



SAMPLE QUESTIONS

ASHK Certificate Examination

July 2025 Edition

LIFE INSURANCE PAPER

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

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ACTUARIAL SOCIETY
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No	Syllabus Section	Syllabus Topic	Question	Answer
1	3.2.1	Role of life actuaries	<p>Which of the following is NOT a role to be fulfilled by a statutory role / appointed actuary according to the Insurance Ordinance (Cap. 41)?</p> <p>a. Set, validate and certify the adequacy of the insurance liabilities. b. Set, validate and certify the financial / solvency position of an insurance company. c. Determine the appropriateness of premium rates charged. d. Advise the company on interpreting its policyholders' reasonable expectations. e. All are true.</p>	E
2	3.2.3	Financial reporting	<p>If you were the appointed actuary for an authorised life insurance company in Hong Kong, which of the following statements on the actuarial investigation under Section 18 or 32 of Insurance Ordinance (Cap. 41) that you prepare are TRUE:</p> <p>I – The report needs to be approved by the Board. II – The report must contain a certificate stating, amongst others, that the report is complied with Professional Standard 1 issued by the Actuarial Society of Hong Kong. III – The report must contain Form L2. IV – The report must show projected the solvency positions of the company over the next three years.</p> <p>a. I and II b. II and III c. I, II and III d. I, II and IV e. All of the above</p>	B

3	3.2.3	Guidelines and circulars	<p>For an authorised insurer in Hong Kong, as the minimum requirement, Insurance Authority's guidelines require which of the following Board level committee(s) to be set up?</p> <p>I – Audit committee II – Investment committee III – Risk committee IV – Remuneration committee</p> <p>a. I b. I and III c. I, II and III d. I, III and IV e. All of the above</p>	B
4	3.2.3	Guidelines and circulars	<p>The Insurance Authority has issued GL17 in relation to reinsurance. Which of the following statement is FALSE?</p> <p>a. Reinsurance with Related Companies is not covered under GL17. b. The written reinsurance management strategy should be appropriate to the company's overall risk profile and financial condition. c. Alternative risk transfer ("ART") arrangements are allowed. d. If a reinsurer has a low credit rating, then there are limits as to how much business can be ceded to that reinsurer. e. Except for a professional reinsurer, an authorised insurer should seek the written approval from the Insurance Authority before entering into a new arrangement with insignificant risk transfer.</p>	D

5	3.2.3	Guidelines and circulars	<p>The Insurance Authority must be satisfied that the reinsurance arrangements of an authorised insurer are adequate and it will consider a number of factors in making this assessment. Which of the following factors will NOT be affecting Insurance Authority's assessment?</p> <p>a. Reinsurance management framework of the insurer b. The duration of reinsurance arrangements c. Maximum retention of the insurer d. Spread of risks among reinsurers e. Security of reinsurers</p>	B
6	3.2.3	Guidelines and circulars	<p>The Insurance Authority has issued GL15 in relation to underwriting Class C business. Which of the following statements relating to GL15 is FALSE?</p> <p>a. Indemnity commission is strictly prohibited. b. Client's needs should be assessed using the Financial Needs Analysis form. c. The assessment of suitability of the proposed ILAS product should consider how customer's circumstances might change, but there is no need to consider the potential need of top-up. d. The insurer should verify information provided via the Risk Profile Questionnaire. e. Authorised insurers have the duty to put in place a proper mechanism to ensure the client has understood the Important Facts Statement and Applicant's Declaration.</p>	C
7	3.2.3	Guidelines and circulars	<p>The Insurance Authority has issued GL 15 in relation to underwriting Class C business. Which of the following statements relating to GL15 is FALSE?</p> <p>a. It sets a minimum death benefit of 105% of the account value. b. It sets a maximum charge that a company can impose. c. It requires the customers to be treated fairly. d. It requires the product information provided to customers must be in both English and in Chinese. e. It requires a no growth scenario to be shown in the illustration statement.</p>	B

