



ACTUARIAL SOCIETY
of
H O N G K O N G
香 港 精 算 學 會

Actuarial Society of Hong Kong's Newsletter

Hong Kong Actuaries

OCTOBER 2022 | VOLUME 03

Council & Committee Updates

- 20th Appointed Actuaries Symposium
- Joint Regional Seminar 2022 & ESG Day
- IFRS Seminar 2022

Feature Articles

- IFRS articles
 - Exploring challenges in IFRS 17 results comparability and business decision making
 - Count down to IFRS 17 – are insurers ready for that?
 - HKFRS 17 for Non-Life Insurers: PAA – emerging market practices and challenges
- Actuary Interview

Call for Articles or Views for the next issue of Newsletter!

While all articles are welcome, we would especially like to receive articles for the Feature Articles and Knowledge Sharing sections. If you have written any inspiring articles or have read any interesting articles from other actuarial organisation(s), please feel free to let us know. We will try to reprint them in our newsletter. Welcome to email your articles or views at info@actuaries.org.hk.





Editorial

Dear Readers,

Welcome to the third ASHK newsletter for 2022.

On behalf of the Membership and Communication Committee, it is with great pride and sincere privilege that I am writing this message to present the third issue of the 2022 ASHK Newsletter. Launching this new edition would not have been possible without the great and much appreciated contributions from our members.

In this issue, we are featuring the hottest topic of the International Financial Reporting Standards (IFRS) in Hong Kong. We are pleased to share with you several articles on this theme.

Starting from last issue of the newsletter, we will conduct a series of interviews with the well-known actuaries in Hong Kong. We will talk about their actuarial journey and discover their “secrets of success”. They may not be able to provide career coaching to junior actuaries individually, but hopefully their stories and experience will bring inspiration and career aspiration to the wider group. In this issue, it is our great honour to interview Ka-Man Wong and Alexander Wong to share their journey of being a successful actuaries over years.

Finally, I also encourage you to attend the coming events: ASHK Professionalism Seminar (14 Dec) and the AGM (14 Dec) – all our events are nicely summarized with the latest updates in the ASHK website. We intend to bring the experts to you so that you can benefit from their insights while fulfilling your CPD requirement whether virtually, hybrid or in-person as circumstances permit.

Happy reading!

Best Regards,
Timothy Wong
EDITOR



ACTUARIAL SOCIETY
of
HONG KONG
香港精算學會





CONTENTS

Council and Committee Updates

04 Council and Committee Updates

Feature Articles

14 **IFRS** | Exploring challenges in IFRS 17 results comparability and business decision making

17 **IFRS** | Count down to IFRS 17 - are insurers ready for that?

22 **IFRS** | HKFRS 17 for Non-Life Insurers: PAA - emerging market practices and challenges

26 Interview with Ka-Man Wong and Alexander Wong

Others

32 Events Highlights

34 Other updates

35 Upcoming Events

35 ASHK Update

36 Membership Update

Life Committee - Chris Hancorn and Dicky Lam

Appointed Actuaries Symposium (by invitation only)

We will be organising the 20th Appointed Actuaries Symposium on 30 November 2022 at the Sheraton Hong Kong Hotel. The Symposium theme this year is “Driving sustainable success in a new era” and will feature topics such as IFRS17, ESG and Investment etc. We believe this Symposium will be as interesting and useful as the previous Symposiums and will foster greater professional exchange of current concerns and issues among Appointed Actuaries and senior actuaries in Hong Kong. We look forward to seeing you there.



Actuarial Innovation Committee - Nora Li

ASHK Innovation Conference 2022

The 2-half-day virtual conference was successfully held on 30-31 August 2022, attracting over 120 participants from Hong Kong and overseas. Thanks to our keynote speaker Mr. Joseph HL Chan, JP, Under Secretary for Financial Services and the Treasury, The Government of Hong Kong SAR, and 20 speakers from different areas of expertise for providing us with enlightening and insightful presentations, bringing us the hottest topics and latest trends of actuarial innovation.

Technology innovation continues to evolve the role of actuaries, and the Conference aimed to help actuaries stay abreast of such development. By promoting actuarial innovations and actionable insights, this help actuaries create better solutions which then the public can benefit as end users. We were honoured to gather key actuarial innovation experts and industry practitioners who have both local and Asia Pacific focuses to speak to our Conference theme of ‘Act, Innovate, Create’.

Covering the hottest topics and latest trends of actuarial Innovation such as How to create truly digitally native life insurance solutions, Innovation Exploration of Intelligent Operations in Life Insurance, Digital Asset Insurance, Application of InsurTech to Automobile Insurance etc., the Conference was a great opportunity for the participants to connect to the region’s InsurTech and innovation developments.

Thanks also to the 11 sponsoring companies for their generous support! We look forward to seeing you at the Conference next year!

Sponsors

Platinum



Gold



Silver



Mr. Joseph HL Chan, JP, Under Secretary for Financial Services and the Treasury, The Government of Hong Kong SAR giving

the keynote

The Actuarial Innovation Committee would like to share with you article with the theme of IFRS that we think our members should be aware of and will find interesting.

IFRS 17 Implementation and implications on the future of the Actuarial profession

The effective date of IFRS 17 is 1 January 2023, and we are nearly there. For insurers entering the final stages of implementation, there might be a number of last-minute issues arising from testing and Go-live preparation.

While it is natural to focus on short-term problems at hand to meet compliance requirements, this is also the perfect time to reflect on the experience from the past few years. The Financial Reporting process is likely to look fundamentally different from past practice for a significant proportion of multinational insurers.

There are a number of implications for actuaries in a post-IFRS 17 world, and a future outlook of the role of an actuary in an insurance company is also likely to come under focus once IFRS 17 is live.

Key milestones in IFRS 17 implementation – How did we get here?

Based on an estimate by Willis Towers Watson in June 2022, the total cost faced by the global insurance industry to implement IFRS 17 is US\$18-24 billion. More than 10,000 experienced actuaries, accountants and data or system specialists are expected to be required to run IFRS 17 across the globe over the next two to three years.

Intense effort has been put into multiple stages and milestones for successful implementation, namely:

- 1. Technical accounting policy choices:** Most insurers should, by now, have completed a technical interpretation of the standard, including key accounting policy choices. Getting auditor buy-in and testing several scenarios considering the financial and operational impact will be the key to success.
- 2. Financial Impact assessment on transition and beyond:** The IFRS 17 equity position at transition and future profit emergence pattern are likely to be metrics that require the most analysis. A clear strategy for an investor story and disclosures will be critical in the coming months.
- 3. Systems and process architecture design and build:** This is an area often requiring the most time, attention and investment. A lot will depend on the firms' existing Finance modernization progress and the complexity of existing processes and IT infrastructure. This stage usually requires actuaries, accountants, data experts, technology teams, project managers, to communicate and collaborate – often on a daily basis.

Source: <https://www.wtwco.com/en-US/News/2022/06/global-insurance-industry-reveals-huge-work-required-before-ifs-17-goes-live>

Actuarial Innovation Committee - Nora Li

4. Testing: This is a phase of the project that is often started later than optimal given some dependency on previous phases, even when an iterative approach is followed. Various types of testing are required prior to go live – unit testing, system integration testing, user acceptance testing, non-functional testing, to name a few. The sooner that companies enter this phase the higher the likelihood of going live with minimal disruption to future BAU processes.

Apart from this, there are various implications on product design, tax, risk assessment and investor relations. Each of these topics deserve to be considered by the IFRS 17 team connecting with the relevant existing departments.

How can the Actuarial profession contribute to success?

Area	Key Issues Expected	How can actuaries contribute?
Financial & Audit	<ul style="list-style-type: none"> Complex transformation of Income Statement Significant consideration required on assumptions and levers driving KPIs Auditors, investors and other stakeholders may all have slightly different interpretation of some accounting policy choices 	<ul style="list-style-type: none"> Form a clear understanding of P&L, Balance Sheet and Disclosures and conduct trainings Perform multiple scenario tests on key KPIs such as CSM run-off and new disclosures Leverage new and existing systems to gather additional Management Information, for e.g. profit split for basic & riders, by channel Carefully plan communication with auditors and investors, focusing on areas with high operational impact
Data, Systems and Process	<p>A key challenge will be to run IFRS 17 to the available working day timetable. Items to monitor include:</p> <ul style="list-style-type: none"> Run times for any new systems (e.g. sub-ledger solution) Training for users (actuaries and accountants) to complete manual checkpoints and reviews Testing defects, especially from technology challenges due to larger data volumes, environments and controls. 	<p>Actuaries can play a lead role in the following areas:</p> <ul style="list-style-type: none"> Creating working assumptions or proxies in case there is limited time to start build or fixing issues Leading the design of test cases, in particular leading user acceptance testing of any Actuarial systems and processes. Providing technical expertise for complex testing defects, requiring a brainstorm on how to meet compliance requirements within timeline and system constraints. Communicate clearly with Product, Accounting, Risk and Tax departments on change to future BAU processes.

Alignment with existing Transformation or Finance Modernization projects is key, to avoid an inefficient design of systems and processes required to run IFRS 17 post Go Live.

The industry is still quite divided in terms of basic investor communication questions, such as whether to provide a 2022 investor update, and whether to voluntarily publish Q1 2023 IFRS 17 accounts. These require careful consideration and planning and should not be left too late.

Collaboration required with Accounting, Technology and wider departments

Some organizations might have versatile actuaries who can pick up additional responsibilities beyond what is considered a ‘traditional’ actuary’s role.


