ACTUARIAL SOCIETY of HONG KONG 香港精算學會

Hong Kong Actuaries

Actuarial Society of Hong Kong's Newsletter

SUMMER VOLUME 02
Jul 2016

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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 the article(s) in our newsletter to share with our members. For the above issues, please e-mail your articles or views to Simon Lam by email at slam@munichre.com or ASHK Office by email at actuaries@biznetvigator.com.

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Editorial

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Dear Readers,

Greetings from the second issue of newsletter in 2016!

With the valuable input from our membership survey, risk management appears to be one of the topics of interest among our members. Thus, we are happy to invite Gary Lee, Assistant Vice President & Chief Risk Officer, Enterprise Risk Management, Sun Life Hong Kong Limited, Mary Kwan, Senior Manager, Risk Management, Ageas Insurance Company (Asia) Limited, and Sean Ning, Deputy General Manager, Corporate Planning Department, China Taiping Insurance (HK) Company Limited, to share with us their insights on risk management.

We are also glad to have a contribution from the Society of Actuaries of Thailand regarding its latest market information. We hope our readers will benefit from it for professional development.

It was indeed our pleasure to have received over 200 feedback from our membership survey. We will continue to listen to your voice and further enhance our membership value altogether.

Besides, the Council aims to develop a mission statement as an overall direction for our future development. It will be further elaborated in the Council Update section in the newsletter.

Another focus of our Council will be the development of young actuaries through new initiatives such as study groups and sharing of new areas of interest such as Big Data, which may be useful as professional knowledge. Your feedback on our targeted areas is very much encouraged and welcomed. Please feel free to contact me through slam@munichre.com for any recommendations towards these topics.

Stay cool in summer and happy reading!

Best Regards,
Simon Lam
Editor

Council - Ka-Man Wong

Endorsement of the ASHK Mission Statement and Stakeholder Engagement Strategy

Following the announcement of the ASHK Mission Statement on 14 April 2016, the Council has received positive feedback from members and is therefore delighted to endorse the statement as presented.

ASHK Mission Statement

"Representing, developing and inspiring the actuarial profession in Hong Kong to serve the public interest"

Representing the actuarial profession in Hong Kong	• To be the impartial voice of the profession before the public by commenting on actuarial aspects of social, economic and financial issues that may arise from time to time • To pursue recognition as a statutory body under the laws of Hong Kong • To engage with regulatory, academic, professional and financial sector stakeholders
Developing the actuarial profession in Hong Kong	• To encourage and uphold the highest standards of professionalism and ethics amongst our members • To provide our members with opportunities for Continuing Professional Development through conferences, seminars, lectures and the like • To establish a qualification examination for fellow membership • To expand our membership to include all qualified actuaries practicing in Hong Kong
Inspiring the actuarial profession in Hong Kong	• To develop a Young Actuaries' Scheme targeting students and members at the beginning of their careers • To nurture young members via experience sharing and mentoring from successful senior actuaries

Stakeholder Engagement

Members will notice that this year the Council and Committee members continue their efforts to build professional influence on key stakeholders (including regulators, relevant government departments, peer professional and industry bodies).

Regular meetings with the Office of the Commissioner of Insurance, Independent Insurance Authority and the Hong Kong Federation of Insurers are being held.

Going Forward

The ASHK will continue regular dialogue sessions with the stakeholders to foster a better recognition of the actuarial profession and broaden its influence. We also look forward to members' valuable support through joining us in the journey to take forward our works.

Members who are interested in taking part in ASHK Committee works are welcome to contact the ASHK Office by email: info@actuaries.org.hk.

IAA Life Section Colloquium 2016 Organising Committee - Ka-Man Wong

IAA Life Section Colloquium 2016 Recap

- Reported by Mr. Gary Lee, Member of the IAA Life Section Colloquium 2016 Organising Committee

▲ From left to right: Mr. Roddy Anderson, Ms. Ka-Man Wong, Mr. John Leung, Mr. Fred Rowley, Mr. Peter Duran, Mr. Rob Curtis, Mr. John Maroney and Ms Carol Hui.

The IAA Life Section Colloquium 2016 began in the evening of 25 April with a welcome drinks reception sponsored by Schroders. It was an enjoyable evening and it gave a chance for all attendees to meet and greet each other from around the world before the start of the two-day programme.

The official two-day programme then began on 26 April, kicked off jointly by Mr. Fred Rowley, Immediate Past President of the IAA and Ms. Ka-Man Wong, ASHK President with their welcoming remarks.

The theme for the Colloquium was ***"Insurance Evolution: Change is the only Constant"***, and it was with greatest honour to have distinguished keynote speakers from the Government of the HKSAR – Prof. KC Chan, Secretary for Financial Services and the Treasury and Mr. John Leung, Commissioner of Insurance – to highlight the theme by covering the need for insurance product innovation, changing regulatory environment to address fair treatment of customer and the advancement in digital technology leading to changes in customer expectations.

