Actuarial Workshop 2015

Introduction to Appraisal Value

The Hong Kong Polytechnic University

Actuarial Workshop

Redefine Actuarial

Introduction of today's facilitator
Experienced Industrial Practitioner

Career Profile

Mr. Simon Lam, FSA, CFA, FRM, FLMI, FHLC, FASM

AGM and Chief Actuary – Munich Re

15 Years Industrial Experience, Qualified actuary since 2005

Working in both Hong Kong and Malaysia

Executive MBA – The Chinese University of Hong Kong (2015 – Present)

Honorary Lecturer – The University of Hong Kong (2008 – Present)

Guest Lecturer – Universiti Tunku Abdul Rahman (2009 – 2010)

Industrial Advisor – Universiti Tunku Abdul Rahman (2009 – 2010)

Visiting Lecturer – The Hong Kong Polytechnic University (2011)

Council Member – The Actuarial Society of Hong Kong

Chairperson – Membership and Publication Committee (ASHK)

Member – ASHK Life Insurance

Member – Actuarial Working Group (Hong Kong Federation of Insurers – HKFI)

Today‘s Agenda

- Background
- Valuing an insurance company – Appraisal Value
- Embedded Value (EV)
- Value of New Business (VNB)
- Practical Session— VNB calculation
- Closing Remarks
- Questions and Answers

Background

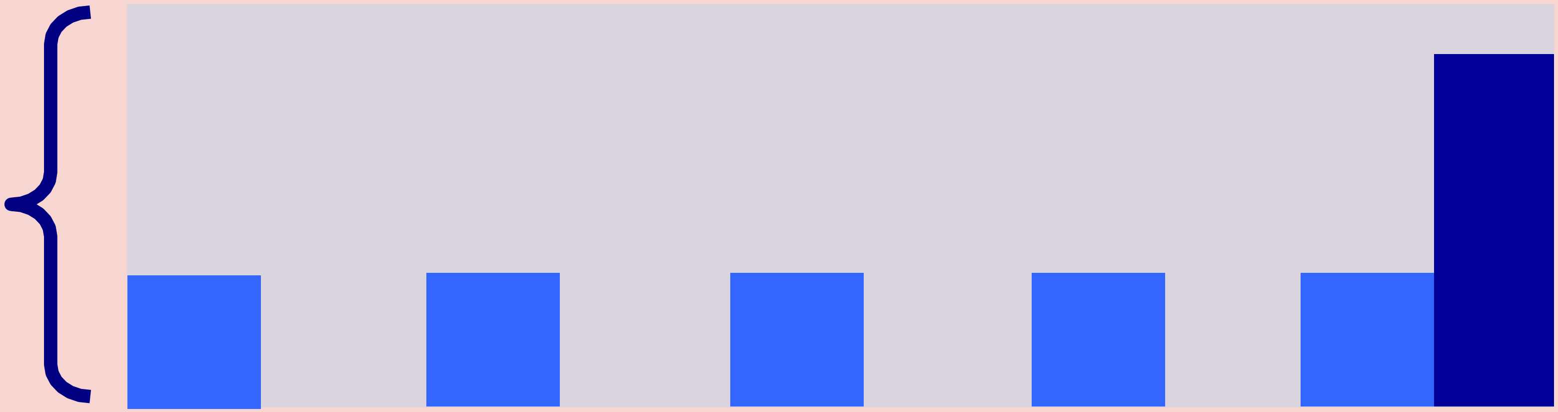
Actuarial
Workshop

Redefine Actuarial

Key Product in ABC insurance company –
5 Payment and 5 year Participation Endowment

Basically, Participation Endowment could be illustrated as:

Protection Amount (I.e. Sum Assured)

