



ACTUARIAL SOCIETY

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THE ACTUARIAL SOCIETY OF HONG KONG

# ASHK Newsletter

VOLUME 01/2007

APRIL ISSUE

## FEATURES

**Goals and directions of  
ASHK Council 2007**

**Hit of market – IPO rush:  
Feature Articles &  
Interview**

**New Columns:  
News in the Circle  
Message Board**

**Prize to give away – win  
our Sudoku game!**

## Editorial

*by Mr. David Waples*

Welcome to the first issue of the newsletter in 2007 in the updated and expanded format. The opening pages introduce our Council members and their committees together with the ambitious programs for the committees.

The theme selected for this issue is the rise of the listed insurance sector in Asia, which has been very hot in the Asian stock markets in the last few years.

Our guest contributor, Peter Goulston of ABN AMRO's Financial Institutions in Asia, has painted a changing picture of life insurance giants around the globe. Previously large insurance IPOs were dominated by the demutualisation of traditional life companies in the US and UK. Now, the landscape is being altered by the emergence of large life companies in our region with the listing of China Life and Ping An.

The growth of the listed insurance sector in Asia has been staggering: in May 2000 the total market capitalization (HK, Singapore, China, Taiwan, Korea and Japan) was \$US 15 billion. This has multiplied twenty fold to be over \$US 300 billion seven years later. The growth creates many exciting opportunities for our members in the region.

Another of our guest contributors, Edward Wu of Deloitte China's Public Offering Group takes us through the pros and cons and practical factors of going public.

Mark Saunders gives excellent insights into the IPO process and the developments in the China market. His interview captures key issues in the market while highlighting the actuarial contribution to the process.

The updates on market, membership and events have been expanded for members' interest. In these areas, we would be delighted to receive any comments or contributions from members.

# Council Update

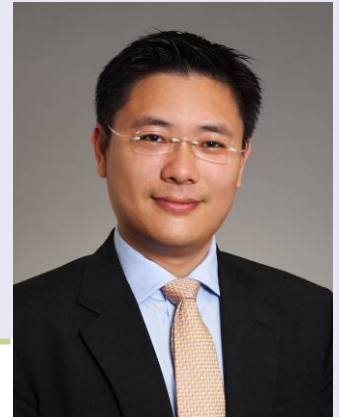
## President



Ms. Sim-Kheng Ng,  
PhD, FIAA, FSA  
(Chief Financial Officer,  
Commonwealth Bank  
Group, IFS North Asia)  
Tel: (852) 3667 8907  
Fax: (852) 3667 8937  
E-mail:  
[sim.ng@cba.com.hk](mailto:sim.ng@cba.com.hk)

## Vice President & Life Insurance Co-Chairperson

Mr. Tony Kin-Shun  
Cheng, MBA, FIAA  
(CEO, Hong Kong Branch,  
RGA Reinsurance Co)  
Tel: (852) 2213 2905  
Fax: (852) 2511 8827  
E-mail:  
[tcheng@hk.rgare.com](mailto:tcheng@hk.rgare.com)



## Life Insurance Committee

The Life Insurance Committee is chaired by Foong Sai Cheong and Tony Cheng. The committee members include Thomas Lee, Simon Walpole, Steve Miles, Tony Ho, Bonita Leong, Ellick Tsui, James Richardson-Hay, Wingkin Lo and Ka-Man Wong.

The aim of this committee is to best serve the needs of the actuarial practitioners in the Life insurance Industry in Hong Kong. In order to achieve this, the Life Insurance Committee is in the process of setting up three working groups to develop guidance notes for the following topics:

AGN7 – Dynamic solvency Testing  
Benefit illustrations  
Liability Valuations under Chapter 41

We are excited by the prospect of the contributions of these working groups and whole-heartedly thank the volunteers who have joined these groups. In addition to these working groups we will be organizing our 7th Appointed Actuaries Symposium which provides the opportunity for Appointed Actuaries and Senior Actuaries to exchange views on the issues they are faced with in their daily roles. Lastly to provide some benchmarks for the Valuation Actuaries we will also conduct our 2nd Annual Valuation Survey. This survey was first conducted in 2006 and was widely acclaimed in adding value to practitioners.



*Co-Chairperson (ASHK  
Council Member):*  
Mr. Sai-Cheong Foong,  
MEc, FIAA, FSA  
(Vice President & Chief  
Financial Actuary,  
American International  
Assurance Co Ltd)  
Tel: (852) 2823 8059  
Fax: (852) 2834 2813 /  
3108 7325  
E-mail:  
[sai-cheong.foong2@aig.com](mailto:sai-cheong.foong2@aig.com)

## Immediate Past President

Mr. Roddy Anderson, FIA  
(Vice Chairman,  
Dah Sing Life Assurance Co  
Ltd)  
Tel: (852) 2507 8038  
Fax: (852) 2598 5074  
E-mail:  
[anderson@dahsing.com](mailto:anderson@dahsing.com)



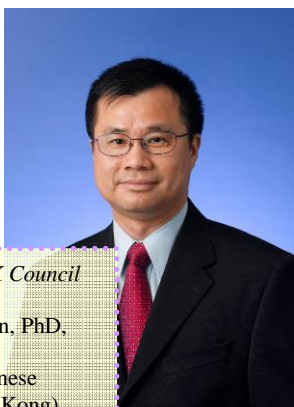
## China Committee

There are six members in the 2007 China Committee: Stuart Leckie (Chairperson), Wai-Sum Chan, Kun-Chi Ho, Wing-Kin Lo, Sandra Tso, Xiaodong Yu and Carol Zhang.

To keep the Hong Kong actuarial community informed of the actuarial profession development in Mainland China, we would like to notify members that the Society of Actuaries of China's (SAC) application to become an independent professional body has been granted approval by the State Council and it is targeting to officially launch the new body within the next two months. The International Actuarial Association (IAA) will encourage the SAC to join the IAA.



*Chairperson (ASHK Council Member):*  
Mr. Stuart Leckie, FFA, FIA, FSA  
(Chairman, Stirling Finance Ltd)  
Tel: (852) 2147 9998  
Fax: (852) 2147 2822  
E-mail: [stuart.leckie@stirlingfinance.com](mailto:stuart.leckie@stirlingfinance.com)



## Education Committee

Four members form the Education Committee this year, namely, Wai-Sum Chan (Chairperson), Herbert Chan, Louis Ng and Ka-Man Wong. The Committee hopes to assist newly arrived actuaries and students in understanding the general and actuarial working environment in Hong Kong through the creation of the Education & Career section on the ASHK's new website that will be launched soon. Topics to be covered in the section are: life & general Insurance, reinsurance, healthcare financing, education & research, investment and retirement. The Committee is also dedicated to conducting more CPD seminars by inviting the 2006 ASHK Best Paper Award's winners to deliver evening talks.

