The Actuarial Society of Hong Kong

NEWSLETTER

Volume 03/98

Extraordinary General Meeting 17 September 1998: Chinese Translations for PS1and PS2

A EGM was held on 17 September 1998 which approved the draft Chinese translations of PS1 and PS2. These will come into effect on 1 October 1998. It is expected that PS1 and PS2 will shortly become prescribed under regulations.

Investment Seminar 17 September 1998

Immediately after the EGM, an investment seminar was held. We had a brief presentation from Andrew Alexander on the state of the investment market and asset allocations.

Next we had a presentation from HSBC on their bond index and the benefits of the index to fixed interest market.

The final speaker was from Credit Lyonnais who spoke about the proposed CLSA – Actuaries China indices.

(Please contact Vivien Mok of National Mutual at 2519 1198 for copies of slides)

Members

9 new members recently joined the ASHK:

New Members

Name	Company	Status
Calvin WU	HSBC Life	F
LEUNG Hoi Yan	CMG	S
POON Pui Ying, Annie	CMG	S
Elaine Hwang	Watson Wyatt	A
Wilson NAOMI	Watson Wyatt	A
Gilbert PAK	The Overseas Assurance Corp.	F
KOWK Ka Man, Kevin	Manulife	S
LU Xue Qing, Sherry	Tillinghast – Towers Perrin	F
Duncan SPOONER	Tillinghast – Towers Perrin	F

Change of Membership Status

Name	Company	Status
Alfred Hui	Manulife	F
Peter LAU	Eagle Star	F

Membership Subscriptions

The notice for membership subscriptions for 1997/98 were sent to members in April. Members who have not paid their subscriptions are reminded to do so.

Retirement Scheme

The Retirement Scheme Committee is continuing its discussions with the Registrar of the Occupational Retirement Schemes on various issues relating to the funding shortfall of schemes. Members' attention is drawn to the following circulars sent by the Registrar to administrators/employers of registered schemes on:

Contribution Arrears Circular dated 15 September. This highlights the obligations and duties of various parties in respect of outstanding employer contributions to sponsored schemes.

Funding of Defined Benefit Scheme Two Circulars dated 26 September. Employers are reminded to critically assessed the implications of the Asian economic turmoil on the funding of their schemes and reminded of the statutory valuations requirements of ORSO.

Please contact the Registrar , or contact Joseph Yip, Retirement Scheme Chairman, for copies of these circulars.

MPF News

The legislative process for the establishment of the MPF Authority was completed in September. The Management Board of the MPF Authority was appointed on 17 September 1998 and held its first meeting on 24 September 1998. The Board indicated its commitment to implementing the MPF in the year 2000, but the exact timetable would unlikely to be available before 1999. The CEO has not yet been appointed. However, it is planned that the organization structure will be finalized by the

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Note: Views expressed are not necessary those of The Actuarial Society of Hong Kong

end of this year. A complement of some 250 staff is likely and the recruitment exercise will begin early next year.

Even though there are still uncertainties on the exact implementation, the Chief Executive, Tung Chee Hwa, in his Policy Address referred to the MPF in the development of the debt market where "the introduction of the MPF will add impetus".

Turning to the regulation, the following may have implications to your actuarial work:-

1. The funds of a constituent fund may be invested in an insurance policy if the policy is within Class G or H insurance business and issued by an authorized insurer. The MPF Authority must be satisfied that Class H business operates as a full investment-linked policy linked to a separate pooled investment fund, and that any fully or partially investment-linked business has policy values that are fully unitized. The appointed actuary of a life company must be satisfied that proper reserves have been set up to meet the guarantees offered under Class G contracts.

2. The underlying investments of an insurance policy of the same series must be kept in a separate pooled investment fund. The insurer may act as the investment manager of this fund only if the insurer is registered as an investment adviser under the Securities Ordinance.

3. At least one of the constituent funds of a registered scheme must be a capital preservation fund. A capital preservation fund may be invested only in short term deposits or debt-securities; must have an average portfolio term to maturity of not more than 90 days; must have a total value of Hong Kong dollar currency investments equal to the total market value of the fund; and must operate as a unit trust, or as a unitized insurance policy issued by an authorized insurer. However, restrictions exist as to the amounts which can be deducted from accounts of scheme members who have invested in a capital preservation fund. In particular, a deduction for administrative expenses can only be made to the extent that the rate of investment returns earned exceeds the prescribed Hong Kong dollar savings rate. If the capital preservation fund is operated under a unitized insurance policy, the appointed actuary will have to consider the expense implications.

4. As an application requirement for MPF exemption, the employer of an ORSO registered scheme has to provide illustrative examples to demonstrate the differences in benefits between the ORSO registered scheme and the MPF scheme. Actuaries may be involved in preparing these illustrative examples.

As well as ASHK representation on various specialist panels, the ASHK is assisting the MPFA in the development of the principles for the above mentioned MPF/ORSO benefit illustration. The ASHK also considering issuing guidelines on investment guarantee reserves.

Interested members can contact Joseph Yip, Russel Lok or C F Yam.

GN5 - Principles of Life Insurance Illustrations

A meeting was held on 11 June 1998 to discuss the draft Guidance Note 5 – Principles of Life Insurance Illustrations. A revised version will be issued shortly and it is expected that this version will be put forward for approval at the ASHK's AGM in December.