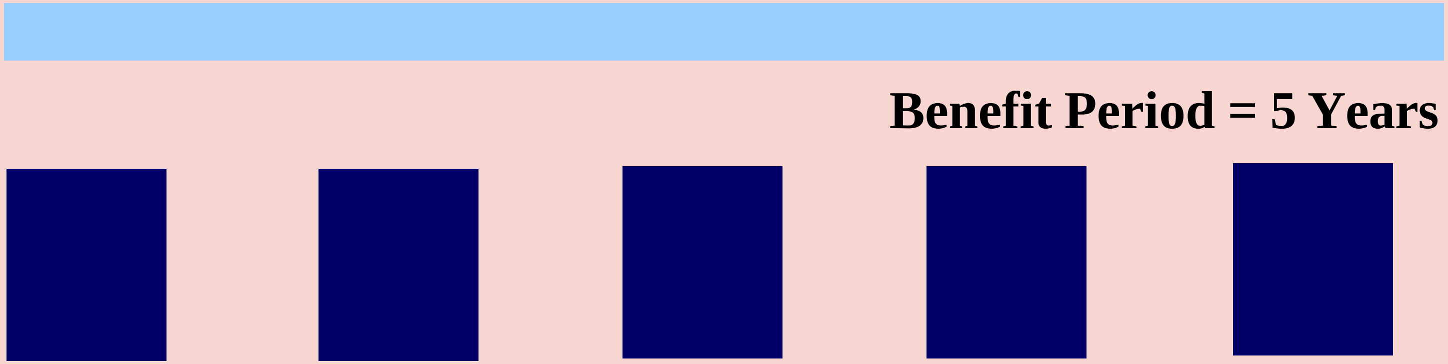


Annual Non Guaranteed Dividend

Terminal Endowment

Benefit Pattern

Benefit Period = 5 Years



Premium Pattern

Premium Period = 5 Years

Sales Projection for ABC insurance company – Strong Growth YoY

Expected to have strong growth in first 5 years

Valuing an insurance company

Appraisal Value

Actuarial
Workshop

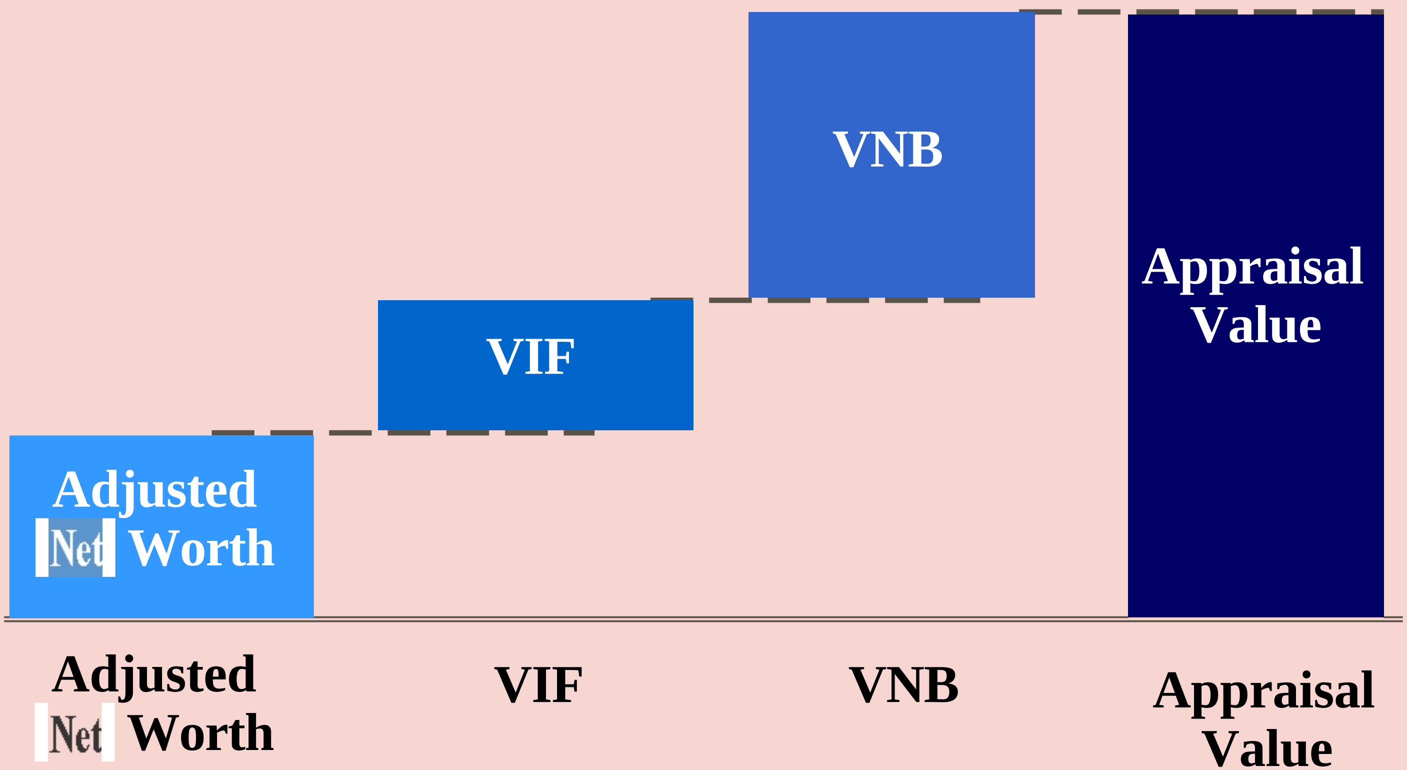
Redefine Actuarial

Appraisal Value – Are you ready?

