L.N. 58 of 2026

Insurance (Valuation and Capital) (Amendment) Rules 2026

Contents

Part 4

Amendments in relation to Other Matters

Insurance (Valuation and Capital) (Amendment) Rules 2026

(Made by the Insurance Authority under section 129(1) of the Insurance Ordinance (Cap. 41))

Part 1

Preliminary

1. Commencement

These Rules come into operation on 31 December 2026.

2. Insurance (Valuation and Capital) Rules amended

The Insurance (Valuation and Capital) Rules (Cap. 41 sub. leg. R) are amended as set out in Parts 2, 3 and 4.

Part 2

Amendments in relation to Infrastructure Investment

3. Rule 44A added

Part 5, Division 2, before rule 45—

Add

“44A. Interpretation

(1) In this Division—

eligible infrastructure investment (合資格基礎設施投資) means an investment that—

(a) is—

(i) an investment in an infrastructure project that satisfies the condition regarding its location in subrule (2);

(ii) an investment in an infrastructure corporate that satisfies the condition regarding its location in subrule (2); or

(iii) an investment in relation to infrastructure assets, as specified by the Authority in a notice published in the Gazette, that satisfies the condition regarding its location in subrule (2);

(b) in the case of an investment under paragraph (a)(i) or (ii), relates to an industry specified by the Authority in a notice published in the Gazette;

(c) an applicable insurer commits to hold the investment for long term purposes, to the Authority’s satisfaction;

(d) in the case of an investment under paragraph (a)(i), satisfies the following project quality criteria—

(i) revenues generated by the infrastructure project are reasonably predictable;

(ii) financial risks faced by the infrastructure project are significantly mitigated;

(iii) investors to the infrastructure project are protected with secured funding or revenue sources;

(iv) the infrastructure project is able to meet its financial obligations under stressed conditions;

(v) risks linked to the management of the infrastructure project are significantly mitigated; and

(vi) material operational risks faced by the infrastructure project are properly managed;

(e) in the case of an investment under paragraph (a)(ii), satisfies the following corporate quality criteria—

(i) revenues generated by the infrastructure corporate are reasonably predictable;

(ii) good credit quality of the infrastructure corporate; and

(iii) investors to the infrastructure corporate are protected with secured funding or revenue sources; and

(f) satisfies any other applicable criteria specified by the Authority from time to time in a notice published in the Gazette;

infrastructure assets (基礎設施) means physical structures, facilities, systems and networks that provide or support essential public services that bring economic and social benefits to society;

infrastructure corporate (基礎設施法團) means an entity or corporate group that derives the substantial majority of its revenue from owning, financing, developing or operating infrastructure assets;

infrastructure project (基礎設施項目) means an entity established for the specific purpose of owning, financing, developing or operating one or more specific infrastructure assets.

(2) For purposes of subrule (1)(a)(i), (ii) and (iii), an investment must satisfy one of the following conditions regarding its location—

(a) the substantial majority of the underlying infrastructure assets of the infrastructure project or infrastructure corporate, or relating to the investment referred to in subrule (1)(a)(iii), must be physically located in Hong Kong or the Chinese Mainland; or

(b) if paragraph (a) is not satisfied, the location of issuance or listing of the investment must be in Hong Kong.”.

4. Rule 48 amended (risk capital amount for credit spread risk)

(1) Rule 48(2), English text—

Repeal

"additive"

Substitute

"additively".

(2) Rule 48(3)(c), before "in the case"—

Add

"subject to paragraph (cb),".

(3) Rule 48(3)(c)—

Repeal

"a factor of 0.9 is multiplied to the stress factor in Table 4"

Substitute

"the stress factor in Table 4 corresponding to its credit rating band and remaining term to maturity may be multiplied by a factor of 0.9".

(4) After rule 48(3)(c)—

Add

"(ca) subject to paragraph (cb), in the case of an eligible infrastructure investment with a credit rating band of 1, 2, 3 or 4 or that is unrated, the stress factor in Table 4 corresponding to its credit rating band and remaining term to maturity may be multiplied by the applicable reduction factor in Table 4A;

Table 4A

Reduction Factor for Eligible Infrastructure Investment under Credit Spread Risk

Column 1	Column 2
Category	Factor
Category A	$0.7 - 0.1 \times \text{Parameter}_{\text{credit spread risk}}$
Category B	0.8

where—

Category A means an eligible infrastructure investment that satisfies the condition in rule 44A(2)(a) regarding its physical location;

Category B means an eligible infrastructure investment that satisfies the condition in rule 44A(2)(b) regarding its location of issuance or listing; and

$\text{Parameter}_{\text{credit spread risk}}$ is specified by the Authority in a notice published in the Gazette;

(cb) if an instrument can satisfy both paragraphs (c) and (ca), only one of those paragraphs may be applied to that instrument, but not both;”.

5. Rule 49 amended (risk capital amount for equity risk)

(1) After rule 49(1)—

Add

“(1A) For purposes of subrule (1), an applicable insurer must determine the aggregate reduction in its total asset value under equity downward stress by—

(a) determining separately, in accordance with subrule (2), the reduction in its total asset value resulting from applying the adjusted equity downward stress factor to—

(i) eligible infrastructure investments; and

(ii) assets other than eligible infrastructure investments; and

(b) aggregating the reduction amounts determined under paragraph (a)(i) and (ii)—

(i) where reduction amounts determined under paragraph (a)(i) and (ii) are both positive, the applicable insurer may choose to aggregate using the following formula—

$$\text{Aggregate reduction amount in assets}_{\text{equity risk}} = \sqrt{\sum_{s1,\,t1} \text{correlation matrix}_{s1,\,t1} \times \text{reduction amount in assets}_{s1} \times \text{reduction amount in assets}_{t1}}$$

where—

correlation matrix refers to the correlation matrix set out in Table 3C of Schedule 7; and

s1 and t1 represent the corresponding subgroup of assets mentioned in paragraph (a)(i) and (ii); or

(ii) otherwise, as the sum of both reduction amounts determined under paragraph (a)(i) and (ii).