Event Overview:

The International Actuarial Association (IAA) Life Section Colloquium 2016 took place in Hong Kong from 25-27 April at the Conrad Hotel, marking its first occurrence in Asia. Well received by the insurance industry with over 230 attendees representing 21 different regions, the Colloquium has marked its great success with truly international presence of senior insurance executives and actuarial professionals.

RBC and C-ROSS

The morning of the first day was followed by two panel discussions. The first panel focused on trends in solvency supervision where topics like risk based capital and developments of China C-ROSS (China-Risk Oriented Solvency System) was discussed whilst the next panel focused on the development of behavioural economics and how this can contribute to the insurance industry.

The afternoon was broken into various parallel sessions delivered by a combination of industry professionals and academics across the world. The day ended with a gala dinner sponsored by Swiss Re and a Chinese traditional lion dance was also arranged as entertainment to welcome attendees to Hong Kong. It was another fun evening thoroughly enjoyed by all attendees.

IAA Life Section Colloquium 2016 Organising Committee - Ka-Man Wong

IAA Life Section Colloquium 2016 Recap - *continued*

Doing the right thing with the right people

The second day began with a panel discussion on actuarial insight and business management and focus was placed on the importance of communication, risk management and doing the right thing with the right people.

This was then followed by another round of parallel sessions delivered in a similar style to the first day. The final topic was managing longevity risks from an academia perspective where Singapore and China were used as examples in the presentations delivered by university professors from Singapore and Canada. This marked the end of all presentations and the Colloquium was closed with remarks from Mr. Marc Slutzky, Chairman of IAA Life Section.

Background and support

The IAA Life Section Colloquia were held previously in renowned cities around the world in Oslo of Norway, Lyon of France and Mexico City. It was an honour for ASHK to work together with IAA in hosting this important event for the actuarial profession, with a perfect and exciting opportunity to showcase the importance of Hong Kong as a global insurance centre and the ASHK generally among the larger business community and the international actuarial profession.

A special thanks must go to all the sponsors for their generous support:

- Platinum Sponsor - Swiss Reinsurance Company Limited
- Gold Sponsor - Schroder Investment Management
- Silver Sponsors - AIA, China Taiping Life Insurance (Hong Kong) Company Limited, FWD Life Insurance Company (Bermuda) Limited, General Reinsurance AG, Manulife (International) Limited, MetLife Limited, Milliman Limited, Willis Towers Watson
- Media Partner - Asia Insurance Review

Overall it was a highly successful conference filled with learning, fun and meeting other actuaries from across the world. Special thanks must go to the Organising Committee from ASHK for arranging this event and a big thank you again to all sponsors, speakers, moderators and attendees for making this event possible and memorable.

▲ Panel discussion on actuarial insight and business management

▲ Panel discussion on trends in solvency supervision – an international perspective

The presentation materials of the Colloquium are available at: http://www.actuaries.org/hongkong2016/. And more photos can be found on Page 23 of the newsletter or at the ASHK website: http://www.actuaries.org.hk/news_album.php?id=342.

International (Asia) Committee – Sam Yeung

Updates from the Society of Actuaries of Thailand (SOAT)

- Reported by Mr. Christian Bettels, Member of the International (Asia) Committee
With special thanks to Mr. Tommy Pichet, SOAT President

The ASHK International (Asia) Committee is established with the objective to keep our ASHK members informed of significant developments in the actuarial profession in Asia through liaison with other professional actuarial bodies in Asia, in particular regulatory and policy changes, market news and career opportunities. We are bringing to you articles about our connections with various Asia actuarial societies as the committee connects to each of them.

After publishing the interview with the Actuarial Society of the Philippines in the Volume 04/2015 of ASHK Newsletter, Christian Bettels, member of the International (Asia) Committee, Sarah Hui and Pat Kum from the ASHK Office have talked with Mr. Tommy Pichet, SOAT President in May 2016.

▲ Mr. Tommy Pichet, SOAT President

About SOAT:

The SOAT was established on 7th August 1975 to achieve the following objectives:

1. *To set, promote and uphold the highest professional standards among members.*
2. *To set and uphold code of professional conduct among members.*
3. *Promote the study, discussion, research into the application of economic, financial and statistical principles to practical problems, the actuarial, economic and allied aspects of life assurance, non-life insurance, employee retirement benefits, finance and investment.*
4. *To assist, recommend and render actuarial expertise or opinions to students, general public, private and government agencies.*
5. *To act as a center for exchange of information and knowledge among members.*
6. *To coordinate programmes and facilities for the continuing education and professional development of members.*
7. *To foster and encourage social relationship among members, promote unity among members.*
8. *Contact and cooperate with domestic and foreign academies and organisations in promoting or undertaking activities related to the objectives of the Society.*
9. *Operate as an apolitical organisation.*

The SOAT has been a full member of the International Actuarial Association (IAA) since 2008. Currently, there are a total of 228 members, of which 177 are Thai and 51 non Thai. Amongst them there are 66 Fellow members of which 42 are non Thai. The SOAT does not offer its own set of actuarial exam system yet. For the purpose of admission into the SOAT, currently the SOAT recognises fellowship mainly from Canadian, US, UK or Australian actuarial bodies.

