



Institute of Actuaries of India

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the Actuary INDIA

INDIAN ACTUARIAL PROFESSION
Serving the Cause of Public Interest

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SHAPE YOUR CAREER



Started my career as an Actuarial analyst and have moved up the ladder into a techno-managerial role. Recently got exposure to real client facing environment at Tokyo Consulting Office. Geared up for more to come!

– Rituparna Chaudhury – Process Manager, IAS

Our best in class Actuarial Study Policy and supportive work culture has enabled me clear Actuarial Papers and am eagerly looking forward to an even brighter future ahead!

– Kirti Singhal – Assistant Manager, IAS

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Interested candidates can forward their Curriculum Vitae with complete details of their academics and actuarial examination credits to indiajobs@mercer.com

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CHIEF EDITOR

Sunil Sharma
Email: sunil.sharma@kotak.com

EDITOR

Dinesh Khansili
Email: dinesh.khansili@mithrasconsultants.com

LIBRARIAN

Akshata Damre
Email: library@actuariesindia.org

COUNTRY REPORTERS

Krishen Sukdev
South Africa
Email: krishen.sukdev@gpaa.gov.za

Frank Munro
Srilanka
Email: frank.munro@aia.com

Anshuman Anand
Indonesia
Email: anand.anshuman@gmail.com

John Laurence Smith
New Zealand
Email: johns@fidelitylife.co.nz

Nauman Cheema
Pakistan
Email: info@naumanassociates.com

Vijay Balgobin
Mauritius
Email: vijay.balgobin@sicom.intnet.mu

Kedar Mulgund
Canada
Email: kedar.mulgund@sunlife.com

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"A noble man's thoughts will never go in vain. -Mahatma Gandhi."

"I hold every person a debtor to his profession, from the which as men of course do seek to receive countenance and profit, so ought they of duty to endeavour themselves by way of amends to help and ornament thereunto -Francis Bacon"

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From the Desk of

the President

– Mr. Rajesh Dalmia

Dear Members,

I am very happy to highlight the importance of some of the decisions taken by the council recently. They have far reaching implications. Council recently gave a definition of actuarial work which is derived from the definition of actuarial science given in the Act. The definition of actuarial science given in the Act is quite wide and it covers the domains of insurance, pensions, investment, finance and management. The field of management is quite wide and can cover various industries including FMCG or internet start-ups. Many of these sectors use analytics and other quantitative sciences to aid in management decisions. All our students working in this area can now count these experiences as actuarial experiences for the purpose of meeting the 3 year experience requirements. They need not join an actuarial department in a company to demonstrate actuarial experience as long as they are using any of the techniques or material studied in CT subjects in their jobs. This will help our young members to gain wide variety of experiences and yet gain the fellowship.

The same definition is proposed to be used for the purpose of APS 9 where an actuary doing any actuarial work would need more CPD hours compared to an actuary not doing any actuarial work.

Recently, I was told that there were few Appointed Actuaries who in a meeting called by the regulator admitted that they are not aware of the requirements under APS issued by the Institute. This is a sorry state of affairs. APS are issued in the interest of the public and actuaries are to serve the interest of the public. Besides, some elements in the APS even give protection to the Actuaries. Therefore, it is important that every Actuary abides by the APS issued by the Institute. In the past, Institute never monitored or took any disciplinary actions for any violations in the APS. However, very soon Institute will start monitoring the same and would initiate disciplinary actions against those who are found to be in violation of the same. Therefore, it is in the interest of the members that they start complying with all the APS which are applicable to them. Any

disciplinary action leaves a permanent negative mark on the professional record of the actuary.

I used to wonder how the private enterprises are different than the government enterprises. This role has highlighted the difference in stark contrast. In general, in private sector you will lose your job if you do not take actions. However, in government jobs you will lose your job for any wrong actions taken by you. In private sector, it is recognized that a person would have to take decisions and some of them may go wrong and it is fine if they are wrong. However, in government positions it is not the same. In fact, no action is still better than taking a wrong step within a government type set-up. Thankfully, our Act provides protection to the council and council members under section 53 which helps at times to allay such fears.

I hope to finish what I started and hopefully the profession would be a stronger profession in the years to come.





From the Desk of

the Editor

– Mr. D C Khansili

Dear Readers,

The current issue of the Actuary India is carrying the Member (Actuary), Ms Pournima Gupte's views on various topical issues. I am pretty sure that views expressed shall guide the insurance industry and actuarial profession in India.

You might be reading the interviews of CEOs of Life Insurance Companies since September 2015. Their views expressed on future of insurance and inviting enhanced role of Actuarial professionals in development of the insurance are welcome. This would pave the way to engage the services of more actuarial professionals at various levels in the insurance industry.

It is heartening to note the support of many actuarial professionals including Appointed Actuaries who have been instrumental in getting the replies from their respective CEO.

We expect the views of CEOs from general insurance companies and

health insurance companies getting published in the Actuary India in its subsequent issues.

We have observed that apart from GCA, there is increasing participation from professionals other than actuarial professionals in different seminars organized by the Institute of Actuaries of India. It was good to see sales professionals replying to Actuaries' queries in CILA seminar OR Chartered Accountants working in other than insurance companies and their statutory auditors speaking their mind in 3rd capacity seminar. They were explicit in speaking how they understand actuarial profession and their expectations from the actuarial profession.

Every profession has its uniqueness and so the Actuarial Profession. I recollect the memories of 1990-91 how late Mr. A Sailendra used to take us to meet senior actuaries in Delhi. Privatization of insurance was distant

in sight but enthusiasm in actuarial profession was there through the support of senior actuaries. I am pretty sure that young actuarial professionals of today would gain a lot by just talking to senior actuarial professionals. E.g how many projects/roles they have handled, how they used their actuarial and general management skills to provide solution to problems, what actually profession means, etc.

We also invite senior actuaries to use the Actuary India magazine as a platform to share their experiences relevant to the actuarial profession.

Through these columns, I wish the successful financial year closing as at 31-Mar-2016 for the Insurers and best wishes to the actuarial students for their actuarial examination(s).

Happy reading!



2016 AGFA & 18th GCA

Participant's survey

-Summary Report



736 participants from 14 nationalities representing 17 countries, 110 institutions, 5 actuarial associations- 15 speakers from abroad and 44 from within India; it has been truly an unmatched actuarial event which can be hosted by an actuarial organisation in eighteen years succession! The event has been wider in all its sense and much more meaningful in its meeting objectives. One of the major departure this time has been the absence of "Theme" of the conference which also enabled to include a wide range of topics depending on the choice of the speaker.

18th GCA survey also been participated by highest number ever; 210 submissions constitutes almost 31 percent of participants! The large turnout in survey participation owes to minimum number of questions set in and also more space for open comments.

A snap shot of impressions from participants of 18th GCA mixed with appreciations, criticisms and suggestions. The survey is limited to only 6 questions; however, a lot of space has been given with most of the questions for open expressions. The

respondents of the survey appear to be a good cross sectional representation of conference delegates reflecting the pulse of the event from all groups.

Summary of the survey:

Q.1 Assigned to personal information of the participant

Q.2 Reasons for attending the event (multiple answers possible)

209 respondents- Networking opportunities appears to be dominant; its more or less equally important to note that other major reasons for

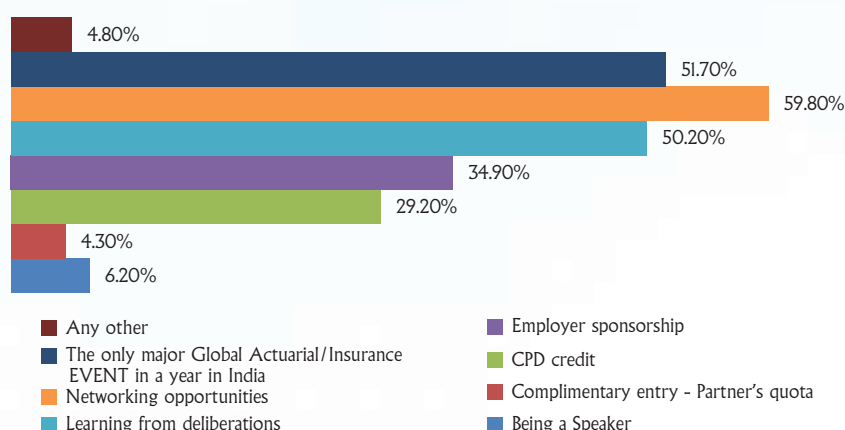
attending the conference include learning from deliberations and desire to participate the major actuarial event in India. This reflects that one of the major objectives of conducting such an event is met to a large extent.

Q.3 Time taken for registration

208 respondents

63 per cent of the survey participants experienced registration within 2 minutes of day 1. For a conference experiences large turnout for registration in short time intervals,

Reasons for attending the event (multiple selections possible)



There were few open comments under the question as:

Have attended these conferences whenever possible while visiting India

Collecting award

International Media

Also to get insight on Actuarial. Specifically e.g. know the further studies after qualifying actuarial or during actuarial.

To see a pool of actuaries at one place for the first time

To get Qualification certificate

Receiving Fellowship Certificate and Award

To meet all the people coming from abroad and all my friends in India

Building relationships with other actuarial organizations

Getting Fellowship

To gain knowledge and to keep myself up to date

Co-Sponsor

Have attended all GCA for the last few years

this indication to be considered as an indication of higher efficiency levels. On day 2, this indicator is 87 per cent.