Appraisal Value = Adjusted Net Worth + VIF + VNB

VIF =Value of In-force

VNB = Value of New Business



Appraisal Value – News

ASIAN LEGAL BUSINESS ALB

ASIA CHINA MIDEAST ANZ

HOME JOBS NEWS RESOURCES EVENTS COUNTRY

Ageas to sell Hong Kong unit to China's JD Capital for $1.4 billion

By Reuters | Sep 1, 2015

0 Comments

Ageas has agreed to sell its Hong Kong insurance unit to a China-based asset manager JD Capital for HK$10.7 billion ($1.4 billion), the Belgian insurer said in a statement, exiting a business it acquired eight years ago.

Appraisal Value – News

Manulife snaps up Standard Chartered's HK pension business

11 September 2015 Category: News, Asia, China, Hong Kong, Singapore, Canada By Hui Ching-hoo

Like Share 4 0 Recommend

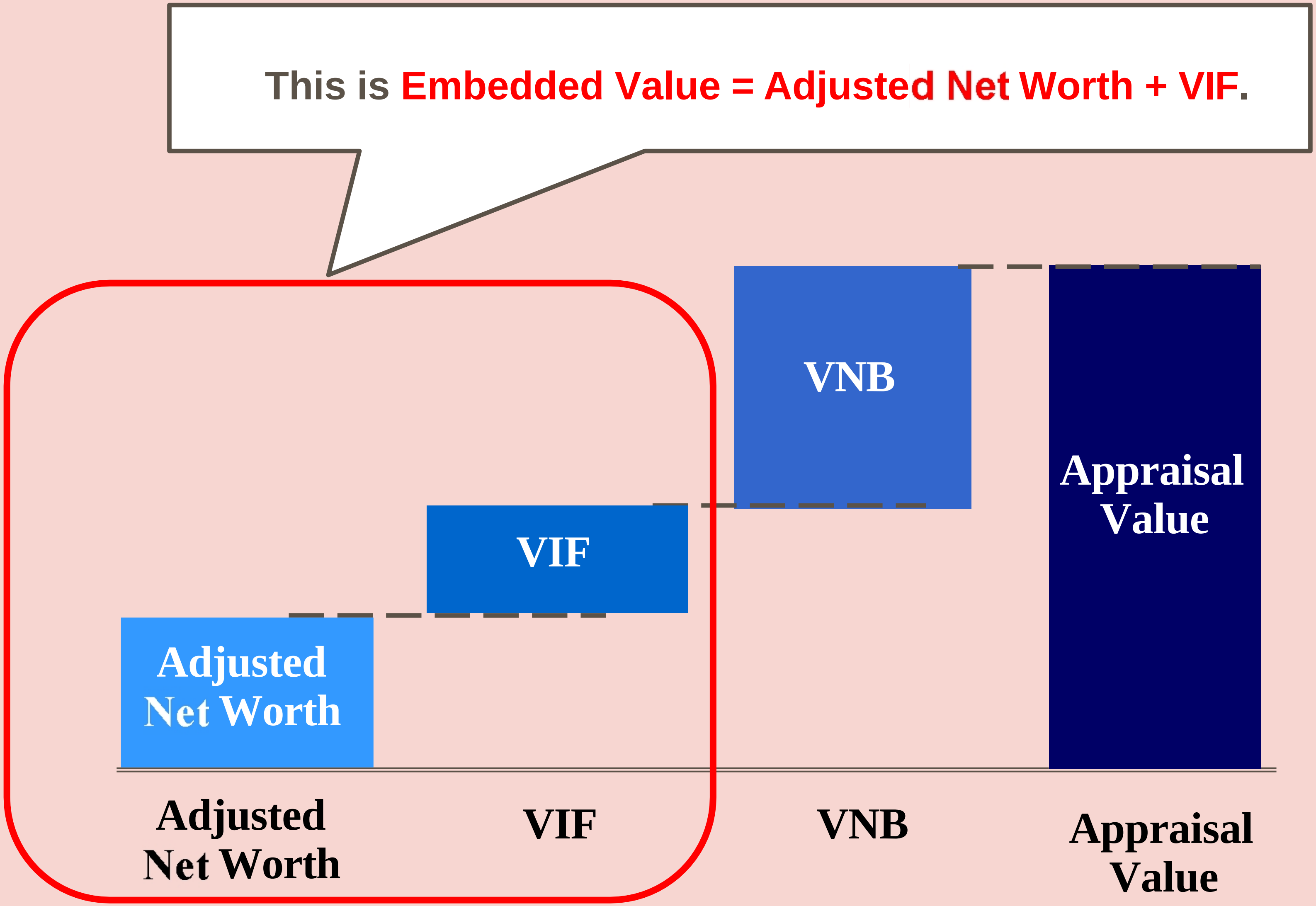
Canadian insurer Manulife Financial Corp (Manulife) has acquired Standard Chartered's Mandatory Provident Fund (MPF) and Occupation Retirement Schemes Ordinance (ORSO) business in Hong Kong.

