

Malaysian Actuary

Message from the President

Welcome to the "resurrected" Malaysian Actuary!

For those old members of ASM, you would remember that back in late 1990s, we had this wonderful newsletter of ASM called *Malaysian Actuary*. After a short life span of 3 or 4 issues, it disappeared without a trace. Back in those good old days, *Malaysian Actuary* was printed in hard copy and in fact the printing was outsourced to an external publisher. With the advance of IT, I thought the same newsletter could be both produced and distributed in a more cost efficient and effective way nowadays. This was actually what I had on my mind when I accepted the challenging task of becoming the new President of ASM.

And of course I have more plans than just "resurrecting" *Malaysian Actuary*. One thing that I observe is our membership has grown significantly over the years without the notice of most members. The latest statistics shows that we have more than 200 members! This is a far cry from less than 100 a few years ago if my memory serves me well. Yet the size of the EXCO has remained the same since then.

Therefore one of the things I think I can bring to the table as President of ASM is to try to expand what I call the "infrastructure" of ASM. Our membership has outgrown the house we used to stay in. In order to serve our members better and in order to function more like a professional body; we have to act differently. While the traditional social events of talks by actuarial speakers and quiz night can continue, I think it is timely to revisit the objectives of ASM as set out

in its Constitution. On this premise, the EXCO in its 1st meeting has decided on forming 4 sub-committees to cater for the objectives of ASM. The 4 sub-committees are: Professional, Communication, Education and Events. Elsewhere in this issue of *Malaysian Actuary*, you will find report on the 4 sub-committees.

For those of you who attended the last AGM, you would have remembered that I promised to come back to you to appeal for your help in building up ASM. Although the 4 sub-committees have been appointed, we are constantly looking for volunteers and more sub-committee members. The tasks ahead of us are mammoth and whichever little way you assist can certainly help us in achieving the objectives of ASM. We believe the old "business model" of ASM of EXCO doing all the works for members will not work in our much bigger organisation now. The new "business model" is by involving more members to contribute to our mutual benefits. The role of the EXCO is to create such infrastructure and create a conducive environment and culture that involves the participation of wider membership.

In the EGM that was held in August this year, the EXCO put forward among other things, a change in the Constitution to limit the term of President and Treasurer to 2 years and other EXCO members to 4 years. Amongst many good reasons, the main reason would be good corporate governance. To continue to grow ASM we need new blood. The EXCO also should not be complacent and think that

time is on their side. During the tenure, the EXCO will need to ask themselves what they have done for the Society, the profession and the industry for a better future. Goal setting and monitoring of performance is therefore critical. In particular, the EXCO will also need to put in succession planning by training up future generation of leaders to take over the baton. With the adoption of the amendment to the Constitution at the last EGM, it is now formal that the EXCO will have to put these plans in action and implement them during their tenure.

Before I end this message, let me take this opportunity to thank all those people who have contributed to make the "resurrection" of *Malaysian Actuary* a success. As you would have noticed, we have involved a wider membership beyond the EXCO in this effort. You would have also noticed that you could contribute even though you may not be an EXCO member, and in fact you do not even need to be physically in Malaysia to do so. Depending on the role you play, it may not even need to be very time consuming. With so much to achieve for our profession and ASM, I strongly urge each and every member to come forward and volunteer your service to ASM. ♦

Updates from the EXCO

Report prepared by, YOON YEW KHUEN Secretary 2003/2004, 25 August 2003

The Executive Committee was elected at the Annual General Meeting of the Society on 23 May 2003 – in case you missed the AGM, here is a list of the Office Bearers for 2003/2004:

President	Teh Loo Hai
Vice President	Steven Visvalingam
Secretary	Yoon Yew Khuen
Treasurer	Loo Boon Teik
Committee members	Raymond Lai You Kim, Danny L.Quant Edwin Peh Hoong Wei, Yeoh Eng Hun ¹
Immediate Past President	Mohamed Hassan Kamil

¹ Eng Hun tendered his resignation from the Exco on 14 August 2003. The Exco is in the process of co-opting a member to fill that position, as provided for in the Constitution.

