

Alternative Actuarial Career

CONTENTS

- The Composition of 2013 ASHK Council P.2
- Interview with an Actuary P. 3
- Feature ArticlesP.9
- Hong Kong High Court changes discount rate in landmark ruling, revising it down from 4.5%P.14
- Membership Update..... P.17
- Events' HighlightsP.22



Dear Readers,

Welcome to the first newsletter for 2013!

I am happy to join Membership & Publications Committee in 2013. With our team's commitment, we aim to enhance member's benefits and provide better insights through the newsletter. After our internal discussion, we are happy to share with you the topic regarding Alternative Actuarial Career in this newsletter. With the rapid change of the business environment in these years, we do find that it is more important for actuaries to broaden their horizons and be opened for more alternative opportunities. In this newsletter, we are happy to invite Ka Man Wong, Russel Lok, Terry Yung, Eric Tsui, Trinity Pong and Lawrence Cheng to share with us the experience of their alternative career.

In addition, we have published a recent article written by one of our General Insurance Committee member, Cathy Hwang, regarding the latest ruling of the HK multiplier issue.

We would express our deepest appreciation towards their contribution for this newsletter and the effort from both of our publication committee members and ASHK's colleagues.

We do hope that all of you could have a better insight of alternative careers for an actuary and HK multiplier issue after reading this newsletter.

Finally, our committee is open for any recommendations towards both membership and publication matters. Please feel free to contact me at slam@munichre.com or ASHK's office at actsoff@netvigator.com regarding any recommendations. We are happy to listen.

Happy Reading...

Simon Lam
EDITOR

Editorial



ACTUARIAL SOCIETY
香港精算學會
香港精算學會

ASHK Newsletter

VOLUME

01

Apr 2013

The Composition of 2013 ASHK Council



President

Mr. Jack Mak
FIA
Tel: (852) 2820 9934
Fax: (852) 2827 8899
E-mail: jack.mak@
towerswatson.com



Life Insurance Committee Co-Chairperson

Mr. Jeremy Porter
MA, FIA
Tel: (852) 2822 1009
Fax: (852) 2899 8875
E-mail: jeremyrporter@
hsbc.com.hk



Vice President & Retirement Schemes Committee Chairperson

Mr. Billy Wong
BSc, FSA, CFA, LLB
Tel: (852) 3183 2340
Fax: (852) 2152 0526
E-mail: billy.yl.wong@
sunlife.com



Asia Regional Support Committee Chairperson

Mr. Michael Ross
BSc, FIA, AIAA, ASA
Tel: (852) 2593 4586
Fax: (852) 2827 8899
E-mail: michael.ross@
towerswatson.com

China Committee Chairperson

Mr. Stuart Leckie
OBE, JP, FIA, FSA
Tel: (852) 2147 9998
Fax: (852) 2147 2822
E-mail: stuart.leckie@
stirlingfinance.com



Education Committee Chairperson

Prof. Wai-Sum Chan
PhD, FSA, CERA
Tel: (852) 3943 7715
Fax: (852) 2603 6586
E-mail: chanws@
cuhk.edu.hk



Experience Committee Chairperson

Mr. Tony Kin-Shun Cheng
MBA, FIAA
Tel: (852) 2213 2905
Fax: (852) 2511 8827
E-mail: tcheng@
hk.rgare.com



General Insurance Committee Chairperson

Ms. Queenie Hui
FIAA
Tel: (852) 2582 3677
Fax: (852) 2827 6033
E-mail: queeniekl_hui@
swissre.com



Investment & Risk Management Committee Chairperson

Dr. Louis Ng
PhD, FSA, FCIA, CFA
Tel: (852) 2857 8314
Fax: (852) 2858 9041
E-mail: flouisng@hku.hk



Life Insurance Committee Co-Chairperson

Mr. Sai-Cheong Foong
MEc, FIAA, FSA
Tel: (852) 2832 8059
Fax: (852) 3018 7325
E-mail: sai-cheong.foong2@
aia.com

Membership & Publications Committee Chairperson, Secretary & Treasurer

Mr. Simon Lam
FSA, CFA, FRM, FLMI,
FLHC, FASM
Tel: (852) 2536 6328
Fax: (852) 2810 6544
E-mail: slam@munichre.com



Immediate Past President & Professional Matters Committee Chairperson

Mr. J. Peter Duran
PhD, FSA, MAAA
Tel: (852) 2832 1073
Fax: (852) 3018 7325
E-mail: peter.duran@
aia.com



Strategy & Projects Committee Chairperson

Mr. Simon Walpole
MA (Oxon), FIA
Tel: (852) 2238 7229
Fax: (852) 2577 9683
E-mail: siwalpole@
deloitte.com



Interview with Ka Man Wong

Risk management is a widely used term in the financial industry, and with no doubt an area where actuaries are playing an increasingly prominent role. In a business context, it describes how risks are identified, assessed, mitigated and monitored to achieve a desired risk-return outcome that optimizes economic profits.

Ka Man Wong started her path in the risk management area around four years ago, first in the consulting business, then as the Chief Risk Officer of the Hong Kong operation of an international insurer. With her current role as the Regional Head of Life Risk Management in AXA Asia, Ka Man shares her views on risk management practices and provides some advice to actuaries who are interested to pursue this field going forward.