In addition, the two entities have entered into a 15-year distribution partnership providing Manulife the exclusive right to offer its MPF product to Standard Chartered's customers in Hong Kong.

The transaction is expected to close in the first half of 2016, subject to the receipt of relevant regulatory approvals. Financial terms of the transaction were not disclosed.

However, *Reuters* previously cited market sources as saying that the deal was concluded for around US$400 million.

Appraisal Value – Are you ready?



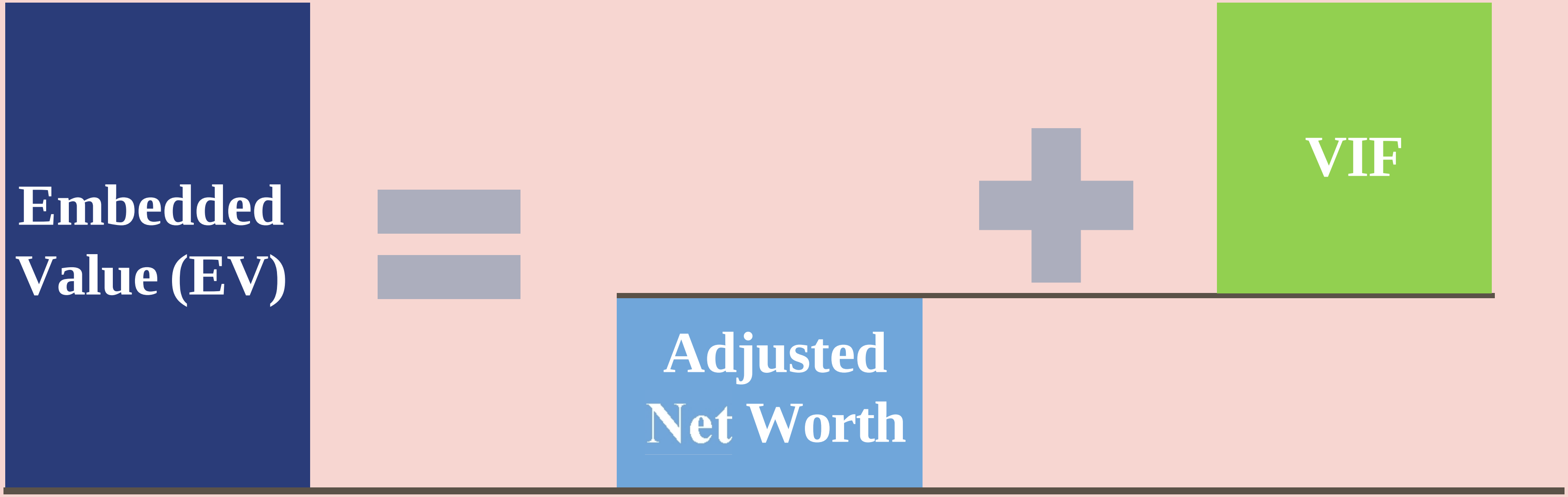
What is Embedded Value (EV)?

Actuarial Workshop

Redefine Actuarial

Embedded Value (EV) is….