(1B) For purposes of subrule (1), an applicable insurer must determine the change in its total liability value (which may be positive or negative) under equity downward stress, by—

(a) for the part of liabilities that is sensitive to the value of its assets, subject to subrule (1C), determining the change in those liabilities consequential to the aggregate reduction in the applicable insurer's total asset value determined under subrule (1A)(b); and

(b) for the part of liabilities that is not sensitive to the value of its assets, applying the adjusted equity downward stress factor determined under subrule (2) to liabilities of the applicable insurer that are sensitive to changes in market prices or volatility of equity.

(1C) For the purpose of subrule (1B)(a), where the applicable insurer determines the change in its total liability value at portfolio level, any diversification effect arising from the aggregation under subrule (1A)(b)(i) is allocated to each portfolio on a proportionate basis.".

(2) Rule 49(2)(a)(i), after "column 1 of Table 5"—

Add

", as modified by subrule (2A) (if applicable)".

(3) After rule 49(2)—

Add

"(2A) In the case of an eligible infrastructure investment that is an asset mentioned under subrule (2)(a) but not a portfolio investment of no look-through—

(a) the equity downward stress factor in Table 5 determined under subrule (2)(a)(i) for that investment may be multiplied by the applicable reduction factor in Table 5A, subject to paragraph (b); and

(b) in the case of an unlisted equity, if applying the reduction factor in column 3 of Table 5A would result in an equity downward stress factor under paragraph (a) that is lower than the equity downward stress factor that would result under paragraph (a) if the equity were listed and the reduction factor in column 2 of Table 5A were applied, then the reduction factor in column 2 of Table 5A is to be applied under paragraph (a) instead.

Table 5A

Reduction Factor for Eligible Infrastructure Investment under Equity Risk

Column 1	Column 2	Column 3
Category	Listed equity	Unlisted equity
Category A	$0.8 - 0.1 \times \text{Parameter}_{\text{equity risk}}$	$0.7 - 0.1 \times \text{Parameter}_{\text{equity risk}}$
Category B	0.85	0.85

where—

Category A means an eligible infrastructure investment that satisfies the condition in rule 44A(2)(a) regarding its physical location;

Category B means an eligible infrastructure investment that satisfies the condition in rule 44A(2)(b) regarding its location of issuance or listing; and

$\text{Parameter}_{\text{equity risk}}$ is specified by the Authority in a notice published in the Gazette.”.

6. Schedule 7 amended (correlation matrix)

Schedule 7, section 2, after Table 3B—

Add

“Table 3C

Correlation Matrix for Equity Risk

Subgroup s1	Subgroup t1	
	Eligible infrastructure investments	Assets other than eligible infrastructure investments
Column 1	Column 2	Column 3
Eligible infrastructure investments	100%	75%
Assets other than eligible infrastructure investments	75%	100%

”.

Part 3

Amendments in relation to General Business

7. Rule 37 amended (determination of the prescribed capital amount)

(1) Rule 37(1)—

Repeal

"and (4)"

Substitute

", (4) and (6)".

(2) After rule 37(5)—

Add

"(6) If an HK insurer or a designated insurer that is a member of a non-HK insurance group maintains a separate account and a separate fund for each of the following parts of its business—

(a) the part that is general reinsurance business with offshore risk (***general offshore reinsurance fund***); and

(b) the part that is not general reinsurance business with offshore risk,

and such funds meet the requirements set out in subrule (11), then, for the purposes of subrule (1), the insurer may apply to the Authority for approval under subrule (8) to exclude from the calculation of its prescribed capital amount, its risk exposures in respect of assets and liabilities attributable to the separate general offshore reinsurance fund.

(7) An application under subrule (6) must—

(a) be made in writing;

(b) contain or be accompanied by—

(i) evidence of the financial strength and creditworthiness of the non-HK insurance group;

(ii) evidence that a holding company of the applicable insurer within the non-HK insurance group is subject to a prudential capital regime applied by a financial regulator outside Hong Kong, under which the group is required to maintain capital calibrated to cover losses arising from a 1-in-200 year adverse loss scenario;

(iii) evidence of a documented commitment, in form and substance satisfactory to the Authority, from a holding company of the applicable insurer (whether direct or indirect) within the non-HK insurance group to provide capital or other financial support to the applicable insurer in a timely manner whenever need arises;

(iv) a commitment that the separate general offshore reinsurance fund will not include any reinsurance business under which any of the underlying ceded risks constitute general business with onshore risk; and

(v) any other information as may be reasonably required by the Authority to consider the application, having regard to guidelines published by the Authority under section 133 of the Ordinance; and

(c) be served on the Authority.

(8) On an application made under subrule (6), the Authority may, by written notice to the applicable insurer, approve or reject the application, and if it approves the application it may do so subject to any conditions it may impose including in relation, but not limited to—

(a) the period for which the approval is to remain in effect; and

(b) the minimum solvency levels for the applicable insurer and, if relevant, the non-HK insurance group.

(9) If the Authority grants an approval to an applicable insurer under subrule (8), the Authority may, at any time while the approval remains in effect, by written notice served on the insurer—

(a) impose any conditions; or

(b) revoke the approval granted if, in the opinion of the Authority, continuation of the exclusion referred to in subrule (6) would not appropriately safeguard the interests of policy holders or potential policy holders of the insurer.