Life Insurance – Survey on Valuation Practices

Section 16 of the Insurance Companies (Valuation of Liabilities) Regulation has been an issue for appointed actuaries. There have been numerous

debates on what resilience tests are required and the level of provisions needed to satisfy this Section. Some actuaries are concerned that Section 16, together with Solvency Margin Requirement, will lead to an excessive financial burden on Hong Kong Insurers especially if it follows the UK basis. In this regard, the Life Insurance Committee of ASHK has decided to carry out a survey of actuarial practices performed by Appointed Actuaries with respect to Section 16 of the Regulation for the Hong Kong business. The survey will be used as a basis of discussion with the Insurance Authority to recommend a basis that is acceptable by the Government and the industry. If necessary, the ASHK may develop a more specific guidance note on the subject.

AGM

The ASHK's AGM is tentatively scheduled for 17 December 1998 at the Grand Hyatt Hotel. Further details will be provided shortly.

Education

On May 22, 1998 the Shanghai Actuarial Professional Committee was officially established by the Shanghai Insurance Association. Through actuarial seminars, conferences, and other exchange mediums, the Committee aims to:

- Promote the development of the actuarial profession;
- Encourage the training of actuarial professionals; and
- Contribute to the development of the finance/insurance industry in Shanghai.

The current Committee membership consists of representatives from Fudan university, Shanghai University of Finance and Economics (SUFE), East China Normal University, AIA Co. Ltd. (Shanghai Branch), the People's Insurance (Life) Co. of China (PICC), Ping An Insurance Co. of China and China Pacific Insurance Co. (CPIC) in Shanghai. The current organization structure includes Professor Shang Hanji of Fudan University as Chairman, Dr Xie Zhigang of SUFE and Mr. Li Ming of PICC as Vice-Chairmen, as well as advisors appointed by the Shanghai Insurance Institute including Mr. Yuan Chang of MetLife and Mr. Dominic Lee of AIA.

The Committee intends to establish an actuarial communication network and encourages individuals of the following characteristics to join:

- Individuals participating in actuarial education or actuarial work in Shanghai;
- Individuals with professional actuarial qualifications (e.g. SOA credits exceeding 200); or
- Directors of insurance and actuarial related organizations.

SOA Committee

A seminar was held in September by the SOA committee on the impact of the Asian financial crisis on the insurance industry.

EAAC 1999

Mike Ross attended a conference in late September, a planning seminar for the 10th East Asian Actuarial Conference [EAAC]. It is intended to hold this from 3 October 1999 to 6 October 1999 in Seoul, Korea.

The theme of the conference is "The Actuary's Challenge in the New Millennium". The topics to be discussed include:-

(1) The roles of actuary under the current East Asian financial crisis.
(2) Actuarial and mathematical modeling.
(3) Application of modern investment theories to asset management.
(4) Solvency of insurance company.
(5) Development of actuarial assumptions.
(6) Public and private pensions.

The organisers will shortly be asking for papers and chairperson. As in past, ASHK members are encouraged to present papers. Please contact Michael Ross for further details.

EAAC 2001

Hong Kong will be hosting The East Asia Actuarial Conference 2001. A committee, chaired by Mike Ross, is being organized to begin the preparation and planning for the conference. Please contact Michael Ross if you wish to be involved.

China

The International Actuarial Association is holding a meeting in Beijing in early January to discuss the actuarial professional in China. There are many actuarial organisations participating. We are pleased that Stuart Leckie is representing the ASHK.

ASHK Logo

There has been a subdued response to the invitation to members to present suggestions for the logo, in fact no comments or suggestions were received by the deadline! Council has decided to extend the deadline for members to present their suggestion and comments to 30 November. Last chance to demonstrate your actual as well as actuarial creativity.

HK Federation of Insurers

The HKFI has adopted "Guidelines on Misconduct" which are intended to assist insurers and insurance agents comply with its Code of Practice for the Administration of Insurance Agents. The Guidelines aim to curd misconduct by addressing what it perceives to be the most common illicit practices of insurance agents. The HKFI also launched two consumer protection initiatives on standard illustration of non unit linked products and a Customer Protection Declaration Form. The Guidelines and the initiatives came into effect on 1 September 1998.

The ASHK welcomes the introduction of these initiatives, as an important first step in enabling customers to make reasonable and informed choices on the types of insurance arrangements that are available.

Homepages

The Insurance Claims Complaints Bureau, which acts as an independent impartial adjucator of complaints between insurers and policyholders of personal insurance, has launched its Homepage: http://www.iccb.org.hk.

Statistics on occupational retirement schemes are now available on the homepage of the Office of the Commissioner of Insurance: http://www.oci.gov.hk. In summary as at 30 June 1998, there were 16933 registered schemes of which 97% are DC schemes. Some 885,000 HK employees are members of registered schemes of which 67% are covered by DC schemes.

Advertisements via the ASHK

Advertisements for employment vacancies sent out by ASHK must comply with various Ordinances, in particular the provisions of the Equal Opportunities Ordinance and the Data Privacy Ordinance. Members are reminded that the "Code of Practice on the Identity Card Number and Other Identifiers" also came into force on 17 June, and due regard must be paid to this and other Ordinances when advertisements are placed with the ASHK.

Actuarial Society of the Philippines

The Society will be holding its 39th Annual Convention on 19 – 21 November at Punta Baluarte, Calatangan, Batangas with the theme

"Linking Actuarial Principles to Corporate Strategy". For further information, please contact:-

Ma Elisa A Franco
Chairperson
1998 Annual Convention Committee
Phone : (02) 845-6889 or
Fax : (02) 845 6968

Year 2000

The HK Monetary Authority, the Insurance Authority and the Securities and Futures Commission have issued a number of circulars to authorised institutions in HK to find out status of their Year 2000 compliance. It is intended that they expect institutions to be compliant by 31 December 1998. We should ensure that organisations that we represent are complying.