

LEGISLATIVE COUNCIL BRIEF

**INSURANCE COMPANIES ORDINANCE
(CHAPTER 41)**

Insurance Companies (Actuaries' Standards) Regulation

INTRODUCTION

Annex

The Insurance Authority (IA), with the approval of the Secretary for Financial Services (SFS), has made the Insurance Companies (Actuaries' Standards) Regulation (the Regulation) at the Annex to prescribe the standards to be complied with by the appointed actuaries of insurers under section 59(2)(aa) of the Insurance Companies Ordinance (the Ordinance).

BACKGROUND AND ARGUMENT

2. An insurer carrying on long term business in or from Hong Kong is required under section 15(1) of the Ordinance to appoint an actuary. The Ordinance however is silent on the standards to be complied with by such an appointed actuary. In 1997, amendments were made to the Ordinance to empower the IA to prescribe the standards to be complied with by an appointed actuary. We now propose to prescribe the Professional Standard 1 (PS1), which is developed by the Actuarial Society of Hong Kong (ASHK) in consultation with the IA, as the standard to be complied with by appointed actuaries.

3. By adopting PS1, appointed actuaries will, in addition to their traditional focus on the valuation of long term business liabilities, be responsible for all actuarial aspects of the financial management of long term business including ensuring proper premium setting, a prudent reserving policy, a suitable investment allocation and appropriate reinsurance arrangement; and due reporting of irregularities to the IA.

THE REGULATION

4. The Regulation provides that an actuary appointed under section 15(1) of the Ordinance shall, for the purposes of the Ordinance, comply with PS1 approved by the ASHK including any subsequent amendments thereto made with the approval of the IA and the SFS. We propose that the Regulation shall come into operation on 1 January 2001 to tie in with the reporting cycle of the actuarial reports of insurers.

PUBLIC CONSULTATION

5. The Insurance Advisory Committee, The Hong Kong Federation of Insurers (HKFI) and the ASHK have been consulted. All of them have indicated support for the Regulation.

BASIC LAW IMPLICATIONS

6. The Regulation is consistent with the Basic Law.

HUMAN RIGHTS IMPLICATIONS

7. The Regulation has no human rights implications.

FINANCIAL AND STAFFING IMPLICATIONS

8. There are no financial or staffing implications for the Government.

ECONOMIC IMPLICATIONS

9. The requirement for appointed actuaries to comply with PS1 will facilitate the implementation of a fully fledged appointed actuary system in the Hong Kong insurance sector. This will help the healthy development of the insurance industry and ensure that Hong Kong conforms with the international standards in the supervision of long term insurance business. The requirement will have minimal impact on the operating cost of the insurers.

PUBLICITY

10. The Regulation will be published in the Gazette on 13 October 2000. The IA will also issue a circular letter to the HKFI, the ASHK and insurers carrying on long term business to inform them of the provisions of the Regulation.

LEGISLATIVE TIMETABLE

11. The Regulation will be tabled at the LegCo sitting on 18 October 2000 for negative vetting.

ENQUIRY

12. Enquiries on this Brief may be directed to Miss Maureen To, Principal Assistant Secretary for Financial Services, at 2528 9016.

INSURANCE COMPANIES (ACTUARIES' STANDARDS) REGULATION

(Made under section 59(2)(aa) of the Insurance Companies Ordinance (Cap. 41) with the approval of the Secretary for Financial Services)

1. Commencement

This Regulation shall come into operation on 1 January 2001.

2. Prescribed standards for actuaries

The standards prescribed for the purposes of the Ordinance to be complied with by an actuary appointed under section 15(1) of the Ordinance shall be the standards specified in the Schedule.

SCHEDULE

[s. 2]

STANDARDS TO BE COMPLIED WITH BY AN ACTUARY

"Professional Standard 1(PS1)" approved by the Actuarial Society of Hong Kong (including any subsequent amendment thereto made with the approval of the Insurance Authority and the Secretary for Financial Services).

Insurance Authority

Explanatory Note

This Regulation prescribes the standards that are to be complied with by an actuary appointed under section 15(1) of the Insurance Companies Ordinance (Cap. 41).