Q.4 209 Respondents Services and Venue Rating (Rating from 1 to 6,

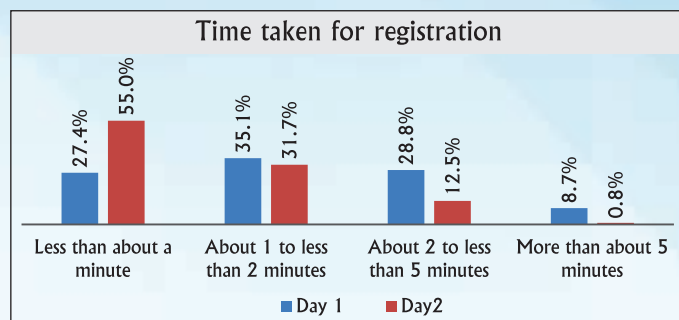
6 being the highest) 152 members answered

The IAI staff are rated at their best level of service ever. Food and accommodation has been an area requiring improvement, particularly food is an area of concern for a large

section of participants. The hotel rating deteriorated again; the organisers may need to consider this aspect seriously.

Q.5: Related to Speakers and topics

An open question to name speakers made their session interesting/ lead to



Rating scale and number of ratings							
Items	6	5	4	3	2	1	Average rating
Efficiency of help desk	85	85	24	5	2	5	5.12
Support by IAI staff	87	79	30	7	1	3	5.14
Networking facilities	50	69	54	20	4	3	4.66
Food and Accommodation	37	52	54	40	16	10	4.11



sleepy. There were quite good number of speakers made their session lively and interesting to audiences; there were few made the session boring as well. Responses show there are good number of delegates who are keen on speakers and topics. Names referred by survey participants are not published here to maintain confidentiality of information.

Q.6: Rate the event

(Few comments being controversial has been noted by the Organisers; however, not published here.)

Barring few responses, the overall rating for all events appears to be in "very good" category. The survey participation of student members who have attended IAI student event is over-whelming and have better rated than other events. The overall rating 4.52 for such a mass event loudly speaks the quality of its organising and success.

Items	Rating scale and number of ratings						Average rating
	6	5	4	3	2	1	
2016 AGFA	31	68	50	5	9	3	4.59
18th GCA	33	80	69	17	3	2	4.57
2016 AGFA & 18th GCA- Overall	26	77	55	18	5	2	4.52
IAI Student event (if applicable)	36	40	24	9	7	0	4.77

Comments: (Few comments being controversial has been noted by the Organisers; however, not published here.)

The networking opportunities are great and the event is well organized. I enjoy attending the GCA overall.

Just one comment: the topics are not technical enough. It seems like the profile of speakers is considered more than the actual topics they are presenting. The presentations are mostly canned and do not offer any unique insights. A better mix of technical and general presentations will help the GCA overall. I would recommend one/two of the organizing committee to attend the SOA annual meetings / Valuation Actuary symposium so that they can compare and contrast.

Perhaps there could be better directions to the venues of Concurrent Sessions. The ground rules that IAI set out for the GCA were not really obeyed. One of them said that participants should not loiter around when the sessions are on. This really wasn't followed and many people, including eminent actuaries, were seen talking outside while the sessions were on.

Suggestion would be to keep each of the sessions short like 15-20 max. And make it mandatory to end on time. A timer can ring before 3 or 5 mins to end sessions.

More free and interaction time should also be allowed.

Unfortunately, the event was not worth its money. I'd like to make these specific points:

1. I appreciate the speeding up of the registration process.
2. The quality of speakers has deteriorated substantially.
3. The food was okay and beverages like tea/coffee were only served for a short period, the experience would have been more pleasant if this was not the case.
4. The lobby was always either too crowded or too deserted. This did not favour the networking opportunities available.

Some topics were just like information sharing. More interested in knowledge sharing sessions. And food , too bad.

We seem to be losing focus for the conference. This is meant be to a conference for Actuaries to discuss and exchange Actuarial matters and related issues like product development, innovative thought leadership around Actuarial developments etc. We should hear more about what is happening in the Actuarial field in other parts of the world.

(1) should put big screens so that the minor details in presentation could be visible clearly from every part of the room.

(2) should work on the sound system and acoustics

(3) should limit number of attendees and/or organize the event at a place that is big enough to avoid overcrowding.

Local topics should be avoided in future as this is a Global event.

This year's was the best organised among all GCA's I have attended. I feel you should reduce the speakers and sessions and make it more interactive for students and others. Also there should be a proper coordination between the organisers and the media members present at the venue.

Need to give more opportunities to Actuarial Departments of various companies to present their work, e.g. Max Life Fewer experts but give them more time to present whatever they're presenting. In other words, let speakers go in-depth instead of presenting a few slides.

Food and AGFA event was better in the previous years. Also on Day 1 it felt a bit clustered with too many people.

I was judge for the student event. That session was superb as it gave the young members great exposure and useful tips. Well done IOA

The speakers should consider the topics keeping in point of view that the students are attending too. So they should explain the topic a bit in detail so that the students understand the topic properly. Overall good event.

The event was bit different from earlier GCAs. The attendance was appropriate as per the capacity. I believe, AGFA could have been more elaborated and more interesting. Food quality at the Renaissance has been poor as usual, but this time was worse.

On the second day of GCA almost 50% of delegates mostly youngsters were found outside the main hall when sessions were going on which gives poor impression of the Institute members. This was despite the several appeals made by Conference coordinator.

IAI has to do something to put an end to this kind of behaviour.

This type of behaviour is indicative of scant respect to the professional behaviour expected from every member.

Topic to cover Climate change and implications to insurance industry be added and updated in future GCAs

The event was really well organised. Sessions run through timely. However, inaugural session could have been better.

Presentations should be crisp and the presenter should be able to engage the audience which is lacking in most GCAs that I have attended.

There should be topics on what's currently happening worldwide on core actuarial areas and how actuaries are contributing in other wider areas. More time for Q @ A should be provided.

Very well-conducted program. Keep it up!

I would have been happier if the event [from setting the context ... to what the audience, mostly consisting of students and aspiring actuaries had as their takeaways] had reflected greater sensitisation and understanding of the various ground realities of the Indian and global insurance landscape, particularly customer concerns and helped to set direction...

Perhaps, more of collaboration and jointly working with other organisations engaged in promoting learning and providing thought leadership in insurance space [who are not actuaries] may be of help

Overall the event was well organised.

Overall the GCA was very small with less sessions, and less number of stalls for events. The participation from foreigner actuaries was also less and it was very crowded especially during meals as the constricted lobby was the only place available for the same.

IAI Student event on day 2 started about 40 minutes late. Very unprofessional. Most of the topics of 18th GCA were quite boring and repetitive. Time keeping of the speakers was very poor. AGFA had repetitive dance sequences. Variety in terms of magic/trick show, stand-up comedy etc. would have been nice. Food was nice. Though we had to wait for long at chat stalls.

Delay in sessions, hence couldn't attend the full student even as was getting delayed for a flight

Some topics were very good like data science by AXA, Solvency 2 by Swiss Re.

Others were not that interesting There was a continuous problem of echo on stage because of which speakers were not able to properly understand queries raised by audience.

Also time management was done poorly.

People were mostly loitering outside despite repeated bell ringing by hotel staff.

Rather than forcing people to attend and listen sessions, Institute should focus much on improving quality of speakers to keep audience to their seats

The duration of the GCA must be increased to 3 days.

The AGFA performance this year wasn't all that great. Earlier years the performances were really fascinating.

The audio systems weren't really good. The speakers weren't audible and hence the entire experience couldn't be enjoyed well.

Presentations were not good, Most of them were not audible, People don't know to catch mike properly. There should be someone to adjust mike for speaker

IAI student event was the blockbuster amongst all the events. For the other events, there should be more of discussion and participation from the audience rather than one sided speech given by the speaker. And more of such events should also be conducted for the students by the IAI as well in the GCA itself.

The Conference was well attended. It provided opportunity for younger actuaries and senior actuaries to interact. Arrangements are good. Halls and seating are convenient

I must rate it as a very successful conference that provided something very useful to every participant.

I appreciate the efforts taken by the staff of the Institute and every one including the Chief Organiser who was personally filling up any small deficiency without standing on formality or status. Lovely venue

The UK and the SOA events usually start with an opening address for 1-2 hrs followed by dinner with exhibitors which in a way is a networking session.

Adopting this format for next GCA, may quench the networking needs of individuals on the first day and then hopefully people will attend the sessions on day 2/3 rather than just trying to network in intermittent breaks as well as during sessions.

Family interview of newly qualified actuaries was missed a lot.

Just an Environment- friendly advice:

Refill water cans should be put along with small size bottles. So, the people who are carrying bottles with them may refill those bottles only. This will be more eco-friendly.

The 2nd day of the event invites very less participation. The reasons may be due to the Agfa getting done on the earlier day or other. But something should be done about it.

The student event could have started as per schedule. Many of the students could not attend the event since the flights were booked as per the program schedule announced. A delay of 40 mins could have been avoided.

As said on many occasions, it is moving away from actuarial topics, especially plenary sessions on day 1. Question whether it merits 12 hours of CPD. Disappointing attendance morning of day 2... Again questioning CPD...but how to monitor? The Max Life presentation was not only brilliant, it was practical, the audience attention was amazing and shows what can be achieved through thoughtful planning of agenda. Case studies are good and are commended, but can be hard if employers do not permit. Hats off to Max Life.

The physical feats performed at AGFA were not special

I continue to feel that the GCA has too many sessions without much relevant content, which can be cut down on. While global exposure and cutting-edge ideas are no doubt helpful, it is difficult to see the relevance of a presentation on US statutory reserving or two whole presentations dedicated to heuristics & biases/ behavioural economics etc. (Frank Ashe's on day 1 and Gavin Maistry's on day 2.) After removing such irrelevant content, the number of plenary sessions could perhaps be reduced from 4 to 3.

Further, it seems that many of the international presenters were not very familiar with the Indian context. One often got the distinct feeling that the many presenters discussing solvency II/risk based capital did not realize that India does not yet have a solvency II regime.

While international exposure is well and good, it is incumbent on IAI to acknowledge that the so-called Global Conference of Actuaries is in fact an event attended primarily by actuaries working in or associated with the Indian industry, whose major concerns are also necessarily related with the Indian industry. It is high time for the conference to be re-aligned accordingly.

