

THE ACTUARIAL SOCIETY OF HONG KONG

PRESIDENT'S REPORT 2019

Dear Members, we have almost come to the end of the year. I have only stepped into the role of ASHK President in October so this report is largely delivered on behalf of Kenneth Dai. I would like to thank members of the Council, in particular, Simon Lam, Past President for their time and valuable contributions to the Society and all those members who provided active support to our activities.

As you will see from the Committee reports, although we still have some ways to go, I feel we have made positive progress in our recent discussions with the government bodies on the recognition of the ASHK status towards governing practicing actuaries in Hong Kong. In the past year, we have been working closely with the IA and FSTB and will be meeting the MPFA soon to present our proposal to them. On the global front, we have had opportunities to raise our profile and provide some meaningful support to the actuarial profession. My thanks to Mrs. Estella Chiu who has been representing the ASHK at the International Actuarial Association meetings.

The achievements of the Society are based on the dedication of time and energy from our members, volunteers, our honorary legal advisor and honorary auditor and Council members. Members form the cornerstone of our profession. I encourage you to continue to give your full support and commitment in the year ahead! I am pleased to provide a brief report below outlining each Committee's activities & achievements towards meeting the ASHK's mission and strategic goals in the past year. The full President's Report can be viewed at the ASHK website at www.actuaries.org.hk.

Best wishes for a merry festive season ahead!

Sincerely
J. Peter Duran
President

(a) Actuarial Innovation Committee Chaired by Dicky Lam

The Actuarial Innovation Committee was newly formed in 2019 with the objective to promote actuarial innovation and technology developments that are relevant to our members. During the year, the Committee had arranged the following activities to accomplish our objective:

Member survey – To understand the needs and expectations of our members regarding actuarial innovation, a member survey was performed around middle 2019. Around 100 responses were received which provided very insightful information to our members, the Committee and the Society.

Evening talk – An evening talk with the topic “The journey of the first virtual insurers in Hong Kong” was successfully held on 2 September 2019. The talk received overwhelming responses and had reached its maximum capacity.

Articles contribution – To keep our members updated regarding actuarial innovation development, the Committee had requested a corner from the ASHK Newsletter and had been contributing articles to the publication regularly.

Establishing external connection – Over the year, the Committee had reached out to technology / innovation-based associations / organizations and societies and established close connection with them. This helps the Committee to be aware of what is happening outside of our community and keep our members informed and updated.

Actuarial Summit – The Committee was a big supporter of the ASHK Actuarial Summit, originally scheduled on November 2019 (which was unfortunately rescheduled), and was responsible for a section of the Summit. The Committee is also planning to arrange a conference itself in early 2020.

Going forward, the Committee will continue with similar activities to ensure our members can benefit from its initiatives.

**(b) ASHK Hong Kong Actuarial Summit Organising Committee
Chaired by Billy Wong**

The inaugural Hong Kong Actuarial Summit, originally scheduled on 21-22 November 2019 at the Kowloon Shangri-la has been postponed to 19-20 May 2020 in view of the unforeseen circumstances in Hong Kong. With the theme of “Embracing the New Future”, we are very honored to invite The Hon Paul Chan Mo-po, GBM, GBS, MH, JP, Financial Secretary of the Hong Kong Special Administrative Region to address the opening and Dr the Hon Moses Cheng, Chairman of the Insurance Authority to deliver the welcome address.

This two full-day event is truly a breakthrough by combining the ASHK Annual Dinner, Appointed Actuaries Symposium, General Insurance, Pension and Health Seminars. The Summit will include a variety of topical areas bringing together participants, expert speakers and honorary guests from across the territory, providing members an opportunity to meet with ASHK Council and the key industry stakeholders from among the actuarial profession. More than 300 delegates including C-suite level executives, Appointed Actuaries, general practitioners, regulators and media are expected to attend.

Plenary sessions include topics on “Promoting Hong Kong as the Insurance/Reinsurance Centre”, “C-suite Panel”, “Embracing the Digital World - Virtual Financial Institutions” and “Professionalism”. Featured breakout sessions will also be held in which we will engage in a

deep dive in the areas of Life, Health, General insurance, Risk, Innovation and Pension. And with tremendous support from the Hong Kong Science & Technology Parks Corporation (HKSTP), a total of 7 innovation and technology companies will showcase their tech prowess and the most up-to-date gadgets relevant to the insurance industry in the Innovation breakout track.

(c) Health Committee
Chaired by Sam Yeung

This year marks an important milestone for health insurance in Hong Kong with the rollout of the Voluntary Health Insurance Scheme (VHIS) for individuals.

