,000).

The Organization for Economic Co-operation and Development has published a framework, along with related administrative guidance, that could redefine what income is taxed in which country and institute a 15 percent global minimum tax. Our ultimate parent entity, Chubb Limited, is incorporated in Switzerland. Switzerland has enacted aspects of these rules, effective on January 1, 2025, including the income inclusion rule but not the under taxed profits rule. The consolidated group ("the Group") is within the scope of the Pillar Two model rules.

On 6 June 2025, Hong Kong enacted Global Minimum Tax legislation to implement a Hong Kong minimum top-up tax (HKMTT) (which qualifies as a QDMTT) and an income inclusion rule (IIR), with retrospective effect from 1 January 2025. Under this legislation, the Hong Kong Constituent Entities ("the CEs") within the Group are liable to pay a top-up tax on the difference between the jurisdictional GloBE effective tax rate and the 15% minimum rate in Hong Kong.

The Group's assessment indicates for Hong Kong that the GloBE effective tax rate is less than 15% for the annual financial year ended 31 December 2025. Considering the impact of specific adjustments in the Pillar Two legislation, the Company recognised a current income tax expense of HK\$15,686,000. As at 31 December 2025, the Company's top-up tax position for the year ended 31 December 2025 has not yet been assessed or confirmed by the Inland Revenue Department. The top-up tax provision recognised for the year ended 31 December 2025 is expected to be settled in 2027.

CHUBB INSURANCE HONG KONG LIMITED **NOTES TO THE FINANCIAL STATEMENTS**

11. Income tax (Continued)

The taxation on the Company's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2025 HK\$'000	2024 HK\$'000
Profit before taxation	328,456	396,660
Calculated at a taxation rate of 16.5%	54,195	65,449
Tax effects of:		
Income not subject to taxation	(25,742)	(25,340)
Non-deductible expenses	29,743	183
Adjustments in respect of prior years	(13,180)	(1,550)
Profit tax concession	(15,688)	(14,453)
Hong Kong minimum top-up tax	15,686	-
Others	2,198	(1,885)
Tax charge	47,212	22,404
	2025 HK\$'000	2024 HK\$'000
Tax payable at beginning of the year	6,789	4,398
Current year tax expense	24,402	19,919
Tax paid during the year	(1,901)	(17,528)
Current tax payable at end of the year	29,290	6,789

CHUBB INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS

12. Property, plant and equipment

	Leasehold assets HK\$'000	Furniture, fixtures & equipment HK\$'000	Vehicles HK\$'000	Hardware and Software HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost						
At 1 January 2024	133,169	6,593	1,365	25,201	12,178	178,506
Additions	13,304	192	-	38,772	269	52,537
Disposal	(114,805)	-	-	(8,557)	(971)	(124,333)
Year ended 31 December 2024	31,668	6,785	1,365	55,416	11,476	106,710
Accumulated depreciation						
At 1 January 2024	111,197	6,063	911	18,056	-	136,227
Charge for the year	22,749	343	195	5,668	-	28,955
Disposal	(114,411)	-	-	(5,189)	-	(119,600)
Year ended 31 December 2024	19,535	6,406	1,106	18,535	-	45,582
Net book value						
At 31 December 2024	12,133	379	259	36,881	11,476	61,128
Cost						
At 1 January 2025	31,668	6,785	1,365	55,416	11,476	106,710
Additions	45,041	998	-	10,745	3,030	59,814
Transfer to fixed assets	1,435	-	-	7,915	(9,350)	-
Year ended 31 December 2025	78,144	7,783	1,365	74,076	5,156	166,524
Accumulated depreciation						
At 1 January 2025	19,535	6,406	1,106	18,535	-	45,582
Charge for the year	18,092	325	195	10,882	-	29,494
Year ended 31 December 2025	37,627	6,731	1,301	29,417	-	75,076
Net book value						
At 31 December 2025	40,517	1,052	64	44,659	5,156	91,448

Depreciation expense of HK\$29,494,000 (2024: HK\$28,955,000) has been charged in expenses for marketing and administration.

