

24 August 2017

Our Ref: INS/TEC/13/18 V

To: Appointed Actuaries of Authorized Long Term
And Composite Insurers in Hong Kong

Dear Sirs,

Reinvestment Yield for Reserving Insurance Ordinance (Cap.41)

I am writing in regard to my circular letters to all Appointed Actuaries dated 5 February 2009, 18 November 2011 and 12 January 2015 which in turn referred to a circular notice issued by the Actuarial Society of Hong Kong (“ASHK”) to Appointed Actuaries on 19 December 2008 (“Circular Notice”) regarding the above subject.

In light of the volatility in the global capital market and the continuation of the low interest rate environment, ASHK has recently conducted another review of the sample approach and parameters which was first developed in 2008 on the determination of reinvestment yield for reserving in compliance with section 8(7)(a) in the Insurance (Determination of Long Term Liabilities) Rules (Cap.41E). This is also in line with point (e) of my circular letter in 2015 which suggested that the sample approach and parameters may be subject to a review after 2016 in order to reflect on the practical experience gained.

ASHK’s Council has recently reviewed the guidance in the Circular Notice and has concluded that the guidance continues to remain appropriate.

Given the ASHK’s finding and continuation of low interest environment, the Insurance Authority (“IA”) has no objection to the continuing use of the sample approach and parameters. I would, once again, like to draw your attention to the following -

- (a) Appointed Actuaries remain bound by their statutory duties in ensuring financial soundness of the insurers for which they serve and should discharge such statutory duties strictly in accordance with Professional Standard 1 promulgated by ASHK and prescribed under section 15C of the Insurance Ordinance;

- (b) Appointed Actuaries may adopt the sample approach and parameters having regard to circumstances pertaining to the long term insurers for which they serve, and once adopted, they should be consistently applied;
- (c) Appointed Actuaries should be able to demonstrate to the satisfaction of IA that any departure and modification is supported by prudent assessment without compromising financial soundness of the insurers concerned;
- (d) IA reserves the right to require an insurer and/or Appointed Actuary to commission an independent actuarial review for the purpose of assessing and justifying any departure or modification; and
- (e) The sample approach and parameters may be applied in determining reinvestment yield for reserving in actuarial valuation reports for the financial years up to 2019, after which another review will be conducted, taking into account the practical experience gained.

If you have any questions on the above, please feel free to contact your case officer for information or clarification.

Yours faithfully,



Carol Hui
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Long Term Business Division
Insurance Authority

c.c. Chief Executives of all authorized insurers carrying on long term business
Chairman, The Hong Kong Federation of Insurers
President, The Actuarial Society of Hong Kong