8	3.2.3	Guidelines and circulars	<p>To ensure appropriate governance of participating policies, GL16 [Guideline on Underwriting Long Term Insurance Business (other than Class C Business)] requires an authorised insurer should have a corporate policy covering allocation of surplus/profits between shareholders and the participating pool, as well as declaration of policyholder dividends/bonuses and other discretionary benefits. Which of the following items does NOT have to be covered in that policy?</p> <p>a. The overall philosophy in setting non-guaranteed policyholder benefits, including sharing surplus or experience, smoothing and guarantees.</p> <p>b. The approach to sharing surplus or experience, including the items to be shared and any quantifications for these.</p> <p>c. The charges for guarantees and/or capital if appropriate, including justifications and reasonableness etc.</p> <p>d. Maintenance of fairness between different products and generations.</p> <p>e. How the assets are held and managed, including an assessment on how investment expenses affect the rates of investment returns.</p>	E
9	3.2.3	Guidelines and circulars	<p>GL16 [Guideline on Underwriting Long Term Insurance Business (other than Class C Business)] requires an authorised insurer to make appropriate disclosure of Non-Guaranteed Benefits. In particular, In addition to the provision of standard illustration, an authorised insurer should adopt prescribed processes at various stages in the life of a policy. Which of the following is NOT one of the specified stages:</p> <p>a. at the point of sale</p> <p>b. during policy life (process to ensure timely and accurate communication especially when changes to customer benefits are anticipated)</p> <p>c. In illustrating premium offset option</p> <p>d. in illustrating withdrawal option</p> <p>e. in illustrating premium paid-up option</p>	E

10	3.2.3	Guidelines and circulars	<p>AGN5 states the principles of life insurance policy illustrations. Which of the item below is NOT one of these principles?</p> <p>a. Illustrations should be suitable to the intended target market. b. Where premiums and benefits are illustrated, the conditions upon which these are payable should be clearly distinguished. c. Due consideration should be taken into the marketing or distribution channel used to sell policies, and how the illustration should and could be used within this context. d. Illustrations must show how benefits might vary under different economic scenarios. e. Illustrations should be consistent with the compliance environment.</p>	D
11	3.2.3	Life insurance taxation	<p>For a life insurer in Hong Kong, the basis of taxation depends on how it determines its assessable profit. Which of the followings are permissible ways of determining the assessable profit?</p> <p>I – 5% of the premium II – 5% of the premium less dividend received III – local statutory profit in the year IV – local statutory profit in the year less dividend received V – 4% of the premium</p> <p>a. I and III b. II and IV c. I and IV d. II and III e. IV and V</p>	C

12	3.2.3	Market conduct	<p>In response to the guidelines issued by the Insurance Authority, Hong Kong Federation of Insurers has developed standard benefit illustrations for which product groups:</p> <p>I – Annuity products II – Investment Linked Assurance Scheme products III – Participating insurance products IV – Universal (non-linked) products</p> <p>a. I and II b. II and III c. I, II and III d. I, II and IV e. II, III and IV</p>	E
13	3.2.3	Professional conduct and actuarial guidance notes	<p>When carrying out an actuarial valuation as required under Chapter 41 of the Insurance Ordinance, which of the following is FALSE:</p> <p>a. The mortality assumption must be based on a mortality table relating to assured lives in Hong Kong b. The valuation rate of interest does not have to be constant over the period of projection c. Even though one needs to make assumption on future expenses, still need to consider whether extra expense provision is needed d. Policies do not necessarily need to be valued on a serial basis e. One does not need to make explicit assumption on the rate of future expense inflation</p>	A
14	3.2.5	Recent industry developments	<p>Which is NOT an objective of the Voluntary Health Insurance Scheme?</p> <p>a. Enhance the protection level of the general public. b. Enhance the protection level of hospital insurance products. c. Relieve the pressure on the public healthcare system in the long run. d. Relieve the pressure on the private healthcare system in the long run. e. Provide the public with an additional choice of using private healthcare services through hospital insurance.</p>	D

15	3.2.5	Recent industry developments	Who initiated the implementation of the Voluntary Health Insurance Scheme Policy Initiative? a. Hospital Authority b. Insurance Authority c. Food and Health Bureau d. All are true e. None is true	C
16	3.2.3.3	Guidelines and circulars	What is the role of the Securities and Futures Commission (SFC) in relation to Class C products? a. Supervising the solvency and capital adequacy of insurers offering linked products b. Granting authorization for the offering documents of investment-linked assurance schemes (ILAS) to be marketed to the public c. Setting prudential standards for insurers' investment strategies in linked portfolios d. Ongoing monitoring of investment performance of Class C products e. Setting product features of Class C products	B
17	3.2.3.3	Guidelines and circulars	What is one of the key duties of the Appointed Actuary in relation to participating products from GL16? a. To approve all marketing materials before product launch b. To ensure the product meet the insurer's profitability targets c. To advise the Board on policyholders' reasonable expectations d. To ensure proper sales practices and training e. To select the investment fund choices	C
18	3.2.3.3	Guidelines and circulars	Which of the following qualify a product series for exemption from fulfillment ratio disclosure for participating products? a. The product was launched before 2010 and still has inforce policies in the reporting year b. The product was launched before 2010 and has had no inforce policies in the last three reporting years c. The product is no longer accepting new policies d. The product has had no inforce policies in the last three reporting years e. The product has not issued new policies after 2010 and has had no inforce policies in the last three reporting years	E

