

4 February 2019



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

Dear ASHK General Insurance Members,

### **Documentation of GL9 Reports**

Happy Chinese New Year! ASHK Non-life Committee recently met with actuaries from the Insurance Authority (“IA”) review team. A number of topics were discussed in relation to valuation reports produced in accordance with the IA’s, “Guideline on Actuarial Review of Insurance Liabilities in respect of Employees’ Compensation and Motor Insurance businesses” (“GL9”).

A new actuarial team in IA has been set up whose duties include reviewing the GL9 reports, as such IA reached out to share with the actuarial community.

Below we have outlined key aspects of the discussion. Certifying Actuaries should review these points in conjunction with existing guidance from the Society (The ASHK Professional Conduct Code and AGN4 – Outstanding Claim Liabilities and Premium Liabilities for General Insurance Business), GL9, and exercise actuarial judgement as to what constitutes good practice.

#### ***Discussion points with the IA:***

- The expectation of a GL9 report is to contain sufficient information to enable an informed reader to form a view of reasonableness of the estimation performed. In particular, the following GL9 paragraphs are highlighted:
  - [GL9 4.6a] Assumptions Justification - actuaries should explain and show evidence for the material assumptions taken.
  - [GL9 4.9] Risk Sub-division - actuaries should exercise judgement on the sub-division, for example, but not limited to, taking into account factors like the exposure pattern, risk nature and claim characteristics.
  - [GL9 4.11] Business Description - actuaries should include sufficient detail on the latest business operation to support material assumptions.
  - [GL9 4.18] Prior Year Ultimate Movement - actuaries should advise the company the reasons for movements, to the extent that the company can explain and identify follow up investigations or remedial actions.
- Actuaries should be aware that the IA may seek greater clarity from insurance company management teams in relation to actions taken based on the current year and prior year findings from actuarial reports.

In closing, we believe that this represents an opportunity for the actuarial profession in Hong Kong. An increased focus in reserving within a company's control cycle will have a positive impact to the role actuaries play in the insurance market through bringing value to management, and enhancing our standing with the regulator. We recommend actuaries to review whether there are sufficient resources to prepare quality GL9 reports and inform to the management and the board on whether resources are sufficient.

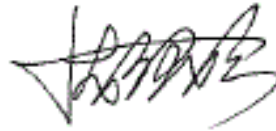
ASHK will provide full support to our members and will continue to work with the IA to strengthen the role of the actuaries in Hong Kong. Meanwhile ASHK will send a copy of the letter to Hong Kong Federation of Insurers ("HKFI") and ask for circulation to its General Insurance Member Companies' Chief Executives.

Feel free to contact the ASHK Office at [info@actuaries.org.hk](mailto:info@actuaries.org.hk) if you have any questions.

Yours faithfully,



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