Its vision is to promote international standards of actuarial professionalism in Thailand and create the value to the SOAT members by acting as a center for exchange of information and knowledge among members and the public.

International (Asia) Committee – Sam Yeung

Updates from the Society of Actuaries of Thailand (SOAT) - *continued*

What are the major recent involvements of the actuarial society in the insurance industry?
The SOAT is involved in many ways with the insurance industry. We collaborate with the life insurance association, general insurance association and regulators in order to enhance professionalism of our local actuarial society. Further we participate in RBC and IFRS 4 phase 1 working groups and provide comments regarding the Insurance Act, market liberalisation and new mortality table.

What is the latest development of the insurance industry? How do you see the future development and growth opportunities of the market?
The latest development is the development of the RBC phase 2 framework (performed quantitative impact study in 2016), the implementation of IFRS 4 phase 1 and a strategic plan for ASEAN Economic Community (AEC), with the SOAT acting as an intermediary between a number of involved parties together with providing independent and professional opinions.

The future development will have the goal to strengthen both market conduct and solvency platform of the insurance industry.

There are many growth opportunities, for example with the AEC plans there will be a high demand for specialist in the insurance industry (such as actuary).

Are there any current "HOT TOPICS" for the actuaries in Thailand?
There are several current challenges for actuaries in Thailand. We are facing a low interest rate environment which impacts both the RBC and IFRS 4 phase I mentioned above.

On the product side, more focus is expected on unit linked products to shift/enrich the product mix from the mainly traditional endowment/saving plans, but the distribution on that side is still small and needs support.

Further topics to mention are a strategic plan for AEC and the Insurance Act which specifies the role of a certifying actuary and appointed actuary.

What is the dominating practise areas of Thai actuaries?
The mix can be described by Life 75%, Non Life 15%, Consultancy 5% and Regulator 5%.

What is the mix of local and foreign players in the market?
In Thailand, there are 24 listed life insurers and 63 non-life insurers, according to the Office of Insurance Commission (OIC). We would like to give the image of total market by giving top 5 of both life and non-life insurance companies in 2015 as an example.

Top 5 Life Players:

	Companies	Direct Premiums	Market Share (%)
1	AIA Company Limited	115,709,307	21.70
2	Muang Thai Life Assurance PCL	87,880,356	16.48
3	Thai Life Insurance PCL	68,375,873	12.82
4	Krungthai-AXA Life Insurance PCL	54,691,356	10.26
5	Siam Commercial New York Life Insurance PCL	52,970,684	9.93
	Total Market Share	**379,627,576**	**71.19**
	Grand Total	**533,211,194**	**100.00**

Source of data: Market Analysis and Statistic Department Dept., OIC (1 unit: 1,000 baht)

International (Asia) Committee – Sam Yeung

Updates from the Society of Actuaries of Thailand (SOAT) - *continued*

Top 5 Non-Life Players:

	Companies	Direct Premiums	Market Share (%)
1	The Viriyah Insurance PCL	32,418,583	15.49
2	Dhipaya Insurance PCL	22,628,978	10.81
3	Bangkok Insurance PCL	15,295,768	7.31
4	Muang Thai Insurance PCL	11,097,331	5.30
5	Syn Mun Kong Insurance PCL	9,927,382	4.74
	Total Market Share	**91,368,042**	**43.65**
	Grand Total	**209,278,531**	**100.00**

Source of data: Market Analysis and Statistic Department Dept., OIC (1 unit: 1,000 baht)

With the ASHK.....?

There are several areas for fruitful mutual collaborations, for example related to:

- Education / qualification system of actuaries
- Promoting international / local actuarial events
- Mutual promotion of career opportunities
- Collaboration on functional topics with ASHK representative committees e.g. promoting the Non Life actuarial field in Thailand or the setup of the Appointed Actuary system in the Thai market.

Do you have a homepage/other social media presence for actuaries interested to keep up to date with your society and recent developments?

Yes, our homepage is www.thaiactuary.org. *Feel free to check out our latest news and events!*

Pension & Employee Benefits Committee – Billy Wong

ASHK Response to Public Engagement Exercise on Retirement Protection

The Council believes that we should never lose sight of the fact that ASHK and our members serve the public interest.

Recently, ASHK has submitted a response letter to the Labour and Welfare Bureau and Subcommittee on Retirement Protection of Legislative Council on Consultation relating to Public Engagement Exercise on Retirement Protection. ASHK's views mainly focus on the "financial sustainability" of the Government's proposals.

A press release on the ASHK's views was also sent to the local and international media so as to visibly enhance the image of the ASHK and the actuarial profession.

The relevant response letter is available at the ASHK website: http://www.actuaries.org.hk/publications.php?id=14.

Joint Regional Seminar 2016

25 July - 4 August

"Back to the Basics – Evolving Technical Matters"

REGISTRATION:
http://www.actuaries.org.hk/news_onlinereg.php?id=346

TAIPEI	HONG KONG	BEIJING	BANGKOK	KUALA LUMPUR
25-26 JUL	27 JUL	29 JUL	1 AUG	3-4 AUG

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The Society of Actuaries of Thailand

Risk Management 101: Risk Management in Life Insurance
Interview with Mr. Gary Lee

Gary Lee
FSA
Assistant Vice President & Chief Risk Officer
Enterprise Risk Management
Sun Life Hong Kong Limited
gary.hb.lee@sunlife.com

ASHK: What is the scope of risk management in a life insurance company?