Interviewer: Calvin TANG (CT)

Interviewee: Ka Man WONG (KMW)

CT: What are your job responsibilities?

KMW: In AXA Asia, we fully adopt the three lines of defence model. My team safeguards the second line of defence across the eight countries / territories we have in the region, looking after all risks around life insurance operations. It is intended that we are not risk owners, but maintain an independent role in advising the various functions of the local operations and play a governance role to ensure relevant considerations to risks have been given and that key issues are being mitigated.

This entails quite a comprehensive scope, ranging from product development, assumptions review, product management and bonus philosophy, capital management, reinsurance solutions, underwriting implications, distribution expenses, and translation of new business value into inforce profits, to name the main ones.

We interact with various functions of the regional and local teams, encompassing underwriting and claims, distribution, finance, product and marketing, pricing, as well as valuation teams. The exposure is quite broad as it is essential that risk management team cooperates with many different functions and drives initiatives forward. Not to mention, we are also the bridge connecting the local operations and the head office, obtaining buy-in from all top management.

CT: How does it differ from a traditional actuarial role in pricing or valuation?

KMW: Both pricing and valuation roles are critical in an insurance firm. In the risk management arena, we still need to base on their input in a lot of areas. The role in risk management is taking a different angle, I would say, in that we act as gatekeepers for the company as it is impossible and impractical to avoid all sorts of risks.



For one, we play an important role in governance and make sure the company adheres to guidelines that are set by the Group or Regional Office, but there is much more than just following guidelines. Very often risk management is the area where conflicts are landed, and our role is to resolve the problems and at the same time facilitate different parties to work towards a common goal.

A risk manager needs a wide exposure to various functions within an insurance company, and one also has to understand the interdependencies among departments. We play an independent role as we are not directly in charge of the daily management of risks, which enables us to sit back and look at the big picture. This entails a more business management perspective I would say.

Very often, there is no right or wrong answer. We need to advise and alert the stakeholders and subject matter experts on the risks lying ahead so they can act promptly. Decisions often need to be made on whether the risks are to be avoided, mitigated, transferred or exploited. After all, insurance is a risk business. We exist because we want to receive return for accepting risks, while ensuring the company operates within its risk appetite and tolerance.

The risk management team is often empowered to provide green light or be the show-stopper. However, in making these decisions we need to be pragmatic from the business angle and pursue the best solution to solve each problem. It certainly suits people who want to take on a more general management side of a business.

CT: What are the main challenges of this role?

KMW: First and foremost, to obtain buy-in, and show how we are adding value to the process. That is why we must understand the company's priorities because these are what management decisions are based on.

It is not uncommon for people to view risk management team as a barrier to business, adding more requirements to normal processes, and is a mere compliance exercise. A successful risk manager should be able to demonstrate the lead to make changes due to risk awareness, bring to the table the benefits of identifying risks early in the process with the ultimate goal of enhancing the business objectives. An overall risk culture is a challenging goal.

It is also critical for risk managers to stay ahead of the business and keep abreast of what is happening in the insurance industry. A typical day of a CRO starts with questions or problems (and probably ends with them too!). Risk owners usually come to a risk manager when things are stuck and they are looking for a work-around solution. Able to think out of the box is the key and it is like an internal consultancy business that we are in.



CT: What is the importance of risk management and how does it help management's decision-making?

KMW: I think an effective risk management framework consists of three parts.

First of all, it is the risk culture within an insurance company that determines how the risk management function is being viewed. This involves whether risk management is being regarded purely as completing the checklist, or whether it has a role to play in advocating risk awareness in terms of governance and setting of risk guidelines.

Risk management should also be embedded into the decision-making process for all major business decisions. This can take the form of risk appetite or tolerance, or the amount of capital limited to, or return required for, taking a certain risk. It should be supplemented by the establishment of a risk management committee and training at board of director or management level. The CEO should be part of the risk management committee, which should also have direct duty to the Board of Directors.

Last but not least, management remuneration should be aligned to risk management. For sure this is easier said than done, and is often the hardest to implement from what I have seen in the market, but that would definitely help.

CT: What drove you to pursue an alternative career path?

KMW: Risk management was a new idea around five years ago when I started to explore it, but until now I would say it has developed so quickly that I doubt if it is still a "non-traditional" career anymore. Indeed, I have been educated and trained as an actuary, which built up strong foundations for me to excel in a business environment. It is, after all, easier for an actuary to comprehend the financial reports and to understand the key business drivers and underlying risks.

I think, however, that insurance companies have a much wider scope in terms of people and environment that they have to deal with and the inherent risks involved. Being an actuary, we are in a good position to articulate how we view the business and exert bigger influence on management decision-making. I am convinced that actuaries are very well positioned to take on risk management roles, and that is honestly quite an interesting role!

CT: What are the skills required in the risk management field?

KMW: If I can only name one thing, that would be communication. Risk managers are the people where the business looks up to helping them to drive things forward. Every day, we have to reach out to different stakeholders and hence it is essential for us to present our thoughts both on technical details as well as in layman terms.

Actuarial knowledge is our foundation, yet we need to overlay it with a business management skill set. Placing ourselves into others' shoes is what we do regularly, and the ability to communicate and influence plays a key role in implementing changes.

