



ACTUARIAL SOCIETY
of
H O N G K O N G
香 港 精 算 學 會

25 November 2016

Dear Members,

**The Actuarial Society of Hong Kong (“ASHK”) –
Actuarial Guidance Note 7: Dynamic Solvency Testing (“AGN 7”)
Effective 31 December 2016**

The ASHK Life Committee issued a member consultation on the exposure draft for Actuarial Guidance Note 7 (AGN7) on Dynamic Solvency Testing from 12 August 2016 to 23 September 2016. Following the consultation, the AGN7 Working Group took into consideration members’ comments and submitted a revised version of the exposure draft to the ASHK Professional Matters Committee as well as the ASHK Council for approval.

With approval from the Professional Matters Committee and the Council on 21 November 2016, a copy of the revised AGN7 which will take effect on 31 December 2016 is now enclosed for your attention.

Members will note that the main changes contained in this revised version compared to the current AGN7 are as follows:

- A new operational incidents section (with an example scenario), including a requirement to assess the impact of a loss of 1% of linked assets for all companies with existing Class C business;
- A new credit default loss section, including a bond default scenario and a separate reinsurer default scenario;
- A change to the mortality stress parameters for the pandemic scenario;
- A new paragraph outlining the importance of factoring in policyholder behaviour where relevant;
- A change from a 15% drop in interest rates to a 30% drop in interest rates in the prescribed scenario allowing for decreasing interest rates; and
- Other cosmetic changes.

We would like to thank members who participated in the consultation and provided us with their feedback.

Yours sincerely,

Sai-Cheong Foong
Co-Chairperson of the Life Committee
The Actuarial Society of Hong Kong

Jeremy Porter
Co-Chairperson of the Life Committee
The Actuarial Society of Hong Kong

Encl.