

THE ACTUARIAL SOCIETY OF HONG KONG

PRESIDENT'S REPORT 2017

Members, it is my pleasure to present this report to you at the end of my term as President of the Actuarial Society of Hong Kong (ASHK or the Society). In my acceptance speech delivered at the last Annual General Meeting, I had outlined several objectives (some of which are long-term) that I thought the Society should achieve with the support of members and Council. I am pleased to present to you the report as follows:

The Year in Review

Over the year, members were provided with many Continuing Professional Development (CPD) opportunities to help them meet the CPD requirement - seven evening talks, a soft skills workshop, two data analytics workshops, two professionalism courses and four major seminars were organised. The annual Joint Regional Seminar in summer continued to be hugely popular among the actuaries in the region. We also had the privileged to welcome the Institute and Faculty of Actuaries (IFoA) Asia Conference which took place in May in Hong Kong. We thank you members for your support at these events.

2018 Asian Actuarial Conference Organising Committee

The Asian Actuarial Congress (AAC), formerly known as East Asian Actuarial Congress (EAAC) was established in 1981 with initial nine Actuarial Societies representing respective countries. As of now the Actuarial Societies in Australia, China, Hong Kong, Thailand, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Chinese Taipei and India constitute its members. The activities of AAC now envelope whole of Asia.

The ASHK is pleased to host the annual AAC from 16-19 September 2018 in Asia's World City – Hong Kong. The event will be held at the prestigious Kerry Hotel with an expected attendance of over 500 actuaries from across Asia as well as other parts of the world. This would be the third time the AAC is held in Hong Kong; the first time was in 1987 and the second time was in 2001.

Preparation work by the AAC Organising Committee led by Billy Wong is underway. Members can expect to receive the call for papers and sponsorship invitations soon.

Health Committee

The Health Committee has over this past year closely followed industry discussion of the government-proposed Voluntary Health Insurance Scheme. We actively participated in the latest round of industry consultation and provided the government and its consultant with professional input on the design of VHIS.

We are pleased to report that the ASHK Healthcare Seminar 2017 was successfully held in October. For the past three consecutive years, we have received very favorable feedback from a well-attended audience. The continued success of this seminar highlights ASHK's crucial role in educating our members and enhancing their interest in the healthcare specialty.

During the year, members of the Committee actively participated in other ASHK events (e.g., ASHK Pensions & Employee Benefits Seminar in September) and also exchanged information with other societies. Lawrence Tsui, who is our ambassador to the International Actuarial Association Health Section, continues to facilitate exchange of useful information with other actuarial societies.

Given the upcoming VHIS rollout in late 2018 or 2019, we will continue to remain actively engaged with other key stakeholders on this important issue. In addition, we will strive to strengthen education of the broader ASHK membership to support development of health actuarial knowledge.

Taking this opportunity, we would like to thank you for your continuing support, and wish you a very prosperous and rewarding 2018!

International Committee

The International Committee continues to reach out and remain connected to other actuarial associations in the region, to exchange information and help ASHK members learn about development in other regional markets. We have been in touch with, or reached out to, the actuarial societies from mainland China, Australia, Indonesia and other markets. In addition, we have strived to bring new speakers to broaden members' horizons.

We are pleased to report that our flagship event, the first ASHK Asia Conference held on 13 January 2017, covered a wide range of current topics such as big data, the globalisation of Chinese capital, and bancassurance. This event was well attended and received very positive feedback for the contents and speakers. Besides, the enthusiastic audience also offered many helpful suggestions about future educational topics.

Our evening talk on 26 April 2017 focused on the integration of financial markets and opportunities for financial services in Hong Kong. The audience was impressed with the insights into development of the broader financial markets both at a global level and between mainland China and Hong Kong, and particularly welcomed “non-traditional” (i.e., not strictly insurance related) content that helped actuaries to pay attention to the broader financial services industry and macro-economic trends.

We also managed to bring other expert speakers to present cyber risk on 17 October 2017. This evening talk was again well attended. The actuarial audience naturally liked both qualitative and quantitative analysis of cyber risk and advice on the appropriate risk management approaches. We are very encouraged by our members’ earnest curiosity for knowledge and will continue to explore worthy educational topics.