Actuarial Innovation Committee - Nora Li

In most cases, however, depending on the existing set-up of each company, actuaries may have to delve deeper or form connections in other departments with people who have expertise in:

- Accounting
 - ◇ Payables and receivables: Understanding how these will now form part of balance sheet management
 - ◇ Expenses: While actuaries would be familiar with managing expense variance versus plan, there are several new areas to consider under IFRS 17, such as how much of expenses are attributable, not presenting DAC as an asset, etc.
 - ◇ Chart of Accounts: On the operational side, a fundamental building block for any design of future Financial Reporting processes for the organization will refer to the Chart of Accounts.
 - ◇ Disclosures: IFRS 17 requires additional disclosures, in particular, additional split of liabilities, IFRS 9 related disclosures, etc.
- Systems
 - ◇ IT architecture: A lot of attention needs to be paid to an efficient systems architecture, including how much modelling is to be performed in existing systems and how the accounting journal entries and actuarial calculations are linked and reconciled.
 - ◇ CSM engines and sub-ledger systems: A number of IFRS 17 solutions are available in the market. Depending on each company's choice, their actuaries will need to train themselves on any sub-ledger solutions introduced.
- During project delivery, actuaries will also need to partner with strong project delivery experts or project managers. Audit trail and documentation will be key given the tight timelines.

Future outlook for actuarial profession post-IFRS 17 Go Live

A post-IFRS 17 world will require actuaries to work much closer with Accounting and I.T. departments, more similar to the project phase than previous BAU practice. Some organizations may choose to merge accounting, technology and actuarial teams, which means the role of the actuary within insurance Financial Reporting will evolve.

The role of the actuary may in fact morph into forming expert judgement on which approach is more appropriate to each company – using tried and tested statistical methods with manual intervention, or introducing more automation in each process. 

Reference:

<https://www.wtwco.com/en-US/News/2022/06/global-insurance-industry-reveals-huge-work-required-before-ifs-17-goes-live>

<https://www.actuaries.org.uk/news-and-insights/news/statistics-vs-machine-learning>

<https://www.pwc.com/gx/en/financial-services/pdf/pwc-ifs-17-client-transition-survey--august-2021.pdf>

Devadeep Gupta, FIAI, CERA

He can be contacted at <https://www.linkedin.com/in/devadeepgupta/>

Membership & Communications Committee – Timothy Wong

2023 Annual Membership Renewal

The deadline for the membership renewal is fast approaching, to be eligible to attend the ASHK AGM on 14 December 2022, please renew your membership by 30 November 2022. A 1hr CPD professionalism seminar will also be offered during the AGM. For those that have already renewed, hope to see you at the AGM.

To renew, kindly login to your ASHK online member portal to ensure your contact email address on file is accurate. You may follow the step-by-step instructions [here](#). If your company will process a bulk payment for the subscription fee of multiple members, please send us a list with the members' names, member types, membership numbers and subscription fees, together with the bank slip of the lump sum paid.

A kind reminder that any ASHK Fellow member who was grandfathered but has subsequently lapsed their membership, regardless of any reason, is required to take the examinations to requalify as an ASHK Fellow thereafter.

[Click here to renew online now](#)

Curriculum Exam Taskforce & Professional Development Committee – Patrick Au

2022 Exam results announcement

ASHK congratulates to the below ASHK members who have **passed** the ASHK Exam in August 2022:

Core Paper	Life Paper	General Insurance Paper
CARROLL, Stuart	CARROLL, Stuart	LEUNG, Wales
CHOW Ying Ying	CHOW Ying Ying	PUI Wing Sze, Susana
DAI Jin, Daisy	DAI Jin, Daisy	XIA Yue
HAU Ka Hong	HAU Ka Hong	YAU Ka Yin
LEUNG, Wales	KHAN Nasir Hai	
MA Yi Tung	LECOCQ, Douglas	
PUI Wing Sze, Susana	LEUNG Bing Yi	
SHUM Kam Lun	SHUM Kam Lun	
TANG Leung Yuen	TANG Leung Yuen	
WONG Pui San	WONG Pui San	
XIA Yue		
YAU Ka Yin		

External Communications Committee - Billy Wong

Joint Regional Seminar 2022

The Joint Regional Seminar – Hong Kong (“JRS”), co-organised by the Institute and Faculty of Actuaries and Actuaries Institute Australia, supported by the Actuarial Society of Hong Kong (“ASHK”) and sponsored by Reinsurance Group of America, was successfully concluded on 21 September 2022. Joint Regional Seminar is an annual Life and Health Insurance event for actuaries in Asia. In Hong Kong, the programme included a launch event and a local seminar.

The JRS theme this year is Sustainability – The Ecosystem for the Insurance Industry. ASHK kicked off the programme with the ASHK ESG Day on 6 September 2022 at the Tai Lam Country Park with strong support from the industry. Many leaders from the Hong Kong Insurance sector attended, including the legislative councillor, representative from the Insurance Authority and CEOs from insurance companies. Their action symbolised that the industry is working hand in hand to embrace ESG. Photos can be found in the [event page](#).

Over 100 attendees also convened at Tai Kwun on 21 September 2022 to attend the Sustainability seminar. The event was packed with enlightening sharing. A panel of three C-suite insurance leaders discussed issues and looked at how prepared the insurance industry is. There were also sessions on ESG reporting, Sustainable Issues for Insurers and The climate impact on mortality and considerations for life insurance. Photos can be found in the [event page](#).

Regional Organiser



Hong Kong Organiser



Hong Kong Sponsor



(Back row from left) Jiang Tao, China Life; Ken Lau, FWD; Dicky Lam, ASHK; Chan Pui-leung, Legco member; Edward Moncreiffe, HSBC; Geoffrey Au, Zurich; Lawrence Lam, Prudential; Alger Fung, AIA; Sunny Yung, HKMC Annuity

(Front row from left) Billy Wong, ASHK; Alexander Wong, ASHK; Ellick Tsui, FTLife; Carol Hui, Insurance Authority; Arthur Ozeki, RGA Asia; Carmony Wong, RGA Hong Kong; Orchris Li, ASHK; Angelina Lai, St. James’s Place; Gary Lee, ASHK

External Communications Committee - Billy Wong

Joint Regional Seminar 2022

(From left) Orchis Li, ASHK JRS HK Organising Committee Member; Sammie Leung, Partner of PwC; Edward Moncreiffe, CEO of HSBC Life (International); Alger Fung, CEO of AIA HK & Macau; Billy Wong, ASHK JRS HK Organising Committee Member discussed ESG issues in the insurance industry



Over 100 actuaries convened at Tai Kwun to attend the Sustainability Seminar

Financial Reporting Committee - Steve Cheung

ASHK IFRS Seminar 2022



The ASHK IFRS Seminar on 27-28 October 2022 recorded an exceptional turnout with more than 100 participants at The Langham, Tsimshatsui. Through a series of lectures and panel discussions, the speakers and panellists covered the changes in the latest IFRS 17 standard (June 2020), accounting options, key implementation issues or challenges, emerging market practice and case studies on Hong Kong products. Participants were able to learn about the impact of the transition, aiming to help actuaries and industry stakeholders understand how they will be affected and key considerations and decisions to be taken. Without doubt, IFRS 17 is highly complex and affects almost every aspect of insurance business.

The preliminary feedback from participants has been very positive, with the inspiring speeches, informative sponsor booths, nice meeting venue, outstanding food and beverage, and a longed networking opportunity at an in-person event under the relaxed government regulations against the pandemic.

Last but not the least, the ASHK very much appreciates sponsorships from HSBC Life, Milliman, SCOR, Society of Actuaries and WTW for this seminar. More photos can be found in the [event page](#).

Gold Sponsors



Booth Sponsors



Speakers and panellists (from left): Mark Coleman, PwC; David Kwok, KPMG; Julian Man, Milliman; Choi Ka Hei, Deloitte; Steve Cheung, EY; Alexander Wong, HSBC Life; Peter Telders, EY; Thomas Tang, ASHK; David Wong, EY



Panellists (from left): Peter Telders, EY; Kim Yeoh, Sun Life Asia; Edmond Mok, Manulife; Alexander Wong, HSBC Life

Financial Reporting Committee - Steve Cheung

ASHK IFRS Seminar 2022



Panelists (from left): Choi Ka Hei, Deloitte; Rakesh Tanna, Prudential; Flora Chan, Manulife; Sam Morgan, AIA Group



Speaker: Jessica Tse, PwC



Speaker: Yee Yung Yong, Deloitte



Speaker: Olivia He, KPMG



Exploring challenges in IFRS 17 results comparability and business decision making

Now that IFRS 17 is approaching its final form, insurance companies will uncover more challenges around how to use IFRS 17 results for business decision making, which is likely to drive finance and other functions to reassess their areas of focus.

Introduction

The new accounting standard on insurance contracts (IFRS 17), will come into effect on 1 January 2023.

IFRS 17 is applicable to many insurers across the globe. It brings actuarial, finance, and technology together in an unprecedented way. Now that IFRS 17 is approaching its final form and implementation projects are crossing the finish line, insurance companies will see how the results of IFRS 17 will drive finance and other functions to reassess their areas of focus.

In this article, we explore some unanswered questions about IFRS 17, sharing some of the common challenges, experiences, and lessons learnt.

Is IFRS17 providing a better mechanism to compare the financial results of insurers (both locally and globally)?