*Chairperson (ASHK Council Member):*  
Prof. Wai-Sum Chan, PhD, FSA, CStat  
(Professor, The Chinese University of Hong Kong)  
Tel: (852) 2609 7715  
Fax: (852) 2603 6586  
E-mail: [waisum@baf.msmail.cuhk.edu.hk](mailto:waisum@baf.msmail.cuhk.edu.hk)



## Experience Committee

For 2007 we have two main aims - to publish more detailed recommendations relating to past data and to set the wheels in motion for a more sustainable approach to assured lives experience studies in Hong Kong in the future.

The last experience report for Hong Kong pointed to a number of areas of further research - a number of which were reviewed last year. We expect to publish recommendations in the coming months on a number of these. This will include an alternative graduation for old age mortality to be applied as an adjustment to HKA01 using methodology consistent with similar mortality tables used by the profession.

Last year I met with a representative from the SOA, in particular to review a tool developed to support collection and analysis of experience data in emerging markets. Whilst I wouldn't classify Hong Kong as an emerging market, the tool offered a number of attractive features in terms of standardised data format and analysis that would help to move our studies to a higher level of consistency and rigour (noting that in the last study we essentially exceeded the format's capacity to effectively combine and analyse all the available data). The next steps will be to seek views and opinions from all life insurers on how we take this forward for the benefit of us all.

In a previous article I commented on the visibility levels in Hong Kong and wondered whether we should be concerned about the impact of air pollution. Since then the situation has certainly not improved, although the pressure for change is growing. Should the profession have a view? I would be interested in your thoughts on this and other long term health related topics that could threaten Hong Kong's reported position as top of the life expectancy league tables.

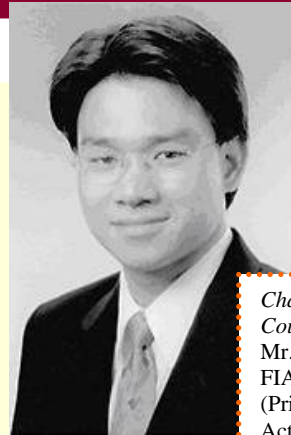
*Chairperson (ASHK Council Member):*  
Mr. David Gott, FIA  
(Head of Actuarial Services, China Region, Swiss Reinsurance Co)  
Tel: (852) 2582 5609  
Fax: (852) 2582 3986  
E-mail: [david.gott@swissre.com](mailto:david.gott@swissre.com)



## General Insurance Committee

The Committee comprises mostly consultants and projects for the year are:

- Greater interaction with HKFI by means of joint talks or surveys to foster a better understanding of how general insurance actuaries can add value to insurance companies. GI companies may not realize how actuaries can add value, and neither may actuaries themselves, which may require actuaries adding non-actuarial skills to enhance their overall skill set.
- Guidance notes with regards to statutory reserve sign offs.



*Chairperson (ASHK Council Member):*  
Mr. Pang-Hsiang Chye,  
FIA, MAAA  
(Principal & Consulting  
Actuary, Milliman Ltd)  
Tel: (852) 2147 5948  
Fax: (852) 2147 9879  
E-mail:  
[pang.chye@milliman.com](mailto:pang.chye@milliman.com)

## Investment & Risk Management Committee

*Chairperson (ASHK Council Member):*  
Ms. Naomi Burger, FIA  
(Assistant Director & Consulting  
Actuary, Watson Wyatt Insurance  
Consulting Ltd)  
Tel: (852) 2820 9922  
Fax: (852) 2827 7700  
E-mail:  
[naomi.burger@watsonwyatt.com](mailto:naomi.burger@watsonwyatt.com)



*Chairperson (ASHK Council Member):*  
Mr. David Waples  
(Vice President & Chief  
Financial Officer, Manulife  
(International) Ltd)  
Tel: (852) 2510 5490  
Fax: (852) 2806 9288  
E-mail:  
[david\\_waples@manulife.com](mailto:david_waples@manulife.com)

## Membership & Publications Committee, Secretary & Treasurer

### *Membership & Publications Committee:*

The Committee will continue to focus on building last year's objective of improving communications internally and externally. We target to issue the ASHK Newsletter on a quarterly basis and to organize social programs ensuring the provision of sufficient networking opportunity for members. Look out for Actuarial Circle networking events later this year!

## Retirement Schemes Committee

### Professional Matters Committee



*Chairperson (ASHK Council Member):*  
Mr. James Richardson-Hay, FIA, FNZSA, AIAA  
(Senior Consultant, Tillinghast – Towers Perrin)  
Tel: (852) 2593 4523  
Fax: (852) 2525 9706  
E-mail:  
[james.richardson-hay@towersperrin.com](mailto:james.richardson-hay@towersperrin.com)

*Chairperson (ASHK Council Member):*  
Mr. Billy Yuk-Lun Wong, FSA, CFA, LLB  
(Principal Consulting Actuary, Retirement Benefits Scheme, Watson Wyatt Hong Kong Ltd)  
Tel: (852) 2820 9916  
Fax: (852) 2827 8899  
E-mail:  
[billy.wong@watsonwyatt.com](mailto:billy.wong@watsonwyatt.com)



*Chairperson (ASHK Council Member):*  
Mr. Peter Kin-Yu Luk, FIA, FIAA, FSA  
(CEO, Plan-B Consulting Ltd)  
Tel: (852) 9190 8822  
Fax: (852) 2885 9861  
E-mail:  
[peterluk@peterluk.com](mailto:peterluk@peterluk.com)

### Special Project Committee (Statutory Path)

The members of the Special Project Committee this year are: Peter Luk (Chairman) Robert Chen, Nigel Hazell, Billy Wong, Browyn Loong and Kitty Yan. Our aims and the current project are as the name suggests: Trying to get ASHK to become a statutory body as soon as possible within the limit of our financial means. Our plans for the year are

- (1) to make full use of the knowledge and experience of our members (as well as that of other Council Members), with the help of our legal counsel and our legislative representative, to get a bill drafted;
- (2) with the consent of the Council, pass the draft bill to members as exposure draft for comments;
- (3) redraft the bill taking into consideration any comments we receive from the members and the Insurance Authority; and
- (4) with the support of the IA, submit the final draft to Legco.

It is not certain whether this project can be completed this year. However, this project will be a multi-year continuous project and we have confidence we will be successful eventually.

# Feature Article (1)

## Author's Profile:

Peter Goulston is a Director in ABN AMRO's Financial Institutions team in Asia, specialising in corporate finance advice for insurance companies. He has over ten years experience in M&A and equity capital markets and has worked on the IPOs of Ping An, China Life and PICC.