Right-of-use leasehold assets with a cost of HK\$51,881,000 (2024: HK\$13,304,000); including a depreciation charge of HK\$17,946,000 (2024: HK\$19,643,000) and net book value HK\$33,935,000 (2024: HK\$12,133,000) are included with leasehold assets.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Intangible assets

Cost	HK\$'000
At 1 January 2024	322,119
Addition	1,282
At 31 December 2024	323,401
Accumulated amortisation	
At 1 January 2024	37,929
Addition	23,671
At 31 December 2024	61,600
Cost	
At 1 January 2025	323,401
Addition	-
At 31 December 2025	323,401
Accumulated amortisation	
At 1 January 2025	61,600
Charge for the year	23,597
At 31 December 2025	85,197
Net book value:	
At 31 December 2025	238,204
At 31 December 2024	261,801

The amortisation charge for the year is included in insurance service expenses in the statement of comprehensive income.

Intangible assets include current assets HK\$23,422,000 (2024: HK\$23,598,000) and non-current assets HK\$214,782,000 (2024: HK\$238,203,000).

14. Deferred tax liabilities

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2024 : 16.5%).

Deferred income tax liabilities:

	2025 Accelerated tax depreciation HK\$'000	2024 Accelerated tax depreciation HK\$'000
At the beginning of year	3,832	1,347
Debit to statement of comprehensive income for the year	22,810	2,485
At end of year	26,642	3,832

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Reconciliation of the liability for remaining coverage and the liability for incurred claims

	2024				
	Liabilities for Remaining Coverage		Liabilities for Incurred Claims under PAA		Total
	Excluding Loss Component HK\$'000	Loss Component HK\$'000	Present value of future cash flows HK\$'000	Risk adjustment for non-fin risk HK\$'000	
Opening Insurance contract assets	69,792	-	-	-	69,792
Opening insurance contract liabilities	(251,856)	(5,517)	(2,826,660)	(436,936)	(3,520,969)
Net opening balance	(182,064)	(5,517)	(2,826,660)	(436,936)	(3,451,177)
Insurance revenue	2,263,250	-	-	-	2,263,250
Incurred claims and other directly attributable expenses	-	-	(633,325)	20,764	(612,561)
Losses on onerous contracts and the reversals of those losses	-	157	-	-	157
Insurance acquisition cash flow amortisation	(565,565)	-	-	-	(565,565)
Insurance service expenses	(565,565)	157	(633,325)	20,764	(1,177,969)
Insurance service result	1,697,685	157	(633,325)	20,764	1,085,281
Finance income from insurance contracts issued	-	-	(123,083)	-	(123,083)
Total amount recognised in comprehensive income	1,697,685	157	(756,408)	20,764	962,198
Cash flow					
Premium received	(2,199,117)	-	-	-	(2,199,117)
Claims and other directly attributable expenses paid	-	-	911,587	-	911,587
Insurance acquisition cash flow	550,335	-	-	-	550,335
Total cash flow	(1,648,782)	-	911,587	-	(737,195)
Closing insurance contract assets	64,180	-	-	-	64,180
Closing insurance contract liabilities	(197,341)	(5,360)	(2,671,481)	(416,172)	(3,290,354)
Net closing balance	(133,161)	(5,360)	(2,671,481)	(416,172)	(3,226,174)

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

	2025				
	Liabilities for Remaining Coverage		Liabilities for Incurred Claims under PAA		Total
	Excluding Loss Component	Loss Component	Present value of future cash flows	Risk adjustment for non-fin risk	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening Insurance contract assets	64,180	-	-	-	64,180
Opening insurance contract liabilities	(197,341)	(5,360)	(2,671,481)	(416,172)	(3,290,354)
Net opening balance	(133,161)	(5,360)	(2,671,481)	(416,172)	(3,226,174)
Insurance revenue	2,264,774	-	-	-	2,264,774
Incurred claims and other directly attributable expenses	-	-	(918,700)	10,525	(908,175)
Losses on onerous contracts and the reversals of those losses	-	3,048	-	-	3,048
Insurance acquisition cash flow amortisation	(547,634)	-	-	-	(547,634)
Insurance service expenses	(547,634)	3,048	(918,700)	10,525	(1,452,761)
Insurance service result	1,717,140	3,048	(918,700)	10,525	812,013
Finance income from insurance contracts issued	-	-	(202,182)	-	(202,182)
Total amount recognised in comprehensive income	1,717,140	3,048	(1,120,882)	10,525	609,831
Cash flow					
Premium received	(2,233,587)	-	-	-	(2,233,587)
Claims and other directly attributable expenses paid	-	-	1,217,511	-	1,217,511
Insurance acquisition cash flow	548,756	-	-	-	548,756
Total cash flow	(1,684,831)	-	1,217,511	-	(467,320)
Closing insurance contract assets	154,341	-	-	-	154,341
Closing insurance contract liabilities	(255,193)	(2,312)	(2,574,852)	(405,647)	(3,238,004)
Net closing balance	(100,852)	(2,312)	(2,574,852)	(405,647)	(3,083,663)

