



圖文傳真 Fax: (852) 2869 0252

覆函請註明本處檔號

In reply please quote this ref. INS/TEC/13/18 III

5 February 2009

來函檔號 Your ref.

電話 Tel. 2867 2555

To : Appointed Actuaries of Authorized Long Term and Composite Insurers in
Hong Kong

Dear Sirs,

**Reinvestment Yield for Reserving
Insurance Companies Ordinance (Cap. 41)**

I am writing in connection with a circular notice issued by the Actuarial Society of Hong Kong ("ASHK") to Appointed Actuaries on 19 December 2008 ("circular notice") regarding the above subject.

Against the background of unprecedented volatility in the global capital market and a low interest rate environment caused by risk aversion, ASHK has engaged in a dialogue with the Insurance Authority ("IA") on the interpretation of section 8(7)(a) in the Insurance Companies (Determination of Long Term Liabilities) Regulation and developed a sample approach and parameters on the determination of reinvestment yield for reserving as outlined in the circular notice after extensive consultation with relevant stakeholders.

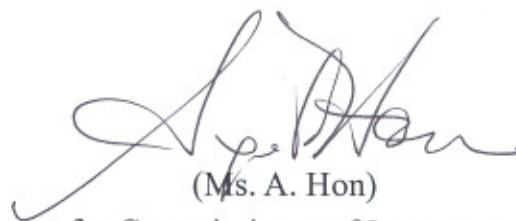
While IA has no objection to the underlying rationale of the sample approach and parameters, I would like to draw your attention to the following -

- (a) Appointed Actuaries remain bound by their statutory duties in ensuring financial soundness of the insurers for which they serve and should discharge such statutory duties strictly in accordance with Professional Standard 1 promulgated by ASHK and prescribed under section 15C of the Insurance Companies Ordinance;

- (b) Appointed Actuaries may adopt the sample approach and parameters having regard to circumstances pertaining to the long term insurers for which they serve. The sample approach and parameters, once adopted, should be consistently applied;
- (c) Appointed Actuaries should be able to demonstrate to the satisfaction of IA that any departure from, or modification of, the sample approach and parameters is supported by prudent assessment without compromising financial soundness of the insurers concerned;
- (d) IA reserves the right to require an insurer and/or Appointed Actuary to commission an independent actuarial review for the purpose of assessing and justifying any departure from, or modification of, the sample approach and parameters; and
- (e) the sample approach and parameters may be applied in determining reinvestment yield for reserving in actuarial valuation reports for the financial years running from 2008 to 2010, after which a review will be conducted based on the practical experience gained.

If you have any questions on the above, please feel free to contact your case officer for information or clarification.

Yours faithfully,



(Ms. A. Hon)

for Commissioner of Insurance
(Insurance Authority)

c.c. Chief Executives of all authorized insurers carrying on long term business (by email)
Chairman, The Hong Kong Federation of Insurers
President, The Actuarial Society of Hong Kong