GL: This is a very interesting question and it is often the first question I get when I introduce myself as a risk officer. The answer may differ depending on the risk culture in different companies, but I am happy to share my two cents on this.

When people find out I work as a risk officer in an insurance company, their next question is usually which area of risk I cover. For example, is it market risk, credit risk or operational risk? My answer is I don't specialise in any particular area of risk, but rather my focus is to challenge the business on whether they have considered all key risks that affects their business. This is the essence of a three lines of defense model where the business is considered first line and they have the responsibility of taking/monitoring/mitigating the risks in their business. The role of the risk officer is the second line where the primary role is to provide independent challenge to the first line and the third line usually refers to internal audit.

The most important part of my job is to understand what is going on in the business and in order to do this, I need to maintain regular contact with senior management. This can be done formally or informally. The formal way will be to get yourself involved in all sorts of regular committees or management meetings such that you are always present when management are discussing issues. Other informal ways can range from a lunch catch up, morning coffee or after work drinks. There is no right or wrong way, but it is important to have that contact.

A typical day for me may be attending a technical asset liability committee in the morning, followed by a risk assessment for a new product launch and then finishing the day with a discussion with IT on system capacity issues. The next day may be a risk presentation to the board of directors, followed by a discussion on complaints investigations and finishing up with a meeting on hedging strategy. The coverage is really quite wide and hence that is why I need the regular contact with management to understand the business more.

Overall, the more contact I have with management, the better I understand their concerns and the more value I can add by providing sensible challenges at appropriate times.

ASHK: With the change of regulatory requirements like HK RBC and GN16, what special attention should we pay from the risk management perspective?

GL: Regulatory changes are so common these days that they are becoming a BAU item (business as usual). If we look ahead, the changes that will involve actuaries heavily are probably the Guidance Note 16 (on participating and universal life products) and RBC (risk based capital). From a risk management perspective, it is important to stay up to date with the latest developments and this can be done via attending various industry seminars or taskforce. More importantly, you need to ensure management is aware of the regulatory changes ahead. As a risk officer, you are never going to possess the knowledge to know everything, but it is important to know who has the answer and you need to ensure those relevant people find out about the regulatory change early and have enough time to act on it.

ASHK: What are the key success factors that contribute to being an outstanding Chief Risk Officer? As an actuary, how can we aspire to become one?

GL: Again, different people will have different views on this. If you ask me, I think the most important factors are to be open-minded, not afraid to challenge the norm and be able to communicate with the business and understand their concerns.

You may think it is hard for an actuary to get regular contact with the business, but if you think more deeply, there are actually many circumstances where actuaries get to talk to the business. For example, if you are involved in product development, you usually need to talk to distribution to understand current market demand before deciding on what product to launch. If you work in ALM (asset liability management) or other actuarial functions, you may get involved with determining crediting rates or dividends for your products and you will need to talk with product team and distribution to understand market situation before determining the appropriate rates. Actuaries are also heavily involved with performing financial projections for business planning and in determining the various assumptions that goes into your projections (i.e. sales target, lapse rates, expenses etc.), I strongly encourage actuaries to talk more with the business in determining those assumptions and not just rely on historical data.

These are just a few examples, but they demonstrate that business contact is very important for actuaries to perform their roles in an insurance company and actuaries already have many readily available business contacts that they can utilise. The more contacts you have, the better you will understand the business and this is a crucial ingredient to a good risk officer.

ASHK: What is the future trend for risk management? How do we equip ourselves to keep up with the trend?

GL: I firmly believe the importance of risk management is going to increase in the near future. The establishment of the Independent Insurance Authority has already identified the need for several control functions personnel to demonstrate they are fit and proper for their roles and these roles will likely have to be approved with regulator in future (i.e. Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit etc.). This is an indication of the growing importance of these roles and a heads up to insurance companies to ensure they identify the right quality and quantity of people to fill these roles.

ASHK: From your perspective, how can risk management add value to the business? And how could we further enhance this value?

GL: Many people think risk management is always there to point out the negatives, but in my view, a responsible risk officer is also there to point out the positives. It is not just about asking whether the business has considered all risks, but also whether they have considered the opportunities that comes with those risks. Insurance is a risk taking business at the end of the day and the risk taking is acceptable as long as it is compensated by an acceptable return.

I will finish off by saying that it is not the aim of a risk officer to say “No”, but rather we aim to say “Yes, given certain key conditions have been considered by management and management is comfortable the associated risks are acceptable or can be appropriately mitigated”.

Make time for these!

COMING SOON!