CHUBB INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16. Reconciliation of the remaining coverage and incurred claims of reinsurance contracts held

	2024				
	Liabilities for Remaining Coverage		Liabilities for Incurred Claims under PAA		Total
	Excluding Loss	Loss	Present value of	Risk adjustment	
	Component	Component	future cash flows	for non-fin. risk	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening reinsurance contract assets	109,335	2,839	1,985,841	312,739	2,410,754
Opening reinsurance contract liabilities	(109,757)	-	(172)	-	(109,929)
Net opening balance	(422)	2,839	1,985,669	312,739	2,300,825
Reinsurance expenses	(815,684)	-	-	-	(815,684)
Claims recovered	-	(91)	358,630	(17,959)	340,580
Changes that relate to past service adj. to incurred claims	-	-	-	-	-
Net income (expenses) from reinsurance contracts held	(815,684)	(91)	358,630	(17,959)	(475,104)
Finance expense from reinsurance contracts held	-	-	78,670	-	78,670
Total amount recognised in comprehensive income	(815,684)	(91)	437,300	(17,959)	(396,434)
Cash flow					
Premium paid net of ceding commissions and other directly attributable expenses paid	595,445	-	-	-	595,445
Recoveries from reinsurance	-	-	(388,789)	-	(388,789)
Total cash flow	595,445	-	(388,789)	-	206,656
Closing reinsurance contract assets	91,757	-	2,034,180	294,780	2,420,717
Closing reinsurance contract liabilities	(312,418)	2,748	-	-	(309,670)
Net closing balance	(220,661)	2,748	2,034,180	294,780	2,111,047

CHUBB INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16. Reconciliation of the remaining coverage and incurred claims of reinsurance contracts held (continued)

	2025				
	Liabilities for Remaining Coverage		Liabilities for Incurred Claims under PAA		
	Excluding Loss	Loss	Present value of	Risk adjustment	Total
	Component	Component	future cash flows	for non-fin. risk	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening reinsurance contract assets	91,757	-	2,034,180	294,780	2,420,717
Opening reinsurance contract liabilities	(312,418)	2,748	-	-	(309,670)
Net opening balance	(220,661)	2,748	2,034,180	294,780	2,111,047
Reinsurance expenses	(876,039)	-	-	-	(876,039)
Claims recovered	-	(1,614)	500,997	(3,878)	495,505
Changes that relate to past service adj. to incurred claims	-	-	-	-	-
Net income (expenses) from reinsurance contracts held	(876,039)	(1,614)	500,997	(3,878)	(380,534)
Finance income from reinsurance contracts held	-	-	126,439	-	126,439
Total amount recognised in comprehensive income	(876,039)	(1,614)	627,436	(3,878)	(254,095)
Cash flow					
Premium paid net of ceding commissions and other directly attributable expenses paid	995,640	-	-	-	995,640
Recoveries from reinsurance	-	-	(739,348)	-	(739,348)
Total cash flow	995,640	-	(739,348)	-	256,292
Closing reinsurance contract assets	113,162	1,134	1,922,268	290,902	2,327,466
Closing reinsurance contract liabilities	(214,222)	-	-	-	(214,222)
Net closing balance	(101,060)	1,134	1,922,268	290,902	2,113,244

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Claims development

The following table shows the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