Peter can be contacted at [peter.goulston@hk.abnamro.com](mailto:peter.goulston@hk.abnamro.com)



## ***The Rise of the Listed Insurance Sector in Asia*** ..... by Mr. Peter Goulston

The influence of Asia, and China in particular, on the global equity markets has been rising since the late 1990s and in the last couple of years has become marked – it was telling how the major global equity markets followed China downwards in a sharp correction in late February. The rise of Asia can also be seen in the listed insurance sector, once a tiny and almost forgotten part of the Asian equity markets.

Table 1 indicates how previously the list of largest insurance IPOs was dominated by the demutualisation of the traditional life companies in the US and the UK. China first caught the global investor's attention with the 2003 US\$3.5 billion IPO of China Life (listing in Hong Kong and an ADS (American Depositary Share) programme in New York) and the 2004 US\$1.8 billion IPO of Ping An (listing in Hong Kong). Since then the China story has further excited investors and the recent sharp rise in the domestic or A-share markets in Shanghai and Shenzhen, meant that the domestic IPOs for both of the major China life insurers were extremely successful. The largest ever equity offering by an insurer is now the US\$5.0 billion A-share IPO by Ping An in February 2007.

Table 1

### **Top 10 global insurance companies by IPO size**

Pricing Date	Company	Country	Deal Value \$mn
Feb-07	Ping An (A-Share)	China	5,010
Jul-06	Standard Life	UK	4,444
Mar-02	Travelers	US	4,274
Jan-07	China Life (A-Share)	China	3,618
Dec-01	Prudential Financial	US	3,479
Dec-03	China Life	China	3,475
Jul-01	Friends Provident	UK	3,475
Apr-00	Metlife	US	3,310
Jun-94	Istituto Nazionale delle Assicurazioni SpA	Italy	2,882
May-04	Genworth Financial	US	2,856

Source: Equityware

The growth of the listed insurance sector in Asia has been staggering: in May 2000 the total market capitalisation (HK, Singapore, China, Taiwan, Korea and Japan) was US\$15 billion, rising to US\$302 billion by April 2007 and set to grow further still, assuming over the next two years the Hong Kong listing of China Pacific Insurance, the listing in Korea of Samsung Life, Kyobo Life, Tong Yang Life and Dongbu Life, the IPOs in Japan and the IPO of Bao Viet in Vietnam.

## **Insurers by market capitalisation**

Table 2

Global Top 10		
Company	Country	Market Cap US\$bn
AIG	US	174.9
China Life	China	117.1
ING	Neths	93.2
Allianz	Ger	88.6
Axa	Fr	88.4
Generali	Italy	54.4
Manulife	Can	53.2
Metlife	US	47.5
Prudential Financial	US	42.4
Ping An	China	42.4

Table 3

Asian Top 10		
Company	Country	Market Cap US\$bn
China Life	China	117.1
Ping An	China	42.4
Millea Holdings	Japan	30.4
Mitsui Sumitomo Insurance	Japan	18.7
Cathay Financial Holding	Taiw	18.6
T&D Holdings	Japan	16.4
Sompo Japan Insurance	Japan	12.1
Samsung Fire & Marine	S. Kor	8.3
Nipponkoa Insurance	Japan	6.9
PICC	China	6.4

Source: Bloomberg

The growth of the Asian sector can also be seen in Table 2, the Global Top-10 insurers by market capitalisation. China Life is now the second largest life company in the world, well over twice the size of long-established multinationals such as Manulife and Generali.

Table 3 shows the current listed Top-10 in Asia – beyond the Chinese companies, are the listed Japanese non-life giants plus the only listed life player in Japan T&D Holdings (Taiyo Life and Daido Life), Cathay Financial in Taiwan and the leading non-life player in Korea, Samsung Fire & Marine.

### **Current pipeline for insurance offerings in Asia**

The current pipeline for insurance equity offerings in Asia includes:

- China Pacific Insurance expected during 2007 and likely to raise approximately US\$1 billion from a Hong Kong listing;
- The long anticipated IPO of some of the Korean life insurers. Currently it is expected that towards the end of 2007 and the first half of 2008 the initial group will list. This is likely to include Samsung Life (estimated market capitalisation of US\$12 billion), Kyobo Life (estimated at US\$3.5 billion), Tong Yang Life (estimated at US\$0.8 billion) and Dongbu Life (estimated at US\$0.3 billion);
- Currently there is only one listed life company in Japan and this is expected to increase with the possible IPOs of Meiji Yasuda Life, Mitsui Life and Sony Life;
- In Vietnam, the leading composite, state-owned Bao Viet Insurance, is expected to IPO during 2007; and
- There are also expected to be equity offerings from the region's reinsurance industry, both the established national carriers and in the longer term some of the new companies.

### **Why the strong interest in IPOs – from the insurance company's perspective**

The simple answer is to raise money from new investors (to fund growth, both organic and via acquisitions) and to allow a controlling shareholder to sell some or all of its holding – the latter is particularly relevant for state-owned companies such as China Life or Bao Viet. However there are a number of additional advantages to being listed:

- More easily allows for major acquisitions, through the use of equity as acquisition finance and the ability to make further equity offerings to raise finance (future funding flexibility is enhanced);
- To allow for incentivisation of key employees through a share ownership scheme;
- To enhance the profile of the company amongst both policyholders and peers; and
- To promote better corporate governance through a more transparent reporting structure and the requirement to meet the various disclosure and governance rules associated with the chosen market of listing.

### **Why the strong interest in IPOs – from the investor's perspective**

Global investors are keen to invest in companies that will share in the growing prosperity of the region. Saving is a luxury product that will increase disproportionately as national income rises and the regulation of the sector provides some comfort to investors. The size of the companies concerned makes them attractive to both domestic and international investors looking for large, solid players to invest in for the long term. In addition there are a number of specific reasons for the current interest:

- The withdrawal of government provision in areas such as pensions and health care are fuelling growth in China;
- The ageing populations in countries like China, Korea and Japan are increasing the pressure on the public to save more and increasing demand for savings related products and annuities;
- The current buoyant equity markets in Asia boost investment returns of insurers and thus profits – listed insurers can be viewed as a leverage play on the equity markets and traditionally perform well during bull markets; and
- On a global basis margins remain good for insurance in Asia and coupled with the high growth rates make the sector attractive.

As the sector grows both in size and number of companies, the opportunity for the actuarial profession, both as individuals and as firms, will also expand. The need for actuarial advice at the time of IPO is well understood, but on an ongoing basis listed companies require better reporting and are better placed to have the means to remunerate a team of insurance professionals and external consultants. In addition in the investment banks, both in equity research and in the corporate finance teams, as well as on the "buy-side" (i.e. fund managers, hedge fund managers) there is an increasing need for numerically literate insurance specialists with a rigorous understanding of both the companies and the sector they operate in.



