



SAMPLE QUESTIONS

ASHK Examination

February 2019 Edition

LIFE INSURANCE PAPER

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

This booklet does NOT constitute past examination papers, NOR does it represent the number of questions or topic coverage in actual examinations. It should also be noted that this booklet is by no means intended to be a practice examination paper for readers. Readers should not equate success in answering the sample questions to success in the ASHK Examination (Life Insurance Paper).



ACTUARIAL SOCIETY
HONG KONG
香港精算學會

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	3.2.2	Market landscape in Hong Kong	<p>Which of the following statement on Hong Kong life insurance market landscape is FALSE?</p> <p>a. Looking at the annual rate of growth in new office premium in 2016, individual life (non-linked) business has increased in percentage terms. b. Looking at the annual rate of growth in new office premium in 2016, individual life (linked) business has decreased in percentage terms. c. Looking at the annual rate of growth in the number of new policies sold in 2016, individual life business has decreased in percentage terms. d. Looking at components that make up the total inforce business at year end 2016, individual life business is the most dominant line of business. e. Looking at the total inforce business at year end 2016, the total office premium increased compared with that one year ago.</p>	C
3	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
4	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

No	Syllabus Section	Syllabus Topic	Question	Answer
5	3.2.3	Guidelines and circulars	<p>AGN 7 issued by the Actuarial Society of Hong Kong provides guidance to the appointed actuaries when preparing the annual Dynamic Solvency Testing (DST) report. Which of the statements below are TRUE?</p> <p>I – AGN 7 has described the five prescribed scenarios which should be tested II – AGN 7 says the number of compound scenarios which should be tested is exactly three III – AGN 7 requires the report to show the actual solvency ratios as at two previous year ends and as at current year end IV – AGN 7 requires the report to show the how the actual solvency ratio at current year end compares with that expected at last year end's DST report</p> <p>a. III and IV b. II and III c. I, II and III d. II, III and IV e. All of the above</p>	A
6	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
7	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
8	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

No	Syllabus Section	Syllabus Topic	Question	Answer
9	3.2.3	Guidelines and circulars	<p>Which of the following examples when performed by a service provider are generally regarded as outsources for the purposes of GL14 (Guideline on Outsourcing)?</p> <p>I – Application processing II – Policy administration III – Sale of insurance policies by agents or brokers IV – Ceding insurance business V – Investment management VI – Marketing & research VII – Independent audit review</p> <p>a. I, II, III, IV & V b. I, II, V & VI c. I, II, III, V, VI & VII d. I, II, III, IV, V & VII e. All of the above</p>	B
10	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
11	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. b. The approach to sharing surplus or experience, including the items to be shared and any quantifications for these. c. The charges for guarantees and/or capital if appropriate, including justifications and reasonableness etc. d. Maintenance of fairness between different products and generations. e. How the assets are held and managed, including an assessment on how investment expenses affect the rates of investment returns.</p>	E
12	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 b. during policy life (process to ensure timely and accurate communication especially when changes to customer benefits are anticipated) c. In illustrating premium offset option d. in illustrating withdrawal option e. in illustrating premium paid-up option</p>	E
13	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

No	Syllabus Section	Syllabus Topic	Question	Answer
14	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 net premium II – 5% of the net 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 net 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
15	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
16	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
17	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
18	3.2.5	Recent industry developments	<p>Who initiated the implementation of the Voluntary Health Insurance Scheme Policy Initiative?</p> <p>a. Hospital Authority b. Insurance Authority c. Food and Health Bureau d. All are true e. None is true</p>	C