Actuarial Society of Hong Kong

N E W S L E T T E R

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IFAA Membership - Update

Last month we reported that the ASHK was applying to become an observer member of the International Forum of Actuarial Associations. This membership has now been approved.

Insurance Companies Ordinance proposed amendments - Update

Last month we reported that the Insurance Authority has made proposals to amend the Insurance Companies Ordinance (concerning juvenile policies and compliance of PS1 by appointed actuaries) and that we had made a submission to them.

They have agreed with our recommendation regarding use of more modern wording regards insurable interest and have noted our concerns regarding the use of PS1. We expect further discussion once the amendments have been formally drafted.

Mortality Committee report

The mortality committee has now completed their study. We summarise the main points of the study.

In November 1993, the ASHK published a graduated table (HKA93) based on industry experience from 1987 to 1991. The current study analysed the experience of the industry from 1992 to 1994 relative to the graduated table.

For males the actual deaths exceeded the expected deaths by approximately 24%. Statistically this strongly suggest that the original HKA93 is too light. Nevertheless the understatement appears broadly consistent across all ages and thus the shape of the table appears correct.

For females the actual versus expected ratio was close to 100% suggesting that the table is reasonable in aggregate. Closer examination reveals that the HKA93 is probably too light at the younger ages (below 35) and too heavy at the older ages.

The full report will be published in the next week or two.

General Insurance - Guidance Note on Outstanding Claims

The General Insurance Committee has completed a first draft of the above guidance note, and is currently under review from various parties. Members may obtain a copy from the chairperson of the General Insurance Committee, August Chow.

MPF Investment Guarantees

Following the ASHK's submission to the MPF Office in June to suggest the adoption of the appointed actuary system to police the proper delivery and financial soundness of MPF investment guarantees, a multi-disciplinary working group consisting of representatives from the HKMA, HKFI, SFC, HKIFA, ASHK, HKAB. MPFO and Insurance Authority was set up to investigate the various issues relating to investment guaranteed products, and in particular the reserving and solvency requirements. The latest position being taken by the MPFO was to rely on the IA and the HKMA to determine the appropriate levels of reserves for the life insurance companies and banks respectively.

Financial Statements of Retirement Schemes

The Hong Kong Society of Accountants has revised the exposure draft along the direction of the Australian practice (substantially cutting down the reporting requirements). A copy of the draft was sent to the ASHK in August and a meeting with the HKSA was subsequently held in September. Messrs Mike Ross, Greg Cooper and Joseph Yip attended

the discussion, during which the new draft was generally accepted by them. It is understood that the formal Accounting Guidelines for retirement schemes are due to be issued by the HKSA. Copies of the draft are available from the aforementioned persons or from CF Yam. The ASHK expects to formulate its own Actuarial Guidelines once the HKSA's Accounting Guidelines are issued.

Education - Examination Venue

Some of the examinations for the Society of Actuaries (courses 100-135) are being held at the University of Hong Kong this November, which is a change of venue from previously. Members' comments on the venue (favourable or unfavourable) should be passed onto Mr Robert Fok, chairperson of the Education Committee.

Students Visit to China

The Statistics Society of the HKU recently organised a trip to China. We attach a summary of their trip which they have given us. Additional Information can be obtained from Anna Louie at the HKU (Tel: 2857-8318)

Meetings

The ASHK has recently held two meetings:

- A meeting was held on 18 Sep to discuss a paper on the 1995 life insurance minimum valuation and solvency margin regulations.

- Mr Sam Gutterman, President of the Society of Actuaries, gave a talk regarding the solvency of life insurance companies.

On 7 November, Mr Barry Rafe of Trowbridge Consulting will give a talk entitled "The impact of mandatory pension scheme on the financial services industry - An Australian perspective".

The date for the ASHK's AGM has been confirmed as lunchtime 5 December. Notices for the meeting, including invitations for nomination for elections, will be issued shortly.

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BEIJING STUDY TOUR' 96 - SUMMARY REPORT

BY ALICE NG KIT WAN & TEDDY AU YEUNG KA HO
Statistics Society (University of Hong Kong)

"Beijing Study Tour' 96" was organised by the Statistics Society (HKU). The theme of this tour was "Statistics and Insurance in China". The tour lasted for 8 days (1st Sept - 8th Sept). During these 8 days, we have visited Peking University, People's Bank of China, National Statistics Bureau, People's Insurance Co of China, China Pacific Insurance Co Ltd and the Chinese Academy of Sciences.

It was our honour of being the first students' organisation to visit the two leading insurance companies in China - the People's Insurance Co of China (PICC) and China Pacific Insurance Co Ltd. In the visits, both companies had deputed several senior staff members to give us speeches and had some discussions with us on the development of Actuarial Science and the future development of insurance in China.

According to them, Actuarial Science is a new topic in China. As the insurance market is developing in China, the need of actuaries is soaring quickly. However, it is very insufficient of expertise in Insurance and Actuarial Science in China although there are five colleges providing courses in Insurance. This is certainly not a satisfactory figure. In view of this, a number of insurance companies, both foreign and local companies, have established some institutes in order to train students specialised in Actuarial Science and Insurance. Both of our visited companies, the PICC and the CPIC, have their training schools. The PICC have four insurance institutes in mainland China and two overseas training centres, one at Hong Kong and the other at London. While the CPIC also have their own training schools in China and they will send staff to overseas for training too.

On the other hand, China has began to open the insurance market to foreign companies in 1988. Up to now, there are only four foreign companies successfully gained their licenses and operate in Shanghai or/and Guangzhou; but there are over a hundred having representative offices in China and waiting for licenses. It is understood this is a measure to protect the local companies as most of them are quite new, they would not as well-organised as the foreign corporations. By the rush in of many foreign competitors, who are much more experienced and well-organised, the locals may be difficult to strive with them. Yet both companies said they welcome competitions and believed that the ingression of foreign companies is good to the whole insurance market by means of enhancing the standards of insurance and providing pressure to them to reform and do better.

In our discussions, they also mentioned that the knowledge about insurance of the people in China is very limited and misunderstanding of insurance is still severe. Therefore, every year they spend a large proportion of expenditure on educating people the correct concept of insurance through advertisements on all kinds of media, and even start education in primary schools.

Lastly, we talked about some issues on the coming of 1997. They believed no big changes will appear, and according to the Basic Law and implementation of "One country two systems", the relations between the insurance markets of Hong Kong and China will not change. Hong Kong insurance companies will still be treated as foreign companies and vice versa.

To conclude, what we gained and learned in this 8-day trip are invaluable. We now have some ideas on the insurance companies, insurance history, insurance system, as well as the development of the whole market, which are something cannot learn in colleges. We have met some of the finest students in China and shared our own experiences with each other. We had a good time with them. In Beijing, we would certainly not miss the chance of sightseeing. We have been to most of the famous landmarks in Beijing, and have seen how wonderful these historical edifices are. In addition, we have learnt a lot of Chinese history which might have been learnt in schools but forgotten for years. Finally, if you wish to find jobs in China, remember to polish your Mandarin!