

6 August 2018

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

By **email** only

To : Chief Executives of authorized insurers
enlisted to participate in QIS 2

Dear Sirs,

Participation in the Second Quantitative Impact Study (QIS 2) for the Development of the Risk-based Capital (RBC) Regime

I am writing to enlist your support in participating in QIS 2 and submitting data as set out in the enclosed templates.

Based on the data collected from the First Quantitative Impact Study (QIS 1), we conducted calibration for various risk charges and set out methodologies in certain technical aspects. In the past six months, we actively engaged with representatives of the Hong Kong Federation of Insurers and the Actuarial Society of Hong Kong through Industry Focus Groups (IFGs) for Pillar 1 Life and General Insurance Businesses. The IFGs have discussed on technical issues and provided invaluable inputs in developing the relevant technical specifications and templates for QIS 2.

QIS 2 is an important step for the Insurance Authority (IA) to have a holistic view of the solvency position of individual insurers and of the industry as a whole. This would form a basis for the IA to moving forward to the next step of moderation exercise and to perform further testing in the third QIS (QIS 3). While developing the RBC regime, we are mindful of the overarching objectives including alignment with international standards and practices, resilience of the insurance industry for the protection of policy holders, as well as maintaining competitiveness of the Hong Kong insurance industry.

We have maintained close dialogues with the insurance industry. Taking into account feedbacks from the industry, we are open to explore test options, for example, on discount rate of the long term insurance liabilities. We have also reflected the feedbacks in certain areas in QIS2, for example, alignment with the *Hong Kong Financial Reporting Standard 17 Insurance Contract (HKFRS 17)* to a certain extent and the proposed stress levels of certain risks. This would be a continuous process of moderation exercise, aiming at striking a balance towards a pragmatic and effective approach.

Objectives of QIS 2

The objectives of QIS 2 include, among others:

- (a) Collecting industry data which are appropriate and necessary for further analysis or refinement to be carried out by the IA;
- (b) Collecting data on QIS basis and assessing the impact of the changes between the current regulatory basis and the QIS basis, for each individual participant, and for the industry as a whole;
- (c) Testing proposals and the options available to assess the potential financial and solvency positions under the QIS basis; and
- (d) Forming a holistic view of the solvency position of the industry by putting all necessary elements in place in order to formulate policy decision on the RBC regime.

The data to be collected from QIS 2 would enable the IA to perform data analysis and further refine the risk charges and capital requirements in QIS 3. Therefore, your data submission is definitely essential and important because it will provide circumstances specific to your company for our consideration. In addition, your participation in QIS 2 is contributory to forming the data set for the insurance industry in Hong Kong as a whole. Your participation is therefore **essential** in the development of an RBC regime which is viable and practicable to market participants.

Submission Instructions

Enclosed are two different packages for QIS 2: (1) for long term business (filename: *HKQIS2018_Life.zip*), and (2) for general business (filename: *HKQIS2018_General.zip*).

Each package contains the following:

#	Item	Item Description	File for long term business	File for general business
1	Template	A template collecting quantitative qualitative data	<i>HKQIS2018_Life_Template.xlsx</i>	<i>HKQIS2018_General_Template.xlsx</i>
2	Technical Specifications	Technical specifications, along with appendices, for the completion of the corresponding template	<i>HKQIS2018_Life_TechSpec.pdf</i>	<i>HKQIS2018_General_TechSpec.pdf</i>
3	Annex	Annex on discount rates	<i>HKQIS2018_Life_Annex.xlsx</i>	<i>HKQIS2018_General_Annex.xlsx</i>
4	Q&A template	A template for QIS participants to raise questions which will be addressed by the IA through a questions and answers process	<i>HKQIS2018_Life_Q&A_Template.xlsx</i>	<i>HKQIS2018_General_Q&A_Template.xlsx</i>

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.

For insurers incorporated in Hong Kong and insurers based in Hong Kong, a separate template should be completed for each of their overseas branch operations. For insurers operated as a branch in Hong Kong, they will only need to submit one template concerning their operations in Hong Kong.

Completed template(s) should be submitted to rbcphase2@ia.org.hk by **30 November 2018 (Friday)**.

Matching Adjustment

For long term business, there would be a separate package of template and technical specifications in respect of matching adjustment. The package is under preparation currently and will be sent to insurers carrying on long term business once available.

Briefing Sessions

To help you better understand the QIS 2 exercise and complete the template, we will organise three briefing sessions in August 2018. You are cordially invited to attend the briefing session(s) relating to the business that your company is carrying on, with the details as below. Please complete the enrolment form in **Annex I** and submit it by email to rbcphase2@ia.org.hk by **15 August 2018 (Wednesday)**. To ensure fair representation, each authorized insurer is welcomed to nominate at most **two** representatives to attend the briefing session(s).