More panel discussions on hot topics such as limitation of expenses, other forms of raising capital such borrowings, changing dynamics of distribution channels, penetration of untapped segments etc should be arranged. This time I felt that such issues are less discussed.

The two days were crisp although papers could have been more relevant. Regulators perspective was interesting to hear.

I was very disappointed with the AGFA. I got my Fellowship and it did not feel like it meant anything in the function. The names were being called out in a desperate hurry. Less than 10 seconds were spent on each Fellowship compared to at least 5 minutes till last year.

Considering I prepared for my certification for half a decade I was very disappointed. I had expected more.

Need to expand the scope of covering Investment and Finance related topics.

Very Good Experience. Very well managed and co-ordinated event by IAI Team. Thank You!!!

More time for questions

Speakers should be better prepared, time keeping is very important

Am surprised at the inclusion Lloyd's presentation since it has a very heavy commercial element in it (which contradicts with the general principle of an IAI event).

Some of the lectures were very boring & useless.. No connect with audience.
Not even relevant too.. We should give importance to content rather than high profile speakers..

There was lots of echo in the room. So the voice of some of the speakers was not too clear.

Almost all sessions were not fulfilling expectations... Presentation quality and presenting quality were poor. Even many experts were not able to share knowledge... It has just become a way of networking...that's it... First time of GCA.. Quite disappointed...

About the author

Mr. Vinod Kumar Kuttierath

 vinodkumar@actuariesindia.org

 Head – Research

 Institute of Actuaries of India



18th GCA Concurrent Session on ERM



Organized By: Institute of Actuaries of India

Venue: Renaissance Mumbai Convention Centre Hotel, Mumbai

Date: 2nd February, 2016

Session: Quantifying operational risks – Learnings from Banking Industry

Chairperson: Mr. B N Rangarajan, Chief Risk Officer and Appointed Actuary, Exide Life Insurance Company Ltd.

Speakers: Mr. Kuntal Sur - Partner, FRM KPMG & Mr. Kailash Mittal - Director and Actuarial Practice Leader, KPMG

Session Highlights

The session started with identification of what falls within operational risk umbrella. The main areas for operational risk losses were identified such as inadequate or failed internal processes, systems and people associated with the organization and losses from external events like earthquake etc. And it excludes strategic and reputational risk. In order to set the importance of the management of operational risk, the presenters picked up a few operational risk examples from past, from both the Indian and global markets, which led to huge losses and caused severe

by the reporting structure and clear identification of accountability and responsibility of each department within the institution. At the bottom of the pyramid is the critical task such as identification of risks, measuring, grouping and mitigation of risks, collection of the details about loss events and modeling the risks. The speakers stressed on the importance of Information technology for the successful implementation of the operation risk framework.

The session then went on to discuss the various methods used for quantification of operational risk. There are two common methods for quantification of operation risk; one being a factor based approach and the other one is an advanced measurement approach (AMA). Under AMA the banks are allowed to develop their own capital model to quantify required capital for operational risk. The AMA approach (capital computation model) takes into account internal loss data, external loss data, scenario analysis and Business Environment and Internal Control Framework (BEICF) to quantify operational risk. The components of BEICF framework are Risk and Control Self-assessment framework (RCSA), Key Risk Indicator framework (KRI) and Loss Data Management framework (LDM). Both the speakers explained in detail all these three frameworks. The RCSA framework laid down the policy for identification, assessment, mitigation, monitoring and reporting of the risks. It covers development of the tools /



B N Rangarajan

Kailash Mittal

Kuntal Sur

Brief about the session

Mr. B N Rangarajan briefly introduced the session and speakers. Mr. Kuntal Sur and Mr. Kailash Mittal in turn discussed on the aspects of identification, quantification and management of the operational risks. The discussion also focused on operational risk management framework, reporting format and learnings from the perspective of operational risk management.

damage to the balance sheet of the companies affected.

After introducing the areas leading to operational risk, the sessions then turned to the important aspect of operational risk management with both speakers moving on to present the Operational Risk Framework. The operational risk framework may be viewed as a pyramidal structure. The top of the pyramid represents the setting up of risk strategy followed

systems, training of the employees and consolidation of results from branch, region, zone, institution to group level. LDM framework covers setting up of the process for the collation, analysis and reporting of internal and external loss incidents. KRI framework is forward looking technique to assess any potential risks on pro-active basis to enable organization to take timely action to avoid loss.

The speakers then moved on to present different examples of formats used to report operational risks and concluded the session by discussing various learnings from operational risk management. The main learnings were identified as setting up a robust operational risk management framework comprising of RCSA, KRI and LDM. The institution should validate RCSA with KRI output and

loss data collated. The importance of developing internal models to measure operation risk and the need for the model to have a link to the risk management framework of the institution was stressed. Finally, the need to set up a diverse operation risk team with members

from IT, analytical, statistical and business knowledge background was highlighted.

The session ended with a few questions from the audience to the speakers. The response from both the speakers shared more insights on Operation risk management. ■

About the author

Mr. Chetan Toshniwal

Fellow member of IAI



CToshniwal@munichre.com



Dy. Head - Research and Pricing



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It is with great pleasure, we welcome our new Executive Director Mr. Rajendra Upadhyay in the family of Institute of Actuaries of India



Mr. Rajendra Upadhyay
- Executive Director, IAI

Mr. Rajendra Upadhyay joins as Executive Director of the Institute of Actuaries of India (IAI), on 01st April 2016. Mr. Upadhyay is a Rank holder in chartered accountancy examination. He is fellow member of The Institute of Chartered Accountants

of India (ICAI) and fellow member of The Institute of Company Secretaries of India (ICSI).

Mr. Upadhyay worked as Director (Finance) & Company Secretary for nearly 20 years of listed company 'Permanent Magnets Ltd'. He had been

with Tata Group Company as CFO for last 11 years and later on post retirement he had worked as an Advisor for two years. Apart from this he had also worked as 'Director' on the board of various listed and unlisted companies.

3rd Capacity Building Seminar on Ind AS 19



Organized by: Advisory group on Pensions, Other Employee Benefits & Social Security, IAI

Venue: The Pillazio Hotel, Gurgaon.

Date: 4th March, 2016

Session : Welcome and Inaugural Address

Chairperson: Mr. A.D. Gupta

The session was divided into five topics namely:

- 1) **Modelling limit on gratuity benefit, in accordance with Para 73 of Ind AS 19**
- 2) **Qualitative disclosures under Ind AS 19**
- 3) **Provident Fund Valuation under Ind AS 19**
- 4) **Post-Retirement Medical Benefit Scheme (PRMBS) valuations – issues and challenges**
- 5) **Panel discussion with auditor & management**

In this report, I will give a brief on the topic, the presentation highlights, issues and challenges discussed by eminent participants and session summary

Session1: Modelling limit on gratuity benefit, in accordance with example 5 to Para 73 of Ind AS 19

Speakers: Mr. ML Sodhi, Mr. Himanshu Jain, Mr. Shryans Jain & Mr. NeerajMaheshwari

a. Introduction

Gratuity Scheme:

- Gratuity is a statutory benefit governed by the Payment of Gratuity Act, 1972.
- Benefit of 15 days is given for each completed year of service on death, resignation or retirement at the end of service on final salary
- Benefit has a vesting condition of 5 years except in case of death
- The benefit has a maximum limit of INR 10 lakhs as present.

Para 73 of Ind AS 19, similar to Para 71 of AS 15 (revised 2005) and para 73 of IAS 19 (Revised 2011) summarizes how the benefits provided by a plan should be attributed to each year of service. It states that the benefits should be attributed on a straight line basis to the number of years of service upto a period when additional service by an employee will lead to no material increases in the benefit obligation.

Example 5 of Para 73 of Ind AS 19 has given an example of how the benefit may be attributed in case of a gratuity benefit obligation. This has created an array of different views among the members for two main reasons:

- There are different interpretations of this example by different Actuaries
- Many Actuaries currently follow a different approach than specified in the example in Para 73 of Ind AS 19

b. Highlights

The group presented how the gratuity is valued currently by most actuaries and how it would be as per the

example laid down in Para 73 as per their interpretation. The group also presented an impact study of adopting the new approach.

The study showed that the new approach would lead to a decrease in the liability in the range of 5% to 20% on an average (depending on the group profile) from the approach used currently by most Actuaries for gratuity schemes which provide benefits as per Payment of Gratuity Act, 1972.

There were different interpretations of the new approach as laid down in para 73. One of the largely accepted approach was:

- Calculate the expected future lifetime of an employee based on assumed decrements
- Check if the limit of Rs. 10 lakhs would be applicable assuming the total duration of service up to the expected lifetime
- If the limit of INR 10 lakhs is applicable, you attribute the benefit as 10 lakhs multiplied by current duration of service and divided by total duration
- If the limit of INR 10 lakhs is not hit during the expected lifetime, then use the current method of valuation for gratuity

c. Summary

Some voices in the group suggested that the new method was more complicated. However, the use of a particular approach should be driven by what is more appropriate and rational and not by the level of complication.

Some of the concerns raised were that if the new approach was to be adopted, how can the same be communicated to the auditors, management? How do we account for the actuarial gains or losses on account of change in approach of valuation?

It was emphasized that some clarification and views of the Pensions Committee and/or a representation by some experienced members would help in this regard.

At the end, an Actuary has to apply his/her knack and judgment towards following an approach for valuing the obligation. As long as the approach is justifiable, fair, and reasonable and within prescribed guidelines and consistent among members, it should be fine.

Session 2: Qualitative disclosures under Ind AS 19

Speakers: Mr. Y.P. Sabharwal, Mr. Kartikey Kandoi, Mr. Saurabh Kochrekar & Mr. Jenil Shah.

a. Introduction

With the adoption of Ind AS 19, the defined benefit schemes will earn more mileage as entities will be required to provide more elaborate disclosures on many qualitative and quantitative aspects of the schemes in their financial statements. Some key additional items include risks associated with benefits and investments, asset liability matching strategies adopted sensitivity to key assumptions and expected future cash-flows.

b. Highlights

The speakers started by highlighting the timelines for applicability of Ind AS. Further, a slide was presented on Ind AS disclosure requirements for Short Term Benefits, Termination Benefits & Other Long Term Benefits.

