



# SAMPLE QUESTIONS

**ASHK Certificate Examination**

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## GENERAL INSURANCE PAPER

*Note: This sample question booklet is published solely to help candidates of the ASHK Examination (General Insurance Paper) familiarise themselves with the form and style of questions which they may see in the examination.*

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No	Syllabus Section	Syllabus Topic	Question	Answer
1	3.4.1	Role of actuaries in GI market	<p><b>The Insurance Authority requires insurers that carry on _____ to commission an annual review of the reserves of these lines of business.</b></p> <p>I – Employees' Compensation (EC)  II – Motor Insurance business  III – Travel Insurance business</p> <p>a. I only  b. I and II only  c. I and III only  d. II and III only  e. All of the above</p>	b
2	3.4.1	Role of actuaries in GI market	<p><b>The annual actuarial report needs to be submitted to the Insurance Authority for review. It is the responsibility of the _____ of the insurer to ensure that the report and certificate is submitted to the Board of Directors of the insurer, or the regional headquarters in the case of a non-Hong Kong incorporated insurer, for information.</b></p> <p>a. Chief Executive  b. Chief Actuary  c. Chief Financial Officer  d. Chief Auditor  e. Chief Risk Officer</p>	a

3	3.4.1	Role of actuaries in GI market	<p>The valuation of insurance liabilities of each class of business must comprise which of the following?</p> <p>I – Best estimate of the premiums liabilities  II – Best estimate of the outstanding claims liabilities  III – Best estimate of the deferred acquisition costs (DAC)</p> <p>a. I only  b. II only  c. I and II only  d. I and III only  e. I, II and III</p>	C
4	3.4.1	Role of actuaries in GI market	<p><b>The actuarial review report and certificate prepared are to be submitted to the Insurance Authority within _____ after the close of the financial year.</b></p> <p>a. 1 month  b. 2 months  c. 3 months  d. 4 months  e. 5 months</p>	d
5	3.4.1	Role of actuaries in GI market	<p><b>Which of the following statements is/are CORRECT about the statutory role of actuaries?</b></p> <p>I – There are minimum requirements of qualifications and work experience with regard to the certifying actuary, to ensure the actuary is familiar with the legal, judicial and social trends in Hong Kong that may impact upon the valuation of the liabilities.  II – Insurers are not allowed to appoint actuary that possess qualifications and experience other than prescribed under any circumstances.  III – An Appointed Actuary must have obtained a law degree for at least 3 years.</p> <p>a. None of I, II and III  b. I only  c. II only  d. I and II only  e. I and III only</p>	b

6	3.4.2	Main types of products in Hong Kong market	<p><b>Which of the following is/are not classified as type(s) of General Insurance business according to The Hong Kong Federation of Insurers (HKFI)?</b></p> <p><b>I – Household Contents and Building Insurance</b>  <b>II – Personal Liability Insurance</b>  <b>III – Travel Insurance</b>  <b>IV – Life Insurance</b></p> <p>a. I and II only  b. I and III only  c. II and III only  d. III and IV only  e. IV only</p>	e
7	3.4.2	Main types of products in Hong Kong market	<p><b>Between 2016 and 2018, which of the following major lines of business has the largest amount of gross written premiums?</b></p> <p>a. Accident and Health  b. Motor Vehicle  c. Property Damage  d. General Liability  e. Pecuniary Loss</p>	a
8	3.4.2	Main types of products in Hong Kong market	<p><b>Which two of the following circumstances are covered by the usual form of commercial theft insurance policies in Hong Kong?</b></p> <p><b>I – Theft after entry is gained by smashing a window.</b>  <b>II – Theft of stock by members of the insured's own staff.</b>  <b>III – Theft after thieves crash a vehicle into the insured shop.</b>  <b>IV – Damage caused by thieves setting fire to the insured premises.</b></p> <p>a. I and II only  b. I and III only  c. I and IV only  d. II and III only  e. II and IV only</p>	b

9	3.4.3	Overview of market landscape in Hong Kong	<p><b>Where a policyholder is obliged to disclose any material facts when the policy is renewed, renewal notices should notify the policyholder of this duty to disclose including the necessity to disclose changes affecting the risk where such changes have occurred since _____.</b></p> <p>a. the policy inception b. the last renewal c. the policy inception or last renewal, whichever was the earlier d. the policy inception or last renewal, whichever was the later e. None of the others</p>	d
10	3.4.3	Overview of market landscape in Hong Kong	<p><b>Which of the following statements is/are CORRECT about administration and policy contract documentation?</b></p> <p><b>I – Medical data and financial information relating to applicants or lives insured is confidential; the data and information should be stored securely and access to them should be limited and strictly controlled.</b></p> <p><b>II – Insurers should accept that any inaccuracy resulting from their employees during the course of their employment should not result in losses to policyholders.</b></p> <p><b>III – Insurers should draft policy documentation, so far as possible, simply and in plain language. The documentation should be designed and presented with the aim of aiding comprehension by consumers.</b></p> <p>a. I only b. I and II only c. I and III only d. II and III only e. I, II and III</p>	e

