

Insurance Authority's review of Actuarial Pricing Reports for Year 2025

IA Expectations of the Insurance Company Management, Appointed Actuary, Head of Actuarial Function

The IA expects each insurance company management to consider its observations and expectations listed in the detailed letter in a diligent manner, hold internal discussions at the Board of Directors' level and with all relevant functions, and take actions as appropriate for the insurance company's pricing of business.

Health & Motor Pricing Reports 2025

- The IA expects insurance companies and appointed actuaries who are still not utilizing the commonly used rating variables in their pricing models to actively consider whether and how to incorporate these variables in their pricing models going forward. This includes ensuring the availability and reliability of data necessary to support their effective use in the pricing process.
- The IA expects Company management to ensure that efforts to identify and incorporate additional rating variables are made in a comprehensive manner, involving all relevant functions, including but not limited to Underwriting, Claims, IT, Actuarial Function, and the Appointed Actuary, and data for this purpose is captured in a reliable manner and/or obtained from reliable sources.
- For the pricing of Motor, the IA expects all insurance companies to continue to not only comply with the requirement of minimum rating variables, but strive to adopt additional rating variables well above the minimum specified by the IA in order to enhance their competitive advantage and implement more sophisticated pricing strategies.
- The IA expects the Actuarial Subcommittee to work actively with major data provider(s) in the sector and find ways to improve the availability and quality of data fields for Motor business.

- For Dhaman Fund, the IA expects companies to closely monitor any pricing impacts arising from the discontinuation and adjust their prices in a timely manner.
- In term of Motor burning cost trend and inflation, the IA expects the appointed actuaries to support all material changes in assumptions with adequate justification and explain the impact of such material changes to senior management and relevant functions in sufficient detail.
- The IA expects the appointed actuaries to review their assumptions regarding the distribution of policies by various NCD bands in Motor Pricing, and where needed, make adequate adjustments in a timely manner.

Protection and Savings Pricing Report 2025

- The IA expects each Appointed Actuary to keep monitoring the expense levels of the Company and reflect those in assumptions-setting adequately and in a timely manner.
- The IA expects each Appointed Actuary to keep monitoring the inflation assumption being applied for its reasonableness. The Appointed Actuary is also expected to support the assumption used with reference to reliable market indices and historical results of expense analysis performed for the Company.
- The IA expects each Appointed Actuary to continue to assess the appropriateness of mortality rates used, and make adjustments using expert judgement with due consideration of emerging experience.
- The IA expects each Appointed Actuary to apply due diligence with consideration of market conditions when selecting the discount rate for the purpose of profit testing and be able to justify his selection, including any changes to it year on year.
- The IA expects each Appointed Actuary to be able to justify the investment return assumption used, including any changes to it, with due regard to the company's investment policy, the product offering, and the economic environment.
- The IA expects all insurance companies to invest in developing their internal technical pricing capabilities by leveraging their own portfolio

experience and deploying internal actuarial expertise, with due consideration of market benchmarks, where deemed appropriate.

- The IA expects the Appointed Actuary to closely monitor the additional loading of assumptions for Group Life and Group Credit Life business as experience emerges over time and update those in a timely manner, while considering the results of other analyses performed by the Appointed Actuary. For expense loading assumptions, alignment with the results of Experience Studies Report is expected to be considered. For contingency loading, an option for the Appointed Actuary could be to consider the appropriateness of aligning with the methodology of Risk Adjustment calculations performed for the purpose of actuarial reserving. Another possible approach could be to consider allocating the risk-based capital to each individual line of business and in turn to each policy, as we approach the transition to a risk-based capital framework effective 1st January 2027.

Role of the Internal Actuarial Function in Actuarial Pricing

- The IA expects the contribution of the Actuarial Function of each insurance company to continue to increase over time in all areas, such that the overall contribution in the entire pricing exercise is deemed significant. In particular, the IA expects to see all internal actuarial functions playing an active role in the Analysis step, followed by an increase in their role in preparing the actuarial pricing report. The Insurance Authority sees this active participation as an essential tool for the professional development of the internal actuarial function of the Company, in particular of actuarial candidates working within those actuarial functions.
- The IA expects the Company management to provide adequate resources (human and technological) to the internal actuarial function, thus enabling it to play a significant role in producing the above statutory reports.