(i) Gross

Accident year	Prior Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of Ultimate claims cost:												
At end of accident year		1,134,474	975,471	858,978	943,897	947,241	793,098	850,996	1,033,556	998,665	1,206,778	
One year later		1,121,531	872,273	913,092	896,481	896,019	811,735	785,013	936,577	945,599		
Two years later		1,123,081	791,092	910,523	919,282	764,393	750,782	599,932	875,658			
Three years later		1,149,123	728,584	890,790	804,389	783,181	832,818	575,580				
Four years later		1,133,795	694,614	862,588	720,873	727,793	774,367					
Five years later		1,153,820	679,016	844,666	718,792	672,824						
Six years later		1,143,317	652,569	793,609	669,000							
Seven years later		1,142,508	644,260	779,105								
Eight years later		1,115,549	619,132									
Nine years later		1,125,744										
Current estimate of cumulative claims cost		1,125,744	619,132	779,105	669,000	672,824	774,367	575,580	875,658	945,599	1,206,778	
Cumulative payments		1,097,923	608,798	728,001	565,947	511,361	494,050	326,280	422,115	366,790	202,863	
Outstanding claims – undiscounted	39,694	27,821	10,334	51,104	103,053	161,463	280,317	249,300	453,543	578,809	1,003,915	2,959,353
Discount												(207,347)
Outstanding claims	39,694	27,821	10,334	51,104	103,053	161,463	280,317	249,300	453,543	578,809	1,003,915	2,752,006
Claims handling expenses												186,813
Total net central estimate												2,938,819
Risk margin												405,647
Total net outstanding claims per Balance Sheet												3,344,466

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Claims development (Continued)

(ii) Net

Accident year	Prior Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of Ultimate claims cost:												
At end of accident year		335,552	269,669	301,292	376,502	375,091	348,726	358,024	392,443	441,107	409,764	
One year later		372,015	256,711	300,288	353,976	370,068	314,343	341,664	348,459	382,830		
Two years later		363,677	244,479	294,271	333,129	315,728	295,605	283,042	338,699			
Three years later		399,197	229,147	285,945	311,138	284,382	269,972	260,411				
Four years later		401,182	213,503	278,209	295,285	249,015	236,252					
Five years later		410,107	201,903	265,848	265,932	225,862						
Six years later		401,398	182,934	249,804	241,291							
Seven years later		385,681	181,401	249,788								
Eight years later		380,315	177,567									
Nine years later		376,161										
Current estimate of cumulative claims cost		376,161	177,567	249,788	241,291	225,862	236,252	260,411	338,699	382,830	409,764	
Cumulative payments		374,916	175,189	244,820	223,374	181,207	175,725	169,433	195,126	143,809	78,791	
Outstanding claims – undiscounted	(5,806)	1,245	2,378	4,968	17,917	44,655	60,527	90,978	143,573	239,021	330,973	930,429
Discount												(63,303)
Outstanding claims	(5,806)	1,245	2,378	4,968	17,917	44,655	60,527	90,978	143,573	239,021	330,973	867,126
Claims handling expenses												186,813
Total net central estimate												1,053,939
Risk margin												114,745
Total net outstanding claims per Balance Sheet												1,168,684

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Claims development (Continued)

(iii) Mean duration of liabilities

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from insurance contracts in force at the balance date (both incurred claims and future claims arising from the unexpired risks at the balance date).

The mean durations, measured in years are:

	2025	2024
Net insurance liabilities - accident & health policies	1.2	1.1
Net insurance liabilities - property policies	1.2	1.1
Net insurance liabilities - casualty policies	2.3	1.8
Net insurance liabilities - total	2.2	1.7

18. Financial assets

	2025 HK\$'000	2024 HK\$'000
Financial assets at fair value through profit or loss:		
Debt securities		
<u>Listed</u>		
Hong Kong	1,595,718	1,447,957
Overseas	404,706	449,114
<u>Unlisted</u>		
Hong Kong	154,966	141,502
Overseas	241,855	271,436
	<u>2,397,245</u>	<u>2,310,009</u>

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. Other receivables

	2025 HK\$'000	2024 HK\$'000
Other receivables		
Prepayments and other debtors	21,774	20,618
Receivables from related parties (Note 26)	-	3,706
Club membership	870	870
	<u>22,644</u>	<u>25,194</u>

Receivables are denominated in the following currencies:

Hong Kong Dollar	22,314	18,766
United States Dollar	330	6,428
	<u>22,644</u>	<u>25,194</u>

	2025 HK\$'000	2024 HK\$'000
Current	22,644	25,194
Non current	-	-
	<u>22,644</u>	<u>25,194</u>

The balances with group companies are unsecured, interest free and repayable on demand. The balances for other debtors are unsecured and interest free.