11	3.4.3	Overview of market landscape in Hong Kong	<p><b>The difference between ‘inwards reinsurance’ and ‘outwards reinsurance’ for a given insurance company is that:</b></p> <p>a. inwards reinsurance is with Hong Kong reinsurers  b. outwards reinsurance is with non-Hong Kong reinsurers  c. inwards reinsurance is where the company acts as reinsurer  d. outwards reinsurance is where the company acts as reinsurer  e. None of the above</p>	c
12	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Which of the following is/are CORRECT regarding the general insurance reserves in Hong Kong?</b></p> <p><b>I – Only the reserves of two lines of business (Motor and Employees’ Compensation) are required to be certified by an actuary.</b>  <b>II – For classes of GI business other than Motor and Employees’ Compensation, the reserves are determined by reasonable methodology and judgement, but not subject to the sign-off by the auditor on the financial statements.</b>  <b>III – For Accident Insurance and Medical Insurance, the reserves are determined by reasonable methodology and judgement, subject to the sign-off by the auditor on the financial statements.</b></p> <p>a. I only  b. II only  c. I and III only  d. I, II and III  e. None of the above</p>	c

13	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Regarding mortgage guarantee business, which of the following is/are CORRECT?</b></p> <p><b>I – Mortgage guarantee insurance is generally of a long tail nature which distinguishes it from other classes of general insurance business.</b></p> <p><b>II – The risk the mortgage guarantee covers is unique in that defaults by mortgagors are influenced both by events affecting an individual mortgagor's income as well as by general economic downturns.</b></p> <p><b>III – Mortgage guarantee insurance has been a traditional line of business in Hong Kong since 1960.</b></p> <p>a. I only b. II only c. I and II only d. I, II and III e. None of the above</p>	c
14	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Regarding the unearned premium reserve (UPR) in the mortgage guarantee business, which of the following is/are CORRECT?</b></p> <p><b>I – Under the annual premium basis, the annual premium shall be recognised on a declining balance basis over the period of insurance with the remaining balance as UPR.</b></p> <p><b>II – Under the single premium basis, the single premium shall be apportioned equally over the "effective period of risks".</b></p> <p><b>III – Under the single premium basis, the "effective period of risks" which refers to the period commencing from the loan drawdown date to the date when the loan-to-value ratio reduces to 70% or other pre-determined ratio.</b></p> <p>a. I only b. II only c. I and II only d. I, II and III e. None of the above</p>	d

15	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Regarding GL6: Guideline on Reserving for Mortgage Guarantee Business, which of the following is/are CORRECT?</b></p> <p><b>I – An authorised insurer should set aside an adequate amount of provision to meet outstanding claims, including claims the amounts of which have not been determined and claims arising out of incidents that have not been notified to the insurer (IBNR) and related expenses for settling such claims.</b></p> <p><b>II – An authorised insurer should set up a provision for outstanding claims as soon as a mortgage loan which is delinquent for over 100 days is identified.</b></p> <p><b>III – For the purpose of this Guideline, outstanding claims do not imply total risks, but rather identifiable and probable claims.</b></p> <p>a. I only b. II only c. I and II only d. I and III only e. None of the above</p>	d
16	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Regarding contingency reserve (CR) stated in GL6: Guideline on Reserving for Mortgage Guarantee Business, which of the following is/are CORRECT?</b></p> <p><b>I – An authorised insurer should notify the Insurance Authority within 14 days of any withdrawal made from the CR.</b></p> <p><b>II – For the clarification of doubt, the CR is not regarded as part of the “liabilities” for the purposes of the local asset requirement under the Insurance Ordinance (Cap 41).</b></p> <p><b>III – For monitoring purposes, an authorised insurer is required to report separately the amount of CR set aside by it, including any amount of withdrawal made from the CR during the year either in the Hong Kong General Business Returns or by way of a note to the Returns which are submitted to the IA annually.</b></p> <p>a. I only b. II only c. I and II only d. I, II and III e. None of the above</p>	d