19	3.2.3.3	Guidelines and circulars	<p>Which of the following statements about the Investment Linked Assurance Scheme (ILAS) products is TRUE?</p> <p>a. ILAS products must provide a minimum guarantee of non zero investment return. b. ILAS products are not required to offer any insurance value if they include investment features. c. ILAS products should provide a death benefit of at least 105% of the account value. d. Insurance value is irrelevant if the product includes a guaranteed return. e. HKIA mandates a fixed insurance value across all ILAS products.</p>	C
20	3.2.3.3	Guidelines and circulars	<p>Which of the following statements about the disclosure of Investment Linked Assurance Scheme (ILAS) products is TRUE?</p> <p>a. No growth scenario b. Guaranteed return c. Justification of cost of insurance d. Remuneration of all distribution channels e. Growth scenario provided by HKIA regularly</p>	A
21	3.2.3.3	Guidelines and circulars	<p>Which of the following statements about Alternative Risk Transfer (ART) is FALSE?</p> <p>a. ART arrangements must be economically effective and not solely for capital relief. b. ART structures are exempt from the requirement to transfer significant insurance risk. c. Insurers must assess the counterparty risk and legal enforceability of ART contracts. d. ART arrangements should be subject to the same governance and risk management standards as traditional reinsurance. e. HKIA may require additional documentation to assess the effectiveness of ART structures.</p>	B

22	3.2.3.4	Professional conduct and actuarial guidance notes	<p>Which of the following are false regarding the General Actuarial Practice?</p> <p>a. An omission, understatement, or overstatement is material if it would affect significantly either the Intended User's decision-making or the Intended User's reasonable expectations</p> <p>b. Reasonable steps should be taken to review the consistency, completeness, and accuracy of the data used.</p> <p>c. When setting assumptions, it should use data specific to the organization, population data, or other published data only.</p> <p>d. The possible effect of any data deficiencies (such as inadequacy, inconsistency, incompleteness, inaccuracy, and unreasonableness) on the results should be considered.</p> <p>e. Model change control process include avoids unauthorized changes to the model; documents any changes made and any material impact; and allows any changes to be reversed.</p>	C
23	3.2.3.3	Guidelines and circulars	<p>Which of the following statements are correct regarding policy replacement?</p> <p>I - the customer has or had another life insurance policy (or other life insurance policies)</p> <p>II – the policy holder(s) of the existing life insurance policy and the life insurance policy being purchased is (are) the same</p> <p>III - the customer is using, or intends to use, some or all of the total cash value of the existing life insurance policy to fund the purchase of the new life insurance policy</p> <p>IV - the customer taking out (or having taken out) a policy loan from the existing life insurance policy</p> <p>a. I and II only</p> <p>b. I and III only</p> <p>c. II and III only</p> <p>d. II, III and IV only</p> <p>e. All of the above</p>	E