In retrospect, 2017 has been a busy and fruitful year for the International Committee. We are grateful to your support, and wish you all very Happy Holidays, and a very successful and rewarding year ahead!

Life Committee

2017 proved to be a year of exciting changes on many fronts in the local insurance landscape. The Life Committee proactively engaged in open face-to-face dialogue with regulators and the industry on issues affecting the actuarial profession and the insurance industry. We saw the establishment of the independent Insurance Authority (IA) in December 2015 and on 26 June 2017 the IA assumed its regulatory responsibilities and replaced the Office of the Commissioner of Insurance (OCI) in regulating insurers. We had the pleasure of having Mr Raymond Tam, Executive Director, Policy and Development of the IA deliver a keynote speech at the recent Appointed Actuaries Symposium organised by the Committee. Mr Tam shared with the Appointed Actuaries and senior actuaries the future agenda of the newly established IA, its expectations of actuaries and the key control functions and

'fit and proper' criteria. The Symposium not only covered the traditional core areas such as Risk Based Capital (RBC), International Financial Reporting Standard 17 (IFRS 17), but also new areas like InsurTech.

On the RBC front, the ASHK had taken a collaborative approach with the IA on the development of the specifications for first Quantitative Impact Study (QIS 1) for the future revised RBC framework. Consisting of 24 members in both life and general insurance, the ASHK's RBC Taskforce serves on all the four Industry Focus Groups (IFGs) established by the OCI and offers detailed written responses to all the questions posed during all IFGs. When the IA issued complete technical specifications for Pillar 1 General Insurance and specifications for the solvency balance sheet for Pillar 1 Life, ASHK provided detailed feedback highlighting major comments on some of the most important aspects of the QIS for Pillar 1. More consultations can be expected before we reach the final phases of legislation amendment and implementation. The new RBC framework will have a significant impact on the insurance market in Hong Kong, including the types and affordability of products that will be offered in the future. The ASHK stands ready to support the IA in developing a risk-based approach that promotes the sound and sustainable development of the Hong Kong insurance industry.

From 2009 to 2015, the OCI issued circular notes on reinvestment yield for reserving in which it stated that: ASHK's recommended approach (the sample approach and parameters) may be adopted for determining the reinvestment yield in the actuarial valuation reports in respect of financial years up to 2016. Administrative experience gathered in those years shall be reviewed with regards to the evolving interest rate environment with a view to determining the robustness of the approach for the purposes of the Regulation. In April 2017, the Life Committee conducted another review of the approach and sought views from members (specifically from Appointed Actuaries, consultants and audit firms). Taking into account the feedback received, the Committee recommended to the IA the approach continued to remain robust and valid.

The new insurance contracts standard, IFRS 17, released in May will bring fundamental and yet complex changes to insurance accounting in Hong Kong and globally. Insurers will need a complete overhaul of the financial statements and the underlying actuarial models, financial reporting processes and systems. A 2-day IFRS Seminar was held to bring our members up-to-date on the new standard.

In keeping with our end goal of gaining more detailed guidance for Appointed Actuaries and a more restricted range for investment return, the Life Committee continued to engage the regulator and Hong Kong Federation of Insurers (HKFI) in dialogue on the benefit illustration project.

During the year, the Committee also sought legal advice on understanding the potential implications of the Hong Kong competition law and the compliance requirements before making a move to publish the experience study on mortality and critical illness.

Membership & Communications (M&C) Committees

The ASHK strives to enhance membership communication and continues to develop more support to our members through M&C Committee activities. 2017 marked a milestone for the M&C committee and we hoped members found it to be a fruitful year.

- **New YAS initiatives**

We launched the Young Actuaries Scheme (YAS) in 2016 and in 2017 we added new initiatives to the scheme to enhance its value to our members.

We heard members' voices on Mentorship Programme and we launched the Programme in October 2017. The Programme provided networking opportunities for members to expand their connections. It also offered junior members the opportunities to learn from experienced members and served as a platform for experienced members to contribute and enhance their skill set on coaching and communication. It was a great success of which we matched 37 pairs of mentors and mentees in the pilot run of the programme. We wish the mentor/mentee matches can blossom into rewarding relationships and we continue to support the programme such as promoting free mentor skill coaching webinars.

