



MILLIMAN REPORT

# The Milliman Fulfillment Ratio Index

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## Fulfillment ratios and the latest changes to participating illustrations

Since January 2017, life insurance companies in Hong Kong have been required by the Insurance Authority to publish fulfillment ratios for their participating (par) products on an annual basis, in compliance with the Guideline on Underwriting Long Term Insurance Business (Other Than Class C Business), commonly referred to as 'GL16'.

Recent regulatory developments have led to revisions to the illustration guidance for par policies. In particular, illustration rate caps for par product benefit illustrations, effective from **1 July 2025**, are intended to set minimum standards for the illustration rates used at the point of sale. Further details are provided in the [e-alert](#) we published in March 2025.

These recent regulatory developments could affect future fulfillment ratio disclosures by constraining the illustrated non-guaranteed benefits for par products sold from 1 July 2025. However, at the time of drafting this report, the effects remain to be seen.

This paper presents the updated Milliman Fulfillment Ratio Index (the Index) based on the **reporting year 2024** and provides an analysis of the historical change in the Index. As noted on the [Insurance Authority's website](#), insurers publish their fulfillment ratios at different times, some as early as January and others as late as September. Accordingly, at the time of drafting this report, reporting year 2024 is the most recent year for which data are available across the market.

## Types of non-guaranteed benefits typically offered by par products in Hong Kong



### Annual dividends

Declared and paid out as cash at the end of each year. Policyholders may choose to leave these on deposit with the company to earn interest. The actual interest credited will also affect the fulfillment ratio.



### Terminal dividend

Typically paid at maturity, on death and on surrender of the policy through a lump sum. It is sometimes referred to as the 'final bonus.'



### Reversionary bonuses

Bonuses are declared as a permanent addition to the basic sum assured of the insurance policy, which cannot be taken away once declared.

## Understanding the fulfillment ratio

### Fulfillment ratio =

Actual aggregate non-guaranteed benefits\*

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Aggregate non-guaranteed benefits illustrated when customers purchased the policy

\*Either aggregate accumulated bonuses (for annual dividends and reversionary bonuses) or aggregate payout (for terminal dividends)

## The Milliman Fulfillment Ratio Index: Introduction<sup>#</sup>

Calculated annually by Milliman, the Index covers Hong Kong life insurance companies that represent a significant market share, as measured by in-force premiums (>85% in 2024).

### Industry level

**The top-ten life insurance companies in Hong Kong** are included based on in-force premiums. These companies are reviewed annually.

### Company level

**Material par products offered** by each selected company are analysed. The selection of products and the determination of weights across products are determined based on a mix of public data and our expert judgment. This involves choosing flagship products through an in-depth understanding of the company's offerings and considering the popularity of similar products from other insurers. Product types include savings, critical illness, annuity, and endowment, with a balance between on-the-shelf and shelved products.

### Across policy durations

Similar to the previous indices, **all policy durations are considered** to better reflect the condition of different cohorts. A simple average is taken across the fulfillment ratios of all policy durations available.

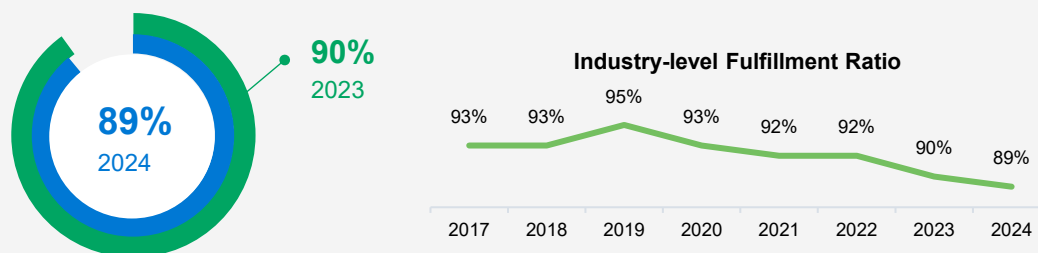
### Other considerations

The Index reflects actual dividends and bonuses aggregated up to, or paid out, in a calendar year. Some dividend/bonus adjustment decisions made in the same calendar year may not be reflected until the year that the annual dividends/bonuses or terminal dividends are actually paid out. Many companies implement bonus and dividend cuts for older products rather than for their key new products that open for sale. The Index is calculated by considering both **key new products** and **older products (or shelved products)** in order to capture any material changes based on the fulfillment ratios published by the companies.