Speakers gave a sample format of the following disclosures:

- Disclosure on key plan features & risks (Para 139)
- Explanation of amounts arising in financial statements from DB plans (Para 140 to 144)

- Description of how DB plans affect the amount, timing and uncertainty of entity's future cashflows (detailed in Para 145 to 147)

Two issues of contention were:

- Disclosure of Other Comprehensive Income (OCI)
- Disclosure for Earned leave (in case the benefits are material)

Disclosure on Other Comprehensive Income (OCI)?

The new Standard requires the Actuarial gains or losses to be routed through Other Comprehensive Income. One of the concerns raised was whether we should provide Cumulative Other Comprehensive Income (OCI) Reconciliation Account i.e.

Opening OCI + Current period recognitions = Closing OCI or simply disclose the Current period recognitions to OCI head.

This is because the OCI consists of many items, one of which is Actuarial gains or losses. If we show an OCI reconciliation account then it may not reconcile with the closing OCI in the Financial Statements as the OCI can include other items.

Thus, it was agreed to a large extent that till there is more clarity, it would be more appropriate to show only the Current Period OCI recognitions in the Actuarial report relating to Defined Benefit Schemes.

Disclosure for Earned leave (in case the benefits are material)?

Earned leaves can be availed by an employee while in service, hence earned leave accumulation benefits are classified under Other Long Term Benefits and not Post Employment Benefits.

In case of some companies, especially PSUs, the earned leave balances can be accumulated up to 300 days or no limit. In such cases, the leave liability is as significant as gratuity. Under Ind AS requirements, no specific disclosures are required for Other Long Term Benefits. So going by the logic, no disclosures should be required for earned leaves.

But if we know that Ind AS requires principle based disclosures and considering the popular accounting concepts like "Substance over form" and "Materiality", the question arises "Should leave disclosures be provided for in the actuarial report?"

The answer to this is not straight forward. However, a rational approach would be to discuss this with the auditors and the management and decide on the way forward as far as disclosures are concerned in case of earned leaves.

c. Summary

Session was well received. The speakers covered almost all the areas on qualitative and quantitative disclosures. Key issues were highlighted for further review and representations. Most of the participants had similar views on the presentation of key disclosures.

Some clarity and light may be provided on whether expected future cash-flows, (which are required to be disclosed in Ind AS) should be given with future accruals or without future accruals? This clarity will give way to more consistency in the actuarial reports of consulting firms.

Session 3: Provident Fund Valuation under Ind AS 19

Speakers: Mr. D. C. Khansili, Ms. Manasi Patra, Dr. K. Sriram and Mr. Kaushik Karmakar.

a. Introduction

Whenever we talk about Provident Fund, we remember Dr. K. Sriram. And to our delight, we had Dr. K. Sriram as one of the speakers along with Mr. D.C. Khansili, Ms. Manasi Patra and Mr. Kaushik Karmakar.

Provident Fund is predominantly a defined contribution plan. Employer and Employees contribute a fixed proportion to the trust or EPFO every month and fund is either self-managed (Exempt trust) or managed by EPFO. If the fund is self-managed then it must credit interest to the fund at least equivalent to that credited by EPFO.

Actuaries value the liability of an employer in case of exempted

Provident Funds which are required to match the payouts of EPFO.

b. Highlights

The main highlight of the session was that some sample disclosure formats were provided for Provident fund valuations as they fall under Post-employment benefits schemes

Para 29 (b) of Ind AS 19 & Para 26 (b) state if a Defined Contribution plan has a guarantee embedded in it, then the entity's obligation is not restricted to the amount of contribution it makes to the fund.

Further as per ICAI expert committee opinion, Exempt Provident Fund is in the nature of Defined Benefit Plan as Para 8 of Ind AS 19 & Para 7.6 of AS-15 defines Defined Benefit Plans as all post employment plans other than defined contribution plans.

Thus, although Guidance note 29 issued by Institute of Actuaries of India states that disclosures for exempt provident funds are optional, it may be a good practice to provide disclosures for provident fund valuations.

In the light of above, the speakers presented some sample qualitative and quantitative disclosures formats as required by Para 135 to Para 147 of Ind AS 19.

c. Summary

With enhanced disclosure requirements for valuation of a small portion of interest rate guarantee, the group also presented a view that Ind AS 19 requires principle based disclosures and hence, interest rate guarantee disclosures may not be given on count of materiality as predominantly it is a DC plan.

Most members in the seminar were of the opinion that Institute of Actuaries of India should put a representation to the ICAI and/or Ministry of Corporate Affairs and decide whether disclosures for interest rate guarantee for provident fund valuations are required or not.

Session 4: Panel discussion on Actuarial valuations (transition from AS 15 to Ind AS 19)

Moderator: Mr. Kulin Patel

Panelists: Mr. K K Wadwa, Mr. Sandip Khetan (Partner with EY) and Mr. Puneet Khanna (CFO of Beetel)

Session threw light on the expectation of auditors and management for actuaries and how to work more cohesively as a unit.

In the session, the auditor brought out a point that there is a big divergence in the quality of actuarial reports with some only giving a two page report with limited information to some providing qualitative and quantitative information.

It was a good session but some thought that it would have been better if actuaries present in the seminar could participate in the panel discussion too.

Session 5: Post-Retirement Medical Benefit Scheme (PRMBS) valuations – issues and challenges

Speakers: Mr. K.K. Dharni, Mr. Ritobrata Sarkar and Ms. Sapna Malhotra.

a. Introduction

PRMBS are medical benefits provided by an employer to employees post retirement. These schemes are yet to gain pace in India. Valuation of a PRMBS is a challenge as the choice of parameters becomes difficult with data quality and availability issues.

The actuarial gains or losses arising due to the change in assumptions and participant experience not being in line with assumptions, will be routed through Other Comprehensive income in case of PRMBS valuations as per Ind AS 19. This brings in a lot of emphasis on the choice of assumptions and setting the parameters for key assumptions when the data for the same is not readily available.

Projecting the expected future medical costs depends on claims severity,

claims frequency and expected medical inflation.

The valuation also requires assumptions about improvement in life expectancy going forward.

b. Highlights

The speakers started with the statistics on the numbers of BSE companies which offer PRMBS, the liabilities in respect of PRMBS and the charge to profit and loss account in FY 14-15.

Then the speakers spoke about typical design of PRMBS offered by companies, how these schemes are valued and the key financial and demographic assumptions used in the report along with their basis.

The following are the key financial & demographic assumptions:

Financial:

- Discount rate
- Insurance Premium rate (Proxy for claims cost)
- Claims cost (including claim handling costs)
- Medical inflation rate

Demographic:

- Mortality (pre and post retirement)
- Attrition
- Early Retirement/ill health retirement/Disability
- % married, spouse Age difference
- Participation rate
- Cap/Limit on benefit

Ind AS 19 will impact the PRMBS in the same way as other post-employment schemes. Since PRMBS is generally unfunded, there won't be a material impact on the net interest cost.

Since actuarial gains or losses will be routed through Other Comprehensive Income, there is more emphasis on the choice of assumptions by the

management and the auditors. The disclosures on sensitivity, expected cash-flows, risks to plan and qualitative aspects of the scheme will be required.

b. **Summary**

It was a good session. The speakers highlighted the key data quality and consistency issues. With Ind AS, more emphasis will be on assumptions and their parametric values. No major concerns were brought forward in the discussion. ■

About the author

Mr. Jenil Shah

He has more than 6 years experience in employee benefits domain.



 jenil@nkapadia.com

 Actuary & Chartered Accountant

 Partner - Kapadia Actuaries & Consultants

Photo Feature Of 3rd Capacity Building Seminar On Ind AS19



TOP 10

Life Insurance Insights

Trends, News & Views



“The life insurance sector in India has seen modest growth in its weighted new business premium collections in the first three quarters of this financial year, a year on year growth of 6.5%. Masked within this is a sustained 13% growth for private life insurers and a marginal rise for the state-owned Life Insurance Corporation of India (LIC) by nearly 1% for the first nine months. The industry has also witnessed the demerger of Max India, following which Max Financial Services has become the first listed company in India solely focused on life insurance business. In addition, two life insurers have completed the process of increasing the stake of their respective foreign partners and the other private life insurance joint ventures are progressing with their potential stake transfer processes. The regulator has also initiated several proposed changes for the life insurance sector. We summarise below these and the top ten key trends and developments that shaped the life insurance market in India for the period December 2015 to February 2016.”

10 Life insurers continue to experience high rates of agency attrition

Life insurers continue to experience high rates of agency attrition. There were in total 473,671 new agent appointments and 498,476 agent terminations in the first nine months of FY2015-16 leading to a net decline of over 24,000 in the industry agency force. While most of the insurers are looking to expand their distribution to further increase insurance penetration, both quality and quantity of agent recruitments are perceived to be decreasing. In an effort to minimise the agency attrition, insurers and the regulator are reportedly taking concerted measures to improve the situation.

For further coverage of these and other market developments, visit <https://www.towerswatson.com/en-IN/Insights/Newsletters/Asia-Pacific/india-market-life-insurance/2016/Issue-62-India-Market-Life-Insurance-Update-March>

9 The regulator releases guidelines related to appointment of insurance agents and issuance of capital; and amendment to order of cession of business to reinsurers, among others.

The Insurance Regulatory and Development Authority of India (IRDAI) has released several

guidelines and amendments, including IRDAI (Appointment of Insurance Agents) Regulations, 2016; IRDAI (Registration and Operations of branch offices of foreign reinsurers other than Lloyds) (First Amendment) Regulations, 2016; and IRDAI (Issuance of Capital by Indian Insurance Companies transacting Life Insurance Business) Regulations, 2015, over the reporting period. Among the key changes, guidelines for appointment of insurance agents require insurers to have a Board approved policy detailing the eligibility conditions for appointment of agents, the training programme and the remunerations and benefits to the agency.