Targeting for young members, we reached out to 79 key actuarial universities worldwide which were accredited by the Actuaries Institute Australia, IFoA, and Society of Actuaries (SOA). We collaborated with these universities starting early 2017 to promote ASHK student membership and hoped to attract more student members to our society.

- **Continued on with YAS**

Apart from the new initiatives, we continued the popular programmes from the YAS which were introduced last year. Young actuaries' advertisement services were very well received and we have advertised 10 pieces of job adverts in 2017 targeted for young actuaries with up to 1 year of work experience. By offering these advertisements for free for employers, we encouraged better communication on job opportunities for our younger members.

Social events were also well received and we continued organising the Actuarial Circle in October this year where actuaries met and mingled in a casual setting. It also served as the volunteers appreciate drink where we sent out complimentary invites to our committee members as a token of appreciation for their hard work over the year. The Actuarial Circle also acted as a platform for our newly matched mentor/mentees to meet up. We also supported Casualty Actuarial Society (CAS) on their networking event in July and it was a blast to see many of our members there.

As part of our YAS programme, we continued to launch Soft skills session to our members to enhance soft skills required at the workplace. We organised two soft skills workshops in June and July on "Assertive Communication Skills" and both were well received by our members.

- **Website enhancement**

We had accomplished a big step for our website enhancement project, where we completed the UAT for most parts of the new website, with the current plan to launch the Member Login Area by end of 2017. The Phase 2 launch will include the online payment functionalities and event registration where target launch date is mid-June 2018. Through enhancing our current website, we hope to provide better services to our members to make online payments and to register for events, and ultimately to provide a smoother experience for all members to interact with the ASHK.

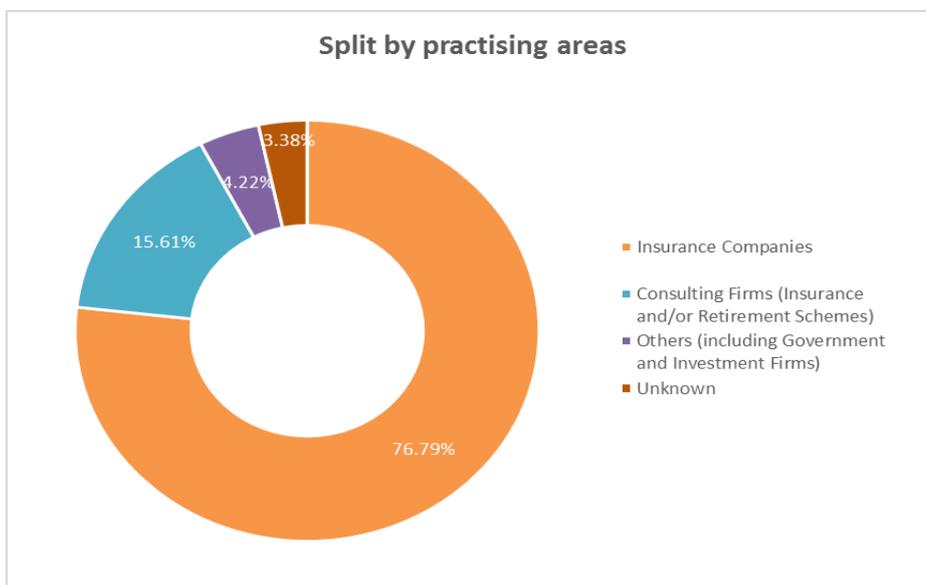
- **Evening talks on hot topics and Newsletter updates**

We kept our core committee activities at its best and we organised 4 very well received evening talks. The RBC evening talk held in March had overwhelmed interest by our members and we arranged a re-run in April. We held a Smart Beta session in June to enhance our members'

knowledge in investment vehicles and we closed the year with a talk on the most anticipated international regulation – IFRS 17. Our regular newsletters had also covered industry hot topics, ranging from regulatory developments of RBC and IFRS 17, to the variety of uses of technology in the insurance industry. These newsletters served to keep our members informed of the must-know news happening in our sector.

- Membership development**

We continue to serve the ASHK membership and hope to grow the membership base steadily. The graphs below showed the recent trend in our membership base, as well as our members’ practising area distribution.