11 Aug 2016
ASHK Evening Talk
Speaker: SAS Institute

1 Sep 2016
ASHK Professionalism Course

6 Sep 2016
ASHK Evening Talk
Speaker: Hugo Choi, Munich Re

14 Sep 2016
ASHK Pension Seminar

7 Oct 2016
ASHK General Insurance & Data Analytics Seminar
Theme: Innovating for Success:
Insurance Technology and Analytics to Profit and Thrive

Few Things You Should Know for Risk Management in Life Insurance Interview with Ms. Mary Kwan

Mary Kwan
FIA
Senior Manager, Risk Management
Ageas Insurance Company (Asia) Limited
mary.kwan@ageas.com.hk

ASHK: What is the scope of risk management in a life insurance company?

MK: In short, risk management manages risks! But so should everyone else in the company. Therefore more specifically, the Risk Management department acts as a control function to facilitate the implementation of the risk-management system.

You may ask so what is a risk-management system? An effective risk-management system should include strategies, processes and reporting procedures in order to identify, measure, monitor and report the risks of which the company is or could be exposed to. That means risk management helps to create an environment with tools and supporting framework where current and potential risks can be managed more easily by the management. The risks covered in this system normally can be categorised into financial risks, insurance liability risks, operational risks and strategic risks.

Risk management and other assurance functions also form the second line of defense. It coordinates the implementation of risk initiatives and raises management's awareness of risk and economic performance at consolidated levels. This gives the management a bigger picture view and helps them to manage risks which the company is exposed to in a better way.

ASHK: With the change of regulatory requirements like HK RBC, what special attention should we pay from the risk management perspective?

MK: It is definitely a trend that regulators across the world are looking to strengthen risk management requirements through regulatory reforms. Solvency II in Europe and C-ROSS (China-Risk Oriented Solvency System) in China are the ones we hear a lot about. Hong Kong is also considering the Risk-Based capital framework and there are specific new risk management requirements that are outlined in the HK RBC consultation paper. Similar to the Solvency II framework, the HK RBC has a 3 pillar approach and Pillar 2 has explicitly details on risk management requirements. These included corporate governance, policy requirements, ERM framework and ORSA. ORSA is the Own Risk and Solvency Assessment and it is a process which links outputs of risk analysis, capital and strategic planning to determine current and future capital requirement. The ORSA needs to cover consideration on all material risks, covering assessment on risk profile and capital requirements. Apart from the identification, the focus is on the effectiveness of the mitigation efforts. These can be shown through continuity analysis, stress and scenario testing and reverse stress testing. Companies with strong governance background may already have comparable reports and deliverables, but some insurers may need to start thinking about their risk-management system and the capacity to prepare an ORSA.

ASHK: What is the future trend for risk management? How do we equip ourselves to keep up with the trend?

MK: With the rapid development of technology, information can be handled and updated in a timely manner. One of the future industrial trends for risk management will be on the application of new risk platforms. These risk platforms can be in the form of a sophisticated dynamic asset allocation model giving more precise information on market risks; or a risk data warehouse consolidating risk dashboards for timely management information.

For us actuaries, we could equip ourselves to catch this wave by learning what technology can help us on our day-to-day work. It requires some innovative thinking and breaking through the usual practices. It will help to reduce the tedious work steps that was once only possibly through manual efforts. The number of data that these risk platforms can handle will also give more precise information and enhanced management analysis.

5 Elements You Can't Miss for Risk Management in General Insurance
Interview with Mr. Sean Ning

From left to right:
Rachel Chu - Member, Communications Committee, The Actuarial Society of Hong Kong (ASHK)
Sean Ning - Deputy General Manager, Corporate Planning Department, China Taiping Insurance (HK) Company Limited (SN)
Simon Lam - Chairperson, Communications Committee, The Actuarial Society of Hong Kong (ASHK)
Eason Wang - Corporate Planning Department, China Taiping Insurance (HK) Company Limited

ASHK: What is the scope of risk management particularly in general insurance?

SN: Risk management in general insurance, with the consideration of company's risk appetite, involves how to combine the risk management control with the company's strategic plan, how to allocate the resources and how to effectively implement the control measures in place such that the risks can be managed within a reasonable level.

More specifically, risk management can be divided into four parts:

1. **Operation**: It means to identify, classify and evaluate risks. All potential risks in the company will be investigated so as to determine the company's own risk appetite framework.
2. **System**: It includes the establishment of risk management framework and risk management process. The establishment of risk performance evaluation system is an important trend. However, its application is not so popular at this moment.
3. **Tool**: It involves the implementation of tools in the new risk management system. In particular, more and more quantitative models are being used by insurers. Economic Capital Model is one example of these tools.
4. **Risk Monitoring and Control**: It involves proper reporting mechanisms. Communication is also very important in order to generate advance warning for risk avoidance.

ASHK: With the change of regulatory requirements like C-ROSS and HK RBC, what special attention should we pay from a risk management perspective?

SN: The current regulatory systems are putting more weight on risk management, like Solvency II in EU, RBC in US and C-ROSS in mainland China. The old regulatory systems assumed risk and size are directly proportional regardless of any reflection of real risk taken. However, the new regulatory systems such as Solvency II, RBC and C-Ross are all risk-driven.