24	3.2.3.3	Guidelines and circulars	<p>Which of the following statements are false regarding Qualifying Deferred Annuity Policy (QDAP)?</p> <ul style="list-style-type: none">a. The annuity period shall only start when the annuitant(s) has/have reached the age of 50 or beyond.b. Separate Annual Summary in respect of each policy to the policy holders within 60 days after the end of the year of assessment (i.e. 31 March)c. Surrender value should be set at a level where insurers do not profit from early terminationd. Personalized IRRs for the guaranteed IRR and total IRR should be disclosed in the Benefit Illustration at the point of sale.e. The length of the annuity period is at least 10 years.	B
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25	3.2.3.3	Guidelines and circulars	<p>Which of the following statements are correct regarding the establishment and maintenance of participating business?</p> <p>I – The allocation of costs is considered fair, equitable and reasonable if the costs are necessary to cover the ongoing operations and the costs are justified by the expected benefit to the relevant policy holders.</p> <p>II – The basis and justification for determining the allocation of expenses and charges to an applicable participating fund should be set out clearly in the corporate policy and endorsed by the Board.</p> <p>III – The allocation of distributable surplus/profits arising from the participating business should be fair and equitable; in line with the reasonable expectations of policy holders; sustainable; and compliant with the corporate policy as approved by the Board.</p> <p>IV – If the insurer's total amount of insurance liabilities (net of reinsurance) of all applicable participating funds increases to HKD 1 billion or above for 4 consecutive reported quarters, the insurer is required to physically segregate each of its applicable participating funds from its other long term business within 6 months from the end of the fourth such reported quarter.</p> <p>a. I and II only b. I and III only c. I, II and III only d. I, II and IV only e. All of the above</p>	C
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26	3.2.3.3	Guidelines and circulars	<p>Which of the following statement is false regarding the product information to customer in relation to the medical insurance products?</p> <p>I - A statement displayed at a prominent position in the sales materials (e.g. product brochure, online promotional information) stating that the product information does not contain the full terms of the policy and the full terms can be found in the policy document</p> <p>II - The type of medical insurance product (e.g. critical illness, long term care benefit or IHIP) and its coverage</p> <p>III - Key features including but not limited to benefits of the product (e.g. the principle of indemnity, waiting period, etc.)</p> <p>IV - Migration arrangement from a non-VHIS-compliant policy to a VHIS-compliant policy, if applicable</p> <p>a. I and II only b. I and IV only c. II and III only d. III and IV only e. All of the above</p>	E
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27	3.2.3.3	Guidelines and circulars	<p>Pursuant to rule 6(3)(a) of the Insurance (Submission of Statements, Reports and Information) Rules (Cap. 41S), the report must include the general principles, details of the methods, assumptions (with justification), and analysis used by the Appointed Actuary in valuing the insurance liabilities by each type of long term business. Which of the following is/ are the minimum requirements to be covered in the report?</p> <p>I - Definition of terms and expressions used in the report that may be ambiguous or open to interpretation; II - Data; III - Valuation methodology; IV - Valuation assumptions; and V - Results analysis and commentary.</p> <p>a. III and IV only b. II, III and IV only c. II, III, IV and V only d. II, III and V only e. All of the above</p>	E
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28	3.2.3.3	Guidelines and circulars	<p>The Appointed Actuary should disclose the process for determining the contract boundary for the relevant insurance contracts. Which of the following statement is not required as part of the considerations?</p> <p>a. Justification for whether the authorized insurer has the practical ability to reassess the risks of a contract of insurance or a portfolio of contracts of insurance that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risks.</p> <p>b. The financial impacts of both the long contract boundary and short contract boundary should be disclosed.</p> <p>c. Justification for whether the pricing of the premiums for coverage up to the date when the risks are reassessed takes into account the risks that relate to periods after the reassessment date.</p> <p>d. Disclosure of and justification for any significant changes in the contract boundary assessment from the immediately preceding report (if any), with an explanation and quantification of the financial impact arising from each of such changes.</p> <p>e. The unbundling of distinguishable sets of insurance obligations under the insurance contracts before assessing contract boundaries, with any limitations clearly explained.</p>	B
29	3.2.3.3	Guidelines and circulars	<p>Which of the following item is not part of the capital resources under the Unlimited Tier 1 capital?</p> <p>a. share premium, if any, resulting from the Unlimited Tier 1 capital instruments issued by the insurer</p> <p>b. the insurer's retained earnings net of any dividends that are proposed to be declared or declared by the insurer</p> <p>c. the amount of any goodwill that is recognized by the insurer as an intangible asset of the insurer, net of any associated deferred tax liabilities</p> <p>d. the accumulated other comprehensive income of the insurer</p> <p>e. the fair market value of the insurer's equity-settled employee stock options provided that a corresponding expense is recorded in the profit and loss account or retained earnings of the insurer in accordance with applicable accounting standards</p>	C

30	3.2.3.3	Guidelines and circulars	<p>Which of the following statement about cash flows projection is not correct?</p> <ul style="list-style-type: none">a. insurers should allow for expected policy holder behaviour, which may include dynamic policy holder behaviour.b. the calculation should be based on best estimate assumptions with margin which reflect expected realistic future demographic, legal, medical, technological, social or economic developments.c. the calculation should include cash flows arising from future discretionary benefits which are expected to be paid.d. insurers should take into account the obligations under related contractual options and financial guarantees.e. insurers should take into account the probability of occurrence, timing, frequency and severity of the insured events and their corresponding cash flows.	B
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