

Speech

Speech by SFST at Actuarial Society of Hong Kong Annual Dinner (English only)

Monday, November 7, 2011

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Actuarial Society of Hong Kong Annual Dinner this evening (November 7):

Distinguished guests, ladies and gentlemen,

Good evening.

I am very pleased to join you tonight for this distinguished gathering.

The actuarial profession has the unique gift of applying numbers to real life situations. You are trained to analyse past events, assess the present situation, and predict what will happen in the future.

In the modern world, people may call you financial engineers or social mathematicians, but I imagine in the past you would have been worshipped as financial genies, or were even suspected of possessing a crystal ball!

Because of your ability to make financial calculations and projections, you are in demand in many different types of organisation today and will have touched people's lives in more ways than they know.

Life assurance is a traditional sector that can't operate without actuaries. Your skills in designing, pricing and valuing insurance products provide the technical support to innovation and to meet customers' needs.

However, your expertise is too valuable to be monopolised by the insurance sector. More and more businesses are taking advantage of your skills in structuring and designing employee benefits, calculating contributions and developing investment strategies to meet pension schemes payments.

Diverse professions, from risk management in the financial services industry, to education, the environment and climate change, e-commerce, public infrastructure and genetics all come knocking on your door for advice - the Hong Kong Government included! We engage actuaries to review the financial position of insurance companies.

The growth of the insurance industry

Thanks to the hard work of actuaries, the insurance business in Hong Kong has blossomed in recent years. The premiums for Hong Kong insurance business (long term and general business) tripled from HK\$64 billion in 2000 to over HK\$200 billion in 2010. The average growth rate for this 10-year period stands at an impressive 12 per cent per annum. The demand for actuaries also had to grow to support our insurance business. In the past 10 years, the number of qualified actuaries in Hong Kong has increased from just over a hundred to over 500 today.

The insurance industry constitutes a very important part of Hong Kong's economy. Clearly our citizens feel the same way, as our insurance penetration (i.e. the ratio of total insurance business premiums to the Hong Kong Gross Domestic Product) increased from 4.9 per cent in 2000 to 11.8 per cent in 2010. About 80 per cent of the market insurance premiums were attributable to long-term business such as endowment and whole life policies.

Insurance products are gaining importance and recognition in our society. The Capital Investment Entrant Scheme (CIES) was amended a year ago to include investment-linked insurance products (ILAS) as permissible investment assets. Insurers have since developed new insurance products to capture this new market segment.

Renminbi (RMB) Business

A ground-breaking development in the insurance sector that cannot go without mention is the introduction of RMB insurance products. After the revision of the Settlement Agreement on the Clearing of RMB Businesses in July last year, insurers were able to introduce RMB insurance products to the market. For a completely new area of business, RMB insurance has done extremely well and gained a promising market share. For the first few quarters after its debut, RMB insurance products represented about 10 per cent of long-term insurance business. With the influx of RMB liquidity through Hong Kong's development into an offshore RMB centre, RMB insurance business is expected to carry the momentum for growth in the long term insurance market.

The National 12th Five-Year Plan

The Central Government's full support for the deepening of economic co-operation between the Mainland and Hong Kong and its continuing implementation of CEPA has benefited and will continue to benefit the insurance sector.

Our Nation's 12th Five-Year Plan, announced earlier this year (the "Plan"), includes a section dedicated to the opening up of Guangdong's financial services industries for Hong Kong on a pilot basis. There is a good chance that the Central Authorities will accept liberalisation proposals for Hong Kong's insurance sector as part of CEPA under the Guangdong-Hong Kong financial co-operation platform.

Another exciting initiative under the Plan is the development of Hong Kong as an offshore RMB business centre. The immediate benefit to the insurance sector would be a wider variety of financial instruments denominated in RMB for Hong Kong insurance companies to hedge their RMB insurance portfolio. This would have the positive effect of expanding and stabilising the burgeoning RMB insurance business in Hong Kong.

The Plan also makes clear the Central Government's intention to further develop the Mainland insurance market in areas such as liability insurance, credit insurance, medical insurance and reinsurance. This is where Hong Kong and each of you can contribute to the opening up of the financial system of our nation like we have done time and time again in the past. Indeed, with the IPOs of state-owned companies and the internationalisation of RMB, Hong Kong has shared its experience and expertise with the Mainland. We are honoured to have another opportunity to offer our services with respect to the future of Mainland's insurance market.

Conclusion

Strong mathematical skills are a pre-requisite to becoming a successful actuary, but simply being a strong mathematician does not guarantee a successful career as an actuary. Actuaries need to be up-to-date with business and social issues, law and economics. In other words, good actuaries are not just number crunchers - they must also have a well-rounded business approach to problem-solving.

Your profession embodies the highest degree of integrity, competence and professional judgement. You also carry the heavy responsibility of balancing business management with protecting the financial interests of the public.

You may already know this in your heart, but you, officially, have the best job in the world! On two occasions in recent years, "actuary" has been crowned the best job in the world. I am sure you calculated and predicted the odds of that before you joined this industry!

Ladies and gentlemen, the Actuarial Society Hong Kong has contributed much to Hong Kong. I am sure the Society will continue its marvellous work and I wish you every success in your endeavors.

Thank you very much.

Ends