# Feature Article (2)

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## ***JPO in Asia – Consideration for Going Public*** ..... by Mr. Edward Wu

Turning a privately owned enterprise into a publicly traded company through an Initial Public Offering (IPO) is a significant milestone for a company. It calls for the combined efforts of advisors from the accounting, legal, financial advisory and underwriting professions.

### **Considerations for Going Public**

The main objective for seeking a listing is to raise funds. Public ownership can provide many other benefits but there are disadvantages to consider too.

#### Advantages:

- Enhances access to capital market
- Improves the visibility and credibility of the company
- Reduces personal funding and guarantees
- Provides liquidity to shareholders
- Improves corporate governance
- Helps attract and retain talent

#### Disadvantages:

- Demands management time and resources to comply with regulations
- Increases the need for public disclosure of company detail and finances
- Increases pressure to grow
- Dilutes control

Companies must weigh the advantages and disadvantages of going public in the light of the plans they have. They should consider alternatives and discuss the matter thoroughly with their accountants, lawyers and other professional advisors.

The time required for a listing varies with companies and the process could take from three months to two years.

The cost of going public should also be considered. Professional fees will have to be paid to your accountants, sponsors, lawyers and public relations firm. The total fee will depend on the size of the new issue and can range from 6% to 20% of the amount of capital raised.

Any company offering securities must comply with that jurisdiction's accounting principles and disclosure requirements, as well as the rules and regulations of the regulatory authorities. There are strict interpretation and frequent changes. Failure to comply may result in, at a minimum, significant time delays.

### **Where to list – a comparison between Chinese Mainland and Hong Kong SAR**

The decision on where to list will be influenced by many factors, including regulatory environment and the track record profit requirement.

#### *Author's Profile:*

Edward Wu is an Audit Partner and Co-leader of Deloitte China's Public Offering Group. He has extensive experience of auditing listed companies in Mainland China and Hong Kong, and providing corporate advisory services including financial due diligence, merger and acquisition, corporate restructuring and fund raising.

Edward can be contacted at [edwwu@deloitte.com.hk](mailto:edwwu@deloitte.com.hk).

**“Companies must weigh the advantages and disadvantages of going public in the light of the plans they have.”**



The Chinese Mainland	Hong Kong SAR			
Must be a joint stock company incorporated in the Chinese Mainland and operated for not less than 3 years	<ul style="list-style-type: none"> <li>Must be a company incorporated in the Chinese Mainland, Hong Kong SAR, Bermuda or Cayman Islands</li> <li>For companies incorporated in Australia and British Columbia, they are also accepted for listing, subject to certain conditions</li> </ul>			
<b>3-year track record</b> <ul style="list-style-type: none"> <li>Cumulative pre-tax profit of no less than RMB30 million</li> <li>Cumulative net cash flow from operation of no less than RMB50 million or operating revenue of no less than RMB300 million over the last 3 financial years</li> <li>No accumulated losses by end of last financial period</li> <li>Total share capital before issue of no less than RMB30 million</li> <li>Public float of no less than 25% of the total share capital, or no less than 10% for total share capitals exceeding RMB400 million</li> </ul>	<b>Main board</b>			<b>Growth Enterprise Market</b>
	Alternative 1	Alternative 2	Alternative 3	1 to 2-year track record
	<b>3-year track record</b> <ul style="list-style-type: none"> <li>Market capitalisation at the time of listing of at least HK\$200m</li> <li>Recent past year's net profit of at least HK\$20m</li> <li>Preceding 2 years' combined net profit of at least HK\$30m</li> </ul>	<b>3-year track record</b> <ul style="list-style-type: none"> <li>Market capitalisation at the time of listing of at least HK\$2 billion</li> <li>Most recent audited financial year's revenue of at least HK\$500m</li> <li>Preceding 3 financial years' positive cash flow from operating activities of at least HK\$100m in aggregate</li> </ul>	<b>3-year track record or shorter</b> <ul style="list-style-type: none"> <li>market capitalisation at the time of listing of at least HK\$4 billion</li> <li>Most recent audited financial year's revenue of at least HK\$500m</li> <li>1,000 shareholders or above at listing</li> </ul>	<ul style="list-style-type: none"> <li>Market capitalisation at the time of listing not less than HK\$43m</li> <li>No profit or other financial threshold</li> </ul>
No material change on management and control for the preceding 3 years	<ul style="list-style-type: none"> <li>Management continuity for at least 3 preceding years</li> <li>Ownership continuity and control for at least the most recent audited financial year</li> </ul>			Substantially the same management and ownership over the period of active business pursuits

This article has been edited. For a full version of the article, please see [http://www.deloitte.com/cn/en/going\\_public](http://www.deloitte.com/cn/en/going_public).

## Puzzle Corner

Do you know the answers? (Answers on Page 18)

### Question 1

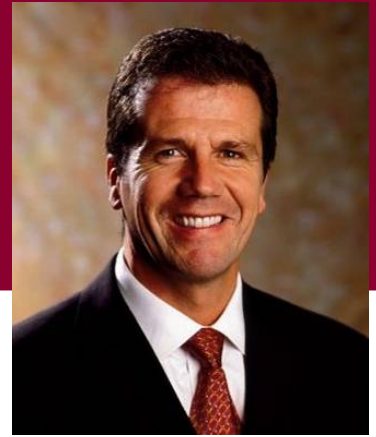
E G A G T R O M

### Question 2

SOLVENCY  
SOLVENCY

# Interview

We have invited Mr. Mark Saunders, Principal of Towers Perrin and Managing Director of Tillinghast's business in Asia Pacific to share his experience and views on China IPO market. Mr. Mark Saunders, FIA, FASI, FSA, can be contacted at [mark.saunders@tillinghast.com](mailto:mark.saunders@tillinghast.com).



**1. How frequently do you travel to China?**

On average about every two weeks.

**2. How would you describe the work culture in China compared to Hong Kong? (e.g. working hours, management style, mix of local and expat staff?)**

Both have a strong work ethic. There are still some old-style Chinese entrenched business practices in the mainland but things are becoming more modernized. For example, seniority has typically been determined by age, connections and length of service rather than ability but refreshing changes are appearing with bright younger people moving into important senior positions. Also, some senior roles are being filled by imported talent. There is a shortage of experienced insurance staff in China compared to Hong Kong but they are catching up fast. For example, the Chinese actuarial students are extremely hungry to learn and achieve. This tremendous drive will accelerate them forward. They will emerge as a source of some of the brightest actuaries.

On average although still long by world standards, working hours are currently probably less in the mainland than in Hong Kong. Hong Kongers typically work crazy hours.

