

# 33rd India Fellowship Webinar

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## Case Study 9 - Professionalism

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# Agenda



## Background

- Players and Settings
- The trigger
- Sanjay's conflict

## Action Path

- A suggested way forward

## Step 1: Validation

- Self Validation

## Step 2: Decision after validating

- Agree and keep silent
- Disagree and keep silent?
- Disagree & speak up

## Step 3: Action based on decision

- Disagree and Speak to Jay
- Disagree and Speak to AA
- Disagree & Formalize a meeting

## GGG & "Should Jay report to AA?"

- Good Governance Guidelines

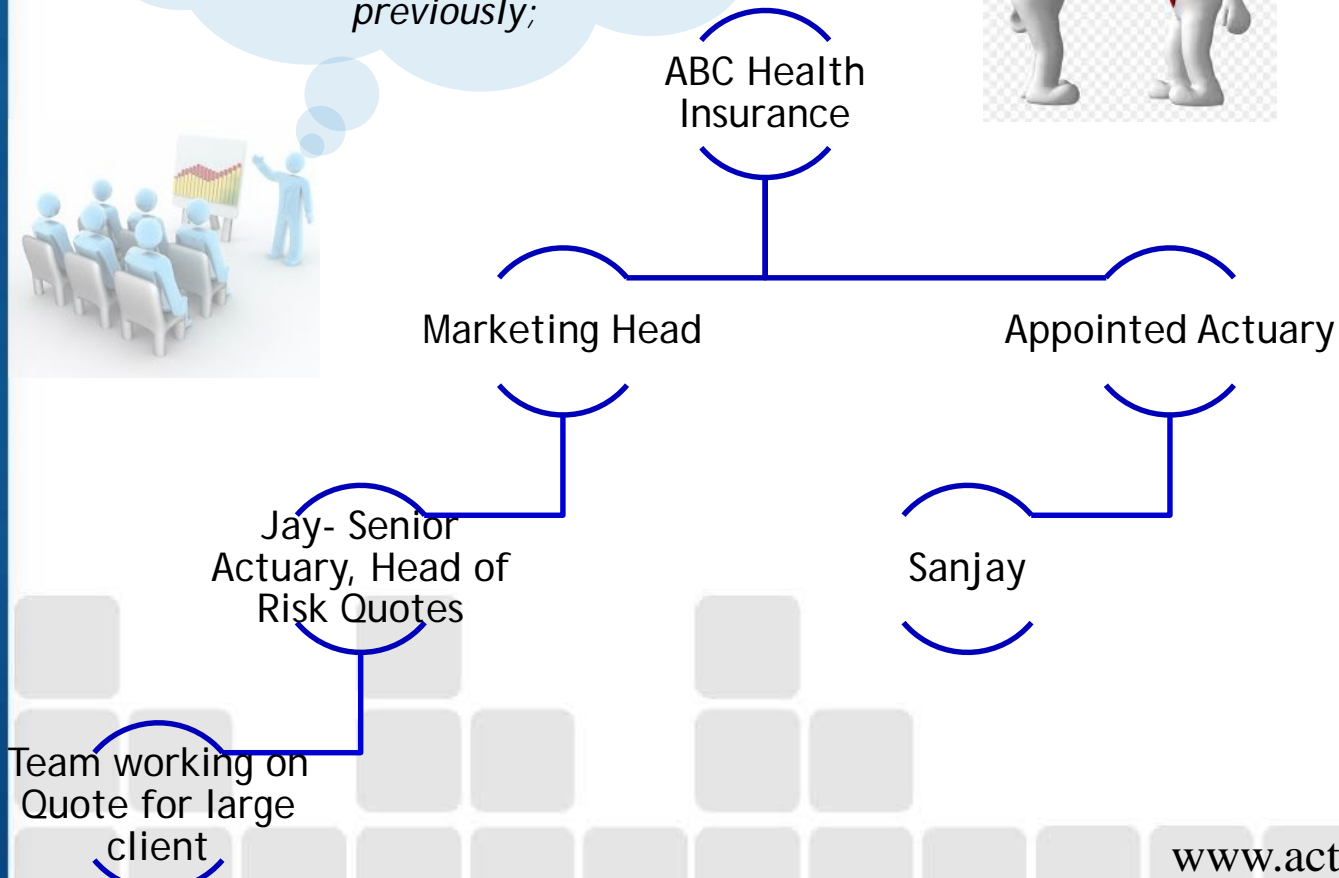
## Conclusion

- Take away from the case study

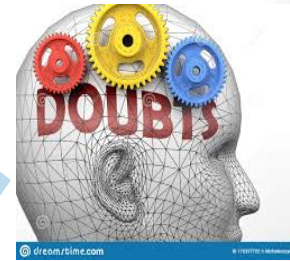
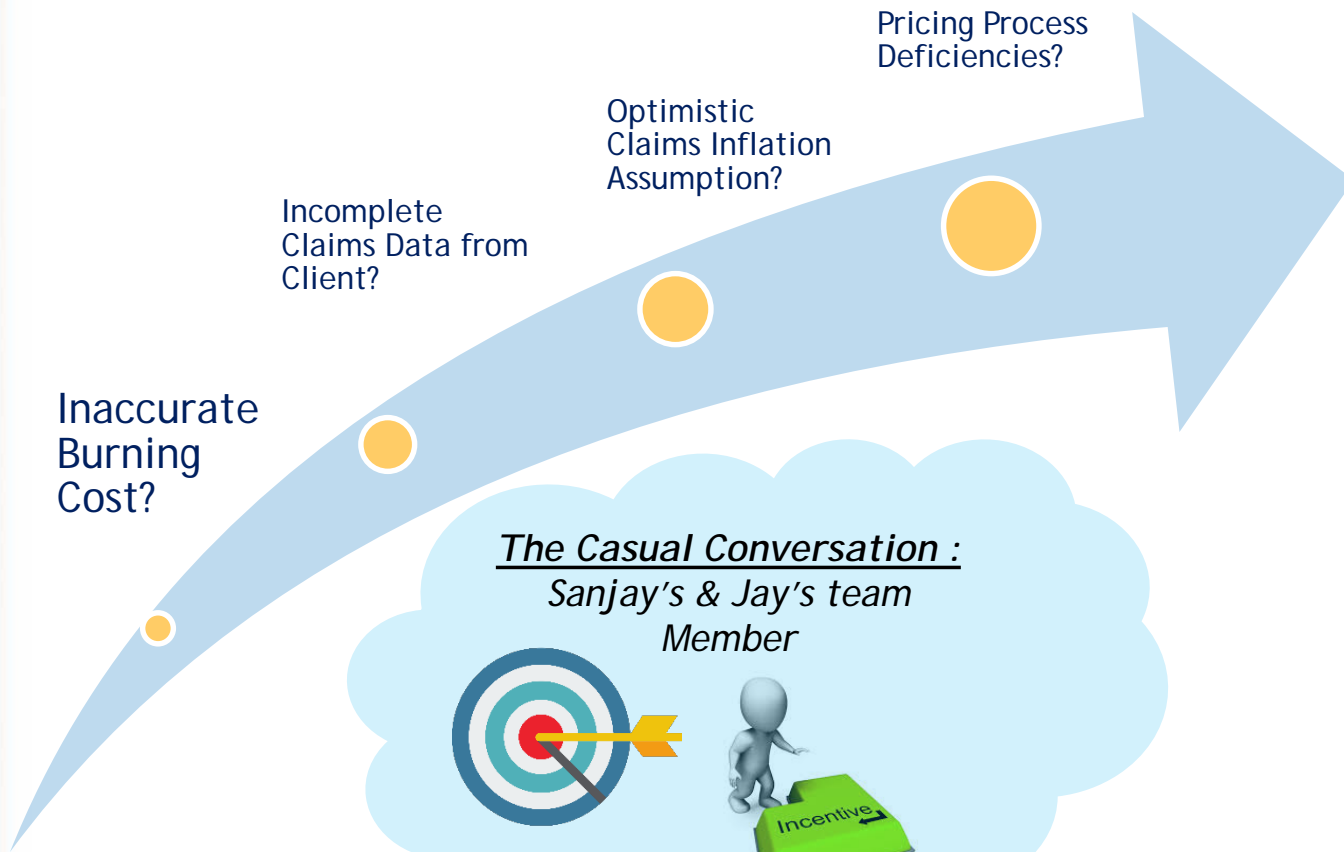
# Players & Settings

*Sanjay : Newly qualified & joined the reserving team of AA in last 6 months*

*Jay : Pricing Actuary In ABC for more than 5 years with ABC; Currently working with team on a quote for a large client, worked upon by Sanjay previously;*



# Trigger: Sanjay's informal talk with Jay's team member



# Sanjay's conflicts



**As an Actuary committed to his profession, what should he do now ?**

As an Actuary committed to his profession, what should he do now ?