Another element is to be proactive and always available to reach out to people. This is not the kind of job where you can sit there and wait for others to approach you, nor having a checklist of what to do in some standard processes. It would be an advantage if you are sociable and people-oriented, because you will surely enjoy your work and find it interesting and insightful. That is also the reward I find from my risk management career.

CT: How do you see the future of risk management in the insurance industry?

KMW: In the coming years, risk management will become increasingly important in every insurance company.

There will be a separate and independent department, directly reporting to the CEO or to Group or Regional Office. In the past few years, many companies have already set up such divisions. With the talks about Solvency II in the industry, many insurers are investing massive resources not only on the models but also on Pillar 2 which is a complete self assessment for risk management.

CT: What suggestions would you give to actuaries who are interested to enter this field?

KMW: It is vital to develop multi-angle perspective on how you think about the insurance business, such as market trends, its relationship with key stakeholders, macroeconomic conditions, as well as environmental challenges and opportunities faced by a company. The key is to understand the big picture.

Just take a look at what CEOs care about and observe how decisions are being made at the top level. What will keep them from sleeping well at night? These are probably the things you need to resolve today!

Actuaries are very good at technical skills and attentive to details, but it is at least equally important to build up soft skills such as interpersonal, communication and presentation skills.

Moreover, be prepared to look for alternative ways of doing and looking at things, and be flexible in opening up our mind and accepting other people's ideas. There is plenty to learn from different people and you will gradually develop a business-oriented mindset.



Ka-Man Wong FSA

Regional Head, Life Risk Management
Regional Actuarial Solutions, AXA Asia

Interview with Russel Lok

Russel Lok is a Partner in Ernst & Young's Insurance Advisory practice in Singapore, leading their Performance Improvement and ERM solutions. Russel has over 25 years of experience in the insurance industry gained in both the corporate and consulting environments covering a range of strategic, financial, and operational disciplines. Russel has worked in several different geographical markets, including full time postings to Singapore, Hong Kong, Taiwan, Japan, the Netherlands and South Africa.

He is a Fellow of the UK Faculty of Actuaries, and is a Past President of the Actuarial Society of Hong Kong.

Interviewer: Iris LUN (IL)

Interviewee: Russel LOK (RL)

IL: How would you describe your current role?

RL: I currently lead Ernst & Young's Insurance industry Performance Improvement and ERM Advisory practice in Singapore.

IL: Do you think your actuarial background has provided any advantage in your work? If so, how?

RL: Absolutely yes. It allowed me to understand the insurance industry in depth from all angles; and taught me how to understand numbers, both in terms of their usefulness, as well as their limitations.

IL: Could you take us through your career path and what different actuarial/ non-actuarial roles you have had?

RL: I have had several traditional actuarial roles, including valuation actuary, CFO and consulting actuary.

I have done some completely "non-actuarial" roles, e.g. working with a technology company, and doing business consulting and then several hybrid roles as a project manager, where actuarial knowledge was very useful, but not necessarily the only requirement.

IL: Which has been your most interesting role so far?

RL: I worked in Taiwan for 3 years formulating and implementing solutions for managing a legacy block of life & health insurance, which had excessive long term guarantees. This meant taking some very non-traditional and innovative approaches – e.g. where good persistency was actually a bad problem.



Other than that I have had many very interesting projects over the years, both actuarial and non-actuarial e.g. working on the IT systems development for the MPFA in HK, developing an Enterprise IT strategy for one of the largest Chinese insurers, building a financial services & insurance strategy for a supermarket/ retailer in South Africa, and working in Europe as Solvency II global program manager for one of the large insurance groups (against the backdrop of the 2008 credit crisis).

IL: Why did you decide to become an actuary?

RL: Combination of mathematics (yes, I was a high school math geek), and desire to make good money.

IL: How did you become a “non-traditional” actuary?

RL: I became non-traditional by mistake. I joined an actuarial firm, but ended up doing more business management consulting work just due to the growing market demand at that time (it was mid 1990's and insurers were looking to expand, expand and expand...)

IL: Do you think you have any unique characters that have helped you become a "non-traditional" actuary?

RL: I liked the challenge of doing something new. So I have taken a series of career steps, and each time learning something new.

IL: Do you still introduce yourself as an actuary?

RL: I am proud to be an actuary and never make any secret of it.

IL: What advice would you give to our readers who may be interested in exploring non-traditional actuarial careers?

- RL:**
- Understand that core actuarial values and techniques can be used in a wide variety of situations; e.g. understanding assumptions, specifying a clear approach/methodology, and being able to review results for reasonableness. These are techniques not only for working out actuarial reserves or premium prices, but can be applied to a host of business problems. These analytical skills are your competitive advantage.
 - Communication skills are key; especially to be able to speak in non-actuarial terms.
 - Sometimes you have to take a chance (but being an actuary, make sure it's a calculated chance).



Russel Lok FFA
Partner, Advisory Services
Ernst & Young Advisory Pte, Ltd

Working in an Investment Bank

Most actuaries in HK are working on product pricing, financial reporting and consulting works in insurance companies and consulting firms. However, I am the only HK actuary working in an investment bank called Societe Generale, responsible for sales of asset solutions to insurance companies in Asia.

