



SOCIETY OF ACTUARIES

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Underwriting and Risk Classification *continued from page 15*

greater emphasis on communication skills and much broader insurance law and marketing knowledge," predicted Mr. Krinik.

"The issue of market conduct requires underwriters to learn that risk classification is viewed as simply a trade practice, and that practices perceived as unfair can be prohibited. Consumerism is growing worldwide because of the influence of global media, and buyer attitudes that used to be peculiar to North America are spreading. Most likely, the regulation of insurers will become more standardized as the International Association of Insurance Supervisors works more closely with the U.S. National Association of Insurance Commissioners (NAIC). It may surprise some to learn that regulators do not view underwriting as a 'solvency' issue—they view it as a 'market conduct' issue," observed Mr. Krinik.

Vera Dolan, is President of VFD Consulting in Ukiah, California. Chris Cook, is Regional Director of Underwriting at Aetna in Hartford, Connecticut.

Hong Kong Insurance Ordinance Amendment

by Peter Luk

The small island in South East Asia called "Hong Kong" has recently acquired international fame owing to its "handover" from the British to China on June 30. For those actuaries who take an interest in this place, a small change in the insurance regulations that took place last year might be worth mentioning.

On May 2, 1997, the Insurance Companies Ordinance (the only ordinance that exclusively regulates the conduct of insurance business) was amended as follows:

Captive Insurance Business

In order to encourage the establishment of captive insurance companies in Hong Kong, the regulation reduces the required capital from 20% of net premium to 5% (with a minimum of HK\$2 million). While a licensed non-life insurer is required to maintain assets in Hong Kong, a captive insurer is now exempted. Moreover, a captive insurer is also exempted from valuing its assets in accordance with the valuation regulations of the Ordinance.

Juvenile Insurable Interest

SOA members may find this puzzling. In North America, a parent is always considered to have an insurable interest

in his or her children. As the development of the life insurance industry in Hong Kong over the past 50 years has been following the North American practice, hundreds of thousands of juvenile policies were sold in the past until someone pointed out that such an insurable interest does not exist under the British legal system, which Hong Kong has been subject to over the last 150 years. This means that the hundreds of thousands of juvenile policies sold in the past are legally invalid and unenforceable. The latest amendment, which introduces into Hong Kong's legal system the recognition of such an insurable interest, is an attempt to rectify this unsatisfactory situation.

Professional Standards for Appointed Actuaries

There has been an ongoing discussion to bring U.K.'s actuarial bodies' Guidance Notes to Hong Kong. This amendment now empowers the Insurance Authority to make regulations specifying the professional standards to be complied with by the appointed actuary of an insurer.

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