Non-Life Committee

The Non-Life Committee has been maintaining healthy dialogue with the IA throughout 2017. The final revised version of the Actuarial Guidance Note 4 (AGN 4) on “Outstanding Claims Liabilities and Premium Liabilities for General Insurance Business” has become effective from 1 January 2017. The Committee has also been engaged in one of the IFGs – Pillar 1 on General Insurance, to provide input to IA on technical aspects of the Hong Kong RBC Regime. The specifications and templates for QIS 1 were developed and released to the market in July 2017.

To support the development of Hong Kong Practical Education examination, the Non-Life Committee has been continuously working with the Professional Development Committee on syllabus and study materials with regard to the general insurance track.

The Committee is also having regular conversation with other professional bodies, such as Actuaries Institute Australia, CAS and SOA to cooperate on different activities.

In addition, the Committee has continued to service its members by organising different education and networking events, such as Machine Learning Workshop, Text Mining Workshop, Wine Tasting Night and evening talks.

A working group has been formed to prepare for the 3rd General Insurance Conference to be held in 2018.

Pension and Employee Benefits Committee

The objective of the Committee is to represent, develop and inspire pension and employee benefits actuaries in Hong Kong to serve public interests.

In September 2017, the Committee hosted a half day seminar on the theme of "Changes and Challenges in Wealth and Health" with attendance of close to 100 people.

The seminar started with a keynote speech by the vice chairman of Hong Kong Retirement Schemes Association who provided for food for thought on the future sustainability of the Hong Kong Retirement System, touching on the topic of aging population. Three more sections followed after the keynote speech:

- A panel discussion on "Is annuity essential for retirement?" where we had a wide representation of panelist including Hong Kong Housing Society and Institute of Financial Planners of Hong Kong
- A presentation on data analytics by an external consultant who challenged the audience on "Do you really know your members?" and how analytics can help you understand your members more
- A panel discussion on "Medically necessary?" where we also had a wide representation of panelist including insurance company, reinsurance company and Hong Kong Patient's Voice

It was a successful seminar which fostered discussion of the future direction of pension and group employee benefits in Hong Kong and the wide range of speakers including both actuaries and non-actuaries triggered interesting debates which was well received by the audience.

The Committee continues to support ASHK's pursuit of statutory status and we had representatives who participated heavily in the Curriculum Taskforce to develop a local set of examination on the area of pension.

The objective is to provide sufficient knowledge on the local pension industry for a foreign qualified actuary who wish to practice in Hong Kong. The content covers the following topics:

- Role of actuaries in pension market in Hong Kong
- Main types of retirement schemes available in Hong Kong
- Overview of the retirement market landscape in Hong Kong
- Regulations, professional standards, guidance notes relevant to pension in Hong Kong
- Recent industry developments (e.g. Employee Choice Arrangement, Default Investment Strategy)

The Committee will continue to support this development including maintenance of the content on an ongoing basis and facilitate the setup of relevant examinations based on the content.

Other market consultations and research topics:

Over the past years, the Committee participated actively in public consultations including Universal Pension and establishment of Default Investment Scheme. There were no relevant public consultations during 2017, but the Committee do note potential relevant topics which may require public consultation going forward (e.g. Long Service Payment / Severance Payment offset) and the Committee will continue to play an active role in response to consultations when it arise. The Committee also revisited a prior study pack in 2015 on the projection of MPF market size and found the results continue to be relevant today. Although there was no immediate need to refresh the study, the Committee believes it is beneficial to the industry and the public as a whole to publish a study on MPF market size projection with an independent view on assumptions for the projections, hence we will continue to monitor this and refresh the study in future if the need arise. Going forward, the Committee will continue to discuss relevant industry topics and perform more research that we find beneficial to the industry and public.

Professional Development Committee

As part of its prior activities, the Committee was involved in two educational events for universities. However, for the majority of the year the Committee explored the area of examinations among the roles played by the ASHK. These fell into two categories: a local examination covering Hong Kong regulation and practice in our professional fields (Local Examination) and the possibility of offering examinations leading to full actuarial qualification (Qualified Actuary Examinations)

Nora Li (Curriculum Taskforce Leader) of our Committee spearheaded the completion of the Local Examination curriculum and study guide, including its technical review and adoption by Council. The curriculum and study guide has now been posted on the ASHK website at: <http://www.actuaries.org.hk/education.php?id=6>. This is the first time that the ASHK has defined a body of knowledge needed for actuarial practice in Hong Kong, together with helpful source information.