8 Social security insurance schemes continue to see positive pickup: 125 million+ enrolments as at end of February with premium income of over INR10 billion

As at the end of February, total enrolments for the three social security schemes were in excess of 125 million with enrolments under Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY) at over 29 million, Pradhan Mantri Suraksha Bima Yojana (PMSBY) at over 93 million and Atal Pension Yojana (APY) at over 2 million. In particular, enrolments under APY have risen by over 100% in November-December. This surge in

enrolments has resulted from the steps taken by the Pension Fund Regulatory and Development Authority (PFRDA) in following-up with banks to ensure a higher share of bank branches are offering the scheme. As at the end of February, the premium income earned from PMJJBY and PMSBY is over INR9.7 billion and INR1.1 billion respectively. State Bank of India & associates and Punjab National Bank are leading banks with maximum enrolments. ICICI Bank has affected the maximum enrolments among private sector banks with 2.9 million enrolments.

7 Quarterly results round-up: 15 out of 23 private insurers declare profits

15 of 23 private players have reported profits over the first nine months of FY2015-16. **Bajaj Allianz Life** and **Canara HSBC OBC Life** have each reported a growth of more than 100% in their profits. Meanwhile, **Aegon Life** and **Edelweiss Tokio Life** have witnessed a year-on-year rise in their losses from INR342 million and INR507 million to INR723 million and INR970 million respectively. Total profit after tax for private insurers on the whole rose marginally by 1.6% from INR33.8 billion over the first nine months of FY2014-15 to INR34.3 billion in the corresponding period of FY2015-16.

6 Private life insurers continue to gain market share from LIC: record 13% year on year growth in its weighted new business premium over the first nine months of FY2015-16

Life insurance industry collected weighted new business premium, (measured as 100% of regular premium and 10% of single premium), amounting to INR373 billion in the first three quarters of FY2015-16, a year-on-year growth of 6.3%, as per statistics released by the IRDAI. State-owned LIC observed a marginal increase of 1% in its weighted new business premium collections, but witnessed a decline in its market share from 54.3% to 51.5%. LIC continues to show a decline in its individual business, but has witnessed a positive growth of 13.3% in its group business, which is better than the growth achieved by private players for group business.

5 Life insurers are proactively looking at managing their risk exposures - including hedging using derivative instruments

Insurers are taking measures to manage the implicit rate guarantees offered by the products being launched. Following the insurance regulator's approval to allow insurance companies to hedge their interest rate risks by investing in long-term forward rate agreements, interest rate swaps and exchange-traded interest rate futures, **Max Life** is understood to be among the early movers to trade in interest rate futures on the National Stock Exchange, to hedge their interest rate risks.

4 The regulator has initiated several proposed changes for the life insurance sector: Exposure drafts on expenses of management, remuneration to insurance agent and intermediary, corporate governance and convergence to the Indian Accounting Standards being the key highlights

In exercise of the enhanced powers vested in it by the recently amended Insurance Act 1938, the IRDAI has released a number of exposure

drafts providing indication of the upcoming regulatory changes in the pipeline. Draft guidelines on expenses of management, remuneration to insurance agent and intermediary, corporate governance and convergence to the Indian Accounting Standards have been the key highlights during the reporting period. Among other expected developments for the sector, the regulator has reportedly hinted at proposed regulations for brokers' commission and developing simplified insurance products which can be sold over the counter (OTC), as popular in various Western countries.

3 The Union Budget 2016-17: Several reforms have been proposed for the insurance and pensions sector including a proposal to allow foreign investment in insurance sector through automatic route up to 49%

The Union Budget 2016-17 has proposed to allow foreign investment in insurance and pension up to 49% through the automatic route subject to compliance with regulatory and other requirements. This means insurers may no longer be required to approach the Foreign Investment Promotion Board (FIPB) for approval to stake transfers. Other key propositions of the Budget include recommendation to reduce service tax on single premium annuity policies from the existing 3.5% to 1.4%; and launch of a new health protection scheme with a cover of INR100,000 per family with additional cover of INR30,000 for the senior citizens.

2 Insurers line up potential stake-transfers to foreign partners following FDI hike from 26% to 49%

Foreign investments in the insurance sector are gaining momentum: **Bharti AXA Life** and **Aegon Life** are the first two insurers to have completed the process for increasing the stake for the respective foreign partners in joint venture from 26% to 49%. **Edelweiss Tokio Life** has received the regulator's approval for increasing Tokio Marine's stake from 26% to 49% in the joint venture. Media reports indicate that on the basis of suggestions of Foreign Investment Promotion Board (FIPB), the proposal of **HDFC Life** to increase the stake of foreign partner Standard Life by 9% to 35% in the joint venture, has been recommended by the government for the approval of Cabinet Committee on Economic Affairs (CCEA). **Reliance Life**, **Birla Sun Life**, **SBI Life**, **Star Union Dai-ichi Life** and **Tata AIA Life** are amongst the other insurers who are reportedly in advanced stages of increasing the shareholding of their respective foreign partners.

1 The first listed company in India to be solely focused on life insurance business

Max India has split into three entities – **Max Financial Services Limited**, **Max India Limited** and **Max Ventures & Industries Limited**. **Max Financial Services** will solely focus on managing the group's flagship life insurance business, through 72.1% stake in **Max Life**, making it the first Indian listed company solely focused on life insurance. ■

About the author

Mr. Vivek Jalan



vivek.jalan@willistowerswatson.com



Director – Risk Consulting and Software



Willis Towers Watson India



EFFECTIVE COMMUNICATION SKILLS

Mr. Satyan Jambunathan

Chief Actuary & Appointed Actuary-
ICICI Prudential Life Insurance Co.

&

Mr. Sunil Sharma

Sr. Executive Vice- President, Appointed Actuary &
Chief Risk Officer - Kotak Life Insurance Co.

“Actuarial Professionals generally face the criticism that in general they are not effective communicators. This aspect also came to the fore by respected and very senior actuary, Mr. N.M. Govardhan in his presentation made in 2015 CILA. In one of the paper presented in last GCA held in year 2015– the message was taken forward that Actuarial Professionals should spend more time in writing Executive Summary of report meant for their clients. Actuarial Profession is aware of the fact and thus CA3 – Communications paper was introduced in their examinations. The course aims to test the skills at effective communication to both technical and non-technical audiences.

Communication we understand is simply act of transferring information from one to another. Vocal (using voice), written (printed or digital media- books, magazines, web-site, e-mails, etc.), visual (using logos, maps, charts, graphs), non-verbal- (body language, gestures, tone, pitch of voice, etc) are part of communication. Even effective listening could be part of effective communication.



Based on this questions were put to two senior actuarial professions. The replies are as under - Dinesh Chandra Khansili, Editor- the Actuary India; ”

Q. How do you rank passing the actuarial examinations and effective communication for a successful career?

In my view, there are three pillars to any successful career. The first is to develop a strong technical proficiency. Beyond a stage in one's career, this becomes a hygiene factor. The second is awareness of the business and stakeholder context. The ability to translate one's knowledge into actions that add value to your organisation and fulfil the public interest role that we have is a critical part of a successful career. The third is the ability to communicate effectively. At the end of the day, a strong technical knowledge coupled with a wide business understanding are only as effective as the ability to communicate this to stakeholders.

It is not about which of these is more important but about having a balance of all three facets. It is rare to find an

individual who is equally strong in all of these dimensions.

Effective communication plays extremely critical role to be successful in the actuarial Profession. From the Actuarial examination perspective, one must remember that the examiner has no way or means to understand how intelligent or smart the student is unless the answer script reflects the knowledge of the student. While it's important to acquire strong technical skills, the importance of communicating your technical thoughts or ideas to non-actuaries cannot be overemphasized.

Insurance is very complicated business and many of the people working in insurance companies may not fully understand the insights of the long term nature of the business. It is of utmost importance for the actuaries to communicate the outcome of the analysis to the management and their clients in the plain simple English

avoiding technical actuarial terms without diluting the message.

An actuary with effective communication, strong technical knowledge and experience could be a potential candidate for a chief executive position

Q. Are you part of the communication team within your organisation?

Yes. Part of my organizational responsibility is also Corporate Communications, which deals with media strategy and messaging.

Yes, I am a part of the leadership team in Kotak Life Insurance Co dealing with media and external agencies. I have also had the opportunity to manage the media and communication advisory group for IAI for few years.

Q. Have you undertaken any training in language (other than school/college) or effective communication/presentation? If yes, please elaborate.

I have not really had any formal training in either language or communication skills.



My knowledge of the English language comes primarily from being a voracious reader.

I got interested in reading at a fairly young age. In fact, I would list Enid Blyton as one of my early English teachers!

Whatever I have learnt on communication or presentation skills have been at my workplace from my superiors and colleagues. My superiors have taken a lot of effort to make me understand effective communication styles. I recollect one superior who would take the effort to write out corrections on printed documents so that I applied my mind to the reasons behind the corrections and learnt from them. Another superior taught me the importance of consistent formatting on presentations. It can be quite distracting to the audience if the formatting of a presentation is not consistent. He repeatedly drilled into me that one cannot focus on content in the absence of proper formatting. Yet another superior drilled into me that every word in a written document should be necessary. Do not say in more words what you can say in a few.

Public speaking never came easily to me. I still continue to be a "terrified" public speaker. The first time I participated in an elocution competition in school, I was so terrified and found it difficult to get past the third sentence of my script. Embarrassing as it was, I was determined to keep trying until I improved.

Not really. I have not taken any formal training on communication. The communication skills that I possess have been acquired over a period by making sincere efforts. I



started my career with Life insurance of India 25 years back, where it was very common to communicate in Hindi. With regards to face to face communication, I faced the first Challenge of My life when I joined the Life Insurer in USA. It was a huge change from LIC to a well-established American Insurer. It was great learning for me working with extremely experienced actuaries with wonderful communication skills.