(10) Where—

(a) an application is approved under subrule (8);

(b) the approval granted under subrule (8) terminates due to lapse of the period referred to in subrule (8)(a); or

(c) the approval granted under subrule (8) terminates due to revocation by the Authority under subrule (9)(b), the Authority must publish a notice in the Gazette stating the name of the applicable insurer and the fact that the insurer's application has been approved or the approval has been terminated, as the case may be.

(11) The funds maintained by the applicable insurer pursuant to subrule (6) must meet all of the following—

(a) sections 25AAB(1), (2), (3) and (4) and 25AAE(1), (2), (3), (4) and (5) of the Ordinance apply in relation to each of the funds maintained by the applicable insurer pursuant to subrule (6) as if—

(i) a reference in those sections to a fund maintained under section 25AA were a reference to a fund maintained under subrule (6); and

(ii) a reference in those sections to a fund maintained under section 25AA(4)(a) were a reference to a fund maintained under subrule (6)(a);

(b) for the fund maintained under subrule (6)(b), the aggregate value of the assets representing the fund must not be less than the aggregate of—

(i) the amount of the liabilities attributable to the part of its business for which the fund is maintained; and

(ii) the amount that is required to be held in the fund in accordance with rule 87(7);

(c) the fund requirements imposed by the Authority in any guideline published under section 133 of the Ordinance; and

(d) any other fund requirements imposed by the Authority in a written notice served on the applicable insurer.

(12) In this rule—

general business with onshore risk (具在岸風險的一般業務) has the meaning given by section 25A(12) of the Ordinance;

insurance group (保險集團) has the meaning given by section 95A of the Ordinance;

non-HK insurance group (非香港保險集團) means an insurance group—

(a) that includes an HK insurer or designated insurer that carries on general business; and

(b) in relation to which a holding company of the insurer referred to in paragraph (a) is subject to prudential capital supervision covering the group's business by a financial regulator outside Hong Kong, and which does not belong to another insurance group.".

8. Rule 64 amended (risk capital amount for reserve risk)

Rule 64(1), Table 9, column 3—

Repeal

"55%" (wherever appearing)

Substitute

"30%".

9. Rule 68 amended (risk capital amount for natural catastrophe risk-factor based)

(1) Rule 68(2)(a)(i)—

Repeal

“; and”

Substitute a semicolon.

(2) Rule 68(2)(a)(ii)—

Repeal the semicolon

Substitute

“; and”.

(3) After rule 68(2)(a)(ii)—

Add

“(iii) net loss for peak zone, being the highest single net loss for any pair of one peril and one region (***peril region***) determined under subparagraphs (i) and (ii) across the peril regions set out in Table 11;”.

(4) Rule 68(2)—

Repeal paragraph (b)

Substitute

“(b) calculate the net annual aggregate loss by applying the following formula—

$$\text{Net annual aggregate loss} = \sqrt{\text{net loss}^2_{\text{windstorm}} + \text{net loss}^2_{\text{earthquake}}}$$

where net $\text{loss}_{\text{windstorm}}$ and net $\text{loss}_{\text{earthquake}}$ are the amounts determined in accordance with paragraph (a)(i) and (ii) respectively;

(ba) adjust the net annual aggregate loss by applying the following formula—

$$\text{Adjusted net loss} =$$

$$\text{Max (net loss}_{\text{peak zone}}, 65\% \times \text{net annual aggregate loss)}$$

where net $\text{loss}_{\text{peak zone}}$ and net annual aggregate loss are the amounts determined in accordance with paragraphs (a)(iii) and (b) respectively; and”.

(5) Rule 68(2)—

Repeal paragraph (c)

Substitute

“(c) add to the adjusted net loss determined in accordance with paragraph (ba), the risk capital amounts for counterparty default risk for the reinsurance recoverables made through the net-down procedures under subrules (7)(b) and (c) and (8)(b), in accordance with subrule (9).”.

(6) Rule 68—

Repeal subrule (4)

Substitute

“(4) Subject to subrules (4A), (4B) and (5), an applicable insurer’s exposure base for natural catastrophe is, for each peril region and contract type as specified in Table 11, the gross aggregated limit of coverage under each contract of insurance under which the insurer provides coverage for losses incurred for property related damage in the peril region at any time within the 12 months immediately after the valuation date, where the limit of coverage is determined as follows—

(a) in the case of direct and facultative business, the limit of coverage is the gross or assumed sum insured (after applying any peril-specific sub-limit);

(b) in the case of proportional treaty business, the limit of coverage is the applicable insurer's share of the event limit; and

(c) in the case of non-proportional treaty business, the limit of coverage is the applicable insurer's share of the treaty limit.

(4A) Despite subrule (4), if the limit of coverage is not specified in a contract of insurance for a particular peril region as set out in Table 11, the applicable insurer must determine the exposure base for natural catastrophe for that peril region as the insurer's estimated gross 1-in-200 year annual aggregate loss for the peril region over the 12 months immediately after the valuation date.

(4B) Despite subrule (4), for any contract of insurance, if the applicable insurer determines that the limit of coverage determined under subrule (4) is not appropriate as the exposure base for a particular peril region, the insurer may determine the exposure base for natural catastrophe for that peril region as the insurer's estimated gross 1-in-200 year annual aggregate loss for the peril region over the 12 months immediately after the valuation date, provided that—

(a) the applicable insurer can justify why the limit of coverage is inappropriate as the exposure base for the peril region in question for the relevant contract of insurance;

(b) the applicable insurer has not underestimated its natural catastrophe risk at the total insurer level;

(c) the applicable insurer provides the Authority, upon request, with the justification and evidence referred to in paragraphs (a) and (b); and

(d) the Authority does not object to the application of this subrule under subrule (4C).