Over the past few years, we have seen how IFRS 17 has transformed financial reporting for insurers. The new standard brings greater comparability for new and in-force businesses' profitability and gives users more insights into an insurer's financial health (earnings from insurance risk versus financial risk) than ever before. However, there are still areas of judgement involved, compromising the objective to achieve 100% comparability among insurers. It remains challenging to perform like-for-like comparison between two insurers if they hold different technical views or interpretations of IFRS 17 requirements.

The introduction of Contractual Service Margin (CSM), an unearned profit mechanism requiring insurers to recognise profits over a period of time based on the services provided, form a standard new business performance indicator for the insurance industry. This is a huge improvement from the old accounting standard. However, there are many areas subject to judgement and interpretation, which makes comparison difficult.

Two insurers, even if they are holding a similar book and selling similar products, can hold different technical view on the following topics:

Topic	Areas where comparison could be challenging
Definition of an insurance contract	Combination and separation of insurance contracts, for example, requires judgement. An insurer assuming riders will be combined with their basic policies would present a different portfolio CSM runoff pattern to that of an insurer assuming riders are treated as separate contracts.
Definition of contract boundary	Contract boundary is a popular topic in the insurance industry. Whether contract renewal counts towards a longer contract boundary requires detailed product assessment. Additional complexity will arise when short-term riders are combined with a long-term base policy.
Definition of coverage unit	<p>Coverage unit determines the speed and pattern of future profit release. The recent update of IFRS 17 to recognize the expected profits for investment return service fills a big gap between the variable fee approach (VFA) and general measurement model (GMM).</p> <p>However, it will be challenging to compare the coverage unit run-off pattern between two insurers if they hold different views on how to combine insurance service and investment returns or a related service.</p> <p>There are various acceptable approaches to measure coverage units. For example, one insurer can use maximum contractual cover, while another can use expectation of valid claims.</p>
Definition of risk adjustment	There are various methods of calculating risk adjustment (RA), which again makes comparison challenging. Differences in RA methodology affect the magnitude of RA, and therefore affect the comparability of liability positions and available insurance revenue for future release.
Use of other judgement	<p>Finally, the IFRS 17 standard is principles based, hence there is much judgement required.</p> <p>For example, similar products might be measured using VFA by a company but GMM by another company or region (which is due to either a differences in some specific product features or different interpretations of underlying item and substantial share), which would result in a completely different profit recognition pattern.</p>

Is IFRS 17 allowing the "service" the insurance industry is providing to be compared to services provided by other industries?

One significant improvement in IFRS 17 is that insurers are now required to recognise revenues based on the service provided, rather than premiums received. This aligns with the revenue recognition principles under IFRS 15 for other service industries.

In addition, IFRS 17 has enabled comparability with other industry sectors by bringing transparency to new business, except that it can be affected by the base and rider combination issue mentioned in section 2 above.

However, it is harder to draw similar views on historical business quickly and is highly dependent on the transition approach taken by insurers. The balance sheet position for one insurer adopting a full retrospective approach would be relatively comparable with other industries, because this approach recognises and derecognises groups of insurance contracts as if IFRS 17 had always been applied. On the other hand, another insurer taking a fair value transition approach would be relatively less comparable with other industries.

If insurers choose to adopt different approaches on transiting historical blocks from IFRS 4 to IFRS 17, it will be harder to connect or compare the IFRS 17 shareholder equity of the insurance sector to other sectors.

How will IFRS 17 influence business decisions in our industry?


There are a few areas where IFRS 17 will introduce additional complexity and challenges that will influence business decision-making:

- More granular data enables detailed analysis during product development and business planning. We have yet to develop a pattern to filter useful data from the "lake" of information

which is vast and too many dots are yet to be connected. The good news is the data is here and we can start mining!

- Extra effort is required to connect a storyline focusing on growth to the new IFRS 17 presentation. For example, for an insurer relying on new riders as a sales engine but with these now bundled with old basic contracts in IFRS 17 presentation, it will be harder to make a convincing growth story if numbers are picked directly from IFRS 17 disclosures without further elaboration.
- The complexity of reinsurance treatment in IFRS 17 solutions might discourage insurers from using reinsurance solutions to manage IFRS 17 earnings. For example, the cost and effort of introducing a new data mapping ETL (extract, transform, and load) process and underlying contract projection capability to an existing IFRS 17 solution could dampen insurers' desire to try new reinsurance ideas. We could see this becoming counter-intuitive to the original purpose of IFRS 17, and are yet to strike a balance between "How to get IFRS 17 right" vs. "How to generate business value from IFRS 17"

Conclusion

Now that IFRS 17 is approaching its final form and implementation projects are crossing the finish line, insurance companies will uncover more challenges around how to use IFRS 17 results for business decision making, which is likely to drive finance and other functions to reassess their areas of focus. 

The views reflected in this article are the views of the author and do not necessarily reflect the views of the Deloitte China or its member firms.



Ka Hei Choi, FASHK, FSA, Partner, Actuarial and Insurance Solutions, Deloitte HK.

He can be contacted at kahechoi@deloitte.com.hk.



Count down to IFRS 17 – are insurers ready for that?

IFRS 17 Insurance Contracts will replace IFRS 4 in less than 3 months. The overall objective is to provide a more transparent and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. IFRS 17 introduces a fundamental change to the financial reporting requirements for insurers, including a new framework for insurance contract valuation, a new definition of insurance revenue, and additional presentation and disclosure requirements. This requires careful interpretation of the standard, additional actuarial modelling, and setting up new processes and systems to collect the appropriate data, perform calculations, and post results into the general ledger.

In order to achieve the above objectives, insurers normally need a large-scale implementation program involving a multi-disciplinary team including accountants, actuaries and IT experts with a well-defined project plan and project management office (PMO). The implementation can have a significant impact on the financial reporting and related systems & processes, KPIs, external stakeholders' communication, etc. Many insurers have taken the chance to transform their current operating model and systems to prepare for the new era.

To produce this article, Steve and Peter have interviewed a number of EY colleagues who have been working on IFRS 17 related engagements. They will share observations noted to date on the following areas:

- * Final stage of system implementation & testing
- * Opening balance sheet (OBS) determination
- * Go live & parallel run
- * Audit preparation

Final stage of system implementation & testing

In this section, Terrance Lee from EY HK is being interviewed.

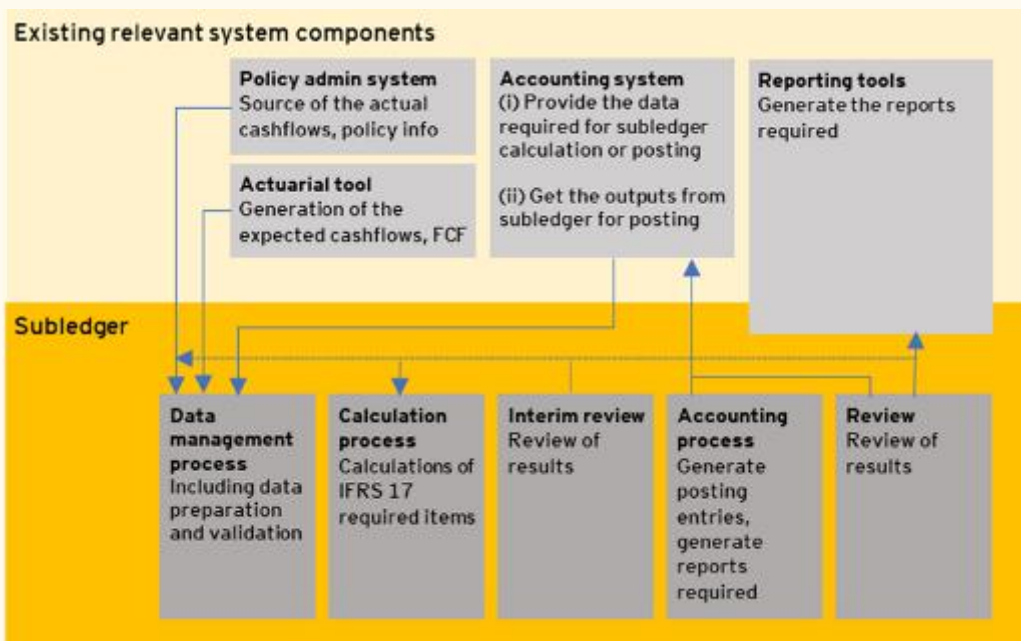
1. How are the insurers doing in terms of the system implementation and testing?

During the implementation phase, insurers need to take note of the requirements for the overall system architecture, end-to-end data flow, data granularity, and the linkage between system components (such as policy administration system, actuarial model and finance system). While the clock is ticking, most insurers are in the final phase of the system development and gradually moving into or have already concluded the testing phase.

The system development mainly involves Extract-Transform-Load (“ETL”), policy administration system, actuarial model, subledger and general ledger development or enhancement.

Below diagram summarizes a typical IFRS 17 integrated reporting flow.

Figure 1
Interaction between the subledger and other system components for financial reporting



Before the subledger can be deployed for production, testing should be conducted to ensure that the system performs according to the designed business requirements. At this stage, we observed that most insurers have completed the Unit test and System integration test (both of which are the responsibility of the system developers during the configuration phase) and are currently working on the User acceptance test (“UAT”).

2. What are the major findings of UAT to date that insurers need to know?

Business users should conduct the UAT based on the actual or modified production data to ensure that the systems are behaving as expected, and to ensure proper linkages between all system architecture components from policy administration system through the general ledger.

With limited time and resources for UAT, it is important for insurers to design an efficient overall testing strategy and test plan. Key considerations include (i) number of testing cycles, (ii) additional test scenarios and mock-up data, (iii) exit criteria for UAT result validation, (iv) time involved for each cycle, (v) how to manage the defects during testing, (vi) testing evidence for future audit, etc.