**3. How would you describe the regulatory environment in China? How involved are you?**

The insurance industry in China benefits from a forward looking and impressive regulatory body, the CIRC. Their challenge should not be underestimated in such a large, young, dynamic, and rapidly growing market. Their motivator appears to be to help to build the Chinese insurance industry to be one of the most respected in the world. Certainly they are determined that the companies are financially strong and their focus is on value creation. It is clear that they do not want any corporate failures. To support this, CIRC formed a task force to determine the principles under which companies should determine Embedded Values and submit to them. I was invited as one of the founder members of this task force and the professionalism and knowledge of the task force was impressive. This focus on making companies determine Embedded Values illustrates the CIRC's determination for companies to understand and create value. Another admirable aspect of CIRC is their appetite to reach out around the world to assimilate knowledge and expertise and determine what is most appropriate for China. We are regularly called upon by them to provide information about best practices around the world.

**4. In 2006 there were a number of high profile IPOs in the China financial services industry. Do you expect the same over the coming years from China? What about across the Asia region in general?**

Yes, expect more. A number of shareholders and investors have become very excited about the successes and financial gains made in the IPOs of Chinese financial institutions – perhaps over excited?! Some seem to view an IPO as the route to quick success and fortune – of course, an IPO on its own is no such thing!

**5. What are your thoughts on continuing market appetite for IPOs?**

Also, you should expect to see other insurance company IPOs in Asia. For example, IPOs of the Korean life insurers have been talked about since I arrived in Asia in 1989. It seems that the contentious issue that was blocking the companies going public has, at last, been overcome and so there may even be IPOs later this year, and certainly next. India, too, often talked about in the same breath as China, is likely to have some IPOs in the not-too-distant future. Also, it's not just the big markets – for example expect to see BaoViet list in Vietnam this year.

The insatiable appetite of investors seems to be driven by the passionate desire to get rich quick – this can't continue. Investors should not lose sight of the fundamentals. Certainly, when it comes to IPOs don't let the heart rule the head.

**6. What is your general role in IPOs and how does it fit in with overall process? Who are the different stakeholders and parties you need to deal with?**

The key role is profit and value analysis. In particular, in helping the company and financial advisors understand the economic dynamics of the business, i.e. the drivers of value. Once identified, we help the company improve its financial position through business improvement initiatives. As well as this key role typical involvement includes determination of key components of actuarial appraisal values; analysis of movement, assessment of provision for liabilities, solvency and capital assessment, financial reporting restatement (e.g. reserves and historical earnings determined on statutory and other appropriate bases, e.g. IFRS, USGAAP, listing exchange local regulatory basis, etc.), business improvement initiatives and general guidance through the IPO process and capital raising.

There are numerous parties involved. Typically these include the government, the regulators, the owners, personnel (particularly the Board, management and senior department heads), finance functions and various advisors which as well as actuaries include: investment bankers, lawyers, accountants, auditors, property valuers, communication specialists, and so on.

**7. How does your actuarial training assist you when involved in IPOs? Are there additional skills or key considerations you need to apply in particular to IPOs (as opposed to traditional valuation and pricing)?**

The discipline, rigor and analytical skills combined with intimate knowledge of the financials of insurers gained through actuarial training place actuaries as a vital part of successful IPOs. A key objective in work related to IPOs is to inform investors. For example, anything that appears in a Prospectus must be legally correct, must not mislead investors, and should provide sufficient information to help the investor be well-informed about the company.

When disclosing components of actuarially determined economic value, it is thus important to provide a variety of information (e.g. range of results on different scenarios and sensitivity tests). Results should not contain any bias – some practitioners are tempted to present a most attractive picture (what some may refer to as a seller's perspective); however the objective should be that what is presented should be realistic and achievable.

After all, post-IPO, management will be assessed against projections and underlying assumptions presented in the Prospectus.

Thus, as with all actuarial assessments of economic value, the purpose and use of the valuation results should determine the approach adopted.

A key requisite skill in valuation determination for IPOs and where many actuaries unfortunately fall short is that of effective communication. It is vital that the actuary ensures that his work and implications thereof are properly and fully understood by the company and financial advisors. Thus, I find that a key role I play is in politely and diligently helping other parties truly understand the financials. I find that reminding senior executives of their responsibility for the contents of the Prospectus and that future performance will be assessed against such helps focus the minds ....

**8. What do you enjoy most about being involved in IPOs?**

An IPO is a complex exercise. Often also being constrained by tight timeframes. A personally enjoyable aspect is helping companies successfully navigate their way through and providing advice that really helps the personnel and company develop as they work through the process. Working as a component of a multi-disciplined team towards an extremely challenging objective and achieving it is extremely satisfying.

**9. What would you recommend for investing in China and HK?**

Don't let emotion rule your head. Focus on the fundamentals. I know of too many foreigners who tend to dispense with their usual disciplined approach to investment when it comes to China. They seem to get too excited about the "potential" and ignore usual rigor and discipline. I am sure that many will not achieve their desired returns on investment – but the "potential" may remain ....

**10. Do you have any last thoughts on this subject (IPO)?**

Actuaries are crucial to an IPO for an insurance company. As a profession we must promote that message and demonstrate our value, else risk getting relegated to a role of "number crunchers". Through effective communication and demonstrable business acumen, actuaries should be a vital component of the process. I am proud to be an actuary and proud to say that companies we help take to an IPO regard us, the actuaries, as their most valuable advisors in the process. Every member of our profession has a responsibility to ensure actuaries maintain a prominent position in IPOs of insurance companies.



The interview was conducted by Ms. Bronwyn Loong , AXA China Region and Ms Sandra Tso, Transamerica Re.



# Actuaries in the Media

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The IPA Investment & Pensions Asia published an article *“Crowding out enterprise annuity pensions”* written by Mr. Victor Wong, Managing Director of Real Actuarial Consulting in its April issue this year. Victor argues that, with China's basic pension system under increasing pressure, the enterprise annuity programme may be a casualty. Although enterprise annuities cannot resolve the immediate issues of the basic pension system, they can reduce the financing pressure from the social system when sufficient assets are accumulated over time.

## Market Update

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The revised Code and the following sets of revised guidelines have been approved by the Management Board of the Mandatory Provident Fund Schemes Authority.

### Code on Disclosure for MPF Investment Funds

The Authority conducted a review of the Code in the light of operational experience. The first phase of the review focused on Parts C (fee tables) and D (fund fact sheets) of the Code resulting in a number of proposed amendments to the Codes.

In addition, a review was conducted on Part E of the Code relating to the calculation of the fund expense ratio (“FER”). The new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards necessitated the introduction of some new requirements and refinements to certain existing requirements in order to maintain and improve the comparability of the FER across MPF funds and schemes.