Risks always come along with industrial updates and innovations. For example, market reform of premium rates for motor insurance and life insurance in mainland China creates new risks making risks become more complicated. Innovations in products, distribution channels and services, will become a general trend in the future insurance market. As a result, risks arising from market reform and innovation will become a major concern for the industry and the regulator.

ASHK: What are the key success factors that contribute to being an outstanding risk manager? As an actuary, how can we aspire to become one?

SN: Insurance is a risk taking business. In my opinion, to become an outstanding risk manager, first of all, one must be sensitive to risk. The second factor is an aptitude for mathematical statistics. Previously, lack of technical skills, computer applications or talented people placed great limitations on quantifying risk. Technological advancement has led to risk management placing increasing importance on quantitative analysis, as opposed to qualitative analysis in the past. Mathematics background and modeling skill as a result have become essential for a risk manager. Familiarity with the business is the third factor. Risk management can be applied in every aspect of the business. Only when one is familiar with all the processes associated with the business (for example, the products, sales distribution, underwriting and claim) can one be successful in risk management.

To conclude, a good risk manager possesses not only knowledge, but is also risk sensitive, familiar with the business and will treasure the accumulation of experience. Personal interest is also a must as it determines how well one may succeed in the risk management field.

ASHK: What is the future trend for risk management? How do we equip ourselves to keep up with the trend?

SN: We are in an era of fast changing times, for instance in mainland China, C-ROSS took only 3 years from conception to implementation. However, in the HK insurance market, changes are not so obvious due to the fact the market is highly matured. To gain some perceptions on risks, we need to expand our horizon and learn from the experience of other markets in the region. For example, when OCI started considering the implementation of RBC, it should study the regulatory changes, operational philosophy and technological improvements of developed countries. All in all, we should turn lifelong learning into practical reality.

In terms of the global trend, we are seeing regulators enhance the risk management framework such as the introduction of G-SIIs (Global Systemically Important Insurers). This will in turn result in a strengthening of the risk management capabilities of insurance companies. In my opinion, another foreseeable trend is the gradual adoption of a risk-based profitability measurement framework by insurance companies. In fact, this concept has been discussed for years, but has not gained popularity as one of the reasons is that shareholders tended to focus more on returns and neglect risks.

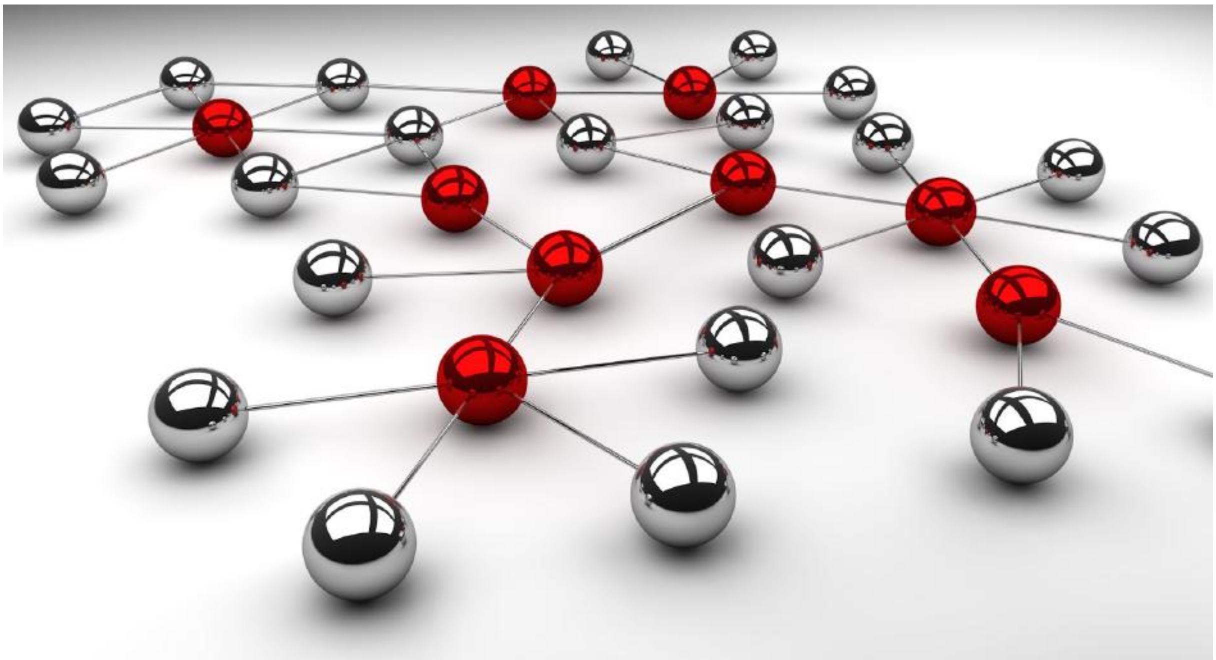
ASHK: From your perspective, how can risk management add value to the business? And how could we further enhance this value?

SN: "Risk management creates value" is a phrase used often. However, it is hard to judge how risk management can create value.

As mentioned earlier, some insurance companies did not pay attention to risk management in the past, mainly because there was no obvious connection between their Key Performance Index (KPI) and the company's risk management performance. If the risk cannot be quantified, it is hard for the management to associate it with "money" in their decision making.

