

THE ACTUARIAL SOCIETY OF HONG KONG

PRESIDENT'S REPORT 2003

Membership in general

Eventful and challenging are words that aptly describe 2003 during which I had the honor of serving as your President. I would like to thank the Council and the members for your support and hard work that made the year such a success.

Our membership continues to grow. As the moment, our membership stands at 448, a compound growth of 8% per annum over the past five years. Interestingly, the number of Fellows grows at a rate of 10% per annum over the same period. Detailed numbers are listed below for your information.

	<u>Membership</u>					
	<u>As at 12/98</u>	<u>As at 12/99</u>	<u>As at 12/00</u>	<u>As at 12/01</u>	<u>As at 12/02</u>	<u>As at 12/03</u>
Fellows	130	153	166	183	198	208
Associates	80	95	107	79	91	87
Students	<u>91</u>	<u>114</u>	<u>130</u>	<u>137</u>	<u>151</u>	<u>153</u>
Total	<u>301</u>	<u>362</u>	<u>403</u>	<u>399</u>	<u>440</u>	<u>448</u>

The occupational split is as follows:

Insurance/reinsurance companies	307
Consulting firms (insurance and/or retirement schemes)	93
Others (including Government and investment firms)	35
Unknown	13
	<hr/>
	<u>448</u>

While actuaries are traditionally engaged in insurance and consulting activities, I have noticed a healthy number are now involved in non-traditional areas, in line with what is happening elsewhere in the world. With our knowledge and expertise in mathematics, statistics and financial economics, I anticipate, and indeed would encourage, this trend of diversifying into new areas of activities.

Activities

I have witnessed much change and progress in the Actuarial Society of Hong Kong (“the Society”) throughout my past tenures as President of the Society (and its predecessor the

THE ACTUARIAL SOCIETY OF HONG KONG

Actuarial Association) in 1973, 1974, 1978, 1983, 1992 and again in 2003. I am very glad to see the profession has grown from a handful of people to its present day membership of more than 400 over the past 30-year period.

In my inauguration speech at the end of 2002, I mentioned that one of my aims in my term of office this year was to promote the professional activities and increase the profile of the actuarial profession in Hong Kong. The profession, through its council and various committees, has done a great deal in this regard. The number of seminars, conferences, etc. have increased to, on the average, once to twice a month. I anticipate this trend to continue.

During the year, the council examined the possibility of turning the Society into a statutory body, just as done by the accounting and legal profession. The Professional Matters Committee has undertaken initial investigations regarding the procedure and associated costs and it has become clear, much to our regret, that this is not feasible, at least at this stage, due to the lack of resources, time, and finances to take this significant step forward. I hope one of our future presidents will complete this unfinished work of the Society.

To ensure the continuity of the Council's work, which has become increasingly more complex, the Society changed its Constitution during the year and put in place the position of a Vice-President who will serve as the President for the following year. We have the pleasure of having Mr. David Hughes as our vice president for the year and he will be your president for the coming year, unless somebody else comes forward to challenge that position.

The Society moved its office in November to its new address, where we will continue to serve our members and other international actuarial bodies including Faculty and Institute of Actuaries, Institute of Actuaries of Australia and Society of Actuaries. Many of you are probably not aware that these international bodies actually contribute to the finances of the Society through a setup called Actuaries Office in Hong Kong.

In October, a delegation from ASHK attended the 12th East Asian Actuarial Conference in Manila, during which we voted to admit India as a new member. In addition, the Society was represented at the IAA Council and Committee Meetings in Sydney and Berlin, the IAA International Promotion and Education Fund Meeting in Manila and the Annual Convention of the Chinese Actuary in Chengdu.

To encourage members' research on actuarial-related subjects, the Council has established an annual award for the best actuarial paper presented by a member. Known as the ASHK Annual Award for Best Paper, the award will be presented for the first time at the 2003 AGM. The winner will take away HK\$10,000. Papers submitted will be posted to the ASHK Online Journal.

A new feature that has been added to the ASHK website is the list serve. Members are

THE ACTUARIAL SOCIETY OF HONG KONG

strongly encouraged to discuss ongoing issues in life insurance, investment and pensions through this venue.

Committee work

I now have pleasure to brief you about the work your committees have been doing over the past year.

China Committee – Mr. K.C. Chan resigned as Chairman when he relocated to Taiwan and we were lucky to have Mr. Danny Chung, an expert on Chinese matters, to replace him. The ASHK has been working very closely with the Chinese actuarial communities through SAC (Society of Actuaries of China) and CIRC (Chinese Insurance Regulatory Commission) and Danny sits in at various meetings with CIRC and SAC people on actuarial development in China.

Second, the ASHK has served as an important link between the international actuarial bodies and the Chinese actuarial profession. A second International Actuarial Forum, sponsored by the International Actuarial Association in conjunction with the Chinese actuarial profession and CIRC, helped by ASHK, is scheduled to take place in China towards the end of September 2004.