While most insurers rely on external consultants/vendors on the system development, the UAT phase offers a practical training platform for business users to get up to speed on the end-to-end reporting system operation before it goes live.

Opening balance sheet (OBS) determination

In this section, Jason Ho from EY HK is being interviewed.

3. What do you see from your experience on the OBS determination?

Transition and OBS determination may have a substantial impact on future financial results. The transition date for most companies in Hong Kong is 1st January 2022, one year before the initial application date.

On the asset side of the balance sheet, most insurers shall transit from IAS 39 to IFRS 9 for the classification and measurement of financial assets. Some items such as deferred acquisition costs or other IFRS 4 related assets are no longer applicable under the new standard. Furthermore, some receivables or loans related to insurance contracts shall be accounted for as part of the IFRS 17 fulfilment cash flows.

As for liabilities, under IFRS17, the insurance contract liability mainly comprises of fulfilment cash flows (“FCF”) and contractual service margin (“CSM”). FCF are the explicit, unbiased and probability-weighted cash flows, including a risk adjustment for non-financial risk. Insurers can start with the existing IFRS 4 liability to perform a step-by-step movement analysis to the FCF as control and to understand the impacts of various changes under IFRS 17.

The transition approach being adopted will have an impact on the methodology used to determine the initial CSM balance.

- Full retrospective approach (“FRA”): insurers shall perform a data gap assessment to determine if it is practicable to apply this default approach. Under the FRA, insurers shall identify, recognize and measure the groups of contracts as if IFRS 17 had always applied and roll-forward the CSM from the initial recognition date to the transition date.
- Modified retrospective approach (“MRA”): insurers can choose MRA or FVA if FRA is impracticable to apply. If MRA is impracticable, insurer should use the FVA. MRA offers a simplified approach for insurers that are lack of data for FRA. Insurers shall make sure that they are using reasonable and supportable information to derive the initial CSM.
- Fair value approach (“FVA”): insurers shall calculate the initial CSM based on the difference between the fair value liabilities (“FVL”) and the FCF as at the transition date. Insurers shall follow IFRS 13 principles to determine the price for transferring a liability in an arm’s length transaction. Since IFRS 13 is a principle-based standard and there are a lack of relevant observable market transactions, the determination of FVL requires considerable judgement.

After the recognition of the items needed under IFRS 17, and derecognition of the items that would not exist had IFRS 17 always applied, an insurer recognizes any resulting net difference in equity at the transition date.

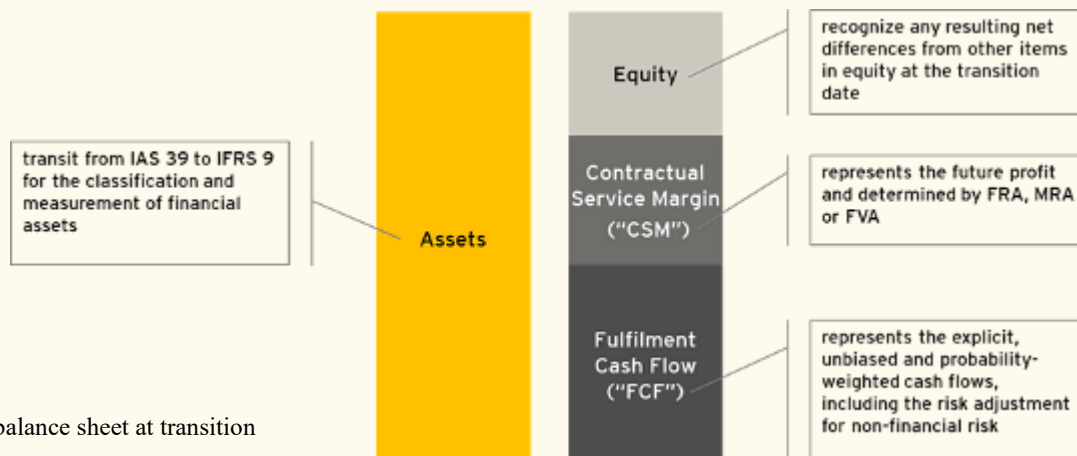


Figure 2
Illustrative balance sheet at transition

Given the importance of the OBS, insurers should not underestimate the time needed for multiple iterations of the testing. Insurers should also analyze the range of outcomes across the policy choices, approaches and assumptions. All these can have profound impacts on the initial CSM, equity, and the upcoming profit emergence under IFRS 17.

4. What should insurers do after they have prepared the initial OBS?

Before insurers nail down the OBS figures, they should also conduct budget planning under IFRS 17 to compare the new profit emergence pattern with the existing one. The OBS, together with the budget figures, shall be circulated to senior management and stakeholders to ensure that they are comfortable with the methodology and understand the assumptions being applied.

Any local entity of a global/ regional insurer, both the group consolidated financial statement and the standalone financial statement should be considered prior to the finalization of the OBS position.

Another key consideration for insurers is “How these changes will be communicated to investors and senior stakeholders?”. There is a risk that the emphasis on implementation/ technical details may distract from the need to form a concise storyline for investors and senior stakeholders. We have seen multiple insurance groups in Europe/ North America disclosing initial transition impacts from both a qualitative and quantitative perspective. We expect to see similar disclosures in Asia going forward, and these will allow investors and analysts to start comparing the results under the new financial metrics of IFRS 17.

Go live & parallel run

In this section, Kenneth Yeung from EY HK is being interviewed.

5. What are the major lessons learnt to date on the go live and parallel run?

After the UAT and OBS determination, initialization or initial load should be performed

when the systems are deployed to the production environment. It is a one-off process to input the IFRS 17 opening balances in the relevant systems. Insurers should put sufficient controls and reconciliations in place to ensure that the opening balances are ready for audit.

For many insurers, the biggest lesson is that insurers will not crystalize the impact on the reporting process and system operation until the developed systems are putting into the production environment. We noted from multiple insurers that there are unexpected issues with the vendor solutions, data quality, testing defects, etc. which reduce the time available for the parallel runs, i.e., the period that both the IFRS 4 and IFRS 17 results are produced in parallel.

It is also important for insurers to redesign the target operating model for financial reporting team under IFRS 17 with consideration of the reporting timeline and availabilities of resources, data & models.

- People who are familiar with the new processes and systems- While most insurers focus on results optimisation and system development, it is equally important that the process is transitioned smoothly into a BAU process. With multiple business priorities and talent drain, it is important for the project team to (i) plan for sufficient bandwidth for the knowledge transfer from the project team to the BAU team, (ii) perform multiple dry runs, (iii) prepare tools to streamline the IFRS 17 reporting process, (iv) work on the documentation needed for knowledge transfer and future audits.
- Process & controls- During the parallel runs, if there are any defects or follow-up noted, insurers should consider the implications on the overall result quality and the efforts required for remediation. To meet the reporting timeline, insurers can also consider quick fixes, manual adjustments, Day 2 enhancements, etc. depending on the severity of the defects. Insurers should also establish controls for result analysis to ensure that the new metrics under IFRS 17 are being clearly understood, and how these results are coherently reported under other bases such as HK RBC, embedded value, economic capitals, etc.

Audit Preparation

In this section, Stella Leung from EY HK is being interviewed.

6. What are the key considerations for IFRS 17 audit preparation from an insurer's perspective?

Another lesson learnt is that insurers may have underestimated the effort and time needed for the IFRS 17 audit. The audit scope mainly covers the usual dimensions like data, systems, assumptions, methodology, results, process and controls. But given that this is the transition to new standard, the audit will normally be structured by (i) OBS, and (ii) subsequent reporting dates. Some considerations are noted as follows:


- **Data:** The insurers should prepare data reconciliation for the data used under various systems, including policy administration systems, ETL, actuarial models, subledger and general ledger to ensure data quality. This task will be significant given new systems specifically developed for IFRS 17 and for those insurers with a longer period of FRA being applied.
- **Systems:** For the systems and actuarial models that are modified/ developed under IFRS 17, proper documentations should be prepared for audit purposes, including but not limited to, the system development architecture, testing evidence, and the linkage among different system components.
- **Assumptions:** IFRS 17 specific assumptions together with the usual assumptions should be covered. The determination of these assumptions should be documented completely and accurately with sufficient supporting evidence. For FRA cohorts, insurers should also document and apply the controls to ensure that historical assumptions are applied appropriately during the CSM rollforward.
- **Methodology:** IFRS 17 accounting policy and methodology will be one of the core elements for audit given the principle-based nature of the standard. It is vital for insurer to communicate with its auditor in advance on the critical topics

and areas of judgement to avoid any misalignment on the IFRS 17 methodology application towards the end of the implementation.

- **Results:** The OBS, comparative figures and results on the subsequent measurement dates will be covered. Auditors will analyze and assess the results, and can rely on insurers' control on the result analysis if they are deemed sufficient and appropriate.
- **Process & controls:** Insurers should take note the new processes and controls involved under IFRS 17 and prepare the corresponding evidences during implementation phase for auditors' review.

Conclusion

IFRS 17 is fast approaching. It is important for insurers to make sure that the IFRS 17 & IFRS 9 numbers are confirmed as soon as possible. Insurers may find this difficult given the unanticipated issues and delays during the implementation, but further delay may cause more issues down the journey.

Completing the remaining milestones in the implementation plan is critical, it is also important for insurers to plan for IFRS 17 results communication, and a robust future operating model to ensure that the systems, processes and resources are transitioned smoothly to BAU mode. The insurance company executives should act now, and engage all relevant stakeholders, to reap the benefits of the successful implementation of IFRS 17. 