The Health Committee has closely monitored development of VHIS both in the run up to implementation and after the launch. We have actively engaged various stakeholders with the objective of keeping ASHK members educated and up to date at the upcoming ASHK Actuarial Summit. By leveraging the ASHK signature event, we will create a forum for constructive discussion about the VHIS experience and future healthcare reforms in Hong Kong.

Besides VHIS, we have also invited distinguished guest speakers about healthtech and China market development at the ASHK Actuarial Summit. These are existing fronts that represent great future market growth opportunities.

Looking forward, we expect that the market will continue to grow, and that more regulatory attention will be directed towards health insurance. These developments will increase the standards for actuarial practice and generate greater professional development opportunities as well as educational needs. The Health Committee will readily explore the appropriate training for ASHK members and engagement opportunities with other key stakeholders to support development of the profession and bring more benefits to the society.

(d) Life Committee
Chaired by Mr. Sai-Cheong Foong and Mr. Kevin Lee

The Life Committee's activities for the year have been:

01 Provided comments on QIS 2.5 and QIS 3 under the Risk-based Capital (RBC) regime at IA's Life and GI Industry Focus Group meetings through the RBC Working Group, a subcommittee of the Life Committee. The Working Group also contributed comments to IA's Discussion Paper on Group Wide Supervision in November.

02 Made some progress on the new mortality table study where 18 insurers have participated in the study by contributing exposure and claim data towards the study. The Experience Subcommittee is conducting data cleaning and 65% of the total data has been cleaned at this stage. A meeting was held recently with the IA to discuss the methodologies and the rationale

for the coming new mortality table. We are aiming to publish the new mortality table sometime in Q1 2020.

03 Formed a joint Benefit Illustration Working Group with the HKFI Actuarial Working Group with the intent to work with the IA to address the current situation whereby there is a lack of clear limits on the investment return assumptions that companies use to support par business and universal life business illustrations. We believe it is necessary to create a level playing field for illustrations across all life insurers in the market and this requires the support of the IA.

04 Continued to take part as an observer in the Hong Kong Insurance Implementation Support Group (HKIISG) established by the Hong Kong Institute of Certified Public Accountants (HKICPA) on the matters relating to HKFRS 17.

05 Recruited speakers and panellists for the life and risk management sessions of the inaugural Hong Kong Actuarial Summit which has now been postponed to 19-20 May 2020.

(e) Membership & Communications Committee **Chaired by Mr Alexander Wong**

The ASHK strives to enhance membership communication and continues to develop more support to our members through M&C Committee activities. In 2019, we continued our efforts to serve our members and we hoped members found it to be a fruitful year.

Membership statistics

In 2019, total membership of the ASHK stands at 1,292, of whom 1,016 are Fellow members, 121 are Associate members and 155 are Student members.

Continued with YAS initiatives

We launched the Young Actuaries Scheme (YAS) in 2016 and we continued the programmes and activities targeting our young member population.

Last year we continued to organize our Mentorship Programme and received good participation. We have matched up nearly 30 pairs of mentors and mentees. The next round of recruitment of Mentors and Mentees will be launched next year. Please don't miss this valuable opportunity to connect with your future mentor/mentee!

Last year we also rolled out a new membership category – University Student Member, by setting a lower subscription fee for university students to join the ASHK. University Student Members are entitled to attend ASHK events and joint events with other professional bodies at a member rate. By offering these benefits, we encourage university students to start building up their business network and exploring their future career path as early as possible.

Website enhancement and LinkedIn connection

Our website enhancement project was completed with the successful launch of the online event registration system in the past year. The online payment and event registration functionalities not only helped to streamline administration work for the staff, but also

provided greater convenience and a smoother experience for all members when interacting with the ASHK.

Last year we continued to actively promote the ASHK via our LinkedIn account and regularly posted our ASHK Council updates, event highlights and ASHK newsletters' feature articles on our account. Our LinkedIn followers have increased significantly over the year and we look forward to building it as an additional engagement platform for better connection and communication with members as well as to extend the reach of our society.

Evening talks on hot topics, other events and Newsletter updates

As usual, we kept our core committee activities at its best and we took part in joint activities with the Actuaries Institute, in the ever popular Joint Regional Seminar in Asia and also organised several well received evening talks in 2019. The evening talk of IFRS17 Discount Rates held in September drew a full house with almost a hundred participants.

The development of *digital* has been *changing* the insurance *industry* in many ways. 2019 was no different. Our Newsletter themes this year ranged from Insurtech to RBC to Online Insurance to make sure we cover industry hot topics as always. These newsletters served to keep our members informed of the must-know news happening in our sector.