17	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>According to GL10: Guideline on the Corporate Governance of Authorized Insurers, which of the following persons would satisfy the Insurance Authority for being an independent non-executive director of an authorized insurer XYZ?</b></p> <ul style="list-style-type: none"> <li>– P is a director of XYZ.</li> <li>– Q is an associate of P.</li> <li>– R is a controller of XYZ.</li> <li>– S was a former employee of XYZ before she retired four years ago.</li> </ul> <p>a. S only b. R only c. Q and S only d. P and Q only e. Q and R only</p>	a
18	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Which of the following is/are true regarding GL12: Guideline on Reinsurance with Related Companies?</b></p> <p>I – If the Insurance Authority does not consider the security offered by the particular reinsurer as acceptable, then it would have supervisory concern on such reinsurance arrangement.</p> <p>II – In general, a clean, irrevocable, unconditional and permanently renewable (evergreen) letter of credit drawn on a bank in Hong Kong which holds a valid banking licence and made payable to the Insurance Authority would be regarded as an acceptable collateral security.</p> <p>III – For monitoring purposes, an authorized insurer is required to inform the Insurance Authority the names of the related reinsurers.</p> <p>a. II only b. I and II only c. I and III only d. II and III only e. I, II and III</p>	e

19	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>According to GL17: Guideline on Reinsurance, in considering the adequacy of an authorized insurer's reinsurance arrangements, which of the following factors would the Insurance Authority generally take into account?</b></p> <p><b>I – maximum retention of the insurer</b>  <b>II – type of reinsurance arrangements</b>  <b>III – security of reinsurers</b>  <b>IV – reinsurance management framework of the insurer</b></p> <p>a. All but I  b. All but II  c. All but III  d. All but IV  e. I, II, III and IV</p>	e
20	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Which of the following is/are true regarding GL21: Guideline on Enterprise Risk Management (ERM)?</b></p> <p><b>I – The appointed actuary or the chief risk officer, rather than the board of directors, of an authorized insurer has the ultimate responsibility for establishing, implementing and overseeing an effective ERM framework.</b>  <b>II – The risk appetite statement of the authorized insurer should define the risk capacity and give clear guidance to operational management on the risk limits of material risks.</b>  <b>III – The maintained sufficient amount of capital (Target Capital) should not be lower than the regulatory capital requirements.</b></p> <p>a. II only  b. III only  c. I and III only  d. II and III only  e. I, II and III</p>	d

21	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>According to AGN4: Outstanding Claim Liabilities and Premium Liabilities for General Insurance Business, which of the following are regarded as outstanding claim liabilities?</b></p> <p><b>I – claims which have been paid but may be reopened</b> <b>II – claims which have been incurred but have not yet been reported</b> <b>III – claims which have been reported and have not yet been finalized or settled</b> <b>IV – claims which have been settled</b></p> <p>a. All but I b. All but II c. All but III d. All but IV e. I, II, III and IV</p>	d
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22	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Which of the following is/are true regarding AGN9: Best Estimate Assumptions?</b></p> <p><b>I – Economic assumptions in relation to a portfolio of assets should consider each asset type within the portfolio separately, before combining them with appropriate assumptions in respect of the current and future portfolio composition.</b></p> <p><b>II – Near term economic assumptions for individual asset classes are generally based on market observations. They should be refreshed at least annually or when a new actuarial investigation is performed if material.</b></p> <p><b>III – Long-term economic assumptions should reflect estimates of different market attributes that are considered justifiable over the longer term. Normally they should be reviewed every three years.</b></p> <p>a. I only b. I and II only c. I and III only d. II and III only e. I, II and III</p>	e
23	3.4.4	Regulations, professional standards, guidelines and industry standard practice	<p><b>Based on the following information of a captive insurer, what is the amount of its solvency margin?</b></p> <p>– Gross premium income: HK\$75 million</p> <p>– Net premium income: HK\$60 million</p> <p>– Net claims outstanding: HK\$4 million</p> <p>– Assets and liabilities are valued on the basis of Generally Accepted Accounting Principles (GAAP).</p> <p>a. HK\$1 million b. HK\$2 million c. HK\$3 million d. HK\$4 million e. HK\$5 million</p>	c