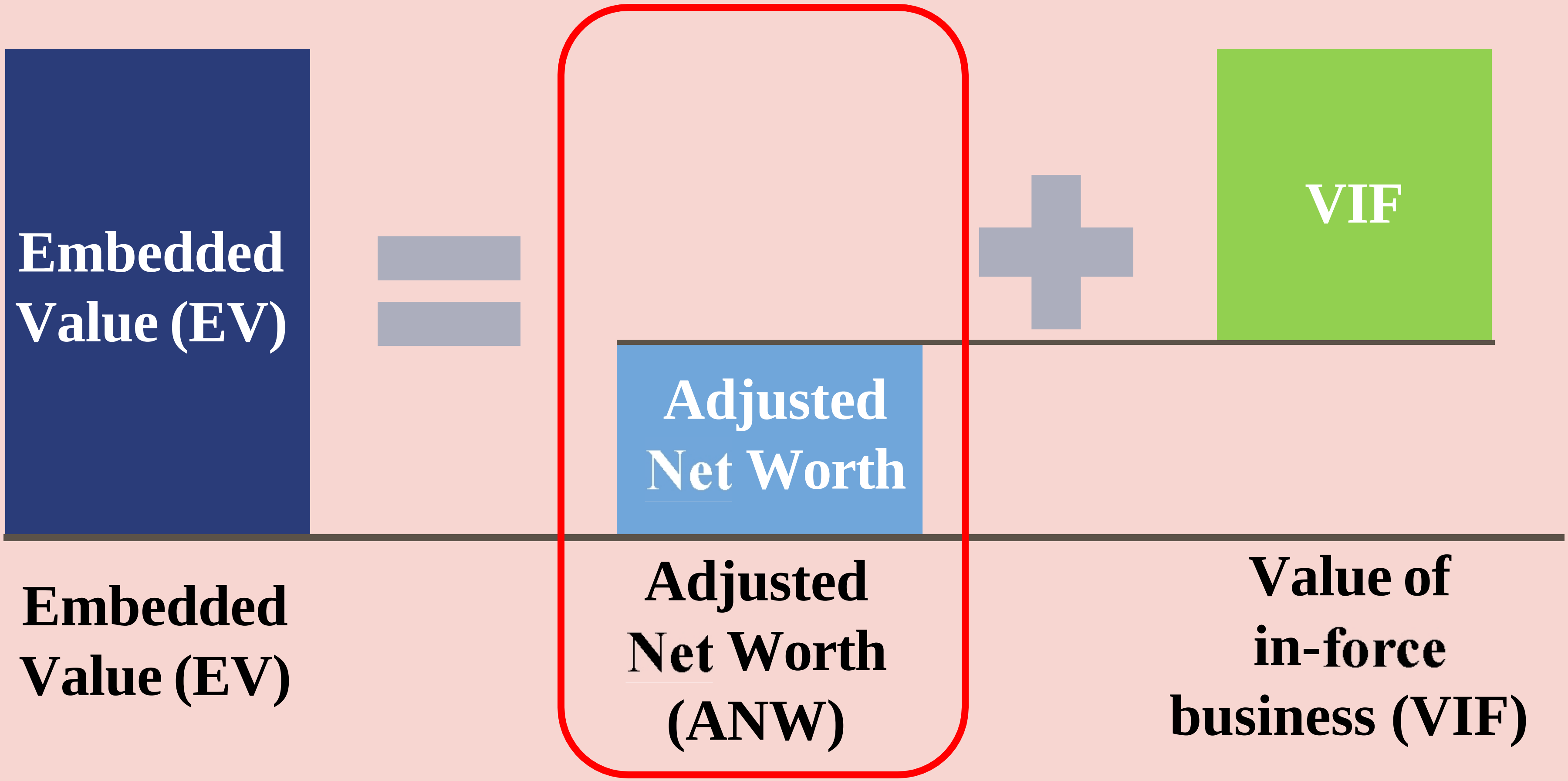
Graphically,



Embedded Value (EV) | Adjusted Net Worth (ANW) | Value of in-force business (VIF)