(f) Non-life Committee **Chaired by Trinity Pong**

The Non-life Committee has been maintaining healthy dialogue with the Insurance Authority ("IA") throughout 2019. Coordinating with IA, the Committee has issued a letter, "Documentation of GL9 Reports" in early February discussing various aspects in relation to GL9 valuation reports. Certifying Actuaries are encouraged to review the points in the letter in conjunction with existing actuarial guidance. With the assistance of HKFI, the letter has also been sent to senior executives of HKFI's member companies. The Committee has also been continuously supporting the Hong Kong Risk Based Capital project including the Quantitative Impact Studies and Stress and Scenario Testing.

To help 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 regards to the general insurance track. Two rounds of User Acceptance Tests have been completed in 2019. The first ASHK General Insurance Track exam will be launched in May 2020.

The Committee is also having regular conversation with other professional bodies, such as Casualty Actuarial Society, Society of Actuaries and Institute of Actuaries of Australia, to cooperate on different activities. In addition, the Committee has continued to service its members by organizing different events. A working group has been formed to prepare for the 4th General Insurance Conference to be held in 2020.

(g) Pension & Employee Benefits Committee **Chaired by Gary Lee**

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

In 2019, we completed a number of achievements including the following:

- Assisted in the planning of the inaugural Hong Kong Actuarial Summit 2019 by coordinating the pension track of the program which included panel discussions on “Sustainability of MPF”, “Longevity Risk” and “How to Prepare for your Retirement Needs”. The overall event was attended by over 300 people and around 100 were present for the pension track.
- Refreshed the pension local exam syllabus to include recent development of local annuities market.
- Conducted and published the results on an industry survey to better understand the practice of actuaries in performing pricing analysis for group medical insurance. In particular, this market has been struggling for long term profitability for many years, so the Committee will further explore the potential to create a guidance note with the aim of enhancing the long term sustainability of this market.
- Continue to follow up and respond to other related industry developments including the abolishing of the offset mechanism for MPF.

Going forward, the Committee will continue to discuss relevant industry topics and perform more research that we find beneficial to the industry and public.

(h) Professional Development Committee / Curriculum and Examination Task Force Chaired by Nora Li

(1) Local knowledge CPD Seminar

To ensure the grandfathered actuaries understand the local landscape and meet IA and FSTB’s requirement, the Professional Development Committee was initially planning to organise a one-day local knowledge CPD seminar for them to cover one plenary session on Core subject plus concurrent sessions on Elective subjects (Life Insurance, Pension and GI). Targeted speakers shall be invited from the Big Four consulting firms and previous Examination Taskforce members. Since the Council is now engaging with IA in the proposal of statutory path development and this CPD seminar should be one of the requirements, the Seminar shall be hosted in near future when the statutory path is determined.

(2) The Successful Launch of the First-ever Local Actuarial Examination

Last year, the Professional Development Committee and the Curriculum/Examination Taskforce have made the local actuarial examination ready including the development of exam curriculum and administration as well as the communication towards the stakeholders and regulators. For the majority of 2019, the Committee focused on providing the strategic direction to Exam Taskforce to launch the ASHK Examination in May and November

respectively.

We are pleased to share our successful launch of the first local actuarial examination in May and the first batch of passing candidates have received their results in July. There were eight candidates sitting for the exam and six candidates had passed both papers / either Core or Elective paper.

They will be eligible for the fellow membership of ASHK provided they are also one of the fellows of the following accredited actuarial bodies: IAAust, CAS, IFoA, SOA, or possess appropriate professional actuarial qualification other than the above and practical experience as approved by the ASHK Council.

With our successful launch of the first local actuarial examination in May, the second examination will take place on 29 November 2019. Five registrations received for the Nov 2019 exam with two candidates on Core and three on Life paper. Council considers the examination as a necessary step towards its statutory recognition and an important route to ensure actuaries practicing in Hong Kong have the relevant local knowledge.

ASHK conducted an interactive survey with the candidates after the examination. We are offering to help set up Study Groups to suit the needs of candidates who prefer a different learning style. The study group may meet at an agreed-upon time in a location convenient to all of the candidates in the group.

The first free INFO Session of the ASHK Examination has been held in 15 October aiming at providing a better understanding to our valued members, local university students as well as employers on the examination, study tips and how it benefits career and professional development. Nora Li, Steve Hui and the two May 2019 exam passers had been sharing their views and experiences with the potential candidates. Half of the attendees have shown their interest in taking up the exam in next May and Council had kindly granted them the exam fee waiver (i.e. scholarship) as an encouragement.

Going forward, the Committee and the Taskforce would continue to examine and review the examination format and contents in order to better serve our candidates' needs and to help them achieve higher goals.