Q. How do you prepare yourself before making a presentation?

I find it very difficult as a person in the audience to connect with a speaker who speaks to his slides.



The most important part of my preparation is therefore knowing fully what the flow of the presentation is and what the content of each slide is.

In addition, I try to make mental notes on what is the one key message that I would like to deliver for each slide.

Before making a presentation I think about the topic, sub-topics and how can I present those topics in line with the level of understanding of the audience.

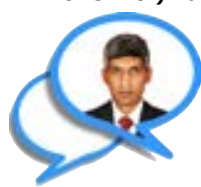


I ensure that a structure is followed in the presentation to enable audience to stay connected. It is important for each slide to have key take away. If a slide does not have key message/ take away, the slide is not required.

I update myself on the latest development on the topic to ensure audience benefit fully from presentation

Q. How did you handle a situation when you were invited to speak during a meeting for which you were not prepared for but the organisation needs you to? Any such occasion?

Yes I have been in such situations. It is very difficult to build rich content in such circumstances. I therefore tend to focus on delivering a few key messages



which I can quickly make a note of. I usually find it better to say less than more at such times.

There have been many occasions in office or some other public



places where I have been invited to speak without any notice. During such occasions I try and remain within the

context of the event and try and relate my message to how their action can help the customers and people at large. Well if you are not prepared it's better to remain crisp and short.

Q. How do you ensure that your team members learn the skills of effective communication?

It is not very easy to consciously devote time to helping the team to develop communication skills.



I therefore tend to use business as usual situations to facilitate this learning. For written

communication, detailed feedback on why I am modifying what is written by others helps. For presentation skills, being asked to make presentations to senior colleagues is very valuable. On spoken communication, observing good communicators is a learning experience. Of course, feedback if given immediately is a helpful tool.

I ensure that each of my team members acquires the effective written and verbal communication skills to ensure each one of them become successful actuary. Various initiatives



which I find useful are:

1. Provide opportunity to team members to make presentation before team and senior management
2. Arrange/ nominate team to attend formal written and verbal communication skills training

Q. Actuarial professionals require a longer time to be spent on models. How can they strike a balance between technical expertise and effective communication?

Instead of looking at finding a balance, I tend to encourage people to own their work from end to end. This requires them to not just spend time on the models and results but also to own the communication to the end user.



It is true that most of the time actuaries spent their time in models. However, it is important that they are able to communicate to others what their model do and present the outcome of the model to decision makers.

During this process of review of the outcome, actuaries will be able to acquire significant communication skill.

Models are important, but the application of the models to the actual circumstances is equally critical.

Q. Your message to younger actuarial professionals citing the importance of effective communication and tools

I am neither an expert at communication nor specifically trained. I only try to follow a few simple rules.



Know your target audience

Communication is always intended for

someone. Styles need to be flexed keeping in mind the audience.

Be clear about the messages you are seeking to communicate

Clarity of communication is usually achieved if there is clarity of thought.

Improve your command over the language

If you need professional assistance in improving language skills, do not hesitate to ask. There is no shame in doing so. Reading extensively is a good way of enhancing command over the language.

Be precise

Less said is always better and more.

Take pride in the quality of your documents

Structure, content and formatting of your outputs are all important. You should measure yourself by the volume of corrections made to your documents by the reviewers.

Effective communication helps you to be seen as a true professional. Irrespective of the level of technical knowledge an actuary has, if he/she is not able to articulate the idea, it will not be taken up by Management.



Few things that I believe may be useful:

- Use simple English which audience can understand. Use a language to connect to audience if you want their attention. I find this very useful while talking to the media in hindi speaking regions.

- Communication is about writing your message crispy. In this busy world no one has time to read long essays.

- Plan before writing or speaking at a public platform. Structured communication is much more effective than scattered.

- While giving or taking instruction be clear and reconfirm. Ask questions when you are receiving instructions to avoid mis-communication.

- Listen to good Business News channels and observe how speakers put their views in structured form. BBC helped me quite a lot during my tenure in UK.

- Make your presentations less wordy and use the presentation only for flow. People should be looking at you and not presentation, unless you want their attention to some data on slides.

NOTICE

REVISION IN ELIGIBILITY CRITERIA OF STUDENT SUPPORT SCHEME

The student Support Scheme was introduced on 8th December 2012. The scheme aims to provide financial support to student members of IAI who are Indian Citizens and are ordinarily residents in India with potential to become an actuary, but who might otherwise find it difficult to mobilize financial resources to pursue the examinations.

It is informed that w.e.f 1st April 2016, criteria for current annualised family income has changed from ₹250,000/- (Rupees Two Hundred Fifty Thousand) to ₹300,000/- (Rupees Three Hundred Thousand).

More details on the Student Support Scheme are available on the IAI website under the Sub Tab Student Support Scheme of the Student Tab.



Ms. Pournima Gupte

MEMBER (ACTUARY) - IRDAI

INTERVIEW

1. You have completed a year in insurance regulator office. Congratulations! The filling up of member (Actuary) post last year after a gap of 3 years has started showing the results. How has been this journey so far?

Thank you very much for appreciating our efforts. It is the result of the consistent hard work from my team and colleagues at the IRDAI.

My journey in the Regulator's office has been interesting so far. I have worked as Appointed Actuary (AA) in Life Insurance Industry for almost eight years. Along with other responsibilities to the company, the AA also represents the IRDAI in the insurance companies. In that sense, the position of Member (Actuary) is a natural extension of the role of an AA.

The real challenge for me was that the Member (Actuary) is responsible for both- the Life Insurance Industry and the General Insurance Industry. I do not have practical experience of working in a General Insurance Company although I have theoretical knowledge of General Insurance. I have passed General Insurance paper for getting my fellowship.

As Actuaries, we also know how to apply the basic actuarial concepts to any field including the General Insurance. But still, initially I struggled to understand the challenges of the General Insurance Industry. About

four months after joining the IRDA as Member (Actuary), I was also given responsibility of Member (Non -Life). I worked as Member (Non- Life) for almost six months and continue to participate in various deliberations on Non- Life companies. This helped me in getting acquainted with details of the General Insurance Industry. I pay special attention to gather more knowledge about working of General Insurance companies through personal interactions with AAs, CEOs and other officials from General Insurance companies.

2. Your joining as Member (Actuary) coincided with the enactment of Insurance Laws (Amendment) Act 2015. The Amendment Act required issuance of regulations in various areas including Actuarial. Please share your experience in dealing with these matters.

I am fortunate to join the IRDAI at a time when it was going through the massive exercise of reviewing and re-writing the Regulations. Such opportunities are available rarely.

Although Regulations should be reviewed periodically, during this period, IRDAI concentrated only on review of those Regulations which needed amendment on account of provisions of the Insurance Laws Amendment Act 2015. These Regulations can be classified into various areas – Actuarial, Finance, Investment, Policyholder protection, Agency, Brokers etc. As a Member of the IRDAI, my inputs are required on all the areas. However, my prime

responsibility is in respect of Actuarial area. On account of amendment to the Act, Reserving and Solvency Margin Regulations under Life Insurance, General Insurance and Reinsurance companies had to be reviewed.

While reviewing these Regulations, we have followed a transparent process. We have tried to ensure that as far as possible, the views of the Industry are reflected in the amended Regulations – without of course comprising on the interests of the policyholders. Three committees were formed for reviewing the actuarial Regulations under each Industry – Life Insurance, General Insurance and Reinsurance Industries. The members of the Committees were selected so that there is representation from the entire Industry. Representation from the actuarial consultants and the brokers were also included for getting a wider view. The Committees under Life and General Insurance were headed by the Chairpersons of the Life and General Insurance Advisory Groups respectively of the Institute of Actuaries of India.

The reports of these committees are in public domain. Based on the committee reports, Exposure drafts were prepared which were open to public comments. There were more detailed discussions on the General Insurance Regulations with the General Insurance Council. As per the normal practise, after incorporating the public comments, the exposure drafts were discussed in the Insurance Advisory Committee (IAC). Drafts recommended by the IAC were discussed and approved by the Authority and are under process of getting notified.

Because of the tight deadlines on the Regulations, some of the day to day functions were getting delayed. With finalisation of the Regulations, things are becoming normal now.

3. During last CILA conference, you represented IRDAI. For the first time, the presenters and participants felt comfortable and lauded the openness between regulator office and other insurance stakeholders. How regulator office could make this impression and how the transparency shall be ensured in future?

During last one year, we have concentrated on improving interactions with the Industry. I devote about an hour of my time every day for the interactions with the Company officials – AAs, CEOs, CFOs, compliance officers etc. - in person or over telephone calls. I normally accept every request for an appointment even at a short notice. If I am not able to take any telephone call during the day, I ensure to return that call. I respond to every mail addressed to me. I have encouraged my entire team to follow the same practice.

As an Actuarial team at the IRDAI, we have made conscious efforts to understand the requirements of the Industry. During last one year, we had one to one meetings with the AA and other officials of each of the fifty five Life and General Insurance Companies at least three-four times. Along with the AA, we met the Product Actuaries and the Valuation Actuaries of Life Insurance companies and the Underwriters of General Insurance companies. The views conveyed in the mails and letters were better explained during one to one meetings. We also had a chance to understand the Company view during these interactions. Recently, we had organised meetings of Appointed Actuaries of Life and General Insurance Companies.

As Member (Actuary), I have been nominated to the Council of the Institute of Actuaries of India by the Government of India. I try to attend

all the Council meetings and take part in the discussions therein. We have started nominating the IRDAI officials in the various seminars organised by the IAI so that our employees are aware about the current developments in the Industry.

We shall continue with these efforts. We request the readers for suggestions on how to improve on this count.