Compared with working in insurance companies as an actuary, we need to be very open-minded to work with clients and other professionals to solve their problems. Communication skills will become more important than technical knowledge most of the time. While we are proposing solutions to clients, we need to convince the clients that the new solution is better. That's a very challenging task.

Also, I realize that the risk appetites of investment bank and insurance companies are different in some areas. Investment banks are good at dealing with market risks such as equity risks, interest rate risks and volatility risks. Insurance companies are good at dealing with behavior risks such as lapsation risk/reinvestment risks and mortality risks. Stochastic modeling of market risks is not a real hedge to the market risk exposures.

To prepare myself to face the challenges, I need to equip myself and have the following beliefs everyday.

- The World is changing, we need to keep updated of the latest development
- Client's mind may change after a while, it's no harm talking to them a few times
- There is always a better way of doing the same things
- Innovation improves the World

Finally, I still believe there are many many opportunities for actuaries in HK. The business environment is changing everyday and we need to keep challenge ourselves how to do better the same task. Regulations and other constraints not only give us challenges in product innovation but also provide us new needs and problems to solve.

Thank you ASHK giving me the opportunity to share the slightly different experience I have with you all.



Terry Yung FSA
Director, Societe Generale



Actuary in a Reinsurance Company

Have you thought about an actuarial career other than traditional roles in insurance company? Actuaries are experts in solving problems involving future uncertainties, which are more and more important in the current economic environment, and the skill-set is required by different businesses, so there is no reason why one would limit oneself to traditional roles. Reinsurance companies can be regarded as one of those that can be said as non-traditional or alternative for an actuarial career, given that only a few of them are running a business in Hong Kong. This article is intended give you a glimpse of the nature of actuarial work in a reinsurance company.

Job Responsibilities

Broadly speaking, a reinsurance company offers two types of reinsurance solutions to client, namely, providing innovative product ideas and development of financial and capital solutions. As an actuary responsible for business development in a reinsurance company, the ultimate responsibility is to ensure the successful placement of reinsurance treaties with client. It requires lots of work and often in a limited timeframe. The pressure can be immense at times but the satisfaction of closing a deal is immeasurable!

Several Important Attributes of Reinsurance Actuary

The most important skill for a reinsurance actuary is perhaps communication skill. On the one hand, we need to communicate internally within the company. Reinsurers make a profit in exchange of risks undesired by insurance company by means of the expertise in such areas in products and valuation requirements for different countries, and to fully utilize the capacity and knowledge base of the reinsurance company, we often need to closely cooperate internally to ensure the optimal solution is obtained by gaining the expertise from various departments or even various country units of the reinsurance company. On the other hand, we also need to communicate externally. A typical



reinsurance deal often entails numerous discussions with clients. Clients are often sophisticated senior personnel from a wide array of functions, ranging from pricing, valuation, product development, and sales and marketing, and, sometimes, underwriting, and we need to possess superb interpersonal and communication skills in order to understand client's problems as well as formulate solutions. We also need to be able to distinguish ourselves, and concise and to-the-point sales materials that address the clients' concern.



Project management skill is also indispensable. As mentioned, we often need to meet tight deadlines to satisfy the requirements of the client, and a typical reinsurance deal involves lots of parties. To make things worse, sometimes we might need to be involved in multiple projects. One of our roles is to coordinate the various parties and solve the problem bit by bit to finally arrive at the optimal solution for the client.

It is challenging to work as an actuary in a reinsurance company. Yet it is this challenge that attracts me to enter the industry, and it is this challenge that gives me lots of satisfaction when resolving complex problems. It also gives me the privilege to work with and learn from a vast diversity of actuaries. It is an enjoyable experience!



Eric Tsui FSA
Senior Actuary - Business Development
Munich Reinsurance

Working as a Bractuary



What do actuaries do? Here is the definition from the ASHK website. “Actuaries put a price tag on future risks, make financial senses of the future and apply mathematical models to problems of insurance and finance.” Typically in Asia, most actuaries either work in an insurance company or a consulting company. In this article, we would like to introduce you an alternative career for actuaries, “Bractuary”. This is a term given to actuaries who work for a reinsurance broker company. The number of actuaries working in this area in Asia has increased steadily over the last few years. For an actuary working in a reinsurance broker company can be very different to a typical actuarial role and at times very challenging too. There is no statutory role so actuaries really have to prove their worth to the company. In addition, the working environment tends to be more competitive and most of the time there is no text book answer and so it can be a challenging experience for most actuaries. Nevertheless, it is rewarding to work for a broker company. You would enjoy greater freedom and autonomy as there is limited red type. The transactional nature of the business makes everyday life exciting. So what exactly would an actuary do in a reinsurance broker company?

Risk Advisory

Clients turn to brokers to assist in quantifying the risk their company faces. An actuary would be responsible to quantify clients risk and provide advice on how to best managing it.

Catastrophe modelling - One of the key risks an insurance company faces is natural catastrophe risk. Effective catastrophe management is an essential component of an insurer’s risk management program. Therefore the actuary/modellers will work closely with the brokers to design reinsurance programs to help the client efficiently manage their net risks. Catastrophe modelling has a shorter history compared to other actuarial rating methods. This is because it was only the increased computing power available made it possible for the use of catastrophe model efficiently for commercial businesses.