Third, it is worth noting that when China first conducted her own actuarial examinations in 1999, there were 50 candidates. This year, there were more than 1,000 candidates taking the exams. Please take a moment to let this number sink in. It represents a growth of more than 100% per annum. In addition, there are probably a couple of dozen internationally qualified actuaries, (including FSA's, FIA's and FIAA's) working in China at present. It is quite possible that in 10 years there will be more actuaries in China than in Hong Kong. While we welcome as well as promote this growth, we must not lose sight of the fact unless we aim at becoming a center of excellence (analogous to the situation of Canada vs. USA), we will quite likely become marginalized very soon. To achieve this goal, we need concerted effort of every member of ASHK.

Education Committee – chaired by our able and devoted Prof. Chan Wai Sum, has done a lot to promote the education for actuarial students. Toady, apart from the exams from the US, UK and Australia, people can also take Chinese actuarial examinations in Hong Kong.

Three universities – HKU, Chinese U and Poly U – conduct actuarial-related courses. They are now a major source of actuarial students in Hong Kong.

The ASHK together with the Society of Actuaries, the Faculty and Institute of Actuaries, and the Institute of Actuaries of Australia participated again in the Education and Career Expo

THE ACTUARIAL SOCIETY OF HONG KONG

with the aim of promoting the actuarial education and profession to the public.

Experience Committee – chaired by Mr. David Alexander who helped produce our last mortality table. This committee is now considering collecting statistics for other morbidity tables. The Experience Committee recently distributed a survey to Appointed Actuaries requesting for feedback on the type of studies they think the Committee could undertake next.

The ASHK has also offered to help Society of Actuaries of China in the compilation of their new mortality tables.

General Insurance Committee – chaired by Mr. Duncan Spooner, the General Insurance Committee provided input on IA's GN9 on Actuarial Review of Insurance Liabilities in respect of Employees' Compensation and Motor Insurance Businesses and on the compilation of additional motor vehicle insurance statistics. Since general insurance companies that conduct statutory business are now required by the Insurance Authority to have these reserves certified by qualified actuaries, the work of this committee has taken on increasing importance.

Investment Committee – chaired by Stuart Leckie, had several useful meetings on investment-related matters.

Life Insurance Committee – The Life Insurance Committee circulated a draft guidance note on dynamic solvency testing (DST) to Fellow members for comments. Following that, we had the 3rd Appointed Actuaries Symposium in November, which was considered by many who attended as a real success. It is expected that the final draft will be presented to the members in general for voting.

Membership & Publication Committee – chaired by Ms. Lilian Ng, has with the support of Pat Kum and Sarah Hui, our permanent administrators, spent a great deal of time processing the membership applications and editing and publishing the newsletter. The superior quality of our newsletter attested to the effort they put in.

Professional Matters Committee – chairman Mr. Kevin Lee, has done a superb job for the year under review. Apart from the statutory path project mentioned above, the Committee has been tasked with developing a media guide, reviewing the process for approving guidance notes and professional standards, developing a guidance note for marketing savings policies and considering whether to introduce examinations with local content.

Retirement Schemes Committee – chaired by Ms. Elaine Hwang, had a meeting with the Mandatory Provident Fund Schemes Authority (MPFA) to discuss several issues with respect to MPF and ORSO schemes. With the success of co-organizing seminars with the Hong Kong Retirement Schemes Association over the previous years, another joint seminar has been

THE ACTUARIAL SOCIETY OF HONG KONG

scheduled in the first half of 2004.

Secretary & Treasurer – ever since Mr. Dick Leung took on this job, he has spared no effort in bringing Corporate Governance to ASHK. Anybody who has worked with Dick during the period would agree that Dick has discharged his duty admirably.

A few ad hoc committees were formed during the year.

An ad hoc committee – under the chairmanship of Mr. K.C. Chan – was formed to liaise with Life Insurance Council of HKFI to provide our feedback and comments on actuarial-related matters on the discussion paper on insurance issues under the anti-discrimination legislation.

An ad hoc committee – under the chairmanship of Mr. Peter Luk – was formed to discuss the exposure draft No. 5 of the International Accounting Standards Board in liaison with Hong Kong Society of Accountants. The committee submitted its views on behalf of ASHK to the International Actuarial Association, which in turn after incorporating views from its various members submitted its views to IASB before the end of October.

Conclusion

Finally I would like to thank members of the Council for their time and valuable contributions to the Society and all those members who provided active support to our activities. Also I would like to offer particular thanks to Mr Michael Ross, Immediate Past President and Mr David Hughes, Vice President (President Elect) for their support and advice during my term as President.

There is still much to be done to enhance the standing of our profession in Hong Kong and in the world. I urge members to continue to step up your support for the profession and make a contribution to the Society and our profession. Good luck to the incoming President for a successful year ahead and I remain available to help in any capacity that I can in the years to come.

Peter Luk
President

5 December 2003