Statements of fact and opinions expressed herein are those of the individual authors and are not necessarily those of the editors, or the global EY organization or its member firms.



Steve Cheung, FSA, FASHK, is a partner at Ernst & Young in Hong Kong (EY HK). He can be contacted at steve.cheung@hk.ey.com.



Peter Telders is a partner at EY HK in Hong Kong. He can be contacted at peter.telders@hk.ey.com.

HKFRS 17 for Non-Life Insurers: PAA – emerging market practices and challenges

Introduction and Background

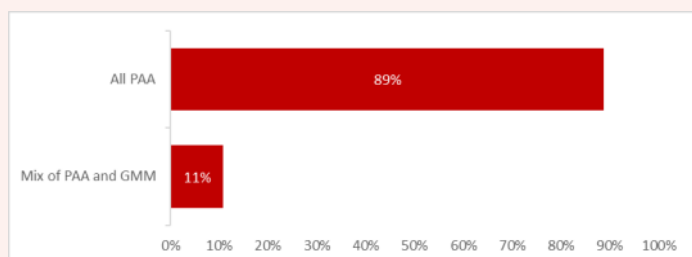
For the Hong Kong insurance market, the transition from IFRS 4 to IFRS 17 is shaping up to be one of the most impactful events in the industry’s history. The HKICPA has since fully endorsed IFRS 17 and issued the equivalent HKFRS 17, which will be effective for annual reporting periods beginning on or after 1 January 2023.

HKFRS 17 strives to improve the transparency of insurers’ financial statements and make insurance reporting more consistent with other jurisdictions. However, this grand vision is accompanied by a long list of challenges for the practitioners throughout the implementation journey.

We observed that the insurance industry has been keen to identify simple and effective solutions to meet the new reporting standards. Fortunately for the non-life insurers (who largely underwrite insurance contracts that are one year or less), they are likely to be eligible for the simplified Premium Allocation Approach (“PAA”) under HKFRS 17.

In a recent PwC survey¹ targeted at non-life insurers in Hong Kong, the results found that 89% of respondents are planning to apply the PAA for their entire business.

Survey Question: Which measurement model will you adopt for HKFRS 17?



At first glance, the PAA may appear to be similar to the current HKFRS 4 standards. However, practitioners would uncover that this “simplified” method is not so simple – the PAA introduces new actuarial processes that require assessing the non-life portfolio in different lenses. So even for PAA,

insurers still need to take a pragmatic approach to implementation in order to effectively meet the HKFRS 17 requirements.

This article will explore some of the key HKFRS 17 implementation challenges and emerging market practices, including our observations and hands-on experience in adopting the PAA model.

Practical Challenges for Actuaries

• PAA eligibility

Theory

Groups of contracts (‘GoC’) are automatically eligible for the PAA if the coverage period of each contract within the group is one year or less. For GoC containing contracts with coverage period greater than a year, an entity can still apply the PAA if it reasonably expects the LRC measurement between the GMM and PAA does not differ materially.

In Practice

Operationally, this means that insurers (with contracts longer than a year) will need to set up new processes to assess PAA eligibility. These processes include setting up a framework to interpret the ‘not materially different’ and ‘reasonably expects’ criteria. In addition, insurers will need to explicitly model the LRC run-off under both the GMM and PAA. This can be a complex exercise given the CSM requirements under GMM and new data / assumptions required which may not be readily available under HKFRS 4 (e.g., claim incurred pattern and discounted cashflows).

¹The ‘PwC Non-Life HKFRS 17 Health Check’ Survey was published in September 2022. The survey received responses from 24 insurance executives. The responses, received between 24 August to 21 September 2022, were from a range of small, medium, and large non-life insurers in Hong Kong.

There have been emerging market practices for defining the PAA eligibility test. A common criterion for concluding ‘not materially different’ is assessing whether at each reporting period, the LRC difference between the GMM and PAA is less than 5-10% of either the GMM or PAA. There is also a trend of performing scenario testing to ensure the GMM and PAA differences are not material under a set of ‘reasonable’ scenarios. Common scenario shocks include loss ratio, discount rate and risk adjustment assumption changes throughout the coverage period.

To conclude full PAA eligibility as at the HKFRS 17 transition date, it is likely that insurers will need some form of quantitative testing to prove PAA eligibility for GoC with contracts greater than one year (notwithstanding materiality considerations). However, once PAA eligibility is established at transition, an entity may be able to apply qualitative arguments going forward for GoC with similar characteristics. This will save an insurer time and effort in re-performing the quantitative PAA eligibility testing every year.

• **Discounting**

Theory

Under the PAA, an insurer is required to discount the Liability for Incurred Claims (‘LIC’) unless it expects its claims to be settled within one year or less from the date of claim incurred. HKFRS 17 allows either a top-down or bottom-up approach towards determining discount rates.

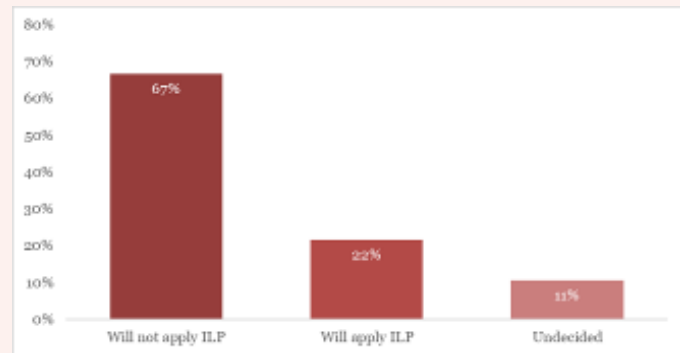
In Practice

Discounting claim liabilities is not allowed under the existing GL9² and is therefore a relatively new concept for non-life insurers in Hong Kong. Given the claim settlement period for most lines of businesses is expected to be over a year (e.g., employee compensation, liability), it is likely that non-life insurers will need to apply discounting on the LIC.

To determine discount rates, most non-life insurers are adopting the bottom-up approach as it is less complex and more practical than the top-down approach. The bottom-up approach combines the risk-free interest rate with an illiquidity premium. Whilst the risk-free interest rate is relatively straightforward to construct, non-life insurers are

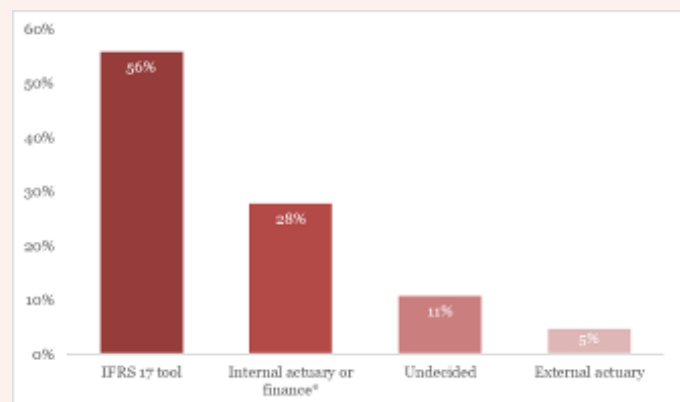
met with challenges in practically interpreting the illiquidity premium. The PwC survey found that 67% of respondents will not apply an illiquidity premium. This may be because the impact of the illiquidity premium is considered to be immaterial given the short-term nature of liabilities for non-life insurers.

Survey Question: Will you allow for an illiquidity premium (ILP) in the discount rates?



Once discount rates are determined, non-life insurers will need to implement new processes to produce discounted liability results. This process brings complexity given the HKFRS 17 requirement to separately disclose the Insurance Finance Income or Expense (‘IFIE’). Currently, there is a range of market practices on where the ownership of this new process will sit. The PwC survey found that 56% of respondents will leverage their HKFRS 17 tool to perform the discounting of cashflows, whilst some respondents will outsource this function to their external actuaries.

Survey Question: Whose responsibility will it be to produce discounted cashflow results (i.e., produce cashflows and perform discounting)?



* The internal actuary or finance leverage existing (IFRS 4) tools to produce the discounted cashflows.

²Note the Hong Kong Insurance Authority has launched a consultation on a new draft GL9 in August 2022. The updated GL9 is expected to align reserving requirements with Hong Kong Risk Based Capital, where discounting is required (unless immaterial).

• **Profitability Grouping**

Theory

An insurer is required to divide a portfolio of insurance contracts issued into groups consisting of onerous contracts, no significant possibility of becoming onerous contracts, and remaining contracts. For contracts that apply the PAA, an entity shall assume no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise.

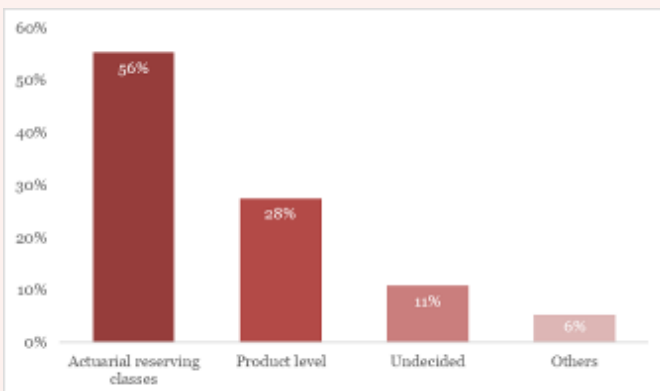
In Practice

HKFRS 17 does not define how to interpret ‘facts and circumstances’ in determining onerous contracts under PAA, so ultimately this is a decision for individual insurers. Given the lack of guidelines, a range of practices may be acceptable, such as using information on pricing, business plans, or internal monitoring. For non-life insurers in Hong Kong, a common approach is to adopt a combined loss ratio (‘CLR’) approach to group sets of contracts into profitability buckets. This approach would typically include the following steps:

1) *Define sets of contracts for profitability grouping*

It is not necessary to assess profitability at the contract level individually. Insurers may perform their profitability testing at a set of contracts level, which consists of homogeneous contracts with similar characteristics such as risk and pricing. The practical challenge is ensuring the set of contracts is granular enough such that there are no material differences in profitability amongst the contracts (i.e., cross-subsidisation). The PwC survey found

Survey Question: Will you define ‘sets of contracts’ for profitability testing and grouping under PAA?



that 56% of respondents will define their sets of contracts at the actuarial reserving classes level.