Subsequently, we have met twice: on 2 June 2003 and 15 July 2003 to discuss strategic and operational issues on the way forward for ASM. In addition to these meetings, the Exco carries out much of its deliberations via e-mail – the results of which are tabled at the following meeting. The Exco takes seriously attendance and participation at meetings, thus the attendance of Exco members will be included in the Secretary's briefing during the next AGM. In addition, Exco members have appointed alternates to attend meetings on their behalf in case of emergencies.

I will not duplicate the minutes of the Exco meetings which are available for viewing on the website (albeit with some delay since they need to be approved at the following meeting, so you're looking at a lag of one meeting). Instead, this will just be an update of happenings and a highlight of the main initiatives that this Exco will take on in the coming months.

Sub-Committees

Four Sub-Committees have been set up to deal with four areas that the Exco will be focussing on in the coming year. These Sub-Committees are chaired by a member of the Exco. Each Sub-Committee has had its initial meeting to decide on a broad framework, which is presented below. Although the initial Sub-Committee members were appointed by the Exco, membership to the sub-committees is generally open to the whole society.

Communication Sub-Committee

One of the most important ways of raising the profile of ASM is through communication. This year, the Exco aims to position ASM with the regulator, company stakeholders and the public as the voice of the profession. Recently, the President was interviewed by The Star newspaper on 8 July 2003 in an article entitled "Actuaries Shortage Has Negative Impact on Insurance Firms".

Broadly, the main areas of focus of this sub-committee are:

- (i) Promoting the standing of the actuarial profession in Malaysia.
- (ii) Internal communication within ASM through publication of newsletters.
- (iii) Providing information on the actuarial profession and ASM through the website.
- (iv) Promoting the actuarial profession to the future generation of actuaries.

The efforts of the Communication Sub-Committee will be in the following areas:

- Enhancing the website of the Society, to make it the major tool for communicating with members, also to make it as a source for the public to find out more on the actuarial profession.



- Organising a major career fair on the actuarial profession.
- Publishing The Malaysia Actuary on quarterly basis.
- Producing booklet on actuarial career, with focus on actuarial career in Malaysia.

Those who are interested in contributing to the work of this sub-committee should contact the Chairman, Teh Loo Hai (please refer to the last page).



Professional Sub-Committee

The profession needs to be ahead of the curve technically and contribute substantially to the advancement of the insurance and banking industries in the country. For example, we will continue to have adequate representation in the Risk Based Capital Joint Working Committee (and all its Sub-committees), which was set in conjunction between Bank Negara Malaysia, LIAM, PIAM and ASM to devise a risk based capital (RBC) framework for the insurance industry in Malaysia.

Broadly, the main areas of focus of this sub-committee are:

- Promote & maintain high standards of competence and conduct within the actuarial profession locally.
- Source of reference to the Malaysian Govt., regulatory authorities and other interested bodies.
- Promote research, discussion & publication into
 - ❖ Application of economic, financial & statistical principles to problem solving
 - ❖ Actuarial, economic and allied aspects affecting life, non-life, employee retirement benefits, finance and investment

The immediate plans for this Sub-Committee is in assisting with the development of the RBC framework by provide feedback as an independent professional body.

In the longer term, we will work towards developing Guidance Notes for the Malaysian market to assist local Actuaries in carrying out statutory and other functions.

Those who are interested in contributing to the work of this sub-committee should contact the Chairman, Steven Visvalingam (please refer to the last page).

Education Sub-Committee

A unique challenge of the ASM is to meet the diverse needs of the student members

(who constitute 64% of the membership) who are sitting for exams with various professional actuarial bodies. Thus, providing examination support would be one of the main objectives. For example, there are plans to set up mentoring and counselling services, depending on availability of support from qualified members.

One other area of focus would be to provide opportunities for actuarial students to enhance their overall actuarial knowledge, not just what is in the syllabus. We will organise seminars on topics of general interest and encourage students themselves to make presentations to other members of ASM.

Plans for the year include:

- Conducting a survey to set up a database of all actuarial students and the exams that they are intending to sit for in the next 2 examination sittings
- Setting up tutorials for examinations for which there is sufficient demand and resources
- Setting up E-Groups (online discussion forums) for actuarial students who are sitting for similar exams.
- Provide mentors for students who require such assistance through a possible "placement" programme.