In mainland China, C-ROSS covers a regulatory framework with three pillars, in particular pillar two introduces Solvency Aligned Risk Management Requirement and Assessment (SARMRA). China Insurance Regulatory Commission will assign a score to an insurance company based on the assessment result of the company's risk management process. Provided that the score is higher than 80, each additional point can reduce the minimum capital requirement by 0.5%. This is a straight-forward example on how "Risk management creates value". If an insurance company is performing well in risk management, the capital required will be reduced and in turn add value to the company.

Today, the most commonly used risk-based profitability measures are EVA (Economic Value Added) and RAROC (Risk-Adjusted Return on Capital). On the contrary, the traditional profitability measures such as ROC, ROE and net profit ignore the risk factors. RAROC can measure how much "Return" the company has generated per unit of "Risk". It can also compare risk-adjusted profitability among different business lines. The insurer can enhance capital efficiency by allocating more capital to the business lines that generate more risk-adjusted return. In this way, risk management also creates value.



About DR Actuarial

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Membership Update

New Members

Fellow

Michael Kwan-Yu Chan	Coherent Capital Advisors	Fellow [FSA (2010)]
Chan Yee Chiu	E&Y	Fellow [FIAA (2012)]
Wei Fu	SCOR Re	Fellow [FIA (2012)]
Martin Godwin	Zurich Assurance	Fellow [FIA (1993)]
Andy Tik-Long Leung	Assicurazioni Generali S.p.A	Fellow [FSA (2015)]
Azim Mithani	Prudential Holdings	Fellow [FIA (1996)]
Chirag Shamji Rathod	Transamerica Life (Bermuda)	Fellow [FIA (2003)]
To Kwong Yip	Assicurazioni Generali S.p.A	Fellow [Institute of Actuaries in Belgium (2015)]
Bruce Gang Wang	SCOR Re	Fellow [FSA (2011)]
Gene Qin Zhang	Peak Re	Fellow [FCAS (2004)]
Jacklyn Ruolin Zhang	HSBC	Fellow [FSA (2007)]

Associate

Eugene Chong	Generali Asia	Associate [ASA (2010)]

Student

Ricky Chun-Pan Mak	Metlife	Student (Actuaries Institute Australia & SOA Student)
Zhang Ying Oi	--	Student (SOA Student)
Vivian Ying Song	Assicurazioni Generali S.p.A	Student (SOA Student)
Brian Kai-Yiu Wong	Mercer (Hong Kong)	Student (SOA Student)
Wong Cham Fung	University of Hong Kong	Student (SOA Student)
Jason Wong	TigerRisk China Partners	Student (SOA & CAS Student)

Membership Update

Reinstated Members

Fellow

Celia Hei Chan	Prudential Hong Kong	Fellow [FSA (2004)]
Chi Xiao Lei	Shanghai Fosum High Technology	Fellow [FSA (2004)]
Rachel Hei-Mei Chu	Blue Cross	Fellow [FSA (2006)]
Michael Fung	TigerRisk China Partners	Fellow [FIA (2007)]
Fred Ngan	Coherent Capital Advisors	Fellow [FSA (2009)]

Associate

Dominic Jo-Yee Chan	Assicurazioni Generali S.p.A	Associate [AIAA (2003)]
Joanne Hung-Yan Yiu	FWD	Associate [ASA(2007)]

Actuaries on the move

Ivan Cheung
Chiu Yin Ying
Siauw Eduard
Lee Wai Yoong
Kenric Leung
Nigel Knowles
Victoria Koo
Mike Wong
Anson Yu

Market Update

The Mandatory Provident Fund Schemes Authority (MPFA) has recently approved the revised Guidelines on Election for Transfer of Accrued Benefits (Guidelines IV.3).

The Appendix to Annex C to Guidelines IV.3 contains a list of approved trustees and MPF schemes (the List) for scheme members to elect for the purposes of consolidation of MPF personal accounts. As a result of certain scheme merger arrangements and the change of trustee of two MPF schemes, the List and paragraph 7 of Guidelines IV.3 have been amended to reflect the relevant changes and the effective date of the revised Guidelines. Brief details of the changes are set out in the tables below:

(i) Merger of MPF schemes

	Details
1	Hang Seng Mandatory Provident Fund - SimpleChoice merged into Hang Seng Mandatory Provident Fund - ValueChoice
2	Hang Seng Mandatory Provident Fund - SuperTrust merged into Hang Seng Mandatory Provident Fund - SuperTrust Plus
3	HSBC Mandatory Provident Fund - SimpleChoice merged into HSBC Mandatory Provident Fund - ValueChoice
4	HSBC Mandatory Provident Fund - SuperTrust merged into HSBC Mandatory Provident Fund - SuperTrust Plus

(ii) Change of trustee of MPF schemes

<table>
<tr><th></th><th>Name of MPF scheme</th><th>Name of previous trustee</th><th>Name of new trustee</th></tr>
<tr><td>1</td><td>Principal MPF - Simple Plan</td><td rowspan="2">Principal Trust Company (Hong Kong) Limited</td><td rowspan="2">Principal Trust Company (Asia) Limited</td></tr>
<tr><td>2</td><td>Principal MPF - Smart Plan</td></tr>
</table>

Copies of the new Guidelines and the revised Guidelines and Code can be downloaded from the MPFA's website at www.mpfa.org.hk.