(4C) If the justification is found by the Authority to be inadequate, the Authority may, by serving a notice in writing on the applicable insurer, object to the insurer's application of subrule (4B) and require it to determine the relevant exposure base in accordance with subrule (4).".

(7) Rule 68(6), after "For the purposes of subrules (4)"—

Add

", (4A), (4B)".

(8) Rule 68(7)(a)—

Repeal subparagraph (i)

Substitute

"(i) multiplying the exposure base for each region by the risk factors for windstorm in the contract-type column in Table 11 corresponding to the applicable insurance contract classification under subrules (4), (4A) and (4B); and".

(9) Rule 68(7)(a)—

Repeal Table 11

Substitute

“Table 11

Natural Catastrophe Risk Factor

Type	Natural catastrophe risk factor							
	Direct and facultative business with coverage limit		Proportional treaty business with event limit		Contracts of insurance where exposure base is determined under subrule (4A) or (4B)		Non-proportional treaty business with treaty limit	
Region / Peril	Windstorm	Earthquake	Windstorm	Earthquake	Windstorm	Earthquake	Windstorm	Earthquake
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Hong Kong	0.16%	Not applicable	23%	Not applicable	100%	Not applicable	25%	Not applicable
Macao	0.42%	Not applicable	23%	Not applicable	100%	Not applicable	30%	Not applicable
Chinese Mainland	0.16%	0.20%	23%	45%	100%	100%	30%	70%
Taiwan	0.70%	2.54%	80%	80%	100%	100%	80%	80%
Japan	0.40%	3.25%	35%	40%	100%	100%	80%	75%
South Korea	0.16%	Not applicable	25%	Not applicable	100%	Not applicable	65%	Not applicable
Indonesia	Not applicable	2.00%	Not applicable	25%	Not applicable	100%	Not applicable	45%

Type	Natural catastrophe risk factor							
	Direct and facultative business with coverage limit		Proportional treaty business with event limit		Contracts of insurance where exposure base is determined under subrule (4A) or (4B)		Non-proportional treaty business with treaty limit	
Peril / Region	Windstorm	Earthquake	Windstorm	Earthquake	Windstorm	Earthquake	Windstorm	Earthquake
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Any other region or jurisdiction	0.70%	1.80%	35%	30%	100%	100%	40%	40%

”.

(10) Rule 68(8)(a)—

Repeal subparagraph (i)

Substitute

“(i) multiplying the exposure base for each region by the risk factors for earthquake in the contract-type column in Table 11 corresponding to the applicable insurance contract classification under subrules (4), (4A) and (4B); and”.

(11) Rule 68(8)(a)(ii)—

Repeal

“or jurisdiction”.

(12) Rule 68(9)(a)(ii)—

Repeal

“; and”

Substitute a semicolon.

(13) Rule 68(9)(b)—

Repeal

“(a)”

Substitute

“(a)(i)”.

(14) Rule 68(9)(b)—

Repeal the full stop

Substitute

“; and”.

(15) After rule 68(9)(b)—

Add

"(c) for the purposes of paragraph (a)(ii), may adjust each risk exposure by applying a scale-down factor which is based on the following formula—

$$\text{Scale-down factor} = \frac{\text{adjusted net loss}}{\text{net annual aggregate loss}}$$

where net annual aggregate loss and adjusted net loss are the amounts determined in accordance with subrule (2)(b) and (ba) respectively.".

10. Rule 69 amended (risk capital amount for man-made non-systemic catastrophe risk)

(1) Rule 69(2)(a)(iv), Chinese text—

Repeal

"大額本金"

Substitute

"重大主義務人".

(2) Rule 69(4)(a)(i), Chinese text—

Repeal the semicolon

Substitute

"；及".

(3) Rule 69(4)(b)(ii)—

Repeal

"and".

(4) Rule 69(4)(c)—

Repeal the full stop

Substitute

"; and".

(5) After rule 69(4)(c)—

Add

“(d) multiplying the amount derived from paragraph (c) by an adjustment factor, which is calculated by using the following formula—

$$\text{Adjustment factor} = \text{Min}\left[\text{Max}\left(\frac{\begin{array}{c}\text{annual gross premiums}\\\text{attributable to the general}\\\text{insurance line of business}\\\text{of property damage as}\\\text{specified under Schedule 9}\end{array}}{\begin{array}{c}\text{annual gross premium}\\\text{threshold applicable to}\\\text{explosion and conflagration}\\\text{for property and engineering}\\\text{prescribed in Table 12A}\\\text{pursuant to subrule (13)}\end{array}}, 20\%\right), 100\%\right].$$”.

(6) Rule 69(6)(a)(i), Chinese text—

Repeal the semicolon

Substitute

“；及”.

(7) Rule 69(6)(b)(ii)—

Repeal

“and”.

(8) Rule 69(6)(c)—

Repeal the full stop

Substitute

“; and”.

(9) After rule 69(6)(c)—

Add

“(d) multiplying the amount derived from paragraph (c) by an adjustment factor, which is calculated by using the following formula—

$$\text{Adjustment factor} = \text{Min}\left[\text{Max}\left(\frac{\text{annual gross premiums attributable to the general insurance line of business of ships as specified under Schedule 9}}{\text{annual gross premium threshold applicable to loss of marine vessel prescribed in Table 12A pursuant to subrule (13)}}, 20\%\right), 100\%\right]$$

.”.

(10) Rule 69(8)(a)(i), Chinese text—

Repeal the semicolon

Substitute

“；及”.

(11) Rule 69(8)(b)(ii)—

Repeal

“and”.

(12) Rule 69(8)(c)—

Repeal the full stop

Substitute

“; and”.