(i) Professional Matters Committee
Chaired by Roddy Anderson

- An updated CPD Frequently Asked Questions document was posted on the ASHK website in January 2019.
- Organised 5 successful Professionalism Courses with 1 in May, back to back in October and another back to back in December 2019.
- Performed an audit of 5% of members subject to CPD requirements. For the calendar year 2018, no member was found to be non-compliant which was the same result as 2017.
- Having reviewed our revised PCC, the International Actuarial Association (IAA) insisted as a requirement of continued membership of the IAA that the PCC was revised to include 3 new sections and the updated PCC went for membership consultation in May and was endorsed by the Council.
- Having further reviewed the updated PCC, a further amendment went for consultation by the membership in September and then to the Council for endorsement so that the further

amended PCC will be tabled at the AGM in December and if approved will be effective on 1 January 2020.

- ISAP1 issued by the IAA was considered by the PMC relative to PS1 and its adoption by other international actuarial bodies. It was concluded that the adoption of ISAP1 was the most efficient direction. However, there were certain issues raised in ISAP1 such as Peer Review which will require further consideration in 2020.

(j) Strategy & Statutory Path Committee
Chaired by Ka-man Wong and Simon Lam

The Strategy & Statutory Path Committee had made significant progress in the year of 2019 to prepare for the statutory body with various collaborations and supports. We are delighted to announce the following milestones were achieved.

(1) Strategy Day 2019

This year Strategy Day was held on 14 March 2019 at Parkview. With reference to the Strategy Day's agenda, the key takeaways of the 3-5 years plan of ASHK are as follows:

- (i)** Financial status and budget sharing in comparison with last year and ideas of increasing membership fee - given the increasing and recurring expenses, it would be best to match with recurring revenue rather than relying on events.
- (ii)** Setting up a training centre / organise a Local Knowledge CPD Seminar to meet IA's requirements for grandfathering actuaries on professionalism
- (iii)** Practising Certificate for new fellows to join ASHK

(2) Roadmap of Statutory Path and Proposal to IA

The Committee continued to engage the Insurance Authority's (IA) in amending Chapter 41A, Insurance Companies (Actuaries' Qualifications) Regulations (the Regulations) to add Fellow of the Actuarial Society of Hong Kong (FASHK) in conjunction with overseas actuarial bodies presently listed in the Ordinance. We put tremendous effort to compile a comprehensive proposal "ASHK Proposal on Our Roadmap towards Statutory Body" to address IA's queries from the following perspectives:

- 1) Accepted Qualifications for Membership by introducing the practicing certificate,
- 2) Local knowledge of members exempted from ASHK examinations,
- 3) Professional Conduct and Discipline, and
- 4) Proper ASHK's Governance.

With the establishment of a specific working group with IA, we formalized the regular discussions at strategic and working levels and enhancing mutual cooperation and support for the profession and industry while respecting each other's independence. The first meeting with IA was held in August 2019. The Committee works closely with Council to meet with representatives from FSTB and IA in late September to touch base on the Statutory body project and the ASHK Examination. Moving forward, the Council will continue to put effort in discussing the key steps with the IA as well as engaging the FSTB.

(3) Grandfathering Arrangement of ASHK Fellow Members

The Strategy & Statutory Path Committee had made recommendations to facilitate the launch of the HK exam by workout the transition / grandfathering arrangements for existing actuaries practicing in Hong Kong. Under the new structure, it is compulsory for all individuals to be Fellows of at least one of the recognised actuarial bodies AND pass the HK exam before they are eligible to be Fellows of the ASHK. All existing ASHK Fellows who hold valid membership status on 1 January 2019 will be grandfathered.

If Fellows were grandfathered but subsequently lapse their membership irrespective of any reasons (health reasons, relocation, or suspension due to failure to achieve their CPD, etc), they must take and pass the exam in order to regain their Fellowship status.

(4) ASHK Trademark Registration

Further to the development of our statutory path, ASHK Council has also started the registration of the trademarks. Following the submission back in April, the applications were approved in late October by the Trademark Registry (TMR) subject to a 3-month opposition period. Below are the two key areas we proceeded after an in-depth discussion among the Committee and the approval from Council:

- (i) Expand the classes of the existing trademark (already registered in class 41) – in 5 classes (Classes 9, 16, 35, 36 and 42)
- (ii) Register “ASHK” and “FASHK” trademarks - in 6 classes (Classes 9, 16, 35, 36, 41 and 42)

The Trademark Usage Guideline should be published and publicized in early 2020. The objective of this guideline is to provide members a guidance on the trademark usage from a legal and enforcement perspective. This ensures the proper usage of Fellow Member of the Actuarial Society of Hong Kong (“FASHK”) in business cards and other social channels and to make the title become official. This initiative will enhance credibility for our FASHK designation among the profession.

Last but not least, we have come through a year that was filled with challenges and successes to the objective of obtaining the recognition of the ASHK status towards governing practicing actuaries in Hong Kong. We would like to take this opportunity to thank all the Committee members for their contributions throughout the year and look forward to a successful 2020!