The Authority also took the opportunity to clarify the calculation of FER for funds which were not in operation for a full year.

### Guidelines on Annual Statements of Registered Schemes (Guidelines II.4)

### Guidelines on Annual Statements of Approved Pooled Investment Funds (Guidelines II.5)

Following the amendments proposed for the calculation of the FER, it was required that the dollar amount of transaction costs incurred by constituent funds and approved pooled investment funds be disclosed in the annual return of the scheme as statistical information to be used by the Authority. In this connection, Annex C to Guidelines II.4 and Annexes A and B to Guidelines II.5 have been amended accordingly.

### Guidelines on Equities and Other Securities (Guidelines III.2)

To avoid any unintended confusion about the permissibility of depository receipts listed on Euronext Amsterdam (also known as certificaten van aandelen), Richemont Unites and Roche NES, Guidelines III.2 have amended to state expressly that these investments are permissible investments.

### Guidelines on Approved Exchanges (Guidelines III.4)

### Guidelines on Index-Tracking Collective Investment Schemes (Guidelines III.10)

Due to the acquisition of the holding company of Pacific Exchange (“PCX”) by the NYSE Group, Inc, PCX changed its name to NYSE Arca. The lists of approved stock exchanges in Guidelines III.4 and III.10 have been amended, replacing PCX with NYSE Arca.

Copies of the revised Code and Guidelines could be downloaded from the MPFA website at:

Codes: [http://www.mpfahk.org/english/leg\\_reg/leg\\_reg\\_cod/leg\\_reg\\_cod.html](http://www.mpfahk.org/english/leg_reg/leg_reg_cod/leg_reg_cod.html)

Guidelines: [http://www.mpfahk.org/english/leg\\_reg/leg\\_reg\\_gui/leg\\_reg\\_gui.html](http://www.mpfahk.org/english/leg_reg/leg_reg_gui/leg_reg_gui.html)

## New Members Welcome

### Fellows

Katherine A. ANDERSON, *FSA (2001)*, ING Asia Pacific  
Timothy BERRY, *FIA (2005)*, Swiss Reinsurance  
Antony DAVIES, *FIA (1993)*, Swiss Reinsurance  
Kevin, DAVEY, *FIA (1996)*, Mercer Human Resources  
Kent Griffin, *FIAA (1995)*, AXA Asia Pacific  
Renbin GUO, *FCAS (2006)*, Milliman  
Terry Chi-Yan HO, *FSA (2006)*, Manulife  
Queenie HUI, *FIAA (2005)*, Watson Wyatt  
Jenny Zhen-zhen LAI, *FCAS (2004)*, *MAAA (2004)*, Tillinghast – Towers Perrin  
Julian On-Man LEUNG, *FCIA (2005)*, *FSA (2004)*, RGA Reinsurance  
Cathy Su-Hua LIN, *FSA (2001)*, PWC  
Kian Wee TAN, *FIA*, Prudential  
Wai Kuan TAN, *FIA (2004)*, Prudential  
Annie TAY, *FIAA (1999)*, *FIA (2001)*, Metlife Insurance  
Katherine WONG, *FIAA (2003)*, Swiss Reinsurance  
Peter Leung-Kwong WONG, *FSA (2007)*, ING Life

### Associates

Victor Wen-Chuan HUANG, *AIAA (2002)*, AXA Asia Pacific  
Chi Fung KONG, *ASA (2005)*, AXA Asia Pacific  
Douglas Allan LECOCQ, *ASA (1994)*, KPMG  
Jacky Chi-Lik LEE, *ASA (2005)*, AXA Asia Pacific  
Thomas Kwok-Ming TANG, *ASA (1995)*, PWC  
Sebastien Wei-Hsui VOON, *AIA (2006)*, AXA China Region  
Alma Siu-Ying WONG, *ASA (2003)*, RGA Reinsurance

### Students

Benjamin Hau-Chung CHAN, SOA Student, Standard Life  
Fiona Sze-Man CHAN, SOA Student, BOC  
Ka Yip CHAN, SOA Student, Standard Life  
Henry Yun-Chan CHEUNG, SOA Student, BOC  
Gilbert CHIU, IoA Student, Manulife Financial  
Kent King-Tai CHUNG, IAAust Student, Tillinghast – Towers Perrin  
Shirley Sin-Yee FONG, IAAust Student, AXA China Region  
Derrick Wing-Hong FUNG, SOA Student, OCI  
Jeffrey Tsz-Yue IP, SOA Student, Sun Life Financial  
Edmond Ho-Yeung KAM, SOA Student, Tillinghast – Towers Perrin  
Kay KONG, SOA Student, Hewitt Associates  
Jessica Ling-Wai LAM, SOA Student, Prudential  
Chun Wing LEE, SOA Student, Principal  
Pei Shan LEE, IAAust Student, Watson Wyatt  
Daniel Tsz-Hong LEUNG, SOA Student, Prudential  
Wilson LEUNG, IoA Student, SunGard  
Jeff Ding-Ip MA, IoA Student, Watson Wyatt  
Matsuta NG, SOA Student, New York Life  
Frederick Yin-Chun POON, SOA Student, New York Life  
Daphne Oi-Yee WONG, SOA Student, Sun Life  
Ho Yuk WONG, SOA Student, OCI  
Ray Man-Fai WONG, SOA Student, New York Life  
Ka Ho YAU, SOA Student  
Cheuk Ling YEUNG, SOA Student, Zurich Life  
Jackie Kim-Hung YUEN, SOA Student, BOC

## Reinstated Members

### Fellows

Steve Ngai-Fai HUI, *FIAA (1983)*, Haier New York Life  
Thomas Hung-Tak LEE, *FSA (1997)*, Citi Fubon  
Andrew Chung-Fai SIU, *FSA (2004)*, HSBC Insurance  
Glenn WILLIAMS, *FIA (1998)*, AXA China Region

### Associate

Vincent Lok-Sang KOK, *ASA (1991)*, Infinity Strategic Advisors  
Daniel Kin-Hing LI, *ASA (2003)*, BOC Group Life

### Student

Alan Wai-Lun LAU, SOA Student, CIGNA

## Membership Status Upgrade

### Fellows

Joseph Tsz-Kin AU, *FSA (2006)*, Prudential Assurance  
Cherry Hiu-Yan CHEUNG, *FSA (2006)*, ING Life Insurance  
Mark Min-Chung KAI, *FSA (2006)*, AXA China Region  
Amanda Sze-Ping LO, *FSA (2006)*, AIA  
Julian Ka-Wai LO, *FSA (2006)*, MetLife Fubon  
Emilio Yik-Chung PANG, *FSA (2006)*, HSBC Treasury  
Florence Ka-Ying SO, *FSA (2006)*, HSBC Insurance  
Timothy Kwong-Hei WONG, *FSA (2006)*, Manulife