20. Cash and cash equivalents and cash deposits

	2025 HK\$'000	2024 HK\$'000
Cash at banks	130,166	531,662
Total Cash and cash equivalents	<u>130,166</u>	<u>531,662</u>
Certificate of Deposits (more than 3 months)	222,017	305,523
Total Cash deposits	<u>222,017</u>	<u>305,523</u>
Current	337,853	837,185
Non current	14,330	-
	<u>352,183</u>	<u>837,185</u>

All cash deposits are classified as level 1.

CHUBB INSURANCE HONG KONG LIMITED **NOTES TO THE FINANCIAL STATEMENTS**

21. Other payables and lease liabilities

(a) Other payables

	2025 HK\$'000	2024 HK\$'000
Amount due to related parties - Others (Note 26)	15,343	19,314
Amount due to immediate holding company (Note 26)	8,280	318,764
Amount due to related parties – Funds Held account (Notes 26)	426,316	404,817
Other payables	24,576	25,220
Accrued expenses	71,977	50,246
Levies payables	2,589	3,652
	<u>549,081</u>	<u>822,013</u>

Trade and other payables are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
Hong Kong Dollar	481,435	454,124
United States Dollar	56,491	362,956
Others	11,155	4,933
	<u>549,081</u>	<u>822,013</u>

Other payables are generally expected to be settled within 12 months after the end of the reporting period.

(b) Lease liabilities

	2025 HK\$'000	2024 HK\$'000
Lease liabilities	<u>36,101</u>	<u>12,210</u>
	<u>36,101</u>	<u>12,210</u>

Lease liabilities include finance costs charged to the Statement of Comprehensive Income of HK\$1,968,000 (2024: HK\$538,000).

Lease liabilities include current liabilities HK\$18,646,000 (2024: HK\$4,032,000) and non-current liabilities HK\$17,455,000 (2024: HK\$8,178,000).

CHUBB INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. Share capital

	2025		2024	
	Number of shares '000	Share capital HK\$'000	Number of shares '000	Share capital HK\$'000
Ordinary shares at 1 January	55,384	553,839	55,384	553,839
At 31 December	55,384	553,839	55,384	553,839

Each fully paid up ordinary share confers on its holder the right to participate in the distribution of dividend, and the right to receive a distribution of the remaining distributable assets on winding up of the Company.

Each holder of fully paid up ordinary shares shall be entitled to attend at any general meeting of the Company either in person or by proxy, and shall have one vote on a show of hands or one vote for each fully paid up ordinary share on a poll.

23. Dividends

	2025 HK\$'000	2024 HK\$'000
Ordinary dividends declared and charged to equity in the year	<u>326,399</u>	<u>311,035</u>

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24. Statement of Cash Flow Reconciliations

(a) Cash generated from operations

	2025 HK\$'000	2024 HK\$'000
Profit before taxation	328,456	396,660
Depreciation	29,494	28,955
Disposal of property, plant and equipment	-	4,733
Net fair value movement on financial assets at fair value through profit and loss	(70,030)	(25,970)
Amortisation of intangible asset	23,597	23,671
Investment income	(79,083)	(73,005)
Finance cost charged from lease liability	1,968	538
Operating profit before working capital changes	234,402	355,582
(Increase)/decrease in insurance contract assets	(90,161)	5,612
Decrease/(increase) in reinsurance contract asset	93,251	(9,963)
Decrease in insurance contract liability	(52,350)	(230,615)
(Decrease)/increase in reinsurance contract liability	(95,448)	199,741
Decrease in other receivables	2,550	2,746
Increase in other payables	38,103	139,265
Cash generated from operations	130,347	462,368

(b) Net Debt Reconciliations

	2025 HK\$'000	2024 HK\$'000
Cash and cash equivalents	130,166	531,662
Liquid investments	2,619,262	2,615,532
Lease liabilities	(36,101)	(12,210)
Net debt	2,713,327	3,134,984
Cash and liquid investments	2,749,428	3,147,194
Gross debt	(36,101)	(12,210)
Net debt	2,713,327	3,134,984

Liquid investments comprise current investments that are traded in an active market, being the Company's cash deposit and financial assets held at fair value through profit and loss.