<sup>#</sup>The Index covers par products only and does not consider universal life products.

## The Milliman Fulfillment Ratio Index for reporting years 2017 to 2024

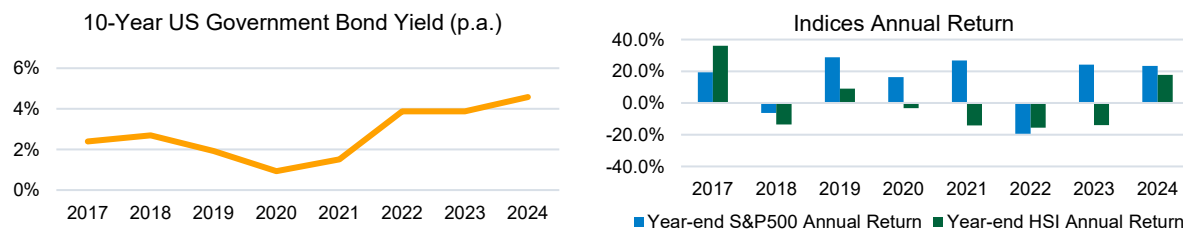
FIGURE 1: MILLIMAN FULFILLMENT RATIO INDEX



At an industry level, the Index continued to decline in 2024, falling marginally from 90% in 2023 to **89%** in 2024. The Index previously rose to 95% in 2019 (pre-COVID-19), but has since trended downward amid investment market underperformance, particularly in Hong Kong equities, and a volatile interest-rate environment during the period.

Insurers illustrate non-guaranteed benefits at the point of sale using internal investment return assumptions. These assumptions are influenced by par fund asset allocation (e.g., government bonds, corporate bonds, public equity, private equity, property and other private assets) and expected returns by asset class. Actual investment performance is, therefore, an important input when insurers review non-guaranteed benefits. Material changes in interest rates, credit spreads and equity returns can lead to bonus or dividend adjustments, and headline market indicators also inform the management of policyholders' reasonable expectations (PRE).

FIGURE 2: MARKET RETURNS



Market conditions in 2024 were mixed. US government bond yields increased further and remained elevated, reaching their highest level over the period shown. The Hang Seng Index annual return turned positive after negative returns over 2020–2023. The S&P 500 annual return remained positive, although slightly lower than in 2023. Despite improved Hong Kong equity performance, the Index shows a slight decrease, reflecting that (i) the cumulative effects of prior years' weaker equity performance and potential unrealised losses on fixed-income assets in a higher-interest-rate environment may continue to weigh on bonus scales; and (ii) non-guaranteed benefit decisions typically consider longer-term performance and outlook rather than a single-year investment performance.

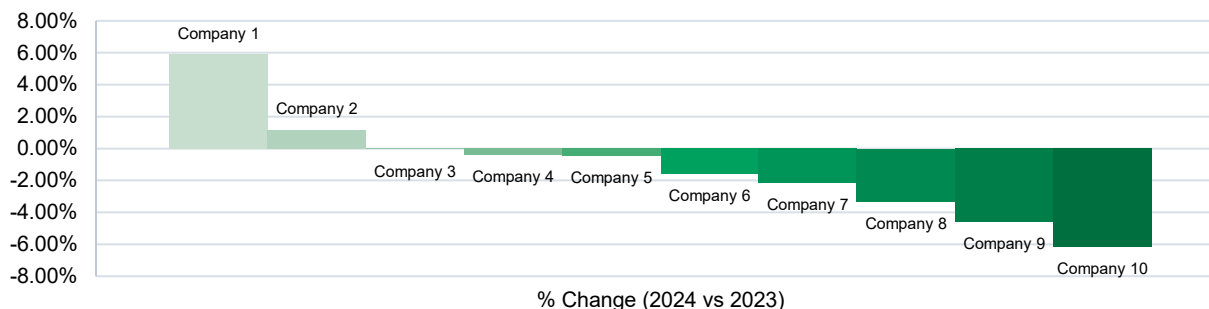
Equity market performance remains particularly important for 'guaranteed-lite' whole-life par products sold in Hong Kong, where the equity backing ratio can be high (in some cases in the range of 75%). Sustained equity underperformance (including public or private equities) relative to expectations can place downward pressure on non-guaranteed benefits, even if equities recover in a given year.