2) *Define the CLR formula*

After defining the set of contracts, the insurer would set up a methodology to calculate whether it is onerous. A set of contracts is an onerous group if the fulfilment cashflows allocated at initial recognition are a net outflow. A CLR modified for HKFRS 17 basis may be used for this purpose, where a set of contracts is onerous if the CLR is greater than 100%.

$$CLR = \frac{(Ultimate Losses + Maintenance Expense + Risk Adjustment) \times Discount Factor}{Premium - Directly Attributable Acquisition Costs}$$

3) *Perform CLR calculation and grouping*

The final step involves collating the data and assumptions to apply the defined CLR formula to the set of contracts. Assumptions such as best estimate loss ratios may be readily available from existing HKFRS 4 analyses. Other assumptions such as attributable expenses and risk adjustment may differ from the existing HKFRS 4 basis and therefore require adjustments.

• **Loss Component**

Theory

If facts and circumstances indicate that a group of insurance contracts is onerous at initial recognition or subsequent measurement, an entity shall calculate the difference between the LRC (under PAA) and the fulfilment cashflows that relate to the remaining coverage and recognise this amount as a loss component.

In Practice

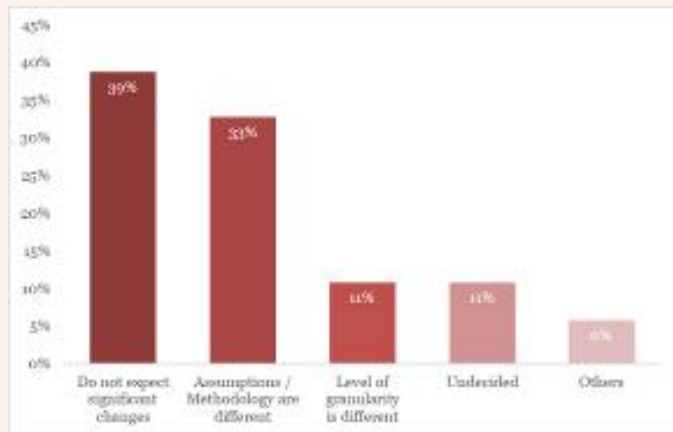
The loss component under PAA is less complex than that under GMM. Unlike GMM, the roll forward of the loss component under PAA does not require the loss component amortisation mechanism. Based on our observations in the market, non-life insurers will recognize the loss component under PAA as simply the difference between the carrying amount of the LRC and the fulfilment cash flows.

The loss component under PAA is conceptually more similar to the existing Premium Deficiency Reserve (‘PDR’) calculation for non-life insurers. However, there may be a few differences from the PDR, such as:

- Different assumption basis (e.g., attributable expenses under HKFRS 17)
- Impact of discounting
- Level of granularity (i.e., sets of contracts versus line of business).


The PwC survey found that 39% of respondents did not expect a significant change compared to the PDR, while 33% expected impact due to assumption / methodology changes (driven by the factors highlighted above).

Survey Question: Do you expect any significant changes from the existing Premium Deficiency Reserve calculation to the Loss Component calculation under PAA?



Conclusion

As we found out from the market survey above, HKFRS 17 presents significant technical and process challenges for non-life insurers, even when the insurers are able to apply the simplified measurement model. We look forward to more industry exchange in the HKFRS 17 field in order to support the local businesses to achieve the vision set out by IASB.

As we approach the 1st January 2023 “go-live” date, more non-life insurers will move into the final stages of their HKFRS 17 implementation project. To ensure a smooth transition, we recommend non-life insurers to assess their progresses against the challenges that we have highlighted in this paper and – as they address them – to initiate early dialogue with external auditors to gain alignment across key technical interpretations. 

The views reflected in this article are the views of the authors and do not necessarily reflect the views of the global PwC organization or its member firms.

The information contained in this publication is of a general nature only. It is not meant to be comprehensive and does not constitute the rendering of legal, tax or other professional advice or service by PwC China or PwC Hong Kong. PwC has no obligation to update the information as law and practices change. The application and impact of laws can vary widely based on the specific facts involved. Before taking any action, please ensure that you obtain advice specific to your circumstances from your usual PwC client service team or your other advisers.

The materials contained in this publication were assembled on 26 September 2022 and were based on the law enforceable and information available at that time.

Stephen Dong, FIAA, Senior Manager, Actuarial Services, PwC Hong Kong

Delvin Cai, FCAS, Partner, Actuarial Services, PwC China

Maurizio Busti, Mainland China and Hong Kong Actuarial Leader, PwC Hong Kong

Interview with Ka-Man Wong and Alexander Wong



Message from the editor Timothy Wong

This is the second of our ASHK interview series, which features well-known actuaries in Hong Kong. Both guests, Mr. Alexander Wong and Ms. Ka-Man Wong have served as the President for the ASHK Council and are a married actuarial couple. In this interview, they discussed the pros and cons of having a spouse in the same profession, their greatest accomplishments and challenges in their career, how they got involved in the ASHK committee and shared practical advice that have shaped them into who they are today.

Alexander Wong

President of the Actuarial Society of Hong Kong 2022

Fellow of the Society of Actuaries and Fellow of Actuarial Society of Hong Kong.

Current job as HSBC Group Chief Actuary. Previous roles in HSBC included Asia Chief Actuary, Hang Seng Chief Actuary, Head of Actuarial & Risk Analytics. Prior to HSBC he has served as Vice President & Appointed Actuary of Nan Shan Life in Taiwan, and held various roles in AIA, AIG across Hong Kong, Taiwan Wan and US. (and Personal Piano Tutor, aka PPT, for my 4-year-old son!!)



Ka-Man Wong

President of the Actuarial Society of Hong Kong 2016

Fellow of the Society of Actuaries and Fellow of Actuarial Society of Hong Kong.

Current job as AXA Asia Markets Strategic Development Director and Head of Capital and Inforce Management for the region. Previous roles in AXA included Regional Life Chief Actuary and Finance Business Partners. Prior to AXA she has served as the Chief Risk Officer of Sun Life Hong Kong and Principal Consultant in Willis Towers Watson. (Second full-time job: being a mom of a 4-year-old son!!)



Tell us more about yourself

Q ASHK: How do you know each other?

A Ka-Man (“KM”): We have known each other since we studied actuarial science at the University of Hong Kong (“HKU”). Back in those days, there were only few female students in the class, and we used to hang out with a group of common friends. After graduation from university, Alex worked in Taiwan followed by the United States, while I stayed in HK, so we went in different paths and didn’t get together until around 10 years ago. We had the chance to meet again in HK and started this couple journey.

Q ASHK: Can you share some benefits and challenges for your spouse having the same profession?

A KM: Let’s start talking about the benefits first, we understand each other’s scope of work, peak seasons, work pressures and challenges. We have a lot of common industry topics that we can exchange ideas and we can advise each other accordingly. Most importantly, we also have a lot of common friends to hang out with.

Alexander (“AX”): Some people may think that there might be conflict of interest (“COI”) if the couple are working for different companies, even if we have never been on the opposite side of a transaction so far. I have spent the early part of my career in Taiwan and the United States, whereas Ka Man has worked in a consulting company taking care of the business in Asian regions. Even we are now working for different insurance companies, our major duties do not overlap with each other. I focus more on the technical area as the Chief Actuary while her focus is more on the business side. Professionalism training also provides us with good guidelines on how to handle these situations, just as we are handling these COI between friends.

KM: We can exchange ideas from different perspectives on the same topic and challenge each other in a positive way. But I must admit that sometimes it can be very boring when we discuss on topics like RBC and IFRS already in workplace and even when back at home!

Q ASHK: Although both of you should have cleared all your exams before you two have been together, how did you manage to make time for each other despite the heavy workload?

A AX: First of all, try to get your exams off your plate as early as possible. Both of us were among the first batch in the class getting through the Fellowship Admissions Course (“FAC”) and we obtained the fellowship together in Atlanta. The key is to find a way to optimise your efficiency. I’ve done that via studying my exam during my 1.5-hour work commute (though in pre-Smart Phone era which is a lifetime ago). I’m sure one can find a way that best fit for you and now.

KM: It was slightly tougher for me, especially when I was working in a consulting firm in the early stage of my career and always tied up with many M&A projects. Weekends are definitely our couple time. We also try to make time for each other during weekday evenings. Fortunately, we have lots of common topics, so we still manage to chat for a bit even when I got stuck at work.



Tell us more about yourself

Q ASHK: Could you name one actuarial skill that you would teach your son?

A AX: One actuarial lesson that I would pass on to our son, is that all assumptions, while best estimate at the time of planning, would mostly be proved wrong. Being an actuary does not make us any more accurate when making projection. Consider the range of possibilities, upside and downside. Get prepared for what could go wrong. When something goes wrong, it is not the end of the world. Adapt it and try again and again until you succeed.