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25. Commitments

(a) Capital Commitments

The Company has not entered into any new lease that is not yet commenced.

(b) Operating lease commitments

The operating lease expenditure charged to the statement of comprehensive income during the year is disclosed in Note 7.

The future aggregate minimum lease payments under the operating leases are as follow:

	2025 HK\$'000	2024 HK\$'000
No later than 1 year	29	120
Later than 1 year but not later than 5 years	-	29
	<u>29</u>	<u>149</u>

CHUBB INSURANCE HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26. Related party transactions

The Company has significant related party transactions which are carried out in the normal course of business.

The following transactions are carried out with related parties:

	2025 HK\$'000	2024 HK'000
(a) Reinsurance accepted from fellow subsidiaries:		
Premium earned	347,985	358,063
Acquisition cost incurred	(59,244)	(62,365)
Claims incurred	(130,190)	(147,378)
	<u>158,551</u>	<u>148,320</u>
(b) Reinsurance ceded to fellow subsidiaries:		
Premium earned	(995,415)	(923,758)
Acquisition cost incurred	239,864	256,355
Claims recovered	357,324	633,676
	<u>(398,227)</u>	<u>(33,727)</u>
(c) Payment to immediate holding company/fellow subsidiaries in respect of:		
<u>Immediate holding company</u>		
Expatriate benefits	468	640
Share-based payment to employees	3,827	4,042
<u>Fellow subsidiaries</u>		
Accounting services (Note 7)	222	216
Support services (Note 7)	107,751	99,372
Systems services (Note 7)	33,852	22,313
	<u>146,120</u>	<u>126,583</u>
(d) Year end balances arising from insurance business:		
(i) Receivables from related parties		
Fellow subsidiaries	<u>497,715</u>	<u>605,282</u>
(ii) Payables to related parties		
Fellow subsidiaries	<u>833,383</u>	<u>979,522</u>
(e) Year end balances arising from other services:		
(i) Receivables from related parties		
Fellow subsidiaries (Note 19)	<u>-</u>	<u>3,706</u>
(ii) Payables to related parties		
Immediate holding company (Note 21)	8,280	318,764
Fellow subsidiaries (Note 21)	15,343	19,314
	<u>23,623</u>	<u>338,078</u>

Key management compensation:

The Company considers that its Directors represent the key management of the Company. Directors' emoluments are disclosed under Note 9.

CHUBB INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS

27. Immediate holding and ultimate holding Company

The Directors consider that the immediate holding Company is Chubb INA International Holdings Limited, a Company incorporated in Delaware and the ultimate holding Company is Chubb Limited, a Company incorporated in Zurich, Switzerland.

About Chubb in Hong Kong SAR

Chubb is a world leader in insurance. With both general and life insurance operations, Chubb has been present in Hong Kong SAR for more than 90 years via acquisitions by its predecessor companies. Its general insurance operation in Hong Kong SAR (Chubb Insurance Hong Kong Limited) is a niche and specialist general insurer. The company's product offerings include property, casualty, marine, financial lines and consumer lines designed for large corporates, mid-sized commercial & small business enterprises as well as retail customers. Over the years, it has established strong client relationships by being consistent and responsive, by offering market leading claims services and innovative products, and providing market leadership built on financial strength.

Additional information can be found at www.chubb.com/hk.

Contact Us

Chubb Insurance Hong Kong Limited
39/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong
O +852 3191 6800
www.chubb.com/hk

關於安達香港

安達為領先全球的保險公司，經營一般保險及人壽保險業務，透過收購其前身公司，已立足香港特別行政區超過 90 年。安達香港的一般保險業務 (安達保險香港有限公司) 為大型及中小企業客戶、以及個人客戶設計及提供特定的保險產品，包括財產險、責任險、海上險、金融險和個人保險服務。多年來，安達保險憑著其雄厚財務實力及市場領導地位，開創新的保險產品，提供優質理賠服務，建立長遠穩健的客戶關係，與時並進。

如欲獲取更多資料可瀏覽
www.chubb.com/hk。

聯絡我們

安達保險香港有限公司
香港鰂魚涌英皇道 979 號
太古坊一座 39 樓
電話 +852 3191 6800
www.chubb.com/hk