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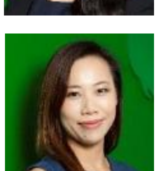

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Upcoming Events

Date	Event
25 Jul - 4 Aug 2016	Joint Regional Seminar in Asia * 25-26 Jul, Taipei * 27 Jul, Hong Kong * 29 Jul, Beijing * 1 Aug, Bangkok * 3-4 Aug, Kuala Lumpur
11 Aug 2016	ASHK Evening Talk Speaker: SAS Institute
29-30 Aug 2016	SOA 6th Asia Pacific Annual Symposium, Hong Kong
30 Aug 2016	SOA Professionalism Course, Hong Kong
1 Sep 2016	ASHK Professionalism Course
6 Sep 2016	ASHK Evening Talk Speaker: Hugo Choi, Munich Re
14 Sep 2016	ASHK Pension Seminar
7 Oct 2016	ASHK General Insurance and Data Analytics Seminar Theme: Innovating for Success: Insurance Technology and Analytics to Profit and Thrive
7 Nov 2016	ASHK Annual Dinner
8 Nov 2016	ASHK Appointed Actuaries Symposium
9-12 Nov 2016	20th AAC, Gurgaon (NCR), India
18 Nov 2016	SOA APC, Hong Kong
28 Nov 2016	SOA APC, Shanghai
Nov 2016 (tbc)	ASHK Soft Skills Course
12 Dec 2016	ASHK AGM
13 Jan 2017	ASHK Asia Conference, Hong Kong
11-12 May 2017	IFoA Asia Conference, Hong Kong

Events Highlights

ASHK Evening Talk, 19 April 2016 - "Big Data, Little Data, Medium Sized Data: Making the Most of What You've Got"

Mr. Phil Joubert, EY

Mr. William Chan, EY

Mr. Simon Lam, ASHK Council Member and Mr. Phil Joubert, EY

Mr. Simon Lam, ASHK Council Member and Mr. William Chan, EY

ASHK Evening Talk, 18 May 2016 - "Low Yields Curves and the Move to Absolute/Normal Volatilities"

Mr. Thomas Tang, ASHK Professional Matters Committee Member and Dr. Nick Jessop, Moody's Analytics

Events Highlights

IAA Life Section Colloquium 2016, 25-27 April 2016

Mr. Paul Forshaw, Schroders;
Mr. Roddy Anderson, Colloquium MC and
Ms. Ka-Man Wong, ASHK President

Mr. Fred Rowley, Immediate Past President of IAA;
Mr. Paul Forshaw, Schroders and
Mr. Chris Howells, Schroders

Ms. Ka-Man Wong,
ASHK President

Prof. KC Chan,
Secretary for Financial Services
and the Treasury, HKSAR Govt

Mr. Fred Rowley,
Immediate Past President of
IAA

Mr. John Leung,
Commissioner of Insurance,
OCI, HKSAR Govt

Mr. Marc Slutzky,
Chairman of IAA Life Section

Ms. Ka-Man Wong, ASHK President;
Mr. Simon Lam, ASHK Council Member;
Mr. Billy Wong, ASHK Council Member and
Colloquium guests and delegates

IAA Life Section Colloquium 2016 Organising
Committee: Mr. KC Chan; Mr. Gary Lee; Mr. Thomas
Tang; Ms. Mary Kwan and Mr. King-Yin Pang

Events Highlights

ASHK Evening Talk, 7 June 2016 - "Strategic Asset Allocation - Investing to Manage Risks"




Mr. Paul Sandhu, Conning Asia Pacific Limited and Mr. Thomas Tang, ASHK Professional Matters Committee Member

ASHK Presentation Skills Workshop, 13 & 20 June 2016



Mr. Brian Hodgson, Founder of publicspeaking.hk

Mr. Simon Lam, ASHK Council Member and Mr. Daniel Li, Kelly Services

Mr. Simon Lam, ASHK Council Member and Mr. Brian Hodgson, Founder of publicspeaking.hk

Obituary

Dr. Che Lin (PhD, MAAA) passed away on 29 February 2016 at Scottsdale, Arizona, USA. He was the first FSA in Hong Kong in 1972.

Dr. Lin dedicated his life to promoting the actuarial profession and was the ASHK President in 1977.

We will miss him and his many contributions to the profession.

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.

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Hong Kong Actuaries
ACTUARIAL SOCIETY OF HONG KONG'S
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ACTUARIAL SOCIETY OF HONG KONG'S

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We welcome members' contribution to the "Hong Kong Actuaries" Newsletter, especially, 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 the article(s) in our newsletter to share with our members.

For the above issues, please e-mail your articles or views to Simon Lam by email at slam@munichre.com or ASHK Office by email at info@actuaries.org.hk. Publication of contributions will be at editor's discretion.