# Step 1: Research & Validate



PCS 3.0: Section 3.4: An actuary must consider the extent to which it is appropriate to carry out investigations to assess the accuracy and reasonableness of any data being used. The advice should normally include an explanation or qualification if the actuary has any reservations about the reliability of the data.

## RESEARCH, ANALYSE & VALIDATE

Is the basis of the quote appropriate ?

Reasons which may have led to different quote from when Sanjay worked in previous company on this client last year & lost ?

Has experience changed?

Any Demographic shift?

Any Data/Errors corrected?

Brokerage/other Changes?

Policy coverage may have been updated

ABC may have better risk assessment skills

ABC's may have more information ?

# A Suggested Way For Sanjay

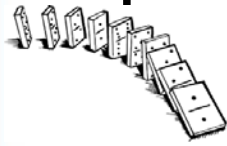


## Research & Validation (Step 1)

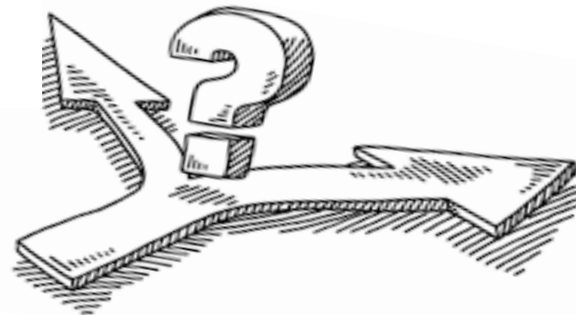
Research  
and validate  
the  
underlying  
method &  
assumptions



# Step 2, Outcome 1: Agree & Keep Quiet



Perceives the quote as **appropriate**,  
conflict is resolved !



*Researched  
& still  
disagrees on  
the quote?*



**Research, Data & Professional Guidance Based  
Conclusion**





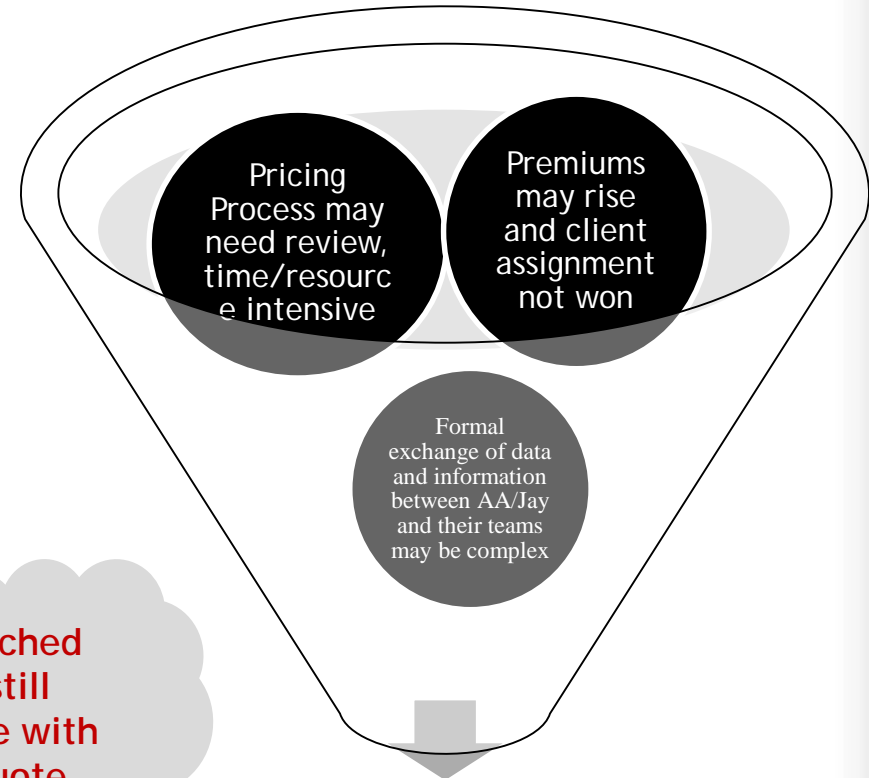
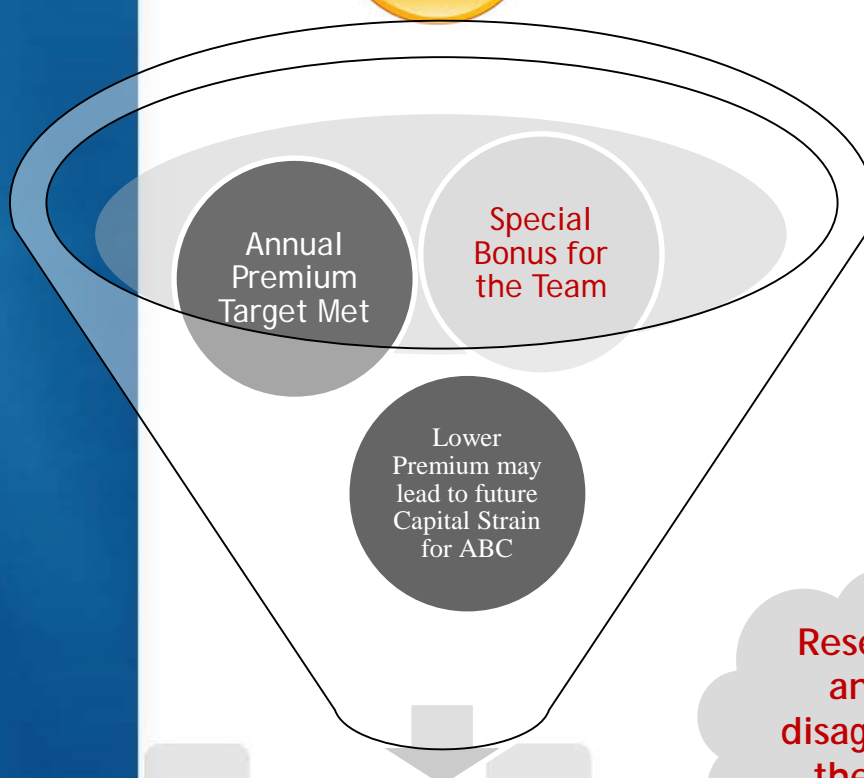
# Step 2: Researched & still disagrees with quote