Other factors that influence the decision of insurers to adjust non-guaranteed benefits, and are actively managed, include:

- Smoothing adjustment of non-guaranteed benefits so that all investment gains (or losses) are not fully passed to the policyholder in a single year, allowing insurers to absorb volatility over time
- Considerations around future economic outlook (e.g., long-term government bond yield, long-term equity return, long-term credit spread)
- Commercial considerations, including competitiveness and broader customer management objectives

## Changes in company-level fulfillment ratios for reporting year 2024 vs 2023

FIGURE 3: CHANGE IN COMPANY-LEVEL FULFILLMENT RATIOS



The chart above shows the absolute change in company-level fulfillment ratios from reporting year 2023 to 2024 for the ten selected life insurers included in the industry-level fulfillment ratios.

Overall, the selected companies experienced mixed movements in 2024, with changes ranging from –6.2% to +5.9%. Differences across insurers were driven primarily by (i) par fund investment performance (including reinvestment yields and realised/unrealised gains); and (ii) each insurer’s bonus or dividend philosophy and smoothing approach. Although market conditions (and equity returns in particular) were more positive during 2024 compared to 2023, reported outcomes may still reflect the lagged impact of prior years’ equity performance and the higher-interest-rate environment, including the extent to which experience is recognised through smoothing and the interaction between asset performance and liability valuation.

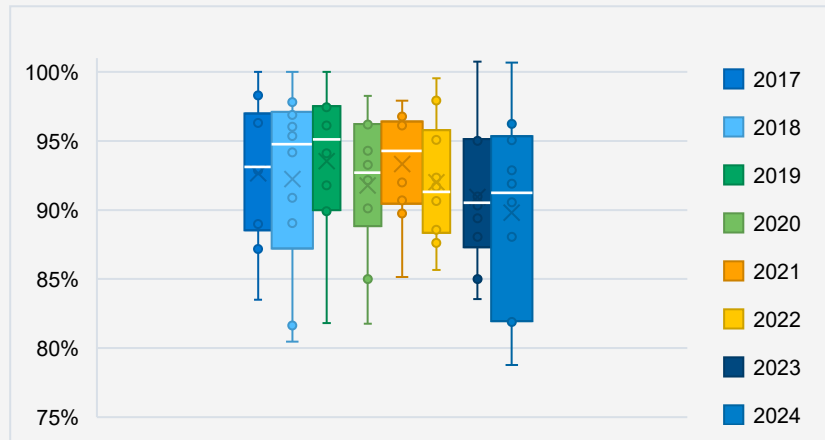
When analysing changes in fulfillment ratios by benefit type, products with reversionary bonuses often exhibit larger reductions than those with terminal dividends, as declared reversionary bonuses become part of future guaranteed benefits and reduce management flexibility. In contrast, terminal dividends are more easily adjustable. Some companies may also have revised terminal bonus scales for future policy years. However, these revisions may not be reflected in the current fulfillment ratio, which is based on non-guaranteed dividends or bonuses declared to date relative to the illustrated amounts at the point of sale.

Differences in change in company-level fulfillment ratios in a mixed market environment highlight that bonus-setting practices vary widely across insurers, reflecting company-specific circumstances and approaches. Companies that recorded increases in fulfillment ratios may have benefited from stronger par fund investment performance and/or a greater capacity to maintain dividend or bonus declarations. Such outcomes are typically underpinned by portfolio optimisation and effective risk management (e.g., interest-rate hedging). Conversely, companies that saw declines may have taken a more conservative stance on current and future outlook, as the lagged effects of prior market movements and a higher-interest-rate environment continued to weigh on asset returns and liability valuations, leading to reduced bonus declarations.

