

Hong Kong Insurance Implementation Support Group (HKIISG) meeting - Update on RBC Framework

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RBC Updates - Pillar 1

First Quantitative Impact Study (QIS 1)

Industry-wide consultation

- Set up 4 Industry Focus Groups (IFGs) and held 23 meetings in total for QIS 1
- Consist of representatives from HKFI and ASHK

Submission deadline of QIS 1 in Dec 2017

- Achieved 98.3% response rate

- QIS 1 analysis ongoing

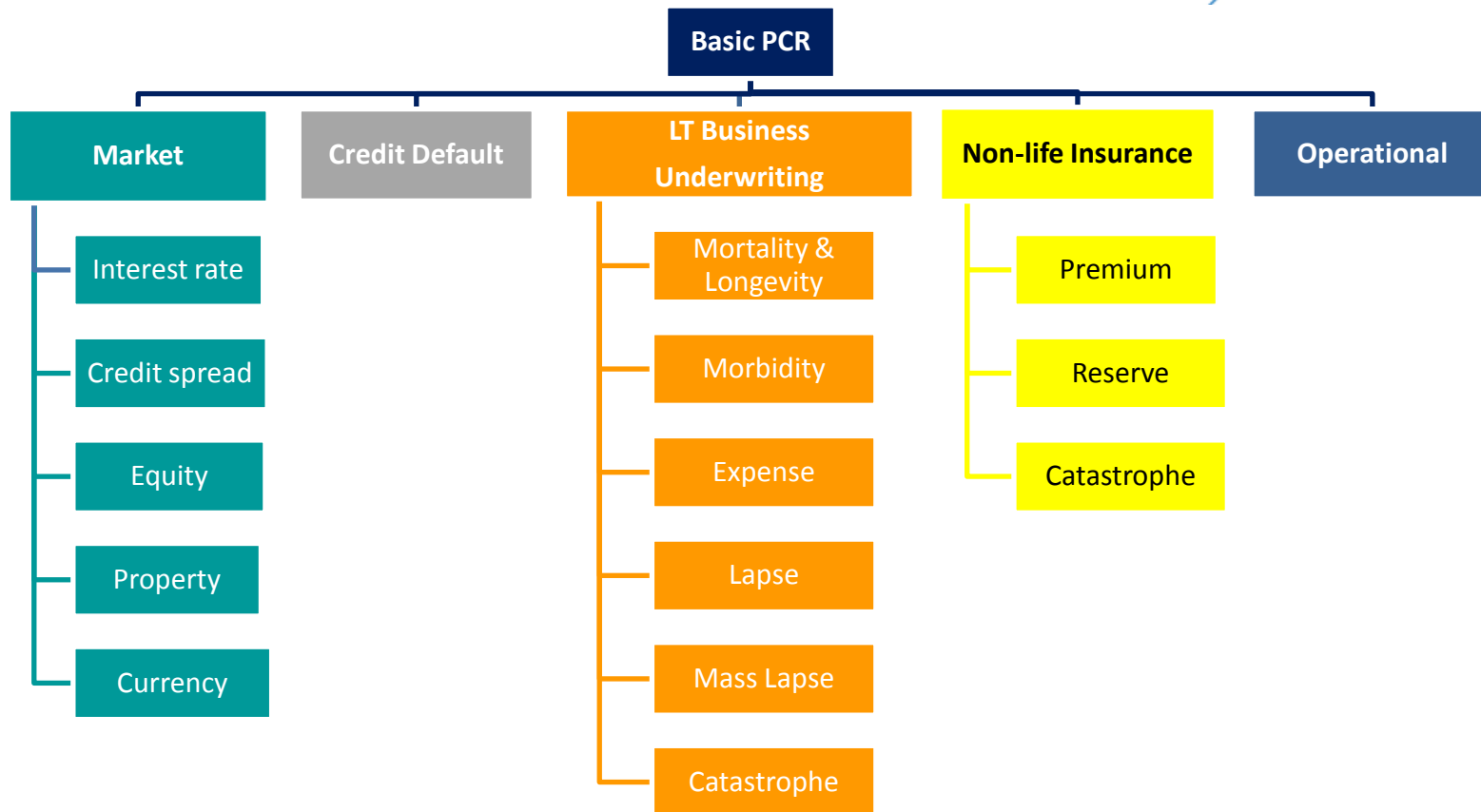
- Preparation of QIS 2 for 2018

Purpose of Quantitative Impact Studies (QIS) to gauge readiness of RBC and collect industry-wide data for:

- Valuation of assets and other liabilities
- Methodologies on deriving the best estimate of reserves, risk margin and discounting for insurance obligations
- Calibration of risk charges for insurance, market and credit risks to determine the level of prescribed capital requirement and minimum capital requirement
- Considerations of tiering and loss absorbency ability of capital resources

Pillar 1 – Quantitative Requirements

Prescribed Capital Requirement



RBC Updates - Pillar 1

Work Plan for Second QIS (QIS 2)

- External consultant
- Topical discussions
- Calibration papers
- Three meetings arranged in 2018:
 - January, April and June

RBC Updates - Pillar 2

New Guideline on ERM

(a) To enhance enterprise risk management (ERM) with a goal to identify, measure, report and manage risks on a continuous basis and in an integrated manner.

(b) To establish Own Risk and Solvency Assessment (ORSA) to assess from time to time the adequacy of its risk management and current, and likely future, solvency position.

Targeted for public consultation in 1st half of 2018.

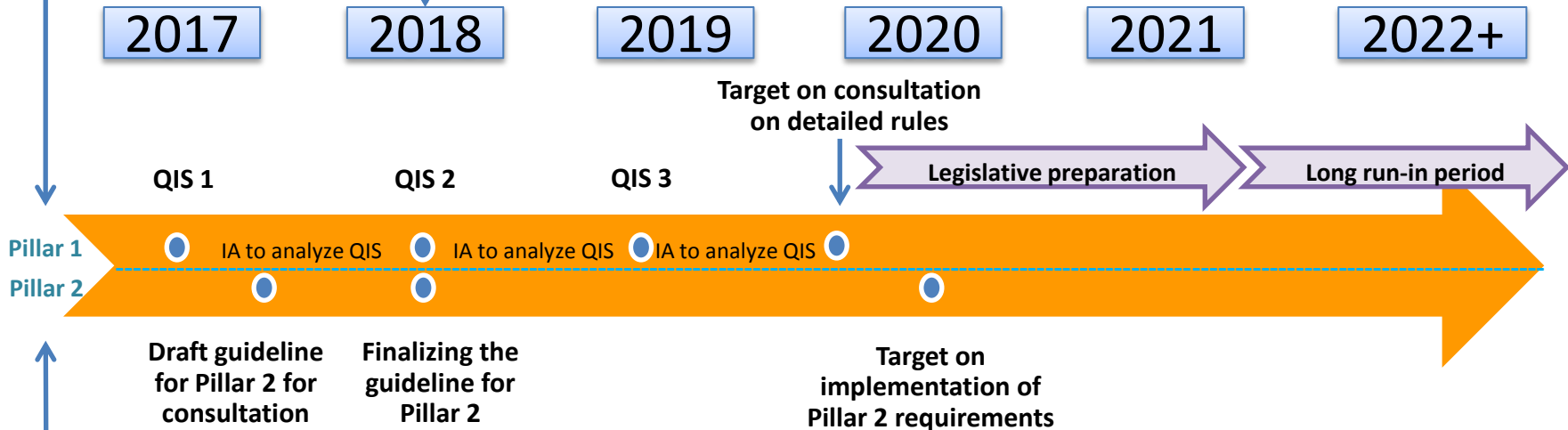
Tentative Timeline

Preparation work before QIS 1:

- QIS technical specifications
- QIS proforma forms
- IFG papers
- International research

By mid-2018, the IA will have:

- Initial understanding of assets and best estimate liabilities on a more economic basis
- Initial understanding of most material risks and required capital in stressed scenarios
- Detailed list of valuation and the methodology for determining the testing of the prescribed capital requirements in subsequent QIS exercises



Preparation work for Pillar 2:

- Draft minimum requirements for ORSA and ERM
- International research