Risk and Capital Strategy - Broker advises clients on capital and reinsurance optimisation by analysing the correlation between risk, volatility, capital and economic value. This is an area where actuary can really add value to the company by improve the level of the enterprise risk management of the company.

Thought Leadership

The risk horizon faced by the clients is dynamic, constantly changing and varied. There is therefore a constant need for new ideas to meet the challenges faced by clients and the industry as a whole. It is the broker's role to provide leadership through new ideas and innovative solutions to help meet these needs in a proactive manner.

Placement

One of the most important functions for a broker is to provide client an effective placement of a reinsurance program on a fair price. An actuary can assist broking teams to provide the best reinsurance placement solution for clients through leveraging actuarial deliverables and insights.

Other work

- Data interpretation and analysis
- Actuarial pricing and stochastic modelling
- Market research and analysis
- Client consultancy
- Travelling and relationship building
- Hard work!

In summary, it is not always easy for a typical actuary to work in a reinsurance broker company. However, we have found it very rewarding and exciting because of the diversity and the nature of the business.



Trinity Pong FSA, CERA
Assistant Vice President, Actuary
Peak Reinsurance Company Limited



Lawrence Cheng FIA
Senior Vice President, Actuary
Peak Reinsurance Company Limited

Hong Kong High Court changes discount rate in landmark ruling, revising it down from 4.5%

(This article was first published by Milliman on 20 February 2013)

On February 7, 2013, the Court of First Instance of the Hong Kong Special Administrative Region issued a landmark ruling on two cases involving the discount rate in Hong Kong, ultimately revising that rate down from 4.5% to between -0.5% to 2.5%, depending on the term of the benefit payment. The 4.5% discount rate had been adopted for deriving the multiplier for future losses awards by the Hong Kong Court of Appeals in 1996 in the milestone case, *Chan Pui Ki v. Leung On*. The 4.5% discount rate has been the target of legal efforts by opponents since then to moderate it lower.

For this judgement, the Honourable Mohan Bharwaney heard two cases together—*Li Ka Wai v. Hospital Authority*, and *Yuen Hiu Tung v. Hospital Authority*. Both cases involve children born in 2000 who subsequently suffered severe physical disability. In the first case it was the result of a cardiorespiratory arrest and in the second it was congenital.

After hearing both sides of the case, and reviewing expert evidence, the Honourable Bharwaney decided to adopt three different discount rates for plaintiffs with different future needs:

- For plaintiffs with future needs not exceeding five years, the rate was set at -0.5%
- For plaintiffs with future needs between five and 10 years, the rate was set at 1.0%
- For plaintiffs with future needs exceeding 10 years, the rate was set at 2.5%

These downward adjustments of the discount rate are likely to have a severe effect on future losses. One obvious problem is the paradox of increasing discount rates with increasing terms of future needs. In effect, this means that a multiplier for a term of four years and 11 months would be higher than that for five years and a week; and for a term of nine years and 11 months the multiplier would be higher than for 10 years and a week. This is one of the more obvious examples of practical issues that can arise, noting that large-scale changes of this sort often bring unintended consequences.

Scenarios for potential downside may be extracted from *Personal Injury Tables Hong Kong 2013*, as shown in Figures 1 and 2, which summarise the future loss multiplier with regard to the adopted discount rate and the age of the victim. *Personal Injury Tables Hong Kong 2013* is a collection of actuarial tables that facilitate lawyers researching appropriate compensation levels for losses or expenses incurred through personal injury and fatal accident cases.



**Figure 1: Personal Injury Tables Hong Kong 2013:
Future Losses for Plaintiffs With Future Needs Exceeding 10 Years**

Future Losses multiplier	Discount Rate	
	i = 4.5%	i = 2.5%
Male, Age 30	17.60	23.03
Male, Age 50	10.70	12.20

Ratio	Discount Rate	
	i = 4.5% (base)	i = 2.5%
Male, Age 30	100%	131%
Male, Age 50	100%	114%

**Figure 2: Personal Injury Tables Hong Kong 2013:
Future Losses for Plaintiffs With Future Needs Not Exceeding 10 Years**

Future Losses multiplier	Discount Rate*		
	i = 4.5%	i = 1.0%	i = -0.5%
5-Year Term	4.49		5.03
10-Year Term	8.09	9.52	

Ratio	Discount Rate*		
	i = 4.5% (base)	i = 1.0%	i = -0.5%
5-Year Term	100%		112%
10-Year Term	100%	118%	

The relationship between the age of the victim and the effect of the discount rate on future loss is displayed in the second table in Figure 1. For a younger victim of 30, future losses can increase by more than 30% if the rate of discount falls from 4.5% to 2.5%. The same increase is less marked on a victim of higher age.

The most scrutinised issues in these two cases relate to investment vehicles expected to be employed for the award settlements and their appropriate investment return benchmarks. The Honourable Bharwaney decided that awards for plaintiffs with shorter-duration or immediate needs for the money should be invested in more liquid and stable vehicles, and equity should not be considered. For those with longer time horizons, the judge believed that a portion of the award should be invested in equity to protect against inflation. There are presently no inflation-protected securities available in Hong Kong. The judge also concluded that there is no clear difference between wage and price inflation, and therefore did not differentiate income-related awards from the others.