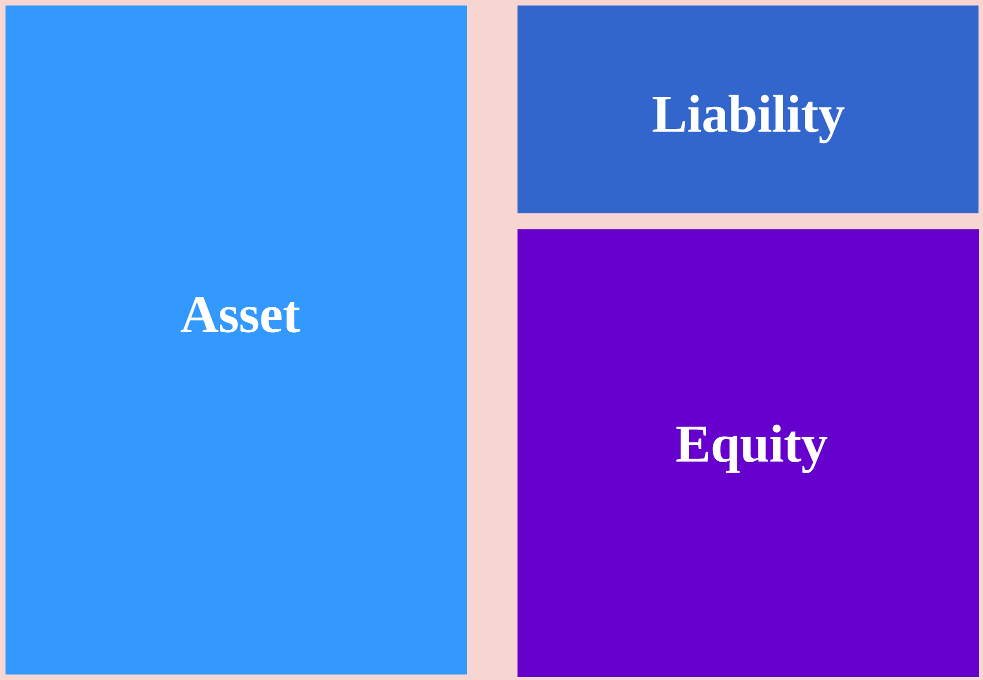
Embedded Value (EV) is….

Graphically,



How to determine Adjusted Net Worth (ANW)?

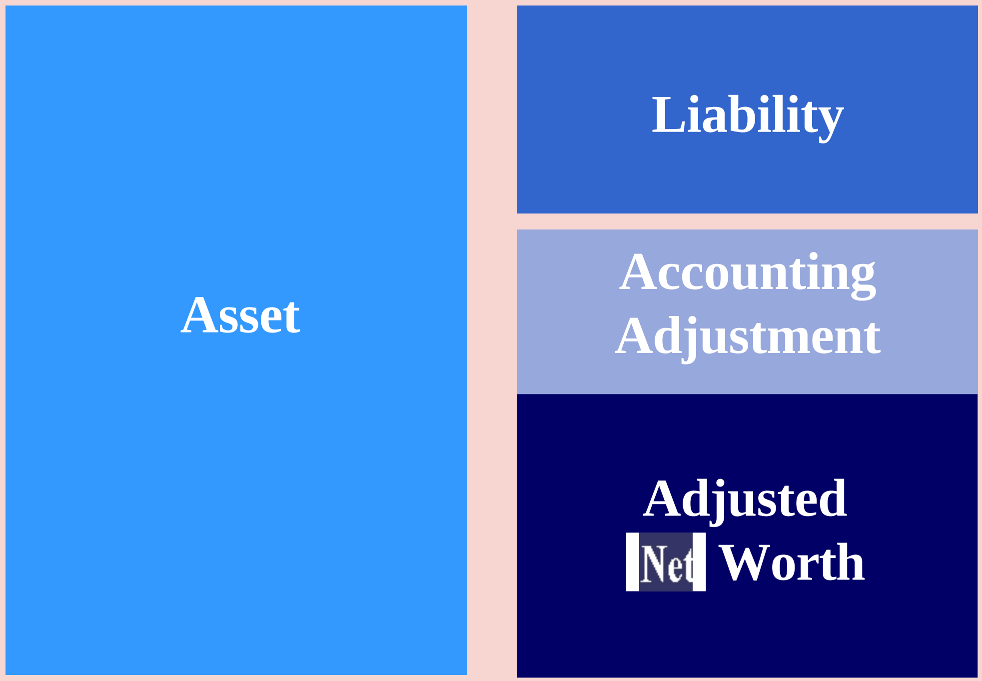
In a typical balance sheet……



Equity=Asset–Liability

How to determine Adjusted Net Worth (ANW)?

In a typical balance sheet……



Adjusted Net Worth = Equity – Accounting Adjustment