KM: Perhaps because of our genes, our 4-year-old boy is good at mathematics already. I would teach him how to take numbers as the start instead of the end. It is important to learn how to interpret what we calculate, to make use of these numbers to make changes and deliver messages. Very often, as an actuary we spend a lot of time building the models, arriving at some numbers, and explaining/reconciling the movements. What we could do

beyond this is to deduce the appropriate actions to influence the situation and further improve the results, and then be able to communicate these to stakeholders. I guess this principle applies whenever we want to make some changes in all walks of life.



Career as an actuary and leader

Q ASHK: How did you decide to become an actuary – and why?

A KM: To cut a long story short, I got in the right profession for the wrong reason. When I was in high school, I joined an International Mathematical Olympiad summer camp in the Hong Kong University of Science and Technology. I remember the professor said his elder brother was an actuary and was then working in NASA to build spaceship. When I was very young, I have been dreaming to be an astronomer (and is still my dream now), so I truly believed being an actuary can make me into astronomy... and spaceships. This is how I got attracted by this curriculum. Fortunately, my public exam results were good enough to get me admitted to the HKU actuarial program. After the first

semester, I realised that actuaries in Hong Kong mainly work for insurance companies. I would not say that I was disappointed, but it was very different from what I originally expected. No regret for sure though.

A X: I do not have an attractive story like Ka-Man. I have made my decision through eliminations. Firstly, I do not have the language skills to be a lawyer. Then, I do not like doing surgery or working on shifts, so doctor was ruled out. I know I like mathematics. I heard that one of my senior schoolmates in high school was admitted to the HKU actuarial program, so I think it might not be a bad idea to become an actuary after eliminating all other choices.

Career as an actuary and leader

Q ASHK: What were the greatest accomplishments in your career so far?

A AX: One of my most recent accomplishments was contributing to the Hong Kong RBC multi-year journey. I have been serving as the deputy chairman of the HKFI Life Task Force on RBC Framework, and serving as the industry leader representing the industry to liaise with the Insurance Authority (“IA”) on the RBC development. Navigating through differences amongst the smartest actuaries in the industry and ultimately finding a consensus that is satisfying to all, and the same time advising the regulator by taking much less time than other major revamp like Solvency II or IFRS17, makes me proud. I feel collectively we, as a profession, have done a decent job when I saw some companies have elected to early adopt the RBC framework ahead of the formal effective dates of implementation.

Q ASHK: What do you like and dislike most about being an actuary?

A KM: One thing I like about being an actuary is that we have broad knowledge by training, which differentiates us from business generalists and we have our own cutting edge. As mathematicians, we have the mindset and skillset to deal with complex issues. This also helps me a lot in my personal life.

The thing I dislike about being actuary is that people’s general perception towards the actuarial profession. When you tell people you are an actuary, half of them have no clue what you are doing, and another half may have heard of “actuaries” but think that you must be sitting at a corner with a computer only calculating numbers in a “geeky” way. There was a parent-teacher meeting at my son’s school every month and I find it difficult to introduce myself as an actuary and explain my profession.

Nevertheless, I think we have been doing a lot better in recent times in terms of promoting the profession. One interesting thing I have spotted is that we have the option to pick “actuary” as the profession when you fill in the occupation in the COVID-19 test declaration in Government website. Joke aside, let’s keep on promoting what we do, and I believe that this is what ASHK has been trying to achieve and it will certainly continue to do so.

Q ASHK: Do you see any important learning milestones or turning points in your career?

A AX: One of the most critical turning points in my career took place during the Global Financial Crisis in September 2008 when I was working for AIG in New York, which is the very office that’s the eye of the storm. Prior to that, I always believed that I would stay in the same company until I retire, following the footsteps of many well-known actuaries or insurance professionals who have been working for the same multinational company for 20, 30 or even 40 years, as I am not the kind of person who likes changing jobs. But after the 2008 Global Financial Crisis, I started to think that the world is not the same anymore, and change is catching up on everyone, every company. I can no longer retire as a one-team career professional, like my beloved Manchester United legends, including Ryan Giggs, Paul Scholes and many more. Eventually, I stayed with AIG for a couple more years, finishing my job as the company completing the multi-year selling process. I have worked there for 7 years, before I figured out my long-term goals and made the decision to move back to Hong Kong and worked for HSBC, which is my second company and also my current company.

Career as an actuary and leader

Q ASHK: What do you do to develop yourself as a leader?

A AX: There are two stages to this process. Actuaries typically start off in a specialist role and continue to enhance our technical skills or specialties through studying for exams and on-the-job trainings. To become a leader, you will need to proceed to the next stage – evolving from a

specialist to a generalist. Staying in the first stage only will make you becoming a subject matter expert (“SME”), which can be very well-respected as a guru. However, to become a leader, we need to think broader perspective for longer time horizon. This can only be achieved through getting out of our comfort zone into areas we are not specialised in and developing into an all-rounded generalist.

Experience with ASHK

Q ASHK: Both of you have served as the ASHK President. What motivates you to take up the role on top of the heavy time commitment to work and family?



A KM: I joined ASHK starting as a Life Committee member and then became a Council Member. I enjoyed the time here as I can meet a lot of different people who are very passionate about this industry. Before I ran for the presidency in 2016, gender equality had become

a hot topic, and people had been encouraging me to run for presidency to increase the gender balance in the presidential records! In addition, ASHK has been working toward a more worldwide recognised professional body through building connections with other actuarial associations in Asia. I felt like this was something I can contribute to the ASHK, so I went for it.

A X: Running for the Council Member and then becoming the President is more like a natural progression rather than a careful planning. Interestingly, people always have the perception that I have been serving ASHK longer than I actually have. I have been contributing to many industry consultations and focus group meetings, such as the HKFI RBC Task Force. So, I thought why not also join ASHK to provide my perspective from an actuarial professional point of view. Therefore, my answer should be “why not?” rather than “why?”.



Experience with ASHK

Q ASHK: Could you share any memorable moments and challenges as the ASHK President?

A KM: As the President, I think the challenge is on how to continuously keep our scope and services up to date and make them always relevant to our ASHK members. For example, 10 years ago people might be interested in risk topics while they were new, and today they become business as usual (“BAU”) and our members are interested in big data and metaverse. Therefore we shall always be forward-looking and ensure we equip our members with areas of their interests. In terms of memorable moments, ever since all conferences have gone virtual during COVID-19 times, I miss those good old days when people were brought together for a few large-scale international conferences held by ASHK in Hong Kong, Macau and rest of Asia which I was heavily involved in and with much honour hosting during my Council Member and President years.

AX: In my view, the biggest challenge this year is on bringing people together and organising in-person events. There is a strong desire from all members, companies, and vendors to meet in person, since they have been working remotely since the outbreak of the pandemic. This challenge, however, has transformed into an accomplishment. In the past 10 to 20 years, the format of professional events or conferences organised by ASHK was always like classroom teaching and learning. But this year I felt very proud and encouraged that we have had an ESG day as part of the activities for the Joint Regional Seminar series hosted by ASHK. We went outdoor for tree-planting with 20 CEOs, government and the IA officials. This is not done by me alone, but it was collectively decided by the organising committees and the ASHK staff to organise the first of its kind outdoor activities for ASHK.



Advice

Q ASHK: Any advice on how to plan your career path?

A AX: Actuaries tend to be conservative and risk-averse, but it is important to turn risks into opportunities. The most important thing is not about what you have planned for. What really matters is the action you take when things do not go as planned. You need to assess the risk – if this is acceptable, you can take the risk and continue to make more changes to get yourself out of your comfort zone. This is how I started my career. I left Hong Kong and took up an overseas assignment in Taiwan and then went to the United States. Of course, I am not suggesting that you do random gambling recklessly but to think through what could happen and whether you are comfortable enough to accept these uncertainties and leave your comfort zone.

Q ASHK: Any advice for actuaries taking up a leadership position for the first time?

A KM: Authenticity is the first thing that comes to my mind. Every person has his/her own working style but as a leader we should let people know who you are. The art of leadership is about influencing people and aligning interests of everybody. People will follow you if they understand and like you. Be open to discuss your thoughts with different people, listen more, and have the courage to make changes and make things better for everybody. I think these are the essential skills as a leader.



EVENTS HIGHLIGHTS

30-31 August 2022

Actuarial Innovation Conference 2022



Panellists (From left) Lee Sarkin, Munich Re; Sean Deehan, WTW; Abhishek Kumar, KPMG; Rocky Tung, Financial Services Development Council; Chris Hancorn, AIA Group.



Panellists (From left) Jonathan Cheung, HKbitEX; Iain Bulcraig, SCOR Australia; William Yeung, MediConCen; Raymond Lai, Nicholas Actuarial Solutions; Allan Cohen, Pelican Ventures.



Dicky Lam, Immediate Past President of ASHK



Becky Tam, OneInfinity by OneDegree



Jonathan Hughes, RGA

20 September 2022

Joint Regional Seminar — Regional Programme



Speakers (from Top Left) Naomi Edwards, President-Elect of IAAust; Matt Saker, President of IFoA; David Wong, Ernst & Young; Alexander Wong, President of ASHK, Christopher Tam, Deloitte; Mariette Thulliez, PartnerRe; Dr Kamakhya Das, PartnerRe; Ivan Lee, Swiss Re.