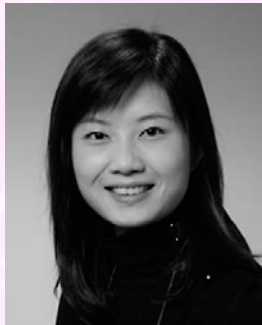
Setting investment return benchmarks is an even more complex problem. Historical returns may not be a good indicator of future economic trends, especially during volatile times, but practically speaking there is little better alternative than using them to select discount rates. Given the distortions that are to be expected, longer historical periods are to be preferred—at least five to seven years. The Honourable Bharwaney acknowledged that, given the current volatile environment, there is a need to review discount rates systematically and more frequently in Hong Kong.

The decreases in discount rate from this judgement are likely to increase future losses awards in compensation cases. It's very likely that this judgement means the costs of insurance in Hong Kong are about to rise. In the future, when the economic environment changes again, insurers should be prepared for further revisions of the discount rate—and perhaps they should even be the ones calling for change, when the time comes.

The possible mix of injury claims does not directly affect the discount rate but it shapes the compensation structure of the total award, of which only a portion consists of the future losses. The share of future losses to total award varies according to the extent of injuries suffered by the victim. For heavily injured compensation cases, the share is usually around 70% to 80%. However, the portions other than future losses are not directly affected by the rate of discount and may serve to lessen the proportional increase, especially for cases of lighter injuries.

Implications

These developments should serve as fair warning to insurers in Hong Kong that now it is time to begin reviewing case reserves of outstanding bodily claims as well as the rate adequacy of liability lines, including employees' compensation, motor, and general liability classes. Higher premium rates may be on the way for those covered by these policies as insurers realise they will need to charge more to cover potentially higher cost of claims, whilst insurers may soon find themselves required to explain to their customers the justifications for such rate increases, although the amount of press-coverage received should facilitate the process.



Cathy Hwang FCAS
Principal & Consulting Actuary
Milliman



*“In most cases being a good boss
means hiring talented people
and then getting out of their way”*

- Tina Fey

HONG KONG -REGIONAL OFFICE

4006 Central Plaza
18 Harbour Road
Wanchai

T +852 3101 0930

| F +852 3101 0989

actuarial@darwinrhodes.com.hk



Membership Update

New Members

Fellow

Terence Chi-Ho	Ho	Tokio Marine and Fire Insurance	FCAS (2012)
Dokkie	Nel	PwC	FIA (2006)
Colin	Priest	Ageas Asia	FIAA (1993)
Daniel	Cooper	PricewaterhouseCoopers	FIAA (2010)
Astolfo Jerome	Matrundola	RGA	FSA (2008), FCIA (2008)
Kam-Chuen	Leung	Hannover Re	FSA (2012), CERA (2009)
Winnie Wing-Yu	Hung	Towers Watson	FSA (2012)

Associate

John	Mok	Swiss Re	AIAA (2004)
Lulu	Wang	Deloitte	ASA (2010)
Erica Lai-Shan	Chan	Milliman	ASA (2011)

Student

Ho-Fung	Tai	Deloitte	IFoA Student
Lilian Lai-Hang	Li	ING Life	IAAust Student
Sher-Shien	Tan	HSBC Insurance	IFoA Student
Gary Siu-Kit	Au	HSBC	SOA Student
William Kwun-Wa	Chan	Prudential Corporation Asia	SOA Student
Wilson Chi-Toeh	Chan	Cosmos Services Co.	SOA Student
Vivian Hing-Ying	Cheung	BOC Group	SOA Student
Lin-Yau	Choi	Manulife (International)	SOA Student
Pak-Hei	Fok	MassMutual Asia Ltd	SOA Student
Alex Lei-Wai	Lau	ING Asia/Pacific	SOA Student
Hercules Tsun Hung	Tang	Deloitte	SOA Student
Patrick Lok-Him	Tang	MassMutual	SOA Student
Alan Cheuk-Lun	Wong	AXA General Insurance	SOA Student
Jefferson Chun-Kit	Wong	Prudential Corporation Asia	SOA Student

Membership Update

Membership Upgrade

Fellow

Estelle Hoi-Ching	Tsang	Towers Watson	FSA (2011), CERA (2011)
Ivan Hiu-Fai	Lee	ACE Life	FSA (2011)
Gordon Tat-Ming	Tse	AXA China Region	FSA (2012), CERA (2011)
Vicky Yuk-Ping	Chung	HSBC Insurance (Asia)	FSA (2012)
Gary	Lee	Bestserve Financial	FSA (2012)
Winnie Wing-Shan	Tsang	AXA China Region	FSA (2012)
Ernest Yiu-Hang	Wong	Manulife Financial	FSA (2012)

Associate

Wesley	Hong	ING Life	ASA (2011)
Winnie Wing-Lam	Lai	Deloitte	ASA (2011)
Wing-Ho	Yeung	Towers Watson	ASA (2012)

Reinstated Members

Fellow

Steffen Gilbert	Gilbert	SCG Management Services	FIA (1992)
Dennis Chi-Ho	Chan	AXA China Region	FIAA (2003)
Irene	Tam	ING Life	FSA (2004)
Chris Ching-Wun	Choi	ING Asia/Pacific Ltd	FSA (2005)
Steve Hung-Pan	Cheung	Ernst & Young	FSA (2012)