(13) After rule 69(8)(c)—

Add

"(d) multiplying the amount derived from paragraph (c) by an adjustment factor, which is calculated by using the following formula—

$$\text{Adjustment factor} = \text{Min}\left[\text{Max}\left(\frac{\text{annual gross premiums attributable to the general insurance line of business of aviation as specified under Schedule 9}}{\text{annual gross premium threshold applicable to loss of aircraft prescribed in Table 12A pursuant to subrule (13)}}, 20\%\right), 100\%\right]$$.".

(14) Rule 69(9), Chinese text—

Repeal

"大額本金"

Substitute

"重大主義務人".

(15) Rule 69(9), Chinese text—

Repeal paragraph (a)

Substitute

"(a) 就每個風險單位(即一名主義務人或屬同一公司團體的一組主義務人，而該保險人為其違約提供保障者)，按照第(10)款釐定該風險單位的風險資本額；及".

(16) Rule 69(10)(a), Chinese text—

Repeal subparagraph (i)

Substitute

"(i) 在第 (11) 款的規限下，緊接估值日期後 12 個月的期間內，就該風險單位 (即每一名主義務人或屬同一公司的每一組主義務人 (視情況而定)，而該適用保險人為其提供保障者)，其保險合約下的總違約金毛額；及".

(17) Rule 69(10)(b)(ii)—

Repeal

"and".

(18) Rule 69(10)(c)—

Repeal the full stop

Substitute

"; and".

(19) After rule 69(10)(c)—

Add

"(d) multiplying the amount derived from paragraph (c) by an adjustment factor, which is calculated by using the following formula—

$$\text{Adjustment factor} = \text{Min}\left[\text{Max}\left(\frac{\begin{array}{c}\text{annual gross premiums}\\\text{attributable to}\\\text{Class 15 as defined}\\\text{under Schedule 1}\\\text{to the Ordinance}\end{array}}{\begin{array}{c}\text{annual gross premium}\\\text{threshold applicable to}\\\text{default of large principal}\\\text{prescribed in Table 12A}\\\text{pursuant to subrule (13)}\end{array}}, 20\%\right), 100\%\right]."$$

(20) Rule 69(13)—

Add in alphabetical order

"***annual gross premium threshold*** (年度毛保費門檻) refers to the values prescribed in column 2 of Table 12A;

Table 12A

Values for Annual Gross Premium Threshold

Column 1	Column 2
Applicable to the below scenario	Annual gross premium threshold
Explosion and conflagration for property and engineering	$500,000,000
Loss of marine vessel	$250,000,000
Loss of aircraft	$150,000,000
Default of large principal	$50,000,000".

11. Rule 74 amended (risk capital amount for reserve risk for onshore standard mortgage insurance)

Rule 74(1)(b), Table 14, column 2—

Repeal

"55%" (wherever appearing)

Substitute

"30%".

12. Rule 78 amended (risk capital amount for reserve risk for offshore mortgage insurance)

Rule 78(1), Table 16, column 2—

Repeal

"55%" (wherever appearing)

Substitute

"30%".

13. Rule 87 amended (determination of allocated minimum capital amounts)

(1) Rule 87(1), after "for the purposes of"—

Add

"rule 37(11)(b)(ii) and".

(2) Rule 87(7), after "be held under"—

Add

"rule 37(11)(b)(ii) and".

(3) Rule 87(9), definition of ***allocated minimum capital amount***—

Repeal paragraph (b)

Substitute

"(b) in relation to its general insurance business—

(i) in accordance with section 25AAB(3)(b) of the Ordinance for each fund under section 25AA (other than under section 25AA(4)(a)) of the Ordinance, in addition to the amount of liabilities mentioned in section 25AAB(3)(a) of the Ordinance; or

(ii) in accordance with rule 37(11)(b)(ii) for the fund maintained under rule 37(6)(b), in addition to the amount of liabilities mentioned in rule 37(11)(b)(i).”.

14. Schedule 7 amended (correlation matrix)

(1) Schedule 7, section 2—

Repeal Table 2

Substitute

“Table 2

Correlation Matrix for Prescribed Capital Amount

Risk x	Risk y			
	Market	Life insurance	General insurance	Counterparty default
Column 1	Column 2	Column 3	Column 4	Column 5
Market	100%	25%	12.5%	25%
Life insurance	25%	100%	0%	25%
General insurance	12.5%	0%	100%	25%
Counterparty default	25%	25%	25%	100%

”.

(2) Schedule 7, section 2, Table 6—

Repeal

“25%” (wherever appearing)

Substitute

"12.5%".

(3) Schedule 7, section 2, Table 7—

Repeal

"50%" (wherever appearing)

Substitute

"25%".

(4) Schedule 7, section 2—

Repeal Table 10

Substitute

“Table 10

Correlation Matrix for Net Loss for Windstorm for Natural Catastrophe Risk

Region u6	Region v6							
	Hong Kong	Macao	Chinese Mainland	Taiwan	Japan	South Korea	Indonesia	Any other region or jurisdiction, as determined under rule 68(5)(a) and (b)
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Hong Kong	100%	50%	12.5%	0%	0%	0%	0%	0%
Macao	50%	100%	12.5%	0%	0%	0%	0%	0%
Chinese Mainland	12.5%	12.5%	100%	25%	0%	0%	0%	0%
Taiwan	0%	0%	25%	100%	0%	0%	0%	0%
Japan	0%	0%	0%	0%	100%	0%	0%	0%
South Korea	0%	0%	0%	0%	0%	100%	0%	0%
Indonesia	0%	0%	0%	0%	0%	0%	100%	0%

Region u6	Region v6							
	Hong Kong	Macao	Chinese Mainland	Taiwan	Japan	South Korea	Indonesia	Any other region or jurisdiction, as determined under rule 68(5)(a) and (b)
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Any other region or jurisdiction, as determined under rule 68(5)(a) and (b)	0%	0%	0%	0%	0%	0%	0%	0% if between different regions or jurisdictions; or 100% if between the same region or jurisdiction

”.