24	3.4.5	Recent industry developments	<p><b>Under the RBC framework, it was proposed that the target criteria for PCR should be set at a VaR figure at confidence level _____ over a period of _____.</b></p> <p>a. 99%; one year b. 95%, two years c. 99.9%, one year d. 99.5%, one year e. None of the above</p>	d
25	3.4.5	Recent industry developments	<p><b>Which of the following does NOT belong to a risk category corresponding to the prescribed capital requirement (PCR) under RBC framework.</b></p> <p>a. Property Risk b. Catastrophe Risk c. Currency Risk d. Reputational Risk e. Equity Risk</p>	d
26	3.4.5	Recent industry developments	<p><b>Which of the following is/are CORRECT regarding Tier 1 and Tier 2 capital resources?</b></p> <p><b>I – Tier 1 capital is intended to absorb losses on both going concern and winding-up bases.</b>  <b>II – Having sub-tiers under Tier 1 capital is not an uncommon practice.</b>  <b>III – Tier 2 capital resources will be limited to 50% of the PCR according to QIS 3.</b></p> <p>a. I only b. III only c. I and II only d. I and III only e. I, II and III</p>	e

27	3.4.5	Recent industry developments	<p><b>Insurers' liabilities consist of outstanding claim liabilities and premium liabilities. Each liability is the sum of</b></p> <p><b>I – its best estimate</b>  <b>II – a risk margin</b>  <b>III – a deferred acquisition cost</b></p> <p>a. I and II only  b. I and III only  c. II and III only  d. I, II and III  e. None of the above</p>	a
28	3.4.5	Recent industry developments	<p><b>Regarding the long term margin over current estimate (MOCE) method, which of the following is/are the options mainly adopted by other jurisdictions?</b></p> <p><b>I – Prudence MOCE approach</b>  <b>II – Cost of Capital (COC) MOCE approach</b>  <b>III – Accumulated MOCE approach</b></p> <p>a. I only  b. II only  c. III only  d. I and II only  e. II and III only</p>	d

29	3.4.5	Recent industry developments	<p>Which of the following statements about the Premium Allocation Approach (PAA) is TRUE?</p> <ul style="list-style-type: none"><li>a. PAA requires the discounting of future cash flows.</li><li>b. PAA simplifies the measurement of insurance liabilities for short-duration contracts.</li><li>c. PAA is applicable to both general and life insurance contracts.</li><li>d. PAA requires a detailed estimation of future claims.</li></ul>	b
30	3.4.5	Recent industry developments	<p>What is the required submission period for an actuary's report during the submission transitional period under Cap. 41S?</p> <ul style="list-style-type: none"><li>a. 3 months</li><li>b. 4 months</li><li>c. 5 months</li><li>d. 6 months</li></ul>	d

31	3.4.5	Recent industry developments	<p>What certifications must the actuary provide in the report regarding the valuation of insurance liabilities under Cap. 41S?</p> <p>I - Confirmation of compliance with the Insurance (Valuation and Capital) Rules II - Assurance of data completeness and accuracy III - A statement about the actuary's personal financial interests IV - Opinion on whether provisions for policy obligations are adequate</p> <p>a. I, II and III only b. I, II and IV only c. I, III and IV only d. II, III and IV only</p>	b
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32	3.4.5	Recent industry developments	<p>What factors must be considered to determine the insurer's risk charge from onshore standard mortgage insurance under Cap. 41R?</p> <p>I - Base rate of 2.72% of the risk-in-force II - Loan to value factor III - Loss given default factor IV - Total premiums earned</p> <p>a. I, II and III only b. I, II and IV only c. I, III and IV only d. II, III and IV only</p>	a
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33	3.4.5	Recent industry developments	<p><b>Based on GL4: Guideline on “Fit and Proper” Criteria under the Insurance Ordinance (Cap. 41), which of the following is/are what the Insurance Authority considers?</b></p> <p><b>I – If the same person assumes the role of the key person in more than one control functions, there should not be conflicts between these positions.</b></p> <p><b>II – The chairman of the board of directors should not be the chief executive of the insurer.</b></p> <p><b>III – The appointed actuary should not be the chairman of the board of directors or the chief executive of the insurer.</b></p> <p>a. I only b. I and II only c. I and III only d. II and III e. I, II and III</p>	e
34	3.4.5	Recent industry developments	<p><b>Which of the following is/are true regarding GL9: Guideline on Actuarial Review of Insurance Liabilities in respect of Employees’ Compensation and Motor Insurance Businesses?</b></p> <p><b>I – Insurance liabilities are generally discounted in valuation to reflect the time value of money.</b></p> <p><b>II – In view of the inherent uncertainty in insurance business, it may be often appropriate for the actuary to use more than one method in the estimation of insurance liabilities, then select one or blend the results from more than one as considered most appropriate.</b></p> <p><b>III – The actuary shall compare the actual experience of the authorized insurer, for both premiums liabilities and outstanding claims liabilities, with the results of the previous valuation in the actuarial review report.</b></p> <p>a. II only b. III only c. I and III only d. II and III only e. I, II and III]</p>	d