Associate

Kathleen	Chan	-	AIAA (2000), ASA (2008), CERA (2009)
Oliver Tsz-Sing	Yu	Prudential	ASA (2011)

Actuaries
on the move



Estella CHIU
Danny CHOI
Peter DURAN
Kristof IMBRECHTS
Mary KWAN
Patrick LI

Roy MAK
Brandon SZETO
Andy WONG
Tony YAU
Jamie ZUO

**Your
Insurance
Recruitment
Partner**

drummond **scott**

Drummond Scott is a specialist actuarial, insurance and financial services recruitment and consulting firm. Our consultants, area leaders and geographical heads have over 30 years actuarial recruitment experience and are an integral part of their specific markets. Based in Hong Kong we cover the actuarial recruitment markets in Asia Pacific region including China, Hong Kong, India Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand and Vietnam.

It is our mission to give the most honest and professional recruitment and related consulting service to the actuarial, insurance and related industries in Asia Pacific. To achieve this we partner with specific clients, helping them to expand and develop their businesses by giving them honest advice and solutions to their resourcing and retention challenges.

While we happily provide advice to fresh graduates actuaries, we mainly recruit positions from Actuarial Analyst to Chief Actuary/ CFO level.

Please contact one of our actuarial specialists directly:

Carina Szeto: carina.szeto@drummondscott.com

Kazu Sun: kazu.sun@drummondscott.com

Matt Siu: matt.siu@drummondscott.com

Spencer Chang: spencer.chang@drummondscott.com

For more information contact us at

Tel: +852 3975 1235

www.drummondscott.com



Upcoming Events

Date	Event
19 Apr	SOA APC, HK
26 Apr	SOA APC, Beijing
5 - 7 May	ASHK Risk Management Regional Conference, Sheraton Macau
21 May	ASHK Evening Talk
27 - 29 May	7 th Asian CFO Insurance Summit, Hong Kong
24-25 June	SOA Symposium, Macau
Jul (tbc)	CAS Course on Professionalism, Beijing
24 Jul - 3 Aug	Joint Regional Seminar in Asia
19 - 21 Aug	SOA IFRS, Hong Kong
23 Aug	SOA IFRS, Taipei
Sep	CAA Annual Meeting, China
7 - 9 Oct (tbc)	SOA FAC, Bangkok
10 - 13 Oct	IAA Council and Committee Meetings, Singapore
14 - 17 Oct	17 th EAAC, Singapore
5 Nov	ASHK Annual Dinner
6 Nov	ASHK Appointed Actuaries Symposium
Nov	SOA APC, HK
Nov	SOA APC, Shanghai
12 Dec	ASHK AGM

Obituary

It is with great sadness that we share the news of the tragic death of Mr Delme Pritchard in a boating accident on 10 February 2013. On behalf of the ASHK membership and staff, we convey our deepest condolences to his family and friends.

Prize to Give Away!

Compare the 2 photos and circle on the **EIGHT** spots of difference. A prize will be presented to the member who submits the first correct answer of **the Photo Hunter**.

Join the game and submit your answer to ASHK Office by email: actuaries@biznetvigator.com **NOW !!!**



Insurance Recruitment Specialists

Assurance guaranteed

As one of the world's leading recruitment consultancies, Huxley Associates designs and manages market-leading recruitment solutions to help companies manage change; as well as representing the best and brightest talent looking for the next step in their career.

Our dedicated Insurance Advisory Division, based in Hong Kong, focuses on developing strong and value-driven relationships across the whole of the insurance sector.

Whether you're looking to strengthen your team within this highly competitive market for the short-, mid- or long-term, or are an insurance specialist looking for your next challenge, we have the skills, knowledge and expertise to help.

To speak directly to one of our specialists, call **+852 3653 1022** or email one of our insurance experts:

Actuarial & Risk

Jenny Chow
E: j.chow@huxley.com
Annabel Siu
E: a.siu@huxley.com

**Product Development
& Distribution**

Christy Li
E: c.li@huxley.com

Underwriting & Claims

Antoine Fasse
E: a.fasse@huxley.com

IT & Senior Appointment

Mable Ho
E: m.ho@huxley.com

Financial Management

Antoine Fasse
E: a.fasse@huxley.com

Or to view the latest permanent and contract opportunities across Hong Kong and Asia visit hk.huxley.com/actuary

Market Update



The Management Board of the MPFA has recently approved the following sets of new and revised Guidelines:

- *Guidelines on Continuing Training for Subsidiary Intermediaries (Guidelines VI.4)*
- *Guidelines on Equities and Other Securities (Guidelines III.2)*

Copies of the new and revised Guidelines can be downloaded from the Authority's website at <http://www.mpfa.org.hk>.



ASHK Risk Management Regional Conference

Regulatory Challenges - Preparing for Tomorrow, Today

Sheraton Macao Hotel, Macau
5 - 7 May 2013 (Sun - Tue)

Registration and Payment deadline: 19 April 2013



Please book your accommodation via our event webpage to enjoy our corporate rate ASAP

Check out www.actuaries.org.hk/riskconference2013 for more details



Financial Recruitment Services

Oliver James Associates specialise in recruiting actuaries to the insurance sector throughout Asia. We work on vacancies from newly qualified up to executive level, working only with the market-leading multinational firms (Life and Non-Life Insurers, Reinsurers, Brokers and Consultancies).