(5) Schedule 7, section 2—

Repeal Table 11

Substitute

“Table 11

Correlation Matrix for Net Loss for Earthquake for Natural Catastrophe Risk

Region u7	Region v7							
	Hong Kong	Macao	Chinese Mainland	Taiwan	Japan	South Korea	Indonesia	Any other region or jurisdiction, as determined under rule 68(5)(a) and (b)
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Hong Kong	100%	0%	0%	0%	0%	0%	0%	0%
Macao	0%	100%	0%	0%	0%	0%	0%	0%
Chinese Mainland	0%	0%	100%	0%	0%	0%	0%	0%
Taiwan	0%	0%	0%	100%	0%	0%	0%	0%
Japan	0%	0%	0%	0%	100%	0%	0%	0%
South Korea	0%	0%	0%	0%	0%	100%	0%	0%
Indonesia	0%	0%	0%	0%	0%	0%	100%	0%

Region u7	Region v7							
	Hong Kong	Macao	Chinese Mainland	Taiwan	Japan	South Korea	Indonesia	Any other region or jurisdiction, as determined under rule 68(5)(a) and (b)
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Any other region or jurisdiction, as determined under rule 68(5)(a) and (b)	0%	0%	0%	0%	0%	0%	0%	0% if between different regions or jurisdictions; or 100% if between the same region or jurisdiction ”.

Part 4

Amendments in relation to Other Matters

15. Rule 2 amended (interpretation)

Rule 2(1)—

Add in alphabetical order

"***cash item*** (現金項目), in relation to an applicable insurer, means legal tender notes or other notes, and coins, representing the lawful currency of a jurisdiction;

crypto assets (加密資產) means digital assets that—

(a) depend primarily on cryptography and distributed ledger technology or similar technology;

(b) are not digital currency issued by a central bank, or by an entity that performs the functions of a central bank, or by an entity authorized by a central bank on its behalf;

(c) are not digital currency issued by the government of a jurisdiction, or by an entity authorized by the government of a jurisdiction and acting pursuant to an authority to issue currency in that jurisdiction; and

(d) do not include specified stablecoins and tokenized traditional assets;

intangible assets (無形資產) means intangible assets recognized under applicable accounting standards except crypto assets and specified stablecoins;

right-of-use asset (使用權資產), in relation to an applicable insurer, means a leased asset that the insurer as lessee has the right to use for the lease term;

specified stablecoin (指明穩定幣) means a specified stablecoin within the meaning of section 4 of the Stablecoins Ordinance (Cap. 656) that is issued by a licensee as defined under that Ordinance;

tokenized traditional assets (代幣化的傳統資產) means digital representations of one or more traditional assets using cryptography, distributed ledger technology or similar technology to record ownership, where all rights, obligations and interests arising from the arrangement are clearly defined and legally enforceable in all relevant jurisdictions;

unit-linked business (單位掛鈎業務) means Class C business, where the benefits are wholly or partly to be determined by reference to the value of notional units allocated to the business and linked to the performance of underlying assets backing the business;".

16. Rule 8 amended (Unlimited Tier 1 capital)

(1) Rule 8(3)(n)—

Repeal the semicolon

Substitute

"; and".

(2) Rule 8(3)—

Repeal paragraph (o).

(3) Rule 8(8)—

Repeal the definition of *crypto assets*.

17. Rule 15 amended (determination of long term insurance liabilities)

(1) Rule 15(4)—

Repeal

"long term business of the nature specified as Class C under Part 2 of Schedule 1 to the Ordinance"

Substitute

"unit-linked business".

(2) Rule 15(4)—

Repeal

"the units relating to"

Substitute

"the linked units attributable to".

18. Rule 37 amended (determination of the prescribed capital amount)

(1) Rule 37(1)(a)(iv)—

Repeal

"and other".

(2) After rule 37(1)(a)—

Add

"(ab) determining a risk capital amount for other risk, in accordance with rule 85A;".

(3) Rule 37(1)(c)—

Repeal

"paragraph (b)"

Substitute

"paragraphs (ab) and (b)".

(4) Rule 37(1)(c)—

Repeal

everything after "formula—" and before "where—"

Substitute

"

$$\text{Prescribed capital amount} = \sqrt{\sum_{x,y} \begin{matrix}\text{correlation}\\ \text{matrix}_{x,y}\end{matrix} \times \begin{matrix}\text{risk capital}\\ \text{amount}_x\end{matrix} \times \begin{matrix}\text{risk capital}\\ \text{amount}_y\end{matrix}} + \text{risk capital amount}_{\text{Other Risk}} + \text{risk capital amount}_{\text{Operational Risk}}$$

".

(5) Rule 37(4), Chinese text—

Repeal

"風險資本額"

Substitute

"訂明資本額".

19. Rule 41 amended (recognition of insurance risk mitigating effect)

Rule 41(1)—

Repeal

"rule 37(1)"

Substitute

"rule 37(1)(a)".

20. Rule 42 amended (recognition of financial risk mitigation effect)

Rule 42(1)—

Repeal

"rule 37(1)"

Substitute

"rule 37(1)(a)".

21. Rule 43 amended (adjustment to prescribed capital amount to reflect the loss absorbing capacity of future discretionary benefits)

(1) Rule 43(1) and (2)—

Repeal

"rule 37(1)"

Substitute

"rule 37(1)(a)".

(2) Rule 43(3)(a)—

Repeal the semicolon

Substitute

"; and".

