

28 July 2017

Our Ref: INS/TEC/6/20/6

By post (with cover letter
only) and email

To: Chief Executives of authorised insurers enlisted to participate in QIS 1

Dear Sirs,

Participation in the First Quantitative Impact Study (QIS 1) for the Development of the Risk-based Capital (RBC) Regime

I write to enlist your support in participating in QIS 1 and submission of data as set out in the enclosed templates.

Following the Consultation Conclusions on the RBC framework¹ issued in September 2015, we had identified a number of technical issues for further deliberations. From November 2016 to mid-2017, we actively engaged with a number of representatives of the Hong Kong Federation of Insurers (“HKFI”) and the Actuarial Society of Hong Kong through four Industry Focus Groups (IFGs)². The IFGs have discussed the technical issues identified and provided valuable inputs in developing the relevant technical specifications and templates for QIS 1.

Objectives of QIS 1

The objectives of QIS 1 include, among others:

- (a) Collecting data which are appropriate and necessary for further analysis by the Insurance Authority (IA);
- (b) Collecting data on economic balance sheet basis and assessing the impact of the change from the current regulatory basis to the economic basis for each individual participant, and for the industry as a whole;
- (c) Identifying the key insurance and financial risks and sub-risks to which the industry is exposed and understanding the sensitivity of each risk and sub-risk towards the economic balance sheet; and
- (d) Collecting data to formulate our policy decisions on the RBC regime.

¹ https://www.ia.org.hk/en/infocenter/files/rbc_consultation_conclusions.pdf

² The four IFGs are IFG on Pillar 1 (Life Insurance), IFG on Pillar 1 (General Insurance), IFG on Pillar 2 and IFG on Groups.

The data to be collected during QIS 1 is important to enable us to perform data analysis and calibration for the risk charges and capital requirement at a later stage. Your data submission is definitely essential and important because it will provide the risks and circumstances specific to your company for our consideration. In addition, your participation in QIS 1 is contributory to forming the data set for the insurance industry in Hong Kong as a whole. Your participation is therefore **strongly encouraged** with a view to developing an RBC regime which is viable and practicable to market participants.

Submission Instructions

Enclosed are two different packages for QIS 1, one for long term business (filename: *HKQIS2017_Life.zip*) and one for general business (filename: *HKQIS2017_General.zip*). Each package contains:

- 1) A template collecting quantitative data, as well as qualitative data via questionnaires (filename: *HKQIS2017_Life_Template.xlsx* or *HKQIS2017_General_Template.xlsx*)
- 2) Technical Specifications for the completion of the corresponding template, together with the appendices (filename: *HKQIS2017_Life_TechSpec.pdf* or *HKQIS2017_General_TechSpec.pdf*)
- 3) Annex on the discount rate (filename: *HKQIS2017_Life_Annex.xlsx* or *HKQIS2017_General_Annex.xlsx*)
- 4) A template for QIS participants to raise questions which will be addressed by IA through a questions and answers process (“Q&A template”) (filename: *HKQIS2017_Life_Q&A_Template.xlsx* or *HKQIS2017_General_Q&A_Template.xlsx*)

Insurers carrying on long term business only should use the package for long term business, while insurers carrying on general business only should use the package for general business. Composite insurers should use both packages in respect of long term and general business. Completed template(s) (i.e. item (1)) should be submitted to **rbcphase2@ia.org.hk** by **1 December 2017**.

Briefing Sessions

To help you better understand the QIS 1 exercise and complete the template, we will organise three briefing sessions in August 2017 in collaboration with the HKFI. You are cordially invited to attend the briefing session(s), with the details as below:

<u>Briefing session</u>	<u>Conducted in</u>	<u>Date</u>	<u>Time</u>
General business	English	22 Aug 2017 (Tue)	10:00 a.m. – 12:00 nn
General business	Cantonese	25 Aug 2017 (Fri)	10:00 a.m. – 12:00 nn
Long-term business	English	25 Aug 2017 (Fri)	2:00 p.m. – 4:00 p.m.

HKFI will advise you in due course for further information on enrolment. For enquiries relating to briefing sessions, please contact the HKFI at committee@hkfi.org.hk or 2520 1868.

Communication with the IA

If you encounter any questions in filling in the QIS template, please send the questions to rbcphase2@ia.org.hk using the Q&A template (i.e. item (4) above).

We plan to set up a designated QIS webpage on our website with a Q&As corner to facilitate participants' understanding of the QIS exercise. We will inform you when the designated webpage is ready.

To facilitate the efficient communication between the IA and the QIS participant, we shall be grateful if you could nominate a contact person for the matters relating to RBC by completing the attached Reply Slip to rbcphase2@ia.org.hk by **15 August 2017**.

Should you have any enquiries on the above, please email us at rbcphase2@ia.org.hk, or contact either Mr. Tony Chan (Associate Director) at 2153 2734, Miss Kay Szeto (Senior Manager) at 2153 2726 or Mr. Kenny Chan (Manager) at 2153 2741.

Yours faithfully,

Raymond Tam
 Executive Director
 Policy and Development Division
 Insurance Authority

Encls. (attached to email only)

c.c. Chairman, The Hong Kong Federation of Insurers
 President, The Actuarial Society of Hong Kong