4. Appointed Actuaries in Insurance Companies are seen as eyes and ears of the IRDAI. Before joining IRDAI you also held this coveted position. How do you view the system in Regulator's office?

The Regulator relies on the AA for implementation of the Regulations and the best practices in the Industry. The AA is also a whistle blower. So far, the system has worked well in Life Insurance Industry in India.

However, recently, we have noticed that in a few companies the positions of the Chief Actuary/ Director (Actuarial) and the Appointed Actuary are being separated – the AA is responsible to the IRDAI and the Chief Actuary/ Director (Actuarial) is responsible to the shareholders and that the Chief Actuary/ Director (Actuarial) does not report to the AA. It must to be ensured that there is no dilution of the authority and role of Appointed Actuary so that he/she can continue to discharge the duties of the AA as envisaged in the Regulations. We expect that AA will report to the CEO directly and will have direct access to the Board as required by the regulations.

In the General Insurance Industry, it appears that there is shortage of Actuaries complying with the requirements of qualification and experience for the role of AA. The Regulator has been allowing younger Actuaries with lesser experience to take up the role of AA by supporting them with the Mentors. However, we get the impression that the mentoring is not being done as it was envisaged. The arrangement of Mentor is being strengthened and formalised giving specific responsibilities to the Mentor.

5. You wear two caps as regulator and as actuarial professional. How do you strike balance between two?

As an Actuary, we are trained to balance the interests of all the stakeholders – shareholders, distributors, policyholders and of course the Regulators. As a result, it is not difficult to strike a balance between the position of Regulator and Actuarial professional.

6. Based on your working experience in insurance industry in various capacities you may have views that 100% accuracy in valuation data or reporting could be very difficult due to system limitations, complexities, long term nature of insurance business and human error, etc. How regulator view the mistakes committed by the insurers and how it is viewed as material and non-material;

We do not see any reason as to why 100% accuracy in valuation data and reporting is not possible for the companies which were established less than 15 years back with electronic data maintenance systems. As regards material and non-material errors, there can be various interpretations. Sometimes we tend to take lenient view for errors of trivial nature. However, a process failure leading to non-material impact may be viewed as seriously as a mistake leading to material impact.

7. Message to actuarial fraternity in capacity of the Regulator

Recently, we had conducted a meeting of Appointed Actuaries of General Insurance Companies. During the inaugural address of this meeting, Mr. T. S. Vijayan, Chairman, IRDAI posed a thought provoking question – “What is the need for Appointed Actuaries in General Insurance Companies?” Most of the participants at the meeting were stunned and it took a while before a response was given by the

participants. The question asked by the Chairman was referring to a saying in Tamil language – “Elephant does not know its strength.” It appears that currently, the Appointed Actuaries in the General Insurance Industry are not aware of their strength. The remarks from the Chairman show that there could be a perception that the role of Appointed Actuaries is limited to the estimation of Incurred But Not Reported Claims Reserve (IBNR) which is hardly 25% of the total claims reserve. The Companies are openly asking questions as to why exorbitant salary should be paid to the AA for merely estimating 25% of the total claims reserve. In the opinion of these Companies, IBNR can be estimated by any other official in the Company.

As an Actuary myself, I am aware that the role of an Appointed Actuary in General Insurance Industry is much

bigger than merely estimation of IBNR. Unfortunately, during my interactions over last one year with the AAs in General Insurance Industry, I have noticed that some of the AAs do not care to go beyond IBNR computation. Some of them are not even aware that there exists Actuarial Practise Standard 21 which they need to comply with. There is lot of resistance for a simple requirement such as submission of actuarial reports within a reasonable time period. Sometimes, they are not able to answer any question regarding a product although they have certified on the viability of that product. The quality of actuarial advice by some of the AAs in General Insurance Industry does not appear to be satisfactory. A significant improvement is required on this count.

The regulations require AAs to ensure solvency at all times. The Regulations

have also equipped the AAs with the rights so that he/she can fulfil these responsibilities. AA can ask any data from any officer / employee of the Company. It is up to the AA as to how to make use of the Regulations. If they have problem, they can approach the IRDAI formally or informally.

Although AAs in Life Insurance Industry have not been asked pointed questions such as need for AA in Life Insurance Companies, they may also be subjected to such questions if they do not constantly strive for the betterment of their actuarial advice.

My central message is that the Actuaries should act in line with the professional conduct standards and the duties and obligations bestowed on them by the Regulations. The Institute of Actuaries of India can play an important role in this journey along with the Regulator.



INDIA FELLOWSHIP SEMINAR

ANNOUNCEMENT

- Date** : 9th & 10th June, 2016
- Venue** : Hotel Sea Princess, Plot No. 969, Tara Road, Near Juhu Beach, Santa Cruz west, Mumbai -400049.
- Reporting Time** : 9:00 am on 9th June, 2016
- Programme Type** : Non-Residential
- CPD Credit** : 12 hours (Professional), as per APS 9 version 2
- Participation Fee** : Rs. 10,000/- + 14.5 % Service Tax (Indian Rupees Ten Thousand Only) for Fellows attending for CPD.
Rs. 15000/- + 14.5 % Service Tax (Indian Rupees Fifteen Thousand Only) for Students/Affiliates attending for admission as Fellows. Login to your account on IAI website to Register & pay online (Kindly ensure that your subscription is up to date for the year 2016-17.)
NO registrations after 30th April, 2016
- Participants** : The programme is open to;
- 1) All IAI Members for CPD requirement under APS 9 Ver. 2;
 - 2) Student Members who have passed all the examinations or are close to qualifying as FIAI for fulfilling requirement for admission as FIAI.
 - 3) Affiliate Members as a requirement for admission as FIAI.
- Point of Contact** : Quintus@actuariesindia.org.



Darrell Chainey

Managing Director, ActEd, UK



1) Can you please take us through your professional journey and how your career has evolved to your current role at the ActEd, UK?

After gaining a maths degree from the University of Warwick, I worked for Pearl Assurance, a UK life insurer, where I trained to be actuary. Initial roles focussed on alterations and new business illustrations before gaining experience with with-profits bonus management and unit-linked pricing. My final couple of years with Pearl were spent on statutory reporting.

After I qualified as a Fellow I decided it was time for a change and joined ActEd in 1998 as a life and general insurance tutor. I was asked to take over the management of ActEd in 2001 and became Managing Director about a year later – a role I have held ever since.

2) How a regular day at work looks like for you? What are your everyday role and responsibilities as the Managing Director of ActEd?

There's lots of variety. When I'm not teaching a lot of my time is spent with my computer: planning and implementing strategy, communicating with stakeholders, writing or reviewing letters or reports, budgeting and financial monitoring. But I also still teach and so teaching days consist of a full-day in the classroom.

3) Of all the actuarial subjects you have studied, which is the one that helps you the most in your day to day work and to be good at your job?

Good question! The easy answer would be to say the subjects that I

currently teach, ie Financial Maths and Life Insurance. However, with regard to my more general management responsibilities, parts of many subjects are probably helping me, but perhaps Subjects CT2 (finance and financial reporting) and definitely CA1 (with its risk management focus) are particularly useful.

4) As a Managing Director of ActEd, what are the key focus areas for ActEd?

The overarching aim is to provide excellent products and services for our students, to help them succeed with their exams and enhance their careers. We also have more specific areas to focus on at different times. For the last 5 years we have been expanding our provision of online products, increasing accessibility for students worldwide, and for the last 2 years a small team has been developing new products for the IFoA's new CAA qualification. Our focus now is starting to look towards the UK Profession's education strategy review as the proposed changes are likely to require much change to what we offer.

5) In such a dynamic and fast changing environment, how do you ensure that the study material is updated and continues to remain relevant for the students?

To be fair, it's the Professional bodies who take the lead in this area. The syllabus for each subject tends to dictate what we need to teach and what students need to learn and each syllabus is published by the IFoA or IAI. The ActEd team clearly needs to maintain its own up-to-date

knowledge and skills and so CPD is just as important for ActEd tutors as it is other Fellows.

The IFoA's strategic review is currently looking at what skills will be required of actuaries in the future and we are providing input to these discussions through the various working parties that have been set up.

6) What are the skills that you look to develop in an actuarial student and how do you try to achieve that through the study materials?

I think there are two different types of skills to develop. There are clearly many *technical* skills that a student needs to develop to pass each exam and a range of techniques can be used to introduce these topics to students.

In addition to developing technical skills, it's important for students to develop a range of *general* skills such as self-responsibility and accountability, organisation and time management as well as skills and techniques that might help in the exam room. There are hints and tips embedded in our products to help students develop in these areas.

7) What all, in your opinion, are the hot research fields or topics in actuarial science globally?

Things that spring to mind include:

- Climate change and sustainability
- Use of telematics in both life and general insurance
- Big data / machine learning
- Anything linked to new supervisory rules, eg risk-based solvency

- And mortality modelling as there's always something being developed.

8) What methodology and techniques do you use to motivate students?

Encouragement, praise and challenge all have their place. As does the use of deadlines and the occasional push to work a little harder. But it is important for students to build and maintain their own self-drive. Remembering the ultimate goal is often useful but breaking work down into realistic, achievable chunks is also very valuable. Peer pressure can also encourage students to work hard and not fall behind others. This might be from colleagues at work or through online actuarial communities.

Conducted by Tanay Chandra -Student Member, IAI
tanay.chandra@kotak.com

9) As a teacher, what advice would you give to actuarial students for passing the exam? What are the key aspects that a student should always keep in mind while preparing for and writing an exam?

Remember that there's a syllabus which outlines what you need to know and what you need to be able to do. This is what is being examined (even if you don't always think it is). Believe in yourself but appreciate that thorough preparation is always required. I don't know who first said this but *"the main difference between a talented and a successful individual, is a lot of hard work."*

I'll share a few more ideas at the GCA.

10) You are a teacher, a Managing Director, and even a coach of a hockey club. Which of these roles have been the most challenging? Which of these you relish the most?