(3) Rule 43(4), Chinese text—

Repeal

"採取額外管理行動之後未來酌情利益的現值(根據受壓假設);"

Substitute

"採取額外管理行動之後未來酌情利益的現值(根據受壓假設);及".

22. Rule 49 amended (risk capital amount for equity risk)

(1) Rule 49(2)(a)(ii)—

Repeal

"developed market listed equities, emerging market listed equities, portfolio investments of no look-through and other equities, as the case may be"

Substitute

"those types of equities".

(2) Rule 49(3)—

Repeal

"capped at 10% and floored at -10%"

Substitute

"capped and floored at values specified by the Authority from time to time in a notice published in the Gazette".

23. Rule 68 amended (risk capital amount for natural catastrophe risk-factor based)

Rule 68(9)(a)—

Repeal

"and other".

24. Rule 69 amended (risk capital amount for man-made non-systemic catastrophe risk)

Rule 69(4)(c), (6)(c), (8)(c), (10)(c) and (12)(a)—

Repeal

"and other".

25. Rule 70 amended (risk capital amount for man-made systemic catastrophe risk)

Rule 70(1)(c) and (3)(a)—

Repeal

"and other".

26. Rule 75 amended (risk capital amount for catastrophe and premium risk for onshore standard mortgage insurance)

(1) Rule 75(1)(a), Chinese text—

Repeal the semicolon

Substitute

"；及".

(2) Rule 75(1)(b) and (4)(a)—

Repeal

"and other".

27. Part 5, Division 5 heading amended (counterparty default and other risk)

Part 5, Division 5, heading, after "**Counterparty Default**"—

Add

"**Risk**".

28. Rule 81 amended (risk capital amount of counterparty default and other risk)

(1) Rule 81, heading—

Repeal

"**and other**".

(2) Rule 81(1)—

Repeal

"and other".

(3) Rule 81(1)(a)—

Repeal

"subrules (3) to (5)"

Substitute

"subrules (3), (4), (5) and (5A)".

(4) Rule 81(2)(f)—

Repeal

"and".

(5) After rule 81(2)(f)—

Add

“(fa) specified stablecoins; and”.

(6) Rule 81(2)(g), after “the balance sheet”—

Add

“which are subject to risk of default of a counterparty,”.

(7) Rule 81(2)(g)(i)—

Repeal

“(e) and (f)”

Substitute

“(e), (f) and (fa)”.

(8) Rule 81(2)(g)(ii), Chinese text—

Repeal

“處置”

Substitute

“涵蓋”.

(9) Rule 81(2)(g)(iv)—

Repeal

“and”

Substitute

“or”.

(10) Rule 81(3)(a)—

Repeal

“(4) or (5)”

Substitute

"(4), (5) or (5A)".

(11) Rule 81(3)(b), Table 19, heading—

Repeal

"**and Other**".

(12) After rule 81(5)—

Add

"(5A) In the case of specified stablecoins mentioned in subrule (2)(fa), for the purposes of subrule (3)(a), the amount of the relevant risk exposure is the redeemable value of the specified stablecoins held by an applicable insurer.".

(13) Rule 81(11), English text, definition of ***reinsurance receivables***—

Repeal

"receivables;"

Substitute

"receivables.".

(14) Rule 81(11)—

Repeal the definitions of *cash item* and *right-of-use asset*.

29. Rule 83 amended (adjustment for eligible collateral)

Rule 83(3)(a)—

Repeal

"rule 37(1)"

Substitute

"rule 37(1)(a)".

30. Rule 85 amended (credit derivative contract other than eligible credit derivative contract)

Rule 85(1)—

Repeal

"rule 37(1)"

Substitute

"rule 37(1)(a)".

31. Rule 85A added

Part 5, Division 5, after rule 85—

Add

"85A. Risk capital amount for other risk

(1) An applicable insurer must determine the risk capital amount for other risk as the sum of—

(a) an amount equal to the reduction in the applicable insurer's net asset value resulting from applying a 100% downward stress to the value of any crypto assets held by the insurer, taking into account any corresponding change in liabilities sensitive to the value of those crypto assets; and

(b) the individual risk capital amount determined under subrule (2) for each asset recognized on the applicable insurer's balance sheet, other than—

(i) assets that have been addressed by risk modules under rule 81 and Divisions 2, 3 and 4;

(ii) crypto assets;

(iii) a deferred tax asset;

(iv) a right-of-use asset; or

(v) a cash item.

(2) For purposes of subrule (1)(b), an applicable insurer must determine the individual risk capital amount for each relevant risk exposure by multiplying the value of the relevant asset determined in accordance with Part 4 by the risk factor in Table 19 under rule 81(3)(b) corresponding to the credit rating band of the asset; and if the asset does not have a credit rating, the risk factor corresponding to “Unrated” in Table 19 is to be used.

(3) If any risk capital amount referred in subrule (1)(a) or (b) is negative, the risk capital amount for that sub-risk must be set to zero before being aggregated under subrule (1).”.

32. Rule 86 amended (risk capital amount for operational risk)

(1) Rule 86(1)(a)(i)—

Repeal

“Class C”

Substitute

“unit-linked”.

(2) Rule 86(3)—

Repeal

“any Class C”

Substitute

“any unit-linked”.

(3) Rule 86(3)—

Repeal

"current estimates of insurance liabilities"

Substitute

"insurance liabilities excluding the margin over current estimate".

(4) Rule 86(3)—

Repeal

"for Class C"

Substitute

"for unit-linked".

(5) Rule 86(4)(a)(ii) and (5)(a)(ii)—

Repeal

"current estimates of the insurance liabilities"

Substitute

"insurance liabilities excluding the margin over current estimate".