Those who are interested in contributing to the work of this sub-committee should contact the Chairman, Loo Boon Teik (please refer to the last page).

Events Sub-Committee

As the Exco anticipates an increased level of activity, substantial resources will be require in the area of event management. The first two responsibilities of this committee as stated in its Terms of Reference are:

- Planning and managing all operational aspects of normal business meetings, general meetings or any event of ASM specified by the EXCO.
- Ensuring adequate publicity for meetings and events of ASM.

Careful to ensure that the social aspect of the ASM is not overlooked in our quest for greater professionalism, the Events Sub-Committee has also been set up to fulfil the following role:

- Fostering an environment for relationship-building between members through regular and varied social events.

Some events lined up from now until next April include a Treasure Hunt, Hari Raya/Christmas Dinner, a charity event, the ever-popular ASM Dinner and Quiz, and a trip-cum-seminar.

Those who are interested in contributing to the work of this sub-committee should contact the Chairman, Yoon Yew Khuen (please refer to the last page).

Extraordinary General Meeting

An EGM was held on 15 August 2003 at Sarawak Room, Level 6, Podium, Menara Great Eastern. During the meeting, the President exhorted the members to participate actively and contribute towards the growth of the Society. Giving an historical perspective, he indicated how ASM has now grown to a sizeable membership while the size of the Exco remains unchanged – thus the opportunity and indeed necessity for more active participation by members. Hence, the focus of the new Exco on the Sub-Committees, through which members can contribute directly.

The main agenda of the EGM was the proposal to amend the Constitution. The motions, which were circulated beforehand via e-mail, were as follows:

1. To put in place a process for appeal with regards to disciplinary actions due to misconduct of members.
2. To restrict the term of the office bearers of the Executive Committee.
3. To allow an Auditor to be appointed during Extraordinary General Meetings.

The Secretary reiterated the points mentioned in the circular on the reasons

for and the details of the amendments. The ensuing discussion was focussed mainly on the second proposal where a point was raised regarding a possibility of a member becoming an office bearer for an indefinite period by rotating between the positions of President, Treasurer and Exco member. The meeting decided that there was a small likelihood of this occurring. In addition, there was the control mechanism of the AGM elections.

The results of the votes cast (including proxy votes) were as follows: In all three cases, the proportions exceeded three quarters as required by

Proposal	Affirmative	Negative	Abstain
1. Appeal process	50	0	1
2. Limited term of office	45	5	1
3. Appointment of Auditor	49	1	1

the Constitution for amendments to be made. Thus, all three motions were passed by the EGM.

After this, each Sub-Committee gave a presentation covering the following areas:

- (i) Terms of reference
- (ii) Activities planned
- (iii) Current members

Members were encouraged to volunteer to be part of the Sub-Committees. There was also a lively discussion during which many useful suggestions were given from the floor.

IAA Membership

The process of application for Full Member Association status in the International Actuarial Association was initiated by the previous Exco. With the ratification during the EGM of the amendments proposed to put in place an appeal process, we are now within a hair's breadth of being admitted as a Full Member Association. All that remains is the Registrar of Society's approval of our proposed amendments. Watch this space for developments!

ASM Funds

The Exco has apportioned RM30,000 from the ASM funds to set up a fixed deposit account in OCBC Bank. This still leaves us with a working fund of around RM10,000 – sufficient for most of our activities. ♦

Malaysia Insurance Conference

A conference coming up called "Malaysia Insurance" organised by Asia Business Forum will be of interest to you as an ASM member. Some of the topics covered include:

- Developing and Integrating Effective Risk Management Strategies in Insurance Companies
- Risk Management and Corporate Governance for General Insurers
- Using Best Practice Financial Management Techniques to Maximise Growth and Shareholder Value
- Embedded Value: An Indicator of Management Performance
- The Management of Participating Business for Life Insurance Industry
- How to Select and Implement the Right Model for Successful Bancassurance Operation in Malaysia

The details of the event are as follows:

Date **10 - 11 November 2003**

Venue **Shangri-La Hotel, Kuala Lumpur**

Conference Fees **RM2,895**

(RM2,695 before 10 October 2003)

Since ASM is an endorser of this event, all ASM members will receive a 10% discount. For further details, please visit <http://www.abf-asia.com>.