They each come with their own (enjoyable) challenges, and I don't think I can say which I relish the most. But I think the most challenging, on occasion, is my management role. This might be because of the significant unexpected issues that need resolving at short notice, or because of the wide range of factors that often need considering and dealing with simultaneously.

11) Any plans of having classroom teaching in India?

We are open to the same but financial viability and having a critical mass are the two key issues. If anyone comes to us then we will be happy to explore the opportunity with them. ■

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Pakistan: Risk Management for Insurers



Pakistan's insurance companies have experienced significant growth backed by revival of the economy over the last few years. At present there are 7 life Insurance companies, 38 non-life Insurance companies and 5 takaful operators competing in the market. The gross written premium of Pakistan's insurance market was approx. USD 2 billion for the year 2014 representing 0.82% of the nation's GDP. The net premium revenue showed an annualized growth of around 20% during the last 3 years reflecting a steady growth of insurance sector in Pakistan.

Regulatory Update

Recently, Securities and Exchange Commission of Pakistan (SECP) has become very active in regulating the insurance industry. Several new regulations covering unit linked products and funds, bancassurance, IBNR reserving by non-life companies, etc. have been introduced over the past year. At the same time, previously issued rules and regulations have also been updated by SECP. Among these regulatory developments, the updated Code of Corporate Governance for Insurers prescribed by SECP in February 2016 is considered to be the most significant.

Providing an extension of best practices of corporate governance, the newly prescribed code has mandated a Risk Management System (RMS) along with the Risk Management Department (RMD) for insurers among other aspects. It is considered to be a major step forward by SECP on formally introducing the realm of risk management for insurers.

Risk Management

As is customary, SECP has entrusted the development, implementation and

monitoring of the RMS to the Board of the insurers. At the same time, SECP has also given a principles based outline of the aspects that needs to be considered and covered as part of the development of the system. The expectations of regulator on the RMS are on similar lines as that prescribed for computation of economic capital in the developed markets (for example, it shall cover all relevant categories of risks – including as a minimum Underwriting and provisioning risk, market risk, Credit risk, Operational risk and, Liquidity risk).

In order to implement the RMS, the insurers are required to establish a dedicated RMD. Among different tasks prescribed for the RMD, it is required to design, implement, validate and document the internal model of the insurer. SECP's objective in specifying the internal model is that it would help insurers in maintaining an aggregated view on risks and make specific calculations on solvency and related matters.

In Pakistan's industry where there are only a couple of relatively large

insurance companies and majority of the insurers can be categorized as small to medium sized, this is considered to be major leap forward. Developing RMS and internal models requires high level of expertise which is unlikely to be adequately available in the local market thus making this regulation difficult to implement. Furthermore, with the existing factor based solvency regime in Pakistan, the development of internal models will only be viewed as compliance related tasks by the insurers. SECP would need to amend the existing solvency regime so as to give credit for better risk management to insurers and the solvency requirements resulting from their respective internal models.

Actuarial Involvement

Although the SECP has not explicitly mandated the role of actuary in the RMS and RMD, however substantial actuarial involvement is expected especially from the perspective of quantifying risks. It rests with the profession on how best they can market their expertise with regards to this.

Conclusion

Code of Corporate Governance for Insurers, 2016 has for the first time formally introduced the realm of risk management in the insurance industry. The code is considered to be a major leap forward in view of the local market conditions with majority of the insurer being relatively in the small to medium category and inadequate relevant expertise. Although the role of actuaries is not mandated by SECP in the risk management, this provides a major opportunity for the professional to capitalize on their skills of risk quantification. SECP would also need to revisit the existing factor based solvency regime in order to encourage

insurers to move towards economic capital approaches. The level of compliance with the newly prescribed

code is yet to be seen especially in view of the fact that there is a provision for relaxation as well. ■

About the author

Mr. Nauman Cheema

Fellow of the Society of Actuaries since 1982

✉ info@naumanassociates.com

🏠 President

🌐 Pakistan Society of Actuaries



CALL FOR ARTICLES



We invite articles from the members and non members with subject area being issues related to actuarial field, developments in the field and other related topics which are beneficial for the students of the institute.

The font size of the article ought to be 9.5. Also request you to **mark one or two sentences that represents gist of the article**. We will place it as **'break-out' box** as it will improve readability. Also it will be great help if you can suggest some **pictures that can be used with the article, just to make it attractive**. Articles should be original and not previously published. All the articles published in the magazine are guided by **EDITORIAL POLICY of the Institute**. The guidelines and cut-off date for submitting the articles are available at

http://actuariesindia.org.in/subMenu.aspx?id=106&val=submit_article

Mind Exercise



Puzzle No 245

When they started off on the great annual picnic every wagon in town was pressed into service, each one carrying the same number of people.

Half way to the picnic ground ten wagons broke down, so it was necessary for each of the remaining wagons to carry one more person.

When they started for home it was discovered that fifteen more wagons were out of commission, so on the return trip there were three persons more in each wagon than when they started out in the morning.

How many people attended the great annual picnic?

Puzzle No 246

The five school children in couples weigh 129 pounds, 125 pounds, 124 pounds, 123 pounds, 122 pounds, 121 pounds, 120 pound, 118 pounds, 116 pounds and 114 pounds on a weighing machine. What was the weight of each one of the five little girls if taken separately?

Solutions to puzzles:

Puzzle No 241:

The Spanish ship goes to Port Said and the French ship carries tea. However, tea can be carried by the Brazilian ship, too.

Puzzle No 242:

6210001000

Puzzle No 243:

15451
15451
15451
15451
15451
15451

92706

Puzzle No 244:

$28 = 1 + 9 + \sqrt{(9) \times 6}$
 $32 = (1/\sqrt{(9)}) \times 96$
 $35 = -19 + (9 \times 6)$
 $38 = 19/(\sqrt{(9)/6})$
 $72 = (1 + \sqrt{(9)}) \times \sqrt{(9) \times 6}$
 $73 = 19 + (9 \times 6)$
 $76 = 1 + (9 \times 9) - 6$
 $77 = -19 + 96$
 $100 = 1 + \sqrt{(9) + 96}$
 $1000 = (1 + 9)^{(9-6)}$

Correct solutions were received from:

Puzzle No 241:

1. Ankit Thakkar
2. Nikita Prabhu
3. Divyansh Saraogi
4. Oshin Kotadia
5. MERCY AMALRAJ
6. Gopal Goel
7. Mayank Patel
8. Dilip S. Anand
9. Shilpi Jain
10. Divya M Balla
11. Bhargavaswaroop
12. Rutwik Naringrekar
13. Prasham Rambhia
14. Siddhi Wadhwa
15. Graham Lyons
16. Hemant Rupani
17. Shrimohan Maheshwari
18. P. Sankaranarayanan

Puzzle No 242:

1. Vishvesh Kumar
2. Ankit Thakkar
3. Nikita Prabhu
4. Divyansh Saraogi
5. MERCY AMALRAJ
6. Gopal Goel
7. Dilip S. Anand
8. Shilpi Jain
9. Parth Vira
10. Rahul Pahuja
11. Bhargavaswaroop

12. Prasham Rambhia
13. Graham Lyons
14. Hemant Rupani
15. Shrimohan Maheshwari
16. Himani Rai
17. Abhishek Dudhwewala
18. Manoj Barbhaya
19. P. Sankaranarayanan

Puzzle No 243:

1. Graham Lyons
2. Mayank Patel
3. Ankit Thakkar
4. Shreya Chhedha
5. Shilpi Jain
6. P. Rajakumar
7. Hemant Rupani
8. Manoj Barbhaya

Puzzle No 244:

1. Graham Lyons
2. Vinod Shelarhikpi
3. Ankit Chhajer
4. Shreya Chhedha
5. Shilpi Jain
6. Siddhi Wadhwa
7. Hemant Rupani
8. Manoj Barbhaya
9. Jagannath Kulkarni

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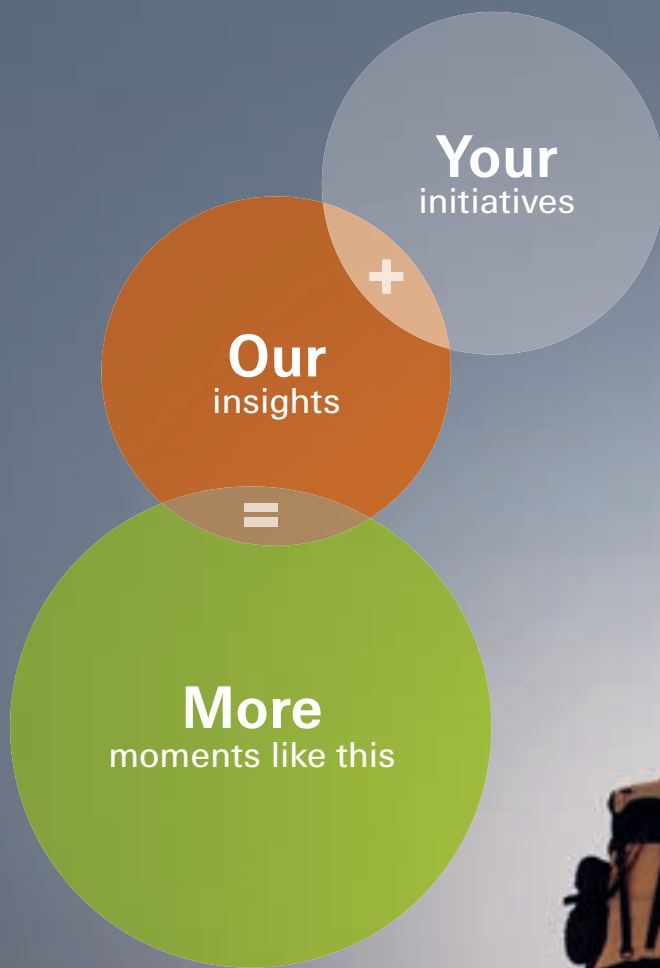
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