<u>Briefing session</u>	<u>Conducted in</u>	<u>Date</u>	<u>Time</u>
General business	English	28 Aug 2018 (Tue)	10:00 a.m. – 12:00 nn
General business	Cantonese	31 Aug 2018 (Fri)	10:00 a.m. – 12:00 nn
Long term business	English	30 Aug 2018 (Thur)	3:00 p.m. – 5:00 p.m.

Venue: 19/F, Multi-function Room, Insurance Authority, 41 Heung Yip Road,
Wong Chuk Hang, Hong Kong

Insurer's Collaboration Corner

To facilitate participants' understanding of the development of RBC, we have set up an online platform named Insurer's Collaboration Corner (ICC) at our website as a one-stop shop information centre. Users of ICC can view and download RBC materials, including IFG papers and presentation slides of briefing sessions. Users will be notified by emails whenever there is any upload of new contents. Each insurer will be given one user account. We would be grateful if you could nominate a representative from your company to administer the user account and be the contact person for any matters relating to RBC, by completing the attached **Annex II** to rbcphase2@ia.org.hk by **15 August 2018 (Wednesday)**. We will contact the nominated person individually on the activation of user account after we receive your reply.

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). Q&As will be posted on ICC regularly.

Should you have any enquiries on the above, please email us at rbcphase2@ia.org.hk or contact Mr Kenny Chan (in relation to QIS 2 General Insurance) at 3899 9530 / Mr Tom Cheng (in relation to QIS 2 Long Term Insurance) at 3899 9527.

Yours faithfully,

Raymond Tam
Executive Director
Policy and Development Division
Insurance Authority

Encls.

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

Annex I

To : RBC Team
Email : rbcphase2@ia.org.hk
(Re: QIS 2 Briefing Session)
Deadline for enrolment : **15 August 2018 (Wednesday)**

Enrolment Form for QIS 2 Briefing Session

Name of Insurer: _____

	Long term business		General business	
Session:	30 Aug 2018 (Thur) (English) 3:00 p.m. – 5:00 p.m.		(A) 28 Aug 2018 (Tue) (English) 10:00 a.m. – 12:00 nn (B) 31 Aug 2018 (Fri) (Cantonese) 10:00 a.m. – 12:00 nn (Please input “A” or “B” to indicate your order of preference. You are encouraged to fill in both 1 st and 2 nd priority.)	
	Representative 1	Representative 2	Representative 1	Representative 2
Name:				
Position:				
Telephone:				
Email:				
1 st priority:				
2 nd priority:				

Please contact the RBC team at rbcphase2@ia.org.hk if the representative do not receive the confirmation email from the Insurance Authority by 23 August 2018.

Personal Information Collection Statement (PICS):

The provision of your personal data is voluntary. By providing your personal data, you acknowledge and agree to this PICS. Purpose of Collection: The personal data you provide will be used for future correspondence and in relation to the QIS 2 briefing session. Transfer of Personal Data: The personal data you provide may be disclosed or transferred to organizations that are directly involved in the development of risk-based capital regime. Access to / Correction of Personal Data: In accordance with the Personal Data (Privacy) Ordinance (Cap. 486), you have the right to request access to and correct your personal data held by the Insurance Authority. You may do so by sending a duly completed “Data Access Request Form” (<https://www.pcpd.org.hk/english/publications/files/Dforme.pdf>) to the Personal Data Privacy Officer of the Insurance Authority at 19/F, 41 Heung Yip Road, Wong Chuk Hang, Hong Kong. The Insurance Authority may charge a reasonable fee for complying with your data access request.

Annex II

To : RBC Team
Email : rbcphase2@ia.org.hk
(Re: RBC Contact Person)
Deadline for enrolment : **15 August 2018 (Wednesday)**

Nomination of RBC Contact Person

Name of Insurer: _____

RBC Contact Person cum account holder of Insurer's Collaboration Corner ("ICC")	
Name of representative:	
Position:	
Telephone:	
Email:	
Access code*:	
Additional information related to ICC (optional)	
Secondary email address(es)**:	

* It is a user defined eight-digit code for the purpose of password recovery in ICC. Users can change the access code in the system subsequently.

** Email notifications will be sent to these secondary email addresses when there are updates in ICC.

Personal Information Collection Statement (PICS):

The provision of your personal data is voluntary. By providing your personal data, you acknowledge and agree to this PICS. Purpose of Collection: The personal data you provide will be used for future correspondence and in relation to the QIS and Insurer's Collaboration Corner. Transfer of Personal Data: The personal data you provide may be disclosed or transferred to organizations that are directly involved in the development of risk-based capital regime. Access to / Correction of Personal Data: In accordance with the Personal Data (Privacy) Ordinance (Cap. 486), you have the right to request access to and correct your personal data held by the Insurance Authority. You may do so by sending a duly completed "Data Access Request Form" (<https://www.pcpd.org.hk/english/publications/files/Dforme.pdf>) to the Personal Data Privacy Officer of the Insurance Authority at 19/F, 41 Heung Yip Road, Wong Chuk Hang, Hong Kong. The Insurance Authority may charge a reasonable fee for complying with your data access request.