EVENTS HIGHLIGHTS

19 October 2022

What's Next? - Life and Health Insurance Product Development Beyond COVID-19

SI Underwriting of Term Life ("Quick Issue")

2

Emergence of the "Quick Issue" market

- **Region:** Canada
- **Initiative:** SI UW of Term Life
- A Quick Issue product priced 3-15% more than traditionally underwritten products for those brokers and consumers who want SPEED
- The Value Proposition to advisors was strong
- The simplified UW process

"Quick" Issue Targeted at Healthy Lives Focused on Speed of Sale

Majority of Canadians are considered insurable



MAKING UNDERWRITING BETTER



Ensure that "speed" really meant fast...

- * YOU asked the questions and did not respond!
- * WHAT'S COMING TO SPEED: THERE ARE TWO ASPECTS THAT AN INSURER CAN FOCUS ON:
 - * SIMPLIFY THE NUMBER OF QUESTIONS ASKED AND
 - * DELIVER POLICY ONLINE AT POINT OF SALE
- * YOU ASKED, WE'VE GOT THE POLICY QUALITY!

RGA



MARKET UPDATES

MPFA

Revised Mandatory Provident Fund (MPF) Guidelines

The Mandatory Provident Fund Schemes Authority (the Authority) has recently approved the revised MPF Guidelines on Application for Approval of Constituent Funds (Guidelines I.5).

Guidelines I.5 have been revised mainly in relation to:

- the specification of a new electronic form (i.e. the new Annex B to Guidelines I.5) by the Authority for use by applicants to make applications for approval of constituent funds; and
- the designation of a new electronic system known as the eApplication Submission Platform for MPF Products (eAS) by the Authority under the Mandatory Provident Fund Schemes Ordinance for electronic submission of the applications.

Copies of the revised Guidelines can be downloaded from the Authority's website at www.mpfa.org.hk. If you would like to have hard copies of the revised Guidelines, please contact Ms Teresa Lee from MPFA on 2292 1286.

OTHER UPDATES

2023 International Congress of Actuaries

Hosted by the Actuaries Institute Australia and the International Actuarial Association, the 2023 International Congress of Actuaries is a truly global, hybrid event for actuaries and industry leaders. The quality of thinking and the people, debate and conversation will be exceptional.

With over 500 speakers from 50+ countries, 220+ concurrent sessions and an exciting plenary program, ICA2023 will be packed with bold sessions that send you back to your office brimming with new ideas.

You'll attend cutting-edge sessions on the biggest issues of our times – data analytics and AI, the rise of Asian financial services, cyber risk, the age of the consumer, ageing populations, climate risk, lessons from COVID-19, and more.

To make travel easier, you also gain access to discounted Qantas flights, with the option to extend your stay 10 days prior or post the congress. With ICA2023 running right in the middle of Vivid Sydney – the famous festival of light, music, ideas and food – why not extend your stay?

If you can't get to the bright lights of Sydney, you can still learn and connect with the global profession via a sophisticated virtual conference platform. For more info, visit ica2023.org.



News Update from International Actuarial Association (IAA)

We're happy to share that Estella Chiu received the appreciation certification from IAA to recognize her dedication and services provided to the profession. She serves on the Executive Committee from November 2019 to December 2022. Congratulations to Estella for her many years of dedication to the industry.



UPCOMING EVENTS

30 November 2022

Appointed Actuaries Symposium
(by invitation only)

14 December 2022

Annual General Meeting

14 December 2022

ASHK Professionalism Seminar

Jan 2023

Health Virtual Talk



ASHK UPDATES

Theresa Lam

Marketing Manager



Before joining the ASHK, I have worked with different insurance companies in the field of event marketing over the past 10 years. During my tenure, I have undertaken various events and incentive programs for the company agency force, including but not limited to sales meetings, annual dinners, award presentations and overseas conferences. I believe my experiences and passion in event marketing would further extend to the Society.



All the co-workers and members I have met so far have been very welcoming and professional, and I look forward to meeting those who I have not met yet. I am excited to become part of the ASHK and I am very positive that we are going to achieve new heights as a team.

Email: theresalam@actuaries.org.hk

MEMBERSHIP UPDATES

New Members

Associate

Hok Kin CHAN	HSBC Life	Associate Member
Ko Chi Chadwick CHEUNG	KPMG China	Associate Member
Da JIN	Milliman	Associate Member
Liwen, Levin SHA	SCOR Reinsurance	Associate Member
Leung Yuen TANG	China Pacific Life Insurance HK Company Ltd	Associate Member

Student

Hoi Ching LAI	Milliman	Ordinary Student member
Sheung Yen LUI	Nil	University student member
Chung Yeung Joshua HO	Milliman	Ordinary Student member
Chayuth Unwannatam	Milliman	Ordinary Student member
Wai Lan WAN	CUHK	University student member
Hiu Chun WONG	Sun Life Hong Kong Ltd	Ordinary Student member

Reinstated Members

Associate

Jeremy WALL	JP wall consulting Partner	Associate Member
-------------	----------------------------	------------------

Membership Advancement

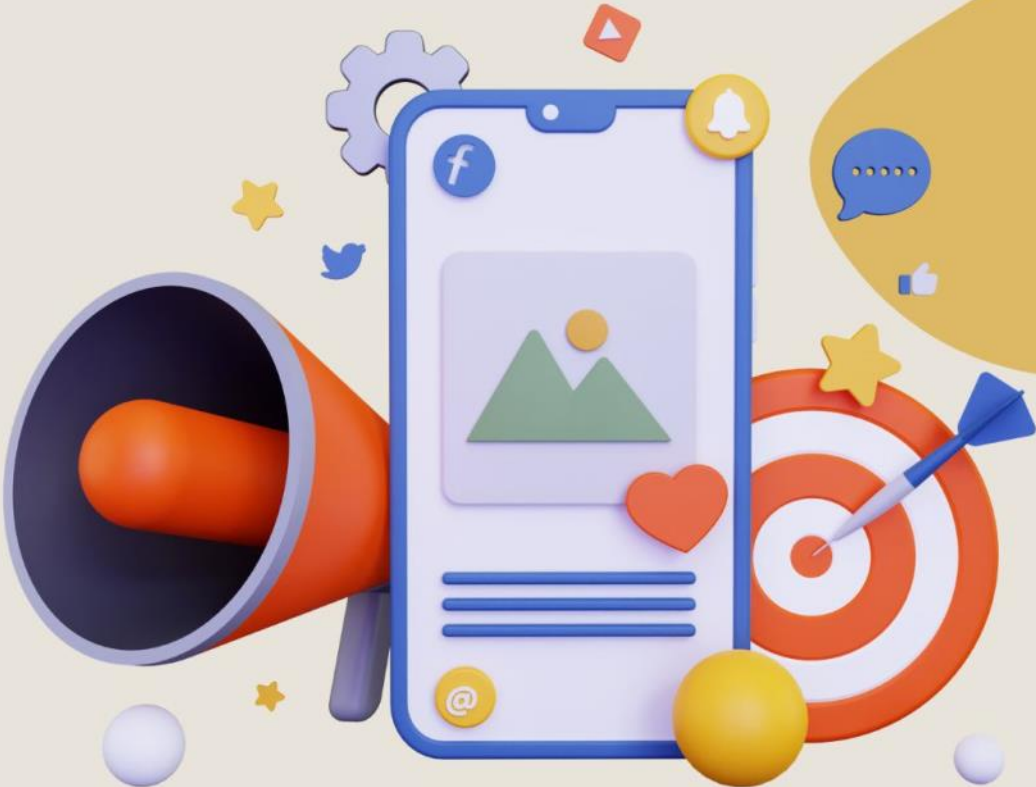
Fellow

Stuart CARROLL	Prudential HK Limited	Fellow Member
Daisy Jin DAI	GenRe	Fellow Member
Wing Sze PUI	Peak Reinsurance Co Ltd	Fellow Member
Kam Lun SHUM	GenRe	Fellow Member
Yue XIA	Peak Reinsurance Co Ltd	Fellow Member
Ka Yin YAU	Peak Reinsurance Co Ltd	Fellow Member

Associate

Pui Yuen Anson LAU	SCOR Reinsurance	Associate Member
--------------------	------------------	------------------

WE WELCOME CORPORATE ADVERTISEMENT



The ASHK will accept corporate advertisements in the ASHK Newsletter provided that the advertisements do not detract from the actuarial profession. Acceptance and 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 Rate

	One issue	Whole Year (4 issues)
Full page (A4-size)	HK\$6,000	HK\$5,000 each

To advertise, please contact ASHK Office by
Tel: (852) 2147 9168 or e-mail: info@actuaries.org.hk

Communication Committee

Editors

Timothy Wong	E-mail: Timothy-KH.Wong@AIA.COM
Mary Kwan	E-mail: mary.kwan@fubon.com
Florence Li	E-mail: fn.li@kpmg.com
Amy Chan	E-mail: amy.chan@milliman.com
George Tang	E-mail: george-g.tang@aia.com

Assistant Editors

Donald Chan	E-mail: donald.chan@za.group
Shirley Fong	E-mail: shirley-sy.fong@aia.com
Kelvin Lee	E-mail: kelvinkml@gmail.com



Coordinators

Damian Yip	Tel: (852) 2147 9168 E-mail: damianyip@actuaries.org.hk	Mandy Wong	Tel: (852) 2147 9420 E-mail: mandywong@actuaries.org.hk
Joanna Cheung	Tel: (852) 2147 9578 E-mail: joannacheung@actuaries.org.hk	Theresa Lam	Tel: (852) 2147 9418 E-mail: theresalam@actuaries.org.hk