

保險業監理處

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

3 March 2005

來函檔號 Your ref.

電話 Tel. 2867 2546

To : Chief Executives of all authorized insurers
carrying on long term business

Dear Sirs,

Insurance Companies Ordinance (Cap. 41) (“ICO”)
Actuarial Guidance Note on Dynamic Solvency Testing

I write with reference to the attached [Actuarial Guidance Note on Dynamic Solvency Testing \(“DST”\)](#) passed by The Actuarial Society of Hong Kong (“ASHK”) in its Extra-ordinary General Meeting held on 9 December 2004.

DST has emerged as one of the useful management tools in analyzing and projecting the trends of the capital position of an insurance company under a variety of future scenarios. As part of its initiatives to upholding the actuarial professional standard, the ASHK has researched on the concept of DST since 2001 with the aim to developing an appropriate guidance for adoption by its members in discharging their statutory role as appointed actuaries and in line with the Professional Standard 1 prescribed under the Insurance Companies (Actuaries Standards) Regulation.

In working closely with the ASHK, the Insurance Authority considers it appropriate that the present Actuarial Guidance Note on DST (“AGN 7”), which has been reviewed and supported by the Life Insurance Council of the Hong Kong Federation of Insurers (“LIC”), should become part of the professional standards of appointed actuaries in assessing and reporting the financial condition of the Long Term business of the relevant insurers to the Insurance Authority (“IA”) under section 18 of the ICO.

Following the adoption of the new standard (AGN 7), appointed actuaries are expected to comply with AGN 7 in addition to other relevant actuarial professional standards in satisfying themselves the assets and liabilities position vis-à-vis their inter-relationship and resilience of the financial condition of Long Term insurers in reasonably foreseeable circumstances. As suggested by the LIC, AGN 7 shall be applicable to financial years ending 31 December 2005 and after. A copy of the actuarial opinion as prescribed under paragraph 5 of the AGN 7 shall be submitted to the IA together with the statutory returns as required under section 20 of the ICO. The IA may, if deemed necessary, require Long Term insurers to furnish a certified copy of the DST investigation report for examination and review.

If you have any questions on the above, please contact Mr Jimmy Chan at tel. no. 2867 4818 or the case officer you have been dealing with.

Yours sincerely,

(Richard Yuen)
Commissioner of Insurance

c.c. The Hong Kong Federation of Insurers
The Actuarial Society of Hong Kong