The Committee has investigated various resources to assist with the implementation of the Local Examination. These included detailed discussions with both the IFoA and SOA. Both discussions are in progress, but we are also now entering discussions with the Vocational Training Council. Since this is the first time the ASHK has set up an examination system, many details need to be worked out – level of difficulty, frequency of opportunity to take the examination, open or closed-book, to mention just a few.

The idea of offering our own Qualified Actuary Examinations is an exciting but daunting one, and has been the topic of many discussions. For the moment, we are not ready to take such a big step. But we believe the time has come for an Asian qualification at a global standard, and we continue to explore this possibility with other societies in the region. Expect more of this topic in the coming year!

Professional Matters Committee

During 2017, the Professional Matters Committee had accomplished the following tasks:

- Organised two Professionalism Seminars in April and September 2017 attended by more than 70 actuaries each time.
- Completed a project to update the ASHK's Professional Conduct Code (PCC) to make it more principle-based. Click [here](#) to read the revised PCC.
- Worked with our Honorary Legal Adviser, Nathan Dentice to bring ASHK's Disciplinary Code up to date. The revised Disciplinary Code will be subject to Council's review and endorsement and members' consultation next year.
- Performed an audit of 5% of members subject to CPD requirement, including Associates for the first time. Nine members were found to be non-compliant.
- Reviewed and updated the [online FAQ on CPD](#). Members (Associates and Fellows) who have been appointed as a key person in a control function as defined under Section 13AE(12) of the Insurance Companies Ordinance with effect from 26 June 2017 must now complete the same CPD requirements as members in a statutory role, such as the Appointed Actuary.
- Updated the definition of a Retiree in our CPD requirements for ASHK members such that the definition would not be age-related. The revised

CPD By-Law was approved by the ASHK Council and adopted by members at an Extraordinary General Meeting on 27 September 2017.

- Responded to enquiries from members about the CPD requirements.

Strategy & Statutory Path Committee

In 2017, the Committee is renamed as the Strategy & Statutory Path Committee to better reflect its two key objectives of providing strategic direction for the ASHK and gaining statutory recognition and related matters for the actuarial profession in Hong Kong. The Committee's Terms of Reference has also been developed to reflect this change and for the sake of better governance.

2017 is a fruitful year for the Committee, a number of impactful activities were completed and / or in very good progress:

- In March, we held our annual ASHK Strategy Day where we discussed the following key initiatives of the Actuarial Society:
 - Review the 2016 Strategy Plan: To evaluate the effectiveness of the 2016 measures, action items and review the ASHK financial accounts;
 - Discuss each Committee's Term of Reference: To review the direction and action plan for each committee for year 2017 relative to delivery of the ASHK mission statement;
 - Standardise event guidelines and policies: To define types of events suitable for our members, set guidelines on sponsorship and benefits arrangements, as well as speaker recruitments;
 - Kick start the ASHK 50th Anniversary Planning: With Year 2018 being the commemorating 50th Anniversary for the ASHK, to discuss the activities to be organised which include the flagship event of the 2018 Asian Actuarial Conference;
 - Discuss the local Hong Kong Actuarial Examination: To discuss with timeline for the launch, development roadmap and implementation plan.
- During the year, we have also completed the review of the ASHK Articles of Association to modernise the terms to ensure it is a standard that is fit for the current purpose and development of the industry.
- Lastly, there was a major progress in the discussion with the government bodies on the recognition of the ASHK status towards governing practicing

actuaries in Hong Kong. There has been common alignment among local stakeholders that the ASHK should be empowered to provide an oversight on practicing members, and determine the guiding principles under which members practice. Throughout the year, we have closely worked with the Financial Services & Treasury Bureau and the new Independent Insurance Authority, our business case to start the journey with Appointed Actuaries for Life Insurance Companies in Hong Kong has received high level endorsement in principle from them. Going forward ASHK will refine the proposal to address the implementation details to ensure it embraces all practicing members and that the considerations of non-members are being taken care of.

Finally, we would like to express our sincere thanks to Committee members for their support and contribution to the fruitful achievements in 2017.

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 Ms Ka Man Wong, Immediate Past President and Mr Simon Lam, Vice President 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 encourage 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.

Best wishes for a merry festive season ahead!

Kevin Lee
President
12 December 2017