If disagrees with the quote based on research/analysis, then be SILENT or Not ?

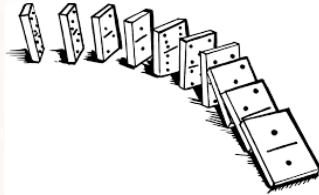


# Step 2, Outcome 2: Disagree but remain Silent



Researched and still disagree with the quote

# Step 2, Outcome 2: Disagree but remain Silent



Professional  
Conduct Standard  
3.0

PCS 3.0: Section 3.3: An actuary may provide advice if the circumstances are such that, having regard to all the relevant factors, it would be contrary to the client's interests to decline to do so.

PCS 3.0: Section 2.1: The actuarial profession has an obligation to serve the public interest. Individually members must maintain and observe the highest standards of conduct. The standing of the profession depends on the judgment of individual members.

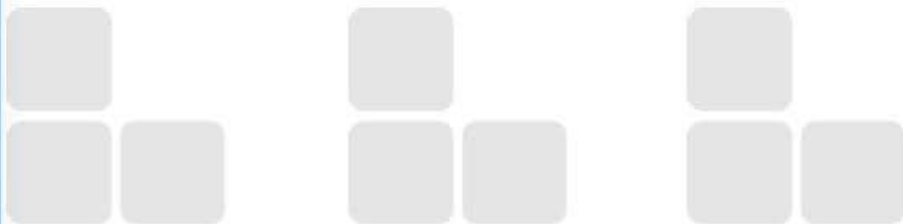
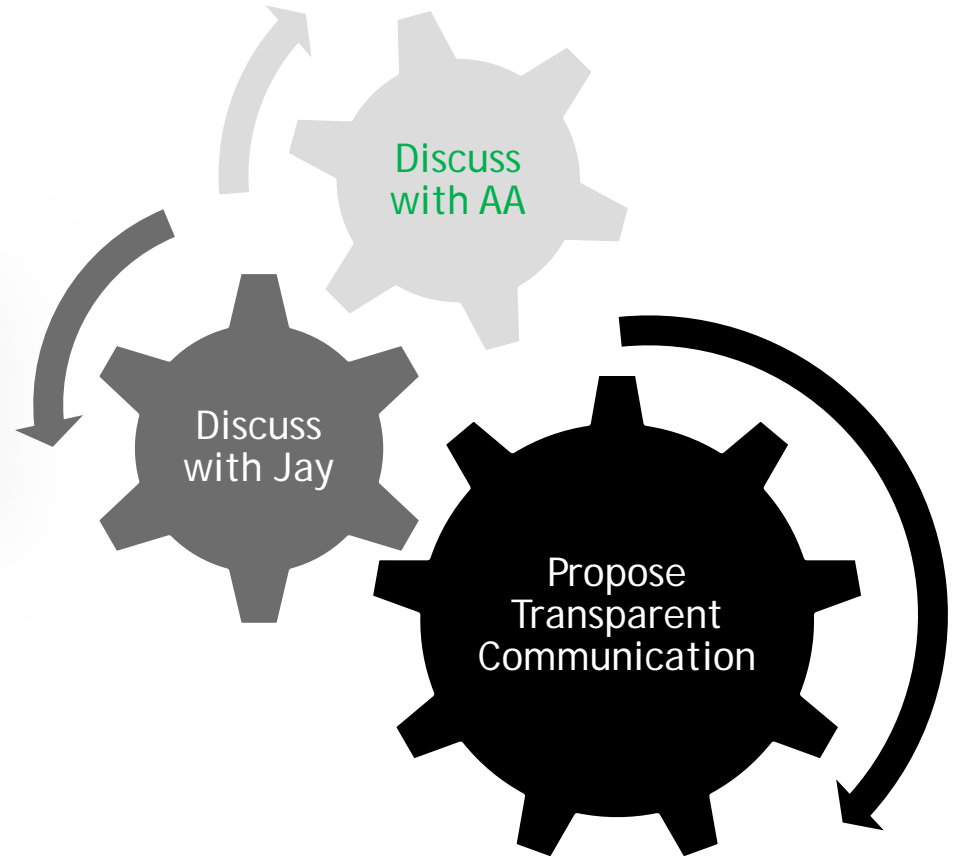
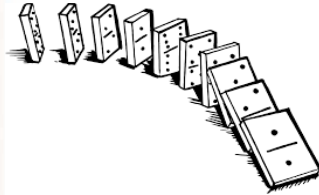
PCS 3.0: Section 2.2 : A member has a duty to the profession and must not act in a manner, which denigrates its reputation or impugns its integrity.



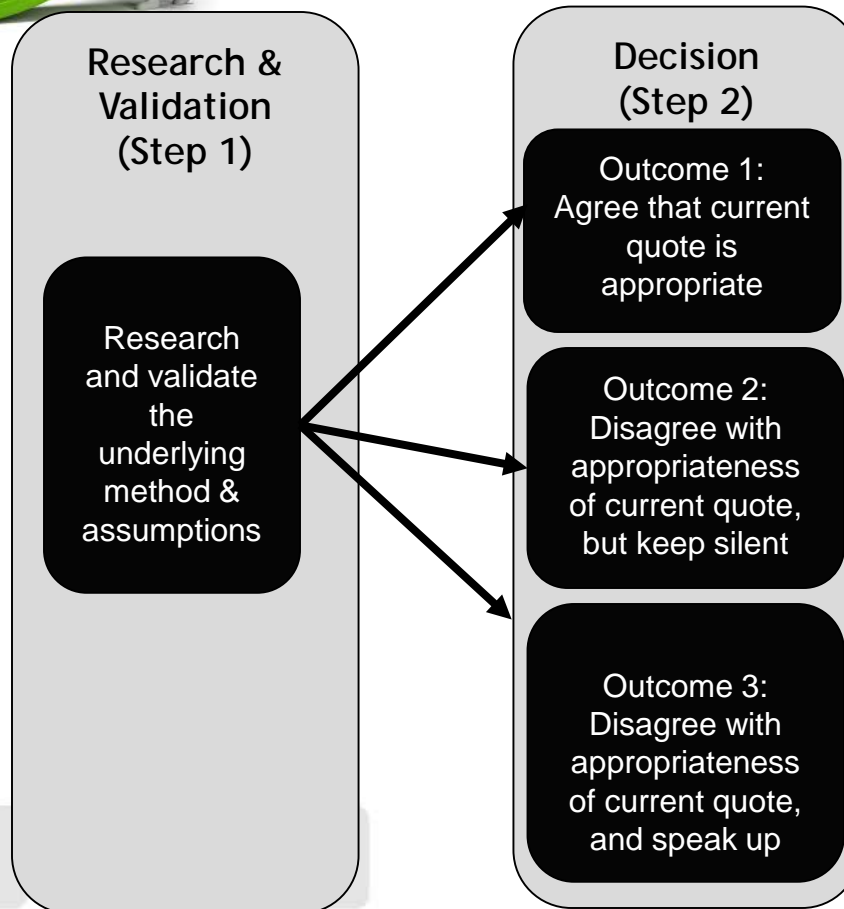
Keeping Quiet, despite of having identified professional discrepancy