### Associates

Kai Pong CHEUNG, *ASA (2005)*, HSBC Insurance  
Rebeccam Pui-Kar CHUNG, *ASA (2004)*, Sun Life Financial  
Leo Siu-To LAU, *ASA (2006)*, Zurich Life  
Susanna Sau-Man LI, *ASA (2006)*, HSBC Insurance  
Wing Kin LO, *ASA (2005)*, Sun Life Financial  
Amdy Siu-Wing NG, *AIAA (2006)*, Sun Life Financial  
Florence Shuk-Ha NG, *ASA (2005)*, Ernst & Young  
Dorothy Hiu-Fai TSUI, *ASA (2005)*, Sun Life Financial  
Becky Ho-Tsun PUI, *ASA (2006)*, Hannover Life Re  
Issac Chun-Yam TONG, *ASA (2005)*, Prudential Assurance  
Victoria WEN, *AIAA (2003)*, PWC  
Ernest Yiu-Hang WONG, *ASA (2004)*, Sun Life Financial  
William Chi-Wing YEUNG, *ASA (2006)*, AIA

## Actuaries on the Move

### Fellows

Caris King-Han CHEUNG  
August Chun-Ming CHOW  
Paul HEADEY  
David HUGHES  
Steve Ngai-Fai HUI  
Jeff Yau-Chung LAU  
Lawrence Chi-Ho LEE  
Tak Yum LEE  
Eddie Pak-Siu LEUNG  
Jeremy PORTER  
Peter George TELFORD  
Ronald Wing-Lim WAN

### Associate

Yew Wei CHAI  
Dorothy Hiu-Fai TSUI

### Student

Rachel Yee-Man CHONG  
Andre Cheuk-Kan HUI  
Kelton Hoi-Leong LAM  
Christy Kwok-Ying LI  
Lawrence Chi-Cheung YEH  
Terence Tin-Hang YIU  
Cynthia YU

# News in the Circle

(We welcome contributions from members)

## Actuarial Match



The Auld Alliance refers to a series of treaties, offensive and defensive in nature, between Scotland and France aimed specifically against an aggressive and expansionist England. The first such agreement was signed in Paris on 23 October 1295. The alliance was renewed in a wedding ceremony of Alex Malandain and Stuart Leckie on 28 March 2007.

Long live the Alliance!



## Actuarial Networking Blog

A social and networking blog for actuaries! You are welcome to browse or post any comment on the website at: <http://www.act-uate.blogspot.com/>



## The New Born

Hello everyone! My name is Sophia. I was born on 3 Dec 2006 weighing 7lbs 12oz and am 4 months old now. This is me in the picture below:



Orchis Li, David & Gabrielle love me so much that they said I'm God's precious gift to them!

## Obituary

Mr. Hubert John Prescott (1941-2007), passed away on 29 January 2007. He had spent some time working in Hong Kong in the 90s. He was qualified as a Fellow of the Institute of Actuaries in 1967.



# Events' Highlight

## JoA President in Hong Kong

Mr. Nick Dumbreck, President of the Institute of Actuaries visited Hong Kong in January. The ASHK had invited him to give a Luncheon Talk on "Risk-based Capital for Life Insurers" on 10 January 07.



## Education & Careers Expo 2007

Date: 1 – 4 February 07

Venue: Hong Kong Convention & Exhibition Centre

Booth no: A31, Hall 5

Featuring: Careers Talk on "The Actuarial Profession" on 2 February 07



*Our booth*

*Career talk & panel discussion:*



*Our student helpers*



*At peak hours*

The Actuarial Society of Hong Kong, 2202 Tower Two, Lippo Centre, 89 Queensway, Hong Kong

Tel (852) 2147 9420 Facsimile (852) 2147 2497 Website: [www.actuaries.org.hk](http://www.actuaries.org.hk)

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



## ***IAAust President in Hong Kong***

The President of the Institute of Actuaries of Australia, Mr. Fred Rowley visited Asia in February. The ASHK invited him to give a Luncheon Talk on “Professional Standard – Exploring the Rationale” on 7 February 07.



On the same evening, the IAAust Presidential Dinner was held in the Shanghai Garden in Hutchison House. IAAust volunteers were invited to attend.



## **A New Year and a Fresh Approach to Actuarial Recruitment**

### **Our Mission:**

**"To be the Best Professional Services Recruiter in the World"**

Darwin Rhodes is the leading global specialist in Actuarial Recruitment. Since establishing our office in Hong Kong 6 years ago we have developed an enviable reputation for providing a first class service to our clients and candidates. From a candidate perspective we have managed to identify opportunities where, in some cases, they have felt they were seeking the unobtainable and as a result assist them with accelerating their careers exponentially. For our clients we have provided innovative resourcing and compensation strategies enabling them to build and grow their teams and businesses.

Our global network including our head office in London and other international offices, in New York, Sydney, Brisbane, Mumbai, Shanghai and Poland, enables us to assist individuals to seek opportunities either in their local market or on a global basis. All candidates are managed by a specialist local contact avoiding the need for them to be communicating with international offices across multiple time zones.

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Tel: (852) 3101 0930

Fax: (852) 3101 0989

Email: [recruit-hk@darwinrhodes.com.hk](mailto:recruit-hk@darwinrhodes.com.hk)

**Or Visit our website: [www.darwinrhodes.com.hk](http://www.darwinrhodes.com.hk)**



# Do you Sudoku?

The Sudoku game stays even we have changed our design for the newsletter! Last time we received the 1<sup>st</sup> correct entry from Mr. Peter Luk of Plan-B Consulting Ltd. Congratulations, Peter! Here is another Sudoku game!

	7			5				
		9	4			7		6
3	8		7		6			
					2			3
	3						1	
4			3					
			1		7		3	9
7		3			5	1		
				3			5	

**How to play:** fill in each square with a number so that each row, column and each 3 X 3 block contains 1 to 9

Again, a prize will be presented to the member who submits the first correct entry. Join the puzzling craze and submit your entry to ASHK Office by email:

[actuaries@biznetvigator.com](mailto:actuaries@biznetvigator.com) **NOW** !!!