## A closer look at the historical distribution of company-level fulfillment ratios

**FIGURE 4: HISTORICAL DISTRIBUTION OF COMPANY-LEVEL FULFILLMENT RATIOS**

The box plot shows the minimum/25th/50th/75th/maximum company-level fulfillment ratio of the ten companies covered under the Index. Although the maximum and various percentiles decreased noticeably in 2021 compared to 2017, they have widened since 2021.



The length of the box in a box plot represents the interquartile range (IQR), which is the distance between the first quartile (25th percentile) and the third quartile (75th percentile), covering the middle 50% of the data. The line within the box represents the median (50th percentile), showing the central point of the data.

For example, in 2021, a shorter box and whiskers suggest that companies' fulfillment ratios showed less variability, indicating a more consistent approach to adjusting bonuses and dividends across companies. Conversely, a longer box and whiskers after 2021 implies increased diversity in their bonus adjustment decisions, possibly due to varying smoothing mechanisms or commercial considerations.

## Conclusion and what is next for fulfillment ratios

For the 2024 reporting year, the Index shows fulfillment ratios slightly decreased for the top-ten life insurers. Although market conditions were supportive in certain segments during 2024, a single year's asset performance does not directly flow through to non-guaranteed benefit declarations, and approaches vary across insurers. Bonus and dividend declarations are typically guided by longer-term asset return expectations and par fund management policies, including smoothing, and may also reflect company-specific factors such as asset mix and investment performance. As a result, improvements in non-guaranteed benefits can be dampened or delayed. Looking ahead to the 2025 reporting year, a modest improvement remains plausible if investment performance is favourable. However, dispersion across companies is likely to persist.

The relative stability in the Index should also be interpreted in light of product mix and policy duration effects. Many 'guaranteed-lite' whole life par products remain in their earlier policy years, where terminal dividends/bonuses have not yet become the dominant driver of illustrated maturity values. As such, near-term fulfillment ratios may not fully reflect later emergence of non-guaranteed benefits. Over time, the Index will be increasingly shaped by insurers' dividend and bonus declarations as cohorts mature, and by how par fund experience is translated into dividend or bonus declaration through smoothing, expense and lapse experience, and capital and risk management decisions.

Separately, the recent illustration cap imposed by the Insurance Authority, which is intended to set minimum standards for the illustration rates used at the point of sale, may narrow the gap between illustrated and actual outcomes by reducing illustrated benefits (and thus the denominator in the fulfillment ratio), mechanically lifting ratios if the declared benefits are unchanged. In practice, the cap is more likely to take effect only in later policy years, so any impact may be limited, or not yet observable, in the near term. Further details on the illustration cap are set out in the Insurance Authority's [Practice Note](#) and our [e-alert](#) published in March 2025.

## More information from the regulator

- The Insurance Authority has updated its website to provide more information on fulfillment ratios ([https://www.ia.org.hk/en/fulfillment\\_ratio/index.html](https://www.ia.org.hk/en/fulfillment_ratio/index.html)), including an introduction to fulfillment ratios, examples of fulfillment ratio calculation and some frequently asked questions.
- There is also an updated list consolidating the website links where insurance companies upload their fulfillment ratios, as well as information on the frequency and timing of each insurer's upload of their latest fulfillment ratios. Some companies upload their fulfillment ratios as early as January, whereas some do so as late as September.
- The Insurance Authority has published a Practice Note on Illustration Rate Caps for benefit illustrations of par policies on its website. ([https://www.ia.org.hk/en/legislative\\_framework/circulars/reg\\_matters/files/Practice\\_Note\\_28022025.pdf](https://www.ia.org.hk/en/legislative_framework/circulars/reg_matters/files/Practice_Note_28022025.pdf))

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Milliman leverages deep expertise, actuarial rigor, and advanced technology to develop solutions for a world at risk. We help clients in the public and private sectors navigate urgent, complex challenges—from extreme weather and market volatility to financial insecurity and rising health costs—so they can meet their business, financial, and social objectives. Our solutions encompass insurance, financial services, healthcare, life sciences, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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