Update from Japan

The Actuarial Profession

RICHARD DE HAAN, FIA, NMG August 2003

The Institute of Actuaries of Japan (IAJ) was founded in 1899, more than a century and some 30 years after the insurance industry started in Japan. Today, the IAJ is active in all aspects of the insurance industry and has a membership of 3539 (2003). The membership is categorized in 1017 Fellows, 805 Associates, and 1717 Students, with the industry categorization as follows:

Industry	Life	Non-Life	Bank	Other
Fellows	425	150	173	269
Total Members	1,420	524	448	1,147

Arguably the biggest challenge that the insurance industry, and the actuarial profession in particular, has faced over its 100-year history is that of negative spreads. This is where the actual return on assets is less than that assumed in the pricing of the products. The reductions in asset returns have been as a result of falling government bond yields, from 8% in 1990 to 0.5% today, and an 80% drop in the stock market where the Nikkei 225 dropped from 40,000 in 1989 to 8,900

today. The impact on the industry has been significant with 7 company failures since 1997.

In conjunction with the actuarial profession, the insurance industry has taken a number of measures to mitigate the impact of negative spreads. These measures include:

- ❖ Revision of investment strategy with more of a focus on matching and reducing the exposure to 'risky assets';

- ❖ Re-designing of products by reducing guarantees and pricing interest rates, and the introduction of variable and unit-linked products;
- ❖ Recapitalising companies with low solvency margins;
- ❖ Restructuring businesses through mergers and acquisitions, or strategic alliances aiming for economies of scale and scope; and
- ❖ Demutualising companies to raise capital

The lessons learned by the actuarial profession in Japan are important for actuaries around the world, and especially so now for those in Asia as interest rates continue to drop. Unfortunately the steps taken against negative spreads were too little, too late for many companies and especially for the customers that they covered. Actuaries in other countries should look to Japan and learn from what has happened here. ♦

Update from Australia

Proposed Changes to Part III Exams

YEOH ENG HUN, Aug 2003

The Part III Implementation Task Force has issued its first report on the proposed changes to Part III exams. A brief summary of proposed changes is as follows:

Currently, students taking IAAust exams need to pass Part III Specialist exams in 2 areas. The 2 exams are to be chosen from Life Insurance, General Insurance, Superannuation & Planned Savings, Investment Management and Finance.

Under the new proposed structure, the Part III exams will comprise 4 half-year modules instead. Exams will be held twice a year (instead of once a year currently). The proposed modular structure is as follows:

Module 1 – Investment Management

This will be a compulsory module to provide students with a sufficient level of

investment knowledge. The existing Investment Management subject will be converted to this module. However, the more advanced topics of the current Investment Management course will be incorporated into the new Investment and Finance subject via Modules 2 and 3.



Modules 2 and 3 – Specialist Practice Area

Students will choose from one of four specialist areas

- ❖ Life Insurance
- ❖ General Insurance
- ❖ Superannuation & Planned Savings
- ❖ A new combined Investment & Finance subject

Module 2 will focus on the 'building blocks' while Module 3 will focus on applications.

Module 4 – Business Applications

This module is expected to cover business applications skills across traditional and non-traditional areas, as well as ethics, professional standards and communication. The proposed assessment is via written exam and case study. ♦

For further information, please refer to the IA Aust website at www.actuaries.asn.au - What's New – Education.

Reference:

Part III Implementation Task Force – Initial Report to Council, Institute of Actuaries Australia, 2003

The Actuarial Profession

Singapore, Jan-Aug 2003

CHI CHENG HOCK, Honorary Secretary 2003/04, Singapore Actuarial Society

First half of 2003

Not much activity in the actuarial community overall, as many actuaries were busy with the annual valuation and financial condition reporting work, as well as preparing for the implementation of the risk-based capital (RBC) method of supervision of insurance companies in Singapore next year. Actuaries in the industry have been in constant dialogue with the Monetary Authority of Singapore (MAS), to ensure that the RBC system to be put in place will be both largely fair and practical in application.