(6) Rule 86(6), definition of ***three referenced dates***—

Repeal

"current estimates of insurance liabilities"

Substitute

"the insurance liabilities excluding the margin over current estimate".

(7) Rule 86(6), definition of ***three referenced dates***, paragraphs (i) and (ii)—

Repeal

"current estimates as at the three referenced dates"

Substitute

"the insurance liabilities excluding the margin over current estimate as at the three referenced dates".

33. Rule 87 amended (determination of allocated minimum capital amounts)

(1) Rule 87(3)(a)—

Repeal

"rule 37(1)(a)"

Substitute

"rule 37(1)(a) and (ab)".

(2) Rule 87(3)(a)(ii)(B), Chinese text—

Repeal the semicolon

Substitute

"；及".

34. Schedule 5 amended (determination of matching adjustment)

(1) Schedule 5—

Renumber section 2 as section 2(1).

(2) Schedule 5, section 2(1)—

Repeal the definition of *invested assets*

Substitute

"***invested assets*** (投資資產), for the purpose of determination of matching adjustment, means the assets held for investment purposes which are used to support liabilities that are subject to matching adjustment and are included within Column 1 (Eligible assets) or Column 2 (Non-eligible assets) of Table 1 of this Schedule. Invested assets expressly exclude any item in Column 3 (Non-invested assets) of Table 1 of this Schedule (including, without limitation, cash and cash equivalents, assets held for unit-linked business under linked long term business, investments in affiliates, other balance with affiliates, policy loans, and assets held for the account balance of Class H business).”.

(3) Schedule 5, after section 2(1)—

Add

“(2) For the purpose of calculating the matching adjustment under this Schedule, assets subject to look-through are classified by the underlying asset type using the look-through approach in rules 38 and 39, where the conditions for look-through are met and the underlying assets can be identified with sufficient granularity to determine the matching adjustment.”.

(4) Schedule 5, section 3(1)—

Repeal Table 1

Substitute

“Table 1

Classification of Eligible Assets, Non-eligible Assets and Non-invested Assets for MA Portfolio

<table>
<tr><td colspan="3">Total assets used to support the liabilities that are subject to matching adjustment</td></tr>
<tr><td colspan="2">Invested assets</td><td rowspan="2">Non-invested assets</td></tr>
<tr><td>Eligible assets</td><td>Non-eligible assets</td></tr>
<tr><td>Column 1</td><td>Column 2</td><td>Column 3</td></tr>
<tr><td>Sovereign bonds</td><td>Equities</td><td>Cash and cash equivalents</td></tr>
<tr><td>Corporate bonds</td><td>Convertible bonds convertible at the option of the issuer or a third party</td><td>Assets held for unit-linked business under linked long term business</td></tr>
<tr><td>Asset backed securities</td><td>Derivatives</td><td>Investments in affiliates</td></tr>
<tr><td>Other debt securities</td><td>Property</td><td>Other balance with affiliates</td></tr>
<tr><td>Loans and advances to financial institutions or corporates</td><td>Portfolio investment (not looked through)</td><td>Policy loans</td></tr>
</table>

Total assets used to support the liabilities that are subject to matching adjustment		
Invested assets		Non-invested assets
Eligible assets	Non-eligible assets	
Column 1	Column 2	Column 3
Other loans and advances	Investment income receivable from financial assets	Assets held for the account balance of class H business
	Assets held for the account balance of class G business (not looked through)	Other non-invested assets
	Other non-eligible assets	

”.

35. Schedule 8 amended (geographical region definitions)

Schedule 8, Table 3—

Repeal

“Mainland China and Mongolia”

Substitute

“Chinese Mainland and Mongolia”.

Stephen YIU Kin-wah
Insurance Authority

18 May 2026

Explanatory Note

These Rules amend the Insurance (Valuation and Capital) Rules (Cap. 41 sub. leg. R) (***principal Rules***).

2. The main purpose of these Rules is to amend the principal Rules to provide for preferential capital treatment for eligible infrastructure investments (set out in Part 2); adjust the determination of risk capital amounts in relation to general business (set out in Part 3); and make miscellaneous updates, including to introduce the capital treatment of specified stablecoins and crypto assets, allow matching adjustment for indexed universal life business, and provide for matters relating to the countercyclical adjustment under equity risk (set out in Part 4).

3. Part 2 introduces the concept of eligible infrastructure investments, including eligibility criteria and a power for the Insurance Authority (***IA***) to specify relevant industries by a notice published in the Gazette. It also provides preferential capital treatment for those investments by allowing insurers to apply reduced stress factors for credit spread risk and equity risk; clarifies the position where an investment is both a recognized green bond and an eligible infrastructure investment; and recognizes diversification benefits between eligible infrastructure investments in the form of equity and other equities.

4. Part 3 enables, subject to the IA's approval and prescribed conditions, certain HK insurers and designated insurers within non-HK insurance groups to exclude assets and liabilities attributable to general reinsurance business with offshore risk from the calculation of their prescribed capital amount. It also

updates the determination of risk capital amounts for reserve risk, natural catastrophe risk and man-made non-systemic catastrophe risk, and revises the relevant correlation matrices to reflect updated diversification benefits.

5. Part 4 updates the treatment of indexed universal life business, specified stablecoins and crypto assets. In particular, it refines matching adjustment eligibility to permit its application to indexed universal life business; applies a look-through approach and risk capital amount for counterparty default risk to specified stablecoins; introduces a dedicated risk capital amount for crypto assets; and enables the IA to specify, by a notice published in the Gazette, the cap and floor for the countercyclical adjustment under equity risk.

6. Under Part 4, these Rules also update references from Class C business to unit-linked business for the purposes of the valuation requirements for unit reserves and non-unit reserves; and clarify the liability measure used in determining the risk capital amount for operational risk.