Solution for last issue's Sudoku:

5	6	8	3	4	1	7	2	9
4	1	7	6	9	2	3	8	5
2	9	3	8	5	7	4	6	1
3	4	6	5	7	8	1	9	2
8	2	9	1	6	4	5	7	3
1	7	5	2	3	9	8	4	6
9	8	1	7	2	3	6	5	4
6	3	4	9	8	5	2	1	7
7	5	2	4	1	6	9	3	8

**Puzzle Corner** (Page 9) Answer:

1. Reverse Mortgage
2. Solvency II

## *Message Board* (Contributed by members)

### Spaghetti with parsley basil pesto

*Serves: 4*

#### Ingredients

375g spaghetti  
1 cup firmly packed fresh basil leaves  
1 cup firmly packed fresh flat-leaf parsley leaves  
2 tablespoons toasted pine nuts  
2 cloves garlic, quartered  
2 tablespoons finely grated pecorino cheese  
½ cup (125ml) extra virgin olive oil  
1/3 cup (25g) flaked pecorino cheese, extra

#### Method

Cook pasta in a large saucepan of boiling, well-salted water, uncovered, until just tender; drain.

Meanwhile, blend or process herbs, pine nuts, garlic and the grated pecorino until combined. With the motor operating, gradually add half of the oil in a thin stream until combined.

Combine the pasta, pesto and remaining oil in a large saucepan; toss gently to combine. Season to taste with salt and pepper. Serve sprinkled with the extra cheese.

### Apple Crunch Dessert

*Serves 4*

#### Ingredients

5 medium apples, peeled, cored and chopped  
1 cup granulated sugar  
1 teaspoon ground cinnamon  
1 tablespoon butter, cut in small pieces

#### Topping

1/2 cup all-purpose flour  
1/2 cup granulated sugar  
1 teaspoon baking powder  
2 tablespoons butter  
1 egg

Mix apples, 1 cup of sugar and cinnamon; place in a greased 8-inch baking dish. Dot with the 1 tablespoon of butter.

Combine topping ingredients; stir until blended then pour over apples. Bake at 350°F for 30 to 35 minutes.



# 2007 Up-coming Events

For details, please visit: <http://www.actuaries.org.hk/>

## ASHK Half-day Seminar

Topic: "Stochastic Models for Options and Interest Rates"

Speaker: Dr. Sheldon X. Lin

Date: 11 May 2007 (Friday)

Venue: Novotel Century Hong Kong

Deadline for registration: **4 May 2007**

Note: This seminar has been approved for 3 SOA PD credits.

## ASHK Networking Evening – Actuarial Circle

Date: 1 June 2007

Time: 6 pm – 8 pm

Venue: Meeting Room, Ernst & Young, 18/F, Two International Finance Centre

## Joint Regional Seminar 2007

Topic: Product Development – Current Trends

<u>Location</u>	<u>Date</u>
Shanghai	18-19 June
Hong Kong	20 June
Taipei	21-22 June
Singapore	25-26 June

Registration will start in May.  
Watch out for more news!

Note: The SOA is reviewing the seminar for PD credits.

<u>Date</u>	<u>Event</u>
<b>27 Apr</b>	<b>SOA APC, HK</b>
<b>11 May</b>	<b>ASHK Half-day Seminar</b>
<b>1 Jun</b>	<b>ASHK Networking Evening – Actuarial Circle</b>
<b>18-26 Jun</b>	<b>Joint Regional Seminar</b>
<b>23 Jun</b>	<b>SOA APC, Taipei</b>
<b>28 Jun</b>	<b>ASHK Luncheon Meeting</b> <i>Speaker: Mr. Bruce D. Schobel, President-Elect of SOA</i>
<b>30 Jul-3 Aug</b>	<b>SEA Health Insurance Conference, Singapore</b>
<b>7-9 Aug</b>	<b>SOA US GAAP Seminar, HK</b>
<b>18-19 Aug</b>	<b>Shanghai-HK Actuarial Forum, Shanghai</b>
<b>3-7 Sep</b>	<b>SOA ALM Seminar, Singapore</b>
<b>9-12 Oct</b>	<b>14<sup>th</sup> EAAC, Tokyo</b>
<b>28-31 Oct</b>	<b>23<sup>rd</sup> Pacific Insurance Conference, Kuala Lumpur</b>
<b>13 Dec</b>	<b>ASHK Annual General Meeting</b>

## 14<sup>th</sup> EAAC, Tokyo

Theme: Actuaries in Asia; making a new epoch

Date: 9 - 12 October 2007

Venue: Keio Plaza Hotel, Tokyo, Japan

Note: Registration for EAAC has started. For more details, visit: <http://www.eaac14th.com>.



## Volume 01/2007

## April Issue

### Editor

David Waples

Tel: (852) 2510 5490

Fax: (852) 2806 9288

E-mail: [david\\_waples@manulife.com](mailto:david_waples@manulife.com)

### Assistant Editors

Bronwyn Loong

Tel: (852) 2519 1553

Fax: (852) 2598 5736

E-mail: [bronwyn.loong@axa.com.hk](mailto:bronwyn.loong@axa.com.hk)

Sandra Tso

Tel: (852) 2588 7166

Fax: (852) 2877 6221

E-mail: [sandra.tso@transamre.com](mailto:sandra.tso@transamre.com)

Victoria Wen

Tel: (852) 2887 2686

E-mail: [dantes19@yahoo.com](mailto:dantes19@yahoo.com)

Kitty Yan

Tel: (852) 2820 8204

Fax: (852) 2827 7700

E-mail: [kitty.yan@watsonwyatt.com](mailto:kitty.yan@watsonwyatt.com)

### Coordinators (ASHK Staff)

Patricia Kum

Tel: (852) 2147 9418

Fax: (852) 2147 2497

E-mail: [patkum@netvigator.com](mailto:patkum@netvigator.com)

Sarah Hui

Tel: (852) 2147 9419

Fax: (852) 2147 2497

E-mail: [actsoff@netvigator.com](mailto:actsoff@netvigator.com)

Christina Lai

Tel: (852) 2147 9420

Fax: (852) 2147 2497

E-mail: [actuaries@biznetvigator.com](mailto:actuaries@biznetvigator.com)

### Contributions to the ASHK Newsletter

We welcome members' contribution to the following sections of the ASHK Newsletter: *Feature Article, Actuaries on the Move, News in the Circle, Message Board and Do you Sudoku?*

Send correspondence to the ASHK Office at the address below. When sending in correspondence which has been created in a word processing program, when possible, email a copy of the file to either the editor's or the coordinators' e-mail address. Publication of contributions will be at editor's discretion.

### Corporate Advertisement

The ASHK will accept from insurance companies' or actuarial consulting firms' advertisements in the ASHK Newsletter provided that the advertisements do not detract from the actuarial profession. Positioning of advertisement will be at the editor's discretion.

### File Formats:

Advertisers have to supply the artworks which should be created in MS Word/PowerPoint/JPEG/PDF formats.

### Advertising Rates:

	One Off	Whole Year
Full page	HK\$4,000	HK\$3,600@
Half page	HK\$2,000	HK\$1,800@
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