The Singapore Actuarial Society (SAS) was fairly active during this period. At the annual general meeting held in Mar 2003, Mr. Tan Beng Lee (Great Eastern) was re-elected President and Mr. Steve Miles (Tillinghast - Towers Perrin) was elected Vice-president. Some may know that Steve is a past President of the Institute of Actuaries of Australia.

A half-day Actuarial Forum was held in conjunction with the AGM, which covered a wide range of topics: general insurance reserve certification guidance note, appointed actuary guidance note, mortality studies and RBC.

June 2003

The SAS held a Forum to present a talk by Dr Timothy Barkham, (Consultant Microbiologist of the Tan Tock Seng Hospital), on SARS.

July 2003

The Society was graced by the visit of Mr Jeremy Goford, (President, Institute of Actuaries (UK)), who met up with Council members, and presented a talk on 'Thinking and Behaviour', about the future of actuaries in this ever-changing world. More than 85 members and non-members attended this talk - a Society record!

The SAS was also accepted by the International Actuarial Association (IAA) as a Full Member, and the Society can now participate in the decision making of the IAA.

August 2003

Currently, two guidance notes for members- on general insurance reserve certification and on the duties of the appointed actuary, are in development and the Council hopes to put the exposure drafts of these guidelines to the

membership for acceptance by the end of the year.

Some SAS members are also working with the MAS to generate an up-dated mortality table of assured lives, as reference for RBC computations for life insurance companies. This table is expected to be ready before year-end.

During this period, the SAS also responded to the General Insurance Association when approached on advice regarding the interpretation of reserves, booked in insurers' accounts, for tax deduction purposes. ♦

Current Trends & Development in Malaysia

SOPHIA CH'NG, FIA, Great Eastern

Medical and Health Insurance (MHI) Products

Bank Negara has issued a guideline on "Minimum Standard on Product Disclosure and Transparency in the Sales of MHI Policies" to both life and general insurance companies. Effective from 1 October 2003, insurance companies have to ensure that the prospective policy owners understand the basic and important features of a MHI product so that he/she is able to make an informed decision before purchasing the product, through disclosure in sales materials and enforcement of the use of checklist by agents. For the first time, general insurers are required to file their medical products (with certification from a qualified actuary) to Bank Negara for approval.

Besides, Joint LIAM/ PIAM Technical Committee is currently studying the have issued a Guideline on "MHI Underwriting Guide". Bank Negara has set a deadline of Effective from 1 October 2003 for the Guide to be in force. The purpose of the Guideline is to shall ensure a minimum standard and consistency in MHI underwriting for the life and general insurance industry by enforcing a minimum basic standard and controls of underwriting medical business and standardization of policy conditions.

Critical Illness Products

LIAM members unanimously decided that with effect from 1st January 2004, life companies will no longer provide guaranteed premium rates for critical illness products. This development is due to:

- ❖ Advancement in medical technology, active promotion of disease prevention and increase sensitivity of diagnostic test have enabled earlier detection of some diseases which may not be serious but are covered under the policy definitions. This can result in the payment of a large lump sum for comparatively minor conditions, thus giving rise to anti-selection as well as to under pricing.
- ❖ Access to genetic testing results by applicant remains as a real risk of unfair discrimination to the insurance industry, thus leading to a major anti-selection risk and deteriorating claim experience.
- ❖ Legal suits in certain countries are made in favour of policyholders. This is despite that Critical Illness definitions are not strictly satisfied.

This decision is in line with the current practices in other countries which are no longer providing or moving away from guaranteed premium rates on Critical

Illness products, as follow:

1. United Kingdom
2. South Africa
3. Australia and New Zealand
4. Hong Kong
5. Japan
6. Canada (moving away from guaranteed premium rates)
7. Singapore (moving away from guaranteed premium rates)
8. Taiwan (recently, the Minister of Finance is encouraging shorter term, eg 5 years, guaranteed premium rate plans or yearly renewable term plans.)♦

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Letter from Hong Kong

Dear Friends,

During the past few months, the eyes of the world have been on Hong Kong as the outbreak of the Severe Acute Respiratory Syndrome (SARS) caught media attention. We, the Actuarial Society of Hong Kong (ASHK), wish to take this great opportunity to share with you what has been happening in Hong Kong's actuarial world after the SARS epidemic.

