

# **International Actuarial Association**

## **Hong Kong Colloquium**

**May 7, 2012**

### **Welcoming Remarks**

#### **J. Peter Duran, President, Actuarial Society of Hong Kong**

Ladies and gentlemen, my name is Peter Duran and I am the current president of the Actuarial Society of Hong Kong. On behalf of the Actuarial Society of Hong Kong, I'd like to welcome you to this International Actuarial Association Colloquium. We have over 280 actuaries attending the conference from 34 countries. I would like to welcome and thank Mr. Desmond Smith, President of the International Actuarial Association. We are looking forward to hearing Desmond's opening remarks in a few minutes. I'd also like to welcome the Chairs and Vice-Chairs of the sponsoring sections of the IAA:

- Mr. Ken Buffin, Chair of the International Association of Consulting Actuaries and Mr. Andrew Vaughn, Vice-Chair;
- Mr. Emile Stipp, Chair of the IAA Health Section;
- Mr. Chris Daykin, Chair of the Pensions, Benefits and Social Security Section and Mr. Marius du Toit, Vice Chair.

Welcome to you all. I would also like to take this opportunity to thank Ken Buffin for his leadership and guidance in organizing this event. This will be a better conference for his efforts.

The ASHK is both honored and delighted to host this colloquium. For those of you not from Hong Kong, as well as many of you who may be from Hong Kong, I would like to give a brief history of the ASHK. The ASHK's predecessor organization, the Actuarial Association of Hong Kong was formed in 1968. 26 years later, the ASHK was incorporated in January 1994. The ASHK is a membership organization for actuaries in the industries of insurance, consultancy, finance, education and government. The ASHK became a full member of the International Actuarial Association in 1999. It is governed by an elected Council with a President, an Immediate Past President, a Vice President and 10 Council Members. Today we have over 900 members, of whom over 500 are Fellow members. Our cultural and educational backgrounds are diverse – 65% of fellow members are US qualified, 19% UK qualified, 13% Australia qualified, with the remainder having other qualifications. Among the objectives of the ASHK are the following:

- To discuss and comment on the actuarial aspects of public, social and economic and financial questions which from time to time may be the subject of public interest; and
- To consider the actuarial aspects of legislation existing and proposed and to take such action as is considered desirable.

These objectives fit well with theme of our conference, which is "The Actuarial Profession and Social and Economic Development." Hong Kong actuaries, both individually and as a profession, have made significant contributions in the past, but hopefully can do much more in the future.

Under Hong Kong law, every life insurer has an Appointed Actuary with responsibility for certifying that the company's reserves both comply with Hong Kong law and are adequate. As such, appointed actuaries provide assurance to both shareholders and policy holders in the area of solvency. Over the years the ASHK has provided guidance to appointed actuaries in carrying out their role under the statute, specifically AGN 3 and its supplement, expected to be finalized later this year. At the height of the financial crisis in late 2008 and early 2009, we worked closely with the regulator and the industry to develop a guideline on the reinvestment rate to be used for calculating the maximum allowable valuation interest rate under Chapter 41 E of the statute. This allowed a number of inherently sound companies to continue operations at a time of severe financial stress.

Going forward, the ASHK intends to be an active contributor to the debate on the recently announced initiative for a new RBC Framework for Hong Kong insurers. The initiative will include a thorough review of asset and liability valuation as well as capital requirements and the risk management framework for insurers. This is a truly unique opportunity for the Hong Kong actuarial profession to influence the shape of governance of insurance enterprises for decades to come. We will soon be forming a special committee of the ASHK Council to address this extremely important matter.

The ASHK is currently involved in discussions with the Hong Kong Federation of Insurers regarding a revised guideline for unit linked assurance benefit illustrations. We are hopeful that the final outcome will be improved disclosure for policyholders.

Hong Kong actuaries also have a statutory role in the area of defined benefit retirement schemes to certify the funding of the scheme. We are in the process of revising Professional Standard 2, *Occupational Retirement Schemes - Actuarial Reports and Certification* and expect to issue a revised standard later this year.

Notwithstanding the statutory role of actuaries in the area of defined benefit schemes, the area of pensions, and more generally social security, is one in which Hong Kong actuaries have had only a limited role. This is an area where the profession has much to contribute and one in which the profile of the profession needs to be raised with regulators, legislators, academics and employers. Under the current MPF scheme in Hong Kong, employees receive a lump sum at retirement. Retirees assume the various risks that this entails – investment risk, longevity risk, and inflation risk being the principal ones. Many Hong Kong residents, both well to do and not so well to do are ill equipped to manage these risks. Actuaries do understand these risks. Similarly, health care reform is becoming an area of increasing focus. There will be a session later this morning on health care reform in China and Hong Kong. Again, I have no doubt that actuaries can make significant contributions to the debate in this area. It is one of my goals to expand the role of the profession into these areas. The ASHK has established a Healthcare Work Group that intends to raise the profile of the profession in this arena. The group is planning a seminar later this year specifically for Hong Kong actuaries focusing on issues directly related to healthcare in Hong Kong and the region.

I feel this is a very exciting time to be an actuary in Hong Kong. Many companies are re-examining their entire risk management frameworks. Regulations are changing throughout the region and the world and are likely to change in Hong Kong as well. The need for pension and healthcare reform is becoming more apparent. The profession has much to contribute and this conference provides an ideal venue both to learn from our colleagues and to advance the level of discussion generally. I hope you enjoy the program.