Asian Actuarial Conference
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Welcome Remarks by Dr Moses Cheng
Chairman of the Insurance Authority

President Simon Lam[1], President Masaaki Yoshimura[2], distinguished delegates, ladies and gentlemen,

Thank you so much for inviting me and my colleagues from the Insurance Authority (IA) to join you at this very important Asian Actuarial Conference. As the Chairman of the IA, it is really my great honour and pleasure to welcome you all to this conference and Hong Kong. I would like to start by thanking all delegates from overseas for making a trip to Hong Kong to attend the conference despite the less than perfect weather conditions brought by Super Typhoon Mangkhut. I was told this was the third Asian Actuarial Conference being held in Hong Kong. The previous ones were in 1987 and 2001. I hope you will come to Hong Kong more frequently and we do no have to wait too long.

Actuary profession is held in high esteem and a magnet for bright minds. We know it too well because it has been a statutory requirement since 2001 for insurers carrying on long term business in Hong Kong to appoint a qualified actuary, whose main duty is to ensure compliance with codes, rules and guidelines promulgated previously by the Office of the Commissioner of Insurance and now the IA. The Appointed Actuary thus performs a pivotal role in maintaining internal control and risk mitigation functions that accord proper safeguard to the interest of policy holders – a demanding task that calls for business acumen and pragmatism, balanced by impartiality and professionalism. In a nutshell, actuaries work in unison with executives and regulators to preserve profitability while moderating venturous inclinations.

[1] Mr Simon Lam, President of Actuarial Society of Hong Kong
[2] Mr Masaaki Yoshimura, President of International Actuarial Association

Our friends in the audience who are familiar with the local regulatory landscape will be aware that the most potent change being rolled out by the IA is the Risk-based Capital (RBC) regime, which aims at dovetailing our solvency standards with contemporary international practices. The desired outcome is a set of capital requirements that are responsive to market volatility, sensitive to the risk profile of individual insurers, but yet provide incentives for self-assessment and transparency. Drawing from the experience of other jurisdictions, we are embarking on an incremental approach and have carried out two Quantitative Impact Studies (QIS) to gauge the potential effect on market operators and collect their feedback. The third and final QIS is scheduled for next year, followed by a formal consultation on detailed rules. Actuaries are instrumental in shaping the final product, and I would like to express my deep and sincere gratitude to the Actuarial Society of Hong Kong for their support and assistance offered to us in this very complex endeavour.

Another looming challenge is IFRS 17 Insurance Contract, a fundamental overhaul of accounting treatment, financial reporting and liability valuation. With the date of implementation set for 2021 and interpretation of the new standard still subject to discussion at the international arena, insurers will be facing a highly compressed timetable and must rely on the actuarial team to conduct simulation modelling and devise transitional arrangements. I believe the insurance industry should do some soul-searching to arrive at a collective view on its degree of readiness and examine how to cope with the impact on business outturn and dividend payout.

Regulatory changes aside, Hong Kong is uniquely placed to take part in strategic initiatives conceived by the Central Government, particularly the Belt and Road Initiative (BRI) and the Greater Bay Area (GBA) policy. BRI seeks to build markets through connectivity in policies, facilities, trade, finance and people. These five areas entail baseline and specialty risks that could benefit from mitigating techniques. Given the number of countries and size of population involved, the scope and depth of opportunities are immense. On the other hand, GBA policy is anchored upon closer collaboration and mutual support between 11 cities in varied stages of development. The crux is to entice people to live and work in a common space with minimum hassle, where insurance could be an effective facilitating tool. Both of these projects will give rise to new products and services that have to be conceived and designed by professional actuaries.

Netting these opportunities requires capital and human resources. Thanks to our Chief Executive, the Government has injected additional funds to step up training and promotion, widened criteria under the Quality Migrant Admission Scheme and introduced tax concessions to sharpen our competitive edge. It is hardly surprising that actuaries are among the 11 professions covered in a talent list announced recently by the Government. On the part of the IA, we are drawing up outreach programmes to promote better public understanding, especially the parents, on the multi-faceted nature of insurance and the career path that it opens for young people. Leading by example, we have also commenced a scheme to employ interns and management trainees, many of whom are actuaries-to-be, as a means to attract more fresh graduates into the sector.

In closing, may I wish you all a successful and rewarding conference over the next two and a half days under the theme of "Redefining the New Insurance World", and hope that some of you could spare time to get a fleeting glimpse of this dynamic metropolis, which a lot of us here call home.

Thank you.