Let's begin with an overview of the ASHK in respect of membership, structure and professional standards.

A Brief History of the ASHK

The Hong Kong actuarial profession body was firstly formed in 1968 as the Actuarial Association of Hong Kong (AAHK) when several actuaries from different parts of the world found themselves working in Hong Kong. The initial idea behind the AAHK was to create a forum where actuaries could meet to discuss topics of common interest to them as professionals operating in a diverse and fast moving business environment. Twenty-six years later, the AAHK was succeeded by the Actuarial Society of Hong Kong (ASHK), which was duly incorporated in January 1994. The ASHK was accepted as a fully accredited member of the International Actuarial Association (IAA) in 2000 and actively participates at all international actuarial forums.

Constitution and Membership

The ASHK is a limited liability company with its own Memorandum and Articles of Association appropriate to its objectives of promoting, regulating and overseeing the interests of the actuarial profession in

Hong Kong. As of August 2003, the ASHK had 439 members, which is an increase of 46% since 1998. The following table shows the breakdown of membership by the three classes:

Class of Member	August 1998	August 2003
Fellow	130	205
Associate	80	89
Student	91	145
Total	301	439

The majority of members are employed in the insurance or reinsurance field as indicated by the following table:

Category	August 2003
Insurance/Reinsurance	67.67%
Consulting Firms (Insurance and/or Retirement Schemes)	22.79%
Public/Government Service	1.63%
Education Establishment	1.63%
Financial Institutions	1.16%
Others(e.g. Rating/Recruitment Agency)	2.56%
Undisclosed/Not Actively Employed	2.56%
Total	100%

The principal areas of their work within their company are mainly life insurance matters as indicated by the table below:

Category	August 2003
Life Insurance	67.11%
Retirement Schemes	9.74%
General Corporate Management	7.89%
General Insurance	4.47%
Finance/Investment	3.42%
Others (e.g. Education, IT)	5%
Undisclosed	2.37%
Total	100%

Examinations

Currently the ASHK does not undertake its own examinations, but relies upon the examination systems of other established overseas actuarial bodies. Typically the members are those of one the actuarial bodies of Australia, Canada, United Kingdom and USA, although there are an increasing number from other countries, especially from Europe. This diversity of membership is a strength for the ASHK as it allows actuaries of different backgrounds and experiences to work together, share ideas, practices and concepts to make the ASHK a truly international profession.

It is, of note, that until recently students who wished to study university actuarial courses had to travel outside Hong Kong. This has now changed with three universities in Hong Kong offering a range of actuarial subjects, which attract the top students in Hong Kong.

Structure

A Council of 14 members, who are all Fellows, governs the ASHK. The detailed work is undertaken by a number of committees, who report their findings to the Council. The current committees are namely:

- ❖ China Committee
- ❖ Life Insurance Committee
- ❖ Education Committee
- ❖ Membership & Publications Committee
- ❖ Experience Committee
- ❖ Professional Matters Committee
- ❖ General Insurance Committee
- ❖ Retirement Schemes Committee
- ❖ Investment Committee
- ❖ Secretary & Treasurer

Professionalism

To maintain a high level of professionalism among members, the ASHK regulates actuarial practice of members by issuing Professional Standards and Actuarial Guidance Notes. The codes of conduct for members are currently:

- ❖ Professional Standard 1 (PS1): This standard relates to the statutory duties of an actuary in relation to life insurance companies. In particular it is for:
 - Hong Kong appointed actuaries;
 - the actuary as a director or in any other position of authority in relation to an insurance company;
 - the actuary as internal advisor to an insurance company.
- ❖ Professional Standard 2 (PS2): This standard relates to the statutory duties of the actuary in relation to Occupational Retirement Schemes – Actuarial Reports and Certifications.

These two standards are enshrined in Hong Kong laws and it is expected that actuaries comply with these standards when completing their certifications.