# Step 2, Outcome 3: Disagree & Speak Up



# A Suggested Way For Sanjay



# Step 3 Disagrees & Speaks to Jay about misgivings



Sanjay's commitment

Sanjay should discuss his reservations with Jay in a manner which is not critical upfront.

- PCS 3.0 : Section 8.1: Members must avoid any action that would unfairly injure the professional reputation of any other member. Criticism of one member's work by another member is acceptable, provided that the criticism is properly reasoned and believed to be justified.

Sanjay talking to Jay about the data limitations

- PCS 3.0: Section 3.4: An actuary must consider the extent to which it is appropriate to carry out investigations to assess the accuracy and reasonableness of any data being used. The advice should normally include an explanation or qualification if the actuary has any reservations about the reliability of the data.

All actuaries are expected to abide by the applicable guidance, standards and regulations.

Jay's Commitment

As an actuary himself, Jay must comply with all applicable guidance, standards and regulations

*(Illustrated in subsequent slides)*

PCS 3.0: Section 2.1: The actuarial profession has an obligation to serve the public interest. Individually members must maintain and observe the highest standards of conduct. The standing of the profession depends on the judgment of individual members.

PCS 3.0: Section 2.2 : A member has a duty to the profession and must not act in a manner, which denigrates its reputation or impugns its integrity.

PCS 3.0: Section 3.4: An actuary must consider the extent to which it is appropriate to carry out investigations to assess the accuracy and reasonableness of any data being used. The advice should normally include an explanation or qualification if the actuary has any reservations about the reliability of the data.



# Step 3 Disagrees & Speaks to AA about misgivings



Speak to Appointed Actuary

Appointed Actuary must satisfy himself on data, assumptions and method underlying the pricing process

-APS 21: Section 6.1: The Appointed Actuary must satisfy himself that premium rates for new business or renewal of existing business are fair

APS 21: Section 8.3: Appointed Actuary should be satisfied as far as possible that the data are accurate, reliable and consistent. If there are any doubts on the data, the Appointed Actuary is expected to seek assurance from the company as to their accuracy and completeness

PCS 3.0: Section 3.4: An actuary must consider the extent to which it is appropriate to carry out investigations to assess the accuracy and reasonableness of any data being used. The advice should normally include an explanation or qualification if the actuary has any reservations about the reliability of the data..



# Step 3 Disagrees & Catalyzes communication to propagate transparency



Formal Meeting

Sanjay may consider helping arrange a formal meeting between AA and Jay's team.