Our team is made up of senior consultants, each with a minimum of five years actuarial recruitment experience, so we understand your profession. We help candidates throughout their career and we help clients develop entire recruitment strategies. Our strength is in building long-term relationships.

Our presence in Asia is already well established, though we aim to expand rapidly in the years ahead. Our strategy is to become Asia's leading actuarial recruitment firm, but we will never lose sight of what's important – to consistently deliver a high quality of service.

Recent Testimonial:

'We have been consistently highly satisfied with the quality of the service provided by Oliver James Associates and we have benefited from the professional nature of their consultants, the knowledge they hold about the insurance industry and the thorough network they have clearly developed within the insurance market.'

Since we began the partnership with Oliver James Associates they have exceeded our expectations and outperformed their competition regarding the quality of candidates they have provided and the service that we have received.

Oliver James Associates is now a leading supplier in respect of Actuarial recruitment. We would happily recommend Oliver James Associates to other businesses.'

Yours Sincerely,

Dan M Jensen
Head of High Net Worth Business
HSBC Insurance (Asia-Pacific) Holdings Limited



Key Contacts

Jonny Plews	+852 5804 9200	jonny.plews@ojassociates.com	Toby Weston	+852 5804 9042	toby.weston@ojassociates.com
Philip Chau	+852 5804 9287	philip.chau@ojassociates.com	Alex Ince	+852 5804 9224	alex.ince@ojassociates.com
Gary Rushton	+852 5804 9223	gary.rushton@ojassociates.com	Carl Chan	+852 5804 9070	carl.chan@ojassociates.com

Events Highlights

ASHK Healthcare Seminar 7-8 March 2013



Mr. Chris Sun (Food & Health Bureau) & Mr. Jack Mak (ASHK President)



Prof Peter Yuen (HKPU) & Mr. Jack Mak (ASHK President)



Dr. Deacons Yeung (Hospital Authority) & Mr. Billy Wong (ASHK President - elect)



Dr. Andrew Murray (Ping An Health/ Discovery) & Mr. Billy Wong (ASHK President - elect)



Ms Shumei Kuo (Milliman) & Mr. Billy Wong (ASHK President - elect)



Mr. Lawrence Tsui (Swiss Re) & Mr. Billy Wong (ASHK President - elect)



Mr. KC Cheung (Swiss Re) & Mr. Billy Wong (ASHK President - elect)



Prof Paul Yip (HKU) & Mr. Billy Wong (ASHK President - elect)



Dr. Wolfgang Droste (Gen Re) & Mr. Billy Wong (ASHK President - elect)



Ms. Irene Schepp (Gen Re) & Mr. Billy Wong (ASHK President - elect)



Mr. Chun-Wei Chen (Nan Shan Life) & Mr. Billy Wong (ASHK President - elect)



Mr. Pang-Hsiang Chye (Milliman) & Prof Chan Wai-Sum (ASHK Council Member)

Events Highlights



Dr. Wolfgang Droste (Gen Re - Gold Sponsor) & Prof. Chan Wai-Sum (ASHK Council Member)



Mr. Joseph Chu (Manulife - Silver Sponsor) & Prof. Chan Wai-Sum (ASHK Council Member)

The ASHK would like to extend sincere thanks to the following companies which had provided event sponsorship for the ASHK Healthcare Seminar - Healthcare and the Seminar : Gen Re (Gold Sponsorship) & Manulife (International) Ltd (Silver Sponsorship).

ASHK & HKRSA Joint Luncheon 25 March 2013



Mr. Mike Button (HKRSA President) & Ms. Tonya Manning (SOA President)

Prize to Give away



Solution for Dec 2012

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 Off	Whole Year
Full page	HK\$4,000	HK\$3,600@

To advertise, please contact the ASHK Office by
Tel: (852) 2147 9420 or e-mail: actuaries@biznetvigator.com

ASHK
NEWSLETTER
Volume 01/2013



ACTUARIAL SOCIETY
of
HONG KONG
香港精算學會

Contributions to the ASHK Newsletter

We welcome members' contribution to the following sections of the ASHK Newsletter: Feature Article, Actuaries on the Move and Puzzle Corner.

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

Editor

Simon Lam E-mail: SLam@munichre.com

Assistant Editors

Chen Hao E-mail: hao.chen.china@gmail.com

Mary Kwan E-mail: mary.hw.kwan@prudential.com.hk

Iris Lun E-mail: Iris.HY.Lun@prudential.com.hk

Calvin Tang E-mail: calvintangyc@yahoo.com

Sing-Yee Yeoh E-mail: singyee.yeoh@milliman.com

Coordinators (ASHK Staff)

Patricia Kum Tel: (852) 2147 9418 E-mail: patkum@netvigator.com

Tiffany Wong Tel: (852) 2147 9419 E-mail: actsoff@netvigator.com

Emily Lye Tel: (852) 2147 9420 E-mail: actuaries@biznetvigator.com