In addition, the ASHK has issued additional guidance notes (Actuarial Guidance Notes or AGN) which have been passed by members. These are:

AGN	Title	Comment
3	Additional Guidance for Appointed Actuaries	This guidance note deals with the determination of liabilities and solvency margins under the relevant regulations. It has been written to help actuaries advising Hong Kong supervised long-term insurers.
4	Outstanding Claims in General Insurance Note on Professional Practice	This guidance note applies to actuaries preparing estimates of the liabilities for outstanding claims of a general insurer or reinsurer in Hong Kong.
5	Principles of Life Insurance Policy Illustrations	The purpose of this guidance note is to raise awareness of the issues the ASHK believe should be considered when preparing and using policy illustrations in the sale of life insurance products.
6	Continuing Professional Development	This guidance note is to ensure that members are fully aware of the aims of the Continuing Professional Development (CPD) program and of their professional obligations regarding CPD.
8	Reserving Standards for Investment Guarantees	The guidance note aims to provide the members of the ASHK with guidance on steps to be taken in complying with the regulator's Guidance Note on Reserving Standards for Investment Guarantees.

Response to Public Policies and ASHK Activities

Apart from the SARS crisis that had beset Hong Kong, the ASHK has been continuing discussions with regulatory bodies over insurance-related issues. Earlier this year, the ASHK was consulted on issues including Policyholders' Protection Fund and Supervisory Framework of Assets of Long Term Insurers in Hong Kong, Motor Vehicle Insurance Statistics, and the Equal Opportunities Commission's discussion paper on Insurance Issues Under the Anti-Discrimination Legislation. The ASHK also proposed to amend the existing AGN4 on general insurance companies to advise actuaries on the interpretation of the Insurance Authority's guidance note (GN9) on Actuarial Review of Insurance Liabilities in respect of Employees' Compensation and Motor Insurance Business and to draft a standard certificate for inclusion in GN9 to bring uniformity. Besides that, the ASHK has been working hard to prepare comments on the International Accounting

Standards Boards' exposure draft (ED5) on Insurance Contracts and to draft a media guide and an actuarial guidance note on dynamic solvency testing. To further enhance the profile of the actuarial profession in Hong Kong, the ASHK appointed an Honorary Public Relation Firm to conduct a media campaign, providing timely actuarial advice on social trends and suggesting solutions to a wide range of social problems. Actuaries in the region may be interested to know that the Office of the Insurance Commissioner is considering becoming independent from the Hong Kong Government following the institutional arrangement of insurance regulatory bodies worldwide.

The ASHK undertakes a number of activities for members as well, including:

- ❖ Regular newsletters on actuarial matters in Hong Kong;
- ❖ Luncheon meetings/evening talks/seminars to encourage the sharing of information and ideas. Speakers from around the world have presented, which has allowed members to keep up to date with actuarial thinking;
- ❖ Appointed Actuaries Symposium where appointed actuaries have the opportunity to discuss matters relating to the life insurance market in Hong Kong. Suggested areas of this year's

discussion will include: statutory and GAAP valuation interest rates, asset liability matching and pricing interest rate & products under a low interest rate environment; appointed actuary and peer review system;

- ❖ Annual award for best papers to encourage members' research on domestic and international problems, interests and concerns of actuaries;
- ❖ On behalf of the China Insurance Regulatory Commission, the ASHK has established a Chinese actuarial examination centre in Hong Kong for candidates from Hong Kong, Taiwan and elsewhere who would like to work in the Chinese market in the coming years.

Future of the Profession in Hong Kong

As a result of the significant changes to the actuarial professional in Hong Kong and the demand for actuarial expertise increasing significantly with many more qualified actuaries practising in Hong Kong, the ASHK is taking steps to explore the possibility of becoming a recognized statutory body. The ASHK believes that taking this step will put it on a more proactive stance on matters relevant to the actuarial profession and the community in Hong Kong.

Part of our obligations of belonging to the IAA is to promote the actuarial profession. In this regard, the ASHK has been active in China promoting the actuarial profession. Activities have included participation at seminars, assisting with student materials for the examinations, as well as providing advice to the regulators on insurance matters.

Overall, we are sure the profession will continue to develop over the next few years, and together with its diverse membership, and its ability to provide a bridge between China and the rest of the world the outlook for the ASHK is bright indeed.

With best regards,

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