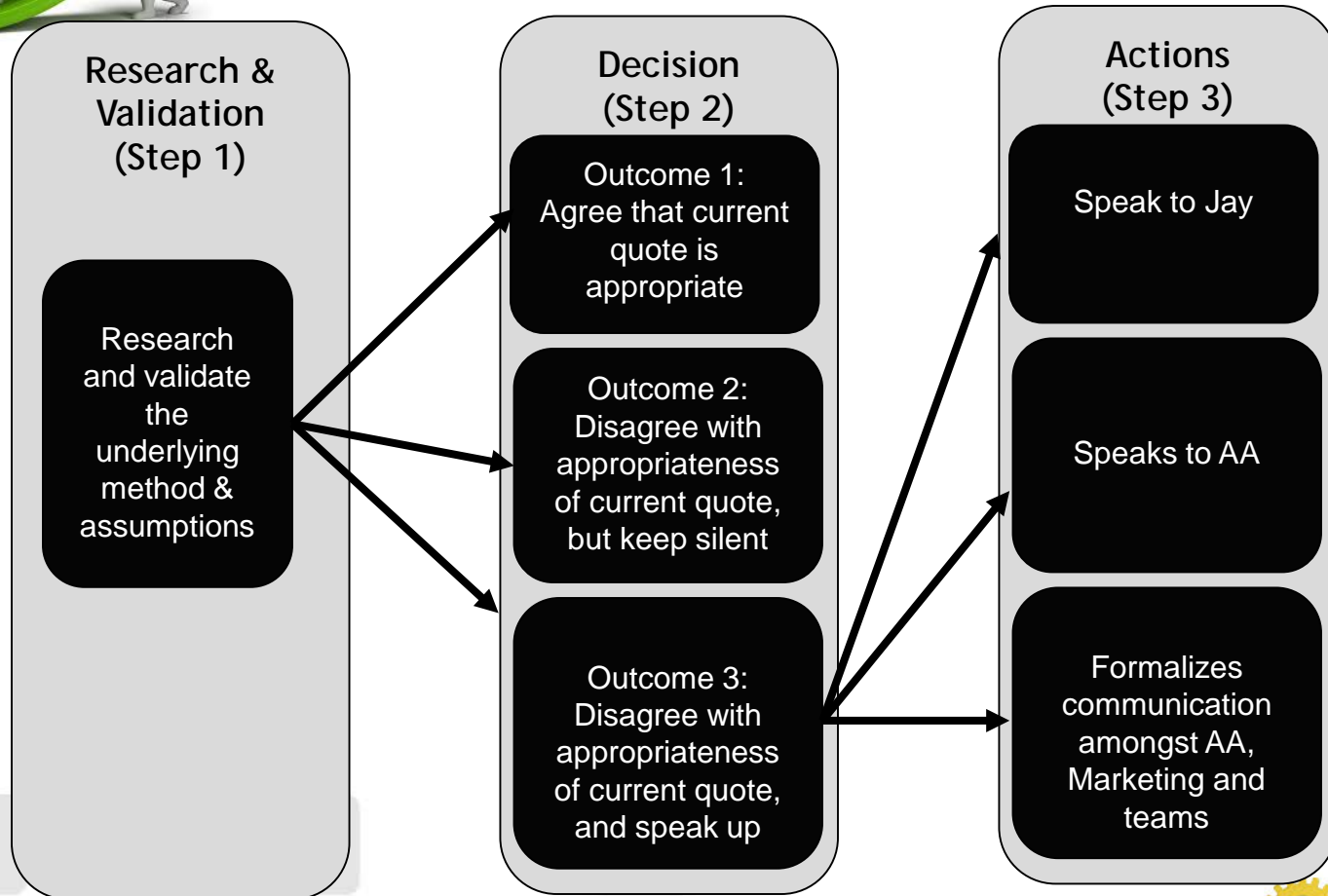
This could then help involve the AA and Jay's team to formally discuss the issues of this assignment.

- - Help draw attention of the AA
- - Help Jay clear his stance and present his argument
- - Bring transparency in this assignment as well as in future assignments





# A Suggested Way For Sanjay



# GGG: Good Governance Guidelines



Pricing Actuary report to Marketing Head or the Appointed Actuary?



Pricing Actuary may report to marketing head OR AA but with good governance practices.

- Defined financial limits for the Pricing Actuary
  - Detailed Pricing Manual:
    - Group categorization based on company's risk profile
    - IBNR with sufficient prudence to address data issues
    - Claim Inflation linked with suitable index
- Beyond Pricing Actuary's financial limits
  - Peer review by other actuary
  - AA's review to ensure premium sufficiency
- Management should also factor in the likelihood of unexpected natural calamities and pandemics like those seen in recent global history of Covid19, SARS etc.
- Good reporting framework : Comply with PCSs, Regulations & APSs





# Conclusion



- Ensure compliance to IAI's framework intended to maintain high professional standards through PCS (s), GN(s) and actuarial practice standards. Compliance is imperative for all members irrespective of membership status.
- If dilemma continues, Sanjay can seek to consult the "Institute" and/or any respectable and senior member of the profession for guidance on the right course of action, without divulging any client specific details.
- Sanjay must endeavour to be not merely technically right, but also imbibe the spirit of the various directives available.
- Pricing Manual, which is detailed, can save the organisation as well as avoid any such situation in the future. It will also ensure, that subjectivity and judgemental decisions are limited to the minimum and improve the quality and efficiency of the pricing and quotation process.
- Every professional must uphold their professional commitment by himself/herself.

